2023

City of San José
Federated City Employees' Retirement System

Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2023 and June 30, 2022
Pension and OPEB Trust Funds of the City of San José, CA

CITY OF SAN JOSE

CAPITAL OF SILICON VALLEY

Photo credits

iStock, penfold, serg3d, halbergman

2023

City of San José
Federated City Employees' Retirement Plan

Roberto L. Peña - Chief Executive Officer

Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2023 and June 30, 2022 Pension and OPEB Trust Funds of the City of San José, CA
Pension Trust and Postemployment Healthcare Trust Funds of the City of San José, California

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

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Office of Retirement Services

Federated City Employees' Retirement System

December 15, 2023

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

Dear Mayor, Council Members, and System Members:

On behalf of the Board of Administration, I present the Federated City Employees' Retirement System's (the System) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023.

Over the past fiscal year, the System's time-weighted rate of return, net of investment fees, was 7.4%*, compared to a 7.8% return for its policy benchmark and a 7.6% return for the Investment Metrics universe net median of public funds greater than $1 billion. Additionally, the System earned a time-weighted annualized rate of return, net of investment fees, of 9.8%* and 7.4%* for the three-year and five-year periods ending June 30, 2023, respectively, while the Investment Metrics universe net median earned a time weighted rate of return, net of investment fees of 8.3% and 6.5% for the same periods. The System rate of return for the one-, three- and five-year periods compares favorably with the System's actuarily assumed rate of return (the "discount rate") of 6.625%.

The Healthcare Plan's time-weighted net of investment fees rate of return was 8.1%* for the fiscal year, compared to a 7.6% return for its policy benchmark. In addition, the Healthcare Plan earned a time-weighted net of investment fees rate of return of 6.6%* and 4.7%* for the three-year and five-year periods ending June 30, 2023, respectively. The Healthcare Plan's one- and three-year rates of return compare favorably with the Plan's actuarily assumed rate of return (the "discount rate") of 6.0%.

The System's net position increased from $3,057,148,000 to $3,281,923,000 (see the Financial Section beginning on page 15). The net increase in the System's net position for fiscal year 2022-2023 was $224,775,000.

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

Sincerely,

Spencer Horowitz

Spencer Horowitz, Chair
Board of Administration

* The System's Total Investment Return percentages are unaudited numbers, typically provided by the investment consultant (currently Meketa Investment Group) based on the investment returns calculated by the System's custodian bank. In 2023, the System discovered that certain investment management fees were invoiced outside of, and not originally included in, the custodian bank's calculation of investment performance, covering the period of June 30, 2015, through June 30, 2023. To address this issue, the System engaged Macias Gini & O'Connell LLP to perform specific Agreed-Upon Procedures ("AUP") to tabulate the invoice management fees for their inclusion in recalculated investment performance figures for the period in question ("AUP Report"). The Total Investment Return percentages listed here with an asterisk are based on Macias Gini & O'Connell LLP's recalculated investment performance figures (as reflected in the AUP Report). This represents a more comprehensive total investment return than previously provided by Meketa Investment Group. The AUP Report is included with this ACFR after the "Report on Investment Activity" section on page 82.

This page intentionally left blank

Table of Contents

Table of Contents (continued)

Introductory Section

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

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

City of San José
Federated City Employees' Retirement System
Annual Comprehensive Financial Report for the Fiscal Years Ended
June 30, 2023 and June 30, 2022

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Office of Retirement Services

Federated City Employees' Retirement System

December 15, 2023

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

Dear Trustees:

I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the Federated City Employees' Retirement System (the System) for the fiscal year ended June 30, 2023. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System's management.

This ACFR 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). Transactions of the System are reported on an accrual basis of accounting. For an overview and analysis of the financial activities of the System for the fiscal years ended June 30, 2023 and 2022, please refer to the Management's Discussion and Analysis (MD&A) on page 18.

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

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

I am proud to report that the GFOA awarded its Certificate of Achievement for Excellence in Financial Reporting to the System for its ACFR for the fiscal year ended June 30, 2022. This was the 23rd consecutive year that the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the System must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The System also received the Public Pension Standards Award in recognition of meeting professional standards for plan design and administration by the Public Pension Coordinating Council.

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

Funding

The System's funding objective for both its defined benefit pension plan and its defined benefit other post-employment benefits (OPEB) healthcare plan is to meet long-term benefit obligations through contributions and investment income. As of the most recent actuarial valuation dated June 30, 2022, the funding ratio of the defined benefit pension plan and the defined benefit OPEB plan was 57.0% and 54.0%, respectively, based on the actuarial value of assets.

For the valuation of pension and OPEB benefits, the actuarial assumption for the net rate of return to be earned by the System is currently 6.625% and 6.0% respectively. The impact of the difference between the actual net rate of return earned by the System and the assumption rates will result in an investment gain or loss that will be reflected in the pension and OPEB unfunded liabilities in next year's ACFR, respectively. The net increase in the System's net position for fiscal year 2022-2023 was $224,775,000. Details of the components of this increase are included in the *Statement of Changes in Plan Net Position* on page 31. The defined benefit pension plan's funding progress is presented on page 142 and the defined benefit OPEB plan's funding progress is presented on page 159.

Investment Summary

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

Absolute performance for the System over the fiscal year was positive due to a resurgence in both domestic and international equities along with fixed income providing attractive yields in the latter half of the fiscal year. Over the past fiscal year, the System's time-weighted rate of return, net of investment fees, was 7.4%* for the fiscal year, compared to a 7.8% return for its policy benchmark and a 7.6% return for the Investment Metrics universe net median of public funds greater than $1 billion. Additionally, the System earned a time-weighted rate of return, net of investment fees, of 9.8%* and 7.4%* for the three-year and five-year periods ending June 30, 2023, respectively, while the Investment Metrics universe net median earned a time weighted rate of return, net of investment fees of 8.3% and 6.5% for the same periods.

The System outperformed the actuarially assumed rate of return of 6.625% by 0.845%. Fiscal year 2022-23 saw a significant rebound in the markets overall, especially in the first half of 2023. Both the equity and bond markets experienced a strong positive performance in the first half of 2023. The System captured this positive performance effectively, ultimately slightly underperforming compared to the policy benchmark return by 0.3%.

The System's 0.3% underperformance relative to the policy benchmark was attributable to both investment manager selection decisions and allocation effects, along with the System's lower portfolio volatility compared to the benchmark. The System's emerging markets debt managers contributed to a large proportion of the relative underperformance to the benchmark.

The Healthcare Plan's time-weighted net of investment fees rate of return was 8.1%* on investments for the fiscal year, compared to a 7.6% return for its policy benchmark. In addition, the Healthcare Plan earned a time-weighted net of investment fees rate of return of 6.6%* and 4.7%* for the three-year and five-year periods ending June 30, 2023, respectively.

The net position of the System increased from $3,057,148,000 to $3,281,923,000 (see the Financial Section beginning on page 15).

The Investment Policy Statement for the System has been revised as of September 2023. Notable changes were revisions to the verbiage and changes to the Appendices, but there was no change to the asset allocation.

Major Initiatives

The Investment Program continued to manage portfolio investments and move initiatives forward during the fiscal year. The continuity of the Investment Program is a testament to the human capital and infrastructure that are in place.

During the fiscal year, the Office of Retirement Services (ORS) completed filling the staffing vacancies in all the divisions. In addition, new Board trustees were onboarded.

In October 2017, the City Auditor issued report 17-06, *Audit of Retirement Services: Greater Transparency Needed in the Budgeting Process, Interactions Among Stakeholders, Investment Policies, and Plan Administration*. The report was published with five separate findings which are covered in 25 different recommendations and five of the 25 recommendations are addressed to the City. ORS has addressed and completed all of the recommendations this past fiscal year with the addition of new performance measures in the budget process.

The ORS' Internal Audit Division continues to conduct operational audits in the Benefits, Accounting, Investments and IT divisions as part of the Five-Year Internal Audit Plan. This has resulted in numerous recommendations to improve the efficiency of the operations of ORS, some of which have already been implemented and some of which ORS continues to work on.

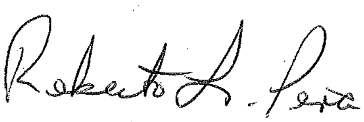
With the resurgence of pre-COVID life, ORS has also seen the return of the in-person Open Enrollment Health Fair for retirees. Open Enrollment for 2023 consisted of receipt of 795 change requests, up from 553 in the previous year. There were 368 Health in Lieu re-enrollment requests and 118 Anthem, 85 Kaiser, 92 Delta, and 132 VSP enrollment requests processed. More than half of the requests were submitted directly through the member portal, MemberDirect.

Last year saw an escalation of the municipal code “Medicare Mandate” compliance enforcement efforts to transition Medicare eligible retirees and dependents from non-Medicare health plans to Medicare health plans. Staff identified 134 members aged 65 and older who were out of compliance with the Medicare Mandate. Staff mailed compliance notifications to affected members and continued efforts to contact all members on the list to assist them with their transition into an ORS offered Medicare plan. This effort resulted in identifying 11 members who were exempt, 95 members who were successfully transitioned to Medicare and 28 members whose healthcare was terminated for non-compliance. Staff continues to work with the remaining few who lost their health coverage.

Conclusion

I would like to take this opportunity to thank the members of the System for their patience and confidence in the ORS staff, whose dedication, commitment to the System and diligent work helped to ensure the System's continued success 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, as well as the consultants.

Respectfully Submitted,



Roberto L. Peña
Chief Executive Officer
Office of Retirement Services

* The System’s Total Investment Return percentages are unaudited numbers, typically provided by the investment consultant (currently Meketa Investment Group) based on the investment returns calculated by the System’s custodian bank. In 2023, the System discovered that certain investment management fees were invoiced outside of, and not originally included in, the custodian bank’s calculation of investment performance, covering the period of June 30, 2015 through June 30, 2023. To address this issue, the System engaged Macias Gini & O’Connell LLP to perform specific Agreed-Upon Procedures ("AUP") to tabulate the invoice management fees for their inclusion in recalculated investment performance figures for the period in question (“AUP Report”). The Total Investment Return percentages listed here with an asterisk are based on Macias Gini & O’Connell LLP’s recalculated investment performance figures (as reflected in the AUP Report). This represents a more comprehensive total investment return than previously provided by Meketa Investment Group. The AUP Report is included with this ACFR after the “Report on Investment Activity” section on page 82.

Certificate of Achievement for Excellence in Financial Reporting

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San José Federated City Employees' Retirement System California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

Certificate for Meeting Professional Standards in Public Pensions

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2022

Presented to

City of San José Federated
City Employees' Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle

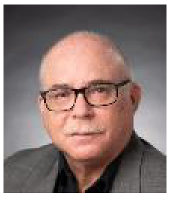
Alan H. Winkle
Program Administrator

Board of Administration, Administration, and Outside Consultants

BOARD OF ADMINISTRATION

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

As of June 30, 2023, the members of the Board were as follows:



SPENCER HOROWITZ, CHAIR
Public member appointed to the Board August 2019. His current term expires November 30, 2024

JULIE JENNINGS, VICE CHAIR
Employee representative appointed to the Board January 2020. Her current term expires November 30, 2023

ANURAG CHANDRA, TRUSTEE
Public member appointed to the Board December 2016. His current term expires November 30, 2026.

DEBORAH ABBOTT, TRUSTEE
Public member appointed to the Board May 2023. Her current term expires November 30, 2026.

MATTHEW FAULKNER, TRUSTEE
Public member appointed to the Board June 2023. His current term expires November 30, 2027.

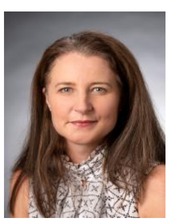
MARK LINDER, TRUSTEE
Federated retiree representative appointed to the Board January 2022. His current term expires November 30, 2024.

PRACHI AVASTHY, TRUSTEE
Employee representative appointed to the Board April 2022. Her current term expires November 30, 2025.

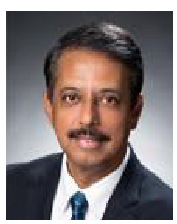
DEVORA “DEV” DAVIS CITY COUNCIL LIAISON TO THE BOARD
Non-voting member appointed to the Board March 2017

OFFICE OF RETIREMENT SERVICES ADMINISTRATION

ROBERTO L. PEÑA, DIRECTOR CHIEF EXECUTIVE OFFICER



BARBARA HAYMAN, DEPUTY DIRECTOR CHIEF OPERATIONS OFFICER



PRABHU PALANI, CHIEF INVESTMENT OFFICER

STANDING PUBLIC MEETINGS

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

Agendas for all public meetings are posted on the bulletin board at City Hall and on the department’s website at https://www.sjretirement.com/Event/44416/Federated-Board-Meeting/event-details/ or they can be obtained from the Retirement Office at 1737 North First Street, Suite 600, San José, CA 95112. Meeting times and locations are subject to change; please call our office at (408) 794-1000 for current information.

Board of Administration, Administration, and Outside Consultants *(continued)*

OUTSIDE CONSULTANTS

ACTUARY
Cheiron, Inc.
Encinitas, CA

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

DOMESTIC RELATIONS ORDER AND DISABILITY COUNSEL
Saltzman & Johnson Law Corporation
Alameda, CA

GENERAL & FIDUCIARY COUNSEL
Reed Smith LLP
San Francisco, CA

INVESTMENT COUNSEL
Hanson Bridgett LLP
San Francisco, CA

Reed Smith LLP
San Francisco, CA

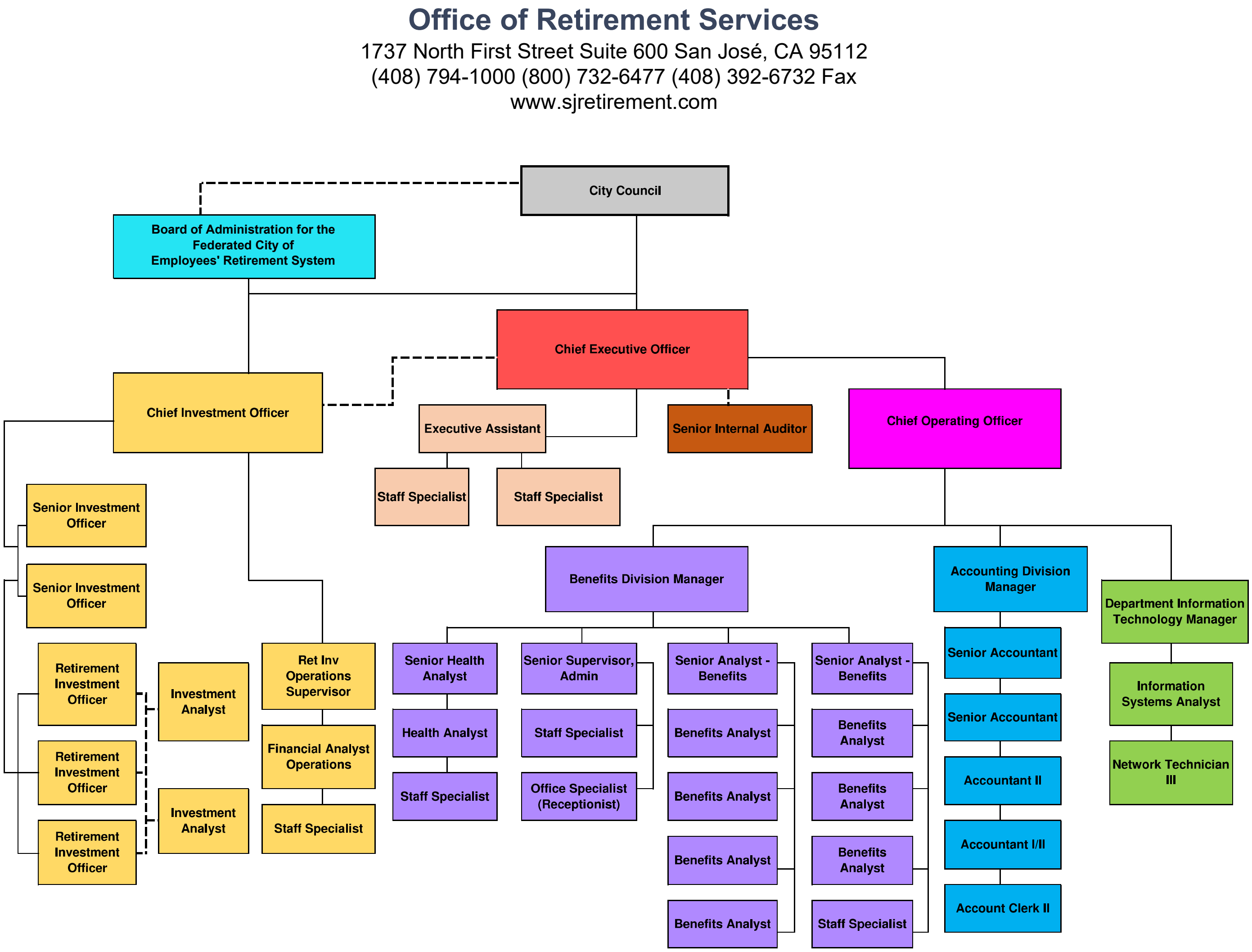
INVESTMENT CONSULTANTS
Albourne America LLC – Absolute Return
San Francisco, CA

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

Verus Advisory Inc. – Risk Advisory
Seattle, WA

TAX COUNSEL
Ice Miller LLP
Indianapolis, IN

2023 Office of Retirement Services Organizational Chart



A list of investment professionals who provide services for the pension and healthcare trusts can be found on page 116 of the Investment Section of this report. The Schedule of Investment Fees and Schedule of Commissions can be found on pages 126 and 127, respectively.

Financial Section

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

City of San José
Federated City Employees' Retirement System
Annual Comprehensive Financial Report for the Fiscal Years Ended
June 30, 2023 and June 30, 2022

MGO. Certified Public Accountants

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the City of San José Federated City Employees' Retirement System (System), a pension trust fund and postemployment healthcare fund of the City of San José, California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2023, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Prior Period Financial Statements

The financial statements of the System as of and for the year ended June 30, 2022, were audited by other auditors whose report dated November 3, 2022, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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, schedule of changes in employer's net OPEB liability and related ratios – postemployment healthcare plan, schedule of investment returns – postemployment healthcare plan, schedule of employer contributions – postemployment healthcare plan, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The combining schedule of defined benefit pension plan net position, combining schedule of changes in defined benefit pension plan net position, schedules of administrative expenses and other, schedules of payments to consultants, and schedules of investment expenses (other supplemental information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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, including comparing and reconciling such 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, actuarial, and statistical sections of the Annual Comprehensive Financial Report but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2023, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 3, 2023

Management's Discussion and Analysis **(unaudited)**

December 15, 2023

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

The Office of Retirement Services is pleased to provide this overview and analysis of the financial activities of the Federated City Employees' Retirement System (the System) for the fiscal years ended June 30, 2023 and 2022. The System, consisting of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan, was established to provide retirement benefits for eligible non-sworn employees of the City of San José (City). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which begins on page 5 of this report, and in the financial section which follows this discussion.

Financial Highlights for Fiscal Year 2023

As of June 30, 2023, the System had $3,281,923,000 in plan net position restricted for pension benefits and postemployment healthcare benefits. Plan net position of $2,907,315,000 restricted for pension benefits is available to meet the System's ongoing obligations to plan participants and their beneficiaries. The Postemployment Healthcare Plan's net position of $374,608,000 is available for the exclusive use of retiree medical benefits.

- The System's total plan net position held in trust for pension benefits and postemployment healthcare benefits increased during the fiscal year ended June 30, 2023 by $224,775,000 or 7.4% from the prior fiscal year, primarily as a result of the appreciation in the fair value of investments caused by the strong returns in public equity and high yield bonds.

Additions to plan net position during the fiscal year ended June 30, 2023 were $509,208,000, which includes employer and employee contributions of $222,437,000 and $40,402,000, respectively, and net investment income of $246,369,000. This represents an increase of $446,909,000 or 717.4% of total additions from the prior fiscal year amount of $62,299,000.

- Deductions from plan net position for fiscal year ended June 30, 2023 increased by $10,329,000 from $274,104,000 to $284,433,000 over the prior fiscal year, or approximately 3.8%, due to an increase in retirement benefit payments. The increase in retirement benefit payments was attributable to an increased number of retired members and beneficiaries as well as cost-of-living adjustments.

Overview of the Financial Statements

The System's financial statements, notes to the financial statements, required supplementary and other supplemental information for the year ended June 30, 2023, 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). The following discussion and analysis are intended to serve as an introduction to the System's financial statements, which are comprised of these components:

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

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

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

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

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

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

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

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements (see *Notes to Basic Financial Statements* beginning on page 33 of this report).

Required Supplementary Information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning employer contributions and the System's progress in funding its obligations to provide pension and other postemployment healthcare benefits to members and beneficiaries (see Required Supplementary Information beginning on page 66 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 System'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, Combining Schedules of Other Postemployment Plan Net Position* and *Changes in Other Postemployment 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 System's financial position (see Tables 1a and 1c on pages 20 - 21). At the close of fiscal years 2023 and 2022, the System's total assets exceeded the System's total liabilities. The System's financial statements do not include the total pension liability or the total OPEB liability for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively.

The Pension System's net position as a percentage of the total pension liability and the Postemployment Healthcare Plan's total OPEB liability should also be considered when evaluating the System's financial health. Based on the June 30, 2022 actuarial valuation rolled forward to June 30, 2023, the net position of the Defined Benefit Pension Plan was 59.5% of the total pension liability, and the net position of the Other Postemployment Employee Benefit Plan was 56.3%. For more information on the results and impact of the June 30, 2022 actuarial valuations, please see Notes 4 and 5 to the financial statements beginning on page 56.

NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 1a)
As of June 30, 2023 and 2022 (Dollars in thousands)

	2023	2022	Increase / Decrease Amount	Increase / Decrease Percent
Receivables	$ 18,233	$ 61,929	$ (43,696)	(70.6)%
Investments at fair value	2,920,184	2,671,917	248,267	9.3%
Other assets, net	2,645	3,186	(541)	(17.0)%
Total Assets	**2,941,062**	**2,737,032**	**204,030**	**7.5%**
Current liabilities	33,747	29,005	4,742	16.3%
Total Liabilities	**33,747**	**29,005**	**4,742**	**16.3%**
Plan Net Position	**$ 2,907,315**	**$ 2,708,027**	**$ 199,288**	**7.4%**

NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 1b)
As of June 30, 2022 and 2021 (Dollars in thousands)

	2022	2021	Decrease Amount	Decrease Percent
Receivables	$ 61,929	$ 75,363	$ (13,434)	(17.8)%
Investments at fair value	2,671,917	2,835,604	(163,687)	(5.8)%
Other assets, net	3,186	3,682	(496)	(13.5)%
Total Assets	**2,737,032**	**2,914,649**	**(177,617)**	**(6.1)%**
Current liabilities	29,005	30,304	(1,299)	(4.3)%
Total Liabilities	**29,005**	**30,304**	**(1,299)**	**(4.3)%**
Plan Net Position	**$ 2,708,027**	**$ 2,884,345**	**$ (176,318)**	**(6.1)%**

NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLAN (Table 1c)

As of June 30, 2023 and 2022 (Dollars in thousands)

	2023	2022	Increase / Decrease Amount	Increase / Decrease Percent
Receivables	$ 2,971	$ 14,738	$ (11,767)	(79.8)%
Investments at fair value	374,248	337,262	36,986	11.0 %
Other assets, net	106	176	(70)	(39.8)%
Total Assets	**377,325**	**352,176**	**25,149**	**7.1 %**
Current liabilities	2,717	3,055	(338)	(11.1)%
Total Liabilities	**2,717**	**3,055**	**(338)**	**(11.1)%**
Plan Net Position	**$ 374,608**	**$ 349,121**	**$ 25,487**	**7.3 %**

NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLAN (Table 1d)

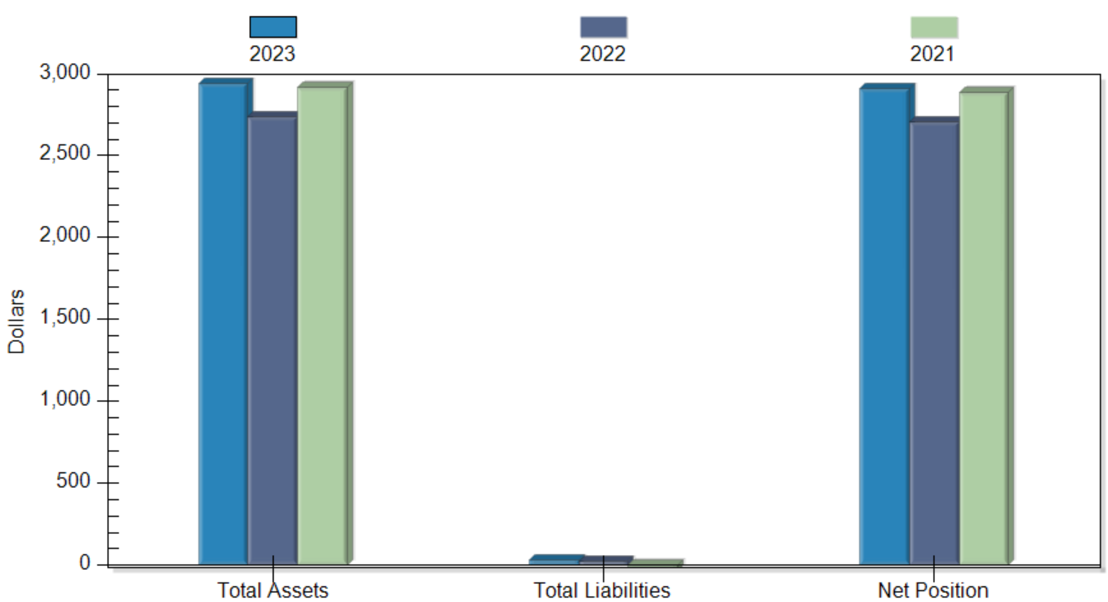
As of June 30, 2022 and 2021 (Dollars in thousands)

	2022	2021	Decrease Amount	Decrease Percent
Receivables	$ 14,738	$ 76,743	$ (62,005)	(80.8)%
Investment at fair value	337,262	379,979	(42,717)	(11.2)%
Other assets, net	176	243	(67)	(27.6)%
Total Assets	**352,176**	**456,965**	**(104,789)**	**(22.9)%**
Current liabilities	3,055	72,357	(69,302)	(95.8)%
Total Liabilities	**3,055**	**72,357**	**(69,302)**	**(95.8)%**
Plan Net Position	**$ 349,121**	**$ 384,608**	**$ (35,487)**	**(9.2)%**

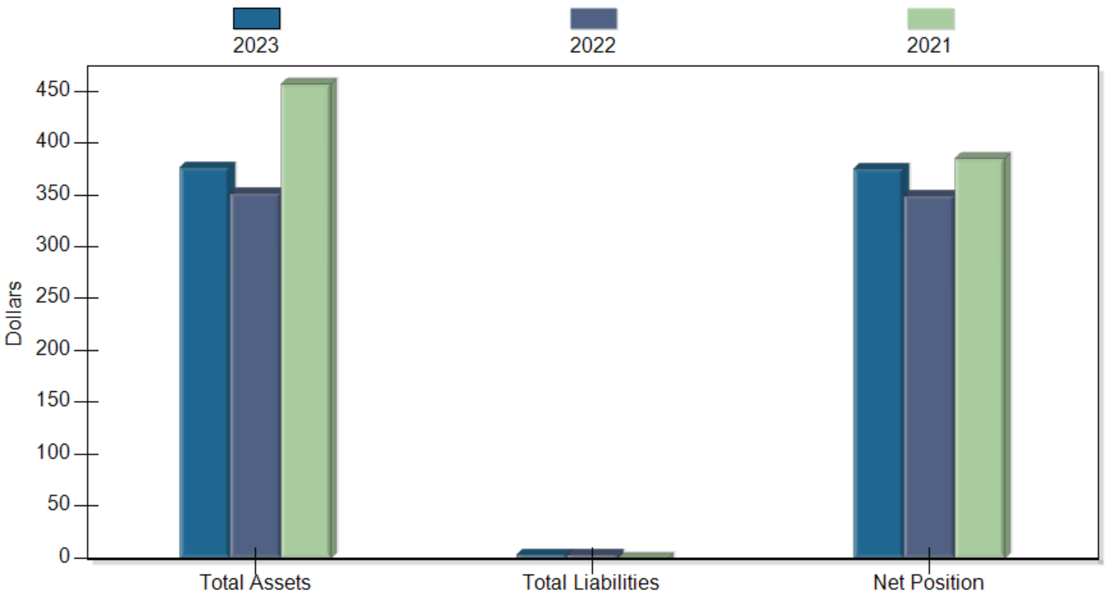
DEFINED BENEFIT PENSION PLAN NET POSITION (Tables 1a and 1b)

As of June 30, 2023, 2022 and 2021

(Dollars in millions)



POSTEMPLOYMENT HEALTHCARE PLAN NET POSITION (Tables 1c and 1d)
As of June 30, 2023, 2022 and 2021
(Dollars in millions)



As of June 30, 2023, $2,907,315,000 and $374,608,000, in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1a and 1c on pages 20 - 21). Plan net position restricted for pension benefits of $2,907,315,000 is available to meet the System's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of $374,608,000 is available for the exclusive use of retiree medical benefits.

As of June 30, 2023, total net position restricted for pension benefits and for the postemployment healthcare benefits increased by 7.4% and 7.3% from the prior year, primarily due to the net appreciation in the fair value of investments of $196,661,000 and $16,895,000 for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively. The appreciation in the fair value of investments was caused by the strong returns in public equities and high-yield bonds during the fiscal year. The System's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 43.

As of June 30, 2022, $2,708,027,000 and $349,121,000, in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1b and 1d on pages 20 - 21). Plan net position restricted for pension benefits of $2,708,027,000 was available to meet the System's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of $349,121,000 was available for the exclusive use of retiree medical benefits.

As of June 30, 2022, total net position restricted for pension benefits and for the postemployment healthcare benefits decreased by (6.1)% and (9.2)% from the prior year, primarily due to the net depreciation in the fair value of investments $(177,677,000) and $(44,684,000) for the Defined Benefit Pension Plan, and for the Postemployment Healthcare Plan, respectively. The depreciation in the fair value of investments was caused by the severe downturn in public equities and bonds during the second half of the fiscal year. The System's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 43.

As of June 30, 2023, receivables decreased by $(43,696,000) or (70.6)% and by $(11,767,000) or (79.8)% in the Defined Benefit Pension Plan and Postemployment Healthcare Plan, respectively. Receivables in the Defined Benefit Pension Plan and Postemployment Healthcare Plan decreased mainly due to a decrease in receivables from brokers and other and accrued investment income receivables. In the previous year, receivables decreased by ($13,434,000) or (17.8%) and by $(62,005,000) or (80.8)% for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively, due to a decrease in receivables from brokers and others and accrued investment income's timing of trades.

As of June 30, 2023, liabilities increased by $4,742,000 or 16.3% for the Defined Benefit Pension Plan, and decreased $(338,000) or (11.1)% for the Postemployment Healthcare Plan, due to the timing of trades. In the previous year, liabilities for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan decreased by ($1,299,000) or (4.3)% and $(69,302,000) or (95.8)%, respectively, from the prior year due to a decrease in payables to brokers' timing of trades.

FEDERATED SYSTEM ACTIVITIES

In the fiscal year ended June 30, 2023, the System’s combined Defined Benefit Pension Plan and Postemployment Healthcare Plan net position increased by $224,775,000 or 7.4%, primarily due to the strong returns in public equity and high-yield bonds during the fiscal year which led to the System earning significant investment gains. Key elements of the System’s financial activities are described in the sections that follow.

Additions to Plan Net Position

The assets needed to fund retirement benefits are accumulated through the collection of employer and employee contributions along with earnings on investments (net of investment expense). Total Additions to the Defined Benefit Pension Plan and Postemployment Healthcare Plan for the fiscal year ended June 30, 2023, were $452,102,000 and $57,106,000, respectively (see Tables 2a and 2c on pages 24 - 25).

For the fiscal year ended June 30, 2023, total additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plan increased by $386,169,000 or 585.7% and $60,740,000 or 1,671.4%, respectively. The primary cause of the increase from the prior year in the Defined Benefit Pension Plan and the Postemployment Healthcare Plan was due to the increase in net investment income of $391,230,000 and $62,554,000, respectively, due to the strong returns from public equity and high-yield bonds during the fiscal year.

The System’s time-weighted rate of return, net of investment fee, as determined by the System’s investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2023 for the Defined Benefit Pension Plan, was 7.4%* compared to (4.5)%* for fiscal year 2022.

For the fiscal year ended June 30, 2022, total additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plan decreased by $(842,363,000) or (92.7)%, and $(117,505,000), or (103.2)%, respectively. The primary cause of the decrease from the prior year in the Defined Benefit Pension Plan and the Postemployment Healthcare Plan was due to the decrease in net investment income of $(867,737,000) and $(115,646,000), respectively, due to the severe market downturn during the second half of the fiscal year.

The System’s time-weighted rate of return, net of investment fee, as determined by the System’s investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2022 for the Defined Benefit Pension Plan, was (4.5)%* compared to 29.2%* for fiscal year 2021.

Deductions from Plan Net Position

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

Deductions for the fiscal year ended June 30, 2023, totaled $252,814,000 and $31,619,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plan, respectively. Deductions for the Defined Benefit Pension Plan increased by $10,563,000 or 4.4% from the previous year due to an increase in benefit payments (see Table 2a on page 24). The increase in benefit payments is primarily due to continued increases in the number of retirees and beneficiaries with higher final average salaries and added cost of living adjustments. Deductions for the Postemployment Healthcare Plan decreased by $(234,000) or (0.7%) from the previous year primarily due to the decrease in healthcare insurance premiums. (see Table 2c on page 25).

Deductions for the fiscal year ended June 30, 2022, totaled $242,251,000 and $31,853,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plan, respectively. Deductions for the Defined Benefit Pension Plan increased $10,283,000 or 4.4% from the previous year due to an increase in benefit payments. The increase in benefit payments is primarily due to continued increases in the number of retirees and beneficiaries with higher final average salaries and added cost of living adjustments. (see Table 2b on page 25). Deductions for the Postemployment Healthcare Plan decreased by $(720,000) or (2.2%) from the previous year primarily due to the decrease in healthcare insurance premiums. (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, 2023 and 2022 (Dollars in thousands)

	2023	2022	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 30,561	$ 27,464	$ 3,097	11.3 %
Employer contributions	199,440	207,598	(8,158)	(3.9)%
Net investment income / (loss) [1]	222,101	(169,129)	391,230	(231.3)%
Total Additions	**452,102**	**65,933**	**386,169**	**585.7 %**
Retirement benefits	228,530	219,497	9,033	4.1 %
Death benefits	17,213	16,373	840	5.1 %
Refund of contributions	1,613	1,403	210	15.0 %
Administrative expenses	5,458	4,978	480	9.6 %
Total Deductions	**252,814**	**242,251**	**10,563**	**4.4 %**
Net Increase / (Decrease) in Plan Net Position	**199,288**	**(176,318)**	**375,606**	**213.0 %**
Beginning Net Position	**2,708,027**	**2,884,345**	**(176,318)**	**(6.1)%**
Ending Net Position	**$ 2,907,315**	**$ 2,708,027**	**$ 199,288**	**7.4 %**

[1] *Net of investment expenses of $11,454 and $9,696 in 2023 and 2022, respectively.*

CHANGES IN PLAN NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 2b)

For the Fiscal Years Ended June 30, 2022 and 2021 (Dollars in thousands)

	2022	2021	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 27,464	$ 25,724	$ 1,740	6.8 %
Employer contributions	207,598	183,964	23,634	12.8 %
Net investment (loss) / income [1]	(169,129)	698,608	(867,737)	(124.2)%
Total Additions	**65,933**	**908,296**	**(842,363)**	**(92.7)%**
Retirement benefits	219,497	210,351	9,146	4.3 %
Death benefits	16,373	15,641	732	4.7 %
Refund of contributions	1,403	1,214	189	15.6 %
Administrative expenses	4,978	4,762	216	4.5 %
Total Deductions	**242,251**	**231,968**	**10,283**	**4.4 %**
Net (Decrease) / Increase in Plan Net Position	**(176,318)**	**676,328**	**(852,646)**	**(126.1)%**
Beginning Net Position	**2,884,345**	**2,208,017**	**676,328**	**30.6 %**
Ending Net Position	**$ 2,708,027**	**$ 2,884,345**	**$ (176,318)**	**(6.1)%**

[1] *Net of investment expenses of $9,696 and $8,348 in 2022 and 2021, respectively.*

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

For the Fiscal Years Ended June 30, 2023 and 2022 (Dollars in thousands)

	2023	2022	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Employee contributions	$ 9,841	$ 9,865	$ (24)	(0.2)%
Employer contributions	22,997	24,787	(1,790)	(7.2)%
Net investment income / (loss)[1]	24,268	(38,286)	62,554	163.4 %
Total Additions	**57,106**	**(3,634)**	**60,740**	**1,671.4 %**
Healthcare insurance premiums	30,869	31,088	(219)	(0.7)%
Administrative expenses	750	765	(15)	(2.0)%
Total Deductions	**31,619**	**31,853**	**(234)**	**(0.7)%**
Net Increase / (Decrease) in Plan Net Position	**25,487**	**(35,487)**	**60,974**	**171.8 %**
Beginning Net Position	**349,121**	**384,608**	**(35,487)**	**(9.2)%**
Ending Net Position	**$ 374,608**	**$ 349,121**	**$ 25,487**	**7.3 %**

[1] *Net of investment expenses of $365 and $572 in 2023 and 2022, respectively.*

CHANGES IN PLAN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLAN (Table 2d)
For the Fiscal Years Ended June 30, 2022 and 2021 (Dollars in thousands)

	2022	2021	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Employee contributions	$ 9,865	$ 10,275	$ (410)	(4.0)%
Employer contributions	24,787	26,236	(1,449)	(5.5)%
Net investment (loss) / income [1]	(38,286)	77,360	(115,646)	(149.5)%
Total Additions	**(3,634)**	**113,871**	**(117,505)**	**(103.2)%**
Healthcare insurance premiums	31,088	31,871	(783)	(2.5)%
Administrative expenses	765	697	68	9.8 %
VEBA transfer	-	5	(5)	(100.0)%
Total Deductions	**31,853**	**32,573**	**(720)**	**(2.2)%**
Net (Decrease) / Increase in Plan Net Position	**(35,487)**	**81,298**	**(116,785)**	**(143.7)%**
Beginning Net Position	**384,608**	**303,310**	**81,298**	**26.8 %**
Ending Net Position	**$ 349,121**	**$ 384,608**	**$ (35,487)**	**(9.2)%**

[1] *Net of investment expenses of $572 and $582 in 2022 and 2021, respectively.*

Reserves

The System is required by the City of San José Municipal Code to establish various reserves in the System's net position. The System's net position is allocated between the Defined Benefit Pension Plan (which includes the Retirement Fund and the Cost-of-Living Fund) and the Postemployment Healthcare Plan (which consists of the 115 Trust). The Defined Benefit Pension Plan Retirement Fund and the Defined Benefit Pension Plan Cost-of-Living Fund both have a General Reserve and Employee Contributions Reserve. The Postemployment Healthcare 115 Funds have a General Reserve only (see table on page 46 for a complete listing and year-end balances of the System's reserves). The 401(h) reserves were depleted as of November 2019.

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

With the implementation of Measure F, a medical in-lieu component of the General Reserves was created to account for those members who elected to be in the medical-in-lieu credit program. These members are retirees who are eligible for medical insurance and/or dental insurance but who opt not to take it and instead elect to be in the in-lieu credit program. These members are given credits worth 25% of the lowest cost plan, which can be used in future years if the retiree opts to enroll in a City medical or dental plan. See Note 2 of the financial statements for additional information.

The System's Fiduciary Responsibilities

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

Economic Factors and Rates Affecting Next Year

The System's actuarial valuations as of June 30, 2022, were used to determine the contribution rates and dollar amounts effective June 25, 2023 for fiscal year 2023-2024. The annual determined contribution rates and dollar amounts were adopted by the Board in April 2023. The June 30, 2022 actuarial valuations include Board-adopted actuarial assumption changes recommended by the System's actuary in the June 30, 2022 Preliminary Valuation Results Review presented in November and December 2022.

The Investment Policy Statement for the System has been revised as of September 2023. Notable changes were revisions to the verbiage and changes to the Appendices, but there was no change to the asset allocation.

Defined Benefit Pension Plan

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuarial valuation for funding purposes uses a five-year smoothing method for investment gains and losses. This means that the current year's gains or losses compared to the actuarially assumed rate of return, as calculated at year-end, are recognized over five years. The unfunded actuarial liability (UAL) of $2,041.0 million, as of June 30, 2022, does not include the impact of approximately $1.9 million of net deferred investment losses yet to be recognized, primarily resulting from unfavorable investment returns during fiscal years 2022. 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 System is exposed to general investment market risk. In a pension plan context, this is the risk that the long-term rate of return earned on the pension plan assets could be below the actuarially assumed rate of return, which is 6.625%, net of investment expenses, in the actuarial valuation as of June 30, 2022. With all other actuarial variables being equal, underperforming the assumed rate of return would increase the UAL and decrease the funded status of the System, thereby increasing required contributions to the System. Conversely, with all other actuarial variables being equal, overperforming the assumed rate of return would decrease the UAL and increase the funded status of the System, thereby decreasing required contributions to the System.

In addition to investment market risk, the System is exposed to non-economic or demographic risk. The demographic assumptions, which include rates of termination, retirement, disability and mortality, are often unique to the System's provisions and the specific demographics of the System participants. Deviations from these actuarial assumptions cause the System to experience gains or losses, which in turn can lead to volatility in the contribution rates. To minimize this risk, every two to five years, the System's actuary conducts an experience study to assess whether the experience of the System 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 no changes to the June 30, 2022 actuarial valuation as a result of the economic assumptions review presented in October 2022. The assumed price inflation was updated for the June 30, 2022 valuation. See Actuarial section for the effects of these changes.

Contribution rates for fiscal year 2023-2024, as determined by the June 30, 2022 actuarial valuation, includes the impact of the items stated above and the recognition of smoothed deferred investment gains and losses.

Postemployment Healthcare Plan

The Measure F Framework became effective as of June 16, 2017. A Voluntary Employee Beneficiary Association (VEBA) for retiree healthcare was created and Tier 1 and some Tier 2 members were eligible for an irrevocable opt-out of the defined benefit retiree healthcare plan. The VEBA opt-in election period was October 18, 2017 through December 15, 2017, and the healthcare contributions of members who opted in to the VEBA was transferred out of the Postemployment Healthcare Plan in

March 2018. The IRS approved allowing eligible employees who are rehired into the City from calendar years 2018 through 2022 to opt-in to the VEBA if they were not employed during the initial opt-in period.

Historically, member and City contributions to the System have been negotiated through collective bargaining and have not been actuarially determined. With the implementation of Measure F, member contributions were fixed at 7.5% of pay; the City's contribution toward the explicit subsidy (or premium subsidy) is actuarially determined; and the City also pays the implicit subsidy (difference between the expected claims cost for a retiree or spouse and the total (retiree plus City) premium) on a pay-as you-go basis as part of active health premiums. In addition, the City has an option to limit its contribution for the explicit subsidy to 14% of payroll.

In March 2018, the Board approved the contribution policy that sets the City health care contributions for Tier 1 members as a flat dollar amount, beginning with fiscal year 2019.

Requests for Information

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

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

Respectfully Submitted,

Roberto L. Peña
Chief Executive Officer
Office of Retirement Services

* The System's Total Investment Return percentages are unaudited numbers, typically provided by the investment consultant (currently Meketa Investment Group) based on the investment returns calculated by the System's custodian bank. In 2023, the System discovered that certain investment management fees were invoiced outside of, and not originally included in, the custodian bank's calculation of investment performance, covering the period of June 30, 2015 through June 30, 2023. To address this issue, the System engaged Macias Gini & O'Connell LLP to perform specific Agreed-Upon Procedures ("AUP") to tabulate the invoice management fees for their inclusion in recalculated investment performance figures for the period in question ("AUP Report"). The Total Investment Return percentages listed here with an asterisk are based on Macias Gini & O'Connell LLP's recalculated investment performance figures (as reflected in the AUP Report). This represents a more comprehensive total investment return than previously provided by Meketa Investment Group. The AUP Report is included with this ACFR after the "Report on Investment Activity" section on page 82.

STATEMENTS OF PLAN NET POSITION

As of June 30, 2023 and 2022 (In Thousands)

	2023		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total
ASSETS			
Receivables			
Employee contributions	$ 520	$ 159	$ 679
Employer contributions	5,603	284	5,887
Brokers and others	7,770	2,134	9,904
Accrued investment income	4,340	394	4,734
Total Receivables	**18,233**	**2,971**	**21,204**
Investments, at fair value			
Securities and other:			
Public equity	1,335,443	224,221	1,559,664
Private equity	390,509	-	390,509
Core real estate	151,393	48,156	199,549
Investment grade bonds	123,724	50,521	174,245
Immunized cash flows	161,586	-	161,586
Growth real estate	119,947	-	119,947
Emerging market bonds	110,305	-	110,305
Private debt	102,833	-	102,833
Market neutral strategies	90,110	-	90,110
Cash and cash equivalents	81,186	3,113	84,299
Long-term government bonds	56,500	17,521	74,021
Private real assets	67,767	-	67,767
Treasury inflation-protected securities	56,954	-	56,954
High yield bonds	56,207	-	56,207
Commodities	-	17,534	17,534
Venture / Growth capital	15,720	-	15,720
Short-term investment grade bonds	-	13,182	13,182
Total Investments	**2,920,184**	**374,248**	**3,294,432**
Other assets, net	2,645	106	2,751
TOTAL ASSETS	**2,941,062**	**377,325**	**3,318,387**
LIABILITIES			
Payable to brokers	30,341	375	30,716
Other liabilities	3,406	2,342	5,748
TOTAL LIABILITIES	**33,747**	**2,717**	**36,464**
PLAN NET POSITION - RESTRICTED FOR			
Pension benefits	2,907,315	-	2,907,315
Postemployment healthcare benefits	-	374,608	374,608
TOTAL PLAN NET POSITION	**$ 2,907,315**	**$ 374,608**	**$ 3,281,923**

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

Basic Financial Statements *(continued)*

STATEMENTS OF PLAN NET POSITION (continued)

As of June 30, 2023 and 2022 (In Thousands)

	2022		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total
ASSETS			
Receivables			
Employee contributions	$ 1,451	$ 496	$ 1,947
Employer contributions	12,341	976	13,317
Brokers and others	44,796	12,916	57,712
Accrued investment income	3,341	350	3,691
Total Receivables	**61,929**	**14,738**	**76,667**
Investments, at fair value			
Securities and other:			
Public equity	1,233,117	192,076	1,425,193
Private equity	365,199	-	365,199
Investment grade bonds	236,442	49,723	286,165
Core real estate	131,894	44,658	176,552
Growth real estate	101,938	-	101,938
Private debt	86,401	-	86,401
Market neutral strategies	85,780	-	85,780
Emerging market bonds	83,707	-	83,707
Immunized cash flows	68,748	-	68,748
Long-term government bonds	49,904	17,795	67,699
Cash and cash equivalents	56,889	3,425	60,314
Treasury inflation-protected securities	56,963	-	56,963
High yield bonds	51,453	-	51,453
Private real assets	49,534	-	49,534
Commodities	-	16,813	16,813
Venture / Growth capital	13,948	-	13,948
Short-term investment grade bonds	-	12,772	12,772
Total Investments	**2,671,917**	**337,262**	**3,009,179**
Other assets, net	3,186	176	3,362
TOTAL ASSETS	**2,737,032**	**352,176**	**3,089,208**
LIABILITIES			
Payable to brokers	25,507	338	25,845
Other liabilities	3,498	2,717	6,215
TOTAL LIABILITIES	**29,005**	**3,055**	**32,060**
PLAN NET POSITION - RESTRICTED FOR			
Pension benefits	2,708,027	-	2,708,027
Postemployment healthcare benefits	-	349,121	349,121
TOTAL PLAN NET POSITION	**$ 2,708,027**	**$ 349,121**	**$ 3,057,148**

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

STATEMENTS OF CHANGES IN PLAN NET POSITION

For the Fiscal Years Ended June 30, 2023 and 2022 (In Thousands)

	2023		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total
ADDITIONS			
Contributions:			
Employee	$ 30,561	$ 9,841	$ 40,402
Employer	199,440	22,997	222,437
Total Contributions	**230,001**	**32,838**	**262,839**
Investment income			
Net appreciation in fair value of investments	196,661	16,895	213,556
Interest income	29,616	2,037	31,653
Dividend income	7,278	5,701	12,979
Less: investment expense	(11,454)	(365)	(11,819)
Net Investment Income	**222,101**	**24,268**	**246,369**
TOTAL ADDITIONS	**452,102**	**57,106**	**509,208**
DEDUCTIONS			
Retirement benefits	228,530	-	228,530
Healthcare insurance premiums	-	30,869	30,869
Death benefits	17,213	-	17,213
Refund of contributions	1,613	-	1,613
Administrative expenses and other	5,458	750	6,208
TOTAL DEDUCTIONS	**252,814**	**31,619**	**284,433**
NET INCREASE	**199,288**	**25,487**	**224,775**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS			
BEGINNING OF YEAR	**2,708,027**	**349,121**	**3,057,148**
END OF YEAR	**$ 2,907,315**	**$ 374,608**	**$ 3,281,923**

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

STATEMENTS OF CHANGES IN PLAN NET POSITION (continued)

For the Fiscal Years Ended June 30, 2023 and 2022 (In Thousands)

	2022		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total
ADDITIONS			
Contributions:			
Employee	$ 27,464	$ 9,865	$ 37,329
Employer	207,598	24,787	232,385
Total Contributions	**235,062**	**34,652**	**269,714**
Investment income			
Net depreciation in fair value of investments	(177,677)	(44,684)	(222,361)
Interest income	10,019	1,695	11,714
Dividend income	8,225	5,275	13,500
Less: investment expense	(9,696)	(572)	(10,268)
Net Investment Loss	**(169,129)**	**(38,286)**	**(207,415)**
TOTAL ADDITIONS	**65,933**	**(3,634)**	**62,299**
DEDUCTIONS			
Retirement benefits	219,497	-	219,497
Healthcare insurance premiums	-	31,088	31,088
Death benefits	16,373	-	16,373
Refund of contributions	1,403	-	1,403
Administrative expenses and other	4,978	765	5,743
TOTAL DEDUCTIONS	**242,251**	**31,853**	**274,104**
NET DECREASE	**(176,318)**	**(35,487)**	**(211,805)**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS			
BEGINNING OF YEAR	**2,884,345**	**384,608**	**3,268,953**
END OF YEAR	**$ 2,708,027**	**$ 349,121**	**$ 3,057,148**

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

(a) General

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

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

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

The Postemployment Healthcare Plan was established under the now depleted IRC Section 401(h), an account within the Pension Trust, for retiree healthcare benefits funding and for the payment of retiree healthcare benefits. The 401(h) plan was depleted as of November 2019 and all post-employment healthcare benefit payments are now made from the IRC 115 trust account.

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

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

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

Effective February 3, 2013, pursuant to City of San José Ordinance Number 29184, unrepresented executive management and professional employees who are hired directly into a position in Unit 99 on or after that date, may make a one-time irrevocable election to participate in either a newly created Defined Contribution Plan or become a Tier 2 participant in the System. To be eligible, an employee must not have been previously a member of the City of San José Retirement System. The System does not administer or hold the assets of the Defined Contribution Plan.

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(a) General (Continued)

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

The City and the Federated bargaining units engaged in settlement discussions concerning litigation arising out of a voter approved ballot measure, known as Measure B, which passed in 2012. On December 15, 2015, and January 12, 2016, the City and the bargaining units representing employees in Federated reached a settlement agreement on the Federated Alternative Pension Reform Settlement Framework (Federated Framework). The terms of the Federated Framework also applied to unrepresented employees, including unrepresented management and executive employees in Unit 99. The Federated Framework included an agreement that a ballot measure would be placed on the November 8, 2016 election for the voters to replace Measure B.

On November 8, 2016, the voters approved the Alternative Pension Reform Act known as Measure F. Measure F included, among other things, prohibiting any enhancements to defined retirement benefits without voter approval; codifying the Tier 2 pension benefit; closing the defined benefit retiree healthcare plan; and prohibiting retroactive defined retirement benefit enhancements. The City Council approved Ordinance Number 29879 on May 16, 2017, amending the San José Municipal Code to reflect the terms of Measure F and the Federated Framework. The changes to the Municipal Code became effective thirty (30) days after May 16, 2017. Most of the terms of Measure F and the Federated Framework were implemented on June 18, 2017. The provisions of the Federated Framework include, but are not limited to, revising Tier 2 benefits, allowing rehired Tier 1 employees to remain in Tier 1, creating a defined contribution Voluntary Employee Beneficiary Association (VEBA) for retiree healthcare (medical and dental) and a one time irrevocable election to opt in to the defined contribution VEBA from the defined benefit retiree healthcare plan for eligible employees, defining the qualifications for members of the independent medical panel, and creating a Guaranteed Purchasing Power benefit for Tier 1 retirees. All Tier 1 employees (except those who enter the Plan after June 18, 2017 with “Classic” membership in CalPERS) and Tier 2 employees who were previously making contributions into the defined benefit retiree healthcare plan (Tier 2A), were eligible to opt-in to the VEBA, while all Tier 2 employees (except unrepresented employees) were required to move in to the defined contribution VEBA.

The VEBA opt-in election period was October 18, 2017 through December 15, 2017, and the Internal Revenue Service issued a favorable private letter ruling to the Section 115 Trust on February 7, 2018. The IRS ruled that allowing the contributions to the VEBA to be made from the Sections 115 Trust is consistent with Code Section 115(1) and will not compromise the Section 115 Trust's status under Code Section 115. The contributions for the members who opted in to the VEBA and opted out of the defined benefit healthcare plan were transferred in March 2018 for the initial opt-in period. The IRS approved allowing eligible employees who are rehired into the City from calendar years 2018 through 2022 to opt-in to the VEBA if they were not employed during the initial opt-in period. The VEBA is being administered by the City, not the Office of Retirement Services, and therefore it is also not under the jurisdiction of the Retirement Board.

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(a) General (Continued)

The System is considered to be a part of the City's financial reporting entity and is included in the City's basic financial statements as a pension and postemployment healthcare trust fund. The System is administered by the Chief Executive Officer of the Office of Retirement Services, an employee of the City, who serves at the pleasure of the Federated City Employees' Retirement System Board of Administration (Board of Administration). The seven-member Board of Administration is composed of two City employees elected by members of the System, a retiree representative, and three public members, who are not connected with the City and have significant banking or investment experience, and another public member, who is selected by the six Board members and approved by the City Council. The Board is appointed by the City Council and serves in accordance with Section 2.08.300 of the San José Municipal Code. The contribution and benefit provisions and all other requirements are established by City ordinance. The System is responsible for all direct administrative costs, except for certain support services, which are provided and funded directly by the City. The System is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

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

With the passage of Measure F, rehires with prior Tier 1 City service who were in Tier 2 became part of the Tier 1 membership Defined Benefit Pension Plan effective June 18, 2017. In addition, employees in Tier 2 who have "Classic" membership with California Public Employees' Retirement System (CalPERS) may be moved to Tier 1 subject to the identification of these employees and confirmation of "Classic" membership with CalPERS. Rehires in the Tier 1 membership is broken down into the type of coverage the member had in the Postemployment Healthcare Plan prior to the passage of Measure F. The System members are categorized into three membership types based on when they entered the Plan, except for the rehires mentioned above.

The following table summarizes the System members as of June 30, 2023 and 2022, respectively.

	As of June 2023				
Defined Benefit Pension Plan:	**Tier 1 Pension only [2]**	**Tier 1 Pension & Medical [3]**	**Tier 2 Pension only [2]**	**Tier 2 Pension & Medical [3]**	**Total**
Retirees and beneficiaries currently receiving benefits [1]	806	3,771	48	1	4,626
Terminated vested members entitled to future benefits	742	151	1,126	-	2,019
Active members	120	1,077	2,782	69	4,048
Total	**1,668**	**4,999**	**3,956**	**70**	**10,693**
Postemployment Healthcare Plan:		**Tier 1 [3]**		**Tier 2A [3]**	**Total**
Retirees and beneficiaries currently receiving benefits [4]		3,771		1	3,772
Terminated vested members entitled to future benefits		151			151
Active members		1,077		69	1,146
Total		**4,999**		**70**	**5,069**

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(a) General (Continued)

	As of June 2022				
Defined Benefit Pension Plan:	**Tier 1 Pension only [2]**	**Tier 1 Pension & Medical [3]**	**Tier 2 Pension only [2]**	**Tier 2 Pension & Medical [3]**	**Total**
Retirees and beneficiaries currently receiving benefits [1]	752	3,778	27	-	4,557
Terminated vested members entitled to future benefits	774	154	962	-	1,890
Active members	135	1,157	2,427	73	3,792
Total	**1,661**	**5,089**	**3,416**	**73**	**10,239**
Postemployment Healthcare Plan		**Tier 1 [3]**		**Tier 2 [3]**	**Total**
Retirees and beneficiaries currently receiving benefits [4]		3,778		-	3,778
Terminated vested members entitled to future benefits		154		-	154
Active members		1,157		73	1,230
Total		**5,089**		**73**	**5,162**

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

[2] *Includes members that are eligible for catastrophic disability medical benefits only (VEBA) from the Postemployment Healthcare plan*

[3] *Eligible for full retiree medical benefits*

[4] *Payees that have health and / or dental coverage*

(b) Pension, Disability and Healthcare Benefits

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

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

	Tier 1 [1]	**Tier 1 Classic [4]**	**Tier 2A [5]**	**Tier 2B [6]**
Contributions				
Employee	14.91% of base salary (Pension: 7.41% [2], Retiree Healthcare: 7.50%) as of 6/26/2022	10.50% of base salary (8.50%, 2.00% VEBA [3]) as of 6/26/2022	15.63% (Pension: 8.13%, Retiree Healthcare: 7.50% [3]) as of 6/26/2022	10.13% (8.13%, 2.00% VEBA[7]) as of 6/26/2022
City	Pension: 20.32% (Normal Cost) + Flat dollar amount (UAL); Retiree Health: Flat dollar amount as of 6/26/22	Pension: 20.32% (Normal Cost) + Flat dollar amount (UAL) as of 6/26/22	Pension: 8.13%; Retiree Healthcare: dollar amount, not rate of pay as of 6/26/22	Pension: 8.13% as of 6/26/22
Service required to leave contributions in retirement system	5 years		5 years Federated City Service (Year of Service = 2080 hours worked in the applicable 12-month period)	

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

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

	Tier 1 [1] / Tier 1 Classic [4]	Tier 2A [5] / Tier 2B [6]
Service Retirement		
Age / years of service	55 with 5 years service 30 years service at any age	62 years with 5 years Federated City Service May retire on or after 55 years with 5 years Federated City Service. A reduction factor of 5% per year for each year between age fifty-five (55) and the Tier 2 member's age at retirement before age 62, prorated to the closest month
Deferred vested retirement	55 with 5 years service (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.)	May commence on or after 55 years with 5 years Federated City Service with actuarial equivalent reduction. (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.) Can begin at age 55 with reduction factor of 5% per year for each year between age fifty-five and the Tier 2 member's age at retirement before age 62, prorated to the closest month.
Allowance	2.5% x Years of Service x Final Compensation (75% max) Final Compensation is the highest average monthly earnable pensionable salary during 12 consecutive months, capped at 108% of the second highest 12 consecutive months. **Tier 1:** If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months **Tier 1 Classic:** If separation takes place on or after July 1, 2001, Final Compensation is highest average monthly salary during 12 consecutive months. If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months	2.0% x Years of Federated City Service x Final Compensation (70% max) Final Compensation is the average monthly (or biweekly) base pay for the highest 3 consecutive years of Federated City Service Excludes premium pay or any other forms of additional compensation
Disability Retirement (Service Connected)		
Minimum service	NONE	
Allowance	40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation)	2% x Years of Federated City Service x Final Compensation (Minimum of 40%, maximum of 70% of Final Compensation)
Disability Retirement (Non-Service Connected)		
Minimum service	5 years	

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

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

	Tier 1 [1]	Tier 1 Classic [4]	Tier 2A [5]	Tier 2B [6]
Allowance	**Tier 1:** 20% of Final Compensation for up to 6 years of service. Add 2% for each year of service in excess of 6 years but less than 16 years. Add 2.5% for each year of service in excess of 16 years of service.(Maximum 75% of Final Compensation). *For those who entered the System on 8/31/98 or before, the calculation is as follows:* 40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation) If under 55 years old, subtract 0.5% for every year under age 55 **Tier 1 Classic:** 40% of Final Compensation plus 2.5% years of service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation) If under 55 years old, subtract 0.5% for every year under age 55. *For those entering the System on 9/01/98 or later, the calculation is as follows:* 20% of Final Compensation for up to 6 year of service. Add 2% for each year of service in excess of 6 years but less than 16 years. Add 2.5% for each year of service in excess of 16 years of service (Maximum 75% of Final Compensation)		2% x Years of Federated City Service x Final Compensation. (Minimum of 20%, maximum of 70% of Final Compensation)	
Medical Benefits [3]				
Eligibility	Retired for disability or service with 15 years service or receive allowance that is at least 37.5% of Final Compensation. ("Deferred Vested" members are eligible)	N/A - All Federated Tier 1 Classic employees are mandated to contribute 2.00% of base salary to the VEBA [7]	Retired for disability or service with 15 years service or receive allowance that is at least 37.5% of Final Compensation. (Certain "Deferred Vested" members are also eligible)	N/A - All Federated Tier 2B employees are mandated to contribute 2.00% of base salary to the VEBA [7]
Premiums	Retirement System pays 100% of lowest cost plan that is available to active City employees. If retiree does not choose the lowest cost plan, retiree pays the difference between that premium and the premium for the lowest cost plan	N/A - All Federated Tier 1 Classic employees are mandated to contribute 2.00% of base salary to the VEBA [7]	Retirement System pays 100% of lowest cost single or family premium that is available to active City employees. If retiree does not choose the lowest cost plan, retiree pays the difference between that premium and the premium for the lowest cost plan	N/A - All Federated Tier 2B employees are mandated to contribute 2.00% of base salary to the VEBA [7]

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

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

	Tier 1 [1]	Tier 1 Classic [4]	Tier 2A [5]	Tier 2B [6]
Medicare eligibility	At age 65, Members of FCERS will be required to enroll in Medicare Parts A & B. If a Member does not meet this requirement within 6 months of the date Member turns 65, health care benefits will cease until such requirements are met	N/A - All Federated Tier 1 Classic employees are mandated to contribute 2.00% of base salary to the VEBA [7]	At age 65, Members of FCERS will be required to enroll in Medicare Parts A & B. If a Member does not meet this requirement within 6 months of the date Member turns 65, health care benefits will cease until such requirements are met	N/A - All Federated Tier 2B employees are mandated to contribute 2.00% of base salary to the VEBA [7]
Dental Benefits [3]				
Eligibility	Must be enrolled at retirement with 5 years service or receive retirement allowance of at least 37.5% of Final Compensation. In addition, the employee must retire directly from City service. (“Deferred Vested” members are not eligible)	N/A - All Federated Tier 1 Classic employees are mandated to contribute 2.00% of base salary to the VEBA [7]	Must be enrolled at retirement with 5 years service or receive retirement allowance of at least 37.5% of Final Compensation. (“Deferred Vested” members are not eligible)	N/A - All Federated Tier 2B employees are mandated to contribute 2.00% of base salary to the VEBA [7]
Premiums	Fully paid by retirement fund	N/A - All Federated Tier 1 Classic employees are mandated to contribute 2.00% of base salary to the VEBA [7]	Fully paid by retirement fund	N/A - All Federated Tier 2B employees are mandated to contribute 2.00% of base salary to the VEBA [7]
Reciprocity				
Reciprocity	As of December 9, 1994, the City of San José Federated City Employees’ Retirement System adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between this retirement system and CalPERS or certain other public agency retirement systems that also have reciprocal agreements with CalPERS. Please call the Office of Retirement Services or CalPERS for more information. Final eligibility for reciprocity is determined at the time of retirement			

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

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

	Tier 1 [1]	Tier 1 Classic [4]	Tier 2A [5]	Tier 2B [6]
Cost-of-Living Adjustments (COLA)				
COLA	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each April. There is no prorating of COLA		Retirees are eligible for annual cost-of-living adjustment (COLA) limited to the lesser of the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), or a back-loaded 2% COLA per fiscal year. The back-loaded COLA shall be calculated as follows: i. Service at retirement of 1-10 years: 1.25% per year ii. Service at retirement of 1-10 years and hired before June 16, 2017: 1.5% iii. Service at retirement of 11-20 years: 1.5% per year iv. Service at retirement of 21-25 years: 1.75% per year v. Service at retirement of 26 years and above: 2.0% per year COLAs are applied annually on April 1st. The first COLA will be prorated based on the number of months retired prior to April 1st. Partial months are not included in the proration.	

[1] *Federated Tier 1 applies to employees hired on or before September 29, 2012.*

[2] *Federated Rehires (hired between September 30, 2012 and June 18, 2017) will have an additional contribution rate (3.00% for FY 22-23) for the cost of the retroactive benefit.*

[3] *Federated Tier 1 and Tier 2A employees who opted-in to the VEBA are not eligible for the Defined Benefit Retiree Healthcare Plan (Medical or Dental Benefits). For more information about the VEBA, visit www.sanjoséca.gov/VEBA or email veba@sanjoséca.gov.*

[4] *Employees with "Classic" membership from a CalPERS or reciprocal agency hired by the City of San José on or after June 18, 2017. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013, 2. AND is hired by the City of San José after a break in service of less than six months, 3. AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity Election Form must be submitted within thirty (30) days of the first day of employment with the City.* ***Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.***

[5] *Tier 2A applies to employees hired between September 30, 2012 and September 27, 2013.*

[6] *Tier 2B are employees who were newly hired on or after September 27, 2013.*

[7] *Unit 99 employees are not eligible to contribute to the VEBA.*

(c) Death Benefits

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

	Tier 1 / Tier 1 Classic
Death Before Retirement	
Non-service connected death with less than 5 years of service	Return of employee contributions, plus death benefit: 1/12 of compensation in year prior to death x years of service (Benefit may not exceed 50% of the salary earned in year prior to death)

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(c) Death Benefits (Continued)

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

For death before retirement, the survivorship allowance to surviving spouse / domestic partner lasts until death or remarriage. However, it will last until death if 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. If there is an allowance payable to a surviving spouse / domestic partner, no allowance will be paid to surviving children. Surviving children receive a monthly survivorship allowance only when there is no surviving spouse / domestic partner.

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

	Tier 2A and 2B
Death Before Retirement	
Non-service connected death not eligible for retirement	Return of employee contributions, plus interest

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(c) Death Benefits (Continued)

	Tier 2A and 2B
Eligible for retirement	To surviving spouse / domestic partner: 2.0% x Years of Federated Service x Final Compensation (70% max) 40% minimum, 70% maximum, except that "deferred vested" members not eligible for 40% minimum) If no surviving spouse / domestic partner, to surviving children until age 18: 1 Child: 25% of spousal / domestic partnership allowance 2 Children: 50% of spousal / domestic partnership allowance 3 Children: 75% of spousal / domestic partnership allowance 4 or More Children: Split equal share of 75% of spousal / domestic partnership allowance If no surviving spouse / domestic partner or surviving children: Return of employee contributions, plus death benefit: 1/12 of compensation in year prior to death x years of service (benefit may not exceed 50% of the salary earned in year prior to death)
Death After Retirement	
Survivorship allowance to surviving spouse / domestic partner or children that was elected by the member at retirement. **(Minimum 5 years of service)**	To surviving spouse / domestic partner: 50% of Retiree's Allowance If no surviving spouse / domestic partner, to surviving children until age 18: 1 Child: 25% of spousal / domestic partnership allowance 2 Children: 50% of spousal / domestic partnership allowance 3 Children: 75% of spousal / domestic partnership allowance **Tier 2B only:** 4 or More Children: Split equal share of 75% of spousal / domestic partnership allowance If no surviving spouse / domestic partner or surviving children: estate or beneficiary will receive the difference between employee contributions (including interest) and the total paid to member by the retirement system at the time of death.
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces the allowance to provide a survivorship allowance to a designated beneficiary or a higher survivorship allowance to their spouse / domestic partner

For death before retirement, the survivorship allowance to surviving spouse / domestic partner lasts until death, remarriage, or establishment of a domestic partnership if member was at least 62 with at least 20 years of service (or 55 with a reduction factor of 5%) at the time of death. For death after retirement, the survivorship allowance to surviving spouse / domestic partner lasts until death.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying financial statements present only the financial activities of the System in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements of the System are intended to present only the plan net position and changes in plan net position of the System. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023 and 2022, and the changes in its financial position for the years then ended in conformity with U.S. GAAP. The System 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 System are prepared on the accrual basis of accounting. Contributions are recognized when due pursuant to legal requirements. Benefits and refunds of contributions are

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Accounting (Continued)

recognized when currently due and payable under the provisions of the System. Activities of the Defined Benefit Pension Plan and the Postemployment Healthcare Plan are accounted for separately. It is required by the Municipal Code that transactions of the Defined Benefit Pension Plan be accounted for in two funds: a Retirement Fund and a Cost-of-Living Fund.

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

(c) Investments

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

The Defined Benefit Pension Plan investment policy was updated and approved by the Board on May 19, 2022, with the asset allocation being updated and approved on March 18, 2021. There were no changes to the investment policy for fiscal year ending June 30, 2023. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the System's adopted actuarial assumed rate of return as utilized in the June 30, 2022 and June 30, 2021 valuations, respectively.

The System's investment asset allocation is as follows:

PENSION	As of June 30,				
Asset Class	2023 Target Asset Allocation	2022 Target Asset Allocation	Asset Class	2023 Target Asset Allocation	2022 Target Asset Allocation
Public equity	49 %	49 %	Growth real estate	3 %	3 %
Investment grade bonds	8 %	8 %	Market neutral strategies	3 %	3 %
Private equity	8 %	8 %	Private debt	3 %	3 %
Core real estate	5 %	5 %	Private real assets	3 %	3 %
Immunized cash flows	5 %	5 %	High yield bonds	2 %	2 %
Venture / Growth capital	4 %	4 %	Long-term government bonds	2 %	2 %
Emerging market bonds	3 %	3 %	Treasury inflation-protected securities	2 %	2 %

The Postemployment Healthcare Plan investment policy and asset allocation was updated and approved by the Board on January 20, 2022 and April 21, 2022, respectively. There were no changes to the investment policy for fiscal year ending June 30, 2023. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the System's adopted actuarial assumed rate of return as utilized in the June 30, 2022 and June 30, 2021 valuations, respectively.

The System's investment asset allocation is as follows:

HEALTHCARE	As of June 30,				
Asset Class	2023 Target Asset Allocation	2022 Target Asset Allocation	Asset Class	2023 Target Asset Allocation	2022 Target Asset Allocation
Public equity	58 %	58 %	Short-term investment grade bonds	6 %	6 %
Investment grade bonds	14 %	14 %	Commodities	5 %	5 %
Core real estate	12 %	12 %	Long-term investment grade bonds	5 %	5 %

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investments (Continued)

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 for more detailed information on the fair value of investments.

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

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

Investment expenses presented within the accompanying financial statements consist of management and performance fees and other investment-related fees. Other investment-related fees include expenses for shared investment-related administration, consultants, custody, and legal services. These fees are disclosed within the Investment Expenses in the *Statement of Changes in Plan Net Position* and detailed in the *Investment Expenses Schedule* in the Other Supplemental Information section.

The investment expenses do not include the commissions and fees paid to transact public securities. Partnership management fees paid for the private equity program are drawn from the committed capital and reported as an increase in the cost basis. These fees and costs are included within the net asset value (NAV) or public securities cost and are also reported in the net appreciation / (depreciation) in fair value of investments line items on the financial statements.

For the fiscal years ended June 30, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 7.31% and (4.19)%, respectively. For the fiscal years ended June 30, 2023 and 2022, the annual money-weighted rate of return on healthcare plan investments, net of healthcare plan investment expenses, was 8.21% and (9.91)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(d) Other Assets

Capital assets are recorded at cost and comprise of half of all costs related to the development of a new pension administration system. Total costs are allocated to both the System and the Police and Fire Department Retirement Plan. The capital asset went into production on February 1, 2019 and is being amortized using the straight line method of amortization over a 10-year period ending 2029. It is being amortized per GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

The System applies GASB Statement No. 87, *Leases*, to its leased assets. GASB Statement No. 87 establishes a single model for lease accounting based on the principle that leases are a form of financing that create a long term obligation. Leases are recorded as an intangible capital asset for the right to use the underlying asset (leased asset). The value of the right to use asset and the corresponding liability are initially measured using the present value of the payments expected to be made over the lease term. The right to use asset is then amortized over the lease term and the liability

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Other Assets (Continued)

is reduced by payments made pursuant to the lease. The System's principal leased asset is its office space in San José, California, the term of which expires March 31, 2025, with an option to extend for an additional five years. Lease expense is not significant to the System.

The System applies GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, to its subscription assets. GASB Statement No. 96 establishes a SBITA as a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability for government end users. Subscription assets are recorded as a liability for future lease payments and an intangible capital asset for the right to use the underlying asset (subscription asset). The subscription liability is the present value of payments expected to be made during the lease term. The right to use asset is then amortized over the lease term and the liability is reduced by payments made pursuant to the lease. The System's subscription leased assets are composed of numerous investment related subscriptions, the terms of which expire through June 30, 2025. The subscription lease expense is not significant to the System.

For fiscal years ended 2023 and 2022, the amortization expense was $756,374 and $641,123, respectively.

(Dollars in thousands)	As of June 30, 2022	Additions	Deletions	As of June 30, 2023
Other depreciable assets and amortization				
Pension administration system, cost	$ 4,163	$ 38	$ -	$ 4,201
Leased and subscription assets, cost	796	107	-	903
Less accumulative amortization	(1,597)	(756)	-	(2,353)
Other depreciable assets, net of accumulated amortization	**$ 3,362**	**$ (611)**	**$ -**	**$ 2,751**

(Dollars in thousands)	As of June 30, 2021	Additions	Deletions	As of June 30, 2022
Other depreciable assets and amortization				
Pension administration system, cost	$ 4,125	$ 38	$ -	$ 4,163
Leased and subscription assets, cost	756	40	-	796
Less accumulative amortization	(956)	(641)	-	(1,597)
Other depreciable assets, net of accumulated amortization	**$ 3,925**	**$ (563)**	**$ -**	**$ 3,362**

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

The System is required by the City of San José Municipal Code to establish various reserves in the plan net position. The plan net position is allocated between the Defined Benefit Pension Plan (which includes the Retirement Fund and the Cost-of-Living Fund) and the Postemployment Healthcare Plan (which includes the 115 Trust).

As of June 30, 2023 and 2022, plan net position totaling $3,281,923,000 and $3,057,148,000, respectively, is allocated as follows (in thousands):

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	Retirement Fund	Cost-of-Living Fund	Total Defined Benefit Pension Plan	Post-employ-ment Healthcare (115)	Grand Total
June 30, 2023					
Employee contributions reserve	$ 401,002	$ 60,804	$ 461,806	$ -	$ 461,806
General reserve	1,408,406	1,037,103	2,445,509	372,107	2,817,616
Retiree healthcare in-lieu premium credit	-	-	-	2,501	2,501
TOTAL	**$ 1,809,408**	**$ 1,097,907**	**$ 2,907,315**	**$ 374,608**	**$ 3,281,923**
June 30, 2022					
Employee contributions reserve	$ 376,427	$ 56,738	$ 433,165	$ -	$ 433,165
General reserve	1,328,163	946,699	2,274,862	347,131	2,621,993
Retiree healthcare in-lieu premium credit	-	-	-	1,990	1,990
TOTAL	**$ 1,704,590**	**$ 1,003,437**	**$ 2,708,027**	**$ 349,121**	**$ 3,057,148**

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 into or out of the healthcare plan reserves.

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.

Retiree Healthcare In-lieu Premium Credit - With the implementation of Measure F, a medical in-lieu component of the General Reserve was created to account for those members who elected to be in the medical in-lieu credit program. These members are retirees who are eligible for medical insurance and / or dental insurance but who opt not to take it and instead elect to be in the in-lieu credit program. These members are given credits worth 25% of the lowest cost plan, which can be used in future years if the retiree opts to enroll in a City medical or dental plan.

(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 3%, as specified by the City of San José Municipal Code.

(g) Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 99, *Omnibus 2022*, was issued in April 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows: classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

hedging derivative instrument, clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives; clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability; extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements; terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources*, Deferred Inflows of Resources, and Net Position; terminology used in Statement 53 to refer to resource flows statements. Provisions related to leases and SBITAs were effective and implemented for the fiscal year beginning July 1, 2022. Provisions related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will be implemented in the fiscal year beginning July 1, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, was issued in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by the reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The System will adopt the provisions of Statement No. 100 for the fiscal year beginning with July 1, 2023, if applicable.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The System will adopt the provisions of Statement No. 101 for the fiscal year beginning with July 1, 2024.

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. Additionally, most other types of investments are also sensitive to changes in interest rates, generally to a lesser extent. The System's asset allocation details how much of the System's investments are fixed income, as well as other types of investments. The System does not have a policy regarding interest rate risk.

NOTE 3 - INVESTMENTS (Continued)

Market Risk – General market risk factors exist that could cause depreciation or appreciation of the System's investment portfolio. These risks include general, economic, political and regulatory risks. The System's investments may be impacted by changes caused by global and domestic market conditions and industry-specific economic and regulatory conditions.

The following tables provide the segmented time distribution for fixed income investments based on expected maturity (in months and years) as of June 30, 2023 and 2022.

INVESTMENT MATURITIES AT FAIR VALUE
As of June 30, 2023 (Dollars 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								
Investment grade bonds [2]	$ -	$ 313	$ 389	$ 28,179	$ 68,658	$ 77,653	$ 175,192	$ 194,348
Immunized cash flows [3]	9,401	6,394	15,616	130,163	-	-	161,574	166,529
Long-term government bonds	-	-	-	-	-	74,021	74,021	98,956
Treasury inflation-protected securities	3,555	-	5,194	48,205	-	-	56,954	61,834
High yield bonds	9	-	651	24,019	25,751	5,777	56,207	61,483
Emerging market bonds [4]	-	-	-	-	51,038	-	51,038	39,816
Commodities	-	-	-	-	-	17,534	17,534	17,499
Private debt [1]	908	675	-	-	-	-	1,583	6,916
Total Fixed Income	**$ 13,873**	**$ 7,382**	**$ 21,850**	**$ 230,566**	**$ 145,447**	**$ 174,985**	**$ 594,103**	**$ 647,381**

INVESTMENT MATURITIES AT FAIR VALUE
As of June 30, 2022 (Dollars 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								
Investment grade bonds	$ -	$ -	$ 1,176	$ 104,141	$ 18,757	$ 162,091	$ 286,165	$ 308,149
Immunized cash flows	6,501	6,689	16,479	39,079	-	-	68,748	71,581
Long-term government bonds	-	-	-	-	-	67,699	67,699	87,981
Treasury inflation-protected securities	3,090	-	7,100	46,773	-	-	56,963	59,275
High yield bonds	-	22	357	16,035	29,221	5,818	51,453	59,971
Private debt [1]	6,231	-	-	-	-	-	6,231	8,701
Total Fixed Income	**$ 15,822**	**$ 6,711**	**$ 25,112**	**$ 206,028**	**$ 47,978**	**$ 235,608**	**$ 537,259**	**$ 595,658**

[1] *Private debt is a combination of fixed income and separately managed accounts. The separately managed accounts are not included in this table.*

[2] *Investment grade bonds accounts consists of fixed income securities and futures. Futures are not included in this table.*

[3] *Immunized cash flows are a combination of cash and fixed income securities. Cash is not included in this table.*

[4] *Emerging market bonds allocated accounts consist of fixed income securities and a limited partnership; the limited partnership is excluded from this table.*

Custodial Credit Risk – Custodial credit risk is the risk that the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party, if that outside party fails. The System does not have a policy regarding custodial credit risk. As of June 30, 2023 and 2022, all of the System's investments are held in the System's name and / or not exposed to custodial credit risk.

NOTE 3 - INVESTMENTS (Continued)

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

The following table provides information for the portfolio as of June 30, 2023 and 2022 concerning credit risk. These tables reflect only securities held in the System's name.

RATINGS OF FIXED INCOME INVESTMENTS
As of June 30, 2023 and 2022 (Dollars in thousands)

	2023		2022	
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	$ 83,165	14.00%	$ 139,111	25.89%
AA+	239,106	40.25	682	0.13
AA	52,839	8.89	-	-
AA-	2,359	0.40	1,028	0.19
A+	3,206	0.54	1,246	0.23
A	6,570	1.11	-	-
A-	6,264	1.05	-	-
BBB+	8,446	1.42	586	0.11
BBB	7,987	1.34	-	-
BBB-	59,798	10.07	2,041	0.38
BB+	6,715	1.13	100	0.02
BB	8,469	1.43	-	-
BB-	11,815	1.99	474	0.09
B+	7,580	1.28	409	0.08
B	6,920	1.16	274	0.05
B-	5,956	1.00	53	0.01
CCC+	3,193	0.54	-	-
CCC	1,921	0.32	-	-
CCC-	106	0.02	-	-
Not Rated	71,688	12.06	391,255	72.82
Total	**$ 594,103**	**100.0%**	**$ 537,259**	**100.0%**

Foreign Currency Risk – This is the risk that changes in exchange rates will adversely affect the fair value of underlying investments. To mitigate this risk, the System's investment policy permits individual investment managers to mitigate the impact of currency fluctuation on the underlying asset value. The System's investment managers enter into international forward currency contracts, which are commitments to purchase or sell stated amounts of international currency. The System utilizes these contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2023 and 2022, the System's net position in these contracts is recorded at fair

NOTE 3 - INVESTMENTS (Continued)

value as international currency contract investments. The fair values of international currency contracts are determined by quoted currency prices from national exchanges. The System's commitments relating to international currency contracts are settled on a net basis.

The following tables provide information as of June 30, 2023 and 2022, concerning the fair value of investments that are subject to foreign currency risk:

FOREIGN CURRENCY RISK ANALYSIS

As of June 30, 2023 (Dollars in thousands)

Currency Name	Cash	Public Equity	Private Equity	Growth Real Estate	Total Exposure
Australian dollar	$ -	$ 1,213	$ -	$ -	$ 1,213
Canadian dollar	56	5,975	-	-	6,031
Danish krone	174	4,333	-	-	4,507
Euro currency	1,024	46,236	508	23,549	71,317
Hong Kong dollar	-	3,969	-	-	3,969
Japanese yen	123	10,840	-	-	10,963
Norwegian krone	2	864	-	-	866
Swedish krona	24	2,971	-	-	2,995
Swiss franc	520	17,188	-	-	17,708
Taiwanese new dollar	25	-	-	-	25
United Kingdom pound	36	22,954	-	-	22,990
Total	**$ 1,984**	**$ 116,543**	**$ 508**	**$ 23,549**	**$ 142,584**

FOREIGN CURRENCY RISK ANALYSIS

As of June 30, 2022 (Dollars in thousands)

Currency Name	Cash	Public Equity	Private Equity	Growth Real Estate	Total Exposure
Australian dollar	-	3,962	-	-	3,962
Canadian dollar	-	7,330	-	-	7,330
Danish krone	-	3,359	-	-	3,359
Euro currency	-	38,330	689	22,774	61,793
Hong Kong dollar	-	3,733	-	-	3,733
Japanese yen	76	9,746	-	-	9,822
Norwegian krone	-	1,655	-	-	1,655
Swedish krona	-	2,190	-	-	2,190
Swiss franc	-	18,031	-	-	18,031
Taiwanese new dollar	26	-	-	-	26
United Kingdom pound	25	20,862	-	-	20,887
Total	**$ 127**	**$ 109,198**	**$ 689**	**$ 22,774**	**$ 132,788**

Investment Concentration Risk – The System's investment policy specifies that investments shall be diversified with the intent to minimize the risk of large investment losses. The total portfolio shall be constructed in a way to provide prudent diversification with regard to the concentration of holdings in individual asset classes, issues, issuers, geographies, or industries. In addition, assets will be assigned to a variety of investment managers that employ a range of investment management strategies. No single investment management firm shall be authorized to manage more than 15% of the System's assets without Board approval, with the exception of passive management where the System's assets are not held in the System's name at the System's custodian bank. In such cases, there is no concentration limit. As a general rule, System assets placed with an investment manager should not represent more than 10% of the total assets managed by that firm, without prior Board approval. As of

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS (Continued)

June 30, 2023 and 2022, the System did not hold investments in any one issuer, excluding U.S. government guaranteed investments, that represented 5% or more of the total plan net position or total investments.

Derivatives – The System's investment policy allows for investments in derivative instruments that comply with the System's objectives of providing a cost effective means of managing portions of a portfolio and to manage risk through hedging activities. The System is currently authorized to use derivative strategies to equitize cash during portfolio transitions until physical securities are in place and to reproduce or replicate a physical holding that corresponds to a Board approved policy benchmark. In addition to the System's internal derivative policies, it is understood that the mandates of certain investment managers retained by the System may use derivatives.

Derivative investments are reported at fair value. 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. 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, 2023 or 2022. 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.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offer Rates*. GASB 93 addresses upcoming changes and the eventual removal of a global reference rate called LIBOR (London Interbank Offered Rate) which is often used as a reference rate for variable and derivative instruments. GASB 93 addresses allowable exceptions to existing contracts and agreements where LIBOR can be replaced with another IBOR (Interbank Offered Rates) without needing a new contract. GASB 93 also identifies the SOFR (Secured Overnight Financing Rate) and the FFR (Federal Funds Rate) as benchmarks for evaluating interest rate swaps. Finally, GASB 93 modifies lease agreements to allow for a change in the IBOR without being considered a modification to a lease. GASB 93 did not have a significant impact on the financial statements as the System does not have any direct exposure to derivative contracts tied to LIBOR as of June 30, 2023 and 2022.

The fair values and notional amounts for derivative instruments outstanding as of June 30, 2023 and 2022, classified by type, and the changes in fair value of such derivative instruments for the years then ended as reported in the 2023 and 2022 financial statements are as follows (amounts in thousands):

	Net Appreciation / (Depreciation) in Fair Value of Investments through June 30, 2023		Fair Value at June 30, 2023		
Investment Derivative Instruments	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount/ Shares**
FX forwards	Investment income	$ (63)	FX forwards	$ -	$ 612
Fixed income futures long	Investment income	$ (3,561)	Futures	-	77,500
Fixed income futures short	Investment income	127	Futures	-	(1,443)
Index futures long	Investment income	1,004	Futures	-	2,479
Index futures short	Investment income	(1,575)	Futures	-	(21,112)
Total Derivative Instruments		**$ (4,068)**		**$ -**	

NOTE 3 - INVESTMENTS (Continued)

	Net Appreciation / (Depreciation) in Fair Value of Investments through June 30, 2022		Fair value at June 30, 2022		
Investment Derivative Instruments	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount/ Shares**
FX forwards	Investment income	$ (270)	FX forwards	$ -	$ 261
Fixed income futures long	Investment income	(2,393)	Futures		49,331
Fixed income futures short	Investment income	218	Futures	-	(9,752)
Index futures long	Investment income	(4,528)	Futures	-	5,198
Index futures short	Investment income	(369)	Futures	-	(8,818)
Total Derivative Instruments		**$ (7,342)**		**$ -**	

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, 2023 and 2022.

Counterparty Credit Risk – The System is exposed to credit risk on derivative instruments that are in asset positions and non-exchange traded. The System's investments in forward currency contracts bear counterparty credit risk in that parties to the contracts may fail to perform according to the terms of the contract. As of June 30, 2023, total commitments in forward currency contracts to purchase and sell international currencies were $612,000, with fair values of $612,000 and $612,000, respectively, held by counterparties with S&P rating of BBB+ and above. As of June 30, 2022, total commitments in forward currency contracts to purchase and sell international currencies were $261,000, with fair values of $261,000 and $261,000, respectively, held by counterparties with S&P rating of AA and above.

Fair Value Measurements – The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; 3) inputs other than quoted prices that are observable for the asset or liability; and 4) market-corroborated inputs.

Level 3 inputs are unobservable inputs for an asset or liability where there are little market activities. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimation.

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS (Continued)

The System has the following recurring fair value measurements as of June 30, 2023 and 2022:

Investments Measured at Fair Value As of June 30, 2023		Fair Value Measurements Using			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3	Net Asset Value (NAV)
Investments by Fair Value Level					
Public equity	$ 1,559,664	$ 250,578	$ -	$ -	$ 1,309,086
Private equity	390,509	-	-	26,303	364,206
Core real estate	199,549	-	-	-	199,549
Investment grade bonds	174,245	22,516	101,208	-	50,521
Immunized cash flows	161,586	133,814	27,772	-	-
Growth real estate	119,947	-	-	-	119,947
Emerging market bonds	110,305	-	-	-	110,305
Private debt	102,833	-	-	3,786	99,047
Market neutral strategies	90,110	-	-	-	90,110
Cash and cash equivalents	84,299	84,299	-	-	-
Long-term government bonds	74,021	-	-	-	74,021
Private real assets	67,767	-	-	45	67,722
Treasury inflation-protected securities	56,954	56,954	-	-	-
High yield bonds	56,207	-	50,852	-	5,355
Commodities	17,534	-	-	-	17,534
Venture / Growth capital	15,720	-	-	-	15,720
Short-term investment grade bonds	13,182	13,182	-	-	-
Total Investments Measured at Fair Value	**$ 3,294,432**	**$ 561,343**	**$ 179,832**	**$ 30,134**	**$ 2,523,123**

Investments Measured at Fair Value As of June 30, 2022		Fair Value Measurements Using			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3	Net Asset Value (NAV)
Investments by Fair Value Level					
Public equity	$ 1,425,193	$ 268,402	$ -	$ -	$ 1,156,791
Private equity	365,199	-	-	30,339	334,860
Investment grade bonds	286,165	29,818	96,745	-	159,602
Core real estate	176,552	-	-	-	176,552
Growth real estate	101,938	-	-	-	101,938
Private debt	86,401	-	-	6,250	80,151
Market neutral strategies	85,780	-	-	-	85,780
Emerging market bonds	83,707	-	-	-	83,707
Immunized cash flows	68,748	35,335	33,413	-	-
Long-term government bonds	67,699	-	-	-	67,699
Cash and cash equivalents	60,314	60,314	-	-	-
Treasury inflation-protected securities	56,963	56,963	-	-	-
High yield bonds	51,453	-	46,580	-	4,873
Private real assets	49,534	-	-	1,200	48,334
Commodities	16,813	-	-	-	16,813
Venture / Growth capital	13,948	-	-	-	13,948
Short-term investment grade bonds	12,772	12,772	-	-	-
Total Investments Measured at Fair Value	**$ 3,009,179**	**$ 463,604**	**$ 176,738**	**$ 37,789**	**$ 2,331,048**

NOTE 3 - INVESTMENTS (Continued)

Equity and Fixed Income Securities

Debt and 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 for similar securities that are observable in the market place. Debt and equity securities classified in Level 3 are securities whose inputs to valuation techniques are 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 public equity, private equity, core real estate, investment grade bonds, growth real estate, emerging market bonds, private debt, market neutral strategies, long-term government bonds, private real assets, high yield bonds, commodities, and venture / growth capital. 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) of each investment firm retained by the System. 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. A more detailed explanation of the Level 3 and NAV valuation methodologies follows.

Investments in non-public equity securities are valued by the GP using one or more valuation methodologies outlined in GASB Statement No. 72, *Fair Value Measurement and Application*, 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 earnings before interest, taxes, depreciation, and amortization (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 values 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, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with GAAP requirements. These investments are not categorized within 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, 2023 and 2022:

NOTE 3 - INVESTMENTS (Continued)

Investments Measured at the NAV As of June 30, 2023 *(Dollars in thousands)*	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Public equity	$ 1,309,086	$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	364,206	102,400	Daily, N/A	1 Day, N/A
Core real estate	199,549	-	Quarterly	90 Days
Investment grade bonds	50,521	-	Daily	1 - 3 Days
Growth real estate	119,947	60,000	N/A	N/A
Emerging market bonds	110,305	-	Daily, Quarterly	1 - 45 Days
Private debt	99,047	63,500	N/A	N/A
Market neutral strategies	90,110	-	Monthly, Bi-Annual	45 - 60 Days
Long-term government bonds	74,021	-	Daily	3 Days
Private real assets	67,722	51,100	N/A	N/A
High yield bonds	5,355	-	Daily	3 Days
Commodities	17,534	-	Daily	3 Days
Venture / Growth capital	15,720	52,000	N/A	N/A
Total Investments Measured at NAV	**$ 2,523,123**	**$ 329,000**		

Investments Measured at the NAV As of June 30, 2022 *(Dollars in thousands)*	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Public equity	$ 1,156,791	$ -	Daily, Monthly, Quarterly	1 - 30 Days
Private equity	334,860	99,559	Daily, N/A	1 Day, N/A
Investment grade bonds	159,602	-	Daily	1 - 3 Days
Core real estate	176,552	44,700	Quarterly	90 Days
Growth real estate	101,938	54,000	N/A	N/A
Private debt	80,151	53,000	N/A	N/A
Market neutral strategies	85,780	-	Monthly, Bi-Annual	45 - 60 Days
Emerging market bonds	83,707	-	Daily, Quarterly	1 - 45 Days
Long term government bonds	67,699	-	Daily	3 Days
High yield bonds	4,873	-	Daily	3 Days
Private real assets	48,334	32,900	N/A	N/A
Commodities	16,813	-	Daily	3 Days
Venture / Growth capital	13,948	49,100	N/A	N/A
Total Investments Measured at NAV	**$ 2,331,048**	**$ 333,259**		

Public equity - Public equities are shares of ownership of a firm listed on an exchange; the System holds global public equities to benefit from their total return (capital appreciation plus current yield) over a long-term horizon. The commingled funds liquidity ranges from daily to monthly and the notice periods are between one day and thirty days.

Private equity - This type generally invests 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 a one-day notice.

Core real estate - This type includes investments in open-ended real estate commingled funds. Core real estate funds typically invest in physical properties. The goal of core real estate is to produce price appreciation and income while maintaining a low correlation to stocks and bonds held by the System. The open-ended real estate funds offer quarterly redemptions with notice periods of three months.

Investment grade bonds – The purpose of investment grade bonds is to produce returns and income for the System by providing exposure to rates and credit risk. The commingled funds offer daily liquidity with a notice period of one to three days.

Growth real estate - The goal of growth real estate is to produce price appreciation and income while maintaining a low correlation to stocks and bonds. The only way to exit these funds is through a sale in a secondary market.

Emerging market bonds - Emerging market bonds funds typically invest in contractual cash flows of governments and other sovereign entities, corporations, securitizations, and derivatives thereof in emerging market countries with a sovereign rating less than BBB-. One partnership has quarterly redemption period with a notice period of 45 days; the other has a daily redemption period with a one-day notice period.

Private debt - This type includes investments in 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.

Market neutral strategies - This type includes investments in limited partnership 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 monthly to bi-annual with notice periods of 45 days to 60 days.

Long-term government bonds – The purpose of long-term government bonds is to provide a positive return in highly stressed market environments, with a low correlation to equity risk. The commingled fund offers daily liquidity with a notice period of three days.

Private real assets - Private 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 only way to exit these funds is through a sale in a secondary market.

High yield bonds – The primary purpose of high yield bonds is to provide the System with exposure to high yielding corporate debt. The commingled fund offers daily liquidity with a notice period of three days.

Commodities - Commodities are physical or tangible assets that have value due to their substance and properties. The goal of commodities is to help the portfolio maintain purchasing power through periods of inflation. The commodities fund offers daily liquidity with three business days' notice.

Venture / Growth capital - This type includes investments in venture capital limited partnership funds, which generally invest in early stage 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.

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

Net Pension Liability. The components of the net pension liability (i.e., the total pension liability determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, less the plan net position) as of June 30, 2023 and 2022, were as follows (dollars in thousands):

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

	2023	2022
Total pension liability	$ 4,882,494	$ 4,689,423
Plan fiduciary net position	2,907,315	2,708,027
Net pension liability	$ 1,975,179	$ 1,981,396
Plan fiduciary net position as a percentage of the total pension liability	**59.5 %**	**57.7 %**

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and investment return. Experience studies are performed by the Board's actuary to determine appropriate revisions to the actuarial assumptions, as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed in October 2019. The next experience study is scheduled for the latter half of 2023.

The total pension liability as of June 30, 2023 and 2022 is based on results of an actuarial valuation date of June 30, 2022 and 2021, respectively, and rolled-forward to June 30, 2023 and 2022 using standard roll forward procedures. A summary of the actuarial assumptions used to determine the total pension liability is shown below.

Actuarial Assumptions		
Valuation date	June 30, 2022	June 30, 2021
Measurement date	June 30, 2023	June 30, 2022
Inflation rate	2.50%	2.25%
Discount rate	6.625%. The Board expects a long-term rate of return of 7.2% based on Meketa's 2022 20-year capital market assumptions and the System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate	6.625%. The Board expects a long-term rate of return of 7.1% based on Meketa's 2021 20-year capital market assumptions and the System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate
Active, withdrawal, death, disability service retirement	Tables based on current experience	Tables based on current experience
Mortality	Healthy retirees: 0.995 for males, and 0.960 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees Healthy non-annuitant: 0.992 for males, and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy employees Disabled annuitants: 1.051 for males and 0.991 for females, times the CalPERS 2009 Ordinary Disability Mortality Table Mortality is projected on a generational basis using the MP-2021 projection scale	Healthy retirees: 0.995 for males, and 0.960 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees Healthy non-annuitant: 0.992 for males, and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy employees Disabled annuitants: 1.051 for males and 0.991 for females, times the CalPERS 2009 Ordinary Disability Mortality Table Mortality is projected on a generational basis using the MP-2021 projection scale
Salary increases	The base wage inflation assumption of 3.00% plus a merit / longevity increase based on years of service ranging from 3.75% at hire to 0.10% for members with 15 or more years of service	The base wage inflation assumption of 3.00% plus a merit / longevity increase based on years of service ranging from 3.75% at hire to 0.10% for members with 15 or more years of service

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

Actuarial Assumptions		
Cost-of-Living Adjustment	Tier 1 - 3% per year; Tier 2 - 1.25% to 2.00% depending on years of service	Tier 1 - 3% per year; Tier 2 - 1.25% to 2.00% depending on years of service

The assumption for the long-term expected rate of return on pension plan investments of 6.625% for both the valuation years ended June 30, 2022 and 2021, was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the Board, including nominal expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2023 and 2022, (see the discussion of the System's investment policy) are summarized in the following table:

	2023		2022	
Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	49%	6.5%	49%	5.1%
Private equity	8%	7.9%	8%	7.4%
Investment grade bonds	8%	2.0%	8%	0.2%
Core real estate	5%	3.8%	5%	3.8%
Immunized cash flows	5%	0.3%	5%	(0.5)%
Venture / Growth capital	4%	8.8%	4%	7.9%
Emerging market bonds	3%	3.5%	3%	2.2%
Growth real estate	3%	6.0%	3%	6.3%
Market neutral strategies	3%	3.4%	3%	2.2%
Private debt	3%	6.2%	3%	5.0%
Private real assets	3%	6.4%	3%	5.8%
High yield bonds	2%	4.6%	2%	2.2%
Long-term government bonds	2%	2.3%	2%	0.6%
Treasury inflation-protected securities	2%	1.9%	2%	0.2%
Cash and cash equivalents	N/A	0.3%	N/A	(0.5)%

Discount Rate. The discount rate used to measure the total pension liability was 6.625% for both measurement years ended June 30, 2023 and 2022. It is assumed that System member contributions and City contributions will be made based on the actuarially determined rates based on the Board's funding policy. Based on those assumptions, the System's 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.

Sensitivity of the Net Pension Liability to Changes in Discount Rate. 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, 2023 and 2022, calculated using the discount rate of 6.625%, 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 or 1.0% higher than the current rate (in thousands):

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

	2023			2022		
	1% Decrease (5.625%)	Discount Rate (6.625%)	1% Increase (7.625%)	1% Decrease (5.625%)	Discount Rate (6.625%)	1% Increase (7.625%)
Total pension liability (TPL)	$ 5,543,803	$ 4,882,494	$ 4,341,812	$ 5,327,180	$ 4,689,423	$ 4,168,118
Plan fiduciary net position	2,907,315	2,907,315	2,907,315	2,708,027	2,708,027	2,708,027
Net pension liability	$ 2,636,488	$ 1,975,179	$ 1,434,497	$ 2,619,153	$ 1,981,396	$ 1,460,091
Plan fiduciary net position as a percentage of the TPL	**52.4 %**	**59.5 %**	**67.0 %**	**50.8 %**	**57.7 %**	**65.0 %**

On June 24, 2008, the City Council adopted Ordinance No. 28332 amending Chapter 3.28 of Title 3 of the San José Municipal Code to provide the City with the option to make lump sum payments of City required contributions to the System (referred to as prefunding).

In November 2010, the Board adopted 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 rate reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

In October 2014, the Board approved implementing an incremental reduction approach to determining "actuarial equivalence" for the prefunding when the economic expansion has exceeded 58 months in duration and / or the S&P 500 has returns in excess of 130%. This approach will ensure that as business expansions and/or market valuation mature and exceed historic norms, the System reduces the incentive for the City to prefund its contributions. The incremental reduction to the discount rate that is used to calculate the prefunding is 15% per year, up to a maximum of 45%. In March 2022, the Board approved a modification to the incremental reduction approach that added market valuations as an additional criterion for triggering a reduction in the prefunding discount rate.

In February 2016, the Board approved the City's request that the floor methodology for Tier 1 be used only for the annual employer Normal Cost contribution (which includes administrative expenses) and that the annual employer Unfunded Actuarial Liability (UAL) contribution be set at the dollar amount recommended by the actuary and adopted by the Board in the annual actuarial valuation report beginning fiscal year 2017.

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

Beginning 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 actuarially determined contribution (ADC).Therefore, the contribution rate determined by the actuary multiplied by the actual payroll is used.

On June 29, 2021, the City Council introduced an ordinance amending the Municipal Code to cease the contributions of Tier 1 members of the System with 30 or more years of service credit as of the effective date of the Ordinance. Eligible members are those employees who are in positions assigned to an unrepresented employee unit or a represented bargaining unit that has agreed to the Ordinance and has been approved by the City Council. As of June 30, 2023, Unit 99, the Association of Legal Professionals, and Association of Building, Mechanical, and Electrical Inspectors have agreed to the provisions.

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

The change is intended by the City to incentivize such members to continue working for the City by increasing their take-home pay. The Ordinance was approved on August 3, 2021 and became effective on September 2, 2021.

On May 19, 2022 and May 20, 2021, the Board approved the City's decision to prefund Tier 1 contributions for the fiscal years ending June 30, 2023 and June 30, 2022, respectively. The City's contributions for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2023 and 2022 were as follows.

Fiscal year	2023		
Actuarial valuation year	**2021**		
(Dollars in thousands)	**Tier 1**	**Tier 2**	**Total**
Actual payroll	$ 143,224	$ 243,091	$ 386,315
Actuarial payroll	132,590	N/A	N/A
Actual payroll in excess of actuarial payroll	10,634	N/A	N/A
City normal cost rate for pension and COLA	20.32%	8.13% [2]	N/A
Additional contributions due to the Floor Methodology	2,161	N/A	2,161
Prefunded contribution amount (BOY) [1]	184,423	N/A	184,423
Regular contributions paid throughout the year	-	19,763	19,763
Adjustments and accruals	(6,961)	54	(6,907)
Total contributions for the fiscal year	**$ 179,623**	**$ 19,817**	**$ 199,440**

Fiscal year	2022		
Actuarial valuation year	**2020**		
(Dollars in thousands)	**Tier 1**	**Tier 2**	**Total**
Actual payroll	$ 144,524	$ 203,783	$ 348,307
Actuarial payroll	137,246	N/A	N/A
Actual payroll in excess of actuarial payroll	7,278	N/A	N/A
City normal cost rate for pension and COLA	20.25%	8.17% [2]	N/A
Additional contributions due to the Floor Methodology	1,474	N/A	1,474
Prefunded contribution amount (BOY) [1]	182,536	N/A	182,536
Regular contributions paid throughout the year	-	16,649	16,649
Adjustments and accruals	6,939	-	6,939
Total contributions for the fiscal year	**$ 190,949**	**$ 16,649**	**$ 207,598**

[1] *Beginning of year*

[2] *Tier 2 Contribution rate includes UAL percentage of 0.28% and 0.39% for fiscal years ended June 30, 2023 and 2022 respectively*

Contributions to the Defined Benefit Pension Plan are actuarially determined to provide adequate assets to pay benefits when due. The City's Tier 1 UAL contribution is actuarially determined as a minimum dollar amount. All other contributions are an actuarially determined percentage of each member's covered payroll. The contribution rates and amounts for fiscal years ended June 30, 2023 and 2022 were based on the actuarial valuations performed as of June 30, 2021 and 2020, respectively.

The City and the participating member's contribution rates in effect for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2023 and 2022 were as follows:

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

Period	City-Board Adopted			Member	
	City Tier 1	Tier 1 UAL Dollar Amount [3]	City Tier 2	Employee Tier 1 [2]	Employee Tier 2
6/25/23 - 6/30/23	20.16%		8.01%	7.34%	8.01%
6/26/22 - 6/24/23 [1]	20.32%	$162,602,000	8.13%	7.41%	8.13%
7/01/21 - 6/25/22 [1]	20.25%	$160,694,000	8.17%	7.39%	8.17%

[1] *The actual contribution rates paid by the City for fiscal years ended June 30, 2023 and June 30, 2022 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.*

[2] *Under Measure F, certain Tier 2 members who had previous Tier 1 service or prior service with a reciprocal employer were reclassified to Tier 1. Ordinance No. 30183, which became effective January 4, 2019, amended the Municipal Code to reflect these changes. Reclassified Tier 1 members paid an additional 3.00% in contributions for fiscal years ended June 30, 2023 and 2022. Classic Tier 1 members paid an additional 1.09% and 1.05% in contributions for fiscal years ended June 30, 2023 and 2022, respectively.*

[3] *Contributions are structured as a normal cost, plus a payment on the Unfunded Actuarial Liability (UAL).Tier 1 City contributions are administered as a normal cost contribution rate based on payroll plus a dollar amount payment on the UAL.*

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: NET OPEB LIABILITY AND CONTRIBUTIONS

Net OPEB Liability. The components of the net Other Postemployment Benefit (OPEB) liability of the System (i.e., the System's liability determined in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, less the plan fiduciary net position) as of June 30, 2023 and 2022, were as follows (dollars in thousands):

	2023	2022
Total OPEB liability	$ 665,107	$ 678,386
Plan fiduciary net position	374,608	349,121
Net OPEB liability	$ 290,499	$ 329,265
Plan fiduciary net position as a percentage of the total OPEB liability	**56.3 %**	**51.5 %**

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and investment return. Experience studies are performed by the Board's actuary to determine appropriate revisions to the actuarial assumptions, as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed in October 2019. The next experience study is scheduled for the latter half of 2023.

The total OPEB liability as of June 30, 2023 and 2022 is based on results of an actuarial valuation date of June 30, 2022 and 2021, and rolled-forward to June 30, 2023 and 2022 using generally accepted actuarial procedures. A summary of the actuarial assumptions used to determine the total OPEB liability is shown below.

Actuarial Assumptions		
Valuation date	June 30, 2022	June 30, 2021
Measurement date	June 30, 2023	June 30, 2022
Actuarial cost method	Entry age normal, level of % of pay	Entry age normal, level of % of pay
Inflation rate	2.50%	2.25%

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: NET OPEB LIABILITY AND CONTRIBUTIONS (Continued)

Discount rate (net)	6.00% per year. The Board expects a long-term rate of return of 6.3% based on Meketa's 20-year capital market assumptions and the System's current investment policy	6.00% per year. The Board expects a long-term rate of return of 6.1% based on Meketa's 20-year capital market assumptions and the System's current investment policy
Projected payroll increases		
Wage inflation rate	3.00%	3.00%
Merit increase	Merit component added based on an individual's years of service ranging from 3.75% to 0.10%	Merit component added based on an individual's years of service ranging from 3.75% to 0.10%
Rates of mortality	Mortality is projected on a generational basis using the MP-2021 scale	Mortality is projected on a generational basis using the MP-2021 scale
Healthy annuitants	0.995 for males and 0.960 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees	0.995 for males and 0.960 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees
Healthy non-annuitants	0.992 for males and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy employees	0.992 for males and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy employees
Disabled annuitants	1.051 for males and 0.991 for females, times the CalPERS 2009 Ordinary Disability Mortality Table	1.051 for males and 0.991 for females, times the CalPERS 2009 Ordinary Disability Mortality Table
Healthcare Cost Trend Rates		
Medical	The valuation assumes that future medical inflation will be at a rate of 7.16% to 3.94% per annum graded down over a 51 year period for medical pre-age 65 and 4.27% to 3.94% per annum for medical post-age 65. For fiscal year beginning 2023, actual calendar year 2023 premiums are combined with a trend assumption for calendar year 2024	The valuation assumes that future medical inflation will be at a rate of 7.49% to 3.78% per annum graded down over a 55 year period for medical pre-age 65 and 4.15% to 3.78% per annum for medical post-age 65. For fiscal year beginning 2022, actual calendar year 2022 premiums are combined with a trend assumption for calendar year 2023
Dental	Dental inflation is assumed to be 3.50%	Dental inflation is assumed to be 3.50%

The assumption for the long-term expected rate of return on OPEB plan investments of 6.00% for the valuation years ended June 30, 2023 and June 30, 2022, respectively, was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the Board, including nominal expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2023 and 2022, (see the discussion of the System's investment policy) are summarized in the following table. The assets are invested in a 115 trust.

	2023		2022	
Asset Class	**Target Asset Allocation**	**Long-Term Expected Real Rate of Return**	**Target Asset Allocation**	**Long-Term Expected Real Rate of Return**
Public equity	58.0%	6.5%	58.0%	5.0%
Investment grade bonds	14.0%	2.0%	14.0%	0.2%
Core real estate	12.0%	3.8%	12.0%	3.8%
Short-term investment grade bonds	6.0%	0.9%	6.0%	(0.3)%
Commodities	5.0%	3.0%	5.0%	2.3%
Long-term government bonds	5.0%	2.3%	5.0%	0.6%

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: NET OPEB LIABILITY AND CONTRIBUTIONS (Continued)

Discount Rate. The discount rate used to measure the total OPEB liability was 6.00% for the measurement years ended June 30, 2023 and 2022 respectively, and is based on the long-term expected rate of return on investments. It is assumed that plan member contributions remain fixed at 7.5% of pay for employees eligible to participate in the postemployment healthcare plan and the City contributes the actuarially determined contribution toward the explicit subsidy up to a maximum of 14% of total payroll. In addition, the City pays the implicit subsidy on a pay-as-you-go basis. Based on those assumptions, the System's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in Discount Rate. In accordance with GASB No. 74 regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following presents the net OPEB liability of the City, as of June 30, 2023 and 2022, calculated using the discount rate of 6.00% for both years, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	2023			2022		
	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	$ 757,945	$ 665,107	$ 589,559	$ 773,813	$ 678,386	$ 600,741
Plan fiduciary net position	374,608	374,608	374,608	349,121	349,121	349,121
Net OPEB liability	$ 383,337	$ 290,499	$ 214,951	$ 424,692	$ 329,265	$ 251,620
Plan fiduciary net position as a percentage of the total OPEB liability	**49.4 %**	**56.3 %**	**63.5 %**	**45.1 %**	**51.5 %**	**58.1 %**

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1.0% lower (6.16% decreasing to 2.94%) or 1.0% higher (8.16% decreasing to 4.94%) than the current healthcare cost trend rates (dollar amounts in thousands):

	2023			2022		
	1% Decrease	Health Care Cost Trend	1% Increase	1% Decrease	Health Care Cost Trend	1% Increase
Total OPEB liability	$ 581,274	$ 665,107	$ 768,300	$ 592,020	$ 678,386	$ 784,860
Plan fiduciary net position	374,608	374,608	374,608	349,121	349,121	349,121
Net OPEB liability	$ 206,666	$ 290,499	$ 393,692	$ 242,899	$ 329,265	$ 435,739
Plan fiduciary net position as a percentage of the total OPEB liability	**64.4 %**	**56.3 %**	**48.8 %**	**59.0 %**	**51.5 %**	**44.5 %**

The Postemployment Healthcare Plan is an IRC Section 115 Trust. The 401(h) plan was depleted as of November 2019 leaving only the 115 Trust in the Healthcare Plan beginning with the end of the fiscal year ended June 30, 2020.

On June 24, 2008, the City Council adopted Ordinance No. 28332 amending Chapter 3.28 of Title 3 of the San José Municipal Code to provide the City with the option to make lump sum payments of City required contributions to the System (referred to as prefunding).

In November 2010, the Board adopted a funding policy (referred to as the floor methodology) setting the annual contribution to be the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage rate of contribution reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: NET OPEB LIABILITY AND CONTRIBUTIONS (Continued)

In October 2014, the Board approved implementing an incremental reduction approach to determining "actuarial equivalence" for the prefunding when the economic expansion has exceeded 58 months in duration and/or the S&P 500 has returns in excess of 130%. This approach will ensure that as business expansions and/or market valuation mature and exceed historic norms, the System reduces the incentive for the City to prefund its contributions. The incremental reduction to the discount rate that is used to calculate the prefunding is 15% per year, up to a maximum of 45%. In March 2022, the Board approved a modification to the incremental reduction approach that added market valuations as an additional criterion for triggering a reduction in the prefunding discount rate.

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

Historically, member and City contributions to the System have been negotiated through collective bargaining and have not been actuarially determined. No amount was determined on an actuarial basis to fund the Healthcare Plan prior to fiscal year 2019. With the passage of Measure F, the Federated Alternative Pension Reform Settlement Framework (Federated Framework) became effective as of June 16, 2017. A Voluntary Employee Beneficiary Association (VEBA) for retiree healthcare was created and Tier 1 and some Tier 2 members were eligible for an irrevocable opt-out of the defined benefit retiree healthcare plan. The VEBA opt-in election period was October 18, 2017 through December 15, 2017, and the healthcare contributions of members who opted in to the VEBA was transferred out of the Postemployment Healthcare Plan in March 2018 and moved in to the defined contribution VEBA. All Tier 1 employees (except those who enter the Plan after June 18, 2017 with “Classic” membership in CalPERS) and Tier 2 employees who were previously making contributions into the defined benefit retiree healthcare plan (Tier 2A), were eligible to opt-in to the VEBA, while all Tier 2 employees (except unrepresented employees) were required to move in to the defined contribution VEBA. The VEBA is being implemented by the City, not ORS, and therefore it is also not under the jurisdiction of the Retirement Board.

With the implementation of Measure F, member contributions were fixed at 7.5% of pay. The City's contribution toward the explicit subsidy is actuarially determined beginning with the fiscal year ending June 30, 2019, and the City also pays the implicit subsidy on a pay-as-you-go basis as part of active health premiums. In addition, the City has an option to limit its contributions to 14% of payroll. The explicit subsidy (or premium subsidy) is paid by the System and is the premium for health coverage selected by the retiree, up to 100% of the premium for the lowest cost plan offered to active employees. The implicit subsidy is the difference between the expected claims cost for a retiree or spouse and the total (retiree plus City) premium.

In February 2018, the Board approved the contribution policy that sets the City healthcare contributions as a flat dollar amount, beginning with fiscal year 2019. The City's contribution for the Postemployment Healthcare Plan during the fiscal year ended June 30, 2023 was $22,997,000, $18,318,000 in regular contributions, $5,370,000 in implicit subsidy, and $(691,000) in adjustments and accruals. The City's contribution for the Postemployment Healthcare Plan during the fiscal year ended June 30, 2022 was $24,747,000, $19,340,000 in regular contributions, $5,468,000 in implicit subsidy, and $(61,000) in adjustments and accruals.

Notes to the Basic Financial Statements *(continued)*

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: NET OPEB LIABILITY AND CONTRIBUTIONS (Continued)

The City and the participating member's contribution rates in effect for the Postemployment Healthcare Plan during the fiscal years ended June 30, 2023 and 2022 were as follows:

Period	City - Board Adopted [2]	Members with Healthcare
	City Tier 1 and City Tier 2	Tier 1 and Tier 2
07/01/22 - 06/30/23	$ 18,318,000 [1]	7.50 %
07/01/21 - 06/30/22	$ 19,340,000 [1]	7.50 %

[1] *Beginning of the year*

[2] *Explicit subsidy amounts as shown excludes accruals, adjustments, and implicit subsidy.*

NOTE 6 - COMMITMENTS

As of June 30, 2023 and 2022, the System had unfunded commitments to contribute capital for investments in the amount of $329,000,000 and $333,259,000, respectively.

NOTE 7 - LITIGATION

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

Required Supplementary Information

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

(Dollars in thousands)

Total Pension Liability (TPL)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service cost (MOY)	$ 70,247	$ 67,581	$ 65,711	$ 61,014	$ 61,808	$ 59,628	$ 51,887	$ 49,011	$ 46,795	$ 43,333
Interest	304,936	295,014	283,610	280,131	272,787	264,250	249,388	229,610	221,690	214,487
Changes of benefit terms	-	-	-	-	-	1,781	12,132	-	-	-
Differences between expected and actual experience	64,726	27,568	44,382	(27,723)	(11,662)	17,460	40,853	39,720	13,005	1
Changes of assumptions	518	9,684	36,981	(2,937)	54,398	(15,582)	60,233	205,875	108,674	-
Benefit payments, including refunds	(247,356)	(237,273)	(227,206)	(216,728)	(205,065)	(193,400)	(183,430)	(173,318)	(164,562)	(155,936)
Net Change in TPL	**193,071**	**162,574**	**203,478**	**93,757**	**172,266**	**134,137**	**231,063**	**350,898**	**225,602**	**101,885**
TPL - Beginning	**4,689,423**	**4,526,849**	**4,323,371**	**4,229,614**	**4,057,348**	**3,923,211**	**3,692,148**	**3,341,250**	**3,115,648**	**3,013,763**
TPL - Ending	**$4,882,494**	**$4,689,423**	**$4,526,849**	**$4,323,371**	**$4,229,614**	**$4,057,348**	**$3,923,211**	**$3,692,148**	**$3,341,250**	**$3,115,648**
Plan Fiduciary Net Position										
Contributions - employer	$ 199,440	$ 207,598	$ 183,964	$ 181,327	$ 173,006	$ 156,770	$ 138,483	$ 124,723	$ 114,751	107,544
Contributions - employee	30,561	27,464	25,724	25,081	22,606	20,501	17,227	15,920	13,621	$ 13,596
Net investment income	222,101	(169,129)	698,608	90,910	76,855	117,493	146,011	(35,011)	(16,642)	263,688
Benefit payments, including refunds	(247,356)	(237,273)	(227,206)	(216,728)	(205,065)	(193,400)	(183,430)	(173,318)	(164,562)	(155,936)
Administrative expense	(5,458)	(4,978)	(4,762)	(4,725)	(4,582)	(4,823)	(4,380)	(3,941)	(3,898)	(3,201)
Net Change in Plan Fiduciary Net Position	**$ 199,288**	**$ (176,318)**	**$ 676,328**	**$ 75,865**	**$ 62,820**	**$ 96,541**	**$ 113,911**	**$ (71,627)**	**$ (56,730)**	**$ 225,691**
Plan Fiduciary Net Position - Beginning	**2,708,027**	**2,884,345**	**2,208,017**	**2,132,152**	**2,069,332**	**1,972,791**	**1,858,880**	**1,930,507**	**1,987,237**	**1,761,546**
Plan Fiduciary Net Position - Ending	**$2,907,315**	**$2,708,027**	**$2,884,345**	**$2,208,017**	**$2,132,152**	**$2,069,332**	**$1,972,791**	**$1,858,880**	**$1,930,507**	**$1,987,237**
Net Pension Liability - Ending	**$1,975,179**	**$1,981,396**	**$1,642,504**	**$2,115,354**	**$2,097,462**	**$1,988,016**	**$1,950,420**	**$1,833,268**	**$1,410,743**	**$1,128,411**
Plan Fiduciary Net Position as a Percentage of TPL	**59.55%**	**57.75%**	**63.72%**	**51.07%**	**50.41%**	**51.00%**	**50.29%**	**50.35%**	**57.78%**	**63.78%**
Covered Payroll	**$ 386,315**	**$ 348,307**	**$ 335,421**	**$ 319,980**	**$ 298,824**	**$ 290,504**	**$ 271,153**	**$ 257,771**	**$ 240,678**	**$ 219,434**
Net Pension Liability as a Percentage of Covered Payroll	**511.29 %**	**568.86 %**	**489.68 %**	**661.09 %**	**701.91 %**	**684.33 %**	**719.31 %**	**711.20 %**	**586.15 %**	**514.24%**

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money - weighted rate of return, net of investment expense	7.31%	(4.19)%	29.43%	3.79%	4.17%	6.03%	7.53%	(0.79)%	(1.07)%	7.49%

The rate shown above is based on the Defined Benefit and does not include the 115 Trust.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions	$ 199,440	$ 207,598	$ 183,964	$ 181,327	$ 173,006	$ 156,770	$ 138,483	$ 129,456	$ 114,751	$ 102,811
Contributions in relation to actuarially determined contributions	199,440	207,598	183,964	181,327	173,006	156,770	138,483	124,723	114,751	107,544
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,733	$ -	$ (4,733)
Covered payroll	$ 386,315	$ 348,307	$ 335,421	$ 319,980	$ 298,824	$ 290,504	$ 271,153	$ 257,771	$ 240,678	$ 219,434
Contributions as a percentage of covered payroll	51.63 %	59.60 %	54.85 %	56.67 %	57.90 %	53.96 %	51.07 %	48.39 %	47.68 %	49.01 %

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	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Valuation date	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Mortality	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2020 projection scale	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generation-al basis with the SOA MP-2018 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generation-al basis with the SOA MP-2017 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generation-al basis with the SOA MP-2015 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generation-al basis with the SOA MP-2015 projection scale	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Discount rate	6.625%	6.625%	6.750%	6.750%	6.875%	6.875%	7.00%	7.00%	7.00%	7.25%
Amortization growth rate	2.75%	2.75%	2.75%	3.00%	3.00%	2.85%	2.85%	2.85%	2.85%	2.43%

Required Supplementary Information *(continued)*

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

(Dollars in thousands)

Fiscal Year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Valuation date	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Salary increases	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service	2.85% plus merit component based on years of service	2.85% plus merit component based on years of service	2.85% plus merit component based on years of service	2.85% plus merit component based on years of service	2.00% for five years and 2.85% thereafter plus merit component based on employee classification and years of service
Amortization method	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period	As of June 30, 2009, the unfunded actuarial liability was amortized over a closed 30 year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20-year periods as a level percentage of pay. The amortization payment for the 2015 assumption changes is phased-in over 3 years	As of June 30, 2009, the unfunded actuarial liability was amortized over a closed 30 year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20-year periods as a level percentage of pay. The amortization payment for the 2015 assumption changes is phased-in over 3 years	As of June 30, 2009, the unfunded actuarial liability was amortized over a closed 30 year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20-year periods as a level percentage of pay.	The unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30 year period commencing June 30, 2009 as a level percentage of Tier 1 pay. Actuarial gains and losses, assumption changes and plan changes are amortized over closed 20-year periods as a level percentage of Tier 1 and Tier 2 pay	The entire unfunded actuarial liability as of June 30, 2009 was amortized as a level percentage of payroll over a closed 30-year period commencing June 30, 2009. Actuarial gains and losses, assumption changes and plan changes since June 30, 2009 are amortized as a level percentage of payroll over a closed 20-year period beginning with the valuation in which they are first recognized

Required Supplementary Information *(continued)*

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS - POSTEMPLOYMENT HEALTHCARE PLAN (unaudited)

(Dollars in thousands)

Total OPEB Liability	2023	2022	2021	2020	2019	2018	2017
Service cost (BOY)	$ 6,972	$ 7,539	$ 7,018	$ 7,040	$ 7,723	$ 7,889	$ 11,109
Interest (includes interest on service cost)	38,334	39,075	39,886	41,855	43,182	42,669	49,977
Changes of benefit terms	-	-	-	-	-	(57,623)	-
Differences between expected and actual experience	(36,989)	(24,961)	(33,945)	(25,639)	(10,418)	(994)	-
Changes of assumptions	9,273	22,369	34,496	(14,804)	9,310	(77,795)	-
Benefit payments, including refunds of member contributions	(30,869)	(31,088)	(31,871)	(30,779)	(28,826)	(29,724)	(31,007)
Net Change in Total OPEB Liability	**(13,279)**	**12,934**	**15,586**	**(22,327)**	**20,971**	**(115,578)**	**30,079**
Total OPEB Liability - Beginning	**678,386**	**665,452**	**649,866**	**672,193**	**651,222**	**766,801**	**736,721**
Total OPEB Liability - Ending	**$ 665,107**	**$ 678,386**	**$ 665,452**	**$ 649,866**	**$ 672,193**	**$ 651,222**	**$ 766,801**
Plan Fiduciary Net Position							
Contributions - employer	$ 22,997	$ 24,787	$ 26,236	$ 26,533	$ 26,410	$ 32,397	$ 31,905
Contributions - employee	9,841	9,865	10,275	10,692	10,578	15,545	16,827
Net investment income	24,268	(38,286)	77,360	3,075	9,472	12,336	17,041
Benefit payments, including refunds of member contributions	(30,869)	(31,088)	(31,871)	(30,779)	(28,826)	(29,724)	(31,007)
Administrative expense	(750)	(765)	(697)	(686)	(384)	(170)	(242)
VEBA transfer	-	-	(5)	(13)	(19)	(13,497)	-
Net Change in Plan Fiduciary Net Position	**$ 25,487**	**$ (35,487)**	**$ 81,298**	**$ 8,822**	**$ 17,231**	**$ 16,887**	**$ 34,524**
Plan Fiduciary Net Position - Beginning	**349,121**	**384,608**	**303,310**	**294,488**	**277,257**	**260,370**	**225,846**
Plan Fiduciary Net Position - Ending	**$ 374,608**	**$ 349,121**	**$ 384,608**	**$ 303,310**	**$ 294,488**	**$ 277,257**	**$ 260,370**
Net OPEB Liability - Ending	**$ 290,499**	**$ 329,265**	**$ 280,844**	**$ 346,556**	**$ 377,705**	**$ 373,965**	**$ 506,431**
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	**56.32 %**	**51.46 %**	**57.80 %**	**46.67 %**	**43.81 %**	**42.57 %**	**33.96 %**
Covered Payroll	**$ 386,315**	**$ 348,307**	**$ 335,421**	**$ 319,980**	**$ 298,824**	**$ 290,504**	**$ 271,153**
Net OPEB Liability as a Percentage of Covered Payroll	**75.20 %**	**94.53 %**	**83.73 %**	**108.31 %**	**126.40 %**	**128.73 %**	**186.77 %**

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

SCHEDULE OF INVESTMENT RETURNS - POSTEMPLOYMENT HEALTHCARE PLAN (unaudited)

	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	8.21%	(9.91)%	24.92%	0.53%	4.33%	4.55%	7.20%

The rate shown above is based on the 115 trust only and does not include the 401(h).
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - POSTEMPLOYMENT HEALTHCARE PLAN (unaudited)

Beginning in FYE 2010, contributions were scheduled to phase in to the full ARC as defined in the bargaining agreements and consistent with the parameters of GASB 45, but the contribution rates were capped before the full ARC was reached. With the contribution rates capped, the ARC was determined as the minimum amount that was consistent with the parameters of GASB 45. No amount had been determined on an actuarial basis to fund the plan, and consequently, the schedule of employer contributions was not provided. With the implementation of Measure F, Actuarially Determined Contributions (ADC) were calculated beginning for the fiscal year ending June 30, 2019.

	2023	2022	2021	2020	2019
Actuarially determined contributions (ADC)	$ 22,997	$ 24,787	$ 26,236	$ 26,533	$ 26,410
Actual contribution related to ADC	22,997	24,787	26,236	26,533	26,410
Contribution deficiency / (excess) relative to ADC	-	-	-	-	-
Covered - employee payroll (Pay)	$ 386,315	$ 348,307	$ 335,421	$ 319,980	$ 298,824
Actual contributions as % of covered payroll	5.95 %	7.12 %	7.82 %	8.29 %	8.84 %

(Dollars in thousands)

NOTES TO SCHEDULE

Fiscal Year	2023	2022	2021	2020	2019
Valuation date	**2021**	**2020**	**2019**	**2018**	**2017**
Timing	Actuarially determined contributions are calculated based on the valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the valuation one year prior to the beginning of the plan year	Actuarially determined contributions are calculated based on the valuation one year prior to the beginning of the fiscal year
Key methods and assumptions used to determine contributions rates:					
Actuarial cost method	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age
Amortization method	20-year layered amortizations as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortizations as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortizations as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortizations as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortizations as a level dollar amount with 3-year phase-in and phase-out
Asset valuation method	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets
Amortization growth rate	0.00%	0.00%	0.00%	0.00%	0.00%
Discount rate	6.00%	6.25%	6.75%	6.75%	6.875%
Ultimate rate of medical inflation	3.78%	3.78%	3.94%	4.25%	4.25%
Salary increases	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service
Mortality	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2020 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale

A complete description of the methods and assumptions used to determine contributions for the year ending June 30, 2023 can be found in the June 30, 2021 actuarial valuation report.

Other Supplemental Information

COMBINING SCHEDULE OF DEFINED BENEFIT PENSION PLAN NET POSITION

As of June 30, 2023 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ASSETS			
Receivables			
Employee contributions	$ 415	$ 105	$ 520
Employer contributions	3,414	2,189	5,603
Brokers and others	7,715	55	7,770
Accrued investment income	3,867	473	4,340
Total Receivables	**15,411**	**2,822**	**18,233**
Investments, at fair value			
Securities and other:			
Public equity	830,770	504,673	1,335,443
Private equity	242,933	147,576	390,509
Core real estate	94,181	57,212	151,393
Investment grade bonds	76,968	46,756	123,724
Immunized cash flows	100,522	61,064	161,586
Growth real estate	74,618	45,329	119,947
Emerging market bonds	68,620	41,685	110,305
Private debt	63,972	38,861	102,833
Market neutral strategies	56,057	34,053	90,110
Cash and cash equivalents	50,506	30,680	81,186
Long-term government bonds	35,148	21,352	56,500
Private real assets	42,157	25,610	67,767
Treasury inflation-protected securities	35,431	21,523	56,954
High yield bonds	34,966	21,241	56,207
Venture / Growth capital	9,779	5,941	15,720
Total Investments	**1,816,628**	**1,103,556**	**2,920,184**
Other assets, net	1,880	765	2,645
TOTAL ASSETS	**1,833,919**	**1,107,143**	**2,941,062**
LIABILITIES			
Payable to brokers	22,006	8,335	30,341
Other liabilities	2,505	901	3,406
TOTAL LIABILITIES	**24,511**	**9,236**	**33,747**
PLAN NET POSITION - RESTRICTED FOR			
Pension benefits	1,809,408	1,097,907	2,907,315
TOTAL PLAN NET POSITION	**$ 1,809,408**	**$ 1,097,907**	**$ 2,907,315**

Other Supplemental Information *(continued)*

COMBINING SCHEDULE OF CHANGES IN DEFINED BENEFIT PENSION PLAN NET POSITION

For Fiscal Year Ended June 30, 2023 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ADDITIONS			
Contributions			
Employee	$ 24,327	$ 6,234	$ 30,561
Employer	116,268	83,172	199,440
Total Contributions	**140,595**	**89,406**	**230,001**
Investment income			
Net appreciation in fair value of investments	122,966	73,695	196,661
Interest income	18,642	10,974	29,616
Dividend income	4,581	2,697	7,278
Less: investment expense	(7,203)	(4,251)	(11,454)
Net Investment Income	**138,986**	**83,115**	**222,101**
TOTAL ADDITIONS	**279,581**	**172,521**	**452,102**
DEDUCTIONS			
Retirement benefits	160,363	68,167	228,530
Death benefits	9,585	7,628	17,213
Refund of contributions	1,373	240	1,613
Administrative expenses and other	3,442	2,016	5,458
TOTAL DEDUCTIONS	**174,763**	**78,051**	**252,814**
NET INCREASE	**104,818**	**94,470**	**199,288**
PLAN NET POSITION - RESTRICTED FOR PENSION BENEFITS			
BEGINNING OF YEAR	**1,704,590**	**1,003,437**	**2,708,027**
END OF YEAR	**$ 1,809,408**	**$ 1,097,907**	**$ 2,907,315**

SCHEDULES OF ADMINISTRATIVE EXPENSES AND OTHER

For the Fiscal Years Ended June 30, 2023 and 2022

	2023			2022
	Original Budget	Actual	Under Budget	Actual
Personnel services	$ 3,986,000	$ 3,931,413	$ 54,587	$ 3,581,518
Non-personnel / equipment	798,000	728,634	69,366	722,127
Professional services	1,095,000	939,805	155,195	1,000,148
Non-cash reporting items [1]	-	608,957	-	439,062
TOTAL ADMINISTRATIVE EXPENSES & OTHER	**$ 5,879,000**	**$ 6,208,809**	**$ 279,148**	**$ 5,742,855**

[1] *Non-cash reporting items include amortization and GASB No. 87 and No. 96 interest expenses. The amortization expense is excluded from the budget totals since it is a non-cash item. GASB statements No. 87 and No. 96 recognizes certain long-term leases and subscription-based information techology arrangements as long-term assets. The related interest expenses are excluded from the budget.*

SCHEDULES OF PAYMENTS TO CONSULTANTS

For the Fiscal Years Ended June 30, 2023 and 2022

Firm	Nature of Service	2023	2022
The Berwyn Group	Reports on deceased benefit recipients	$ 1,313	$ 1,707
Cheiron, Inc.	Actuarial consultant	229,457	236,188
Communication Advantage	Communication consultant	12,125	14,975
Cortex Applied Research, Inc.	Governance consultant	34,586	24,125
Grant Thornton LLP	External auditors	84,908	92,837
Ice Miller, LLC	Tax counsel	30,619	10,980
Levi, Ray, & Shoup	Programming changes and business continuance services	6,069	-
Levi, Ray, & Shoup	Programming changes, business continuance services, and web development and maintenance	10,686	16,944
Other Medical	Medical consultants	84,712	31,458
Reed Smith, LLC	Fiduciary and general counsel	244,498	356,606
Saltzman & Johnson	Domestic relations counsel	50,659	23,587
Segal Company	Actuarial valuation audit	-	100,000
Trendtec, Inc.	Temporary staff	149,373	90,741
Other Consultants	Miscellaneous professional services	800	-
TOTAL		**$ 939,805**	**$ 1,000,148**

Other Supplemental Information *(continued)*

SCHEDULES OF INVESTMENT EXPENSES

For the Fiscal Years Ended June 30, 2023 and 2022

Investment Managers' Fees*	2023	2022
Public equity	$ 1,927,702	$ 2,096,245
Private equity	1,739,815	1,314,003
Investment grade bonds	467,665	326,720
Core real estate	643,144	566,700
Immunized cash flows	100,043	41,665
Long-term government bonds	17,615	20,260
Short-term investment grade bonds	2,029	4,084
Venture / Growth capital	269,515	296,177
Private debt	1,616,664	1,358,431
Growth real estate	2,518,322	1,518,975
High yield bonds	211,757	221,192
Treasury inflation-protected securities	28,291	29,105
Private real assets	827,244	992,408
Total investment managers' fees	**10,369,806**	**8,785,965**

Other Investment Fees		
Investment consultants	454,504	406,750
Custodian bank	508,289	525,466
Investment legal fees	139,325	108,438
Other investment fees	347,280	441,615
Total other investment fees	**1,449,398**	**1,482,269**
TOTAL INVESTMENT EXPENSES	**$ 11,819,204**	**$ 10,268,234**

* The Total Investment Managers' Fees listed on this Schedule of Investment Expenses is based on ORS' General Ledger maintained by its Accounting Department and includes invoice management fees.

This page intentionally left blank

Investment Section

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

The Investment Section provides additional context and detail of the System's Investment policies, performance, benchmark indices, asset allocation, and returns.

The System's Total Investment Return percentages are unaudited numbers, typically provided by the investment consultant (currently Meketa Investment Group) based on the investment returns calculated by the System's custodian bank. In 2023, the System discovered that certain investment management fees were invoiced outside of, and not originally included in, the custodian bank's calculation of investment performance, covering the period of June 30, 2015, through June 30, 2023. To address this issue, the System engaged Macias Gini & O'Connell LLP to perform specific Agreed-Upon Procedures ("AUP") to tabulate the invoice management fees for their inclusion in recalculated investment performance figures for the period in question ("AUP Report"). The Total Investment Return percentages listed here with an asterisk are based on Macias Gini & O'Connell LLP's recalculated investment performance figures (as reflected in the AUP Report). This represents a more comprehensive total investment return than previously provided by Meketa Investment Group. The AUP Report is included with this ACFR after the "Report on Investment Activity" section on page 82.

City of San José
Federated City Employees' Retirement System
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2023 and June 30, 2022

MEKETA | 45
CELEBRATING A MILESTONE | YEARS

80 University Ave
Westwood, MA 02090

781.471.3500
Meketa.com

August 24, 2023

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

Dear Mr. Peña:

Please find below a summary of the market environment and System performance through June 30, 2023.

Fiscal 2023 Year in Review

We began fiscal year 2023 with positive performance across global markets, especially in the US. Investors' optimism at the time was driven by a decline in inflation measures, as the Consumer Price Index (CPI) ticked down from 9.1% to 8.5% and came in below expectations.[1] This led to longer-dated yields falling as investors reconsidered economic growth prospects and the possibility that yields had reached their peak for this economic cycle. Shorter-dated yields rose on near-term monetary policy actions and messaging that policy officials intended to remain aggressive in fighting inflation pressures into early 2023.

It was also at the start of July 2022 when we first saw an inversion in the US yield curve. The yield spread between two-year and ten-year Treasuries finished July at -0.23%.[1] Inversions in the yield curve have historically signaled building recessionary pressures.

The Federal Reserve raised interest rates by an additional 75 basis points[1] in July 2022, and again by the same amount in September. The European Central Bank also notably started increasing rates, moving off of 0%. They increased rates by 50 basis points in July 2022, followed by a surprise 75 basis point increase in September.

Federal Reserve messaging about policy going forward, combined with outsized interest rate hikes due to the slow rate of decline in inflation and a strong labor market, resulted in significant equity market declines in both August and September 2022. The September CPI release showed prices that increased 8.2% over the trailing twelve months, which was lower than the peak of 9.1%[2] but still above the pace of market expectations at the time. The US bond market (Bloomberg Aggregate) declined in the first fiscal quarter (-4.5%[1]) as did the US Equity Market (Russell 3000), which returned -3.2% fiscal year-to-date through September.

The second quarter of fiscal year 2023 started very strong for developed market equities, on returning signs that inflation may be peaking, monetary policy tightening may relatedly slow, and hopes for a soft landing of major economies. However, as the quarter progressed, results were mixed by month and

August 24, 2023

region as the world received differing signals on inflation. Overall, US equities finished the second fiscal quarter of 2023 up (Russell 3000: +7.2%[1]). Equities outside the US (MSCI ACWI ex. US: +14.3%) increased even more versus domestic stocks due in part due to the weakening US dollar. The US bond market also finished the calendar quarter in positive territory (Bloomberg Aggregate: +1.9%).[1]

Inflation, as measured by CPI, declined to 6.5% by December of 2022. While progress had been made since the 2022 peak of 9.1%, there was still much work to be done to bring the pace of price increases down to the Federal Reserve's preferred range. With the exception of Japan, inflation impacted the rest of the developed world as well. Inflation in the Eurozone came in at 9.2% in December, down from a peak of 10.6%.[1] Similarly, inflation in the UK was at 9.2% in December 2022, down from a peak of 9.6%.[2]

The US labor market remained extraordinarily strong throughout the first two quarters of fiscal year 2023, with the unemployment rate declining to 3.5% by December, from a starting point of 3.6%.[1] The labor force participation rate remained slightly above 62% as of December. This was an increase from the lows of the pandemic, but still below the 63.4%[4] level from before the pandemic. Average hourly earnings declined in December, finishing the calendar year at 4.8%. The strength of the labor market in the US contributed to the Federal Reserve's continued hawkish stance. In Europe and Japan, increases in unemployment had been less significant during the pandemic compared to the US, but those measures also improved.

Economic growth in the US rebounded in the first half of fiscal year 2023. The Gross Domestic Product (GDP) release for the first fiscal quarter of 2022 came in at an annualized rate of 3.2%[2], and the second quarter growth rate was 2.6%.[2] Outside the US, Eurozone growth was positive but below levels in the US, coming in at 2.5% and 1.6%[3], respectively, over the same two quarters. UK growth was nearly flat at -0.2% and 0.0%[4], and Japan grew by -0.3% and 0.2%, respectively, over those same two quarters.

Financial markets were volatile in the third quarter of the fiscal year, driven by investors continuing to adjust their interest rate and inflation expectations, as well as the failure of Silicon Valley Bank and a few other regional banks. Ultimately, however, the swift emergency actions taken by the Federal Reserve, the Treasury, and other government agencies helped alleviate some of the concerns connected to the banking sector. This, and a focus on slowing inflation and potentially peaking rates, led to most asset classes experiencing positive results for the quarter, with riskier assets leading the way.

In the third fiscal quarter, the US equity market (Russell 3000) returned 7.2%[1], and international developed market equities (MSCI EAFE) returned 8.5%. Emerging market equities (MSCI Emerging Markets) were also positive for the quarter, returning 4.0%. Chinese equities (MSCI China) rose 4.7% but generally lagged developed markets as reopening optimism was balanced by increased tensions with the US.

Fixed income markets also posted gains for the quarter, but it was a volatile period for interest rates, particularly for shorter maturities. Overall, the change in monetary policy expectations and anecdotal reports of flight-to-quality flows during the height of the concerns surrounding the banking sector drove most interest rates lower. The broad US investment grade bond market (Bloomberg Aggregate) and

August 24, 2023

high yield bonds (Bloomberg High Yield) respectively rose 3.0% and 3.6% for the quarter. High yield bonds particularly benefitted from the positive risk sentiment.

Most financial markets were strong in the final quarter of fiscal year 2023 as investors continued to contend with the track of inflation, the path of monetary policy, lingering fears from the regional banking crisis, and an uncertain economic outlook. Most equity markets posted positive returns for the quarter while fixed income markets fell slightly, as rates rose, reflecting expectations for the Federal Reserve to continue tightening policy rates.

Of the major asset classes, the US equity market (Russell 3000) led the way, returning 8.4%[1] for the quarter with most of the gains (6.8%) coming just in the month of June 2023. Notably, relatively few stocks (mainly large technology companies) accounted for most of the gains in the third and fourth quarter of fiscal year 2023 driven by optimism over artificial intelligence ("AI") technology. Looking at the S&P 500, the index was up 16.9% in the final two quarters of fiscal 2023, though returns were quite concentrated (without the top performing 44 stocks, the index would have been negative over the same period).[5]

Developed international equities (MSCI EAFE) returned 3.0% for the final quarter of fiscal year 2023, while emerging market equities (MSCI Emerging Markets) lagged, returning just 0.9%. Continued signaling from the central banks in Europe and the UK, along with an overall stronger US dollar, weighed on relative results in developed markets. Chinese equities brought down overall results in emerging markets, with the MSCI China index falling 9.7% for the quarter. Chinese equities suffered due to a lackluster economic reopening, weak economic data, and heightened tensions with the US.

The broad US investment grade bond market (Bloomberg Aggregate) fell 0.8%[2] as the Federal Reserve indicated additional rate hikes were needed to combat persistent inflation. High yield bonds (Bloomberg High Yield) benefited from the "risk-on" sentiment, returning 1.7%[2] in the quarter ending June 30th[2]. Commodities (Bloomberg Commodity Index) continued to soften on weakening global growth expectations and developments with China, declining 2.6% for the quarter.[2]

Over the full fiscal year, developed market equities posted strong returns, with US stocks slightly outperforming developed markets outside the US. Emerging market equities significantly trailed developed market equities over the period. The Russell 3000 (US equities) returned 19.0%[1] for the fiscal year, compared to the MSCI EAFE at 18.8%[1] (developed market equities), and a return of 1.8%[1] for the MSCI Emerging Markets Index. The MSCI Emerging Markets Index was greatly influenced by returns from China, as the MSCI China Index declined by 16.8% over the 12 months ending on June 30th. Within fixed income, declining inflation and a slightly longer relative duration for the index hurt Treasury Inflation Protected Securities' full year relative results. The Bloomberg TIPS Index decreased 1.4%[1] over the full year, while the Bloomberg Aggregate Index declined by 0.9%[1] Riskier bonds held up well in the fiscal year, as the Bloomberg High Yield index increased 9.1% over the period.

Remarkably, despite a fiscal year where a recession was forecasted by many economists, GDP growth and unemployment remained unexpectedly robust, and inflation continued to decline. GDP growth in

August 24, 2023

the US was 3.2%, 2.6%, 2.0% and 2.4%[1] for the first, second, third, and fourth quarter, respectively, for fiscal year 2023. Unemployment ticked up to 3.7% during the fiscal year but ultimately settled where it started at 3.6%.[2] All of this occurred while the headline inflation number decreased from 9.1% in June 2022 to 3.0%[2] in June 2023. Finally, the yield curve remained inverted for almost the entire fiscal year, eventually deepening the inversion as the year went on. The yield spread between two-year and ten-year Treasuries finished June 2023 at -1.06%.[1]

Outside the US, unemployment and inflation painted a more mixed picture. The Eurozone ended fiscal year 2023 with unemployment numbers at 6.5%, down from 6.6% at the beginning of the fiscal year.[3] Japan ended with an unemployment figure where it started, at 2.6%. Inflation in the Eurozone ended the fiscal year at 6.1%, down from 8.6%[2] a year earlier. Inflation increased in Japan for the first time in many years, ending at 3.2%, versus 2.5%[2] at the beginning of the fiscal year. China notably had inflation levels at the end of the fiscal year close to 0% given the weak economic reopening.

Fiscal Year 2024 Outlook

Overall, the US economy has been much more resilient than expected, given inflation that remains above the Fed's target and one of the most aggressive monetary policy tightening campaigns in history. As we move forward, investors will be looking for clues on the track of inflation and related monetary policy, monitoring whether economies hit recessions or manage "soft landings," and keeping an eye on geopolitical issues. There are several areas that could guide markets, both positively and negatively, in fiscal year 2024. These include:

→ The Federal Reserve and other Central Banks have made solid progress on the inflation fight. However, the possibility remains that the final declines of inflation to central banks' preferred range may be harder to achieve versus the progress made so far.

- While CPI in the US finished the fiscal year at 3.0% over the trailing 12 months (it recently increased slightly to 3.2% in July 2023), the path to 2.0% may be more difficult due to changes in trade, deglobalization, as well as a stronger consumer.[2]
- The Core CPI measure that strips out the more volatile energy and food categories is still far above range, finishing the fiscal year at 4.8%[2] and more recently falling to 4.7%[2] in July. Because the Federal Reserve focuses on Core measures, and the rate remains above their 2%[2] target, they may continue to fight inflation by keeping rates higher for longer, with the risk of pushing the economy into recession.
- The labor market has remained relatively strong, but questions linger about whether this will persist as the impact of increased interest rates continue to flow through the economy. As consumption makes up most of the growth in the US the strength of the consumer is key. Higher credit balances and rates and the end of the reprieve on student loan payments could also influence spending going forward.

→ China has seen a disappointing reopening, ongoing deleveraging, restrictions from the US, and declining trade.

August 24, 2023

- China, the second largest economy in the world, waited longer than any other country to reduce or remove COVID-related restrictions on mobility. Many market participants expected above-trend growth which has not occurred.
- The old methods of stimulating growth in China, such as building and infrastructure projects, may have lesser utility as China continues to mature.
- The move toward diversifying supply chains is not only happening in the US, but around the world. This has led to less trade with China, both for imports and exports, a trend that could continue to pressure economic growth. Recent legislation, such as the CHIPS Act in the US, is encouraging semiconductor manufacturers to build production plants outside of Asia.
- Deleveraging, resulting from an overleveraged property sector, will continue to reduce economic growth as well as price increases. China will almost certainly look for ways to contain deflationary pressures to avoid a situation like Japan.

→ Ongoing geopolitical issues, including the war in Ukraine and US-China relations, remain a factor and could always worsen, leading to adverse effects on global economic growth and inflation.

- The war in Ukraine continues with no immediate end in sight. Despite international condemnation and sanctions, Russia's economy has held up, allowing the country to continue to fund its war effort despite little progress.
- The war in Ukraine also enlightened the world to a situation where China attempts a takeover of Taiwan. This has resulted in many countries and corporations beginning the process of reducing dependence on Chinese-made goods, while diversifying their supply chains.
- Relations between the world's two largest economies, US and China, have suffered in recent years. This relationship could continue to worsen, with declining trade and increased tensions.

Plan Investment Results and Asset Allocation for the Retirement System[1,2]

The City of San Jose Federated City Employees' Retirement System had $2.9 billion in assets at the end of the fiscal year. For the fiscal year, the Retirement System returned 7.5% net of fees, versus the Policy Benchmark (7.8%) and Investable Benchmark (7.0%). The Retirement System's return was above the 6.625% assumed actuarial rate of return. The Retirement System's standard deviation of returns was 10.3%, exhibiting lower volatility than the peer median (10.4%).

Key factors for the Retirement System's performance for the fiscal year include:

→ *Public Equity*: The System's Public Equity aggregate was up 15.9% for the fiscal year, compared to a benchmark return of 14.5%. Global Equity returned 19.1%, U.S. Equity returned 19.5%, International Equity returned 16.4%, and Emerging Markets Equity returned 6.0%

[1] Performance figures calculated by custodian bank.

[2] Time-weighted rate of return based on the market rate of return is used as the basis for the calculation.

→ *High Yield Bonds:* The Retirement System's High Yield Bonds aggregate also had a strongly positive return for the fiscal year, up 9.8%. Both of the System's High Yield Bond funds posted returns over 9.5%.

Plan Investment Results and Asset Allocation for the Health Care 115 Trust [1,2]

The San Jose Federated Retiree Health Care 115 Trust had $376.3 million in assets at the end of the fiscal year. For the fiscal year, the Health Care Trust returned 8.2% net of fees, compared to the Policy Benchmark return of 7.6%.

Within the Health Care Trust, Growth returned 15.3% versus the Growth Benchmark return of 15.2%, Low Beta returned 3.6% compared to the ICE BofA 91 Days T-Bills TR of 3.6%, and Other returned -1.8%, outperforming the Other benchmark by 180 basis points over the fiscal year period.

Summary

Performance for the City of San Jose Federated City Employees' Retirement System over the fiscal year exceeded its Investable Benchmark and was nearly in line with its Policy Benchmark. Compared to the Public Peer Group over $1 Billion Net Return, performance over the fiscal year ranked near the median, while also taking on less risk than the peers. We believe that the Retirement System has a high probability of achieving the actuarial rate over the long-term, while exhibiting lower volatility than peers. We are looking forward to continuing our work with Staff and the Board of Administration to assist the Retirement System in meeting its obligations to participants.

Sincerely,

Laura Wirick, CFA, CAIA	Jared Pratt, CFA, CAIA
Managing Principal	Vice President

LBW/JP/sf

[1] Source: OECD.
[2] Source: Bloomberg.
[3] Source: Eurostat.
[4] Source: Bureau of Economic Analysis.
[5] Source: S&P Down Jones Indices.

[1] Performance figures calculated by custodian bank.

[2] Time-weighted rate of return based on the market rate of return is used as the basis for the calculation.

Independent Accountant's Report on Applying Agreed-Upon Procedures

Boards of Administration and Chief Executive Officer
Federated City Employees' Retirement System
Police and Fire Department Retirement Plan

We have performed the procedures enumerated below on the City of San José Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan (the "Retirement Plans") inclusion of invoice management fees in the investment performance of the Retirement Plans for the years ended June 30, 2015, through June 30, 2023 (the Subject Matter). The Retirement Plans' management are responsible for the Subject Matter.

The Retirement Plans have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting the Boards of the Retirement Plans in evaluating the inclusion of invoice management fees in the investment performance of the Retirement Plans for the years ended June 30, 2015, through June 30, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. We obtained the total fund market values at June 30, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023, for the following funds:

    - Police and Fire Department Pension Plan (PF Pen)
    - Police and Fire Department Healthcare Trust (PF HCT)
    - Federated City Employees' Retirement System Pension Plan (Fed Pen)
    - Federated City Employees' Retirement System Healthcare Trust (Fed HCT)

    Finding: No exceptions were noted as a result of this procedure.

2. We obtained the invoiced management fee transaction detail from the general ledger for each fund and period end from procedure 1 and summarized each fund's management fees by year end.

    Finding: No exceptions were noted as a result of this procedure.

3. Using the total fund market values and invoiced management fees obtained in procedures 1 and 2, we calculated the ratio (percentage) of the invoiced management fees to total fund market values for each year.

    Finding: No exceptions were noted because of this procedure.

4. We recalculated the respective years' investment returns by subtracting the invoiced management fee percentages calculated in procedure 3 from the one-year net returns as reported by Meketa in their June Quarterly Reviews.

   Finding: Results of this procedure are presented below.

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Fund	Calculated Percentage of Invoiced Management Fees							
PF Pen	0.08%	0.11%	0.08%	0.08%	0.09%	0.10%	0.09%	0.10%
PF HCT	0.02%	0.03%	0.02%	0.03%	0.02%	0.00%	0.01%	0.00%
Fed Pen	0.07%	0.10%	0.07%	0.07%	0.09%	0.12%	0.12%	0.12%
Fed HCT	0.06%	0.09%	0.07%	0.06%	0.03%	0.03%	0.03%	0.03%
	Stated Returns							
PF Pen	7.73%	-4.97%	26.27%	3.08%	4.27%	6.89%	9.69%	-0.58%
PF HCT	8.11%	-9.60%	23.99%	2.18%	4.79%	3.56%	7.07%	0.42%
Fed Pen	7.47%	-4.40%	29.24%	3.57%	4.27%	5.91%	7.50%	-0.69%
Fed HCT	8.15%	-10.00%	24.78%	-0.09%	4.20%	4.92%	8.68%	-2.75%
	Adjusted Returns							
PF Pen	7.65%	-5.08%	26.19%	3.00%	4.18%	6.79%	9.60%	-0.68%
PF HCT	8.09%	-9.63%	23.97%	2.15%	4.77%	3.56%	7.06%	0.42%
Fed Pen	7.40%	-4.50%	29.17%	3.50%	4.18%	5.79%	7.38%	-0.81%
Fed HCT	8.09%	-10.09%	24.71%	-0.15%	4.17%	4.89%	8.65%	-2.78%

5. We recalculated the respective years' 3-year investment return and compared the results to the three-year net returns as reported by Meketa in their June Quarterly Reviews.

   Finding: Results of this procedure are presented below.

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Fund	Stated 3-Year Returns					
PF Pen	8.93%	7.34%	10.72%	4.73%	6.93%	5.24%
PF HCT	6.61%	4.63%	9.91%	3.50%	5.13%	3.65%
Fed Pen	9.91%	8.57%	11.75%	4.58%	5.89%	4.18%
Fed HCT	6.69%	3.91%	9.11%	2.99%	5.92%	3.51%
	Adjusted 3-Year Returns					
PF Pen	8.84%	7.25%	10.63%	4.64%	6.83%	5.14%
PF HCT	6.59%	4.60%	9.88%	3.49%	5.12%	3.65%
Fed Pen	9.83%	8.48%	11.68%	4.48%	5.77%	4.06%
Fed HCT	6.62%	3.84%	9.06%	2.95%	5.89%	3.48%
	Differences					
PF Pen	0.09%	0.09%	0.09%	0.09%	0.10%	0.10%
PF HCT	0.02%	0.03%	0.02%	0.02%	0.01%	0.00%
Fed Pen	0.08%	0.08%	0.08%	0.10%	0.11%	0.12%
Fed HCT	0.08%	0.08%	0.05%	0.04%	0.03%	0.03%

6. We recalculated the respective years' 5-year investment return and compared the results to the five-year net returns as reported by Meketa in their June Quarterly Reviews.

   Finding: Results of this procedure are presented below.

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Fund	Stated 5-Year Returns				
PF Pen	6.80%	6.63%	9.74%	4.61%	3.81%
PF HCT	5.35%	4.44%	8.04%	3.58%	2.78%
Fed Pen	7.47%	7.16%	9.71%	4.07%	3.15%
Fed HCT	4.80%	4.17%	8.17%	2.91%	2.37%
	Adjusted 5-Year Returns				
PF Pen	6.71%	6.54%	9.65%	4.52%	3.73%
PF HCT	5.32%	4.42%	8.02%	3.57%	2.77%
Fed Pen	7.39%	7.07%	9.61%	3.97%	3.06%
Fed HCT	4.74%	4.11%	8.13%	2.88%	2.35%
	Differences				
PF Pen	0.09%	0.09%	0.09%	0.09%	0.08%
PF HCT	0.02%	0.02%	0.02%	0.01%	0.01%
Fed Pen	0.08%	0.09%	0.10%	0.11%	0.09%
Fed HCT	0.06%	0.06%	0.04%	0.04%	0.02%

We were engaged by the Retirement Plans to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on inclusion of invoice management fees in the investment performance of the Retirement Plans for the years ended June 30, 2015, through June 30, 2023. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Retirement Plans and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Boards of Administration and Chief Executive Officer of the Retirement Plans, and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini É O'Connell LLP

Walnut Creek, California
December 14, 2023

Statement of Investment Policy

PENSION

EXECUTIVE SUMMARY

The purpose of this document is to set forth the goals and objectives of the San José Federated City Employees' Retirement System, and to establish guidelines for the implementation of investment strategy.

This document will be reviewed at least annually. Any revisions to this document may be made only with the approval of the Board.

This investment policy was approved on May 19, 2022. The asset allocation was approved on March 18, 2021.

The Board of Administration recognizes that a stable, well-articulated investment policy is crucial to the long-term success of the System. As such, the Board members have developed this Investment Policy Statement with the following goals in mind:

- To clearly and explicitly establish the objectives and constraints that govern the investment of the System's assets,
- To establish a long-term target asset allocation with a high likelihood of meeting the System's objectives given the explicit constraints, and
- To protect the financial health of the System through the implementation of this stable long-term investment policy.

This document includes detail on the System's adopted asset allocation policy (summarized in Appendix A) and process, including the selected Functional asset class structure and the System benchmarks approved by the Board. It also includes the System's policy on manager selection, retention, evaluation, and termination, as well as the System's adopted risk policy, with specific risk parameters summarized in Appendix B.

Throughout this document, expected returns and volatilities were based on capital market assumptions from the general consultant.

I. SAN JOSÉ FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM'S GOALS

The San José Federated City Employees' Retirement System was established to provide retirement income for San José Federated City Employees' Retirement System employees and their families. The System's assets are structured to provide growth from capital gains and income, while maintaining sufficient liquidity to meet beneficiary payments.

II. INVESTMENT OBJECTIVES

The investment strategy of the San José Federated City Employees' Retirement System is designed to ensure the prudent investment of System assets in such a manner as to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss.

A. Risk Objectives

1. To accept the optimal level of risk required to achieve the System's return objective as stated immediately below.
2. To target total portfolio investment risk consistent with the investment beliefs and strategic goals set forth by the San José Federated City Employees' Retirement System Board.
3. To consider the financial health of the Sponsor when assuming investment risks.

PENSION (continued)

4. To use diversification to minimize exposure to company and industry-specific risks in the aggregate investment portfolio.

B. Return Objective

1. In a manner consistent with the goals stated in Section I above, to manage the System's assets as to achieve the highest, reasonably prudent return possible.

III. INVESTMENT CONSTRAINTS

A. Legal and Regulatory

The San José Federated City Employees' Retirement System is a defined benefit retirement program for certain employees of the City of San José in the State of California. The terms of the System are described in the San José Municipal Code.

B. Time Horizon

The System will be managed on a going-concern basis. The assets of the System will be invested with a long-term time horizon (ten to twenty years or more), consistent with the participant demographics and the purpose of the System.

C. Liquidity

The Board members intend to maintain sufficient liquidity to meet at least five years of anticipated beneficiary payments, net of System sponsor and member contributions.

D. Tax Considerations

The System is a tax-exempt entity. Therefore, investments and strategies will be evaluated only on the basis of expected risks and potential returns.

IV. RISK AND RETURN CONSIDERATIONS

The Board members accept the risks associated with investing in the capital markets (market risks), but will minimize wherever possible those risks for which the System is unlikely to be compensated (non-market or diversifiable risks).

V. DIVERSIFICATION

The Board members of the San José Federated City Employees' Retirement System recognize that an important element of risk control is diversification. Therefore, investments will be allocated across multiple classes of assets, chosen in part for their low correlation of expected returns. Within each asset type, investments will be distributed across many individual holdings, with the intention of further reducing volatility.

The specific degrees of diversification within asset classes will be addressed in each separate account manager's investment guidelines, or in each commingled manager's fund documents.

The purpose of the functional classifications and major asset classes are defined in the language and table below.

A. Functional Sub-portfolios

The investment strategy for the Investment Program employs three functional sub-portfolios to construct the comprehensive asset allocation. The allocation to the sub-portfolios is assessed at least annually and is based on projected capital market assumptions. The Chief Investment Officer ("CIO") shall review the relative size and composition of these sub-portfolios and advise the Investment Committee ("IC") of any necessary revisions to the allocation among the sub-portfolios.

PENSION (continued)

1. **Growth Sub-portfolio:** The purpose of the Growth Sub-portfolio is to grow invested assets over the long-term in order to pay future benefits. This portfolio is characterized by a long investment horizon and can, therefore, accept a higher level of volatility. Assets in this portfolio may be volatile, have reduced liquidity, and derive the bulk of their return from capital appreciation. These assets include public and private equity, corporate and other debt with credit risk premiums, private real estate and other private assets. The success of this portfolio will be measured primarily by compounded annual growth rates in conjunction with the annualized standard deviation of returns as the primary measure of risk. Performance evaluation will, therefore, focus on the long-term total risk-adjusted return of the portfolio.

2. **Low Beta Sub-Portfolio:** The purpose of the Low Beta Sub-portfolio is to ensure that the overall (total portfolio) a) is relatively immune from market fluctuations while providing a source of alpha b) is a source of capital for purchasing undervalued assets in the Growth sub-portfolio, and c) has adequate assets available to pay benefits over an extended timeframe (the immunized cash portfolio). It will contain an “absolute return” program that invests in risk assets in isolation but whose combined long and short betas are relatively neutral to market movements, an immunized cash portfolio, as well as cash and cash-like assets such as short-term bonds, derivatives, and other investments that provide fixed, contractual cash flows with a minimum level of credit risk. For the immunized cash portfolio, the Board has established a target allocation amount of up to 60 months’ worth of projected benefit payments in the Low Beta Sub-portfolio, which will be drawn down and replenished annually. The Low Beta portfolio is expected to provide a stable offset to the rest of the portfolio during periods of severe market stress and to effectively dampen the market volatility across the entire portfolio. The success of the Low Beta Sub-portfolio will be measured by its ability to offset declines in value in the Growth Sub-portfolio, as well as its ability to provide liquidity during times of market stress.

3. **Other Sub-Portfolio:** The purpose of the Other Sub-portfolio is to ensure that the overall portfolio is specifically protected against inflation risks while also providing for further diversification. The success of the Other sub-portfolio will be measured by its ability to protect the portfolio from inflation risk while also providing an additional source of return and diversification.

B. Interaction between the Functional Sub-Portfolios

The allocations to the Growth, Low Beta, and Other sub-portfolios will vary over time. When Growth assets are undervalued, the Low Beta Sub-portfolio will act as a source of funds and when Growth assets are overvalued the Low Beta sub-portfolio will act as a use for harvested Growth portfolio returns. The Growth and Other sub-portfolios will be subject to the volatility of the markets in which each functional sub-portfolio invests. In order to reallocate between the functional sub-portfolios, the CIO and the General Consultant will conduct an annual capital review to assess the relative value and risks associated with each asset class and deliver a review of the capital markets to the Board. The Consultant will provide the Board current forward-looking risk and return assumptions for all major asset classes. In conjunction with this review, the CIO will provide a recommendation of how best to allocate assets within each functional sub-portfolio. If necessary, the CIO will recommend changes in target allocations to the underlying asset classes in order to deploy the Investment Program’s assets effectively in the upcoming year. While considering changes to the allocation to each functional sub-portfolio, the CIO will view the totality of all functional portfolios, and consider the impact of changes to the overall risk and return profile of the total portfolio.

PENSION (continued)

Public Equity - *Growth*

The purpose of Public Equity is to provide the System exposure to the total return due to equity capital owners, including exposure to capital appreciation from economic growth, while managing volatility relative to the equity market.

Private Markets - *Growth*

The purpose of Private Markets is to provide the System exposure to asset growth and income while diversifying the portfolio and capturing an illiquidity premium.

Emerging Market Bonds - *Growth*

The primary purpose of Emerging Market Bonds is to provide the System exposure to rates and credit risk within emerging markets.

High Yield Bonds - *Growth*

The primary purpose of High Yield Bonds is to provide the System with exposure to high yielding corporate debt.

Market Neutral Strategies - *Low Beta*

The purpose of Market Neutral Strategies is to produce alpha based returns while reducing overall System volatility and increasing Sharpe ratio.

Bonds (Immunized Cash Flows) - *Low Beta*

The purpose of Bonds (Immunized Cash Flows) is to provide liquid funds for expected outflows and allow for other assets to be invested in an illiquid fashion.

Treasury Inflation-Protected Securities (TIPS) - *Other*

The purpose of TIPS is to provide exposure to inflation in addition to interest rates.

Core Real Estate - *Other*

The purpose of Core Real Estate is to produce the System income and price appreciation while maintaining a low correlation to both stocks and bonds.

Long-Term Government Bonds - *Other*

The purpose of Long-Term Government Bonds is to provide a positive return in highly stressed market environments, with a low correlation to equity risk.

Core Bonds - *Other*

The purpose of Core Bonds is to produce returns and income for the System by providing exposure to rates and credit risk.

PENSION (continued)

VI. ASSET ALLOCATION POLICY

Asset Allocation and Portfolio Construction

A. The Board recognizes that establishing an appropriate strategic asset allocation (SAA) portfolio is critical to the long-term success of the investment program, as asset allocation is the single biggest determinant of the expected risk and return of the System.

B. In arriving at the SAA, the Board shall follow a *building block* approach whereby it approves a series of benchmark portfolios, each offering expected risk and return characteristics that are preferable to the one before it. This building block approach is further explained below:

1. *Liability Benchmark Portfolio* (LBP). As the first step in the portfolio construction process, the Board shall approve a LBP. The LBP is the portfolio that offers the lowest possible expected funding risk, where funding risk is defined as the risk that assets will grow at a slower rate than the system's liabilities. The LBP is expected to consist solely of bonds that match the duration of the liabilities.

2. *Low-Cost Passive Portfolio* (LCPP). If the Board believes a portfolio can be constructed that offers expected return / risk characteristics that are preferable to those of the LBP, but does not wish to invest significant resources in staff and consultants, the Board would then approve a LCPP. The LCPP would be simple to construct and implement and would consist only of public market asset classes managed on a passive basis. It would exclude private market asset classes and hedge funds, which are complex and costlier to implement.

3. *Strategic Asset Allocation Portfolio* (SAAP). If the Board believes an even more diversified portfolio would enhance the risk-adjusted return characteristics of the System and justify a meaningful investment in staff and consulting resources, the Board would then develop and approve an SAAP. The SAAP would be more complex than the LCPP because it would likely include private market asset classes and / or hedge funds. The staff and consulting resources required to manage such a portfolio would significantly increase the cost and administrative complexity of the System.

4. *Investable Benchmark Portfolio* (IBP). The Benchmark Portfolio would include the same underlying benchmarks as the SAAP, but would use a beginning-of-month weight for each asset class. This will account for weighting differences to the SAAP in asset classes that take more than one year to invest (private markets asset classes).

C. The Board believes the above building-block approach represents a thoughtful way of approaching its asset allocation decisions, as it makes each step in the portfolio construction process clear and explicit. It also requires the Board to consider and confirm the rationale for accepting the potential incremental risk, complexity and cost introduced by moving from one portfolio model to the next. Their relative merits would include evaluation on a net-of-expenses basis.

D. The benchmarks approved by the Board as of the date of this document, and the expected return of each, are described below:

1. A LBP consisting of a market benchmark with a duration profile similar to the System's liabilities. The expected return for the LBP is 3.1% (20 years / geometric mean) as of the date of this document.

PENSION (continued)

2. A LCPP consisting of the following asset classes and targets, and the broad, commonly-used market indices that could be used for each asset class, are shown in Appendix A. The expected return for the LCPP is 7.0% (20 years / geometric mean) as of the date of this document.

3. A SAAP consisting of the following asset classes and targets is shown in Appendix A. The expected return of the SAAP is 7.8% (20 years / geometric mean) as of the date of this document.

Asset Allocation Tools & Methods

A. The LBP will be re-evaluated annually following the results of the annual actuarial study. LCPP and SAAP shall be established and modified based on the results of formal asset allocation studies performed approximately every three years or when a significant market correction occurs. The capital market assumptions (CMA) used in such studies shall be reviewed and updated annually or when the S&P 500 experiences a decrease of more than 20% from peak. The Board shall consult with the general investment consultant in connection with such asset allocation studies and CMA reviews.

B. Asset allocation studies shall be designed to ensure rigorous and objective analysis, and minimize decision-making bias by:

1. Requiring the use of a portfolio construction engine ("Engine"); and
2. Requiring that the Board and IC always focus first on establishing the most reasonable and defensible inputs to the Engine. That is, if the Board is uncomfortable with the results of the Engine, it shall respond by reviewing the reasonableness of the inputs to the Engine, rather than simply modifying the results.

C. When arriving at the LCPP and the SAAP, asset allocation studies shall include the four basic steps outlined below:

1. Step 1: Inputs
   a. For each study, the Board shall approve the inputs to the Engine including:
      - Permitted asset classes (Permitted asset classes for the LCPP shall include only public markets and permitted asset classes for the SAA Portfolio shall include both public and private markets);
      - CMAs; and
      - Material constraints (e.g. maximum allocations to certain asset classes), along with supporting rationale.

   b. The CIO shall propose the inputs to the IC, with prior input from the Board's general investment consultant, and work with the investment consultant throughout the process to make subsequent revisions to inputs, based on feedback from the IC.

   c. The Board, IC, CIO and investment consultant are expected to reach a consensus regarding the above inputs and the Board shall formally approve them. Staff shall document the process by which it arrives at its recommended inputs.

2. Step 2: Modeling and Analysis
   a. The investment consultant will incorporate the approved inputs into the Engine to be used to identify and analyze potential asset allocation choices for each study and present the results to the CIO.

   b. The Board expects that the Engine will rely on mean-variance optimization ("MVO").

PENSION (continued)

c. The Board shall also consider the results of the MVO analysis under additional constraints to ensure adherence with approved risk limits including:
   - Stress testing, including historical scenario analysis and factor-specific testing;
   - Liquidity analysis under normal and stressed conditions; and
   - Cash flow management requirements for the immunization of certain projected benefits and expenses.

3. Step 3: Recommendations

a. The CIO will present the current asset allocation and a number of reasonable alternatives along the so-called "efficient frontier" for the Board to consider.

b. In presenting the alternatives, the CIO initially will present only the return / risk characteristics of each alternative and will not reveal the underlying asset class allocations (i.e. "blind" format). This will allow the Board / IC to focus initially on the return / risk implications of each alternative, rather than the underlying asset allocations.

c. After the Board has engaged in a preliminary discussion and analysis of the alternatives, the underlying asset allocations of each alternative will be revealed for further consideration.

d. The Board / IC may provide feedback to the CIO and investment consultant, which may require further analysis and a request for revised recommendations for the Board / IC to consider.

4. Step 4: Approvals

a. The Board / IC will review the final analyses and recommendations from the CIO and general consultant and approve:
   - Low Cost Portfolio Benchmark weights; and
   - Strategic Asset Allocation Portfolio weights, targets and ranges (maximum – minimum).

Rebalancing

A. The CIO shall adhere to the SAAP asset and sub-asset class "targets" approved by the Board and shall rebalance to within the approved range at least quarterly if the actual weights at the sub-asset class levels are not within 10% of the approved target, considering the cost of more frequent rebalancing. For example, if the target allocation for an asset class is 20%, re-balancing will be triggered quarterly when the actual allocation for the asset class deviates by +/- 2% (i.e. 10% x 20%, reaching 18% or 22%). The CIO may use discretion to rebalance to within the approved range at more frequent intervals than quarterly, and when actual weights are within 10% of the approved target, subject to an assessment of market risk, active risk, and transactions costs. When a change to the SAAP is made by the Board, the CIO and the investment team will rebalance to the new target weights as expeditiously as possible, or in tranches if directed by the Board. The CIO shall also use his discretion in rebalancing to the new SAAP in the event that instant liquidation of managers within an asset class may work against the interests of the System. Changes to the weights of illiquid asset classes may take several quarters to implement, and the CIO shall keep the IC apprised of progress toward the new SAAP. Synthetic rebalancing through an overlay provider may also be used when appropriate. The Immunized Cash Flows portfolio is exempt from this rebalancing provision, as it is amortizing by design.

Statement of Investment Policy *(continued)*

PENSION (continued)

B. Total System active risk (i.e. tracking error) is to be maintained below 3%. While asset class exposures may fall within acceptable capital allocation ranges as noted above, total System tracking error is not to exceed this 3% threshold.

Evaluating Asset Allocation Decisions

A. The Board shall periodically evaluate the effectiveness of its asset allocation decisions using the above portfolio benchmarks (i.e. Liability Portfolio Benchmark, Low-Cost Passive Portfolio, and Strategic Asset Allocation Portfolio).

B. The following table uses hypothetical returns to illustrate how the above benchmarks shall be used to evaluate the Board's asset allocation decisions.

Portfolio Benchmark	Net Return (%)	Value Added (%)	Conclusions
A. Liability Benchmark Portfolio	3.1	N/A	
B. Low Cost Passive Portfolio	7.0	3.9 (B - A)	By deviating from a portfolio with modest funding risk to a low-cost, passive portfolio that does not require significant staff or consulting resources, the Board shall have added net value of 3.2%
C. SAA Portfolio	7.8	0.8 (C - B)	By enhancing the passive portfolio with investments in private markets and hedge funds, the Board added net value of 0.8%

C. The Board will evaluate two additional benchmarks in order to assess the value added by the CIO, investment staff, and the investment consultants:

1. **Actual Portfolio:** This is the actual portfolio implemented by the CIO and investment staff with support from investment consultants. The Actual Portfolio includes private markets and hedge funds and reflects any active management exercised by the CIO and the underlying investment managers, subject to Board-approved policies and CIO-approved procedures.

2. **Investable Benchmark Portfolio:** The Investable Benchmark Portfolio is identical to the SAAP but is adjusted for the fact that the SAAP is not constantly "investable" with respect to private market asset classes. For private markets, the Investable Benchmark Portfolio would apply the best available private market benchmarks and, for weighting purposes, would reflect the pacing Systems for private markets (assuming the pacing Systems are reasonable). For example, if the private equity pacing System called for 15% to be invested in private equity by the end of the performance measurement period, then the Investable Benchmark Portfolio would reflect a 15% allocation to private equity, even though the SAA Portfolio calls for 22% to be invested in private equity.

The following table illustrates how the performance of the CIO would be evaluated. Again, the returns are hypothetical and for illustration purposes only.

Statement of Investment Policy *(continued)*

PENSION (continued)

Portfolio Benchmark	Net Return (%)	Value Added (%)	Conclusions
A. Actual Portfolio	7.5	0.5 (A - B)	CIO outperformed the Benchmark Portfolio from these sources: i) manager selection (including security selection effects) and ii) other effects
B. Benchmark Portfolio	7.0	N/A	

D. For the benefit of stakeholders, the Board shall also measure and report for comparison purposes, on a quarterly basis, the actual portfolio return relative to the return of the LCPP and relative to commonly cited benchmarks, including:

1. A 60% equity and 40% fixed income portfolio ("60 / 40 Portfolio") comprised of 60% MSCI ACWI IMI (net, unhedged) and 40% Bloomberg Barclays Global Aggregate Bond Index; and

2. A peer group benchmark consisting of other U. S. public pension Systems similar in size to the System, as reported in the InvestorForce Public DB > $1B Net.

VII. MANAGER SELECTION, RETENTION, EVALUATION & TERMINATION POLICY

Background

A. The Board has delegated to the CIO the authority to select and terminate all investment managers of the System subject to constraints and parameters contained herein. Such authority shall be further subject to Manager Selection, Retention, Evaluation & Termination Procedures ("Procedures"), approved by the CIO, that provide more detailed constraints and parameters.

B. It is the Board's intention that the CIO shall have the necessary authority and resources to effectively select, retain, evaluate, and terminate investment managers with the exceptions of venture capital and co-investments (due to the nascent nature of the venture capital program and investment concentration risk of co-investments). The Venture Capital program shall be approved by the Investment Committee and the Board prior to its implementation. These exceptions do not pertain to funds where an external manager has discretion.

C. Accordingly, the CIO shall have the authority to:

1. Manage the Investment Personnel of the System, including:

a. Recommending to the CEO the appointment and duties of all professional, technical, and clerical employees of the Investment Division;

b. Directing and supervising all Investment Personnel on a day-to-day basis; and

c. Evaluating all Investment Personnel and managing their professional development.

2. Select and terminate investment consultants to assist in the selection, retention, evaluation, and termination of investment managers.

a. The CIO may use the services of the general investment consultant appointed by the Board. Alternatively, if the services of the general consultant can be unbundled to separate manager research services, the CIO may select a consultant(s) of his or her choice to carry out manager research services that would otherwise have been included in the general investment consultant scope of services.

PENSION (continued)

b. The CIO shall ensure that the total fees and expenses associated with the consultants he or she selects are reasonable and shall provide a report of such fees and expenses to the Investment Committee and the Board on at least a quarterly basis.

c. While the CIO shall have the authority to select and terminate investment consultants to assist staff in selecting, retaining, evaluating and terminating investment managers, the Board shall approve all contracts with investment consultants selected by the CIO to ensure such contracts reflect fair and reasonable value for the System.

3. Delegation of authority to the CIO to select and terminate investment managers reflects the Board's desire to:

a. Promote efficiency and effectiveness in the manager selection and termination processes;

b. Focus the Board's time and attention on investment policy, asset allocation, and oversight, rather than manager selection and termination; and

c. Establish clear accountability on the part of the CIO and investment staff for manager selection, retention, evaluation, and termination.

General Constraints and Parameters

A. The CIO's authority to select and terminate investment managers shall be subject to the following general constraints and parameters:

1. Investment managers shall meet the following **minimum qualifications** to be selected to manage any assets of the fund:

a. Be **registered as an investment advisor** under the Investment Advisor's Act of 1940 or comparable legislation, unless the manager represent and warrants that it is exempt from such registration under applicable law.

b. Agree to enter into a contract with the System requiring them to perform their services consistent with the fiduciary services established under (a) the Investment Advisor's Act of 1940; (b) California law applicable to fiduciaries of public employee retirement systems, which includes the California State Constitution, Art. XVI sec. 17 and the San José Municipal Code and / or (c) terms and conditions substantially comparable to the foregoing that are satisfactory to the System.

2. The nature and size of the manager's mandate shall be consistent with:

a. The asset allocation policy of the System;

b. Applicable constraints (e.g. **manager or strategy concentrations**) contained in this Investment Policy Statement; and the total System **active risk limit(s)**[1] **contained in the risk section of this IPS**.

[1] Active risk or tracking error limits may apply at the total fund level, or another aggregation (e.g. public markets assets only, excluding private markets). Risk limits may also be based on concentration, expressed for example, as a percentage (%) of some total amount of risk.

PENSION (continued)

3. Notwithstanding paragraph 2) b) above, the CIO shall not approve the selection of an investment management firm for mandates that exceed the following limits:

Basis*	Description	Strategy Limit [1]
Vehicle	Separately managed accounts (active)	15%
	Commingled funds and SMAs (public, passive)	No limit[2]
	Commingled funds (public, active)	15%
	Commingled funds (hedge funds)	15%
	Commingled funds (private strategies)	15%[3]
Public Markets [4]	Passive strategies	No limit
	Active strategies	15%
		Transaction Limit [5]
Private Markets	Total $ commitment to asset class (e.g. Private Debt)	150% of Board-approved pacing plan (cumulative) [6]
	Primary fund commitment (1st allocation to mgr.)	2%**
	Primary fund commitment (follow-on)	3%**
	Secondary fund investment	1%**

* To be selected, the manager must satisfy the “Vehicle” constraint and the appropriate “Public Markets” or “Private Markets” constraints

** Percentage (%) of total System assets

4. When a market movement is the cause of a breach in the above limits, it should be reported to the IC at the earliest of a mutually agreed-upon time during which the Investment Committee could convene with a quorum, or at the next regularly scheduled Investment Committee meeting, along with a report on how the breach was addressed, or a recommendation to address the breach.

[1] Percentage (%) of total System assets allowable per investment strategy.
[2] Rationale: Fund is constrained by the asset allocation. This is the “default” option for investing, and scale determines pricing.
[3] For private strategies, limit applies to the capital invested plus future callable commitments.
[4] Some of these limits related to public markets may be “interim”, to be replaced by risk-based limits for example.
[5] Percentage (%) of total System assets allowable per investment manager
[6] This would allow, for example, a commitment in Year 1 that is 50% above “plan”. The “cumulative” provision would allow for a “catch-up” for any slower-than-planned investments in prior years.

Manager Selection

Manager Selection Process

A. The process used to select an investment manager shall, at a minimum, include the following elements:

1. Imposition of a Quiet Period / No Contact policy. Board members and staff shall not have contact with individuals or entities who are seeking engagement by the System in response to an RFP, RFI, purchase order, or other solicitation or contracting process, except in accordance with the published terms of the contracting process or except for, and limited to, contact necessary in connection with ongoing System business with an individual or entity. The System’s RFPs, RFIs, and other contract solicitations shall include notice that a “quiet period” will be in place from the beginning of the contracting process until the selection of the successful party such that these communications shall not occur, except as provided above. As part of the contracting process, potential contracting parties shall be required to disclose

PENSION (continued)

potential conflicts of interest. Board members and staff shall not use or attempt to use influence, outside of the individual authority to cause the organization to enter into a contract with any individual or entity. Board members and staff may refer individuals or entities for consideration for contracting to the appropriate System staff member(s) responsible for the particular procurement or contract process.

2. Identification of a mandate to implement the Board's SAA Policy Portfolio.

3. Comprehensive **operational due diligence** performed by the investment staff, qualified investment consultant, or qualified quasi-discretionary investment manager;

4. In the case of private markets, comprehensive **operational due diligence** performed by the investment staff, qualified investment consultant, or qualified quasi-discretionary investment manager;

5. **Legal review** by qualified investment counsel of the manager agreement and related documentation;

6. **An internal meeting of investment officers, including the CIO** and the officer responsible for the asset class in question, during which staff's due diligence analysis is reviewed and debated and a staff recommendation is made;

7. **Approval by the CIO;**

8. Concurrence by a qualified investment consultant or quasi-discretionary investment manager as to the reasonableness of the selection decision;

9. Written affirmation to the Investment Committee by the CIO that the process used to select the manager complied with applicable policies and the Procedures. Such affirmation shall be submitted to the Investment Committee at the next regularly scheduled Investment Committee meeting following the selection of the manager.

B. The Procedures shall include any **checklists and templates** to be used in the due diligence process. Such Procedures shall be presented to the Investment Committee for review and input at least every three years, or sooner upon request of the Investment Committee or any member of the Board.

C. Whenever amendments are made to the Procedures, a copy shall be provided to the Investment Committee at its next regularly scheduled meeting.

D. Should any Investment Officer responsible for performing manager due diligence and preparing manager selection and termination recommendations to the CIO cease to be employed by the City for any reason, the CIO shall inform the Investment Committee immediately.

E. The selection of an investment manager that would contravene a provision of this policy or the Procedures shall require Investment Committee approval.

F. A file or files shall be established to serve as a permanent record of the due diligence process for each investment manager hired and shall contain a summary of the due diligence information and analysis generated during the search process, as well as the legal documentation.

PENSION (continued)

G. The **internal audit plan** of the internal auditor shall include a review of a random sample of investment manager selection decisions at least once per year to confirm compliance with this policy and the Procedures approved by the CIO, the scope of which shall not include the investment performance of such selection decisions. The results of such review shall be reported to the Audit Committee and the Investment Committee.

H. A "**Watch List**" will be established for underperforming managers and managers under extraordinary review for qualitative reasons, and will be maintained by the General Consultant.

1. Quantitative criteria for underperformance which would trigger placement on the Watch List includes manager underperformance versus the appropriate benchmark over a three and / or five year period.
2. Potential actions resulting from placement on the Watch List include finding appropriate resolution of outstanding issues, renewed confidence in the manager or strategy, or determination that the termination of the manager or strategy is appropriate.
3. Investment staff will identify underperforming managers in conjunction with consultants.
4. As necessary, nuanced investment strategies or fund types may require customized review.

I. The System will seek alignment of interests when negotiating fees while pursuing the best net of fees performance results. 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 System. The Board will be provided reports on investment costs of the System at least annually.

J. The System's staff, in coordination with its investment consultants and legal counsel, will negotiate, monitor, and report on fees with investment managers regularly to ensure market competitiveness and appropriateness.

K. The System will seek to ensure that excessive fees are not being paid for alternative assets by reviewing manager fees at least annually. Fee structures could incorporate fixed fees, performance based fees, high water marks, waterfall, hurdles, floors and caps. The System may also incorporate multi-year performance periods with clawbacks as needed.

Manager Termination Procedures

A. City of San José Department of Retirement Services investment staff is aware that the ongoing review and analysis of investment managers is just as important as the due diligence implemented during the investment manager selection process. The performance of the investment managers will be monitored on an ongoing basis and it is at the CIO's discretion to take corrective action by terminating and / or replacing an investment manager if it is deemed appropriate at any time for any reason.

The CIO, in agreement with the appropriate consultant for the manager / asset class in question, may terminate an investment manager or product due to a variety of reasons.

PENSION (continued)

These reasons can include but are not limited to the following:

1. System asset allocation change
2. limited market opportunity
3. style drift
4. violation of policies or guidelines
5. key personnel turnover
6. failure to achieve performance or risk objectives
7. legal or regulatory action
8. any change deemed likely to impact or impair investment performance
9. any other material adverse events, whether reputational or financial, that could be expected to cause significant headline risk

Termination of private funds is typically not possible. If the CIO wishes to exit a private fund, they may evaluate opportunities for secondary market sales of fund interests.

The CIO will report any termination actions at the next Committee meeting, detailing the rationale for action.

XIII. RISK POLICY

Purpose and scope

The purpose of this Risk Policy is to ensure that the total portfolio investment risk is consistent with the investment beliefs and strategic goals set forth by the San José Federated City Employees' Retirement System Board. This document defines the roles and responsibilities for maintaining this Risk Policy, management of the investment risks of the System, and monitoring the results. It also articulates the Board's philosophy towards investment risk. The System intends to use risk management to make more informed decisions and improve the likelihood of achieving its strategic goals and objectives within the appendix, specific risk targets and limits are established.

The Risk Policy will cover investment risk, liquidity risk, credit risk, and funding risk. The Risk Policy will not cover enterprise risk concepts such as operational risk, regulatory risk, legal risk, and counterparty risks.

Objectives

The objectives of the risk management program are:

A. To communicate the System's commitment to risk management and the central role in achieving System goals and objectives;

B. To formalize and communicate a consistent approach for managing risk;

C. To ensure the investment risks assumed by the System are appropriate given the financial health of the Sponsor;

D. To ensure the System operates within the agreed risk tolerance and risk limits.

Definitions

To aid with the interpretation of this policy, a glossary of terms is included in the Appendix D, which defines all the technical terms used in this policy.

PENSION (continued)

Governance

Consistent with the Board's governance model, which delegates specific authority, responsibility, and accountability to others based on areas of expertise, this Risk Policy defines the following roles and responsibilities. The Board retains sole responsibility of governing the System, setting investment policy and risk policy, and monitoring the Investment Program. The Board delegates specific areas of responsibility while retaining appropriate oversight of the delegated activity.

Board of Administration

The Board maintains the sole and plenary authority and fiduciary responsibility for the Investment Program. The Board also understands it may delegate certain responsibilities under the Investment Program for purposes of administrative efficiency and expertise. The areas of the Investment Program the Board may not delegate include:

- **A.** Engaging Board consultants and service providers
- **B.** The governance model of the Investment Program
- **C.** Monitoring the Investment Program
- **D.** Establishing and maintaining investment policy, including:
  - **1.** The Investment Policy Statement ("IPS")
  - **2.** This Risk Policy
  - **3.** Investment objectives
  - **4.** Strategic asset allocation
  - **5.** Allocation-level performance benchmarks
  - **6.** Risk philosophy

Investment Committee

The Investment Committee ("IC") is a subset of the Board assigned to review investment related matters in greater detail. The IC has been assigned authority to assist the Board in its duties by meeting on at least a quarterly basis regarding matters of investment policy, risk management, portfolio structure, vendor selection, real estate operations, human resources, reporting, and monitoring. Please refer to the IC Charter for specific detail.

Staff

San José Retirement Services Staff ("Staff"), including the Chief Executive Officer (CEO) and Chief Investment Officer (CIO), is broadly responsible for supporting the Board in the effective execution of the Investment Program. The CIO has been delegated authority to execute specific elements of the Investment Program as outlined herein. Staff risk operating zones are defined in Appendix C.

General Investment Consultant

The General Investment Consultant ("GC") is appointed by the Board to provide independent, objective investment advice. The GC is a fiduciary to the System under California law. The GC works with Staff and specialty consultants in the development of recommendations while recognizing its fiduciary duty is to provide prudent investment advice to the Board. The GC provides advice without discretionary authority to execute on its advice. With regard to this Risk Policy, the GC contributes to the following:

- **A.** Asset allocation recommendations among classes and subclasses
- **B.** Investment manager selection, evaluation, and termination
- **C.** Investment performance monitoring
- **D.** Investment risk monitoring

Statement of Investment Policy *(continued)*

PENSION (continued)

E. Capital markets projections

F. Coordination with the System's actuary in conducting periodic asset / liability studies and other required reporting

G. Recommend changes to the actual portfolio to achieve compliance with this Risk Policy

H. Board education

Specialty Investment Consultants

A. Absolute Return Consultant

The Absolute Return Consultant ("AC") is appointed by the Board to provide independent, objective investment advice. The AC is a fiduciary to the System under California law. The AC works with Staff and the other consultants in the development of recommendations while recognizing its fiduciary duty is to provide prudent investment advice to the Board. The AC provides advice without discretionary authority to execute on its advice. With regard to this Risk Policy, the AC contributes to the following:

1. Assists with providing transparency into the absolute return investment strategies, including recent holdings and transactions.
2. Assists with the analysis of recommended investment strategies that have not yet been incorporated into the System including recent holdings and transactions.
3. Board education.

B. Risk Advisory Consultant

The Risk Advisory Consultant ("RC") is appointed by the Board to provide independent, objective investment advice. The RC is a fiduciary to the System under California law. The RC works with Staff and the other consultants in the development of recommendations while recognizing its fiduciary duty is to provide prudent investment advice to the Board. The RC provides advice without discretionary authority to execute on its advice. With regard to this Risk Policy, the RC contributes to the following:

1. Asset allocation recommendations among classes and subclasses
2. Investment manager evaluation
3. Risk policy development and maintenance
4. Investment risk monitoring
5. Recommend changes to the actual portfolio to achieve compliance with this Risk Policy
6. Board education

Investment Managers

Investment Managers are delegated the responsibility of investing and managing System assets in accordance with the IPS, Risk Policy, and all other applicable laws and the terms of the applicable investment documents evidencing the System's acquisition of an interest in an investment vehicle, and other controlling documents. Investment Managers are responsible for making all investment decisions on a discretionary basis regarding assets placed under their jurisdiction and will be accountable for achieving their investment objectives. Such discretion shall include decisions to buy, hold, and sell investments in amounts and proportions that are reflective of the stated investment mandate.

Statement of Investment Policy *(continued)*

PENSION (continued)

Custodian Bank

The Custodian Bank, selected by the Board to act as the principal custodian of assets of the trust, is delegated the responsibility of holding the assets and evidence of interests owned by the System in investment vehicles and cash (and equivalents). The Board may authorize the Custodian Bank to invest in temporary short-term fixed income investments both for the investment strategies and as a part of the cash portion of System assets. Such investments will be managed in general accordance with short-term fixed income investment guidelines as detailed in the Custodial Agreement. Cash managed for investment strategies shall be considered to be sub-portions of the assets managed by the directing Investment Managers.

Philosophy

An institutional investment program is inherently exposed to many types of risk. This Risk Policy focuses primarily on the investment risks caused by the markets to which the System is exposed (e.g. domestic equities, real estate, domestic fixed income, and others). Related risks such as counterparty, geo-political, and fraudulent or unethical behavior, among others, are not addressed in this Risk Policy.

This Risk Philosophy represents the foundational principles on which the Investment Program is based. Every investment decision should be made with these foundational principles in mind to promote the fulfillment of fiduciary obligations. The statements below set forth the Board's Risk Philosophy, in order of importance:

Investment Risk Policy Should Consider the Financial Health of the Sponsor

Contribution volatility (i.e. the volatility of annual contributions made to the System by the Sponsor) represents a significant budgetary constraint on the Sponsor's financial planning with important implications for taxpayers. The Investment Program shall, therefore, assume a level of volatility that can be tolerated by the Sponsor in both normal as well as stressed market conditions.

The funded status (i.e. funded ratio), viewed as a general proxy for the health of the System, is reviewed on both actuarial and market value of assets bases. While a higher funded ratio is always preferred, the Investment Program shall not accept a level of risk that for a given probability could cause the funded ratio to fall below the limit identified in Appendix B.

The System will manage funding risk in three main ways:

- **A.** **Actuarial review:** The actuary will periodically review the System's liabilities
- **B.** **Asset / Liability studies:** The general consultant will periodically perform this study to identify changes in the relationship between assets and liabilities
- **C.** **Asset Allocation**: The System will periodically conduct asset allocation studies to ensure:
  1. portfolio diversification
  2. expected portfolio returns over the long-term (i.e. 10 years or more) in combination with projected contributions are sufficient to meet expected liabilities

Volatility and Drawdown are the Primary Measures of Investment Risk

Because the System must satisfy long-term liabilities and receives regular contributions from the Sponsor, the Investment Program invests for the long-term appreciation of assets. It is, therefore, able to withstand short-term volatility spikes without undue impairment of capital. For this reason, long-term volatility (i.e. 8 years or more) is considered the appropriate timeframe. Volatility is forecasted through the System's strategic asset allocation and risk reporting processes and is measured and monitored as outlined in Appendix B and C.

PENSION (continued)

Market corrections due to economic recession, geo-political instability, and other causes have historically proven detrimental to the funded status of the System. Drawdown and tail-risk metrics are designed to assess potential investment returns during such periods of market stress. Historical drawdown scenario analysis provides insight into how the portfolio would respond if it were exposed to prior stressed market conditions. Tail-risk analysis provides insight into the probabilities of experiencing a negative investment return with a small (e.g. 5%) probability. These metrics provide insight into how much may be lost during a stressed market environment. Because market corrections are statistically infrequent and typically caused by unforeseen events, neither approach can be used with certainty, but each provides insight into the potential impact a worst-case scenario may represent to the System and Sponsor.

Active Risk, Factor Exposures, and Liquidity must be Monitored

Implementation of any strategic asset allocation introduces deviations between the System's actual portfolio and its policy index. While it is generally desired to minimize these differences to achieve efficiency, deviations from the policy index may be desirable for various reasons. To ensure the actual portfolio is appropriately adhering to the policy index, active risk must be measured and monitored through tracking error statistics.

Factor exposures capture the underlying economic drivers supporting asset class returns. While the policy index and actual portfolio are constructed primarily through asset class forecasts, factor exposures provide important insight into the underlying economic drivers supporting the Investment Program. Each security owned within each investment strategy has some exposure to various economic drivers. The Investment Program's total exposure to the economic drivers is, therefore, driven by the exposures inherent in those securities as well as the correlations across the factor exposures. To understand better the System's exposure to the economic drivers and anticipate how the Investment Program will perform under various economic environments, factor exposures must be measured and monitored.

In addition to benefit payments, the System must meet its obligations to pay its expenses and satisfy capital calls. Generally, these cash outflows are predictable and can be met through the normal administration of the System. Under stressed market conditions, however, liquidity within the Investment Program can change significantly and with little advance notice while the System must continue to meet its obligations. Liquidity must, therefore, be monitored and measured to ensure that the System can continue to meet its financial obligations during periods of market stress without being forced to sell assets at stressed prices.

Monitoring

Reporting processes are designed to provide the Board with the information needed to execute its oversight function. As such, the Board has developed the following monitoring structure.

The Investment Committee, CIO and RC will monitor the Investment Program's risk exposures quarterly. This detailed review process will include security-level exposure analysis of the Investment Program's factor exposures; asset class exposures; tracking error; tail-risk and drawdown scenario analysis, and geographic exposures.

The Board, Staff, and RC will monitor the Investment Program's adherence to this Risk Policy on a quarterly basis. This review process will summarize the detailed reporting used by the Investment Committee and also include the ranges and targets outlined in **Appendix B**.

Management

Aside from liquidity management responsibilities assigned to the CIO in the System's IPS, the Board retains full authority and responsibility for ensuring adherence of the Investment Program to this Risk Policy.

Statement of Investment Policy *(continued)*

PENSION (continued)

The System's risk management function is expected to evolve through time. The objective of the risk management function is to ensure the System operates within the Board's agreed risk tolerance and limits. The main goals of the risk management function are:

A. Identify: risks that will impact the System's ability to meet its goals and objectives;

B. Estimate the significant risks to which the System is exposed;

C. Manage: risk must be managed and should be commensurate with the rewards;

D. Communicate: risks must be reported and monitored on a regular basis.

To a large extent, many factors that impact future benefits and contributions are uncontrollable, however, the potential impacts are considered in strategy development. The System uses three approaches (actuarial valuation, asset / liability studies, and asset allocation studies, as discussed above) to address and manage risk.

The Board may delegate authority to the CIO and Staff for certain functions as detailed below. Delegation of authority will be coordinated with workflow, compliance and reporting procedures that are clearly defined, reviewed, and approved. The Board shall be notified timely of all investment decisions made by the CIO and their implications to the System.

A. Rebalancing

Portfolio rebalancing may occur by adjusting allocations to individual investment strategies or managers or through the use of an overlay provider using derivatives.

B. Relative Risk

While the Board recognizes that the majority of investment risk over the long term is dependent on the asset allocation decision, it recognizes the cost of precisely matching the strategic asset allocation is considerable and not always optimal. In addition to asset class weightings versus policy, annualized tracking error will be used to measure the disparity of returns between the actual positions in the Investment Program compared to the strategic asset allocation. Annualized tracking error, as measured quarterly by the RC, shall adhere to the targets and ranges outlined in **Appendix C.**

IX. INVESTMENT COSTS

The Board members intend to monitor and control investment costs at every level of the San José Federated City Employees' Retirement System.

A. Professional fees will be negotiated whenever possible.

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

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

D. Managers will be instructed to minimize brokerage and execution costs.

PENSION (continued)

Appendix A [1]

ASSET ALLOCATION TARGETS [2]

	Target (%)	SAAP Asset Class Benchmarks	LCPP Asset Class Benchmarks	Tracking Error Target Range (basis points)
Growth	**75**			
Public Equity	49	Custom Public Equity Benchmark[3]	LCPP Custom Public Equity Benchmark[2]	0 - 400
Total Private Markets	21	Actual Return		N/A
Private Equity	8		Russell 3000	
Venture / Growth Capital	4		Russell 3000	
Growth Real Estate	3		Global NAREIT	
Private Debt	3		Bloomberg Barclays Aggregate	
Private Real Assets	3		S&P Global Natural Resources	
Emerging Market Bonds	3	50 / 50 JPM EMBI GD / JPM GBI-EM GD	50 / 50 JPM EMBI GD / JPM GBI-EM GD	0 - 300
High Yield Bonds	2	Bloomberg Barclays High Yield	Bloomberg Barclays High Yield	0 - 300
Low Beta	**8**			
Immunized Cash Flows	5	Actual Return	Bloomberg Barclays Gov / Credit 1-3 Year	N/A
Market Neutral Strategies	3	SOFR + 1.5%	SOFR	0 - 1,000
Other	**17**			
Investment Grade Bonds	8	Custom IG Bonds Benchmark[4]	Custom IG Bonds Benchmark[3]	0 - 200
Core Real Estate	5	NCREIF ODCE Cap Weighted - Net (Lagged 1 quarter)	Global NAREIT	0 - 400
Long-Term Government Bonds	2	Bloomberg Barclays US Long Treasury	Bloomberg Barclays US Long Treasury	0 - 100
TIPS	2	Bloomberg Barclays 0-5 Year TIPS	Bloomberg Barclays 0-5 Year TIPS	0 - 100

LIABILITY BENCHMARK PORTFOLIO: Bloomberg Barclays U.S. Long Treasury Index.

[1] Appendix A shall be revised as new Asset Allocation targets are approved by the Board.
[2] Approved by the Board of Administration on March 18, 2021.
[3] 51% MSCI US IMI, 24.5% MSCI World ex US IMI Net, 24.5% MSCI EM IMI Net.
[4] 25% Bloomberg Barclays 1-3 Year Government / Credit, 56% US Aggregate, 19% US Securitized MBS / ABS / CMBS Index.

Appendix B

SCHEDULE OF OPERATING RANGES AND LIMIT TARGETS

Characteristic	Measurement	Operating Min.	Range Max.	Board Approved Limit
Funded ratio	Probability that the Actuarial funded ratio will fall below the Board Approved Limit	80%	n.m.	5% probability of falling below 60%
Sponsor contributions	Probability that Sponsor contributions in a single year will exceed a specified limit	$160mm	$220mm	5% probability of exceeding $335mm
Interest on UAL	Probability that the Interest cost of unfunded actuarial liability will increase above a specified limit	$35mm	$80mm	5% probability of exceeding $150mm
Total fund absolute volatility	Forecast Annualized standard deviation of returns of the actual portfolio	8%	10%	12%
Total fund relative volatility	Forecast Tracking error of the actual portfolio vs. the strategic asset allocation policy index	1%	2%	4%
Drawdown exposure	Average of three worst historical scenario drawdown events	n/a	n/a	(30)%
Liquidity	Liquidity Coverage Ratio (LCR) 5-yr projection	2.0	3.0	1.2

Appendix C

FORECASTED RISK OPERATING ZONES

Risk Guideline	CIO	IC	Board
Total Portfolio Forecast Risk	8-11%	<8%; 11-12%	>12%
Total Portfolio Forecast Beta	0.5-0.8	0.3-0.5; 0.8-1	<0.3; >1
Total Portfolio Duration	0-3 years	3-5 years	>5 years
Total Portfolio Credit Spread Duration	0-3 years	3-5 years	>5 years
Total Portfolio Relative Risk	<|10%|	|10%|-|20%|	>|20%|
Equity Factor Relative Risk	<|10%|	|10%|-|20%|	>|20%|
Interest Rate Factor Relative Risk	<|10%|	|10%|-|20%|	>|20%|
Credit Factor Relative Risk	<|10%|	|10%|-|20%|	>|20%|
Currency Factor Relative Risk	<|10%|	|10%|-|20%|	>|20%|
Portfolio Active Risk	0.5%-3%	0-0.5%; 3-4%	>4%
Average Drawdown Risk	0-25%	25-30%	<-30%

Appendix D

DEFINITIONS

Actuarial Assumptions: Assumptions made by the actuary that influence the valuation of liabilities.

Active Risk: Measures the volatility of an investment strategy versus its benchmark.

Concentration Risk: Lack of diversification in exposure to markets or managers.

Confidence Interval: A range of values so defined that there is a specified probability that the value of a parameter lies within it.

Counterparty Risk: The risk that a party in a transaction does not fulfill its contractual obligation. Both sides of a contract are exposed to this risk.

Credit Risk: Also referred to as default risk. This is the risk the borrower fails to repay a loan or meet a contractual obligation.

Currency Risk: The potential loss on the price of an asset due to fluctuating foreign currency exchange rates.

Drawdown: A measure of both returns and time over which an investment experienced a decline in value from a peak to a trough. It is based on actual historical results.

Duration: Measures how long (in years) it takes to be repaid the bond's price by the bond's total cash flows. This measure is used to determine the interest rate sensitivity of the portfolio.

Funded Ratio: The ratio of assets to liabilities. Assets can be defined in terms of the fair value of assets or the actuarial value of assets. Liabilities are defined as all future benefit payments discounted at the actuarial assumed return.

Funding Risk: Also referred to as surplus risk, this is the risk of assets and liabilities not matching.

Inflation Risk: The risk that general prices of goods and services are rising, which erodes the purchasing power of money.

Interest Rate Risk: The risk that an investment will decline in value as a result of a change in interest rates. This risk is measured by its duration.

Investment Risk: The risk associated with investing in capital markets.

Liquidity: Is comprised of both the time required to complete the transaction and the impact that the transaction has on the price of the asset. There are two types of liquidity risk: Market liquidity risk and funding liquidity risk. Market liquidity risk refers to the risk that an asset cannot be sold without loss of value. Funding liquidity risk refers to the risk that the System will not be able to meet financial obligations as they come due.

Liquidity Coverage Ratio: The ratio of liquidity available to liquidity needs.

Statement of Investment Policy *(continued)*

PENSION (continued)

Portfolio Construction Engine: A software program relying on mean-variance portfolio optimization. Portfolio optimization requires inputs of asset class returns, standard deviations, and correlations in order to develop an output of total portfolio expected returns and standard deviations, which can be compared along with their Sharpe ratios.

Risk: The uncertainty of an event occurring.

Standard Deviation: The square root of the average squared deviation of the returns from its mean.

Strategic Asset Allocation: The asset classes and weights that are targeted for the policy benchmark.

Tail Risk: Tail-risk measures both the probability and expected returns of a significant loss. When assuming normally distributed returns, tail-risk is the left tail of the return distribution. The normal distribution used for mean-variance optimization underestimates the risk of rare events when markets exhibit fat tails (for example, during the Global Financial Crisis).

Volatility: The standard deviation of returns. Standard deviation (SD) is the square root of the average squared deviation of the returns from its mean.

Statement of Investment Policy

HEALTHCARE

This investment policy was approved on January 20, 2022. The asset allocation was approved on April 21, 2022.

I. SAN JOSÉ FEDERATED CITY EMPLOYEES' RETIREE HEALTH CARE TRUST FUND GOALS

The City of San José Federated City Employees’ Retiree Health Care Trust Fund (the "Fund") was established to subsidize postretirement healthcare benefits for San José Federated City Employees’ Retirement System members and their families. The Fund’s assets are structured to provide growth from capital gains and income, while maintaining sufficient liquidity to meet beneficiary payments.

II. INVESTMENT OBJECTIVES

The investment strategy of the Fund is designed to ensure the prudent investment of System assets in such a manner as to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss.

A. Risk Objectives

1. To accept the optimal level of risk required to achieve the Fund’s return objective as stated immediately below.
2. To target total portfolio investment risk consistent with the investment beliefs and strategic goals set forth by the San José Federated City Employees’ Retirement System Board.
3. To consider the financial health of the Sponsor when assuming investment risks.
4. To use diversification to minimize exposure to company and industry-specific risks in the aggregate investment portfolio.

B. Return Objective

1. In a manner consistent with the goals stated in Section I above, to manage the Fund’s assets as to achieve the highest, reasonably prudent return possible.

III. INVESTMENT CONSTRAINTS

A. Legal and Regulatory

The terms of the Fund are described in the San José Municipal Code.

B. Time Horizon

The Fund will be managed on a going-concern basis. The assets of the Fund will be invested with a long-term time horizon (ten to twenty years or more), consistent with the participant demographics and the purpose of the Fund.

C. Liquidity

The Board members intend to invest only in public markets assets, which are typically liquid on a daily or monthly basis, and in core real estate funds, which are typically liquid within one year.

D. Tax Considerations

The Fund is a tax-exempt entity. Therefore, investments and strategies will be evaluated only on the basis of expected risks and potential returns.

HEALTHCARE (continued)

IV. RISK AND RETURN CONSIDERATIONS

The Board members accept the risks associated with investing in the capital markets (market risks), but will minimize wherever possible those risks for which the Fund is unlikely to be compensated (non-market or diversifiable risks).

V. DIVERSIFICATION

The Board members of the San José Federated City Employees' Retirement System recognize that an important element of risk control is diversification. Therefore, investments will be allocated across multiple classes of assets, chosen in part for their low correlation of expected returns. Within each asset type, investments will be distributed across many individual holdings, with the intention of further reducing volatility.

The specific degrees of diversification within asset classes will be addressed in each separate account manager's investment guidelines, or in each commingled manager's fund documents.

The purpose of the functional classifications and major asset classes are defined in the language and table below.

A. Functional Sub-portfolios

The investment strategy for the Investment Program employs three functional sub-portfolios to construct the comprehensive asset allocation. The allocation to the sub-portfolios is assessed at least annually and is based on projected capital market assumptions. The Chief Investment Officer ("CIO") shall review the relative size and composition of these sub-portfolios and advise the Investment Committee ("IC") of any necessary revisions to the allocation among the sub-portfolios.

1. **Growth Sub-portfolio:** The purpose of the Growth Sub-portfolio is to grow invested assets over the long term in order to pay future benefits. This portfolio is characterized by a long investment horizon and can, therefore, accept a higher level of volatility. Assets in this portfolio may be volatile, have reduced liquidity, and derive the bulk of their return from capital appreciation. These assets include public equity. The success of this portfolio will be measured primarily by compounded annual growth rates in conjunction with the annualized standard deviation of returns as the primary measure of risk. Performance evaluation will, therefore, focus on the long-term total risk-adjusted return of the portfolio.
2. **Low Beta Sub-Portfolio**: The purpose of the Low Beta Sub-portfolio is to ensure that the overall (total portfolio) a) is relatively immune from market fluctuations while providing a source of alpha b) is a source of capital for purchasing undervalued assets in the Growth sub-portfolio, and c) has adequate assets available to pay benefits over an extended timeframe. It will contain cash and cash-like assets such as short-term bonds and other investments that provide fixed, contractual cash flows with a minimum level of credit risk. The Low Beta portfolio is expected to provide a stable offset to the rest of the portfolio during periods of severe market stress and to effectively dampen the market volatility across the entire portfolio. The success of the Low Beta Sub-portfolio will be measured by its ability to offset declines in value in the Growth Sub-portfolio, as well as its ability to provide liquidity during times of market stress.

HEALTHCARE (continued)

3. **Other Sub-Portfolio:** The purpose of the Other Sub-portfolio is to ensure that the overall portfolio is specifically protected against inflation risks while also providing for further diversification. The success of the Other sub-portfolio will be measured by its ability to protect the portfolio from inflation risk while also providing an additional source of return and diversification.

B. Interaction between the Functional Sub-portfolios

The allocations to the Growth, Low Beta, and Other sub-portfolios will vary over time. When Growth assets are undervalued, the Low Beta Sub-portfolio will act as a source of funds and when Growth assets are overvalued the Low Beta sub-portfolio will act as a use for harvested Growth portfolio returns. The Growth and Other sub-portfolios will be subject to the volatility of the markets in which each functional sub-portfolio invests. In order to reallocate between the functional sub-portfolios, the CIO and the General Consultant will conduct an annual capital review to assess the relative value and risks associated with each asset class and deliver a review of the capital markets to the Board. The Consultant will provide the Board current forward-looking risk and return assumptions for all major asset classes. In conjunction with this review, the CIO will provide a recommendation of how best to allocate assets within each functional sub-portfolio. If necessary, the CIO will recommend changes in target allocations to the underlying asset classes in order to deploy the Investment Program’s assets effectively in the upcoming year. While considering changes to the allocation to each functional sub-portfolio, the CIO will view the totality of all functional portfolios, and consider the impact of changes to the overall risk and return profile of the total portfolio.

Public Equity – *Growth*
The purpose of Public Equity is to provide the Fund exposure to the total return due to equity capital owners, including exposure to capital appreciation from economic growth, while managing volatility relative to the equity market.
Short-Term Investment Grade Bonds – *Low Beta*
The purpose of Short-Term Investment Grade Bonds is to provide the Fund a return while mitigating risk.
Cash – *Low Beta*
The purpose of Cash is to maintain sufficient liquidity for Fund benefit payments and expenses.
Core Real Estate – *Other*
The purpose of Core Real Estate is to produce the Fund income and price appreciation while maintaining a low correlation to both stocks and bonds.
Commodities - *Other*
The purpose of Commodities is to increase the Fund’s portfolio diversification and provide a hedge against unexpected inflation.
Investment Grade Bonds - *Other*
The purpose of Investment Grade Bonds is to produce returns and income for the Fund by providing exposure to rates and credit risk.
Long-term Government Bonds - *Other*
The purpose of Long-term Government Bonds is to provide a positive return in highly stressed market environments, with a low correlation to equity risk.

HEALTHCARE (continued)

VI. ASSET ALLOCATION POLICY

Asset Allocation and Portfolio Construction

A. The Board recognizes that establishing an appropriate strategic asset allocation portfolio (SAAP) is critical to the long-term success of the investment program, as asset allocation is the single biggest determinant of the expected risk and return of the Fund.

B. The Policy Benchmark is a weighted average of the underlying benchmarks for each asset class, as outlined in Appendix A.

Asset Allocation Tools & Methods

A. The SAAP will be re-evaluated annually following the results of the annual actuarial study. A formal asset allocation study will be performed approximately every three years or when a significant market correction occurs. The capital market assumptions (CMA) used in such studies shall be reviewed and updated annually or when the S&P 500 experiences a decrease of more than 20% from peak. The Board shall consult with the general investment consultant in connection with such asset allocation studies and CMA reviews.

B. Asset allocation studies shall be designed to ensure rigorous and objective analysis, and minimize decision-making bias by:

1. Requiring the use of a portfolio construction engine ("Engine"); and

2. Requiring that the Board and IC always focus first on establishing the most reasonable and defensible inputs to the Engine. That is, if the Board is uncomfortable with the results of the Engine, it shall respond by reviewing the reasonableness of the inputs to the Engine, rather than simply modifying the results.

C. When arriving at the SAAP, asset allocation studies shall include the four basic steps outlined below:

1. Step 1: Inputs

a. For each study, the Board shall approve the inputs to the Engine including:

- Permitted asset classes (Permitted asset classes for the LCPP shall include only public markets and permitted asset classes for the SAA Portfolio shall include both public and private markets);
- CMAs; and
- Material constraints (e.g. maximum allocations to certain asset classes), along with supporting rationale.

b. The CIO shall propose the inputs to the IC, with prior input from the Board's general investment consultant, and work with the investment consultant throughout the process to make subsequent revisions to inputs, based on feedback from the IC.

c. The Board, IC, CIO and investment consultant are expected to reach a consensus regarding the above inputs and the Board shall formally approve them. Staff shall document the process by which it arrives at its recommended inputs.

HEALTHCARE (continued)

2. Step 2: Modeling and Analysis

a. The investment consultant will incorporate the approved inputs into the Engine to be used to identify and analyze potential asset allocation choices for each study and present the results to the CIO.

b. The Board expects that the Engine will rely on mean-variance optimization (“MVO”).

c. The Board shall also consider the results of the MVO analysis under additional constraints to ensure adherence with approved risk limits including:

- Stress testing, including historical scenario analysis and factor specific testing;
- Liquidity analysis under normal and stressed conditions; and
- Cash flow management requirements

3. Step 3: Recommendations

a. The CIO will present the current asset allocation and a number of reasonable alternatives along the so-called “efficient frontier” for the Board to consider.

b. In presenting the alternatives, the CIO initially will present only the return / risk characteristics of each alternative and will not reveal the underlying asset class allocations (i.e. “blind” format). This will allow the Board / IC to focus initially on the return / risk implications of each alternative, rather than the underlying asset allocations.

c. After the Board has engaged in a preliminary discussion and analysis of the alternatives, the underlying asset allocations of each alternative will be revealed for further consideration.

d. The Board / IC may provide feedback to the CIO and investment consultant, which may require further analysis and a request for revised recommendations for the Board / IC to consider.

4. Step 4: Approvals

a. The Board / IC will review the final analyses and recommendations from the CIO and general consultant and approve:

- Strategic Asset Allocation Portfolio weights, targets and ranges (maximum – minimum).

Rebalancing

A. The CIO shall adhere to the SAAP asset and sub-asset class “targets” approved by the Board and shall rebalance to within the approved range at least quarterly if the actual weights at the sub-asset class levels are not within 10% of the approved target, considering the cost of more frequent rebalancing. For example, if the target allocation for an asset class is 20%, re-balancing will be triggered quarterly when the actual allocation for the asset class deviates by +/- 2% (i.e. 10% x 20%, reaching 18% or 22%). The CIO may use discretion to rebalance to within the approved range at more frequent intervals than quarterly, and when actual weights are within 10% of the approved target, subject to an assessment of market risk, active risk, and transactions costs. When a change to the SAAP is made by the Board, the CIO and the investment team will rebalance to the new

HEALTHCARE (continued)

target weights as expeditiously as possible, or in tranches if directed by the Board. The CIO shall also use his discretion in rebalancing to the new SAAP in the event that instant liquidation of managers within an asset class may work against the interests of the System. Changes to the weights of illiquid asset classes may take several quarters to implement, and the CIO shall keep the IC apprised of progress toward the new SAAP. Synthetic rebalancing through an overlay provider may also be used when appropriate. The Immunized Cash Flows portfolio is exempt from this rebalancing provision, as it is amortizing by design.

B. Total Fund active risk (i.e. tracking error) is to be maintained below 3%. While asset class exposures may fall within acceptable capital allocation ranges as noted above, total Fund tracking error is not to exceed this 3% threshold.

VII. Manager Selection, Retention, Evaluation & Termination Policy

Background

A. The Board has delegated to the CIO the authority to select and terminate all investment managers of the Fund subject to constraints and parameters contained herein. Such authority shall be further subject to Manager Selection, Retention, Evaluation & Termination Procedures ("Procedures"), approved by the CIO, that provide more detailed constraints and parameters.

B. It is the Board's intention that the CIO shall have the necessary authority and resources to effectively select, retain, evaluate, and terminate investment managers.

C. Accordingly, the CIO shall have the authority to:

1. Manage the Investment Personnel of the System, including:

a. Recommending to the CEO the appointment and duties of all professional, technical, and clerical employees of the Investment Division;

b. Directing and supervising all Investment Personnel on a day-to-day basis; and

c. Evaluating all Investment Personnel and managing their professional development.

2. Select and terminate investment consultants to assist in the selection, retention, evaluation, and termination of investment managers.

a. The CIO may use the services of the general investment consultant appointed by the Board. Alternatively, if the services of the general consultant can be unbundled to separate manager research services, the CIO may select a consultant(s) of his or her choice to carry out manager research services that would otherwise have been included in the general investment consultant scope of services.

b. The CIO shall ensure that the total fees and expenses associated with the consultants he or she selects are reasonable and shall provide a report of such fees and expenses to the Investment Committee and the Board on at least a quarterly basis.

c. While the CIO shall have the authority to select and terminate investment consultants to assist staff in selecting, retaining, evaluating and terminating investment managers, the Board shall approve all contracts with investment consultants selected by the CIO to ensure such contracts reflect fair and reasonable value for the System.

Statement of Investment Policy *(continued)*

HEALTHCARE (continued)

3. Delegation of authority to the CIO to select and terminate investment managers reflects the Board's desire to:

a. Promote efficiency and effectiveness in the manager selection and termination processes;

b. Focus the Board's time and attention on investment policy, asset allocation, and oversight, rather than manager selection and termination; and

c. Establish clear accountability on the part of the CIO and investment staff for manager selection, retention, evaluation, and termination.

General Constraints and Parameters

A. The CIO's authority to select and terminate investment managers shall be subject to the following general constraints and parameters:

1. Investment managers shall meet the following **minimum qualifications** to be selected to manage any assets of the fund:

a. Be **registered as an investment advisor** under the Investment Advisor's Act of 1940 or comparable legislation, unless the manager represent and warrants that it is exempt from such registration under applicable law.

b. Agree to enter into a contract with the System requiring them to perform their services consistent with the fiduciary services established under the Investment Advisor's Act of 1940; (b) California law applicable to fiduciaries of public employee retirement systems, which includes the California State Constitution, Art. XVI sec. 17 and the San José Municipal Code and / or (c) terms and conditions substantially comparable to the foregoing that are satisfactory to the System.

2. The nature and size of the manager's mandate shall be consistent with:

a. The asset allocation policy of the Fund;

b. Applicable constraints (e.g. **manager or strategy concentrations**) contained in this Investment Policy Statement.

3. Notwithstanding paragraph 2) b) above, the CIO shall not approve the selection of an investment management firm for mandates that exceed the following limits:

Basis*	Description	Strategy Limit [1]
Vehicle	Separately managed accounts (active)	15%
	Commingled funds and SMAs (public, passive)	No limit [2]
	Commingled funds (public, active)	15%
	Commingled funds (private strategies)	15% [3]
Public Markets	Passive strategies	No limit
	Active strategies	15%

* To be selected, the manager must satisfy the "Vehicle" constraint and the appropriate "Public Markets" or "Private Markets" constraints

** Percentage (%) of total Fund assets

Statement of Investment Policy *(continued)*

HEALTHCARE (continued)

4. When a market movement is the cause of a breach in the above limits, it should be reported to the IC at the earliest of a mutually agreed-upon time during which the Investment Committee could convene with a quorum, or at the next regularly scheduled Investment Committee meeting, along with a report on how the breach was addressed, or a recommendation to address the breach.

[1] *Percentage (%) of total Fund assets allowable per investment strategy.*

[2] *Rationale: Fund is constrained by the asset allocation. This is the "default" option for investing, and scale determines pricing.*

[3] *For private strategies, limit applies to the capital invested plus future callable commitments.*

APPENDIX A [1]

ASSET ALLOCATION TARGETS [2]

	Target (%)	SAAP Asset Class Benchmarks
Growth	58	
Public Equity	58	Public Equity Benchmark [3]
Low Beta	6	
Short-Term Investment Grade Bonds	6	ICE BofA 91 Days T-Bills TR
Other	36	
Investment Grade Bonds	14	BBgBarc US Aggregate TR
Core Real Estate	12	NCREIF ODCE Cap Weighted – Net (Lagged 1 quarter)
Commodities	5	Bloomberg Commodity Index TR USD
Long-term Government Bonds	5	BBgBarc US Treasury Long TR

[1] Appendix A shall be revised as new Asset Allocation targets are approved by the Board.

[2] Approved by the Board of Administration on April 21, 2022.

[3] 51.72% Russell 3000, 27.59% MSCI World ex US IMI Net, 20.69% MSCI Emerging Markets IMI Net.

-

Investment Professionals

As of June 30, 2023

	PUBLIC EQUITY	
Artisan Partners	GQG Partners	RWC Partners (Redwheel)
Burgundy Asset Management	Kotak Infinity Fund	UNIFI India
Cove Street Capital	Morgan Stanley	Wellington Management
Dimensional Fund Advisors	Northern Trust Asset Management	
First Eagle	Oberweis Asset Management	
	PRIVATE EQUITY	
Great Hill Partners	Northern Trust Asset Management	Pathway Capital
Innovation Endeavors	Pantheon Ventures	
Neuberger Berman	Partners Group	
	GROWTH REAL ESTATE	
AIG Global Real Estate Investment Corp	GCP SecureSpace Property Partners	Rockpoint Group
Centerbridge Partners	GEM Realty Capital	Torchlight Investors
DRA Advisors LLC	HIG Realty Partners	Tristan Capital Partners
Exeter Property Group	Praedium Group, LLC	
	PRIVATE DEBT	
Angelo Gordon	Cross Ocean Partners	Octagon Credit Investors
Arbour Lane Capital Management	Eagle Point	Strategic Value Partners
Blackstone / GSO Capital Partners	HPS Investment Partners	White Oak Global Advisors
Crestline Investors Inc	Medley Capital LLC	
	PRIVATE REAL ASSETS	
Aether Investment Partners	Kimmeridge	Paine Schwartz Partners
Crestline Investors Inc	Lime Rock Partners	Tembo Capital
Global Infrastructure Partners	Mountain Capital	
Hull Street Energy Partners	Orion Mine Finance	
	VENTURE CAPITAL	
Fin Capital	Soma Capital	
Innovation Endeavors	Transpose Platform	
	EMERGING MARKET BONDS	
Payden & Rygel		Wellington Management
	HIGH YIELD BONDS	
Columbia Threadneedle Investments		Insight Investment
	MARKET NEUTRAL STRATEGIES	
Crabel Capital Management	Hudson Bay Capital Management	
D.E. Shaw & Co, LP	Pine River Capital	
	IMMUNIZED CASH FLOWS	
	Insight Investment	
	TREASURY INFLATION-PROTECTED SECURITIES	
	Northern Trust Asset Management	
	CORE REAL ESTATE	
BlackRock Financial Management Inc	Clarion Partners	TA Realty
	COMMODITIES	
	BlackRock Financial Management Inc	
	LONG-TERM GOVERNMENT BONDS and SHORT-TERM GOVERNMENT BONDS	
	BlackRock Financial Management Inc	
	INVESTMENT GRADE BONDS	
BlackRock Financial Management Inc	Northern Trust Asset Management	
Invesco Advisers	Voya Investment Management	
	CONSULTANTS	
Meketa Investments Group (General Consultant)		Verus Advisory Inc. (Risk Advisory Services)
	CUSTODIAN	
	Bank of New York Mellon	
	PORTFOLIO OVERLAY SERVICES	
	Russell Investments	

Schedule of Investment Results for Pension Trust

NET PERFORMANCE SUMMARY BY ASSET CLASS

For Period Ended June 30, 2023

	One Year	Three Years	Five Years	Ten Years
Total Fund (Net of Manager Fees)	**7.4%***	**9.8%***	**7.4%***	**6.3%**
Policy Benchmark	7.8%	9.4%	7.1%	6.5%
Inv Metrics Public DB > $1 Billion (Net Median)	7.6%	8.3%	6.5%	7.3%
Public Equity	**15.9%**	**10.6%**	**6.8%**	**7.8%**
Public Equity Benchmark	14.5%	10.2%	7.2%	8.4%
Private Equity	**(0.5)%**	**26.3%**	**19.0%**	**14.8%**
San José Custom Private Equity Benchmark	(1.6)%	24.9%	16.1%	14.7%
Investment Grade Bonds	**(1.5)%**	**(2.7)%**	**N/A**	**N/A**
Custom IG Bonds Benchmark	(0.6)%	(3.1)%	N/A	N/A
Core Real Estate	**(0.2)%**	**10.1%**	**8.3%**	**9.4%**
Core Real Estate Benchmark	(3.9)%	8.1%	6.2%	N/A
.				
Immunized Cash Flows	**(0.2)%**	**(0.8)%**	**N/A**	**N/A**
Bloomberg US Govt/Credit 1-3 Yr. TR	0.5%	(0.9)%	N/A	N/A
Growth Real Estate	**4.9%**	**13.2%**	**12.4%**	**N/A**
NCREIF Property Index	(6.6)%	6.8%	5.9%	N/A
.				
Emerging Market Bonds	**(0.4)%**	**3.4%**	**4.8%**	**N/A**
50% JPM EMBI GD / 50% JPM GBI-EM	9.4%	(2.2)%	0.5%	N/A
.				
Private Debt	**2.2%**	**17.6%**	**6.8%**	**4.8%**
S&P Global Leveraged Loan Index +2%	12.9%	8.4%	5.9%	5.9%
.				
Long-Term Government Bonds	**(6.7)%**	**(12.0)%**	**N/A**	**N/A**
Bloomberg US Treasury Long TR	(6.8)%	(12.1)%	N/A	N/A
Treasury Inflation-Protected Securities	**0.0%**	**2.4%**	**2.6%**	**N/A**
BBg U.S. TIPS 0-5 Years	0.1%	2.3%	2.7%	N/A
High Yield Bonds	**9.8%**	**3.6%**	**2.5%**	**N/A**
Bloomberg US Corporate High Yield TR	9.1%	3.1%	3.4%	N/A
Cash and Cash Equivalents	**3.0%**	**1.1%**	**1.4%**	**N/A**
ICE BofA 91 Days T-Bills TR	3.6%	1.3%	1.6%	N/A
Market Neutral Strategies	**6.7%**	**15.1%**	**10.0%**	**6.5%**
Market Neutral Strategies Benchmark	5.4%	2.1%	2.0%	1.6%
Private Real Assets	**6.3%**	**19.6%**	**11.0%**	**N/A**
Venture / Growth Capital	**(4.2)%**	**N/A**	**N/A**	**N/A**

Basis of Calculation: Time-Weighted Rate of Return

Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2023

Schedule of Investment Results for Healthcare Trust

NET PERFORMANCE SUMMARY BY ASSET CLASS

For Period Ended June 30, 2023

	One Year	Three Years	Five Years	Ten Years
Total Fund (Net of Manager Fees)	**8.1%***	**6.6%***	**4.7%***	**N/A**
Policy Benchmark	7.6%	6.8%	5.0%	N/A
Public Equity	**15.3%**	**9.8%**	**6.5%**	**N/A**
Public Equity Benchmark	15.2%	10.0%	7.3%	N/A
Investment Grade Bonds	**(0.9)%**	**(3.7)%**	**(2.1)%**	**N/A**
Bloomberg US Aggregate TR	(0.9)%	(4.0)%	0.8%	**N/A**
Core Real Estate	**0.1%**	**10.1%**	**8.2%**	**N/A**
Core Real Estate Benchmark	(3.9)%	8.1%	6.2%	N/A
Short-Term Investment Grade Bonds	**4.0%**	**1.4%**	**N/A**	**N/A**
ICE BofA 91 Days T-Bills TR	3.6%	1.3%	N/A	N/A
Long-Term Government Bonds	**(6.8)%**	**N/A**	**N/A**	**N/A**
Bloomberg US Treasury Long TR	(6.8)	N/A	N/A	N/A
Cash and Cash Equivalents	**2.5%**	**0.8%**	**1.2%**	**N/A**
ICE BofA 91 Days T-Bills TR	3.6%	1.3%	1.6%	N/A
Commodities	**0.2%**	**16.3%**	**6.5%**	**N/A**
Bloomberg Commodity Index TR USD	(9.6)%	17.8%	4.7%	N/A

Basis of Calculation: Time-Weighted Rate of Return

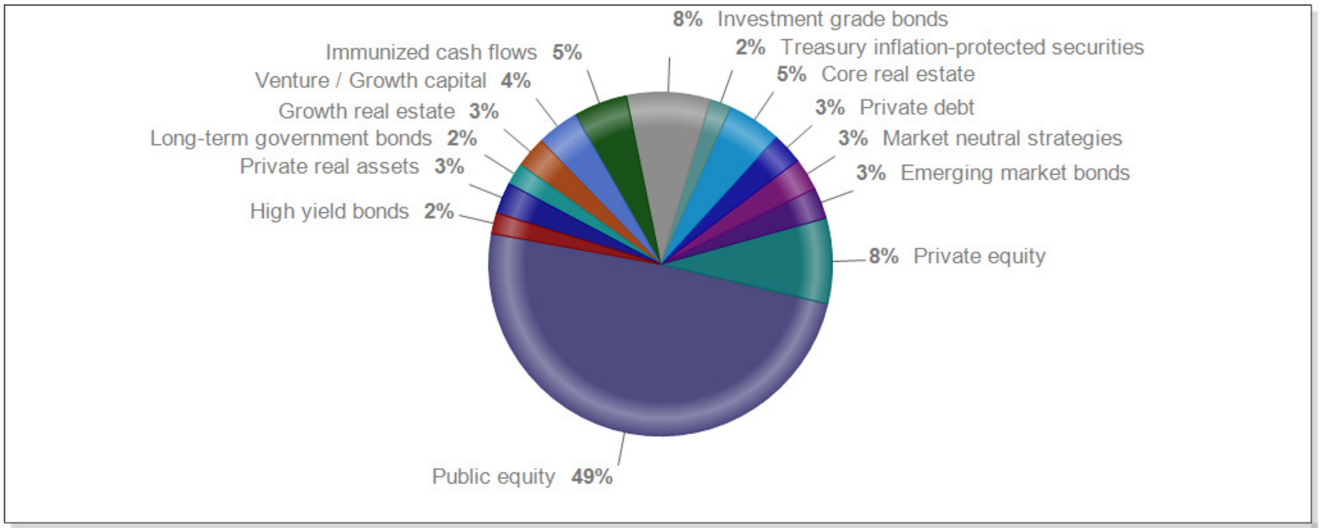
Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2023

* The System’s Total Investment Return percentages are unaudited numbers, typically provided by the investment consultant (currently Meketa Investment Group) based on the investment returns calculated by the System’s custodian bank. In 2023, the System discovered that certain investment management fees were invoiced outside of, and not originally included in, the custodian bank’s calculation of investment performance, covering the period of June 30, 2015 through June 30, 2023. To address this issue, the System engaged Macias Gini & O’Connell LLP to perform specific Agreed-Upon Procedures ("AUP") to tabulate the invoice management fees for their inclusion in recalculated investment performance figures for the period in question (“AUP Report”). The Total Investment Return percentages listed here with an asterisk are based on Macias Gini & O’Connell LLP’s recalculated investment performance figures (as reflected in the AUP Report). This represents a more comprehensive total investment return than previously provided by Meketa Investment Group. The AUP Report is included with this ACFR after the “Report on Investment Activity” section on page 82.

Pension Investment Review

TARGET ASSET ALLOCATION

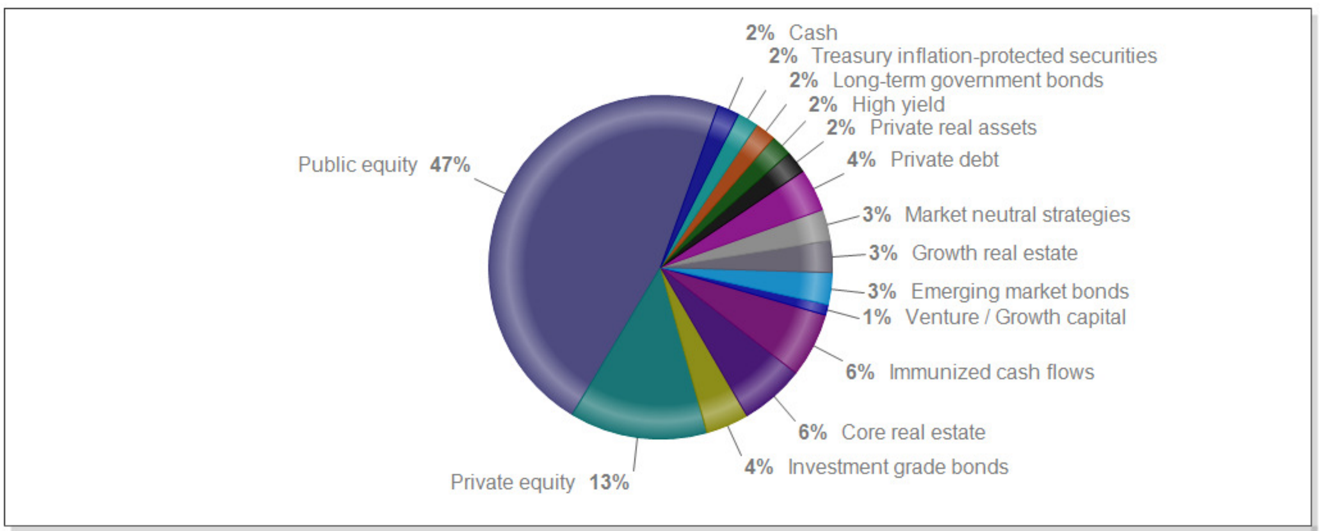
As of June 30, 2023



ACTUAL ASSET ALLOCATION

As of June 30, 2023

Non-GAAP Basis

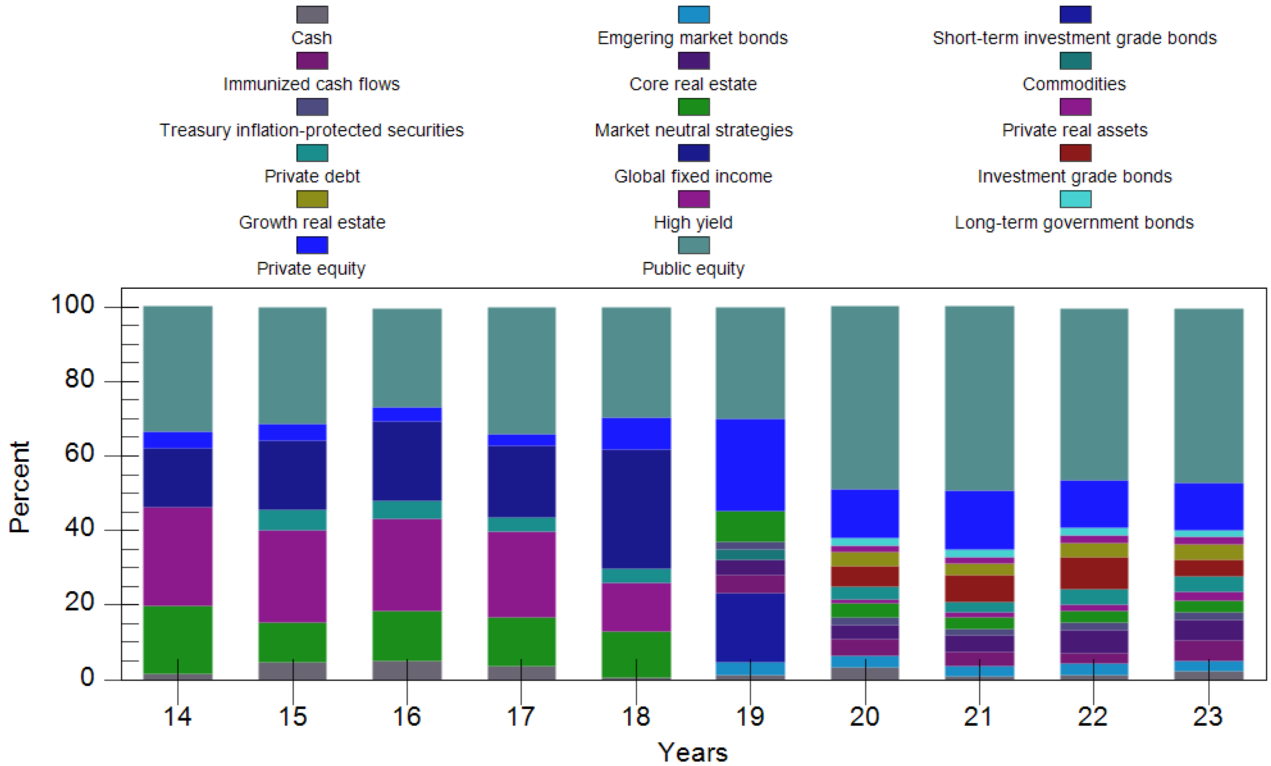


Asset Class	$ In Millions	Asset Class	$ In Millions
Public equity	$ 1,348.0	Market neutral strategies	$ 88.0
Private equity	359.0	Private debt	122.0
Investment grade bonds	124.0	Private real assets	69.0
Core real estate	157.0	High yield	59.0
Immunized cash flows	162.0	Long-term government bonds	57.0
Venture / Growth capital	16.0	Treasury inflation-protected securities	57.0
Emerging market bonds	83.0	Cash	60.0
Growth real estate	118.0		
TOTAL			**$ 2,879.0**

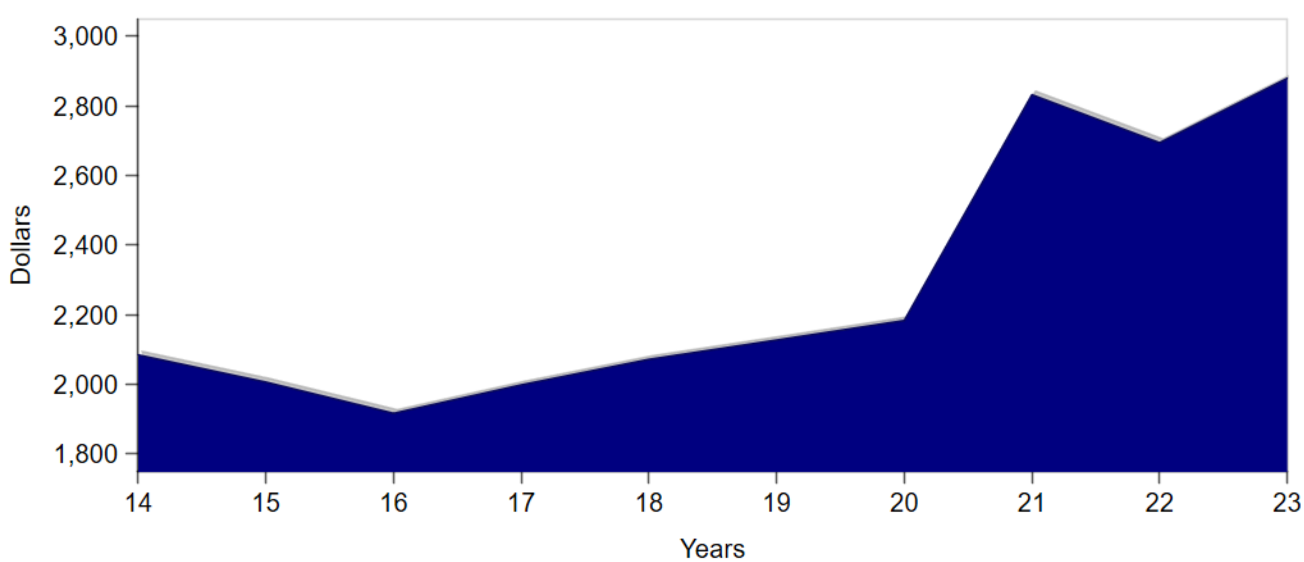
Source: *Meketa Investment Group's Quarterly Review Report dated June 30, 2023*

Pension Investment Review *(continued)*

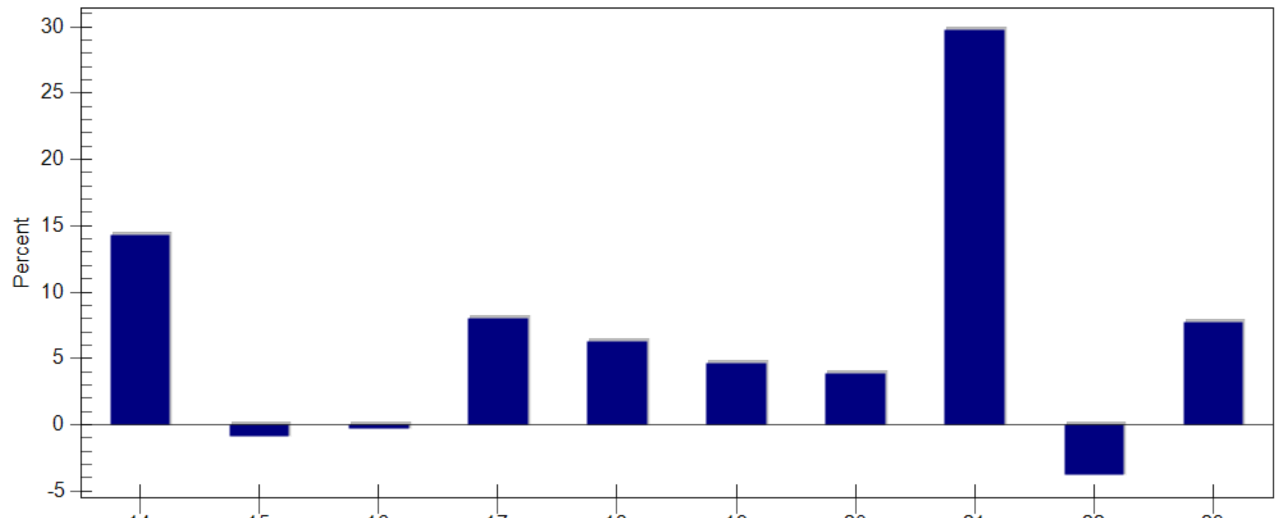
HISTORICAL ASSET ALLOCATION (Actual)
As of June 30, 2014 - June 30, 2023



FAIR VALUE GROWTH OF PLAN ASSETS
For Ten Years Ended June 30, 2023
(Dollars in Millions)

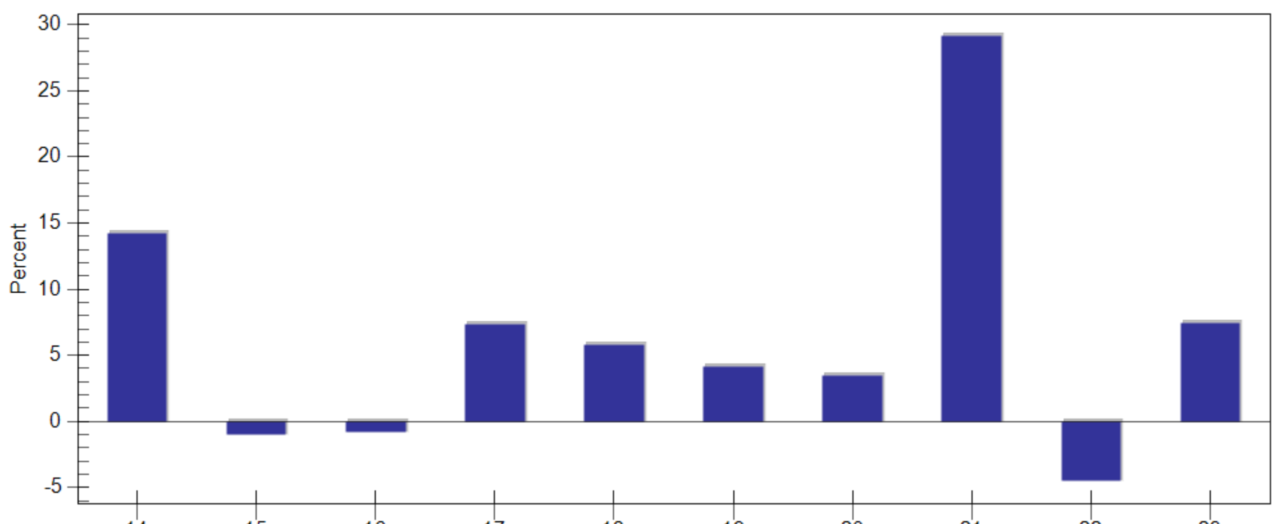


HISTORY OF GROSS PERFORMANCE
For Fiscal Years 2014 - 2023
(Based on Fair Value)



Years	14	15	16	17	18	19	20	21	22	23
Percentage	14.30	-0.90	-0.28	8.00	6.28	4.60	3.90	29.80	-3.80	7.72

HISTORY OF NET PERFORMANCE
For Fiscal Years 2014 - 2023
(Based on Fair Value)



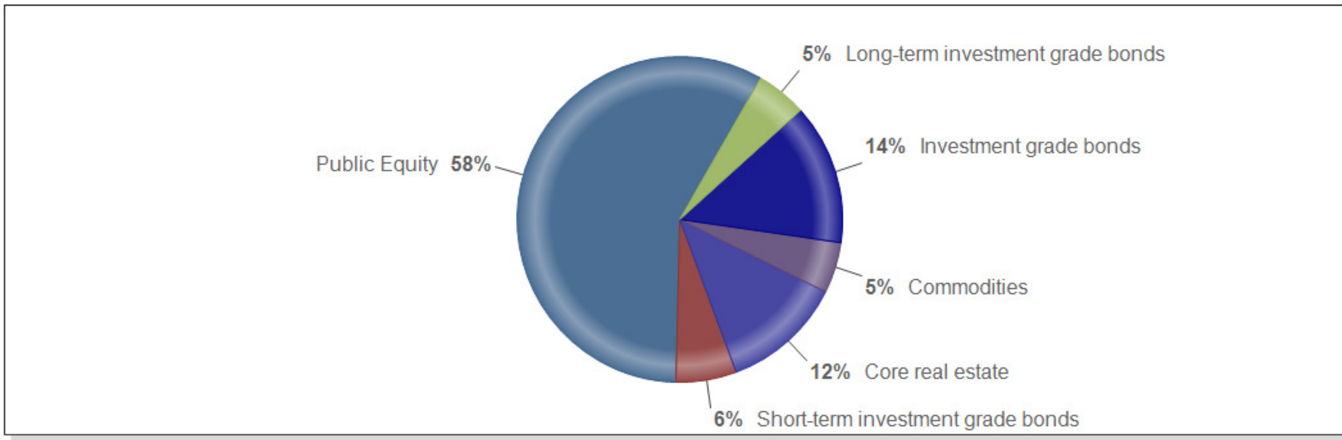
Years	14	15	16	17	18	19	20	21	22	23
Percentage	14.20	-1.00	-0.81	7.38	5.79	4.18	3.50	29.17	-4.50	7.40

The System's Total Investment Return percentages are unaudited numbers, typically provided by the investment consultant (currently Meketa Investment Group) based on the investment returns calculated by the System's custodian bank. In 2023, the System discovered that certain investment management fees were invoiced outside of, and not originally included in, the custodian bank's calculation of investment performance, covering the period of June 30, 2015 through June 30, 2023. To address this issue, the System engaged Macias Gini & O'Connell LLP to perform specific Agreed-Upon Procedures ("AUP") to tabulate the invoice management fees for their inclusion in recalculated investment performance figures for the period in question ("AUP Report"). The Total Investment Return percentages listed here with an asterisk are based on Macias Gini & O'Connell LLP's recalculated investment performance figures (as reflected in the AUP Report). This represents a more comprehensive total investment return than previously provided by Meketa Investment Group. The AUP Report is included with this ACFR after the "Report on Investment Activity" section on page 82.

Healthcare Investment Review

TARGET ASSET ALLOCATION

As of June 30, 2023

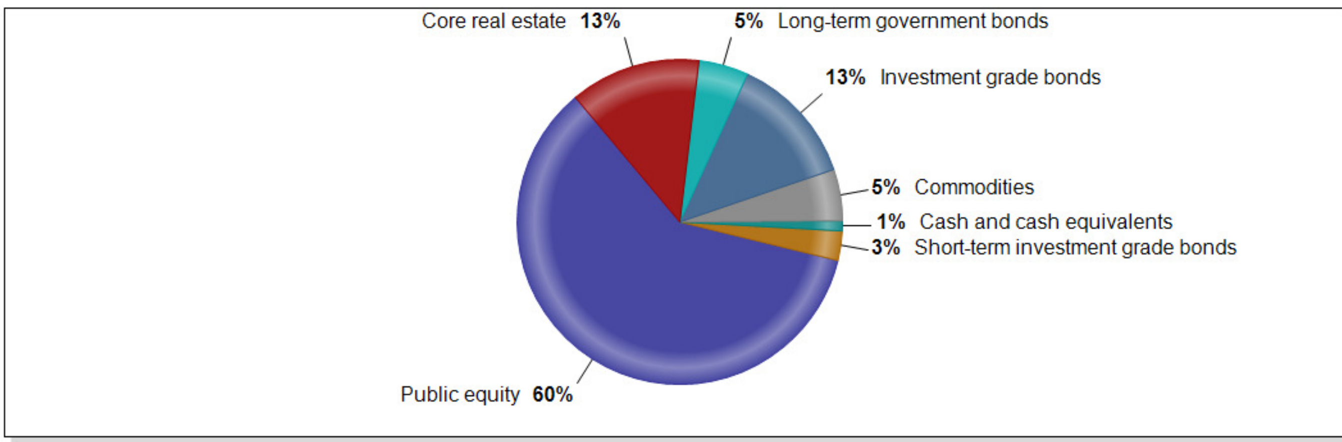


** Cash has a 0% target asset allocation*

ACTUAL ASSET ALLOCATION

As of June 30, 2023

Non-GAAP Basis



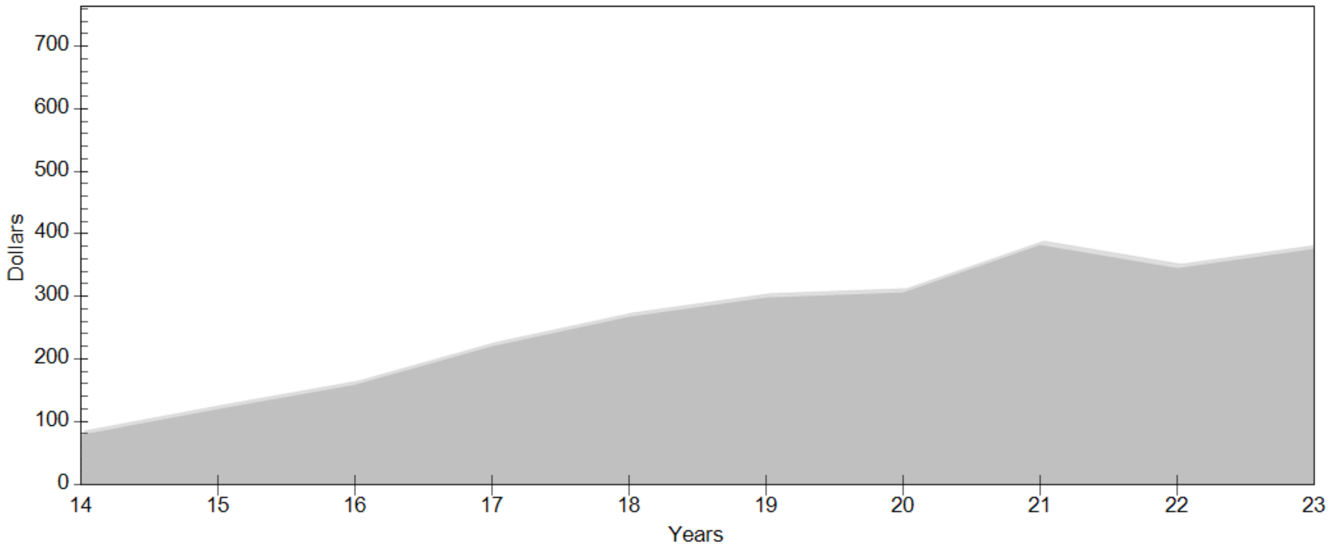
Asset Class	$ In Millions
Public equity	$ 225.0
Short-term investment grade bonds	13.0
Cash and cash equivalents	3.0
Core real estate	50.0
Commodities	17.0
Investment grade bonds	50.0
Long-term government bonds	18.0
TOTAL	**$ 376.0**

Source: *Meketa Investment Group's Quarterly Review Report dated June 30, 2023*

HEALTHCARE (continued)

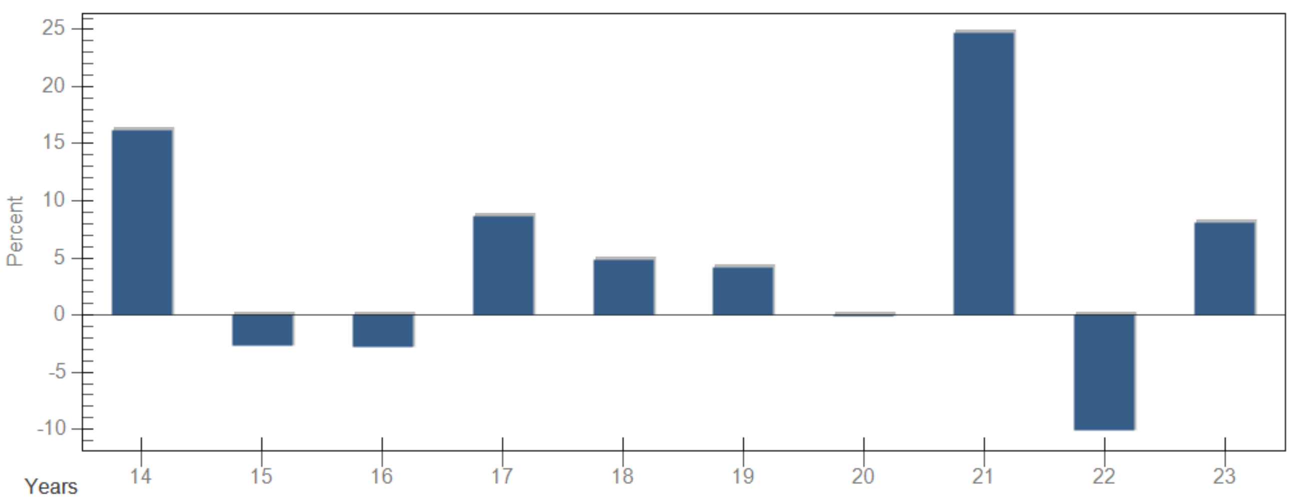
FAIR VALUE GROWTH OF PLAN ASSETS

For Ten Years Ended June 30, 2023 (Dollars in Millions)



HISTORY OF NET PERFORMANCE

For Fiscal Years 2014 - 2023
(Based on Fair Value)



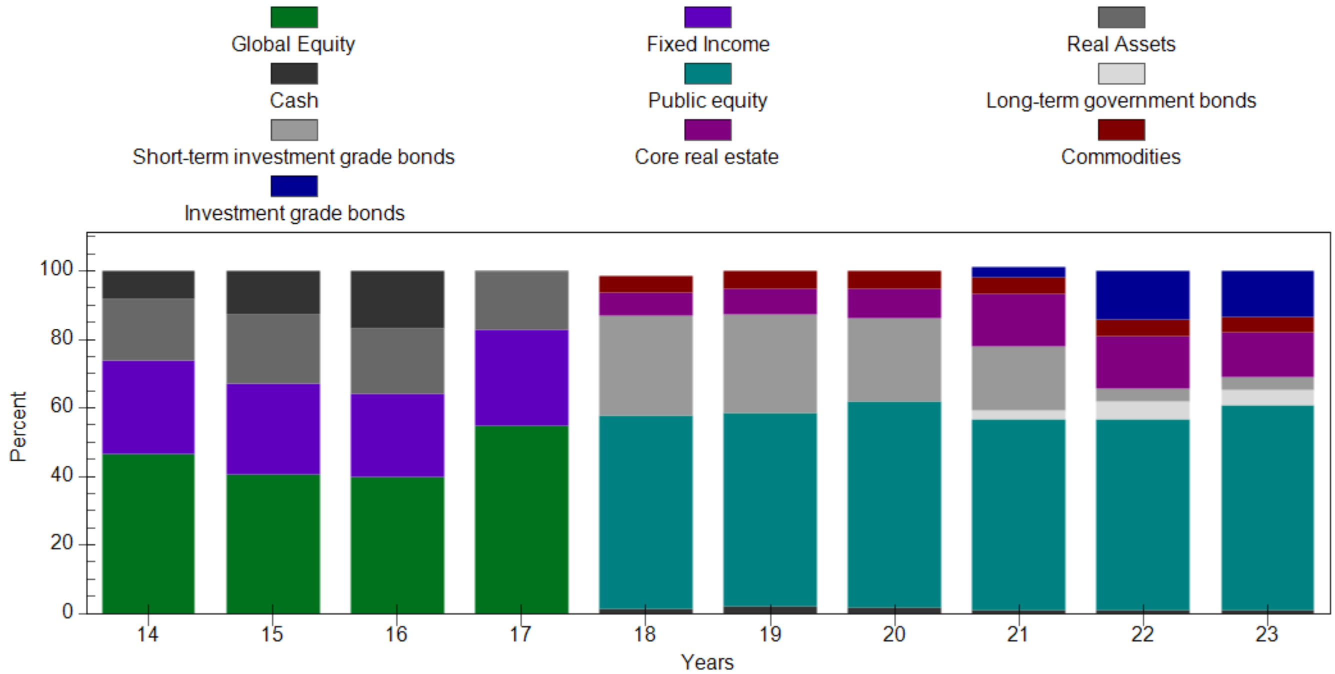
Years	14	15	16	17	18	19	20	21	22	23
Percentage	16.20	-2.70	-2.78	8.65	4.89	4.17	-0.15	24.71	-10.09	8.09

The System's Total Investment Return percentages are unaudited numbers, typically provided by the investment consultant (currently Meketa Investment Group) based on the investment returns calculated by the System's custodian bank. In 2023, the System discovered that certain investment management fees were invoiced outside of, and not originally included in, the custodian bank's calculation of investment performance, covering the period of June 30, 2015 through June 30, 2023. To address this issue, the System engaged Macias Gini & O'Connell LLP to perform specific Agreed-Upon Procedures ("AUP") to tabulate the invoice management fees for their inclusion in recalculated investment performance figures for the period in question ("AUP Report"). The Total Investment Return percentages listed here with an asterisk are based on Macias Gini & O'Connell LLP's recalculated investment performance figures (as reflected in the AUP Report). This represents a more comprehensive total investment return than previously provided by Meketa Investment Group. The AUP Report is included with this ACFR after the "Report on Investment Activity" section on page 82.

HEALTHCARE (continued)

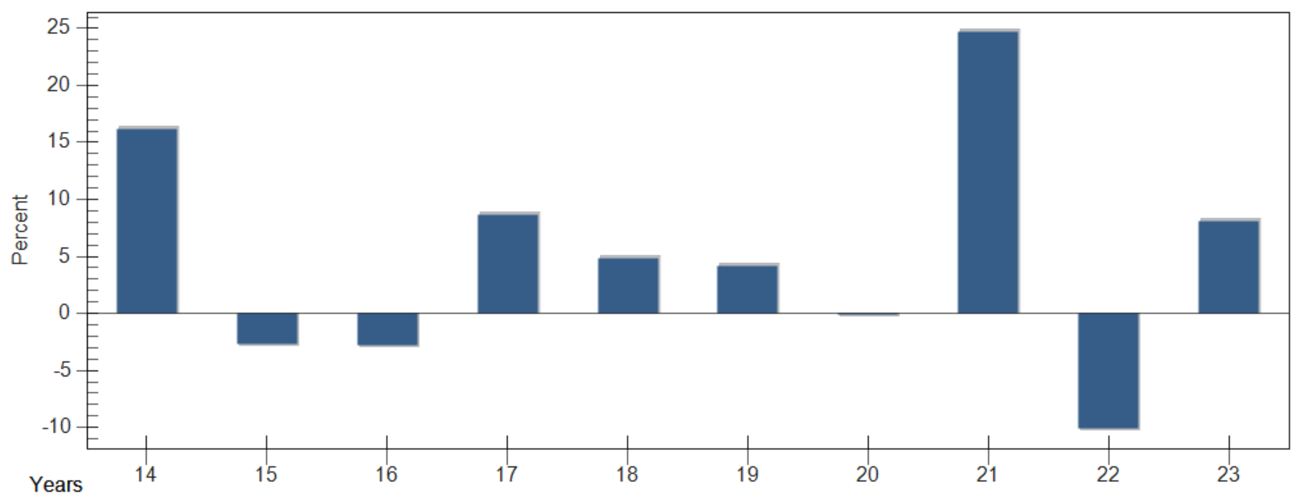
HISTORICAL ASSET ALLOCATION (Actual)

As of June 30, 2014 - June 30, 2023



HISTORY OF GROSS PERFORMANCE

For Fiscal Years 2014 - 2023
(Based on Fair Value)



Years	14	15	16	17	18	19	20	21	22	23
Percentage	16.20	-2.70	-2.78	8.65	4.89	4.17	-0.15	24.71	-10.09	8.09

List of Largest Assets Held

LARGEST DISCLOSABLE STOCK HOLDINGS (By Fair Value) For Pension

As of June 30, 2023

Description	Country	Shares	Fair Value ($US)
NOVARTIS AG	SWITZERLAND	60,257	$6,061,734
DANONE SA	FRANCE	92,879	$5,688,722
META PLATFORMS INC	UNITED STATES	19,047	$5,466,108
HEIDELBERG MATERIALS AG	GERMANY	66,414	$5,448,817
ALPHABET INC	UNITED STATES	43,994	$5,266,082
COMPASS GROUP PLC	UNITED KINGDOM	187,209	$5,240,940
ELEVANCE HEALTH INC	UNITED STATES	11,416	$5,072,015
UBS GROUP AG	SWITZERLAND	245,658	$4,968,626
BERKSHIRE HATHAWAY INC	UNITED STATES	13,867	$4,728,647
BANK OF NEW YORK MELLON CORP / T	UNITED STATES	104,219	$4,639,830

A complete list of portfolio holdings is available upon request.

LARGEST DISCLOSABLE BOND HOLDINGS (By Fair Value) For Pension

As of June 30, 2023

Security Name	Country	Maturity Date	Interest Rate	Shares	Fair Value ($US)
US TREASURY NOTE	UNITED STATES	5/31/2025	4.250%	6,504,700	$6,421,895
US TREASURY BOND	UNITED STATES	2/15/2027	6.625%	5,035,000	$5,409,302
US TREASURY NOTE	UNITED STATES	11/30/2026	1.625%	5,165,000	$4,714,250
US TREASURY NOTE	UNITED STATES	1/31/2027	1.500%	5,162,000	$4,674,449
US TREASURY NOTE	UNITED STATES	12/31/2026	1.250%	5,158,000	$4,640,807
US TREASURY NOTE	UNITED STATES	9/30/2026	0.875%	5,167,000	$4,621,623
US TREASURY NOTE	UNITED STATES	7/31/2026	0.625%	5,147,000	$4,584,227
US TREASURY NOTE	UNITED STATES	8/15/2026	1.500%	4,990,000	$4,559,613
US TREASURY NOTE	UNITED STATES	3/31/2027	0.625%	5,183,000	$4,523,360
US TREASURY NOTE	UNITED STATES	6/30/2027	0.500%	5,198,000	$4,480,416

A complete list of portfolio holdings is available upon request.

Schedule of Investment Fees

For Fiscal Year Ended June 30, 2023

Includes the 115 Trust

	Assets Under Management at Fair Value [1]	Fees	Basis Points
Investment Managers' Fees			
Public equity	$ 1,573,039,000	$ 1,927,702	12
Private equity	359,469,000	1,739,815	48
Investment grade bonds	174,249,000	467,665	27
Core real estate	207,145,000	643,144	31
Growth real estate	118,192,000	2,518,322	213
Private debt	121,663,000	1,616,664	133
Market neutral strategies	88,502,000		
Emerging market bonds / High yield	142,318,000	211,757	15
Immunized cash flows	162,315,000	100,043	6
Long-term government bonds	74,021,000	17,615	2
Cash and cash equivalents	62,727,000		
Treasury inflation-protected securities	57,074,000	28,291	5
Private real assets	68,419,000	827,244	121
Commodities	17,533,000		
Venture / Growth capital	15,921,000	269,515	169
Short-term investment grade bonds	13,194,000	2,029	2
Total Investment Managers' Fees	**$ 3,255,781,000**	**$ 10,369,806**	**32**

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

	Fees
Other Investment Fees	
Investment consultants	$ 454,504
Custodian bank	508,289
Investment legal fees	139,325
Other investment fees	347,280
Total Other Investment Fees	**$ 1,449,398**

Schedule of Commissions

For the Fiscal Year Ended June 30, 2023

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
A			
ABG SECS, OSLO	4,302	$ 3.57	$ 0.0008
ABN AMRO CLEARING BANK N.V, AMSTERDAM	12,004	205.38	0.0171
B			
BAIRD, ROBERT W & CO INC, MILWAUKEE	1,094	41.03	0.0375
BANQUE PARIBAS, PARIS	27,708	487.10	0.0176
BARCLAYS CAPITAL INC / LE, NEW JERSEY	4,431	86.05	0.0194
BARCLAYS CAPITAL LE, NEW YORK	4,119	99.03	0.0240
BARCLAYS CAPITAL, LONDON (BARCGB33)	529,459	6,362.89	0.0120
BARCLAYS CAPITAL, NEW YORK	111,700	212.24	0.0019
BARRENJOEY MARKETS PTY LIMITED, SYDNEY	39,100	756.59	0.0194
BERENBERG GOSSLER & CIE, HAMBURG	85,729	3,542.77	0.0413
BERNSTEIN SANFORD C & CO, NEW YORK	29,769	395.21	0.0133
BMO CAPITAL MARKETS CORP, NEW YORK	6,137	148.25	0.0242
BNP PARIBAS ARBITRAGE, PARIS	3,053	18.23	0.0060
BNP PARIBAS SEC SRVS SA, SINGAPORE	78,000	1,350.61	0.0173
BNP PARIBAS SECS SERVS, SYDNEY	154,900	992.71	0.0064
BNP PARIBAS SECURITIES SERVICES, FRANCE	1,000	5.99	0.0060
BRADESCO SECURITIES, NEW YORK	4,718	82.58	0.0175
BTG CAPITAL CORP, JERSEY CITY	778	13.62	0.0175
C			
CACEIS BANK, PARIS	41,292	667.47	0.0162
CANACCORD GENUITY CORP, MONTREAL (CCAM)	4,000	58.58	0.0146
CARNEGIE ASA, OSLO	45,628	431.63	0.0095
CARNEGIE SECS LTD, HELSINKI (CASFFIH1)	25,300	889.84	0.0352
CIBC WORLD MKTS INC, TORONTO	945	12.18	0.0129
CITIBANK CUSTODIAL, TORONTO (CITC)	2,964	81.13	0.0274
CITIBANK, LUXEMBOURG	377	88.80	0.2355
CITIGROUP GLOBAL MARKETS EURO, FRANKFURT	3,725	140.29	0.0377
CITIGROUP GLOBAL MARKETS LTD, LONDON	32,053	497.18	0.0155
CITIGROUP GLOBAL MARKETS, INC., NEW YORK	4,018	127.59	0.0318
COWEN AND CO LLC, NEW YORK	79,096	436.46	0.0055
CREDIT INDUSTRIEL ET COMMERCIAL, PARIS	102,800	500.08	0.0049
CREDIT LYONNAIS SECS, SINGAPORE	6,400	307.26	0.0480
CREDIT MUTUEL-CIC BANQUES, PARIS	5,800	532.78	0.0919
CREDIT SUISSE (HK) LIMITED, HONG KONG	9,900	36.91	0.0037

Schedule of Commissions *(continued)*

For the Fiscal Year Ended June 30, 2023

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
CREDIT SUISSE, LONDON (CSFPGB2L)	71,281	102.01	0.0014
CREDIT SUISSE, NEW YORK (CSUS)	92,911	1,483.18	0.0160
D			
D CARNEGIE AB, STOCKHOLM	120,804	2,650.47	0.0219
DAIWA SEC SMBC SINGAPORE LTD, SINGAPORE	6,100	192.00	0.0315
DAIWA SECS AMER INC, NEW YORK	26,800	2,301.94	0.0859
DAVY STOCKBROKERS, DUBLIN	3,334	112.92	0.0339
DEN DANSKE BANK, COPENHAGEN	68,340	1,425.85	0.0209
DEN NORSKE CREDITBANK, OSLO	36,195	372.34	0.0103
DEUTSCHE BK SECS INC, NY (NWSCUS33)	6,688	250.80	0.0375
DNB NOR MARKETS CUSTODY, OSLO	82,250	1,284.93	0.0156
E			
EXANE, PARIS (EXANFRPP)	10,104	323.29	0.0320
F			
FOKUS BANK, TRONDHEIM	21,200	253.17	0.0119
G			
GOLDMAN SACHS & CO, NY	714,273	7,771.73	0.0109
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	15,956	177.68	0.0111
H			
HAITONG INTL SEC CO LTD, HONG KONG	34,800	529.61	0.0152
HSBC SECS INC, NEW YORK	500	5.39	0.0108
HSBC SECURITIES (USA) INC, NEW YORK	8,687	170.70	0.0197
I			
ICHIYOSHI SEC CO LTD, TOKYO	56,500	1,581.83	0.0280
INSTINET CLEARING SER INC, NEW YORK	2,336,413	23,352.13	0.0100
INSTINET CORP, NEW YORK	9,574	359.03	0.0375
INSTINET EUROPE LIMITED, LONDON	22,799	981.03	0.0430
INSTINET PACIFIC LTD, HONG KONG	6,400	18.98	0.0030
INVESTEC SECURITIES (331), LONDON	140,680	1,407.57	0.0100
INVESTMENT TECHNOLOGY GROUP LTD, DUBLIN	18,080	336.49	0.0186
J			
J P MORGAN SEC LTD / STOCK LENDING, LONDON	1,829	47.69	0.0261
J P MORGAN SECS LTD, LONDON	1,577,695	4,999.68	0.0032
J P MORGAN SECURITIES LLC, NEW YORK	122,943	1,972.80	0.0160
J P MORGAN SECURITIES, HONG KONG	400	1.80	0.0045
JEFFERIES & CO INC, NEW YORK	113,364	2,999.14	0.0265
JEFFERIES & CO LTD, LONDON	148,030	794.10	0.0054

Schedule of Commissions *(continued)*

For the Fiscal Year Ended June 30, 2023

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
JEFFERIES HONG KONG LIMITED, HONG KONG	500	2.67	0.0053
JONESTRADING INST SVCS LLC, NEW YORK	478,358	9,108.75	0.0190
JONESTRADING INSTL SVCS LLC, WESTLAKE	22,700	335.92	0.0148
JPMORGAN SECURITIES INC, NEW YORK	5,831	92.70	0.0159
K			
KEPLER EQUITIES, PARIS	36,700	1,862.52	0.0507
L			
LIQUIDNET CANADA INC, TORONTO	284,400	2,110.16	0.0074
LIQUIDNET EUROPE LIMITED, LONDON	1,384,629	6,414.30	0.0046
LIQUIDNET INC, NEW YORK	27,800	278.00	0.0100
LOOP CAPITAL MARKETS, JERSEY CITY	8,640	151.21	0.0175
M			
MACQUARIE BANK LIMITED, SYDNEY	141,100	2,379.55	0.0169
MACQUARIE BANK LTD COD00000974, AUSTRALIA	1,000	17.02	0.0170
MACQUARIES SECURITIES AUSTRALIA, SYDNEY	3,700	292.43	0.0790
MERRILL LYNCH GILTS LTD, LONDON	26,453	201.87	0.0076
MERRILL LYNCH INTL LONDON EQUITIES	63,987	1,698.58	0.0265
MERRILL LYNCH PIERCE FENNER SMITH INC NY	72,975	25,151.27	0.3447
MERRILL LYNCH PROFESSIONAL CLRG, PURCHAS	10,148	202.96	0.0200
MITSUBISHI UFJ SECURITIES, NEW YORK	31,100	1,743.43	0.0561
MIZUHO SECURITIES USA INC, NEW YORK	1,518	49.59	0.0327
MIZUHO SECURITIES USA INC. NEW YORK	44,800	1,458.76	0.0326
MORGAN STANLEY AND CO, LLC, NEW YORK	187,316	3,714.70	0.0198
N			
NATIONAL FINL SVCS CORP, NEW YORK	54,976	1,110.47	0.0202
NBCN INC, TORONTO (NBCS)	44,400	663.34	0.0149
NEEDHAM AND CO LLC, NEW YORK	5,100	102.00	0.0200
NESBITT BURNS, TORONTO (NTDT)	907	8.31	0.0092
NORDEA BK PLC, HELSINKI (NDEAFIHH030)	1,901	127.29	0.0670
NUMIS SECURITIES INC, NEW YORK	200,000	2,890.96	0.0145
O			
ODDO ET CIE, PARIS	173,151	1,353.65	0.0078
P			
PAREL, PARIS	9,300	318.62	0.0343
PAREL, PUTEAUX	257,606	9,113.16	0.0354
PEEL HUNT LLP, LONDON	55,400	406.58	0.0073
PERSHING LLC, JERSEY CITY	19,314	458.85	0.0238

Schedule of Commissions *(continued)*
For the Fiscal Year Ended June 30, 2023

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
PERSHING SECURITIES LTD, LONDON	931,590	8,443.89	0.0091
R			
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	5,472	101.51	0.0186
RBC CAPITAL MARKETS LLC, NEW YORK	60,925	738.96	0.0121
RBC DOMINION SECS INC, TORONTO (DOMA)	5,227	40.18	0.0077
ROYAL BANK OF CANADA EUROPE LTD, LONDON	109,253	568.16	0.0052
S			
SANFORD C BERNSTEIN & CO INC, LONDON	565	9.47	0.0168
SCOTIA CAPITAL MKTS, TORONTO	200	1.54	0.0077
SKANDINAVISKA ENSKILDA BANKEN, COPENHAGEN	7,100	467.71	0.0659
SKANDINAVISKA ENSKILDA BANKEN, LONDON	60,300	970.14	0.0161
SKANDINAVISKA ENSKILDA BANKEN, STOCKHOLM	55,200	1,079.68	0.0196
SMBC SECURITIES, INC NEW YORK	19,400	985.71	0.0508
STIFEL NICOLAUS	9,553	268.99	0.0282
STIFEL, NICOLAUS AND CO, ST. LOUIS	39,100	451.33	0.0115
SUNTRUST CAPITAL MARKETS INC, NEW YORK	4,100	82.00	0.0200
SVENSKA HANDELSBANKEN, STOCKHOLM	32,500	483.40	0.0149
T			
TOURMALINE PARTNERS LLC, NEW YORK	255,738	7,672.14	0.0300
U			
UBS EQUITIES, LONDON	15,928	538.38	0.0338
UBS SECURITIES EAST ASIA, SEOUL	20,700	205.45	0.0099
UBS SECURITIES LLC, STAMFORD	68,703	1,078.09	0.0157
UBS WARBURG ASIA LTD, HONG KONG	84,900	1,117.96	0.0132
UNION BANK OF SWITZERLAND, ZURICH	2,617	90.78	0.0347
V			
VIRTU AMERICAS LLC, NEW YORK	452	13.56	0.0300
VIRTU AMERICAS, NEW YORK	109	1.64	0.0150
W			
WELLS FARGO SECURITIES, LLC, NEW YORK	4,031	141.59	0.0351
WILLIAM BLAIR & CO, CHICAGO	3,258	122.18	0.0375
TOTAL	**12,790,130**	**$ 177,366.37**	**$ 0.0139**

Investment Summary

PENSION

As of June 30, 2023 (Dollars in thousands)

Type of Investments	Fair Value	% of Portfolio
Public equity	$ 1,348,442	46.9%
Private equity	359,469	12.6
Core real estate	157,317	5.5
Investment grade bonds	123,728	4.3
Immunized cash flows	162,315	5.6
Growth real estate	118,192	4.1
Emerging market bonds	83,341	2.9
Private debt	121,663	4.2
Market neutral strategies	88,502	3.1
Cash and cash equivalents	59,599	1.8
Long-term government bonds	56,500	2.0
Private real assets	68,419	2.4
Treasury inflation-protected securities	57,074	2.0
High yield	58,977	2.0
Venture / Growth capital	15,921	0.6
Total Fair Value	**$ 2,879,459**	**100.0%**

Non-GAAP basis

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 TRUST

As of June 30, 2023 (Dollars in thousands)

Type of Investments	Fair Value	% of Portfolio
Public equity	$ 224,597	59.7%
Core real estate	49,827	13.2
Investment grade bonds	50,521	13.4
Cash	3,128	0.8
Long-term investment grade bonds	17,521	4.7
Commodities	17,534	4.7
Short-term investment grade bonds	13,194	3.5
Total Fair Value	**$ 376,322**	**100.0%**

Non-GAAP basis

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.

This page intentionally left blank

Actuarial Section

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

City of San José
Federated City Employees' Retirement System
Annual Comprehensive Financial Report for the Fiscal Years Ended
June 30, 2023 and June 30, 2022

CHEIRON

Classic Values, Innovative Advice

Via Electronic Mail

September 15, 2023

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

Dear Members of the Board:

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

Actuarial Valuation Used for Funding Purposes

Actuarial valuations are performed annually, and the most recent actuarial valuation was performed as of June 30, 2022. Please refer to that report for additional information related to the funding of the System.

We prepared the following schedules for inclusion in the Actuarial Section of the Annual Comprehensive Financial Report based on the June 30, 2022 actuarial valuation.

- 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
- Schedule of Funded Liabilities by Type
- Schedule of Funding Progress
- Summary of Plan Provisions

The funding ratios shown in the schedule of funded liabilities by type and the schedule of funding progress exhibits 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 sufficiency of System assets to cover the estimated cost of settling the System's benefit obligations.

The Board of Administration is responsible for establishing and maintaining the contribution policy for the System. The actuarial methods and assumptions used in the actuarial valuation are adopted by the Board of Administration with advice from the actuary. In our opinion, the assumptions and methods used in the actuarial valuation for funding purposes are consistent with applicable Actuarial Standards of Practice. 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
September 15, 2023
Page 2

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2022 actuarial valuation updated to the measurement date of June 30, 2023. The Board changed the price inflation assumption used in the June 30, 2022 valuation. This change is reflected effective July 1, 2022 for financial reporting purposes. There were no significant events between the valuation date and the measurement date, so the update was based upon the Total Pension Liability as of the valuation date reflecting the new assumptions and projected to the measurement date with 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, 2023 for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the Annual Comprehensive Financial Report based on the June 30, 2023 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 System and Compliance with ASOPs and GAAP

In preparing our valuations and the schedules for the Annual Comprehensive Financial Report, we relied on information (some oral and some written) supplied by the City of San José Office 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 Annual Comprehensive Financial Report 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.

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

CHEIRON

Board of Administration
September 15, 2023
Page 3

This letter and the schedules named above were prepared for the System 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

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

Steven M. Hastings

Steven M. Hastings, FSA, EA, FCA, MAAA
Consulting Actuary

Jacqueline King

Jacqueline R. King, FSA, EA, MAAA
Consulting Actuary

CHEIRON

Actuarial Assumptions and Methods

DEFINED BENEFIT PENSION

Actuarial Assumptions

The price inflation, wage inflation, amortization payment growth, and discount rates were adopted by the Board of Administration with the actuary's input at the November 17, 2022 Board meeting. All other assumptions were adopted at the November 21, 2019 Board meeting based on recommendations from the actuary's experience study covering plan experience through June 30, 2019. Please refer to the full experience study report and the November 17, 2022 Board presentation for details, including the rationale for each assumption.

1) Discount Rate

6.625%. The Board expects a long-term rate of return of 7.2% based on Meketa's 2022 20-year capital market assumptions and the System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.

2) Wage Inflation and Payroll Growth 3.00%, compounded annually.

3) Amortization Payment Growth 2.75%, compounded annually.

4) Price Inflation 2.50%, compounded annually.

5) Administrative Expenses

$546 per member for FYE 2023, increasing at the wage inflation assumption of 3.00% per annum.

6) Salary Increase Rate

In addition to the wage inflation component of 3.00% shown above, the following merit component is added based on an individual member's years of service:

Table B-1 SALARY MERIT INCREASES					
Years of Service	Merit / Longevity	Years of Service	Merit / Longevity	Years of Service	Merit / Longevity
0	3.75%	6	1.40%	12	0.45%
1	3.00%	7	1.20%	13	0.30%
2	2.50%	8	1.00%	14	0.20%
3	2.15%	9	0.85%	15+	0.10%
4	1.85%	10	0.70%		
5	1.60%	11	0.55%		

7) Rates of Termination

Rates of termination are shown in the following Table B-2. Termination rates do not apply once a member is eligible for retirement.

Table B-2 RATES OF TERMINATION					
Years of Service	Termination Rate	Years of Service	Termination Rate	Years of Service	Termination Rate
0	15.00%	6	7.75%	12	3.75%
1	12.75%	7	6.50%	13	3.50%
2	11.75%	8	5.50%	14	3.25%
3	10.75%	9	4.75%	15+	3.25%
4	9.75%	10	4.25%		
5	8.75%	11	4.00%		

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION *(continued)*

8) Deferred Vested Member Retirement Age

Tier 1 terminated vested members are assumed to retire from age 57 and Tier 2 terminated vested members are assumed to retire at age 62.

9) Rates of Refund

Applied before Rates of Reciprocity assumption

Tier 1:

Rates of vested terminated and reciprocal employees electing a refund of contributions are shown in the following Table B-3. Refund rates do not apply once a member is eligible for retirement.

Table B-3 RATES OF REFUND

Years of Service	Under Age 35	Ages 35 - 44	Ages 45 and Older	Years of Service	Under Age 35	Ages 35 - 44	Ages 45 and Older
0 - 4	100.0%	100.0%	100.0%	**11**	17.5%	10.0%	0.0%
5	25.0%	15.0%	18.0%	**12**	15.0%	10.0%	0.0%
6	20.0%	12.5%	15.0%	**13**	10.0%	10.0%	0.0%
7	20.0%	10.0%	12.0%	**14**	10.0%	7.5%	0.0%
8	20.0%	10.0%	9.0%	**15**	10.0%	5.0%	0.0%
9	20.0%	10.0%	6.0%	**16**	10.0%	2.5%	0.0%
10	20.0%	10.0%	3.0%	**17+**	10.0%	0.0%	0.0%

Tier 2:

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

10) Rate of Reciprocity

Applied after Rates of Refund assumption

30% of terminating employees who do not take a refund are assumed to subsequently work for a reciprocal employer and receive 3.00% pay increases per year.

11) Rates of Retirement for Tier 1 Members

Rates of retirement for Tier 1 members are based on age according to the following Table B-4 – Tier 1.

Table B-4 Tier 1 RATES OF RETIREMENT BY AGE AND SERVICE

Age	Less than 15 Years of Service	15 or more Years of Service and less than 30 Years of Service	30 or more Years of Service	Age	Less than 15 Years of Service	15 or more Years of Service and less than 30 Years of Service	30 or more Years of Service
50	0.0%	0.0%	70.0%	**61**	10.0%	20.0%	30.0%
51	0.0%	0.0%	70.0%	**62**	15.0%	20.0%	30.0%
52	0.0%	0.0%	70.0%	**63**	20.0%	20.0%	30.0%
53	0.0%	0.0%	70.0%	**64**	20.0%	20.0%	30.0%
54	0.0%	0.0%	70.0%	**65**	20.0%	20.0%	30.0%
55	10.0%	35.0%	50.0%	**66**	25.0%	30.0%	30.0%
56	10.0%	20.0%	45.0%	**67**	25.0%	35.0%	30.0%
57	10.0%	20.0%	40.0%	**68**	25.0%	35.0%	30.0%
58	5.0%	15.0%	35.0%	**69**	25.0%	35.0%	30.0%
59	5.0%	15.0%	30.0%	**70 & over**	100.0%	100.0%	100.0%
60	5.0%	15.0%	30.0%				

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION *(continued)*

12) Rates of Retirement for Tier 2 Members

Rates of retirement for Tier 2 members are based on age and service as shown in the following Table B-4 – Tier 2. These rates are based on CalPERS retirement rates for its 2.0% at age 62 formula with adjustments based on professional judgment for differences between the CalPERS benefits and the benefits provided to Tier 2 members.

Table B - 4 Tier 2 RATES OF RETIREMENT BY AGE AND SERVICE									
	Age								
Years of Service	55	56	57	58	59	60 - 61	62	63 - 69	70 & over
5-10	3.00%	2.00%	2.50%	3.00%	3.50%	4.00%	7.50%	5.00%	100.00%
11-20	5.00%	3.50%	4.50%	5.50%	7.00%	8.50%	12.50%	10.00%	100.00%
21-25	7.00%	4.00%	5.00%	7.00%	9.00%	10.00%	17.50%	15.00%	100.00%
26-34	10.00%	7.00%	8.50%	11.00%	13.50%	14.50%	25.00%	25.00%	100.00%
35+	15.00%	10.50%	12.75%	16.50%	20.25%	21.75%	100.00%	100.00%	100.00%

13) Rates of Disability

Disability rates are equal to the 0.973 times the CalPERS 2017 non-industrial disability incidence rates for miscellaneous state agencies, blended 55% male and 45% female. 45% of disabilities are assumed to be duty related, and 55% are assumed to be non-duty related. Sample disability rates of active members are provided in Table B-5.

Table B-5 RATES OF DISABILITY AT SELECTED AGES								
Age	25	30	35	40	45	50	55	60+
Disability	0.0272	0.0303	0.0613	0.1366	0.2519	0.3240	0.2631	0.2191

14) Base Rates of Mortality

Base mortality rates are based on the sex-distinct employee and retiree mortality tables shown below.

Table B-6 BASE MORTALITY TABLES		
Category	Male	Female
Healthy Annuitant	0.995 times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees	0.960 times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees
Healthy Non-Annuitant	0.992 times the 2010 Public General Mortality Table (PubG-2010) for healthy employees	1.084 times the 2010 Public General Mortality Table (PubG-2010) for healthy employees
Disabled Annuitant	1.051 times the CalPERS 2009 Ordinary Disability Mortality Table	0.991 times the CalPERS 2009 Ordinary Disability Mortality Table

15) Rates of Mortality Improvement

Future mortality improvements are reflected by applying the most recent projection scale issued by the Society of Actuaries on a generational basis from the base year of 2010 for the Pub2010 tables and 2009 for the CalPERS tables. The projection scale used for the June 30, 2022 valuation is MP-2021.

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION *(continued)*

16) Family Composition

Percentage married is shown in the following Table B-7. Male retirees are assumed to be three years older than their partner, and female retirees are assumed to be two years younger than their partner.

Table B-7 PERCENTAGE MARRIED		
	Males	Females
Percentage	80%	60%

17) Changes Since Last Valuation

The price inflation was increased from 2.25% to 2.50%.

Contribution Allocation Procedure

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

1) Actuarial Cost Method

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

2) Asset Valuation Method

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

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

3) Amortization Method

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

The Tier 1 unfunded actuarial liability as of June 30, 2009 is amortized as a level percentage of Tier 1 pay over a closed 30-year period commencing June 30, 2009. Tier 1 actuarial gains and losses and plan changes are amortized over 20-year periods and Tier 1 assumption changes are amortized over 25-year periods beginning with the valuation date in which they first arise. Effective June 30, 2017, all prior assumption amortization base periods were increased by 5 years so they have the same remaining period as if they had originally been amortized over 25 years. Amortization payments are scheduled to increase 2.75% each year.

The Tier 2 unfunded actuarial liability as of June 30, 2017 is amortized over a closed 10-year period. Future Tier 2 actuarial gains and losses, assumption changes, and plan changes will be amortized over 10-year periods beginning with the valuation date in which they first arise. Amortization payments are scheduled to increase 2.75% each year.

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION *(continued)*

4) Contributions

The Board adopted a policy in 2010 and modified it in 2015 setting the City's contribution to be the UAL contribution amount reported in the actuarial valuation plus the greater of the normal cost dollar amount reported in the actuarial valuation (adjusted for interest based on the time of the contribution) and the dollar amount determined by applying the normal cost as a percent of payroll reported in the actuarial valuation to the actual payroll for the fiscal year. The City and Member contributions determined by a valuation become effective for the fiscal year commencing one year after the valuation date. Contributions are generally made on a payroll-by-payroll basis although the City retains an option to make its contribution as of the beginning of the year.

The total contribution rate is the sum of the normal cost rate, assumed administrative expenses, and the UAL rate. Under Measure F, the total contribution rate cannot be less than the normal cost rate. The normal cost rate is determined by dividing the total normal cost determined under the actuarial cost method by the payroll expected for members active on the valuation date. The UAL payments are adjusted for interest from the valuation date to the date of expected payment in the following fiscal year. The UAL rate is determined by dividing the UAL payments by the total expected payroll for the year (including members active on the valuation date and new entrants expected to replace active members who are expected to leave employment).

For Tier 1, members contribute 3/11ths of the normal cost rate (including administrative expenses, but excluding reciprocity), and the City pays the remainder of the total contribution rate. Tier 1 members who were rehired into Tier 2 and then returned to Tier 1 under Measure F also pay half of the increased cost attributable to their Tier 2 service.

For Tier 2, the members and the City each pay half of the total contribution rate. However, the member's UAL contribution rate cannot increase by more than 0.33% of pay each year. The City contributes any amounts in excess of this cap that would otherwise be contributed by the member.

5) Changes Since Last Valuation

None.

System Experiences

DEFINED BENEFIT PENSION

SCHEDULE OF ACTIVE MEMBER DATA				
Valuation Year	Active Count	Annual Payroll	Average Annual Pay	Percent Change in Average Pay
2022	3,792	$ 384,197,000	$ 101,318	6.5%
2021	3,775	359,061,000	95,115	4.2%
2020	3,742	341,552,000	91,275	5.4%
2019	3,617	313,310,000	86,622	3.0%
2018	3,554	298,985,000	84,126	(0.2)%
2017	3,410	287,339,000	84,264	4.1%
2016	3,297	266,823,000	80,929	4.2%
2015	3,236	251,430,000	77,698	3.3%
2014	3,121	234,677,000	75,193	3.0%
2013	3,094	225,779,000	72,973	(0.6)%

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
2021-2022	4,511	$ 232,043	173	$ 8,440	127	$ 5,463	4,557	$ 241,253	4.0%	$ 53
2020-2021	4,441	221,575	188	9,246	118	5,090	4,511	232,043	4.7%	51
2019-2020	4,359	210,350	208	9,499	126	4,596	4,441	221,575	5.3%	50
2018-2019	4,225	198,157	230	10,394	96	3,634	4,359	210,350	6.2%	48
2017-2018	4,115	187,714	223	9,133	113	3,994	4,225	198,157	5.6%	47
2016-2017	4,003	177,751	225	8,843	113	3,894	4,115	187,714	5.6%	46
2015-2016	3,901	168,917	212	7,907	110	3,904	4,003	177,751	5.2%	44
2014-2015	3,800	159,124	200	8,266	99	3,122	3,901	168,917	6.2%	43
2013-2014	3,711	150,934	194	7,274	105	3,405	3,800	159,124	5.4%	42
2012-2013	3,602	142,063	198	7,036	89	2,360	3,711	150,934	6.2%	41

Dollar amounts in thousands

ANALYSIS OF FINANCIAL EXPERIENCE					
	Gain or (Loss) for Year Ending on Valuation Date Due To:				
Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Non-Recurring Items	Total Experience
6/30/2022	$ 31,034	$ (53,747)	$ (22,713)	$ (518)	$ (23,231)
6/30/2021	76,461	(32,329)	44,132	(9,687)	34,445
6/30/2020	(67,979)	(32,761)	(100,740)	(36,981)	(137,721)
6/30/2019	(88,845)	(4,283)	(93,128)	39,030	(54,098)
6/30/2018	(49,921)	4,702	(45,219)	(56,306)	(101,525)
6/30/2017	(44,650)	(13,819)	(58,469)	1,813	(56,656)
6/30/2016	(81,539)	(29,989)	(111,528)	(60,233)	(171,761)
6/30/2015	(3,641)	(45,998)	(49,639)	(191,527)	(241,166)
6/30/2014	39,675	(13,600)	26,075	(103,404)	(77,329)
6/30/2013	(76,502)	2,899	(73,603)	(63,668)	(137,271)

Dollar amounts in thousands

System Experiences *(continued)*

DEFINED BENEFIT PENSION *(continued)*

SCHEDULE OF FUNDED LIABILITIES BY TYPE							
	Actuarial Liability for:						
Actuarial Valuation Date	Active Member Contributions (A)	Retirees, Beneficiaries and Other Inactives (B)	Remaining Active Members' Liabilities (C)	Reported Assets [1]	Portion of Actuarial Liability Covered by Reported Assets (A)	(B)	(C)
6/30/2022	$ 246,803	$ 3,575,879	$ 927,964	$ 2,709,625	100%	69%	0%
6/30/2021	241,016	3,443,968	877,997	2,513,095	100%	66%	0%
6/30/2020	234,385	3,308,069	858,629	2,301,469	100%	62%	0%
6/30/2019	228,905	3,150,673	821,130	2,228,802	100%	63%	0%
6/30/2018	230,282	3,002,012	868,527	2,179,488	100%	65%	0%
6/30/2017	236,819	2,830,143	857,004	2,101,435	100%	66%	0%
6/30/2016	240,872	2,722,224	823,634	2,034,741	100%	66%	0%
6/30/2015	243,828	2,553,892	772,178	2,004,481	100%	69%	0%
6/30/2014	233,289	2,331,656	670,120	1,911,773	100%	72%	0%
6/30/2013	234,217	2,164,153	615,393	1,783,270	100%	72%	0%

[1] *Actuarial Value of Assets*

Dollar amounts in thousands

SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AL)	Unfunded AL (UAL)	Funded Ratio	Covered Payroll	UAL as a % of Covered Payroll
6/30/2022 [10]	$ 2,709,625	$ 4,750,646	$ 2,041,021	57.0%	$ 384,197	531.2%
6/30/2021 [9]	2,513,095	4,562,981	2,049,886	55.1%	359,061	570.9%
6/30/2020 [8]	2,301,469	4,401,083	2,099,614	52.3%	341,552	614.7%
6/30/2019 [7]	2,228,802	4,200,708	1,971,906	53.1%	313,310	629.4%
6/30/2018 [6]	2,179,488	4,100,821	1,921,333	53.1%	298,985	642.6%
6/30/2017 [5]	2,101,435	3,923,966	1,822,531	53.6%	287,339	634.3%
6/30/2016 [4]	2,034,741	3,786,730	1,751,989	53.7%	266,823	656.6%
6/30/2015 [3]	2,004,481	3,569,898	1,565,417	56.1%	251,430	622.6%
6/30/2014 [2]	1,911,773	3,235,065	1,323,292	59.1%	234,677	563.9%
6/30/2013 [1]	1,783,270	3,013,763	1,230,493	59.2%	225,779	545.0%

Dollar amounts in thousands

[1] *Reducing the discount rate from 7.50% to 7.25% and reducing wage inflation increased the AL by $64 million.*
[2] *Reducing the discount rate to 7.00% and eliminating the temporary 2% wage inflation increased the AL by $103 million.*
[3] *Demographic assumption changes increased the AL by $192 million.*
[4] *Reducing the discount rate from 7.00% to 6.875% increased the AL by $60 million.*
[5] *Measure F implementation increased the AL by $14 million and assumption changes decreased the AL by $16 million.*
[6] *Assumption changes, including reducing the discount rate from 6.875% to 6.75%, increased the AL by $54 million.*
[7] *Assumption changes decreased the AL by $3 million.*
[8] *Assumption changes, including reducing the discount rate from 6.75% to 6.625%, increased the AL by $37 million.*
[9] *Assumption changes increased the AL by $10 million.*
[10] *Assumption changes increased the AL by $0.5 million.*

Summary of Pension Plan Provisions - Tier 1

1) Membership Requirement

Participation in the System is immediate upon the first day of full-time employment for members hired before September 30, 2012, including members that are rehired after September 30, 2012 and had prior service under Tier 1 and did not take a return of contributions. In addition, any person accepting employment on or after September 30, 2012 who is otherwise eligible for this system and who was a "classic" member in another California public retirement system with which this system has reciprocity, and who has a break in service of less than six months from that covered employment and employment with the City, shall be a Tier 1 member of this system.

2) Final Compensation

Members who separated from City service prior to June 30, 2001:

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

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

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

3) Credited Service

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

4) Member Contributions

Member:

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

For bargaining units that have agreed to the provision, member contributions cease once a member has 30 years of City service (excluding reciprocal service).

Employer:

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

5) Service Retirement

Eligibility:

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

Benefit – Member:

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

Benefit - Survivor:

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

6) Service-Connected Disability Retirement

Eligibility:

No age or service requirement.

Benefit - Member:

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

Summary of Pension Plan Provisions - Tier 1

Benefit - Survivor:

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

7) Non-Service Connected Disability Retirement

Eligibility:

Five years of service.

Benefit - Member:

Members who were hired prior to September 1, 1998:
The amount of the service-connected benefit reduced by 0.5% for each year that the disability age preceded 55.

Members who were hired on or after September 1, 1998:
20% of Final Compensation, plus 2% of Final Compensation for each year of credited service between six and 16 years, plus 2.5% of Final Compensation for each year of credited service in excess of 16 years, subject to a maximum of 75% of Final Compensation.

Benefit - Survivor:

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

8) Death Before Retirement

Less than five years of service, or no qualified survivor:

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

Five or more years of service:

2.5% of Final Compensation for each year of credited service, subject to a maximum of 75% of Final Compensation. Benefit is subject to a minimum of 40% of Final Compensation if member dies while an active employee. The benefit is payable until the spouse or registered domestic partner marries or establishes a domestic partnership. If the member was age 55 with 20 years of service at death, the benefit is payable for the lifetime of the member's spouse or registered domestic partner.

9) Withdrawal Benefits

Less than five years of service:

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

Five or more years of credited service:

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

10) Additional Post-Retirement Death Benefit

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

11) Post-Retirement Cost-of-Living Benefit

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

12) Changes Since the Last Valuation

For bargaining units that have agreed to the provision, member contributions cease once a member has 30 years of City service (excluding reciprocal service).

Summary of Pension Plan Provisions - Tier 2

1) Membership Requirement

Any person who is hired, rehired or reinstated by the City on or after September 30, 2012 except those who elect to participate in a defined contribution plan, had prior service under Tier 1 and did not take a return of contributions, or had prior service as a "classic" member in a reciprocal system with less than a six month break in service.

2) Final Compensation

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

3) Credited Service

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

4) Member Contributions

50% of total Tier 2 contributions to the pension plan, including, but not limited to administrative expenses, normal cost, and unfunded actuarial liability. However, the member's UAL contribution rate cannot increase by more than 0.33% of pay each year. The City contributes any amounts in excess of this cap that would otherwise be contributed by the member.

The member contribution rate cannot be less than 50% of the normal cost rate.

5) City Contributions

50% of total Tier 2 contributions to the pension plan, including, but not limited to administrative expenses, normal cost, and unfunded actuarial liability. In addition, the City contributes any UAL amounts in excess of the member UAL cap until the member rate covers 50% of the UAL rate.

The City contribution rate cannot be less than 50% of the normal cost rate.

6) Unreduced Service Retirement

Eligibility:

Age 62 with five years of service.

Benefit – Member:

2.0% of Final Compensation for each year of credited service attributable to Tier 2, subject to a maximum of 70% of Final Compensation.

Benefit - Survivor:

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

7) Early Service Retirement

Eligibility:

Age 55 with five years of service.

Benefit - Member:

Benefit reduced by a factor of 5% for each year the member retires before age 62.

The early retirement reduction is applied to the benefit after the application of the maximum of 70% of Final Compensation.

8) Service-Connected Disability Retirement

Eligibility:

No age or service requirement.

Summary of Pension Plan Provisions - Tier 2

Benefit - Member:

2.0% of Final Compensation for each year of credited service, subject to a minimum of 40% of Final Compensation and a maximum of 70% of Final Compensation, less the amounts specified in Section 3.28.1330 and Section 3.28.1340.

9) 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, subject to a minimum of 20% of Final Compensation and a maximum of 70% of Final Compensation less the amounts specified in Section 3.28.1330 and Section 3.28.1340.

10) Death Before Retirement

Not yet eligible for retirement, or no qualified survivor:

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

Eligible for retirement:

2.5% of Final Compensation for each year of credited service, subject to a maximum of 70% of Final Compensation. Benefit is subject to a minimum of 40% of Final Compensation if member dies while an active employee. The benefit is payable until the spouse or registered domestic partner marries or establishes a domestic partnership. If the member was age 55 with 20 years of service at death, the benefit is payable for the lifetime of the member's spouse or registered domestic partner.

11) Withdrawal Benefits

Less than five years of credited service:

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

Five or more years of credited service:

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

12) Benefit Forms

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

13) 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 based on years of service as shown in the table below.

Years of Service	Maximum COLA
At least 1, but less than 11	1.25% [1]
At least 11, but less than 21	1.50%
At least 21, but less than 26	1.75%
At least 26	2.00%

[1] *1.5% for members hired before Measure F effective date*

The first COLA after retirement shall be prorated based on the number of months retired.

14) Changes Since the Last Valuation

None.

CHEIRON Classic Values, Innovative Advice

September 15, 2023

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

Dear Members of the Board:

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

Actuarial Valuation Used for Funding Purposes

Actuarial valuations are performed annually, and the most recent actuarial valuation was performed as of June 30, 2022. 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 ACFR based on the June 30, 2022 actuarial valuation.

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Member Benefit Coverage Information
- Analysis of Financial Experience
- Schedule of Funding Progress
- Summary of Key Substantive Plan Provisions

The funding ratios shown in the member benefit coverage information and the schedule of funding progress exhibits 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 sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations.

Employees hired on or after September 1, 2013 are not eligible to enter the Plan.

Historically, member and City contributions to the Plan had been negotiated through collective bargaining and were not actuarially determined. With the implementation of Measure F, member contributions are fixed at 7.5% of pay; the City's contribution toward the explicit subsidy is actuarially determined; and, the City also pays the implicit subsidy on a pay-as-you-go basis as a part of active health premiums. Finally, the City has an option to limit its contribution for the explicit subsidy to 14% of payroll.

www.cheiron.us 1.877.CHEIRON (243.4766)

Board of Administration
September 15, 2023
Page 2

The actuarial methods and assumptions used in the actuarial valuation are adopted by the Board of Administration with advice from the actuary. In our opinion, the assumptions and methods used in the actuarial valuation for funding purposes are consistent with applicable Actuarial Standards of Practice. The actuarial cost method and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes.

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total OPEB Liability is based on the June 30, 2022 actuarial valuation updated to the measurement date of June 30, 2023. The Board changed some economic and demographic assumptions for the June 30, 2022 valuation. These changes are detailed in the actuarial assumptions and methods attachment of this letter and are reflected effective July 1, 2022 for financial reporting purposes. Consequently, the update was based upon the Total OPEB Liability as of the valuation date reflecting the new assumptions and projected to the measurement date with the addition of service cost and interest cost offset by actual benefit payments.

Please refer to our GASB 74/75 report as of June 30, 2023 for additional information related to the financial reporting of the Plan. We prepared the following schedules for inclusion in the Financial Section of the ACFR as shown in the June 30, 2023 GASB 74/75 report.

- Change in Net OPEB Liability
- Sensitivity of Net OPEB Liability to Changes in Discount Rate and Healthcare Cost Trend Rates
- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of Employer Contributions

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

In preparing our valuations and the schedules for the ACFR, we relied on information (some oral and some written) supplied by the City of San José Office 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 ACFR 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.

This letter and the schedules named above have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial

CHEIRON

Board of Administration
September 15, 2023
Page 3

Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we collectively 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.

Sincerely,
Cheiron

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

Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary

Jacqueline R. King, FSA, EA, MAAA
Consulting Actuary

CHEIRON

Actuarial Assumptions and Methods

POSTEMPLOYMENT HEALTHCARE

<u>Economic Assumptions</u>

The expected return on plan assets and per person cost trend assumptions shown below were adopted by the Board of Administration with the actuary's input at the November 17, 2022 Board meeting. Please refer to the presentation for that meeting for details, including the rationale for each assumption.

1) Expected Return on Plan Assets

6.00% per year. The Board expects a long-term rate of return of 6.30% based on Meketa's 20-year capital market assumptions and the System's current investment policy.

2) Per Person Cost Trends

Medical trends were developed using the 2022 Society of Actuaries Long-Run Medical Cost Trend Model with the following parameters:

Initial trend rate: Non-Medicare Eligible:	8.00%	*Medicare Eligible:*	4.00%
Inflation:	2.50%	*Real GDP per Capita:*	1.40%
Excess Medical Cost Growth:	1.00%	*Expected GDP Share in 2031:*	19.60%
Resistance Point:	21.00%	*Year limited to GDP growth:*	2075

ANNUAL INCREASE %															
Fiscal Year Beginning	**2023[1]**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**
Pre-Medicare	0.00	7.16	6.82	6.49	6.15	5.81	5.48	5.14	4.97	4.97	4.97	4.97	4.97	4.96	4.90
Medicare Eligible	0.00	4.27	4.38	4.49	4.60	4.70	4.81	4.92	4.97	4.97	4.97	4.97	4.97	4.97	4.97
Dental	0.00	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Fiscal Year Beginning	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**	**2050**	**2051**	**2052**
Pre-Medicare	4.85	4.81	4.79	4.76	4.74	4.72	4.71	4.69	4.68	4.66	4.65	4.64	4.63	4.62	4.60
Medicare Eligible	4.96	4.91	4.85	4.81	4.79	4.76	4.74	4.73	4.71	4.69	4.68	4.66	4.65	4.64	4.63
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Fiscal Year Beginning	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**	**2059**	**2060**	**2061**	**2062**	**2063**	**2064**	**2065**	**2066**	**2067**
Pre-Medicare	4.59	4.58	4.57	4.56	4.56	4.55	4.54	4.53	4.52	4.51	4.51	4.50	4.46	4.40	4.34
Medicare Eligible	4.62	4.60	4.59	4.58	4.57	4.57	4.56	4.55	4.54	4.53	4.52	4.51	4.48	4.41	4.35
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Fiscal Year Beginning	**2068**	**2069**	**2070**	**2071**	**2072**	**2073**	**2074**	**2075**	**2076**	**2077**	**2078**	**2079+**			
Pre-Medicare	4.28	4.23	4.17	4.12	4.07	4.01	3.96	3.94	3.94	3.94	3.94	3.94			
Medicare Eligible	4.29	4.24	4.18	4.12	4.07	4.02	3.96	3.94	3.94	3.94	3.94	3.94			
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50			

[1] *Varies by Plan*

The table above shows the trend increases on a fiscal year basis; premium rates change on a calendar year basis. For the fiscal year beginning July 1, 2023, the trend was developed using actual calendar year 2023 premiums and a trend assumption for calendar year 2024. The trend factors vary by plan as shown in the table below.

Actuarial Assumptions and Methods *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum (where applicable) are assumed to increase at the below trend rates.

FISCAL YEAR BEGINNING 2023 TREND					
Pre-Medicare		**Medicare**		**Dental**	
Kaiser Plans	6.65%	Kaiser Plan	(3.82)%	HMO Plan	1.76%
Anthem Plans	10.93%	Anthem HMO Plan	4.55%	PPO Plan	11.19%
		Anthem PPO Plan	4.55%		

3) Changes Since Last Valuation

The per-person cost trends were updated.

Demographic Assumptions

The OPEB assumptions were adopted by the Board of Administration at the November 17, 2022 Board meeting based on the actuary's recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 21, 2019 Board meeting based on recommendations from the actuary's experience study covering system experience through June 30, 2019. Please refer to the full experience study report for details, including the rationale for each assumption.

1) Salary Increase Rate

Wage inflation component: 3.00%

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**	**Years of Service**	**Merit / Longevity**	**Years of Service**	**Merit / Longevity**
0	3.75%	**6**	1.40%	**12**	0.45%
1	3.00%	**7**	1.20%	**13**	0.30%
2	2.50%	**8**	1.00%	**14**	0.20%
3	2.15%	**9**	0.85%	**15+**	0.10%
4	1.85%	**10**	0.70%		
5	1.60%	**11**	0.55%		

2) Rates of Termination

Termination rates do no apply once a member is eligible for retirement. Rates of termination are shown in the following table.

RATES OF TERMINATION					
Years of Service	**Termination Rate**	**Years of Service**	**Termination Rate**	**Years of Service**	**Termination Rate**
0	15.00%	**6**	7.75%	**12**	3.75%
1	12.75%	**7**	6.50%	**13**	3.50%
2	11.75%	**8**	5.50%	**14**	3.25%
3	10.75%	**9**	4.75%	**15+**	3.25%
4	9.75%	**10**	4.25%		
5	8.75%	**11**	4.00%		

POSTEMPLOYMENT HEALTHCARE *(continued)*

3) Rates of Refund

Tier 1

Rates of vested terminated employees electing a refund of contributions are shown in following table. Refund rates do not apply once a member is eligible for retirement.

RATES OF REFUND							
Years of Service	Under Age 35	Ages 35 - 44	Ages 45 and Older	Years of Service	Under Age 35	Ages 35 - 44	Ages 45 and Older
0 - 4	100.00%	100.00%	100.00%	**11**	17.50%	10.00%	0.00%
5	25.00%	15.00%	18.00%	**12**	15.00%	10.00%	0.00%
6	20.00%	12.50%	15.00%	**13**	10.00%	10.00%	0.00%
7	20.00%	10.00%	12.00%	**14**	10.00%	7.50%	0.00%
8	20.00%	10.00%	9.00%	**15**	10.00%	5.00%	0.00%
9	20.00%	10.00%	6.00%	**16**	10.00%	2.50%	0.00%
10	20.00%	10.00%	3.00%	**17+**	10.00%	0.00%	0.00%

Tier 2:

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

4) Deferred Vested Member Retirement Age

Tier 1 terminated vested members are assumed to retire at age 57 and Tier 2 terminated vested members are assumed to retire at age 62.

5) Retirement Rates

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

TIER 1 RATES OF RETIREMENT BY AGE AND SERVICE							
Age	Less than 15 years of service	15 or more years of service and less than 30 years of service	30 or more years of service	Age	Less than 15 years of service	15 or more years of service and less than 30 years of service	30 or more years of service
50	0.0%	0.0%	70.0%	**61**	10.0%	20.0%	30.0%
51	0.0%	0.0%	70.0%	**62**	15.0%	20.0%	30.0%
52	0.0%	0.0%	70.0%	**63**	20.0%	20.0%	30.0%
53	0.0%	0.0%	70.0%	**64**	20.0%	20.0%	30.0%
54	0.0%	0.0%	70.0%	**65**	20.0%	20.0%	30.0%
55	10.0%	35.0%	50.0%	**66**	25.0%	30.0%	30.0%
56	10.0%	20.0%	45.0%	**67**	25.0%	35.0%	30.0%
57	10.0%	20.0%	40.0%	**68**	25.0%	35.0%	30.0%
58	5.0%	15.0%	35.0%	**69**	25.0%	35.0%	30.0%
59	5.0%	15.0%	30.0%	**70 & over**	100.0%	100.0%	100.0%
60	5.0%	15.0%	30.0%				

Rates of retirement for Tier 2 members are based on age according to the following Table - Tier 2. These rates are based on CalPERS retirement rates for its 2.0% at age 62 formula with adjustments based on professional judgment for differences between the CalPERS benefits and the benefits provided to Tier 2 members.

Actuarial Assumptions and Methods *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

TIER 2 RATES OF RETIREMENT BY AGE AND SERVICE									
	Age								
Years of Service	55	56	57	58	59	60 - 61	62	63 - 69	70 & over
5 - 10	3.00%	2.00%	2.50%	3.00%	3.50%	4.00%	7.50%	5.00%	100.00%
11 - 20	5.00%	3.50%	4.50%	5.50%	7.00%	8.50%	12.50%	10.00%	100.00%
21 - 25	7.00%	4.00%	5.00%	7.00%	9.00%	10.00%	17.50%	15.00%	100.00%
26 - 34	10.00%	7.00%	8.50%	11.00%	13.50%	14.50%	25.00%	25.00%	100.00%
35+	15.00%	10.50%	12.75%	16.50%	20.25%	21.75%	100.00%	100.00%	100.00%

6) Base Rates of Mortality

Base mortality rates are based on the sex-distinct employee and retiree mortality tables shown below.

BASE MORTALITY TABLES		
Category	Male	Female
Healthy Annuitant	0.995 times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees	0.960 times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees
Healthy Non-Annuitant	0.992 times the 2010 Public General Mortality Table (PubG-2010) for healthy employees	1.084 times the 2010 Public General Mortality Table (PubG-2010) for healthy employees
Disabled Annuitant	1.051 times the CalPERS 2009 Ordinary Disability Mortality Table	0.991 times the CalPERS 2009 Ordinary Disability Mortality Table

7) Disability Rates

Disability rates are equal to the 0.973 times the CalPERS 2017 non-industrial disability incidence rates for miscellaneous state agencies, blended 55% male and 45% female. 45% of disabilities are assumed to be duty related, and 55% are assumed to be non-duty related. Sample disability rates of active members are provided in the following table.

RATES OF DISABILITY AT SELECTED AGES								
Age	25	30	35	40	45	50	55	60+
Disability	0.0272	0.0303	0.0613	0.1366	0.2519	0.3240	0.2631	0.2191

8) Rates of Mortality Improvement

Future mortality improvements are reflected by applying the most recent projection scale issued by the Society of Actuaries on a generational basis from the base year of 2010 for the Pub2010 tables and 2009 for the CalPERS tables. The projection scale used for the June 30, 2022 valuations is MP-2021.

9) Percent of Futures Retirees Electing Coverage Versus In-Lieu Credits

Upon retirement, members are assumed to elect coverage or enter the In-Lieu credit program according to the following table.

FUTURE RETIREE PARTICIPATION		
	Coverage	In-Lieu
Active members	80%	20%
Terminated vested members	60%	40%

Actuarial Assumptions and Methods *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

10) Dependent Coverage Elections

Upon retirement, members who elect coverage are assumed to cover dependents according to the following table. 100% of members eligible for dental are assumed to elect spousal coverage.

ASSUMED FUTURE RETIREE TIER ELECTIONS				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree only	31%	55%	35%	64%
Retiree and children	4%	9%	0%	0%
Retiree and spouse	37%	24%	65%	36%
Retiree and family	28%	12%	0%	0%

11) In-Lieu Assumptions

Members who elect to receive the In-Lieu credits are assumed to remain in the In-Lieu credit program for five years, after which they are assumed to elect coverage and use their In-Lieu credits. The amount of the In-Lieu credit is 25% of the subsidy for the tier of coverage for which the retiree qualifies. Future retiree medical tier qualification assumptions are provided in the following table.

ASSUMED FUTURE RETIREE IN-LIEU CREDIT TIER				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree only	32%	32%	55%	55%
Retiree and children	0%	0%	0%	0%
Retiree and spouse	26%	26%	45%	45%
Retiree and family	42%	42%	0%	0%

12) Health Plan Election

Retirees who are not yet age 65 are assumed to be eligible for Medicare when they reach age 65 and are assumed to enroll in the Medicare-eligible plan corresponding to their current Pre-Medicare plan election. Future retirees are assumed to elect plans in the proportion shown in the following table.

ASSUMED PLAN ELECTIONS FOR FUTURE RETIREES[1]			
	% Electing		% Electing
Pre-Medicare Medical Plans		Medicare-Eligible Medical Plans	
Kaiser DHMO	10%	Kaiser Senior Advantage	60%
Kaiser $25 co-pay	67%	Anthem Medicare HMO	1%
Kaiser HDHP	8%	Anthem Medicare PPO	39%
Anthem DHMO	1%		
Anthem Select $20 co-pay	5%		
Anthem Traditional $20 co-pay	1%		
Anthem HDHP PPO	3%	Dental Plans (All Retirees)	
Anthem Select PPO	4%	Delta Dental PPO	98%
Anthem Classic PPO	1%	DeltaCare HMO	2%

[1] *Eligible for coverage and elect coverage*

Actuarial Assumptions and Methods *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

13) Married Percentage

PERCENTAGE MARRIED		
Gender	Males	Females
Percentage	80%	60%

14) Voluntary Employees' Beneficiary Association Balance Drawdown

Members are assumed to draw down their VEBA balances by the blended active and retiree member plus spouse premium, without factoring in the lowest cost premium, and increased by a factor of 1.5 to estimate the adjustment from a blended active and retiree premium to a retiree only premium.

15) Dependent Age

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

16) Administrative Expenses

$103 per member for FYE 2024, increasing at the wage inflation assumption of 3.00% per annum.

17) Changes Since Last Valuation

Plan elections assumptions and the administrative expense assumption were updated.

Claim and Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the November 17, 2022 Board meeting based upon the actuary's recommendations.

The claims costs are based on the fully insured premiums charged to the City for the active and retiree population in 2022 and 2023. 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 2022 calendar year. The same process was used for Medicare adults, except only Medicare-eligible retirees were included. 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, Police, and Fire Postemployment Healthcare Plans of the City of San José.

The Inflation Reduction Act of 2022 (the Act) contains provisions that may impact the cost of benefits provided to Medicare eligible retirees. The Act provides for changes that could reduce costs and changes that could increase costs. Implementing regulations and market responses are likely to affect the net impact. Based on information currently available, the actuary doesn't expect the Act to have a material impact on costs. However, the actuary may adjust their assumptions in the future as more information emerges.

1) Average Annual Claims and Expense Assumptions

The following claim and expense assumptions were developed as of July 1, 2022 based on the premiums for 2022 and 2023. 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.

Actuarial Assumptions and Methods *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

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

SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE						
	Kaiser		Anthem HMO		Anthem PPO	
Age	Male	Female	Male	Female	Male	Female
40	$ 10,414	$ 12,787	$ 11,585	$ 14,123	$ 17,665	$ 22,153
45	10,635	12,468	11,731	13,692	18,493	21,959
50	11,224	12,714	12,272	13,866	20,017	22,835
55	12,407	13,457	13,447	14,571	22,663	24,651
60	14,483	14,120	15,578	15,190	26,999	26,313
64	17,035	13,865	18,237	14,846	32,155	26,159

SAMPLE CLAIMS COSTS - MEDICARE ELIGIBLE						
	Kaiser Senior Adv		Anthem HMO		Anthem Select PPO	
Age	Male	Female	Male	Female	Male	Female
65	$ 2,749	$ 2,425	$ 5,050	$ 4,455	$ 5,064	$ 4,467
70	2,919	2,472	5,362	4,542	5,377	4,554
75	3,355	2,780	6,163	5,108	6,180	5,122
80	3,810	3,153	6,999	5,792	7,018	5,808
85	4,114	3,445	7,558	6,330	7,579	6,347

SAMPLE CLAIMS COSTS - DENTAL	
Dental Blended	
Age	Unisex
All	$ 622.79

2) Medicare Part D Subsidy

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

3) Medicare Part B

All Medicare eligible retirees are assumed to participate in Medicare Part B.

4) Medicare Eligibility

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

5) Annual Limits

Assumed to increase at the same rate as trend.

6) Lifetime Maximums

Are not assumed to have any financial impact.

7) Geography

Implicitly assumed to remain the same as current retirees.

8) Retiree Contributions

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

Actuarial Assumptions and Methods *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

9) Changes Since Last Valuation

All claims costs were updated to reflect the changes in plan premiums and the populations covered. Any implicit subsidy calculated for Medicare-eligible members is treated as an explicit subsidy reflecting additional anticipated increases in Medicare-eligible premiums attributable to the aging of the Medicare-eligible population.

Contribution Allocation Procedure

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

1) Actuarial Cost Method

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

2) Asset Valuation Method

The actuarial value of assets equals 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. The unfunded actuarial liability as of June 30, 2017 is amortized as a level dollar amount over a closed 20-year period. All subsequent amortization bases are amortized over 20-year periods with a 3-year phase-in and phase-out.

4) Contributions

The City will contribute the annual implicit subsidy as part of active employee health premiums and will prefund the explicit subsidy based on the normal cost, administrative expenses, and amortization payment described above less expected employee contributions. The City has the option to limit its contribution towards the explicit subsidy to no more than 14% of total payroll.

Active members that are eligible for full benefits will contribute 7.50% of pay.

5) Changes Since Last Valuation

None.

System Experiences

POSTEMPLOYMENT HEALTHCARE

SCHEDULE OF ACTIVE MEMBER DATA						
	Active Member Counts					
Valuation Date	Under Age 65	Age 65+	Total	Annual Payroll	Average Annual Pay	Percentage Change in Average Pay
6/30/2022 [2]	3,502	124	3,626	$360,935,782	$ 99,541	6.4%
6/30/2021 [2]	3,508	121	3,629	339,546,040	93,565	4.2%
6/30/2020 [2]	3,495	101	3,596	322,850,457	89,780	5.1%
6/30/2019 [2]	3,412	88	3,500	299,001,886	85,429	4.1%
6/30/2018 [2]	3,377	84	3,461	284,008,289	82,060	(2.6)%
6/30/2017 [2]	3,321	89	3,410	287,339,424	84,264	(0.9)%
6/30/2016 [1]	2,310	77	2,387	202,911,153	85,007	5.8%
6/30/2015 [1]	2,527	74	2,601	208,957,370	80,337	5.9%
6/30/2014 [1]	2,800	64	2,864	217,167,654	75,827	3.7%
6/30/2013	3,028	65	3,093	226,097,882	73,100	(0.4)%

[1] *Does not include Tier 2B active employees.*

[2] *Includes members that are only eligible for catastrophic disability benefits.*

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	Annual Subsidy	Annual Subsidy
Medical										
2021-2022	3,047	$ 23,464	112	109	3,050	$ 22,818	3	$ (646)	(2.8)%	$ 7,481
2020-2021	3,057	23,648	107	117	3,047	23,464	(10)	(184)	(0.8)%	7,701
2019-2020	2,909	21,588	254	106	3,057	23,648	148	2,060	9.5%	7,736
2018-2019	2,923	20,566	124	138	2,909	21,588	(14)	1,023	5.0%	7,421
2017-2018	2,920	23,621	139	136	2,923	20,566	3	(3,056)	(12.9)%	7,036
2016-2017	2,821	21,844	210	111	2,920	23,621	99	1,777	8.1%	8,090
2015-2016	2,769	21,341	183	131	2,821	21,844	52	503	2.4%	7,743
2014-2015	2,737	21,941	152	120	2,769	21,341	32	(599)	(2.7)%	7,707
2013-2014	2,718	22,657	151	132	2,737	21,941	19	(716)	(3.2)%	8,016
2012-2013	2,680	25,223	158	120	2,718	22,657	38	(2,566)	(10.2)%	8,336
Dental										
2021-2022	3,465	$ 3,558	103	111	3,457	$ 2,936	(8)	$ (622)	(17.5)%	$ 849
2020-2021	3,454	3,561	120	109	3,465	3,558	11	(3)	(0.1)%	1,027
2019-2020	3,405	3,502	158	109	3,454	3,561	49	58	1.7%	1,031
2018-2019	3,375	3,478	123	93	3,405	3,502	30	25	0.7%	1,029
2017-2018	3,322	3,414	152	99	3,375	3,478	53	63	1.9%	1,030
2016-2017	3,264	3,224	170	112	3,322	3,414	58	190	5.9%	1,028
2015-2016	3,206	3,212	159	101	3,264	3,224	58	12	0.4%	988
2014-2015	3,133	3,130	160	87	3,206	3,212	73	82	2.6%	1,002
2013-2014	3,103	3,742	138	108	3,133	3,130	30	(612)	(16.4)%	999
2012-2013	3,044	3,924	144	85	3,103	3,742	59	(182)	(4.6)%	1,206

Annual subsidies are explicit amounts in thousands

System Experiences *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

MEMBER BENEFIT COVERAGE INFORMATION					
	Actuarial Liability				
Actuarial Valuation Date	Retirees, Beneficiaries and Other Inactives	Active Members	Reported Assets	Portion of Liability Covered by Reported Assets	
	(A)	(B)		(A)	(B)
6/30/2022	$ 447,880	$ 202,790	$ 349,124	78%	0%
6/30/2021	452,454	210,406	384,613	85%	0%
6/30/2020	443,476	206,943	303,313	68%	0%
6/30/2019	422,108	209,644	294,489	70%	0%
6/30/2018	426,984	223,130	277,256	65%	0%
6/30/2017	408,627	221,825	248,583	61%	0%
6/30/2016	450,793	313,468	225,845	50%	0%
6/30/2015	469,903	347,770	209,761	45%	0%
6/30/2014	435,826	293,580	199,776	46%	0%
6/30/2013	495,967	374,905	157,695	32%	0%

ANALYSIS OF FINANCIAL EXPERIENCE					
Gain (or Loss) for Year Ending on Valuation Date Due to:					
Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Non-Recurring Items	Total Experience
6/30/2022	$ (62,035)	$ 36,504	$ (25,531)	$ (9,273)	$ (34,804)
6/30/2021	57,618	25,838	83,456	(22,368)	61,088
6/30/2020	(17,738)	69,483	51,745	(34,497)	17,248
6/30/2019	(10,654)	(34,979)	(45,633)	14,784	(30,849)
6/30/2018	(5,915)	26,064	20,149	(11,137)	9,012
6/30/2017	117	5,259	5,376	123,632	129,008
6/30/2016	(16,044)	(11,608)	(27,652)	99,545	71,893
6/30/2015	(19,264)	6,948	(12,316)	(64,155)	(76,471)
6/30/2014	19,767	31,177	50,944	148,417	199,361
6/30/2013	6,847	5,834	12,681	114,786	127,467

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the System is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio.

SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AL) (b)	Unfunded AL (UAL) (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (d)	UAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2022	$ 349,124	$ 650,670	$ 301,546	53.7%	$ 360,936	83.5%
6/30/2021	384,613	662,860	278,247	58.0%	339,546	81.9%
6/30/2020	303,313	650,419	347,106	46.6%	322,850	107.5%
6/30/2019	294,489	631,752	337,263	46.6%	299,002	112.8%
6/30/2018	277,256	650,114	372,858	42.6%	298,985	124.7%
6/30/2017	248,583	630,452	381,869	39.4%	287,339	132.9%
6/30/2016	225,845	764,261	538,416	29.6%	266,823	201.8%
6/30/2015	209,761	817,673	607,912	25.7%	251,430	242.8%
6/30/2014	199,776	729,406	529,630	27.4%	234,677	225.7%
6/30/2013	157,695	870,872	713,177	18.1%	226,098	315.4%

Dollar amounts in thousands for all tables on this page

Summary of Key Substantive Plan Provisions

POSTEMPLOYMENT HEALTHCARE

Eligibility

Employees hired before September 2013 that did not elect to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

Medical

Employees who retire (include deferred vested members) with at least 15 years of service with the City ("OPEB benefit service"), or with a monthly pension equal to at least 37.5% of Final Compensation, are eligible to elect medical coverage upon retirement.

Tier 1 employees (hired before September 30, 2012) are eligible for retirement at age 55 with five years of service or at any age with 30 years of service. Tier 2 employees (hired on or after September 30, 2012) are eligible unreduced service retirement at age 65 with five years of service or reduced service retirement at age 55 with five years of service. Service credited 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 retire with less than 15 years of service can elect coverage, but receive no explicit subsidy.

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

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

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

1) The employee 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.

Dental

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

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

1) The employee has five years of service at time of death or is entitled to a monthly pension of at least 37.5% of Final Compensation; and,
2) Both the member and the survivors were enrolled in the active dental plan immediately before death; and,
3) The survivor will receive a monthly pension benefit.

Benefits for Retirees

Medical: The System 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.

Summary of Key Substantive Plan Provisions *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

Dental: The System pays 100% of the dental insurance premiums.

In-Lieu: Upon retirement, members may elect to receive credits equal to 25% of the premium subsidy the System would have paid in-lieu of the actual subsidy. These credits may be used at a future date to supplement the Plan's premium subsidy for the coverage elected.

Premiums: Monthly premiums for calendar years 2022 and 2023 are as follows.

2022 MONTHLY PREMIUMS				
Medical	**Single**	**Employee / Spouse**	**Employee / Child**	**Family**
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 607.66	$ 1,215.32	$ 1,063.40	$ 1,822.98
Kaiser $25 Co-pay	742.12	1,484.24	1,298.70	2,226.36
Kaiser HDHP	511.98	1,023.96	895.96	1,535.94
Anthem HMO Select $20 Co-pay	661.56	1,455.40	1,190.80	2,050.78
Anthem HMO Traditional $20 Co-pay	760.52	1,673.12	1,368.94	2,357.58
Anthem DHMO	510.02	1,234.30	1,122.10	1,581.14
Anthem HDHP	1,163.58	2,559.88	2,094.44	3,607.12
Anthem Select PPO	1,888.78	4,155.36	3,399.82	5,855.30
Anthem Classic PPO	2,020.10	4,444.26	3,636.18	6,262.34
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 260.92	$ 521.84	$ 521.84	$ 782.76
Anthem Medicare PPO	465.06	930.12	930.12	1,395.18
Anthem Medicare HMO	423.76	847.52	847.52	1,271.28
Dental				
Delta Dental PPO	$ 42.24	$ 92.90	$ 101.36	$ 130.90
DeltaCare HMO	24.44	48.86	42.74	73.30

Anthem HMO Medicare family rates assume the children are on the Non-Medicare $20 Co-pay Anthem HMO.

2023 MONTHLY PREMIUMS				
Medical	**Single**	**Employee / Spouse**	**Employee / Child**	**Family**
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 643.72	$ 1,287.42	$ 1,126.50	$ 1,931.14
Kaiser $25 Co-pay	786.16	1,572.30	1,375.76	2,358.46
Kaiser HDHP	542.36	1,084.72	949.12	1,627.08
Anthem HMO Select $20 Co-pay	761.32	1,674.88	1,370.38	2,360.04
Anthem HMO Traditional $20 Co-pay	875.20	1,925.42	1,575.38	2,713.10
Anthem DHMO	586.94	1,291.32	1,056.50	1,819.58
Anthem HDHP	1,339.04	2,945.90	2,410.28	4,151.08
Anthem Select PPO	2,173.60	4,781.98	3,912.52	6,738.28
Anthem Classic PPO	2,324.74	5,114.46	4,184.52	7,206.70
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 232.29	$ 464.58	$ 464.58	$ 696.87
Anthem Medicare PPO	487.81	975.62	975.62	1,463.43
Anthem Medicare HMO	444.53	889.06	889.06	1,333.59
Dental				
Delta Dental PPO	$ 50.88	$ 92.89	$ 122.12	$ 157.72
DeltaCare HMO	24.44	48.68	42.74	73.30

Anthem HMO Medicare family rates assume the children are on the Non-Medicare $20 Co-pay Anthem HMO.

Summary of Key Substantive Plan Provisions *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

SUMMARY OF 2023 BENEFIT PLANS								
Non-Medicare Plans	**Kaiser High Deductible**	**Kaiser DHMO**	**Kaiser $25 Co-pay**	**Anthem $20 Co-pay HMO**	**Anthem DHMO**	**Anthem Select PPO (In-Network)**	**Anthem Classic PPO (In-Network)**	**Anthem High Deductible (In Network)**
Annual Out-of-Pocket Maximum (Single/Family)	$5,950 / $11,900	$4,000 / $8,000	$1,500 / $3,000	$1,500 / $3,000	$4,000/ $8,000	$2,100 / $4,200	$2,100 / $4,200	$4,000 / $8,000
Annual Deductible (Single/Family)	$3,000 / $6,000	$1,500 / $3,000	None	None	$1,500 / $3,000	$100 / $200	$100 / $200	$2,500 / $5,000
Office Visit Co-pay	30%[1]	$40	$25	$20	$20	$25	$25	20%[1]
Emergency Room Co-pay	30%[1]	30%[1]	$100	$100	30%[1]	$100	$100	20%[1]
Hospital Care Co-pay	30%[1]	30%[1]	$100	$100	30%[1]	10%[1]	10%[1]	20%[1]
Prescription Drug Retail Co-pay (30-day supply)								
Generic Brand	$10	$10	$10	$10	$10	$10	$10	$10
Non-Preferred	$30	$30	$25	$30	$30	$25	$25	$30
Specialty	N/A	N/A	N/A	$60	$60	$40	$40	$60

[1] *After deductible is paid.*

Medicare-Eligible Plans	**Kaiser**	**Anthem HMO**	**Anthem PPO**
Annual Out-of-Pocket Maximum	$1,000 per year for any one member	$1,000 per member	$0
Annual Deductible	None	None	None
Office Visit Co-pay	$25	$25	$0
Emergency Room Co-pay	$50	$100	$0
Hospital Care Co-pay	$250	$100	$0
Prescription Drug Retail Co-pay (30-day supply)			
Generic Brand	$10	$10	$10
Non-Formulary	$10	$25	$25
Specialty Drug	N/A	$40	$40

Cost Sharing Provisions

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

VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)

Eligibility: Employees who elected to opt-in to the VEBA.

Employee Group	VEBA Contribution Rate
Tier 1 and Tier 2A (Hired before September 2013)	
Management	2.5%
Non-Management	3.5%
Tier 2B	
Not Unit 99	2.0%
Unit 99	N/A

Contributions: Employees are required to make mandatory contributions into the VEBA on a pre-tax basis.

Medical: VEBA funds can be used to reimburse members for eligible healthcare expenses. VEBA members on service-connected disability receive single coverage benefits from the Postemployment Healthcare Plan up to age 65 once VEBA funds are exhausted.

Statistical Section

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Pension Trust and Postemployment Healthcare Trust
Funds of the City of San José, California
City of San José
Federated City Employees' Retirement System
Annual Comprehensive Financial Report for the Fiscal Years Ended
June 30, 2023 and June 30, 2022

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.

CHANGES IN PLAN NET POSITION FOR FISCAL YEARS 2014-2023 *(In Thousands)*

DEFINED BENEFIT PENSION PLAN (Schedule 1a)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Additions										
Employee contributions	$ 30,561	$ 27,464	$ 25,724	$ 25,082	$ 22,606	$ 20,501	$ 17,227	$ 15,920	$ 13,621	$ 13,596
Employer contributions	199,440	207,598	183,964	181,327	173,006	156,770	138,483	129,456	114,751	107,544
Investment income / (loss) [1]	222,101	(169,129)	698,608	90,909	76,855	117,493	146,010	(35,010)	(16,642)	263,688
Total additions to plan net position	**452,102**	**65,933**	**908,296**	**297,318**	**272,467**	**294,764**	**301,720**	**110,366**	**111,730**	**384,828**
Deductions										
Benefit payments	228,530	219,497	210,351	201,474	190,228	179,366	169,756	160,499	152,119	143,921
Death benefits	17,213	16,373	15,641	14,389	13,719	12,970	12,411	11,530	10,724	9,845
Refunds	1,613	1,403	1,214	865	1,119	1,064	1,263	1,289	1,719	2,170
Administrative expenses and other	5,458	4,978	4,762	4,725	4,582	4,823	4,380	3,940	3,898	3,201
Total deductions from plan net position	**252,814**	**242,251**	**231,968**	**221,453**	**209,648**	**198,223**	**187,810**	**177,258**	**168,460**	**159,137**
Changes in plan net position	**$ 199,288**	**$ (176,318)**	**$ 676,328**	**$ 75,865**	**$ 62,819**	**$ 96,541**	**$ 113,910**	**$ (66,892)**	**$ (56,730)**	**$ 225,691**

[1] *Net of expenses*

POSTEMPLOYMENT HEALTHCARE PLAN BENEFITS (Schedule 1b)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Additions										
Employee contributions	$ 9,841	$ 9,865	$ 10,275	$ 10,692	$ 10,578	$ 15,545	$ 16,827	$ 17,881	$ 18,645	$ 17,494
Employer contributions	22,997	24,787	26,236	26,533	26,410	32,397	31,905	30,465	26,959	19,298
Investment income/(loss) [1]	24,268	(38,286)	77,360	3,075	9,472	12,336	17,041	(2,447)	(5,922)	28,737
Total additions to plan net position	**57,106**	**(3,634)**	**113,871**	**40,300**	**46,460**	**60,278**	**65,773**	**45,899**	**39,682**	**65,529**
Deductions										
Healthcare insurance premiums	30,869	31,088	31,871	30,779	28,826	29,724	31,007	29,577	29,443	27,924
Administrative expenses and other	750	765	697	686	384	170	242	237	254	257
VEBA transfer	-	-	5	13	19	13,497	-	-	-	-
Total deductions from plan net position	**31,619**	**31,853**	**32,573**	**31,478**	**29,229**	**43,391**	**31,249**	**29,814**	**29,697**	**28,181**
Changes in plan net position	**$ 25,487**	**$ (35,487)**	**$ 81,298**	**$ 8,822**	**$ 17,231**	**$ 16,887**	**$ 34,524**	**$ 16,085**	**$ 9,985**	**$ 37,348**

[1] *Net of expenses*

Source: Pension Administration System

BENEFIT AND REFUND DEDUCTIONS FROM PLAN NET POSITION BY TYPE

DEFINED BENEFIT PENSION PLAN (Schedule 2a)

Type of Benefit	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Age and Service Benefits										
Retirees - services	$ 190,203	$ 183,436	$ 177,009	$ 169,659	$ 160,545	$ 151,977	$ 144,863	$137,392	$130,512	$124,399
Retirees - deferred vested	28,147	26,117	24,158	22,632	20,573	18,445	16,486	14,961	13,507	12,017
Survivors - services	10,953	10,185	9,809	9,182	8,310	7,723	7,281	6,697	6,079	5,376
Survivors - deferred vested	554	532	451	345	275	276	284	287	279	272
Deaths in service benefits	3,591	3,493	3,430	3,212	3,244	3,010	2,878	2,776	2,702	2,610
Disability Benefits										
Retirees - duty	4,783	4,585	4,747	4,935	4,355	4,235	4,241	4,017	3,980	3,624
Retirees - non-duty	2,383	2,342	2,339	2,411	2,407	2,418	2,246	2,258	2,336	2,278
Survivors - duty	703	709	667	441	541	537	508	456	444	448
Survivors - non-duty	1,302	1,311	1,246	1,209	1,228	1,197	1,168	1,132	1,072	945
Ex-spouse benefits	3,124	3,160	2,136	1,837	2,469	2,518	2,212	2,053	1,932	1,797
Total benefits	**$ 245,743**	**$ 235,870**	**$ 225,992**	**$ 215,863**	**$ 203,947**	**$ 192,336**	**$ 182,167**	**$172,029**	**$162,843**	**$153,766**

Type of Refund										
Separation	1,613	1,403	1,214	865	1,119	1,064	1,263	1,289	1,719	2,170
Total refunds	**$ 1,613**	**$ 1,403**	**$ 1,214**	**$ 865**	**$ 1,119**	**$ 1,064**	**$ 1,263**	**$ 1,289**	**$ 1,719**	**$ 2,170**

Statistical Review (continued)

BENEFIT AND REFUND DEDUCTIONS FROM PLAN NET POSITION BY TYPE

POSTEMPLOYMENT HEALTHCARE PLAN BENEFITS (Schedule 2b)

Type of Benefit	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Age and service benefits										
Retirees - service										
Medical	$17,871	$ 18,288	$ 18,695	$ 18,168	$ 17,152	$ 18,089	$ 18,668	$ 17,734	$ 18,061	$ 16,002
Dental	2,874	2,656	3,139	3,126	3,083	3,040	2,923	2,799	2,521	2,850
Retirees - deferred vested										
Medical	1,860	1,764	1,721	1,703	1,543	1,635	1,641	1,477	1,455	1,243
Dental	4	6	8	10	13	10	10	10	12	18
Survivors - service										
Medical	1,102	1,079	1,106	1,047	966	955	949	890	921	737
Dental	182	163	190	186	181	176	174	167	148	227
Survivors - deferred vested										
Medical	46	41	34	23	19	20	26	33	31	28
Dental	2	2	2	1	1	1	1	2	2	3
Deaths in service benefits										
Medical	228	246	252	237	237	262	274	272	302	281
Dental	39	38	46	45	47	48	46	45	38	59
Disability benefits										
Retirees - duty										
Medical	748	778	787	848	838	949	957	938	981	920
Dental	92	89	106	114	116	121	116	115	109	130
Retirees - non-duty										
Medical	188	198	206	219	215	252	268	281	340	321
Dental	44	40	49	54	56	56	55	59	58	77
Survivors - duty										
Medical	64	75	80	75	82	93	105	100	111	97
Dental	12	11	13	14	15	16	17	16	15	22
Survivors - non-duty										
Medical	119	124	124	137	150	153	172	179	177	142
Dental	20	19	22	24	25	25	26	26	23	32
Ex-spouse benefits										
Medical	3	3	3	4	4	4	3	3	3	3
Dental	1	1	1	1	1	1	1	1	1	1
Implicit subsidy medical										
Tier 1	5,370	5,468	5,287	4,743	4,082	3,818	4,577	4,430	3,811	4,165
Tier 2	-	-	-	-	-	-	-	-	323	415
Tier 3	-	-	-	-	-	-	-	-	-	151
Total benefits	**$30,869**	**$ 31,088**	**$ 31,871**	**$ 30,779**	**$ 28,826**	**$ 29,724**	**$ 31,009**	**$ 29,577**	**$ 29,443**	**$ 27,924**

EMPLOYER AND EMPLOYEE CONTRIBUTIONS RATES FOR FISCAL YEARS 2014-2023 (Schedule 3)

	Employer Rate				Employee Rate		
	Tier 1	Tier 1	Tier 2 / 2B	All Tiers	Tier 1	Tier 2 / 2B	All Tiers
	Pension %	Minimum Dollar Amount	Pension %	OPEB $	Pension %	Pension %	OPEB %
2023	20.32 %	$162,602,000	8.13 %	$ 18,318,000	7.41 %	8.13 %	7.50 %
2022	20.25 %	$160,694,000	8.17 %	$ 19,340,302	7.39 %	8.17 %	7.50 %
2021	19.82 %	$148,460,000	7.92 %	$ 20,948,983	7.22 %	7.92 %	7.50 %
2020	19.34 %	$137,409,000 [1]	8.33 %	$ 21,790,130	7.06 %	8.33 %	7.50 %
2019	99.16 %	N/A	8.28 %	$ 20,856,125	6.81 %	8.28 %	7.50 %

The City healthcare contributions are set as a flat dollar amount that is entirely UAL and covers all Tier 1 and Tier 2 members with healthcare.

[1] *The minimum dollar amount for Tier 1 for the fiscal year ending 2020 was incorrectly shown as $90,779,270. The amount has been updated to correctly show as $137,409,000.*

	Fed Tier 1		Fed Tier 2		Fed Tier 2B	
	Employee Rate	Employer Rate	Employee Rate	Employer Rate	Employee Rate	Employer Rate
	%	%	%	%	%	%
2018	15.36	103.45	16.48	17.13	7.72	7.72
2017	15.23	87.47	14.80	15.45	6.04	18.70
2016	15.09	75.57	14.46	15.11	5.70	18.36
2015	14.40	69.66	14.29	14.94	5.53	18.19
2014	13.98	59.51	14.69	15.34	6.68	17.27

Retired Members by Type of Benefit

PENSION BENEFITS

As of June 30, 2023

		Type of Retirement [1]							Option Selected [2]			
Monthly Benefit Amount	Number of Retirees & Beneficiaries	1	2	3	4	5	6	7	A	B	C	Total
$1 - 500	84	10	0	0	2	7	42	23	26	15	43	84
$501 - 1,000	221	50	0	0	0	33	119	19	89	40	92	221
$1,001 - 1,500	322	90	4	2	4	53	141	28	149	46	127	322
$1,501 - $2,000	328	112	4	7	11	60	113	21	129	56	143	328
$2,001 - $2,500	319	115	9	15	8	82	77	13	141	44	134	319
$2,501 - $3,000	349	172	8	16	8	56	73	16	149	52	148	349
$3,001 - $4,000	348	206	9	20	7	43	54	9	134	52	162	348
$3,501 - $4,000	332	210	3	18	10	44	41	6	134	49	149	332
$4,001 - $4,500	304	210	2	14	8	26	40	4	130	48	126	304
$4,501 - $5,000	311	255	6	8	1	11	27	3	138	38	135	311
$5,001 - $5,500	292	239	3	5	3	10	32	0	122	54	116	292
$5,501 - $6,000	282	230	3	3	1	10	33	2	134	36	112	282
$6,001 - $6,500	241	213	5	2	2	5	13	1	122	34	85	241
$6,501 - $7,000	192	170	1	1	0	3	17	0	88	32	72	192
Over $7,000	808	744	3	2	1	12	46	0	424	95	289	808
Total	**4,733**	**3,026**	**60**	**113**	**66**	**455**	**868**	**145**	**2,109**	**691**	**1,933**	**4,733**

[1] **Retirement Codes**

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

[2] **Option Descriptions**

A. Unmodified - 50% Continuance
B. Option 1: 100% Continuance / reduced pension
C. No Survivor - No Continuance

POSTEMPLOYMENT HEALTHCARE BENEFITS

As of June 30, 2023

	Type of Subsidy	
Monthly Benefit Amount	Health	Dental
Ineligible / **Deferred**	1,424	1,262
$1 - 60	0	1,681
$61 - 250	844	1,790
$251 - 500	1,165	0
$501 - 750	353	0
$751 - 1000	396	0
Over $1,000	551	0
Total	**4,733**	**4,733**

Source: Pension Administration System

Average Benefit Payment Amounts

PENSION BENEFITS

As of June 30, 2023

	Years of Service Credit						
Time Periods	0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+
As of June 30, 2023							
Average monthly benefit [1]	$ 1,140	$ 1,864	$ 3,074	$ 4,252	$ 5,777	$ 7,147	$ 7,979
Average final average salary	$ 7,813	$ 6,567	$ 6,464	$ 6,659	$ 7,291	$ 6,918	$ 7,259
Number of retired members [2]	208	553	590	763	736	1,065	158
As of June 30, 2022							
Average monthly benefit [1]	$ 1,125	$ 1,832	$ 2,991	$ 4,115	$ 5,630	$ 6,861	$ 7,719
Average final average salary	$ 7,567	$ 6,404	$ 6,346	$ 6,546	$ 7,131	$ 6,871	$ 7,167
Number of retired members [2]	201	524	586	758	722	1,067	153
As of June 30, 2021							
Average monthly benefit [1]	$ 1,096	$ 1,784	$ 2,905	$ 3,991	$ 5,476	$ 6,705	$ 7,455
Average final average salary	$ 7,444	$ 6,248	$ 6,265	$ 6,409	$ 6,969	$ 6,784	$ 6,984
Number of retired members [2]	200	513	587	757	698	1,061	151
As of June 30, 2020							
Average monthly benefit [1]	$ 1,071	$ 1,748	$ 2,822	$ 3,869	$ 5,309	$ 6,507	$ 7,231
Average final average salary	$ 7,171	$ 6,149	$ 6,182	$ 6,296	$ 6,785	$ 6,680	$ 6,604
Number of retired members [2]	190	495	586	759	684	1,053	140
As of June 30, 2019							
Average monthly benefit [1]	$ 1,042	$ 1,679	$ 2,752	$ 3,743	$ 5,175	$ 6,327	$ 7,023
Average final average salary	$ 6,726	$ 5,947	$ 6,057	$ 6,178	$ 6,652	$ 6,574	$ 6,527
Number of retired members [2]	183	495	568	759	665	1,021	139
As of June 30, 2018							
Average monthly benefit [1]	$ 1,020	$ 1,642	$ 2,685	$ 3,603	$ 5,035	$ 6,202	$ 6,889
Average final average salary	$ 6,320	$ 5,872	$ 5,957	$ 6,000	$ 6,524	$ 6,461	$ 6,475
Number of retired members [2]	173	485	550	738	653	968	138
As of June 30, 2017							
Average monthly benefit [1]	$ 1,024	$ 1,588	$ 2,605	$ 3,488	$ 4,870	$ 6,039	$ 6,730
Average final average salary	$ 6,171	$ 5,737	$ 5,817	$ 5,780	$ 6,370	$ 6,334	$ 6,403
Number of retired members [2]	160	473	545	702	642	945	138
As of June 30, 2016							
Average monthly benefit [1]	$ 1,031	$ 1,544	$ 2,534	$ 3,393	$ 4,725	$ 5,966	$ 6,630
Average final average salary	$ 6,009	$ 5,602	$ 5,714	$ 5,617	$ 6,313	$ 6,243	$ 6,329
Number of retired members [2]	154	459	525	667	637	914	136
As of June 30, 2015							
Average monthly benefit [1]	$ 1,005	$ 1,506	$ 2,459	$ 3,291	$ 4,591	$ 5,801	$ 6,464
Average final average salary	$ 5,609	$ 5,492	$ 5,583	$ 5,497	$ 6,253	$ 6,134	$ 6,378
Number of retired members [2]	153	443	503	664	631	878	136
As of June 30, 2014							
Average monthly benefit [1]	$ 965	$ 1,444	$ 2,379	$ 3,202	$ 4,459	$ 5,649	$ 6,284
Average final average salary	$ 5,464	$ 5,313	$ 5,438	$ 5,394	$ 6,171	$ 6,011	$ 6,346
Number of retired members [2]	146	435	499	639	615	844	136

[1] *Includes cost-of-living increases*
[2] *Does not include survivors and ex-spouses*

Source: Pension Administration System

Average Benefit Payment Amounts

POSTEMPLOYMENT HEALTHCARE BENEFITS

As of June 30, 2023

	Years of Service Credit						
Time Periods	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
As of June 30, 2023							
Average health subsidy	$ 709	$ 615	$ 575	$ 570	$ 611	$ 680	$ 599
Number of health participants [1]	16	23	267	731	716	1,039	155
Average dental subsidy	$ 79	$ 84	$ 86	$ 85	$ 91	$ 92	$ 87
Number of dental participants [1]	51	212	365	610	637	1,018	157
As of June 30, 2022							
Average health subsidy	$ 669	$ 555	$ 579	$ 582	$ 613	$ 684	$ 600
Number of health participants [1]	17	23	268	728	702	1,039	150
Average dental subsidy	$ 70	$ 70	$ 72	$ 71	$ 76	$ 77	$ 72
Number of dental participants [1]	52	220	371	615	629	1,021	152
As of June 30, 2021							
Average health subsidy	$ 674	$ 565	$ 592	$ 597	$ 632	$ 712	$ 614
Number of health participants [1]	18	24	270	729	680	1,035	149
Average dental subsidy	$ 84	$ 85	$ 88	$ 87	$ 92	$ 93	$ 86
Number of dental participants [1]	54	225	378	624	611	1,018	151
As of June 30, 2020							
Average health subsidy	$ 703	$ 562	$ 614	$ 613	$ 638	$ 710	$ 604
Number of health participants [1]	18	25	275	729	666	1,027	138
Average dental subsidy	$ 84	$ 85	$ 88	$ 87	$ 92	$ 95	$ 84
Number of dental participants [1]	55	232	393	626	602	1,010	140
As of June 30, 2019							
Average health subsidy	$ 672	$ 567	$ 586	$ 585	$ 614	$ 680	$ 556
Number of health participants [1]	19	20	270	691	623	974	133
Average dental subsidy	$ 85	$ 85	$ 88	$ 88	$ 91	$ 94	$ 84
Number of dental participants [1]	56	238	389	629	583	972	139
As of June 30, 2018							
Average health subsidy	$ 642	$ 472	$ 570	$ 563	$ 597	$ 654	$ 550
Number of health participants [1]	18	25	266	686	618	936	133
Average dental subsidy	$ 85	$ 84	$ 89	$ 89	$ 92	$ 94	$ 84
Number of dental participants [1]	59	244	392	623	582	933	138
As of June 30, 2017							
Average health subsidy	$ 785	$ 569	$ 666	$ 667	$ 726	$ 776	$ 633
Number of health participants [1]	18	24	260	634	595	906	131
Average dental subsidy	$ 83	$ 84	$ 88	$ 89	$ 92	$ 94	$ 86
Number of dental participants [1]	59	250	394	593	574	908	138
As of June 30, 2016							
Average health subsidy	$ 605	$ 354	$ 589	$ 629	$ 707	$ 741	$ 593
Number of health participants [1]	24	44	260	595	594	874	130
Average dental subsidy	$ 79	$ 80	$ 84	$ 86	$ 89	$ 90	$ 83
Number of dental participants [1]	64	250	390	572	576	877	137
As of June 30, 2015							
Average health subsidy	$ 587	$ 337	$ 586	$ 635	$ 719	$ 725	$ 616
Number of health participants [1]	26	50	241	594	584	839	133
Average dental subsidy	$ 82	$ 84	$ 87	$ 86	$ 91	$ 90	$ 84
Number of dental participants [1]	66	249	375	569	571	845	137

Source: Pension Administration System

Average Benefit Payment Amounts *(continued)*

POSTEMPLOYMENT HEALTHCARE BENEFITS

As of June 30, 2023

	Years of Service Credit						
Time Periods	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
As of June 30, 2014							
Average health subsidy	$ 614	$ 338	$ 592	$ 666	$ 755	$ 760	$ 635
Number of health participants [1]	24	55	247	587	580	807	130
Average dental subsidy	$ 85	$ 84	$ 86	$ 86	$ 91	$ 90	$ 83
Number of dental participants [1]	63	244	372	548	565	811	135

[1] *Does not include survivors and ex-spouses*

Source: Pension Administration System

Retirements During Fiscal Year 2022-2023

SERVICE RETIREMENTS		
AGUIRRE, SAMMY R.	ETESSAM, LILI	NIELSEN, CHRISTIAN B.
ALEXANDER, LINDA	EVANS, KAREN Y.	PARTIDO, RAYMUNDO R.
AMJADI, DAVID H.	FARLEY, VIRGINIA K.	PENTACOFF, LILIA
ARANT, JAMES D.	FERNANDEZ, NANCY R.	PHAM, BACH PHUONG T.
BARON, MARTIN S.	FLORES, JOSE	PREST, ELLIOTT C.
BELNAP, KERSTIN M.	FRENCH, DWIGHT	RHODES, DANIEL
BELTRAMO, MICHAEL M.	FUENTEZ, LUPE	RICHARDSON, KOREY
BERNABE, SANDRA	GIANNUZZI, MARK E.	ROMERO, DAVID A.
BORDEN, THOMAS M.	GILL, PAM	RYAN, GARY M.
BOWLING, CAROLYN S.	GOMEZ, BECKI L.	SAHA, SUPARNA
BRIGNANI, ERIC L.	GRIEGO, JAMES	SCHMANEK, GLORIA
BUI, JOHNNY	HALL, REBECCA	SILVEIRA, ED
BULGER, MARGIE I.	HAMILTON, FELICIA	SIMPSON, PAULA R.
BURLEIGH, RAY T.	HANDLER, ELISABETH H.	SPINKS, KEVIN E.
BURROW, VADA V.	HARO, AL	ST GREGORY, JULIE
CALUBAQUIB, JEROME B.	HEINRICH, MARYANN	STAGI, JAMES M.
CARRASCO, CHERYL	HERNANDEZ, JAIME	STANKOV, MELINA
CHARFAUROS, LINDA K.	HERZOG, PETER W.	TRINH, HAHUY V.
CHEN, SHU-FEN	HORNING, PEGGY	TROTTER, JAMES F.
CHIANG, CHEN-TUNG	JOHNSON, KENNETH W.	TSUKAMOTO, KATHY
CHUN, EVA S.	JUNG, JIM D.	VALERIO, LISANDRA
CIPRIAN, JORDAN	KIM, JUNG W.	VAN GASTEL, KARL
CLARK, TAMMY L.	LANG, LONNIE H.	VAN HORN, ELISE
CLOUTIER, SCOTT D.	LEI, AMANDA	WELLS, LAURA R.
COOPER, JULIA H.	MAEZ, EDWARD	WILEY, LARRY B.
CORDERO, EVELYN C.	MARTIN, LESLIE K.	WILLSON, GINA M.
COTILLON, JIMMY P.	MARTINEZ, DOROTHY K.	WONOSAPUTRA, STEVAN
DALY, KIMBERLY A.	MC GURK, MICHELLE	XU, WEI
DAY, VICKI	MEDINA, JESUS M., II	YARWASKY, LISA L.
DING, WEIPING	MELANY, TIM S.	ZARATE, MARIANA P.
DORE, WAYNE A.	MONIZ, LORI A.	ZOGLIN, KATHRYN
DUNBRACK, DEBRA L.	MONSEES, MELISSA	
ENDSLEY, JOHN T.	MORI, MICHAEL	

Retirements During Fiscal Year 2022-2023 *(continued)*

DEFERRED VESTED RETIREMENTS		
ALCOSIBA, CANDY	GRANADOS, ELVA	PANAHINIA, MAHTAB
ANUB, ADRIAN A.	GREGOIRE, KENNETH W.	PEREZ, JESS C.
BLAIR, CHRISTOPHER C.	HARRISON, JENNAY M.	PINEDA, MARIA N.
BRIGGS, EMILY R.	HEBERT, ROGER	RODRIGUEZ, MARIA E.
CALLEJA, ERIC L.	HODGES, MICHAEL A.	ROSSMANN, WALTER C.
CANNON, PATRICIA A.	HORNIK-TRAN, TONY	SALAC, PAUL C.
CHIN, CYNTHIA T.	INGERSOLL, JENNIFER D.	SANCHEZ, LYDIA M.
CONTRERAS, MARGARITO M.	JOSEPH, JUDITH L.	SCHAEFER, KATHRYN L.
DETTLE, MARK R.	KONG, JACQUELINE C.	SCHRODER, MARTHA R.
DRAYSON, KATHLEEN S.	LAFFERTY, MARGARET A.	SULLIVAN, KATY
DUBOIS, DOUGLAS K.	LARSEN, ERIK	TAN, STEVEN R.
EDWARDS, LISA M.	LIMON, ARMANDO	THORSTENSEN, NANI C.
ESCOBAR, CINDY M.	MARIANETTI, ELIM Z.	TURNER, KIMBERLY
ESCOBAR, ELIA M.	MARTINEZ, TRISH A.	VALENTINE, SYLVIA
EYERLY, MARIE RENE	MATEO-MIH, DEANNA J.	WONG, HILDA R.
GARCIA, ALEX	MC MULLEN, JENELE R.	ZENK, DANIEL J.

SERVICE CONNECTED DISABILITY RETIREMENTS		
	NONE	

NON-SERVICE CONNECTED DISABILITY RETIREMENTS		
	NONE	

EARLY RETIREMENTS		
	XU, YAN	

Deaths During Fiscal Year 2022-2023

DEATHS AFTER RETIREMENT		
ADAMS, MARIE	JEWETT, DONNA E.	PERRY, PAMELA M.
ADDUCI, JAMES A.	KLEIN, DON A.	PETERSON, BETTY L.
ALTAMIRANO, JOSEPH	KLEIN, LOU ANNA	ROBERTS, TIMOTHY W.
ASCH, CECILE	LAGATTUTA, ENZI J.	ROBERTSON, JUDITH A.
ATKINS, BETTY A.	LANGLEY, GENE A.	RUIZ, MANUEL A.
BAKER, JAMES P.	LAWS, JOHN W.	SANDOVAL, ELIAS C.
BIMROSE, SCOTT A.	LESMISTER, GAY L.	SCOTT, BETTY Z.
BLAYLOCK, DANIEL	LEVERING, GARY D.	SCOTT, WAYNE
BRUMFIELD, DONALD U.	LICHTENWALTER, EUGENE R.	SHYNNE, SUZANNE T.
BURNS, WILLIAM W.	LINDGREN, SHELLEY L.	SIZEMORE, METHA D.
BURTON, PAMELA A.	LING, ZHIJIA	SOLIZ, ALEX
CARBONEL, JESUS A.	LONG, PATRICIA	STAUDENMAIER, DONNA O.
CIREROL, SUZANNE F.	MARCUM, PAUL	STAUFFER, SUZAN L.
COLLINS, JEAN L.	MARSTON, RICHARD W.	STURDEVANT, MARGARET
CONTRERAS, STEVEN P.	MC DONALD, JOSEPH F.	SVINDAL, JERRY R.
CRISANTY, ALFONSO F.	MC GOWAN, JOYCE E.	TATUM, WILLIAM R.
DEBOLT, ANNE	MC VEY, FRANCIS B.	TORRES, MAMERTO
DORSEY, GERALDINE E.	MITCHELL, FREDDY L.	TRESTER, WARREN
ENOKI, NOEL T.	MORALES, RAYMOND K.	TSUKAMOTO, KATHY
ENOS, EDWARD J.	MURRAY, RICHARD A.	TURK, ROBERT H.
EWING, JOHN J.	NOBLE, MICHAEL G.	ULRICH, FREDRICK G.
GASSER, LORETTA J.	NUNEZ, M JEANNINE	UYEDA, DONALD M.
GOMES, STEVE M.	NUSE, JEFFREY A.	VILLARREAL, AGRIPINA
GUTIERREZ, SALVADOR	OGAWA, YONEKO	WALDRON, THAYNE
HEPBURN, FRANCIS X.	OLSON, FRANCES J.	WHITE, R D.
HERRERA, DANIEL	OSORIO, DENNIS G.	WRIGHT, ALTON L.
HILSON, BERTHA A.	OSTROWSKI, LORRAINE	WYLDE, RUSSELL L.
HOM, MARY	OSWALD, SHIRLEY M.	YBARRA, DAVID
HOSIER, BARBARA	PEREZ, RICHARD V.	
IMANAKA, MIKE M.	PERREIRA, SUSAN A.	

DEATHS BEFORE RETIREMENT		
NGUYEN, DAVID P.	WALSH, TERESA M.	
PETRONI, NELSO J.	WEDGE, JENNIFER L.	

CITY OF

SAN JOSE

CAPITAL OF SILICON VALLEY

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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