
**THE CITY OF SAN JOSE
FEDERATED CITY
EMPLOYEES' RETIREMENT
SYSTEM**

*ACTUARIAL VALUATION
AS OF JUNE 30, 1999*

February 9, 2000

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

Members of the Board:

We are pleased to present our actuarial valuation report as of June 30, 1999 for the Federated City Employees' Retirement System. This report contains the results of the valuation of the retirement and health subsidy benefits provided by the System.

This report is divided into three parts:

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

We appreciate the opportunity to serve the City of San Jose and the Board of Administration as actuary for the Federated City Employees' Retirement System and look forward to the upcoming Board meeting to present the results of this report.

Sincerely,



Valerie A. Paganelli, F.S.A.
Consulting Actuary



Douglas R. Tokerud, F.S.A.
Consulting Actuary



Karen E. Kost
Actuarial Analyst

VAP/DRT/KEK/set
(30548/0401/VAL)

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation as of June 30, 1999

Table of Contents

	<u>Page No.</u>
A. Valuation Summary	
Introduction	1
Summary of Significant Valuation Results	2
Budget Requirements.....	3
System Assets.....	5
B. Valuation Detail	
System Membership.....	7
Development of the Actuarial Value of Assets at June 30, 1999	8
<i>I. Valuation of Retirement Benefits</i>	
Actuarial Balance Sheet.....	9
Recommended Contributions	12
Funded Status and GASB Disclosure.....	14
Reciprocity	18
<i>II. Valuation of Health Subsidy Benefits</i>	
Introduction	19
Actuarial Balance Sheet.....	20
Recommended Contributions	23
Funded Status of Health Subsidy Benefits.....	24
C. Exhibits	
Exhibit I.....	Statement of Reserve and Fund Balance Accounts
Exhibit II.....	Statement of Changes in Net Assets Available for Plan Benefits
Exhibit III	Summary of Retirement Benefits
Exhibit IV	Summary of Health Subsidy Benefits
Exhibit V	Summary of Actuarial Assumptions and Methods Used for Valuation of Retirement Benefits
Exhibit VI.....	Summary of Actuarial Assumptions and Methods Used for Valuation of Health Subsidy Benefits
Exhibit VII.....	Rates of Separation from Active Service
Exhibit VIII	Age/Service/Salary Distribution for Active Members as of June 30, 1999
Exhibit IX.....	Age/Benefit Distribution of Pensioners as of June 30, 1999

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Valuation Summary Table of Contents

	<u>Page No.</u>
Introduction.....	1
Summary of Significant Valuation Results	2
Budget Requirements	3
System Assets	5

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation as of June 30, 1999

Introduction

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

This report contains the results of the June 30, 1999 valuation of both the retirement and health subsidy benefits under the Retirement System. It contains our calculations of the annual budget of the System, as provided in Chapter 3.28 and 3.44 of the Municipal Code. It also contains disclosure information as of June 30, 1999, required under the Government Accounting Standards Board (GASB) Statements.

The valuation results were based on the demographic assumptions used in the preceding valuation, with the exception of the expected incidence of deferred retirement, ordinary withdrawal, and male mortality rates. Based on the results of the experience study, the Board of Retirement accepted our recommendation that we modify these assumptions. We believe the revised assumptions and methods used are appropriate for use in the valuation of the liabilities of the Retirement System at June 30, 1999.

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

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

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

CITY OF SAN JOSE

FEDERATED CITY EMPLOYEES'

RETIREMENT SYSTEM

Summary of Significant Valuation Results				
		June 30, 1999	June 30, 1997	Percent Change
I.	Total Membership			
	A. Active Members	3,694	3,642	+1.4%
	B. Pensioners	1,824	1,745	+4.5%
	C. Inactives	291	214	+36.0%
II.	Salaries at June 30			
	A. Total Annual Payroll	\$193,650,000	\$176,284,000	+9.9%
	B. Average Monthly Salary	\$4,369	\$4,034	+8.3%
III.	Benefits to Current Pensioners and Beneficiaries			
	A. Total Annual Benefits	\$37,137,000	\$32,630,000	+13.8%
	B. Average Monthly Benefit Amount	\$1,697	\$1,558	+8.9%
IV.	Total System Assets (Actuarial Value) ¹	\$987,246,000	\$766,788,000	+28.8%
V.	Budget Items			Pct. of Payroll
	A. Employer Cost as a Percent of Pay			
	1. Retirement Benefits ²	15.33%	15.37%	-0.04%
	2. Health & Dental Benefits	0.76%	1.15%	-0.39%
	3. Total	16.09%	16.52%	-0.43%
	B. Member Cost as a Percent of Pay			
	1. Retirement Benefits	4.17%	4.36%	-0.19%
	2. Health & Dental Benefits	0.59%	0.95%	-0.36%
	3. Total	4.76%	5.31%	-0.55%
VI.	Funded Ratio			
	(Based on Actuarial Value of Assets)	93.3%	92.5%	+0.8%

¹ Includes \$11,924,000 and \$14,544,000 in accounts payable as of June 30, 1999 and June 30, 1997, respectively.

² Includes estimate for reciprocity.

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Budget Requirements

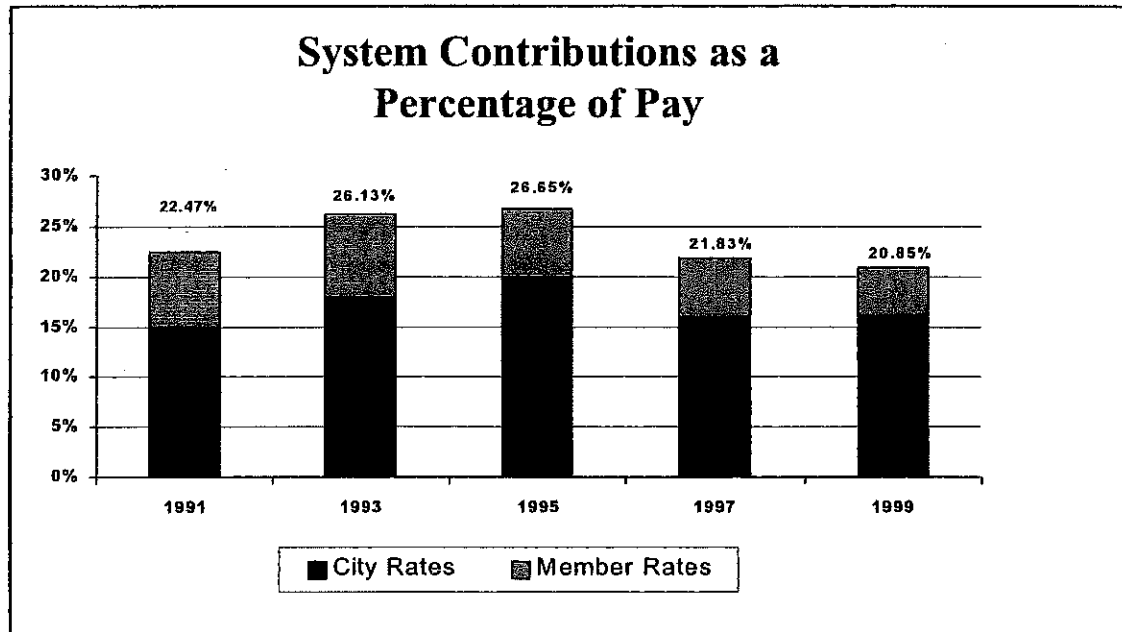
In our opinion, if the recommended contributions included in this report are adopted, the System will be maintained in compliance with the Municipal Code of the City of San Jose and in accordance with the methods and assumptions underlying the calculations.

Below, we present a summary of budget requirements for the Federated City Employees' Retirement System. In total, the recommended contribution decreased by 0.98% from last year.

Recommended Contributions for Fiscal Years Beginning in 2000 and 2001		
	Percentage of Salary	
	City	Member
Contribution for Retirement, Disability, and Death Benefits	15.33%	4.17%
Contribution for Health Subsidy Benefits	0.76%	0.59%
Total Contribution	16.09%	4.76%

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

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



Analysis of Change in Contribution Rates

Total contribution rate – prior valuation	21.83%
Investment performance	-2.75%
Liability experience	+0.98%
Assumption changes	<u>+0.79%</u>
	-0.98%
Total contribution rate – this valuation:	20.85%

CITY OF SAN JOSE

FEDERATED CITY EMPLOYEES'

RETIREMENT SYSTEM

System Assets

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

	June 30, 1999	June 30, 1997	Percent Change	Annual Rate of Return
Total System Assets ¹				
Book Value	\$1,075,782,000	\$789,233,000	+36.3%	16.61%
Market Value	1,120,407,000	875,327,000	+28.0%	13.01%
Actuarial Value	987,246,000	766,788,000	+28.8%	13.32%

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

	July 1, 1997 - June 30, 1998	July 1, 1998 - June 30, 1999
Contributions	\$43,823,000	\$43,120,000
Benefit Payments and Expenses	41,321,000	43,612,000

The 13.32% annual rate of return on the actuarial value is more than the 8.25% rate assumed for the last two years, which resulted in an actuarial gain. The budgeted contribution for the System would have been more if not for this gain.

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

¹ Includes \$11,924,000 and \$14,544,000 in accounts payable as of June 30, 1999 and June 30, 1997, respectively.

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Valuation Detail Table of Contents

	<u>Page No.</u>
System Membership	7
Development of Actuarial Value of Assets at June 30, 1999	8
 <i>I. Valuation of Retirement Benefits</i>	
Actuarial Balance Sheet.....	9
Recommended Contributions	12
Funded Status and GASB Disclosure.....	14
Reciprocity	18
 <i>II. Valuation of Health Subsidy Benefits</i>	
Introduction	19
Actuarial Balance Sheet.....	20
Recommended City Contribution.....	23
Funded Status of Health Subsidy Benefits.....	24

CITY OF SAN JOSE

FEDERATED CITY EMPLOYEES'

RETIREMENT SYSTEM

System Membership

Computer files containing data on System membership as of June 30, 1999 were supplied to us by the Retirement Office. On the following schedule we present a summary of System membership at June 30, 1999 and June 30, 1997.

The number of total active Members increased by 1.4% since the last valuation. The total number of retired Members and their beneficiaries increased by 4.5%, while the average retirement benefit amount increased by 8.9%.

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

System Membership			
	June 30, 1999	June 30, 1997	Percent Change
I. Active Members			
a. Number	3,694	3,642	+1.4%
b. Average Age	44.3	43.5	+1.8%
c. Average Years of Service	11.0	10.6	+3.8%
d. Salary			
i) Total Annual Salary	\$193,650,000	\$176,284,000	+9.9%
ii) Average Monthly Salary	\$4,369	\$4,034	+8.3%
II. Pensioners and Beneficiaries			
a. Number	1,824	1,745	+4.5%
b. Average Age	68.0	67.8	+0.3%
c. Allowance			
i) Total Annual Allowance	\$37,137,000	\$32,630,000	+13.8%
ii) Average Monthly Amount	\$1,697	\$1,558	+8.9%
III. Inactives			
a. Number	291	214	+36.0%
b. Average Age	44.7	44.9	-0.4%
c. Allowance			
i) Total Annual Allowance	\$2,878,000	\$2,071,000	+39.0%
ii) Average Monthly Amount	\$824	\$806	+2.2%

CITY OF SAN JOSE

FEDERATED CITY EMPLOYEES'

RETIREMENT SYSTEM

Development of the Actuarial Value of Assets as of June 30, 1999				
1. Realized and Unrealized Gains/Losses				
(a)	(b)	(c)	(d)	(e)
Fiscal Year End	Total Gain / Loss	20% of (b)	Years Until 6/30/99	Recognized Amount = (c) x (d)
6/30/1995	\$60,094,000	\$12,019,000	5	\$60,095,000
6/30/1996	52,853,000	10,571,000	4	42,284,000
6/30/1997	76,468,000	15,294,000	3	45,882,000
6/30/1998	101,973,000	20,395,000	2	40,790,000
6/30/1999	59,674,000	11,935,000	1	11,935,000
2.	Total Recognized Gains and Losses			200,986,000
3.	Book Value (less accounts payable) as of June 30, 1999			1,063,857,000
4.	Realized appreciation over the last 5 years			306,442,000
5.	(3) - (4)			757,415,000
6.	(2) + (5)			958,401,000
7.	Corridor Limit (Market Value less accounts payable = \$1,108,483,000)			
	80% of Market Value (less accounts payable)			886,786,000
	120% of Market Value (less accounts payable)			1,330,180,000
8.	(6) but within corridor of (7)			958,401,000
9.	Actuarial Book Value Ratio = (8) / (3)			.9009
10.	Net Assets at Book Value ¹			893,395,000
11.	Adjusted Net Assets = (9) x (10), rounded to nearest \$1,000			804,860,000
12.	Reserves not reflected			182,386,000
13.	Actuarial Value of Assets = (11) + (12)			987,246,000

¹ Excludes accounts payable, contingency reserves, SRBR, unrealized gain/loss reserve, and health and dental reserves.

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

Actuarial Balance Sheet

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

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

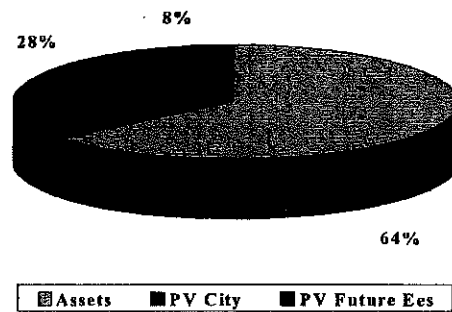
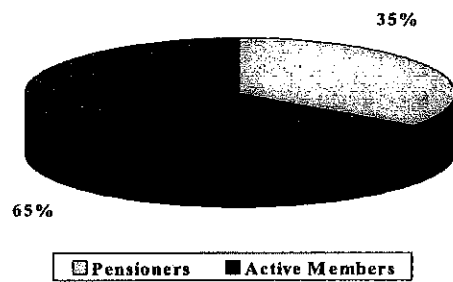
For the purpose of the Actuarial Balance Sheet, System assets are equal to the sum of:

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

The chart on the following page illustrates the breakdown of Balance Sheet assets and liabilities¹ for the retirement benefits of the System. It shows that about 35% of the System's liabilities are for retired Members and their beneficiaries and 65% are for active Members. About 64% of the System's assets consist of currently available assets with 36% consisting of future contributions from the City and the Members.

¹ Does not include liabilities for reciprocal benefits. See section on Reciprocity, page 18.

Breakdown of Actuarial Balance Sheet as of June 30, 1999



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

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

Actuarial Balance Sheet as of June 30, 1999

ASSETS		
1. Applicable Assets ¹		\$804,860,000
2. Present Value of Future Member Contributions		\$98,236,000
3. Present Value of Future Contributions by the City For:		
a. Basic Pensions		
i. Normal Rate	\$188,697,000	
ii. Deficiency Rate	64,548,000	
iii. Golden Handshake	18,611,000	
iv. Total		\$271,856,000
b. Cost-of-Living Pensions		
i. Normal Rate	\$72,087,000	
ii. Deficiency Rate	0	
iii. Golden Handshake	5,418,000	
iv. Total		\$77,505,000
4. Total Assets		\$1,252,457,000
LIABILITIES²		
5. Present Value of Benefits Already Granted (Pensioners, Beneficiaries and Inactives)		
a. Basic	\$348,296,000	
b. Cost-of-Living	93,277,000	
c. Total		\$441,573,000
6. Present Value of Benefits to be Granted (Actives)		
a. Basic	\$626,755,000	
b. Cost-of-Living	184,129,000	
c. Total		\$810,884,000
7. Total Liabilities		\$1,252,457,000

¹ Excludes \$14,544,000 in accounts payable.

² Does not include liabilities for reciprocal benefits. See section on Reciprocity, page 18.

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

Recommended Contributions

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

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

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

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

Recommended Contributions for Fiscal Years Beginning in 2000 and 2001		
	City	Members
For Basic Retirement Benefits		
Current Service Normal Rate	7.98%	2.99%
Current Service Deficiency Rate	2.06%	N/A
Prior Service Normal Rate	0.03%	0.02%
Prior Service Deficiency Rate	0.68%	N/A
Retirement Golden Handshake Rate	0.79%	N/A
Reciprocity	0.39%	N/A
Total Contributions for Basic Retirement Benefits	11.93%	3.01%
For Cost-of-Living Retirement Benefits		
Current Service Normal Rate	3.05%	1.15%
Current Service Deficiency Rate	0.00%	N/A
Prior Service Normal Rate	0.01%	0.01%
Prior Service Deficiency Rate	0.00%	N/A
Retirement Golden Handshake Rate	0.23%	N/A
Reciprocity	0.11%	N/A
Total Contributions for Cost-of-Living Retirement Benefits	3.40%	1.16%
Total Basic and Cost-of-Living Contributions for Retirement Benefits	15.33%	4.17%

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Funded Status and GASB Disclosure

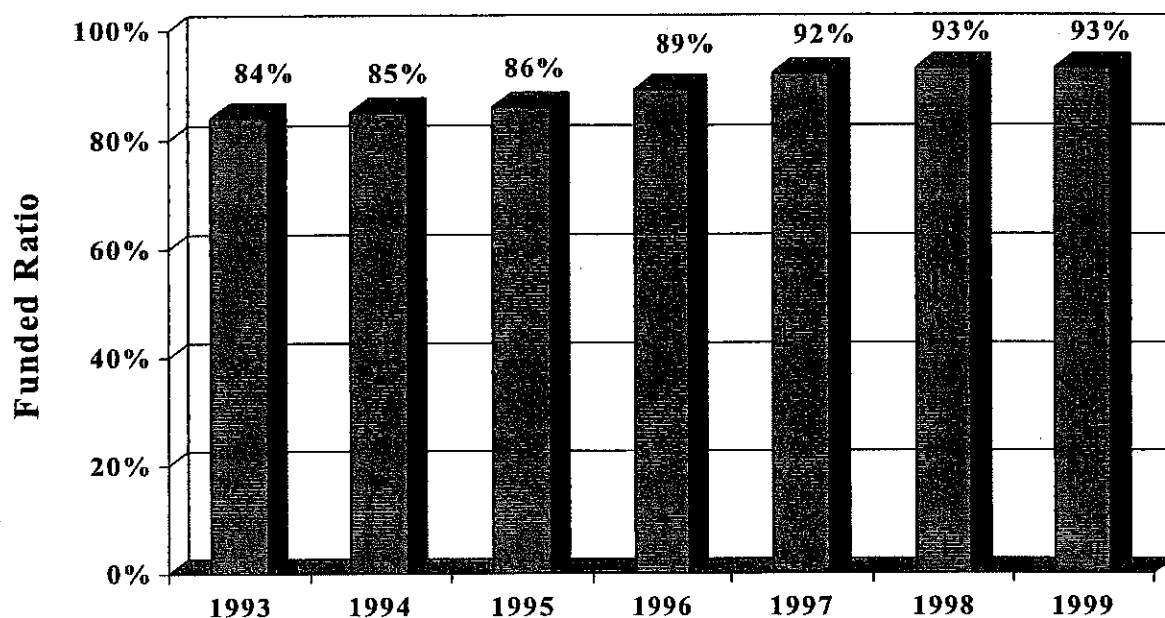
In November 1994, the Governmental Accounting Standards Board (GASB) adopted Statement No. 25, changing the way in which governmental retirement systems must report financial information. This statement applies only to retirement benefits paid by the System.

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

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

The graph on the next page shows the funded status for retirement benefits for the last seven years. Actuarial assets are 93.5% of total retirement liabilities at June 30, 1999.

**Funded Status
(Retirement Benefits)
(1993 - 1999)**



DEVELOPMENT OF FUNDED RATIO AS OF JUNE 30, 1999

A.	1.	Present Value of Future Benefits (excluding refunds)	\$1,219,018,000
	2.	Actuarial Value of Assets	804,860,000
	3.	Present Value of Future Salaries $((A.1 - A.2) / A.3)$	2,241,701,000
	4.	Present Value of Future Normal Cost % $((1 - 2) / 3)$	18.48%
B.	1.	Normal Cost	\$30,822,000
	2.	Annual Salaries	193,650,000
	3.	Normal Cost % $(B.1 / B.2)$	15.92%
C.	1.	Unfunded Actuarial Accrued Liability % $(A.4 - B.3)$	2.56%
	2.	Unfunded Actuarial Accrued Liability $(C.1 \times A.3)$	57,366,000
	3.	UAAL as % of Payroll $(C.2 / B.2)$	29.6%
	4.	Actuarial Accrued Liability $(A.2 + C.2)$	862,226,000
	5.	Funded Ratio $(A.2 / C.4)$	93.3%

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 1999	\$804,860,000	\$862,226,000	\$57,366,000	93%	\$193,650,000	30%
June 30, 1998 ¹	741,907,000	798,999,000	57,092,000	93%	184,967,000	31%
June 30, 1997	678,954,000	735,772,000	56,818,000	92%	176,284,000	32%
June 30, 1996 ²	622,528,000	696,974,000	74,446,000	89%	165,101,000	45%
June 30, 1995	566,102,000	658,175,000	92,073,000	86%	153,918,000	60%
June 30, 1994 ³	527,984,000	620,647,000	92,663,000	85%	149,850,000	62%
June 30, 1993	489,865,000	583,119,000	93,254,000	84%	145,781,000	64%

¹ Average of the June 30, 1997 and June 30, 1999 results.

² Average of the June 30, 1995 and June 30, 1997 results.

³ Average of the June 30, 1993 and June 30, 1995 results.

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES'
RETIREMENT SYSTEM**

VALUATION OF RETIREMENT BENEFITS

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

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
(1)	(2)	(3)
1998/1999	15.37%	100%
1997/1998	17.42%	96%
1996/1997	17.42%	92%
1995/1996	15.03%	100%
1994/1995	15.03%	100%
1993/1994	13.05%	100%
1992/1993	13.05%	100%
1991/1992	13.05%	100%

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

Reciprocity

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

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

In our actuarial report as of July 1, 1995, we recommend the adoption of an estimated contribution rate of 0.50% of payroll, which we used in the July 1, 1997 actuarial valuation, as well as this valuation. Therefore, the contribution rates included in this report include the 0.50% amount. It might be appropriate to review this assumption for the next valuation cycle, based on actual experience at that point in time.

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF HEALTH SUBSIDY BENEFITS

Introduction

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

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

The actuarial value of the reserve for health insurance subsidies available at June 30, 1999 is \$60,693,000. This consists of \$46,610,000 for Health Insurance benefits and \$14,083,000 for Dental Insurance benefits.

This section of the report contains the results of the June 30, 1999 valuation of the retiree health insurance premium subsidy. In determining the budget amounts for the 2000 and 2001 fiscal years, we have used the following economic assumptions:

- 8.25% annual interest
- health and dental cost inflation rates of 7.50%
- 4.50% annual payroll increase
- increase in the covered retiree population consistent with actual experience, 6.10%

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

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF HEALTH SUBSIDY BENEFITS

Actuarial Balance Sheet

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

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

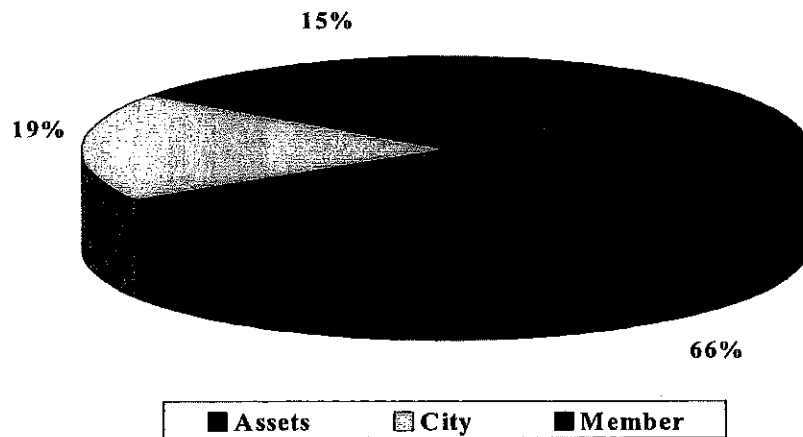
For the purpose of the Actuarial Balance Sheet for health insurance subsidies, System assets are equal to the sum of:

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

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

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

Breakdown of Actuarial Balance Sheet for Health Subsidy Benefits



The above chart illustrates the breakdown of Balance Sheet assets and liabilities of the health insurance subsidies of the System. About 66% of the System's assets consist of currently available assets with 19% consisting of future contributions from the City and 15% of future contributions from Members.

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF HEALTH SUBSIDY BENEFITS

Actuarial Balance Sheet as of June 30, 1999

ASSETS		
1. Applicable Assets		\$60,693,000
2. Present Value of Future Contributions:		
a. City	\$17,473,000	
b. Members	13,564,000	
c. Total		31,037,000
3. Total Assets		\$91,730,000
LIABILITIES		
4. Present Value of Subsidies for the Next 15 Years		\$91,730,000

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF HEALTH SUBSIDY BENEFITS

Recommended Contributions for Fiscal Years Beginning in 2000 and 2001

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

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

The City is currently building reserves, for retiree health insurance subsidies. The actuarial value of the reserve available at June 30, 1999 is \$60,693,000. This consists of \$46,610,000 for Medical Insurance benefits and \$14,083,000 for Dental Insurance benefits.

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

	City	Member
Medical Insurance Rate	0.56%	0.52%
Dental Insurance Rate	0.20%	0.07%
Total	0.76%	0.59%

The City's total Health Insurance contribution rate includes 0.04% for golden handshake recipients.

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF HEALTH SUBSIDY BENEFITS

Funded Status of Health Subsidy Benefits at June 30, 1999

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

Present Value of Health Subsidy Benefits for the Next 15 Years	
- Medical Benefits	\$71,328,000
- Dental Benefits	<u>20,402,000</u>
- Total	\$91,730,000
Value of Assets Available for Health Subsidy Benefits	
- Medical Benefits	\$46,610,000
- Dental Benefits	<u>14,083,000</u>
- Total	\$60,693,000
Funded Ratio	
- Medical Benefits	65.3%
- Dental Benefits	<u>69.0%</u>
- Total	66.2%

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Exhibits Table of Contents

Exhibit I:	Statement of Reserve and Fund Balance Accounts
Exhibit II:	Statement of Changes in Net Assets Available for Plan Benefits
Exhibit III:	Summary of Retirement Benefits
Exhibit IV:	Summary of Health Subsidy Benefits
Exhibit V:	Summary of Actuarial Assumptions and Methods Used for Valuation of Retirement Benefits
Exhibit VI:	Summary of Actuarial Assumptions and Methods Used for Valuation of Health Subsidy Benefits
Exhibit VII:	Rates of Separation from Active Service
Exhibit VIII:	Age/Service/Salary Distribution for Active Members as of June 30, 1999
Exhibit IX:	Age/Benefit Distribution of Pensions as of June 30, 1999

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES'
RETIREMENT SYSTEM**

**Statement of Reserve and Fund Balance Accounts
as of June 30, 1999**

	Regular	Cost of Living	Total
Employee Contributions	\$154,771,000	\$42,116,000	\$196,887,000
Employer Contributions	204,695,000	111,486,000	316,181,000
Retired Employees Annuity	167,171,000	2,136,000	169,307,000
Benefits Payable	191,739,000	0	191,739,000
Supplemental Retiree Benefits	15,052,000	0	15,052,000
Contingency Reserves	94,717,000	0	94,717,000
Unrealized Gain Reserve	30,025,000	14,600,000	44,625,000
General Reserve	0	79,975,000	79,975,000
Payable	9,424,000	2,500,000	11,924,000
Total	\$867,594,000	\$252,813,000	\$1,120,407,000

CITY OF SAN JOSE

FEDERATED CITY EMPLOYEES'

RETIREMENT SYSTEM

Statement of Changes in Net Assets Available for Plan Benefits		
	Year Ended June 30, 1999	Year Ended June 30, 1998
REVENUES		
City Contributions	\$32,387,000	\$32,694,000
Members' Contributions	10,733,000	11,129,000
Income from Investments		
Interest Earned	29,524,000	28,050,000
Dividends	6,470,000	8,398,000
Real Estate	<u>6,874,000</u>	<u>4,725,000</u>
Total	42,868,000	41,173,000
Total Revenues	\$85,988,000	\$84,996,000
EXPENDITURES		
Pensions		
Retirement Allowances	\$34,893,000	\$32,117,000
Health Benefits	<u>4,711,000</u>	<u>4,161,000</u>
Total	39,604,000	36,278,000
Refund of Members' Contributions	646,000	1,980,000
Administrative Expenses	4,711,000	4,161,000
Total Expenditures	\$44,961,000	\$42,419,000
NET REVENUES	\$41,027,000	\$42,577,000
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	\$18,663,000	\$103,074,000
NET REVENUES PLUS CAPITAL GAIN	\$59,690,000	\$145,651,000
NET ASSETS AVAILABLE FOR PLAN BENEFITS, BEGINNING OF THE YEAR	\$1,006,434,000	\$860,783,000
NET ASSETS AVAILABLE FOR PLAN BENEFITS, END OF THE YEAR	\$1,066,124,000	\$1,006,434,000

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Summary of Retirement Benefits

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

Exhibit III, continued

5. Deferred Service Retirement:

- A) Eligibility: Five years of membership prior to termination of City service. Member must leave contributions on deposit until retirement.
- B) Benefit: Same as Service Retirement, payable anytime after age 55.
- C) Form of Payment: Same as Service Retirement.

6. Pre-Retirement Death Benefits:

- A) Non-Service Connected with less than 5 years of service, or No Family Members Eligible for Allowance: Member's beneficiary or estate receives (i), and (ii) where:

(i) = Accumulated contributions with interest.

(ii) = Lump sum benefit of one month's salary for each year of service, up to 6 years.

- B) Service-Connected, or Non-Service Connected with 5 years of service: Member's eligible survivor receives 100% of the benefit the Member would have received if he or she had been granted a disability benefit on the day before death, payable until the spouse remarries. If the Member was age 55 with 20 years of service at death, the benefit is payable for the lifetime of the Member's spouse.

7. Post-Retirement Death Benefits:

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

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

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

Exhibit III, continued

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

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

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

9. Employee Contributions:

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

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Summary of Health Subsidy Benefits

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

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES'
RETIREMENT SYSTEM**

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

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

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

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

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

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

Exhibit V, continued

Mortality:

A. For Pensioners on Service Retirement and Beneficiaries

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

Sample Rates

Deaths per 1,000		
Age	Males	Females
45	1.9	1.1
50	3.5	1.8
55	5.7	2.8
60	8.4	4.7
65	13.9	7.8
70	24.8	14.1
75	40.4	27.2

B. For Pensioners on Disability Retirement:

1981 Disability Mortality Table

Sample Rates

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

Exhibit V, continued

Rehire for Former Employees:	All former employees are assumed not to be rehired.
Disability:	Valuation of disability benefits are assumed to not be offset by Worker's Compensation.
Prior Service Benefits:	The liability for benefits attributed to pre-1975 service is assumed in proportion to its liability as of June 30, 1997.
Proportion of Members with Spouses at Retirement:	85% of male employees and 60% of female employees are assumed married at retirement. Wives are assumed three years younger than husbands.
Funding Method:	For retirement benefits: The Entry Age Normal Cost Method.
Asset Valuation Method:	The Actuarial Value of Assets recognized 20% of unrealized and realized gains and losses each year. The Actuarial Value of Assets cannot be less than 80% of the Market Value of Assets or greater than 120% of the Market Value of Assets.

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES'
RETIREMENT SYSTEM**

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

Increase in Retiree Population:	The covered Retiree population is assumed to increase according to the demographic assumptions used to value retirement benefits.
Covered Payroll Increase	4.5% per year.
Initial Health Subsidy:	\$2,803 per year.
Initial Dental Subsidy:	\$670 per year.

CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Rates of Separation from Active Service

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

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

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

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES'
RETIREMENT SYSTEM**

RATES OF SEPARATION FROM ACTIVE SERVICE - MALES

AGE	Ordinary Withdrawal	Ordinary Death	Ordinary Disability	Service Retirement	Death While Eligible	Service Disability	Deferred Vested
20	0.0820	0.0003	0.0000	0.0000	0.0000	0.0005	0.0150
21	0.0740	0.0003	0.0000	0.0000	0.0000	0.0005	0.0160
22	0.0700	0.0003	0.0000	0.0000	0.0000	0.0005	0.0170
23	0.0660	0.0003	0.0000	0.0000	0.0000	0.0005	0.0180
24	0.0620	0.0003	0.0000	0.0000	0.0000	0.0005	0.0190
25	0.0580	0.0003	0.0002	0.0000	0.0002	0.0005	0.0243
26	0.0540	0.0003	0.0002	0.0000	0.0002	0.0005	0.0236
27	0.0500	0.0003	0.0002	0.0000	0.0002	0.0005	0.0230
28	0.0460	0.0003	0.0002	0.0000	0.0002	0.0006	0.0226
29	0.0420	0.0004	0.0002	0.0000	0.0002	0.0006	0.0223
30	0.0380	0.0004	0.0002	0.0000	0.0002	0.0006	0.0219
31	0.0348	0.0004	0.0002	0.0000	0.0002	0.0006	0.0214
32	0.0324	0.0004	0.0002	0.0000	0.0002	0.0006	0.0209
33	0.0308	0.0004	0.0003	0.0000	0.0003	0.0006	0.0201
34	0.0292	0.0005	0.0003	0.0000	0.0003	0.0007	0.0194
35	0.0224	0.0005	0.0004	0.0000	0.0003	0.0007	0.0187
36	0.0211	0.0005	0.0004	0.0000	0.0004	0.0007	0.0170
37	0.0198	0.0005	0.0005	0.0000	0.0004	0.0007	0.0153
38	0.0185	0.0006	0.0005	0.0000	0.0004	0.0008	0.0137
39	0.0172	0.0006	0.0006	0.0000	0.0005	0.0008	0.0121
40	0.0159	0.0006	0.0006	0.0000	0.0005	0.0008	0.0103
41	0.0148	0.0007	0.0007	0.0000	0.0006	0.0009	0.0105
42	0.0137	0.0007	0.0007	0.0000	0.0006	0.0009	0.0100
43	0.0133	0.0007	0.0008	0.0000	0.0007	0.0009	0.0096
44	0.0129	0.0007	0.0008	0.0000	0.0009	0.0009	0.0092
45	0.0125	0.0008	0.0009	0.0000	0.0011	0.0009	0.0091
46	0.0116	0.0008	0.0010	0.0000	0.0013	0.0010	0.0089
47	0.0107	0.0008	0.0011	0.0000	0.0015	0.0011	0.0087
48	0.0098	0.0009	0.0012	0.0000	0.0017	0.0012	0.0082
49	0.0089	0.0009	0.0014	0.0000	0.0019	0.0013	0.0074
50	0.0087	0.0010	0.0016	0.0100	0.0021	0.0015	0.0065
51	0.0085	0.0011	0.0019	0.0050	0.0023	0.0018	0.0055
52	0.0083	0.0012	0.0022	0.0050	0.0025	0.0022	0.0043
53	0.0082	0.0013	0.0027	0.0050	0.0027	0.0027	0.0030
54	0.0079	0.0014	0.0033	0.0100	0.0029	0.0033	0.0015
55	0.0084	0.0015	0.0039	0.1700	0.0031	0.0040	0.0000
56	0.0084	0.0015	0.0046	0.0800	0.0033	0.0047	0.0000
57	0.0084	0.0016	0.0054	0.0800	0.0035	0.0056	0.0000
58	0.0084	0.0017	0.0063	0.0800	0.0037	0.0068	0.0000
59	0.0084	0.0018	0.0074	0.0800	0.0040	0.0084	0.0000
60	0.0000	0.0019	0.0085	0.1000	0.0043	0.0104	0.0000
61	0.0000	0.0020	0.0098	0.1300	0.0046	0.0124	0.0000
62	0.0000	0.0021	0.0112	0.2000	0.0049	0.0149	0.0000
63	0.0000	0.0022	0.0127	0.1700	0.0052	0.0181	0.0000
64	0.0000	0.0023	0.0143	0.2200	0.0055	0.0220	0.0000
65	0.0000	0.0024	0.0160	0.2500	0.0058	0.0260	0.0000
66	0.0000	0.0025	0.0000	0.4000	0.0061	0.0000	0.0000
67	0.0000	0.0026	0.0000	0.4000	0.0064	0.0000	0.0000
68	0.0000	0.0027	0.0000	0.4500	0.0067	0.0000	0.0000
69	0.0000	0.0028	0.0000	0.5000	0.0070	0.0000	0.0000
70	0.0000	0.0029	0.0000	1.0000	0.0000	0.0000	0.0000

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES'
RETIREMENT SYSTEM**

RATES OF SEPARATION FROM ACTIVE SERVICE - FEMALES

AGE	Ordinary Withdrawal	Ordinary Death	Ordinary Disability	Service Retirement	Death While Eligible	Service Disability	Deferred Vested
20	0.0820	0.0001	0.0000	0.0000	0.0000	0.0003	0.0150
21	0.0740	0.0001	0.0000	0.0000	0.0000	0.0003	0.0150
22	0.0700	0.0001	0.0000	0.0000	0.0000	0.0003	0.0150
23	0.0660	0.0001	0.0000	0.0000	0.0000	0.0003	0.0150
24	0.0620	0.0001	0.0000	0.0000	0.0000	0.0003	0.0150
25	0.0580	0.0001	0.0002	0.0000	0.0001	0.0003	0.0210
26	0.0540	0.0001	0.0002	0.0000	0.0001	0.0003	0.0214
27	0.0500	0.0001	0.0002	0.0000	0.0001	0.0003	0.0220
28	0.0460	0.0001	0.0002	0.0000	0.0001	0.0003	0.0228
29	0.0420	0.0002	0.0002	0.0000	0.0001	0.0004	0.0238
30	0.0380	0.0002	0.0002	0.0000	0.0001	0.0004	0.0246
31	0.0348	0.0002	0.0002	0.0000	0.0001	0.0004	0.0249
32	0.0324	0.0002	0.0002	0.0000	0.0001	0.0004	0.0250
33	0.0308	0.0002	0.0002	0.0000	0.0001	0.0004	0.0249
34	0.0292	0.0003	0.0002	0.0000	0.0001	0.0004	0.0248
35	0.0224	0.0003	0.0002	0.0000	0.0001	0.0004	0.0247
36	0.0211	0.0003	0.0002	0.0000	0.0002	0.0005	0.0246
37	0.0198	0.0003	0.0002	0.0000	0.0002	0.0005	0.0245
38	0.0185	0.0004	0.0002	0.0000	0.0002	0.0005	0.0246
39	0.0172	0.0004	0.0002	0.0000	0.0002	0.0005	0.0247
40	0.0159	0.0004	0.0002	0.0000	0.0002	0.0005	0.0237
41	0.0148	0.0004	0.0002	0.0000	0.0003	0.0005	0.0212
42	0.0137	0.0005	0.0002	0.0000	0.0004	0.0005	0.0187
43	0.0133	0.0005	0.0003	0.0000	0.0005	0.0005	0.0162
44	0.0129	0.0005	0.0003	0.0000	0.0006	0.0005	0.0137
45	0.0125	0.0006	0.0003	0.0000	0.0007	0.0005	0.0111
46	0.0116	0.0006	0.0004	0.0000	0.0008	0.0006	0.0115
47	0.0107	0.0006	0.0004	0.0000	0.0009	0.0006	0.0120
48	0.0098	0.0007	0.0005	0.0000	0.0010	0.0007	0.0125
49	0.0089	0.0007	0.0005	0.0000	0.0011	0.0007	0.0130
50	0.0087	0.0010	0.0006	0.0025	0.0012	0.0008	0.0135
51	0.0085	0.0011	0.0008	0.0025	0.0013	0.0009	0.0130
52	0.0083	0.0012	0.0011	0.0025	0.0014	0.0010	0.0125
53	0.0081	0.0013	0.0015	0.0050	0.0015	0.0012	0.0120
54	0.0079	0.0014	0.0020	0.0050	0.0016	0.0015	0.0115
55	0.0084	0.0009	0.0026	0.1000	0.0018	0.0018	0.0050
56	0.0084	0.0009	0.0033	0.0400	0.0020	0.0022	0.0000
57	0.0084	0.0016	0.0041	0.0600	0.0022	0.0027	0.0000
58	0.0084	0.0017	0.0050	0.0600	0.0024	0.0033	0.0000
59	0.0084	0.0018	0.0060	0.0600	0.0026	0.0040	0.0000
60	0.0000	0.0019	0.0071	0.0700	0.0028	0.0018	0.0000
61	0.0000	0.0020	0.0083	0.0800	0.0030	0.0060	0.0000
62	0.0000	0.0021	0.0096	0.1500	0.0032	0.0073	0.0000
63	0.0000	0.0022	0.0110	0.0750	0.0034	0.0089	0.0000
64	0.0000	0.0023	0.0125	0.0750	0.0036	0.0120	0.0000
65	0.0000	0.0024	0.0140	0.2500	0.0038	0.0160	0.0000
66	0.0000	0.0025	0.0000	0.2500	0.0040	0.0000	0.0000
67	0.0000	0.0026	0.0000	0.3500	0.0042	0.0000	0.0000
68	0.0000	0.0027	0.0000	0.3500	0.0045	0.0000	0.0000
69	0.0000	0.0028	0.0000	0.4000	0.0048	0.0000	0.0000
70	0.0000	0.0029	0.0000	1.0000	0.0000	0.0000	0.0000

CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM
Age/Service/Salary Distribution by Attained Age for Active Members as of June 30, 1999

Attained Age	Years of Credited Service												Total
	0 - 1	1-2	2-3	3-4	4-5	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	
Under 25	8	12	5	4	4	1	1	0	0	0	0	0	35
Average Salary	\$33,254	\$39,856	\$36,135	\$41,425	\$40,885	\$31,304	\$39,546	\$0	\$0	\$0	\$0	\$0	\$37,859
25 - 29	29	39	41	28	24	51	16	0	0	0	0	0	228
Average Salary	\$39,953	\$42,055	\$43,823	\$49,055	\$42,443	\$44,584	\$44,447	\$0	\$0	\$0	\$0	\$0	\$43,740
30 - 34	14	41	53	43	33	155	86	12	0	0	0	0	437
Average Salary	\$41,903	\$42,308	\$47,609	\$47,647	\$48,384	\$48,004	\$45,752	\$45,147	\$0	\$0	\$0	\$0	\$46,698
35 - 39	23	35	37	27	15	191	184	69	2	0	0	0	583
Average Salary	\$43,714	\$49,991	\$43,903	\$48,531	\$56,689	\$54,038	\$51,525	\$50,350	\$43,719	\$0	\$0	\$0	\$51,293
40 - 44	15	33	36	16	24	166	141	126	54	3	0	0	614
Average Salary	\$43,680	\$48,859	\$52,703	\$53,349	\$48,346	\$55,958	\$55,403	\$54,290	\$53,324	\$33,046	\$0	\$0	\$53,907
45 - 49	17	26	23	25	17	151	172	115	94	48	6	0	694
Average Salary	\$48,306	\$51,909	\$50,726	\$55,701	\$53,095	\$53,736	\$56,605	\$56,909	\$54,030	\$52,275	\$61,247	\$0	\$54,730
50 - 54	8	23	24	14	19	120	133	99	86	113	10	1	650
Average Salary	\$41,948	\$51,959	\$55,011	\$46,962	\$53,464	\$55,706	\$57,231	\$55,533	\$57,408	\$61,400	\$55,598	\$57,304	\$56,626
55 - 59	1	5	9	9	6	44	77	42	30	42	8	2	275
Average Salary	\$49,452	\$61,318	\$52,864	\$49,391	\$47,030	\$49,601	\$57,503	\$52,040	\$59,855	\$62,762	\$60,359	\$48,685	\$55,877
60 - 64	2	5	4	8	2	28	42	22	12	10	3	0	138
Average Salary	\$28,392	\$47,856	\$62,270	\$47,583	\$36,400	\$48,263	\$49,248	\$55,758	\$49,846	\$60,494	\$63,310	\$0	\$51,001
65 & up	0	1	0	0	0	8	13	5	10	0	1	2	40
Average Salary	\$0	\$50,752	\$0	\$0	\$0	\$34,070	\$45,790	\$47,830	\$43,600	\$0	\$57,304	\$48,581	\$43,705
Total	117	220	232	174	144	915	865	490	288	216	28	5	3,694
Average Salary	\$42,179	\$47,075	\$48,423	\$49,581	\$49,048	\$52,417	\$53,661	\$54,184	\$54,905	\$59,201	\$59,056	\$50,367	\$52,423
Average Age:	44.26	Number of Participants:				Fully Vested		2,669	Males		2,044		
Average Service:	10.98					Partially Vested		0	Females		1,650		

Exhibit IX

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

Distribution of Pensioners by Duration of Retirement as of June 30, 1999

Attained Age	Duration of Retirement													Total	Average Benefit
	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30-34</u>	<u>35-39</u>	<u>40+</u>		
0 - 39	7	1	1	2	3	2	0	0	0	0	0	0	0	16	\$12,096
40 - 44	10	1	0	1	2	1	1	1	1	0	0	0	0	18	\$14,543
45 - 49	15	2	1	1	2	4	3	1	0	0	0	0	0	29	\$20,049
50 - 54	25	3	3	0	0	9	3	3	1	0	0	0	0	47	\$22,199
55 - 59	77	42	45	19	11	53	5	4	2	0	0	0	0	258	\$25,353
60 - 64	48	16	13	10	19	154	47	5	1	0	0	0	0	313	\$24,862
65 - 69	60	15	15	8	11	91	139	8	3	0	0	0	0	350	\$21,283
70 - 74	55	0	2	1	6	75	80	98	13	1	1	0	0	332	\$19,565
75 - 79	49	1	1	2	1	23	54	63	81	2	0	0	0	277	\$15,599
80 - 84	44	0	1	0	1	2	10	29	38	10	2	0	0	137	\$13,677
85 - 89	9	0	0	0	0	1	2	4	13	5	7	0	0	41	\$12,290
90+	1	0	0	0	0	0	0	0	0	2	2	1	0	6	\$15,086
Total	400	81	82	44	56	415	344	216	153	20	12	1	0	1,824	