“Don’t simply retire from something; have something to retire to.”

City of San José

POLICE & FIRE DEPARTMENT RETIREMENT PLAN

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2024, and June 30, 2023
Pension Trust and Postemployment Healthcare Trust Funds of the City of San José, California
A fiduciary component unit of the City of San José, CA

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

2024

City of San José

Police & Fire Department Retirement Plan

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CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

2024

City of San José

Police & Fire Department Retirement Plan

John Flynn - Chief Executive Officer

Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2024 and June 30, 2023
Pension Trust and Postemployment Healthcare Trust Funds of the City of San José, California
A fiduciary component unit of the City of San José, CA

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
Police and Fire Department Retirement Plan

November 5, 2024

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

Dear Mayor, Council Members, and Plan Members:

The Pension Plan earned a time-weighted net of investment fees rate of return of 9.7% for the fiscal year, compared to a 9.7% return for its policy benchmark and a 9.6% return for the Investment Metrics universe net median of public funds greater than $1 billion. The Plan outperformed the net rate of return of 6.625% assumed by the Board and Plan's actuary for the fiscal year ended June 30, 2024. The Pension Plan earned a time-weighted net of investment fees rate of return of 3.9% and 7.8% for the three-year and five-year periods ending June 30, 2024, respectively, while the Investment Metrics universe net median earned a time-weighted rate of return of 3.0% and 7.2% for the same periods.

The Healthcare Plans earned a time-weighted net of investment fees rate of return of 9.5% for the fiscal year, compared to a 9.3% return for its policy benchmark. Additionally, the Healthcare Plans earned a time-weighted net of investment fees rate of return of 2.3% and 6.3% for the three-year and five-year periods ending June 30, 2024, respectively.

Performance for the City of San José Police and Fire Department Retirement Plan over the fiscal year was in line with its Policy Benchmark and outperformed its Investable Benchmark. The Plan's net position increased from $5,020,851,000 to $5,440,664,000 (see the Financial Section beginning on page 13). The net increase in the Plan's net position for fiscal year 2023-2024 was $419,813,000.

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,

Franco Vado

Franco Vado, Chair
Board of Administration

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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
Police and Fire Department Retirement Plan
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2024 and June 30, 2023

Office of Retirement Services
Police and Fire Department Retirement Plan

November 5, 2024

Board of Administration and Members of the Plan
San José Police and Fire Department Retirement Plan
1737 North First Street, Suite 600
San José, CA 95112

Dear Trustees and Members of the Plan:

I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the San José Police and Fire Department Retirement Plan (the Plan) for the fiscal year ended June 30, 2024. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Plan's management.

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

Plan History, Participants and Services. Our mission is to continue providing quality services in delivering pension and related benefits and maintain financially sound pension plans.

Established in 1961, the Plan is a public retirement system that has provided service retirement, disability, death, and survivor benefits to its members for 64 years, administered in accordance with the City of San José (the City) Municipal Code and the charter. The current Plan consists of a single employer Defined Benefit Pension Plan and three Postemployment Healthcare Plans. All regular, full-time sworn City employees are eligible for Plan benefits.

The Plan is administered by the Chief Executive Officer (CEO) of the Office of Retirement Services (ORS), and a nine-member Board of Administration. The Board is appointed by the City Council and serves in accordance with the San José Municipal Code.

See Note 1 to the basic financial statements for further information on the description of the Plan.

Funding Status and Progress. The Plan's funding objective for both its defined benefit pension plan and its defined benefit other post-employment benefits (OPEB) healthcare plan is to meet long-term benefit obligations through contributions and investment income. As of the most recent actuarial valuation dated June 30, 2023, the funded ratio of the defined benefit pension plan and the defined benefit Police and Fire OPEB plans was 80.2%, 34.8% and 33.0%, 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 Plan is currently 6.625% and 6.00%, respectively. The impact of the difference between the actual net rate of return earned by the Plan 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. The net increase in the Plan's net position for the fiscal year 2023-2024 was $419,813,000. Details of the components of this increase are included in the *Statement of Changes in Plan Net Position* on page 28. The defined benefit pension plan's funding progress is presented on page 147 and the defined benefit OPEB plan's funding progress is presented on pages 165 for Police and 181 for Fire.

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

The absolute performance for the Plan over the fiscal year was positive due to strong performance in both domestic and international equities, along with fixed income, which provided attractive yields. Over the past fiscal year, the Plan's time-weighted rate of return, net of investment fees, was 9.7% for the fiscal year, compared to a 9.7% return for its policy benchmark and a 9.6% return for the Investment Metrics universe net median of public funds greater than $1 billion. Additionally, the Plan earned a time-weighted rate of return, net of investment fees, of 3.9% and 7.8% for the three-year and five-year periods ending June 30, 2024, respectively, while the Investment Metrics universe net median earned a time-weighted rate of return, net of investment fees of 3.0% and 7.2% for the same periods.

The Pension Plan outperformed the actuarially assumed rate of return of 6.625%, achieving a 9.7% time-weighted rate of return, net of investment fee. Fiscal Year 2023-24 saw continued strong performance in the stock market. Both public equity and high-yield bonds experienced a double digit returns. The Plan captured this positive performance effectively, in line with the policy benchmark.

The Pension Plan's mirrored performance relative to the policy benchmark was attributable to both investment manager selection decisions and allocation effects. All asset classes within the Plan contributed collectively to its alignment with the benchmark.

The Healthcare Plan's time-weighted rate of return, net of investment fees, was 9.5% on investments for the fiscal year, compared to a 9.3% return for its policy benchmark. In addition, the Healthcare Plans earned a time-weighted rate of return, net of investment fees, of 2.3% and 6.3% for the three-year and five-year periods ending June 30, 2024, respectively.

The net position of the Plan increased from $5,020,851,000 to $5,440,664,000 (see the Financial Section beginning on page 13).

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 in place.

Major Initiatives. Throughout the fiscal year, the Office of Retirement Services (ORS) steadily addressed staffing vacancies across all divisions. Recruitment for a new CEO commenced in the second half of the year to replace the retiring incumbent. This process culminated in the appointment of a new CEO in August 2024.

In April 2024, the City Auditor issued report 24-03, *Retirement Services: The Office Has Not Consistently Followed City Procurement Policies and Standard Practices*. The report was published with one finding, which is covered in three different recommendations. ORS is diligently working to address these recommendations. As a result, ORS worked extensively with an outside consultant to update the procurement of goods and services policy for ORS.

In addition, Disability Retirement Rules and Policies were updated and implemented, an updated Tier 1 handbook was published, and a new Tier 2 handbook was published.

ORS continued to put on a successful Open Enrollment Health Fair for retirees, which included 878 forms submitted, 414 health-in-lieu, 89 Anthem, 74 Kaiser, 57 Delta, and 120 VSP enrollment requests processed. 530 requests were submitted directly through ORS' member portal, MemberDirect.

Financial Reporting. 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 Plan are reported on an accrual basis of accounting. For an overview and analysis of the financial activities of the Plan for the fiscal years ended June 30, 2024, and 2023, please refer to the Management's Discussion and Analysis (MD&A) on page 16.

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

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.

Awards and Recognition. I am proud to report that the GFOA awarded its Certificate of Achievement for Excellence in Financial Reporting to the Plan for its ACFR for the fiscal year ended June 30, 2023. This was the 24th consecutive year the Plan has achieved this prestigious award. To be awarded a Certificate of Achievement, the Plan 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 eligibility for another certificate.

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

Acknowledgements. I want to take this opportunity to thank the members of the Plan for their confidence in the ORS staff, whose dedication, commitment to the Plan, and diligent work helped to ensure the Plan'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 and consultants for their exceptional support.

Respectfully Submitted,

John Flynn

John Flynn
Chief Executive Officer
Office of Retirement Services

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San José Police and Fire Department Retirement Plan California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO

PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2023

Presented to

City of San José Police and Fire Department Retirement Plan

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle

Alan H. Winkle
Program Administrator

Board of Administration, Administration, and Outside Consultants

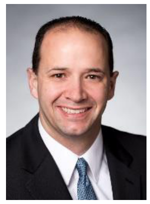
BOARD OF ADMINISTRATION

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

As of June 30, 2024, the members of the Board were as follows:

FRANCO VADO, CHAIR
Retired Plan member appointed to the Board in August 2021. His term expires November 2024.

SUNITA GANAPATI, VICE CHAIR
Public member appointed to the Board June 2020. Her current term expires November 2026.

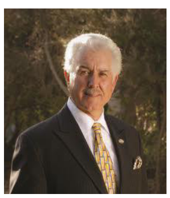


ANDREW GARDANIER, TRUSTEE
Employee representative for the Fire Department appointed to the Board in December 2015. His term expires November 2027.

DAVID KWAN, TRUSTEE
Public member appointed to the Board in June 2022. His current term expires November 2024.

HOWARD LEE, TRUSTEE
Public member appointed to the Board in February 2020. His current term expires November 2026.

ESWAR MENON, TRUSTEE
Public member appointed to the Board in November 2018. His current term expires November 2026.



RICHARD SANTOS, TRUSTEE
Retired Plan member appointed to the Board in March 2011. His current term expires November 2026.

DAVE WILSON, TRUSTEE
Employee representative for the Police Department appointed to the Board in August 2021. His term expires November 2025.

VACANT TRUSTEE
Public Member

PAM FOLEY, CITY COUNCIL LIAISON TO THE BOARD
Non-voting member appointed to the Board in January 2019.

OFFICE OF RETIREMENT SERVICES ADMINISTRATION

JOHN FLYNN, DIRECTOR CHIEF EXECUTIVE OFFICER

BARBARA HAYMAN, DEPUTY DIRECTOR CHIEF OPERATIONS OFFICER

PRABHU PALANI, CHIEF INVESTMENT OFFICER

STANDING PUBLIC MEETINGS

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

Agendas for all public meetings are posted on the bulletin board at City Hall and on the department's website at https://www.sjretirement.com 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

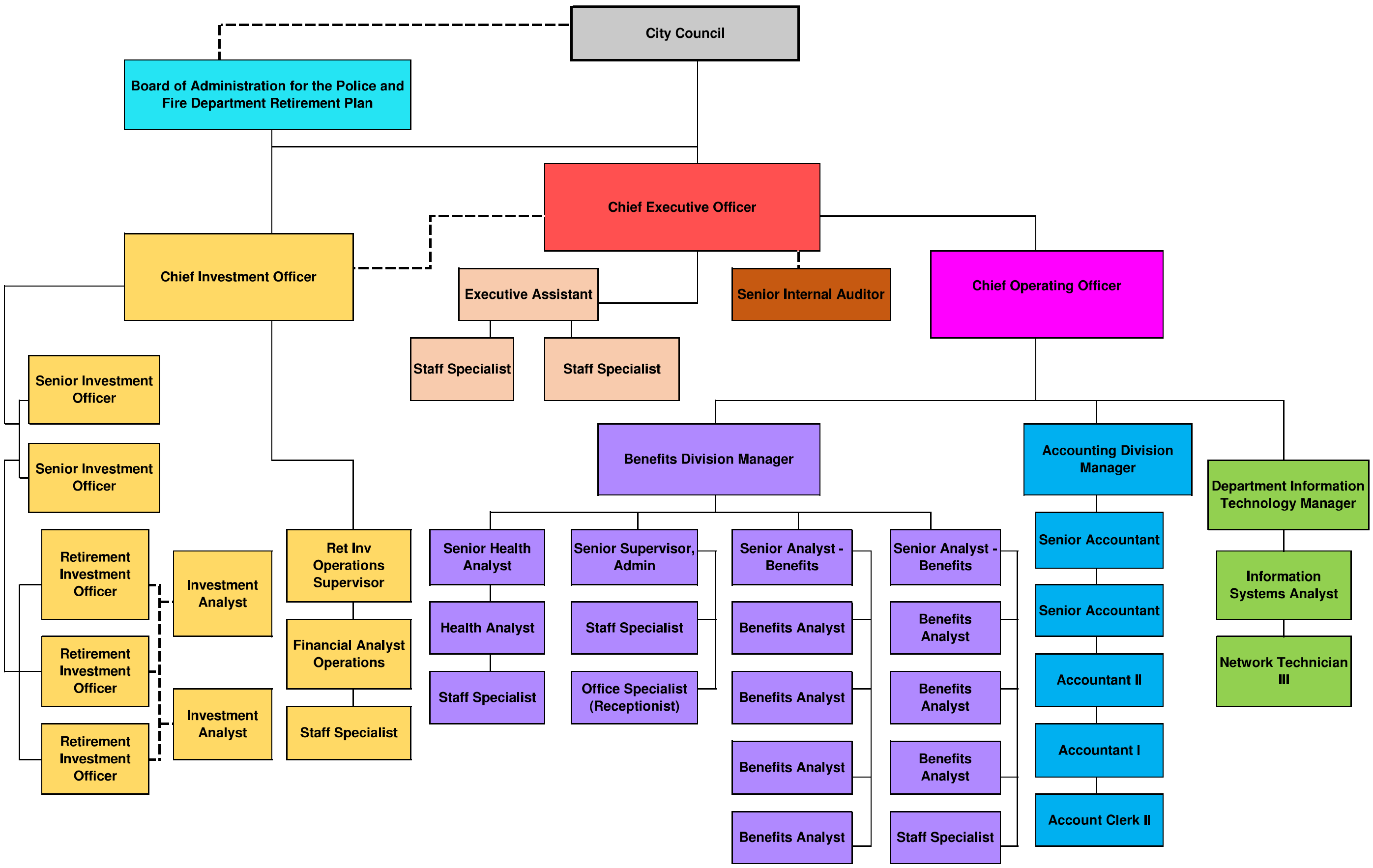
2024 Office of Retirement Services Organizational Chart

Office of Retirement Services

1737 North First Street Suite 600, San José, CA 95112

(408) 794-1000 (800) 732-6477 (408) 392-6732 Fax

www.sjretirement.com



A list of investment professionals who provide services to the pension and healthcare trust fund can be found on page 123 of the Investment Section of this report. The Schedule of Investment Fees and Schedule of Commissions can be found on pages 133 and 134 -137, respectively.

Financial Section

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

City of San José
Police and Fire Department Retirement Plan
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2024 and June 30, 2023

MGO. Certified Public Accountants

Independent Auditor's Report

Board of Administration of the City of San José
Police and Fire Department Retirement Plan
San José, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the City of San José Police and Fire Department Retirement Plan (Plan), a pension trust fund and postemployment healthcare fund of the City of San José, California, as of and for the years ended June 30, 2024, and 2023, and the related notes to the financial statements, which collectively comprise the Plan'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 Plan as of June 30, 2024, and 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 Plan 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.

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 Plan'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 Plan'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 Plan'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 plans, schedule of investment returns – postemployment healthcare plans, schedule of employer contributions – postemployment healthcare plans, 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 Plan'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 5, 2024, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Plan'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 Plan's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 5, 2024

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

November 5, 2024

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

The Office of Retirement Services is pleased to provide this overview and analysis of the financial activities of the Police and Fire Department Retirement Plan (the Plan) for the fiscal years ended June 30, 2024 and 2023. The Plan, consisting of a single employer Defined Benefit Pension Plan and three Postemployment Healthcare Plans, was established to provide retirement benefits for sworn employees of the Police and Fire Departments of the City of San José (City). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which begins on page 4 of this report, and in the financial section which follows this discussion.

Financial Highlights for Fiscal Year 2024

- As of June 30, 2024, the Plan had $5,440,664,000 in plan net position restricted for pension benefits and postemployment healthcare benefits. Plan net position of $5,096,459,000 restricted for pension benefits is available to meet the Plan's ongoing obligations to plan participants and their beneficiaries. The Postemployment Healthcare Plans' net position of $344,205,000 is available for the exclusive use of retiree medical benefits.
- The Plan's total plan net position held in trust for pension benefits and postemployment healthcare benefits increased during the fiscal year ended June 30, 2024 by $419,813,000 or 8.3% 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, 2024 were $750,447,000, which includes employer and employee contributions of $235,866,000 and $45,259,000, respectively, and net investment income of $469,322,000. This represents an increase of $94,452,000 or 14.4% of total additions from the prior fiscal year amount of $655,995,000.
- Deductions from plan net position for fiscal year ended June 30, 2024 increased by $20,348,000 from $310,286,000 to $330,634,000 over the prior fiscal year, or approximately 6.6%, 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 Plan's financial statements, notes to the financial statements, required supplementary and other supplemental information for the year ended June 30, 2024, 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 Plan's financial statements, which are comprised of these components:

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

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

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

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

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

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

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

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements (see *Notes to Basic Financial Statements* beginning on page 30 of this report).

Required Supplementary Information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning employer contributions and the Plan's progress in funding its obligations to provide pension and other postemployment healthcare benefits to members and beneficiaries (see *Required Supplementary Information* beginning on page 75 of this report). The *Schedule of Changes in the Employer's Net Pension Liability* and *Related Ratios of the Defined Benefit Pension Plan* was prepared using the Plan's net position.

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

Financial Analysis

As previously noted, plan net position may serve over time as a useful indication of the Plan's financial position (see Tables 1a and 1c on pages 19). At the close of fiscal years 2024 and 2023, the Plan's total assets exceeded the Plan's total liabilities. The Plan's financial statements do not include the total pension liability or the total OPEB liability for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans, respectively.

The Pension Plan's net position as a percentage of the total pension liability and the Postemployment Healthcare Plan's total OPEB liability should also be considered when evaluating the Plan's financial health. Based on the June 30, 2023 actuarial valuation rolled forward to June 30, 2024, the net position of the Defined Benefit Pension Plan was 83.6% of the total pension liability, and the net position of the Other Postemployment Employee Benefit Plan was 38.4% for Police and 36.8% for Fire. For more information on the results and impact of the June 30, 2023 actuarial valuations, please see Notes 4 and 5 to the financial statements beginning on page 64.

As of June 30, 2024, $5,096,459,000 and $344,205,000, in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1a and 1c on pages 19). Plan net position restricted for pension benefits of $5,096,459,000 is available to meet the Plan's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of $344,205,000 is available for the exclusive use of retiree medical benefits.

As of June 30, 2024, total net position restricted for pension benefits and for the postemployment healthcare benefits increased by 7.9% and 15.0% from the prior year, primarily due to the net appreciation in the fair value of investments of $387,081,000 and $24,868,000 for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively. The appreciation in the fair value of investments was due to the strong returns in public equities and high-yield bonds during the fiscal year. The Plan's current asset allocations are discussed in detail in Note 2(c) of the financial statements on page 48.

As of June 30, 2023, $4,721,487,000 and $299,364,000, in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1b and 1d on pages 19). Plan net position restricted for pension benefits of $4,721,487,000 was available to meet the Plan's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of $299,364,000 was 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 7.1% and 12.9% from the prior year, primarily due to the net appreciation in the fair value of investments of $314,040,000 and $13,466,000 for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively. The appreciation in the fair value of investments was due to strong market conditions during the fiscal year. The Plan's current asset allocations are discussed in detail in Note 2(c) of the financial statements on page 48.

As of June 30, 2024, receivables decreased by $12,322,000 or 29.3% in the Defined Benefit Pension Plan and by $758,000 or 10.6% in the Postemployment Healthcare Plans. Receivables in the Defined Benefit Pension Plan and the Postemployment Healthcare Plans decreased mainly due to pending investment trades at year end, compared with June 30, 2023, causing a decrease in receivables from brokers and other and accrued investment income receivables. In the previous year, receivables decreased by $53,125,000 or 55.8% and $7,526,000 or 51.3% in the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively, also due to pending investment trades at year end.

As of June 30, 2024, total liabilities for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans decreased by $36,696,000, or 54.2% and $571,000 or 6.8%, respectively, compared with June 30, 2023, mainly due to payables to brokers and others for year-end investment trades as a result of the timing of investment transactions. In the previous year, total liabilities for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans increased by $21,197,000, or 45.5% and decreased by $183,000 or 2.1%, respectively, compared with June 30, 2022, mainly due to payables to brokers and others for year-end investment trades as a result of the timing of investment transactions.

NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 1a)
As of June 30, 2024 and 2023 (Dollars in thousands)

	2024	2023	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	$ 29,717	$ 42,039	$ (12,322)	(29.3)%
Investments at fair value	5,095,598	4,744,499	351,099	7.4%
Other assets, net	2,209	2,710	(501)	(18.5)%
Total Assets	**5,127,524**	**4,789,248**	**338,276**	**7.1%**
Current liabilities	31,065	67,761	(36,696)	(54.2)%
Total Liabilities	**31,065**	**67,761**	**(36,696)**	**(54.2)%**
Plan Net Position	**$ 5,096,459**	**$ 4,721,487**	**$ 374,972**	**7.9%**

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

	2023	2022	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	$ 42,039	$ 95,164	$ (53,125)	(55.8)%
Investments at fair value	4,744,499	4,357,958	386,541	8.9%
Other assets, net	2,710	3,311	(601)	(18.2)%
Total Assets	**4,789,248**	**4,456,433**	**332,815**	**7.5%**
Current liabilities	67,761	46,564	21,197	45.5%
Total Liabilities	**67,761**	**46,564**	**21,197**	**45.5%**
Plan Net Position	**$ 4,721,487**	**$ 4,409,869**	**$ 311,618**	**7.1%**

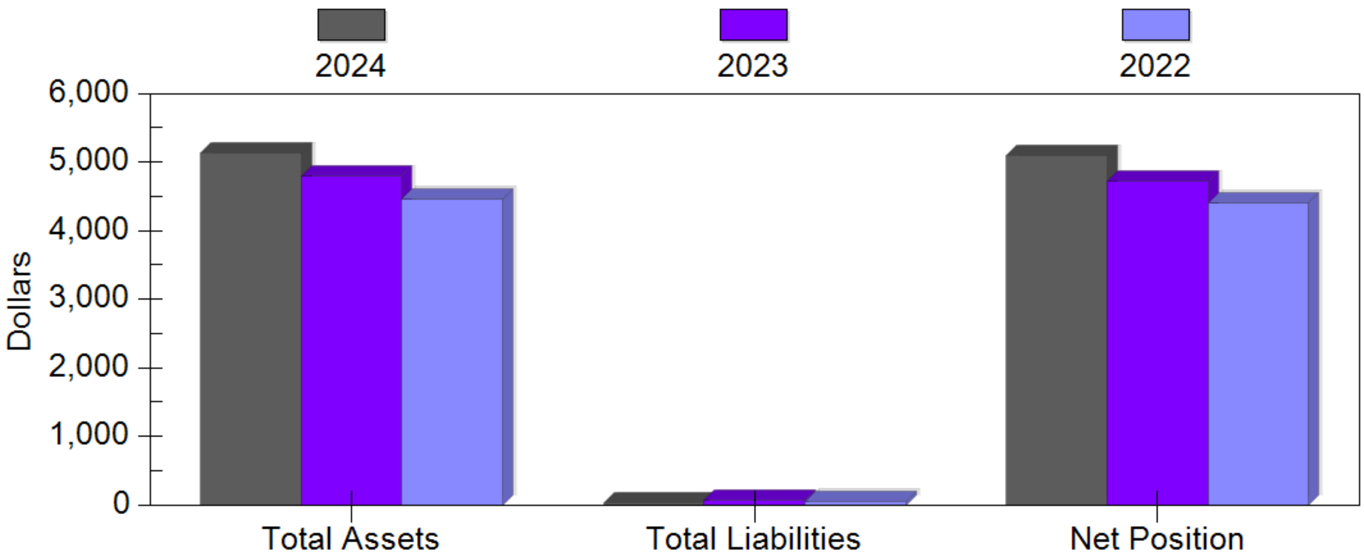
NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 1c)
As of June 30, 2024 and 2023 (Dollars in thousands)

	2024	2023	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	$ 6,396	$ 7,154	$ (758)	(10.6)%
Investments at fair value	345,641	300,588	45,053	15.0%
Other assets, net	16	41	(25)	(61.0)%
Total Assets	**352,053**	**307,783**	**44,270**	**14.4%**
Current liabilities	7,848	8,419	(571)	(6.8)%
Total Liabilities	**7,848**	**8,419**	**(571)**	**(6.8)%**
Plan Net Position	**$ 344,205**	**$ 299,364**	**$ 44,841**	**15.0%**

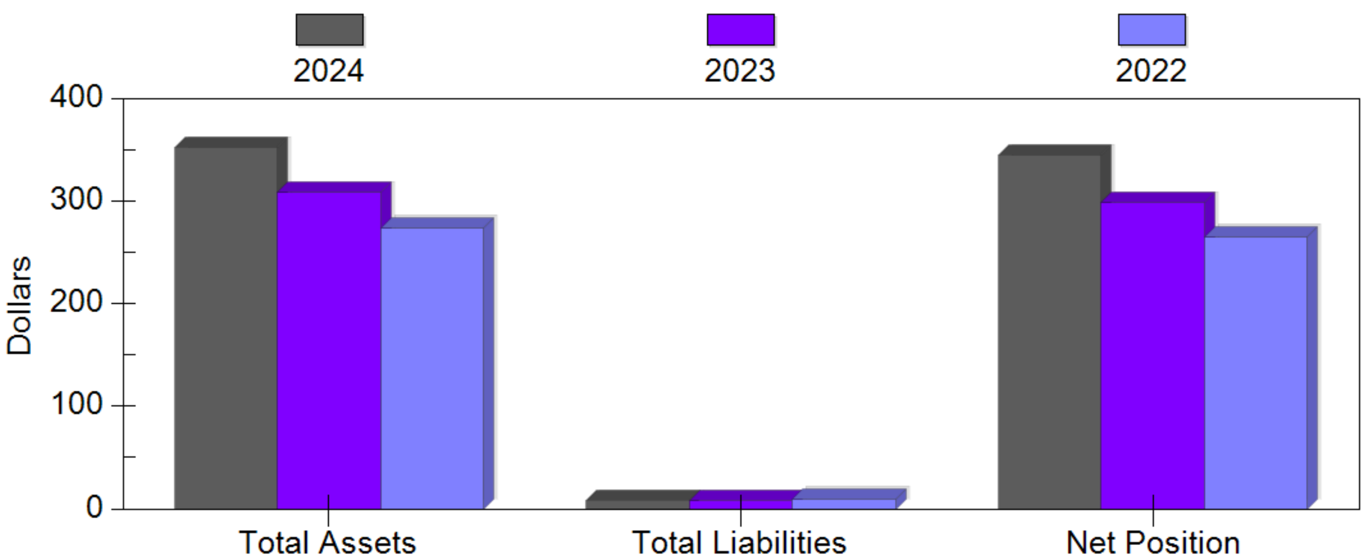
NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 1d)
As of June 30, 2023 and 2022 (Dollars in thousands)

	2023	2022	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	$ 7,154	$ 14,680	$ (7,526)	(51.3)%
Investments at fair value	300,588	259,144	41,444	16.0%
Other assets, net	41	51	(10)	(19.6)%
Total Assets	**307,783**	**273,875**	**33,908**	**12.4%**
Current liabilities	8,419	8,602	(183)	(2.1)%
Total Liabilities	**8,419**	**8,602**	**(183)**	**(2.1)%**
Plan Net Position	**$ 299,364**	**$ 265,273**	**$ 34,091**	**12.9%**

DEFINED BENEFIT PENSION PLAN NET POSITION (Tables 1a and 1b)
As of June 30, 2024, 2023 and 2022
(Dollars in millions)



POSTEMPLOYMENT HEALTHCARE PLANS NET POSITION (Tables 1c and 1d)
As of June 30, 2024, 2023 and 2022
(Dollars in millions)



POLICE AND FIRE PLAN ACTIVITIES

In the fiscal year ended June 30, 2024, the Plan's combined Defined Benefit Pension Plan and Postemployment Healthcare Plans net position increased by $419,813,000, or 8.4%, primarily due to the strong returns in public equity and high-yield bonds during the fiscal year which led to the Plan earning significant investment gains. Key elements of the Plan's financial activities are described in the sections that follow.

Additions to Plan Net Position

The assets needed to fund retirement benefits are accumulated through the collection of employer and employee contributions along with earnings on investments (net of investment expense). Total Additions to the Defined Benefit Pension Plan and Postemployment Healthcare Plans for the fiscal year ended June 30, 2024, were $674,776,000 and $75,671,000, respectively (see Tables 2a and 2c on pages 22 - 23).

For the fiscal year ended June 30, 2024, total additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plans increased by $80,502,000 or 13.5% and $13,950,000 or 22.6%, respectively. The primary cause of the increase from the prior year in the Defined Benefit Pension Plan and Postemployment Healthcare Plans was due to the increase in net investment income of $77,774,000 and $12,026,000, respectively, due to the strong returns from public equity and high-yield bonds during the fiscal year.

The Plan's time-weighted net investment fee rate of return, as determined by the Plan's investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2024 for the Defined Benefit Pension Plan, was 9.7% compared to 7.7% for fiscal year 2023.

For the fiscal year ended June 30, 2023, total additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plans increased by $645,117,000 or 1,268.8% and $46,150,000, or 296.4%, respectively. The primary cause of the increase from the prior year in the Defined Benefit Pension Plan and Postemployment Healthcare Plans was due to the increase in net investment income of $654,412,000 and $46,960,000, respectively, due to the strong returns from public equity and high-yield bonds during the fiscal year.

The Plan's time-weighted net rate of return, as determined by the Plan's investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2023, for the Defined Benefit Pension Plan was 7.7% compared to (5.1)% for fiscal year 2022.

Deductions from Plan Net Position

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

Deductions for the fiscal year ended June 30, 2024, totaled $299,804,000 and $30,830,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively. Deductions for the Defined Benefit Pension Plan increased by $17,148,000 or 6.1% from the previous year due to an increase in benefit payments (see Table 2a on page 22). 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 Plans increased by $3,200,000 or 11.6% from the previous year mainly due to the increase in healthcare insurance premiums. (see Table 2c on page 23).

Deductions for the fiscal year ended June 30, 2023, totaled $282,656,000 and $27,630,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively. Deductions for the Defined Benefit Pension Plan increased by $16,729,000 or 6.3% 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 22). Deductions for the Postemployment Healthcare Plans increased by $1,018,000 or 3.8% from the previous year mainly due to the increase in healthcare insurance premiums. (see Table 2d on page 23).

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

For the Fiscal Years Ended June 30, 2024 and 2023 (Dollars in thousands)

	2024	2023	Increase Amount	Increase Percent
Employee contributions	$ 34,439	$ 32,661	$ 1,778	5.4%
Employer contributions	202,700	201,750	950	0.5%
Net investment income[1]	437,637	359,863	77,774	21.6%
Total Additions	**674,776**	**594,274**	**80,502**	**13.5%**
Retirement benefits	271,571	256,773	14,798	5.8%
Death benefits	19,464	18,386	1,078	5.9%
Refund of contributions	920	665	255	38.3%
Administrative expenses	7,849	6,832	1,017	14.9%
Total Deductions	**299,804**	**282,656**	**17,148**	**6.1%**
Net Increase in Plan Net Position	**374,972**	**311,618**	**63,354**	**20.3%**
Beginning Net Position	**4,721,487**	**4,409,869**	**311,618**	**7.1%**
Ending Net Position	**$ 5,096,459**	**$ 4,721,487**	**$ 374,972**	**7.9%**

[1] *Net of investment expenses of $20,048 and $18,628 in 2024 and 2023, respectively.*

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

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

	2023	2022	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 32,661	$ 31,660	$ 1,001	3.2%
Employer contributions	201,750	212,046	(10,296)	(4.9)%
Net investment income / (loss)[1]	359,863	(294,549)	654,412	222.2%
Total Additions	**594,274**	**(50,843)**	**645,117**	**1,268.8%**
Retirement benefits	256,773	241,564	15,209	6.3%
Death benefits	18,386	16,938	1,448	8.5%
Refund of contributions	665	1,374	(709)	(51.6)%
Administrative expenses	6,832	6,051	781	12.9%
Total Deductions	**282,656**	**265,927**	**16,729**	**6.3%**
Net Increase / (Decrease) in Plan Net Position	**311,618**	**(316,770)**	**628,388**	**198.4%**
Beginning Net Position	**4,409,869**	**4,726,639**	**(316,770)**	**(6.7)%**
Ending Net Position	**$ 4,721,487**	**$ 4,409,869**	**$ 311,618**	**7.1%**

[1] *Net of investment expenses of $18,628 and $14,928 in 2023 and 2022, respectively.*

CHANGES IN PLAN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 2c)
For the Fiscal Years Ended June 30, 2024 and 2023 (Dollars in thousands)

	2024	2023	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 10,820	$ 11,299	$ (479)	(4.2)%
Employer contributions	33,166	30,763	2,403	7.8%
Net investment income[1]	31,685	19,659	12,026	61.2%
Total Additions	**75,671**	**61,721**	**13,950**	**22.6%**
Healthcare insurance premiums	30,699	27,528	3,171	11.5%
Administrative expenses	131	102	29	28.4%
Total Deductions	**30,830**	**27,630**	**3,200**	**11.6%**
Net Increase in Plan Net Position	**44,841**	**34,091**	**10,750**	**31.5%**
Beginning Net Position	**299,364**	**265,273**	**34,091**	**12.9%**
Ending Net Position	**$ 344,205**	**$ 299,364**	**$ 44,841**	**15.0%**

[1] *Net of investment expenses of $269 and $318 in 2024 and 2023, respectively.*

CHANGES IN PLAN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 2d)
For the Fiscal Years Ended June 30, 2023 and 2022 (Dollars in thousands)

	2023	2022	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 11,299	$ 12,109	$ (810)	(6.7)%
Employer contributions	30,763	30,763	-	-%
Net investment income / (loss)[1]	19,659	(27,301)	46,960	172.0%
Total Additions	**61,721**	**15,571**	**46,150**	**296.4%**
Healthcare insurance premiums	27,528	26,458	1,070	4.0%
Administrative expenses	102	154	(52)	(33.8)%
Total Deductions	**27,630**	**26,612**	**1,018**	**3.8%**
Net Increase / (Decrease) in Plan Net Position	**34,091**	**(11,041)**	**45,132**	**408.8%**
Beginning Net Position	**265,273**	**276,314**	**(11,041)**	**(4.0)%**
Ending Net Position	**$ 299,364**	**$ 265,273**	**$ 34,091**	**12.9%**

[1] *Net of investment expenses of $318 and $310 in 2023 and 2022, respectively.*

Reserves

The Plan is required by the City of San José Municipal Code to establish various reserves in the Plan's net position. The Plan's net position is allocated between the Defined Benefit Pension Plan (which includes the Retirement Fund and the Cost-of-Living Fund) and the Postemployment Healthcare Plans (which include the Postemployment Healthcare 401(h) Plan, the Police Department Postemployment 115 Healthcare Subtrust and the Fire Department Postemployment 115 Healthcare Subtrust). The Defined Benefit Pension Plan Retirement Fund and the Defined Benefit Cost-of-Living Fund both have a General Reserve and an Employee Contributions Reserve. The Postemployment Healthcare 401(h) and 115 Subtrust Funds have a General Reserve only (see table on page 51 for a complete listing and year-end balances of the Plan's reserves).

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

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. See Note 2 of the financial statements for additional information.

The Plan's Fiduciary Responsibilities

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

Economic Factors and Rates Affecting Next Year

The Plan’s actuarial valuations as of June 30, 2023, were used to determine the contribution rates and dollar amounts effective June 23, 2024 for fiscal year 2024-2025. The annual determined contribution rates and dollar amounts were adopted by the Board in April 2024. The June 30, 2023 actuarial valuations include Board-adopted actuarial assumption changes recommended by the Plan's actuary in the June 30, 2023 Preliminary Valuation Results and Economic Assumption Review presented in November and December 2023, respectively.

The Investment Policy Statement for the Plan has been revised as of October 2023, and the asset allocation was revised as of May 2024. Notable changes were revisions to the verbiage and changes to the Appendices.

Defined Benefit Pension Plan

The Plan’s funding objective is to meet long-term benefit obligations through contributions and investment income. The Plan’s actuarial valuation for funding purposes uses a five-year smoothing method for investment gains and losses. This means that the current year’s gains or losses compared to the actuarially assumed rate of return, as calculated at year-end, are recognized over five years. The unfunded actuarial liability (UAL) of $1,168.8 million, as of June 30, 2023, does not include the impact of approximately $18.2 million of net deferred investment losses yet to be recognized, primarily resulting from unfavorable investment returns during fiscal year 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 Plan is exposed to general investment market risk. In a pension plan context, this is the risk that the long-term rate of return earned on the pension plan assets could be below the actuarially assumed rate of return, which is 6.625%, net of investment expenses, in the actuarial valuation as of June 30, 2023. With all other actuarial variables being equal, underperforming the assumed rate of return would increase the UAL and decrease the funded status of the Plan, thereby increasing required contributions to the Plan. 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 Plan, thereby decreasing required contributions to the Plan.

In addition to investment market risk, the Plan is exposed to non-economic or demographic risk. The demographic assumptions, which include rates of termination, retirement, disability and mortality, are often unique to the Plan's provisions and the specific demographics of the Plan participants. Deviations from these actuarial assumptions cause the Plan to experience gains or losses, which in turn can lead to volatility in the contribution rates. To minimize this risk, every two years, the Plan's actuary conducts an experience study to assess whether the experience of the Plan is conforming to the actuarial assumptions.

The actuarial assumptions may be adjusted where it is determined that current assumptions will not provide the most accurate expectation of what may happen in the future. The Board approved to make changes to the June 30, 2023 actuarial valuation as a result of the demographic experience study report presented in November 2023. Retirement, termination, mortality, and disability rates as well as administrative expenses were updated for the June 30, 2023 valuation. See Actuarial section for the effects of these changes.

Contribution rates for fiscal year 2024-2025, as determined by the June 30, 2023 actuarial valuation, includes the impact of the changes stated above and the recognition of smoothed deferred investment gains and losses.

Postemployment Healthcare Plan

Under Measure F, member contributions for retiree healthcare were set at 8% of pay, while the City’s contributions are actuarially determined for Police and Fire. In March 2018, the Board approved a policy establishing a flat dollar amount for the City’s healthcare contributions for Tier 1 members, starting with fiscal year 2019. The City also retains the option to limit its contributions to 11% of payroll for Police and Fire.

Requests for Information

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

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

Respectfully Submitted,

John Flynn

John Flynn
Chief Executive Officer
Office of Retirement Services

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STATEMENTS OF PLAN NET POSITION

As of June 30, 2024 and 2023 (In Thousands)

	2024				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ASSETS					
Receivables					
Employee contributions	$ 754	$ 226	$ -	$ -	$ 980
Employer contributions	5,585	-	390	254	6,229
Brokers and others	13,886	4,204	363	561	19,014
Accrued investment income	9,492	54	214	130	9,890
Total Receivables	**29,717**	**4,484**	**967**	**945**	**36,113**
Investments, at fair value					
Securities and other:					
Public equity	2,201,529	3,613	130,449	75,343	2,410,934
Private equity	494,022	811	-	-	494,833
Cash and cash equivalents	391,754	643	776	448	393,621
Immunized cash flows	377,455	620	-	-	378,075
Investment grade bonds	218,285	358	29,852	17,241	265,736
Core real estate	223,934	368	22,243	12,846	259,391
Private debt	225,439	370	-	-	225,809
Growth real estate	223,420	367	-	-	223,787
Market neutral strategies	149,814	246	-	-	150,060
Private real assets	127,226	209	-	-	127,435
Treasury inflation-protected securities	101,431	166	-	-	101,597
Emerging market bonds	100,578	165	-	-	100,743
High yield bonds	99,833	164	-	-	99,997
Venture / Growth capital	92,235	151	-	-	92,386
Long-term government bonds	68,643	113	10,702	6,181	85,639
Commodities	-	-	10,199	5,890	16,089
Short-term investment grade bonds	-	-	9,576	5,531	15,107
Total Investments	**5,095,598**	**8,364**	**213,797**	**123,480**	**5,441,239**
Other assets, net	2,209	16	-	-	2,225
TOTAL ASSETS	**5,127,524**	**12,864**	**214,764**	**124,425**	**5,479,577**
LIABILITIES					
Payable to brokers	27,447	1,981	605	84	30,117
Other liabilities	3,618	4,707	125	346	8,796
TOTAL LIABILITIES	**31,065**	**6,688**	**730**	**430**	**38,913**
PLAN NET POSITION - RESTRICTED FOR					
Pension benefits	5,096,459	-	-	-	5,096,459
Postemployment healthcare benefits	-	6,176	214,034	123,995	344,205
TOTAL PLAN NET POSITION	**$ 5,096,459**	**$ 6,176**	**$ 214,034**	**$ 123,995**	**$ 5,440,664**

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

Basic Financial Statements *(continued)*

STATEMENTS OF PLAN NET POSITION (continued)

As of June 30, 2024 and 2023 (In Thousands)

	2023				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ASSETS					
Receivables					
Employee contributions	$ 543	$ 179	$ -	$ -	$ 722
Employer contributions	4,226	-	306	181	4,713
Brokers and others	29,052	3,624	611	1,849	35,136
Accrued investment income	8,218	53	219	132	8,622
Total Receivables	**42,039**	**3,856**	**1,136**	**2,162**	**49,193**
Investments, at fair value					
Securities and other:					
Public equity	2,025,012	4,956	111,326	64,014	2,205,308
Private equity	443,147	1,084	-	-	444,231
Immunized cash flows	370,194	906	-	-	371,100
Cash and cash equivalents	358,171	875	3	2	359,051
Core real estate	246,107	602	22,958	13,201	282,868
Investment grade bonds	205,385	503	24,585	14,138	244,611
Growth real estate	211,464	517	-	-	211,981
Private debt	192,155	470	-	-	192,625
Market neutral strategies	144,827	354	-	-	145,181
Emerging market bonds	124,195	304	-	-	124,499
Private real assets	116,442	285	-	-	116,727
Treasury inflation-protected securities	96,268	236	-	-	96,504
High yield bonds	90,271	221	-	-	90,492
Long-term government bonds	72,613	178	8,245	4,742	85,778
Venture / Growth capital	48,248	118	-	-	48,366
Commodities	-	-	8,588	4,938	13,526
Short-term investment grade bonds	-	-	7,771	4,468	12,239
Total Investments	**4,744,499**	**11,609**	**183,476**	**105,503**	**5,045,087**
Other assets, net	2,710	41	-	-	2,751
TOTAL ASSETS	**4,789,248**	**15,506**	**184,612**	**107,665**	**5,097,031**
LIABILITIES					
Payable to brokers	38,432	1,482	726	788	41,428
Other liabilities	29,329	4,801	220	402	34,752
TOTAL LIABILITIES	**67,761**	**6,283**	**946**	**1,190**	**76,180**
PLAN NET POSITION - RESTRICTED FOR					
Pension benefits	4,721,487	-	-	-	4,721,487
Postemployment healthcare benefits	-	9,223	183,666	106,475	299,364
TOTAL PLAN NET POSITION	**$ 4,721,487**	**$ 9,223**	**$ 183,666**	**$ 106,475**	**$ 5,020,851**

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

STATEMENTS OF CHANGES IN PLAN NET POSITION

For the Fiscal Years Ended June 30, 2024 and 2023 (In Thousands)

	2024				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ADDITIONS					
Contributions					
Employee	$ 34,439	$ 10,820	$ -	$ -	$ 45,259
Employer	202,700	4,444	17,672	11,050	235,866
Total Contributions	**237,139**	**15,264**	**17,672**	**11,050**	**281,125**
Investment income					
Net appreciation in fair value of investments	387,081	606	15,366	8,896	411,949
Interest income	60,627	92	883	513	62,115
Dividend income	9,977	14	3,531	2,053	15,575
Less: investment expense	(20,048)	(25)	(155)	(89)	(20,317)
Net Investment Income	**437,637**	**687**	**19,625**	**11,373**	**469,322**
TOTAL ADDITIONS	**674,776**	**15,951**	**37,297**	**22,423**	**750,447**
DEDUCTIONS					
Retirement benefits	271,571	-	-	-	271,571
Healthcare insurance premiums	-	18,961	6,872	4,866	30,699
Death benefits	19,464	-	-	-	19,464
Refund of contributions	920	-	-	-	920
Administrative expenses and other	7,849	37	57	37	7,980
TOTAL DEDUCTIONS	**299,804**	**18,998**	**6,929**	**4,903**	**330,634**
NET INCREASE / (DECREASE)	**374,972**	**(3,047)**	**30,368**	**17,520**	**419,813**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS					
BEGINNING OF YEAR	**4,721,487**	**9,223**	**183,666**	**106,475**	**5,020,851**
END OF YEAR	**$ 5,096,459**	**$ 6,176**	**$ 214,034**	**$ 123,995**	**$ 5,440,664**

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

STATEMENTS OF CHANGES IN PLAN NET POSITION (continued)

For the Fiscal Years Ended June 30, 2024 and 2023 (In Thousands)

	2023				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ADDITIONS					
Contributions					
Employee	$ 32,661	$ 11,299	$ -	$ -	$ 43,960
Employer	201,750	3,238	16,951	10,574	232,513
Total Contributions	**234,411**	**14,537**	**16,951**	**10,574**	**276,473**
Investment income					
Net appreciation in fair value of investments	314,040	869	7,956	4,641	327,506
Interest income	52,827	209	906	542	54,484
Dividend income	11,624	46	3,008	1,800	16,478
Less: investment expense	(18,628)	(73)	(154)	(91)	(18,946)
Net Investment Income	**359,863**	**1,051**	**11,716**	**6,892**	**379,522**
TOTAL ADDITIONS	**594,274**	**15,588**	**28,667**	**17,466**	**655,995**
DEDUCTIONS					
Retirement benefits	256,773	-	-	-	256,773
Healthcare insurance premiums	-	23,776	-	3,752	27,528
Death benefits	18,386	-	-	-	18,386
Refund of contributions	665	-	-	-	665
Administrative expenses and other	6,832	42	38	22	6,934
TOTAL DEDUCTIONS	**282,656**	**23,818**	**38**	**3,774**	**310,286**
NET INCREASE / (DECREASE)	**311,618**	**(8,230)**	**28,629**	**13,692**	**345,709**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS					
BEGINNING OF YEAR	**4,409,869**	**17,453**	**155,037**	**92,783**	**4,675,142**
END OF YEAR	**$ 4,721,487**	**$ 9,223**	**$ 183,666**	**$ 106,475**	**$ 5,020,851**

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

Notes to the Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the City of San José Police and Fire Department Retirement Plan (the Plan) 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 Plan was established in 1961 to provide retirement benefits for certain employees of the City of San José (City). The current Plan consists of a single employer Defined Benefit Pension Plan and three Postemployment Healthcare Plans. On January 27, 2011, the Plan requested a compliance statement and favorable determination letter from the Internal Revenue Service (IRS) under the streamline procedures of the voluntary compliance program for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans. The most recent favorable determination letter from the IRS is dated August 26, 2016. The Defined Benefit Pension Plan and three Postemployment Healthcare Plans is held and administered in the 1961 Police and Fire Department Retirement Plan; it includes all provisions of SJMC Chapter 3.36, 3.54 and 3.56, respectively.

The Postemployment Healthcare 401(h) Plan, which was established under Internal Revenue Code (IRC) Section 401(h), is an account within the pension plan which is used for the funding and payment of the retiree healthcare benefits. As a 401(h) plan, the healthcare benefits must be subordinate to the pension plan benefits. The medical benefits are considered subordinate if, when ignoring contributions for past service benefit, the contributions for medical benefits are no greater than 25% of the actual contributions to both the pension and medical benefits. The Postemployment Healthcare 401(h) Plan, is held and administered in Police and Fire Department Retirement Healthcare Trust Fund; it includes all provisions of SJMC Chapter 3.36.

The IRC Section 115 Trust was established on May 22, 2012 by the San José City Council (Ordinance number 29065) to provide an alternative to the existing 401(h) account. The healthcare trust was clarified by the San José City Council (Ordinance number 29260) on June 12, 2013, which declared that the Police Department Postemployment Healthcare Plan and the Fire Department Postemployment Healthcare Plan may be structured as two wholly separate sub-trusts of one trust. Employer contributions to the new trust funds began in fiscal year 2013. On August 6, 2013, the City obtained a private letter ruling from the IRS assuring the pre-tax treatment of employee contributions to the new trust funds. On July 9, 2014, the Plan received a private letter ruling from the IRS on the tax qualification of the new Section 115 Trust. As of this date, it has not been determined if or when employee contributions will begin to go into the Section 115 subtrusts. The healthcare trusts are held and administered in the Police Department Health Care Trust Fund and Fire Department Health Care Trust Fund; they include all provisions of SJMC Chapter 3.54 and 3.56, respectively.

The City and the bargaining units representing sworn Police and Fire members engaged in settlement discussions concerning litigation arising out of a voter-approved ballot measure, known as Measure B, which passed in 2012. On August 25, 2015, the City Council approved the terms of the Alternative Pension Reform Settlement Framework (Public Safety Framework) for the two sworn bargaining units, the San José Police Officers' Association (SJPOA) and the San José Firefighters International Association of Fire Fighters, Local 230 (IAFF). The Public Safety 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 February 14, 2017, amending the San José Municipal Code to reflect the terms of Measure F and the Public Safety Framework, and the changes to the Municipal Code became effective thirty (30) days after February 14, 2017. Most terms of Measure F and the Public Safety

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(a) General (continued)

Framework were implemented on June 18, 2017. The provisions of the Public Safety 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 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 were eligible to opt-in to the VEBA, while all Tier 2 employees and Tier 1 employees who enter the Plan after June 18, 2017, with “Classic” membership in California Public Employees' Retirement System (CalPERS) were required to move in to the VEBA.

The VEBA opt-in election period was October 18, 2017 through December 15, 2017, and the Internal Revenue Service issued favorable private letter rulings to each of the Section 115 Trusts on February 7, 2018. The IRS ruled that allowing the contributions to the VEBA to be made from the Sections 115 Trusts is consistent with Code Section 115(1) and will not compromise the Section 115 Trusts' 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 calendars 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.

The Plan is considered to be a part of the City’s financial reporting entity and is included in the City’s basic financial statements as a pension and postemployment healthcare trust fund. The Plan is administered by the Chief Executive Officer of the Office of Retirement Services, an employee of the City, who serves at the pleasure of the Police and Fire Department Plan Board of Administration (Board of Administration). The nine-member Board of Administration is composed of two City employees elected by members of the Plan, two retired Plan members elected by the retiree associations, four public members who are not connected with the City and have significant banking or investment experience, and another public member who is selected by the eight Board members and approved by the City Council. The Board is appointed by the City Council and serves in accordance with Section 2.08, Part 12 of the San José Municipal Code. The contribution and benefit provisions and all other requirements are established by City ordinance. The Plan is responsible for all direct administrative costs except for certain support services, which are provided and funded directly by the City. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

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

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 in the Defined Benefit Pension Plan effective June 18, 2017. In addition, employees in Tier 2 who have "Classic" membership with CalPERS may be moved to Tier 1 subject to the identification of these employees and confirmation of "Classic" membership with CalPERS. The Plan members are categorized into four membership types based on when they entered the Plan. Police Tier 1 members are those members who entered the Plan prior to August 4, 2013, Tier 1 rehires who did not take a return of contributions, or "Classic" CalPERS members. Fire Tier 1 members are those members who entered the Plan prior to January 2, 2015, Tier 1 rehires who did not take a return of contributions, or "Classic" CalPERS members. Police Tier 2 members are those employees who were newly hired on or after August 4, 2013. Fire Tier 2 members are those employees who were newly hired on or after January 2, 2015.

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(a) General (continued)

The following table summarizes the Plan members as of June 30, 2024 and 2023, respectively.

As of June 30, 2024	Police				Fire				
	Tier 1 Pension & Medical [2]	Tier 1 Pension only [3]	Tier 2 Pension only [3]	Police Total	Tier 1 Pension & Medical [2]	Tier 1 Pension only [3]	Tier 2 Pension only [3]	Fire Total	Grand Total
Defined Benefit Pension Plan:									
Retirees and beneficiaries [1]	1,529	154	2	1,685	908	57	1	966	2,651
Terminated members - Deferred vested	3	160	192	355	4	38	15	57	412
Active members	355	32	612	999	353	33	255	641	1,640
Total	**1,887**	**346**	**806**	**3,039**	**1,265**	**128**	**271**	**1,664**	**4,703**
	Tier 1			Police Total	Tier 1			Fire Total	Grand Total
Postemployment Healthcare Plan:									
Retirees and beneficiaries [4]	1,529			-	908			-	2,437
Terminated members - Deferred vested	3			-	4			-	7
Active members	355			-	353			-	708
Total	**1,887**			**-**	**1,265**			**-**	**3,152**

As of June 30, 2023	Police				Fire				
	Tier 1 Pension & Medical [2]	Tier 1 Pension only [3]	Tier 2 Pension only [3]	Police Total	Tier 1 Pension & Medical [2]	Tier 1 Pension only [3]	Tier 2 Pension only [3]	Fire Total	Grand Total
Defined Benefit Pension Plan:									
Retirees and beneficiaries [1]	1,503	144	1	1,648	893	57	-	950	2,598
Terminated members - Deferred vested	3	161	153	317	3	32	10	45	362
Active members	406	34	607	1,047	390	32	226	648	1,695
Total	**1,912**	**339**	**761**	**3,012**	**1,286**	**121**	**236**	**1,643**	**4,655**
	Tier 1			Police Total	Tier 1			Fire Total	Grand Total
Postemployment Healthcare Plan:									
Retirees and beneficiaries [4]	1,503			1,503	893			893	2,396
Terminated members - Deferred vested	3			3	3			3	6
Active members	406			406	390			390	796
Total	**1,912**			**1,912**	**1,286**			**1,286**	**3,198**

[1] *Retiree counts do not include combined domestic relations orders*
[2] *Members are eligible for full retiree medical benefits*
[3] *Includes members that are eligible for catastrophic disability medical benefits only (VEBA) from the Postemployment Healthcare Plan*
[4] *Payees that have health and / or dental coverage*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(b) Pension, Disability and Healthcare Benefits

Effective September 30, 1994, the Plan entered into an agreement with CalPERS that extends reciprocal retirement benefits to members. In certain situations, this agreement could result in improved retirement benefits for members who move from one eligible retirement system to another.

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

	Police Tier 1 [1]	Police Tier 1 Classic [2]	Police Tier 2 [3]
Contributions			
Employee	19.06% of base salary (Pension: 11.06% [5] , Retiree Healthcare: 8.00%) as of 6/25/2023	15.21% of base salary (Pension: 11.21%, VEBA: 4.00%) as of 6/25/2023	18.35% of base salary (Pension: 14.35%, VEBA: 4.00%) as of 6/25/2023
City	Pension: 33.84% (Normal cost) + Flat dollar amount (UAL); Retiree Healthcare: Flat dollar amount as of 6/25/2023	Pension: 33.84% (Normal cost) + Flat dollar amount (UAL) as of 6/25/2023	14.35% of base salary (Pension: 14.35%) as of 6/25/2023
Service required to leave contributions in retirement plan	10 years of service (20 years must have elapsed from date of entry into retirement plan to collect pension)	10 years of service	5 years service with the City in the Police and Fire Department Plan (Years of Service = 2080 hours worked in the applicable 12-month period)
Service Retirement			
Age / years of service	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	57 with 5 years of service with the City in the Plan 50 with 5 years of service with the City in the Plan (A reduction factor of 7.0% per year for each year between age 57 and Tier 2 member's age at retirement, prorated to the closest month)
Early retirement	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	N/A
Deferred vested retirement	50 with 25 years service 55 with 10 years of service only if 20 years have elapsed from date of membership.	55 with 10 years of service only if 20 years have elapsed from date of membership. (Members can begin receiving benefits at age 50 with at least 25 years of service.)	At least 5 years of service with the City in the Plan (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.) Can begin at age 50 with reduction factor of 7.0% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Police Tier 1 [1]	Police Tier 1 Classic [2]	Police Tier 2 [3]
Allowance	First 20 years of City service: 50% of Final Compensation^ (2.5% per year) Next 21-30 years of City service: 4% for each full year of service x Final Compensation (90% max) ^ Final Compensation is limited to 108% of the second year prior to retirement. This formula applies to deferred vested employees if they separated from the City of San José on or after 7/1/2006. Please contact ORS if the separation date was prior to 7/1/2006	First 20 years of City service: 50% of Final Compensation (2.5% per year) Next 21-30 years of City service: 4% per year of service x Final Compensation (90% max)	First 20 years of service: 2.4% per year of service x Final Compensation Beginning of 21st year of service: 3.0% per year of service x Final Compensation Beginning of 26th year of service: 3.4% per year of service x Final Compensation Final Compensation is the average annual base pay plus any premium pays authorized by ordinance for the highest 3 consecutive years of service [SJMC 3.36.020.05] Maximum benefit is 80% of Final Compensation
Disability Retirement (Service Connected)			
Eligibility / Minimum service	No minimum years of service. Must apply when an active employee or within one year after retirement. At time of application, must be incapacitated from the performance of duty as a result of injury or disease arising out of and in the course of employment with the City of San José as approved by the Board.	None	No minimum years of service. Must apply when an active employee or within one month after separation from City. At time of application, must be incapacitated from the performance of duty as a result of injury or disease arising out of and in the course of employment with the City of San José as approved by the Board.
Allowance	< 20 years of service: 50% of Final Compensation Next 21-30 years of service: 4% for each full year of service x Final Compensation (90% max), if service-connected disability retirement occurred or occurs on or after July 1, 2006 (90% max)	< 20 years of service: 50% of Final Compensation Next 21-30 years of service: 4% per year of service x Final Compensation (90% max)	An individual who is granted a service-connected disability retirement is entitled to a monthly allowance equal to the greater of: i. 50% of Final Compensation ii. A service retirement allowance, if he or she qualified for such or iii. An actuarially reduced factor, as determined by the plan's actuary, for each quarter year that his or her service age is less than 50 years, multiplied by the number of years of service subject to the applicable formula, if not qualified for a service retirement

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Police Tier 1 [1]	Police Tier 1 Classic [2]	Police Tier 2 [3]
Disability Retirement (Non-Service Connected)			
Eligibility / Minimum service	Minimum 2 years of service. Must apply when an active employee or with one year of retirement. At time of application, must be incapacitated from the performance of duty as the result of injury or disease that did not arise out of or in the course of employment with the City of San José as approved by the Board.	2 years of service	Minimum 5 years of service. Must apply when an active employee or within one month after separation from City. At time of application, must be incapacitated from the performance of duty as the result of injury or disease that did not arise out of or in the course of employment with the City of San José as approved by the Board.
Allowance	< 20 years of service: 32% of Final Compensation plus 1% for each full year in excess of 2 years (50% max) > 20 years of service: 2.5% x first 20 years of service x Final Compensation Next 21-30 years of service: 4% per year of service x Final Compensation (90% max) Reciprocity members may have a different formula, please contact ORS for details	< 20 years of service: 32% of Final Compensation plus 1% for each full year in excess of 2 years. (50% max) > 20 years of service: 2.5% x first 20 years of service x Final Compensation Next 21-30 years of service: 4% per year of service x Final Compensation (90% max)	An individual who is granted a non service-connected disability retirement is entitled to a monthly allowance equal to the greater of: i. If less than age 50: 1.8% per year of service or ii. If older than age 50: The amount of service pension benefit as calculated based upon the service pension formula
Medical Benefits [4]			
Eligibility	Retired for disability or service directly from active service with either 15 years of San José service or receive allowance that is at least 37.5% of Final Compensation. Also eligible if member separates from service after 7/5/1992 but prior to retirement with 20 years San José service and leaves contributions in retirement plan and former member receives allowance (i.e., applies and qualifies for retirement)	All Police Tier 1 classic members are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA	All Police Tier 2 members are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA
Premiums	Retirement Plan pays 100% of lowest cost plan that is available to active City employees. If member does not choose the lowest cost plan, member pays the difference between that premium and the premium of the lowest cost plan	N/A	N/A
Medicare Eligibility	At age 65, members 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 (SJMC 3.36.1920(M))	N/A	N/A

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Police Tier 1 [1]	Police Tier 1 Classic [2]	Police Tier 2 [3]
Dental Benefits [4]			
Eligibility	Retired for disability or service directly from active service with either 15 years of service or receive allowance that is at least 37.5% of Final Compensation. Also eligible if member leaves City service after 7/5/92 but prior to retirement with 20 years San José service and leaves contributions in retirement plan and former member receives allowance. (i.e., applies for retirement)	All Police Tier 1 Classic employees are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA	All Police Tier 2 employees are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA
Premiums	Fully paid by retirement fund	N/A	N/A
Reciprocity			
Reciprocity	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement
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 February. There is no proration of COLA	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA	Retirees are eligible for an annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 2.0% per year. COLAs are applied annually on February 1st. The first COLA will be prorated based on the number of months retired prior to February 1st. Partial months are not included in the proration

1 *Police Tier 1 employees are those hired before August 4, 2013 .*

2 *Employees with "Classic" membership from a CalPERS or reciprocal agency. 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 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.***

3 *Police Tier 2 employees are those hired on or after August 4, 2013.*

4 *Employees who opted-in to the VEBA are not eligible for the Defined Benefit Retiree Healthcare Plan (Medical or Dental Benefits.)*

5 *Police rehires (hired between August 4, 2013 and June 18, 2017) will have an additional contribution rate for the cost of the retroactive benefit.*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

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

	Fire Tier 1 [1]	Fire Tier 1 Classic [2]	Fire Tier 2 [3]
Contributions			
Employee	19.99% of base salary (Pension: 11.99% [5] , Retiree Healthcare: 8.00%) as of 6/25/2023	16.14% of base salary (Pension: 12.14%, VEBA: 4.00%) as of 6/25/2023	19.11% of base salary (Pension: 15.11%, VEBA: 4.00%) as of 6/25/2023
City	Pension: 34.25% (Normal cost) + Flat dollar amount (UAL); Retiree Healthcare: Flat dollar amount as of 6/25/2023	Pension: 34.25% (Normal cost) + Flat dollar amount (UAL) as of 6/25/2023	15.11% of base salary (Pension: 15.11%) as of 6/25/2023
Service required to leave contributions in retirement plan	10 years (20 years must have elapsed from date of entry into system to collect pension)	10 years	5 years of service with the City in the Plan (Year of Service = 2080 hours worked in the applicable 12-month period)
Service Retirement			
Age / years of service	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	57 with 5 years of service with the City in the Plan 50 with 5 years of service with the City in the Plan. A reduction factor of 7% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month
Early retirement (Not available for deferred vested members without reciprocity)	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	N/A
Deferred vested retirement	50 with 25 years of service 55 with 10 years of service only if 20 years have elapsed from date of membership.	55 with 10 years of service only if 20 years have elapsed from date of membership. (Members can begin receiving benefits at age 50 with at least 25 years of service)	At least 5 years of service with the City in the Plan. (This applies to members who separate from City service before retirement and leave their contributions in the retirement plan.) Can begin at age 50 with reduction factor of 7% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Fire Tier 1 [1]	Fire Tier 1 Classic [2]	Fire Tier 2 [3]
Allowance	First 20 years of service: 50% of Final Compensation ^(2.5% per year) > 20 years of service - all years convert to 3% for each full year x Final Compensation (90% max) ^Final Compensation is limited to 108% of members second year prior to retirement This formula applies to deferred vested employees if the member separated from the City of San José on or after 7/1/2008. Please contact ORS if member's separation date was prior to 7/1/2008	First 20 years of service: 50% of Final Compensation (2.5% per year) Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max) – All years convert to 3% after 20 years of service	First 20 years of service: 2.4% per year of service x Final Compensation Beginning of 21st year of service: 3.0% per year of service x Final Compensation Beginning of 26th year of service: 3.4% per year of service x Final Compensation Final Compensation is the average annual base pay plus any premium pays authorized by ordinance for the highest 3 consecutive years of service [SJMC 3.36.020.05] Maximum benefit is 80% of Final Compensation
Disability Retirement (Service-Connected)			
Minimum service / Eligibility	No minimum years of service. Must apply when an active employee or within one year after retirement. At time of application, must be incapacitated from the performance of duty as a result of injury or disease arising out of and in the course of employment with the City of San José as approved by the Board	None	No minimum years of service. Must apply when an active employee or within one month after separation from City. At time of application, must be incapacitated from the performance of duty as a result of injury or disease arising out of and in the course of employment with the City of San José as approved by the Board
Allowance	< 20 years of service: 50% of Final Compensation > 20 years of service - all years convert to 3% for each full year x Final Compensation, if service-connected disability retirement occurred or occurs on or after July 1, 2008 (90% max)	< 20 years of service: 50% of Final Compensation Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max)	An individual who is granted a service-connected disability retirement is entitled to a monthly allowance equal to the greater of: i. 50% of Final Compensation ii. A service retirement allowance, if he or she qualified for such; or iii. An actuarially reduced factor, as determined by the Plan's actuary, for each quarter year that his or her service age is less than 50 years, multiplied by the number of years of service subject to the applicable formula, if not qualified for a service retirement

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Fire Tier 1 [1]	Fire Tier 1 Classic [2]	Fire Tier 2 [3]
Disability Retirement (Non-Service Connected)			
Minimum service / Eligibility	Minimum 2 years of service. Must apply when an active employee or within one year after retirement. At time of application, must be incapacitated from the performance of duty as the result of injury or disease that did not arise out of or in the course of employment with the City of San José as approved by the Board	2 years of service	Minimum 5 years of service. Must apply when an active employee or within one month after separation from City. At time of application, must be incapacitated from the performance of duty as the result of injury or disease that did not arise out of or in the course of employment with the City of San José as approved by the Board
Allowance	< 20 years service: 32% of Final Compensation plus 1% for each full year in excess of 2 years. (50% max) > 20 years of service: 3% for each full year x Final Compensation (90% max) Reciprocity members may have a different formula, please contact ORS for details	< 20 years service: 32% of Final Compensation plus 1% for each full year in excess of 2 years. (50% max) Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max)	An individual who is granted a non-service connected disability retirement is entitled to a monthly allowance equal to the greater of: i. If less than age 50: 1.8% per year of service or ii. If older than age 50: the amount of service pension benefit as calculated based upon the service pension formula
Medical Benefits [4]			
Eligibility	Retired for disability or service directly from active service with either 15 years of San José service or receive allowance that is at least 37.5% of Final Compensation. Also eligible if member separates from service after 7/5/92 but prior to retirement with 20 years of San José service and leaves contributions in retirement plan and former member receives allowance (i.e., applies & qualifies for retirement)	All Fire Tier 1 Classic employees are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA	All Fire Tier 2 employees are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA
Premiums	Retirement plan pays 100% of lowest cost plan that is available to active City employees. If member does not choose the lowest cost plan, member pays the difference between that premium and the premium of the lowest cost plan	N/A	N/A
Medicare Eligibility	At age 65, members 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 (SJMC 3.36.1920(M))	N/A	N/A

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Fire Tier 1 [1]	Fire Tier 1 Classic [2]	Fire Tier 2 [3]
Dental Benefits [4]			
Eligibility	Retired for disability or service directly from active service with either 15 years of service or receive allowance that is at least 37.5% of Final Compensation. Also eligible if member leaves City service after 7/5/92 but prior to retirement with 20 years of San José service and leaves contributions in retirement plan and former member receives allowance (i.e., applies for retirement)	All Fire Tier 1 Classic employees are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA	All Fire Tier 2 employees are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA
Premiums	Fully paid by retirement fund	N/A	N/A
Reciprocity			
Reciprocity	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement
Cost-of-Living Adjustment (COLA)			
COLA	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA	Retirees are eligible for an annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 2.0% per year. COLAs are applied annually on February 1st. The first COLA will be prorated based on the number of months retired prior to February 1st. Partial months are not included in the calculation

[1] *Fire Tier 1 members are those hired before January 2, 2015.*

[2] *Employees with "Classic" membership from a CalPERS or reciprocal agency. 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 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.***

[3] *Fire Tier 2 Employees are those hired on or after January 2, 2015.*

[4] *Employees who opted-in to the VEBA are not eligible for the Defined Benefit Retiree Healthcare Plan (Medical or Dental Benefits).*

[5] *Fire Rehires (hired between January 2, 2015 and June 18, 2017) will have an additional contribution rate of the cost of the retroactive benefit.*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits

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

	Police Tier 1 / Tier 1 Classic
Death Before Retirement	
Non-service connected death with less than 2 years of service	Return of contributions, plus interest, to surviving spouse / domestic partner, surviving children, or estate or $1,000, whichever is greater [SJMC 3.36.1250 (C-E)]
Non-service connected death with more than 2 years of service, but not eligible for a service retirement	To surviving spouse / domestic partner: 24% + 0.75% for each year in excess of 2 years x Final Compensation (42.5% maximum for Tier 1 and 37.5% maximum for Tier 1 Classic) [SJMC 3.36.1210(F), 1280(B),(C)] And to surviving children: 1 Child: Final Compensation x 25.0% [SJMC 3.36.1210(G), 1300(B),(B1)] 2 Children: Final Compensation x 37.5% [SJMC 3.36.1210(G), 1300(D1)] 3 Children: Final Compensation x 50.0% [SJMC 3.36.1210(G), 1300(F1)] If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000 whichever is greater [SJMC 3.36.1200(E), 1200(I), 1210(E), 1210(I)]
Non-service connected death before retirement, but while eligible for service retirement	To surviving spouse / domestic partner: 37.5% to 42.5% of member's Final Compensation depending on the years of service [SJMC 3.36.1200 (A) (F), 1270(B) (D)] For example: Member's benefit = 76.0% Survivorship benefit = 38.0% of Final Compensation Member's benefit = 80.0% Survivorship benefit = 40.0% of Final Compensation Member's benefit = 82.0% Survivorship benefit = 41.0% of Final Compensation Member's benefit = 85.0% - 90.0% Survivorship benefit = 42.5% of Final Compensation And to surviving children: 1 Child: Final Compensation x 25.0% [SJMC 3.36.1200(G), 1300(B), (B1)] 2 Children: Final Compensation x 37.5% [SJMC 3.36.1200(G), 1300(D1)] 3 Children: Final Compensation x 50.0% [SJMC 3.36.1200(G), 1300(F1)] If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater [SJMC 3.36.1210(E), 1210(I)]
Deferred vested death before retirement, but not eligible for service retirement (Police Tier 1 only)	Return of contributions plus interest [3.36.1680]
Deferred vested death before retirement, but while eligible for service retirement (Police Tier 1 only)	To surviving spouse / domestic partner: 1.875% x Years of Service x Final Compensation. Maximum 37.5% [SJMC3.36.1640] and to surviving children: 1 Child: Final Compensation x 1.25% x Years of Service, Maximum 25% [SJMC 3.36.1660(B2)] 2 Children: Final Compensation x 1.50% x Years of Service, Maximum 50% [SJMC 3.36.1660(B3)] 3 Children: Final Compensation x 2.50% x Years of Service, Maximum 75% [SJMC 3.36.1660(B4)] If no surviving spouse / domestic partner nor surviving children: Return of contributions interest, to estate. [SJMC 3.36.1660(A2)]

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

	Police Tier 1 / Tier 1 Classic
Service connected death regardless of years of service	To surviving spouse / domestic partner: 37.5% to 42.5% of member's Final Compensation depending on years of service [SJMC 3.36.1200(F), 1270(B)] And to surviving children: 1 Child: Final Compensation x 25.0% [SJMC 3.36.1200(G), 1300(B), (B2)] 2 Children: Final Compensation x 50.0% [SJMC 3.36.1200(G), 1300(D2)] 3 Children: Final Compensation x 75.0% [SJMC 3.36.1200(G), 1300(F2)] If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater [SJMC 3.36.1210(E),1200(E), 1210(I), 1200(I)]
Death After Retirement	
Service retirees and service connected disability retirees	To surviving spouse / domestic partner: 37.5% to 42.5% of member's Final Compensation depending on years of service and date of retirement [SJMC 3.36.1230, 1270(B,C,D)] And to surviving children: 1 Child: Final Compensation x 25.0% [SJMC 3.36.1230(D), 1300(B)(B1)] 2 Children: Final Compensation x 37.5% [SJMC 3.36.1230(D), 1300(D1)] 3 Children: Final Compensation x 50.0% [SJMC 3.36.1230(D), 1300(F1)] If no surviving spouse / domestic partner nor surviving children: $1,000 death benefit to estate [SJMC 3.36.1230(E)]
Non-service connected disability retirees	To surviving spouse / domestic partner: **Police Tier 1:** 24.0% to 42.5% of member's Final Compensation depending on the years of service and date of retirement [SJMC 3.36.1240(C), 1280(B,C)] **Police Tier 1 Classic:** Final Compensation x 24.0% + 0.75% for each year in excess of 2 years (37.5% maximum) [SJMC 3.36.1240(C), 1280(B)] And to surviving children: 1 Child: Final Compensation x 25.0% [SJMC 3.36.1240(D), 1300(B)] 2 Children: Final Compensation x 37.5% [SJMC 3.36.1240(D), 1300(D1)] 3 Children: Final Compensation x 50.0% [SJMC 3.36.1240(D), 1300(F1)] If no surviving spouse / domestic partner nor surviving children: $1,000 death benefit to estate [SJMC 3.36.1240(E)]
Deferred vested retirees (Police Tier 1 only)	To surviving spouse / domestic partner: 1.875% x Years of Service x Final Compensation. Maximum 37.5% [SJMC3.36.1640] and to surviving children: 1 Child: Final Compensation x 1.25% x Years of Service, Maximum 25% [SJMC 3.36.1670(B2)] 2 Children: Final Compensation x 1.50% x Years of Service, Maximum 50% [SJMC 3.36.1670(B3)] 3 Children: Final Compensation x 2.50% x Years of Service, Maximum 75% [SJMC 3.36.1670(B4)] If no surviving spouse / domestic partner nor surviving children: $1,000 death benefit to estate [SJMC 3.36.1670(A)]

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

Police Tier 1 / Tier 1 Classic	
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse / domestic partner
Post-Retirement Marriage	
Post-retirement marriage	If a retiree marries after retirement, the retiree can elect to take a reduction on their pension benefit in order to allow for a survivorship benefit to the surviving spouse / domestic partner. **Police Tier 1 only:** This election must be made within 90 days of marriage or establishment of domestic partnership [SJMC 3.36.1468(B3)]

Note: The maximum total combined benefit payable to a surviving spouse / domestic partner and surviving children is 75% of Final Compensation. If necessary, the children's survivorship allowance will be reduced so that the total benefit does not exceed 75% of Final Compensation.

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

Police Tier 2	
Death Before Retirement (Active Employees only, Deferred Vested contact ORS)	
Service Connected Death regardless of year of service	To surviving spouse / domestic partner: 37.5% to 40% of member’s Final Compensation depending on the years of service. [3.36.1200(F), 1205, 1270(B)] and to surviving children: If 1 Child: Final Compensation x 25% [SJMC 3.36.1200(G), 1300(B)] If 2 Children: Final Compensation x 50% [SJMC 3.36.1200(G), 1300(D2)] If 3 Children: Final Compensation x 75% [SJMC 3.36.1200(G), 1300(F2)] There is an 80% cap on Final Compensation that can be paid to survivors. [SJMC3.36.1200(F), 1205,1270(B)] If no surviving spouse / domestic partner nor surviving children, to the estate: Return of contributions, plus interest, or $1,000 whichever is greater [SJMC 3.36.1200(E), 1200(I)]
Non-service connected death with less than 2 years of service	Greater of: (1) Return of contributions, plus interest, to surviving spouse / domestic partner; where there is no surviving spouse / domestic partner to member's surviving children, or where there are no surviving children either, to the member's estate or (2) $1,000, whichever is greater [SJMC 3.36.1210]
Non-service connected death with more than 2 years of service, but not eligible for a service retirement	To surviving spouse / domestic partner: 24% of Final Compensation + 0.75% of Final Compensation for each year in excess of 2 years of service (37.5% maximum) And to surviving children: 1 Child: Final Compensation x 25.0% [SJMC 3.36.1210(G), 1300(B)] 2 Children: Final Compensation x 37.5% [SJMC 3.36.1210(G), 1300(D1)] 3 Children: Final Compensation x 50.0% [SJMC 3.36.1210(G), 1300(F1)] There is an 80% cap on Final Compensation that can be paid to survivors. [SJMC 3.36.1205, 1210(F), 1280(B)] If no surviving spouse / domestic partner nor surviving children, to the estate: Return of contributions, plus interest, or $1,000 whichever is greater [SJMC 3.36.1210(E), 1210(I)]

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

	Police Tier 2
Death before retirement, but while eligible for service retirement – Non-Service Connected death	To surviving spouse / domestic partner: 37.5% to 40.0% of member's Final Compensation depending on the years of service [SJMC 3.36.1200(F), 1270(B)] For example: Up to 28.53 years of service ("YOS"): Member's benefit = up to 75.0% Survivorship benefit = 37.5% of Final Compensation 29 YOS: Member's benefit = 76.6% Survivorship benefit = 38.3% of Final Compensation 30+ YOS: Member's benefit = 80.0% Survivorship benefit = 40.0% of Final Compensation And to surviving children: If 1 Child: Final Compensation x 25.0% [SJMC 3.36.1200(G), 1300(B)] If 2 Children: Final Compensation x 37.5% [SJMC 3.36.1200(G), 1300(D1)] If 3 or more children: Final Compensation x 50.0% [SJMC 3.36.1200(G), 1300(F1)] If no surviving spouse / domestic partner nor surviving children, to the estate: Return of contributions, plus interest, or $1,000, whichever is greater [SJMC 3.36.1200(E), 1200(I)]
Death After Retirement	
Service retirees and all disability retirements	To surviving spouse / domestic partner: Survivorship allowance equal to 50.0% joint and survivor annuity as determined by the plan's actuaries. Retiree may choose an optional settlement
Deferred Vested Retiree Death After Retirement (May not include Reciprocal Retirees, please verify with Retirement Services)	To surviving spouse / domestic partner: 1.875% x Years of Service x Final Compensation. Maximum 37.5% [SJMC3.36.1640] and to surviving children: 1 Child: Final Compensation x 1.25% x Years of Service, Maximum 25% [SJMC 3.36.1670(B2)] 2 Children: Final Compensation x 1.875% x Years of Service, Maximum 50% [SJMC 3.36.1670(B3)] 3 Children: Final Compensation x 2.50% x Years of Service, Maximum 75% [SJMC 3.36.1670(B4)] If no surviving spouse / domestic partner nor surviving children: $1,000 death benefit to estate [3.36.1670(A)]
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse / domestic partner
Post-Retirement Marriage	
Post-retirement marriage	If a retiree marries after retirement, the retiree can elect to take a reduction on their pension benefit in order to allow for a survivorship benefit to the surviving spouse / state certified domestic partner. The election must be made within 90 days of marriage or establishment of domestic partnership [3.36.1468(B3)]

Note: The maximum total combined benefit payable to a surviving spouse / domestic partner and surviving children is 80% of Final Compensation. If necessary, the children's survivorship allowance will be reduced so that the total benefit does not exceed 80% of Final Compensation.

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

	Fire Tier 1 / Tier 1 Classic
Death Before Retirement	
Non-service connected death with less than 2 years of service	Return of contributions, plus interest, to surviving spouse / domestic partner, surviving children, or estate or $1,000, whichever is greater [SJMC 3.36.1250 (C-E)]

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

	Fire Tier 1 / Tier 1 Classic
Non-service connected death with more than 2 years of service, but not eligible for a service retirement	To surviving spouse / domestic partner: 24.0% to 0.75% for each year in excess of 2 years x Final Compensation (37.5% maximum for Tier 1, 45% maximum for Tier 1 classic) [SJMC 3.36.1270(E), 1210(F), 1280(B), (D)] And to surviving children: 1 Child: Final Compensation x 25.0% [SJMC 3.36.1210(G), 1300(B),(B1)] 2 Children: Final Compensation x 37.5% [SJMC 3.36.1210(G), 1300(D1)] 3 Children: Final Compensation x 50.0% [SJMC 3.36.1210(G), 1300(F1)] If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater [SJMC 3.36.1200(E), 1200(I)]
Non-service connected death before retirement, but while eligible for service retirement	To surviving spouse / domestic partner: 37.5% to 45.0% of member's Final Compensation depending on the years of service [SJMC 3.36.1200(A), (F), 1270(B)(D)] For example: Member's benefit = 81.0% Survivorship benefit = 40.5% of Final Compensation Member's benefit = 84.0% Survivorship benefit = 42.0% of Final Compensation Member's benefit = 87.0% Survivorship benefit = 43.5% of Final Compensation Member's benefit = 90.0% Survivorship benefit = 45.0% of Final Compensation And to surviving children: 1 Child: Final Compensation x 25.0% [SJMC 3.36.1200(G). 1300(B),(B1)] 2 Children: Final Compensation x 37.5% [SJMC 3.36.1200(G), 1300(D1)] 3 Children: Final Compensation x 50.0% [SJMC 3.36.1200(G), 1300(F1)] If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater [SJMC 3.36.1200(E), 1200(I)]
Service connected death regardless of years of service	To surviving spouse / domestic partner: 37.5% to 45.0% of member's Final Compensation depending on the years of service [SJMC 3.36.1200(F), 1270(B)] And to surviving children: 1 Child: Final Compensation x 25.0% [SJMC3.36.1200(G). 1300(B),(B2)] 2 Children: Final Compensation x 50.0% [SJMC 3.36.1200(G), 1300(D2)] 3 Children: Final Compensation x 75.0% [SJMC 3.36.1200(G), 1300(F2)] If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater [SJMC 3.36.1200(E), 1200(I)]
Deferred Vested Death before retirement, but not eligible for service retirement (Fire Tier 1 only)	Return of contributions plus interest. [3.36.1680]
Deferred Vested Death Before retirement, but while eligible for service retirement (Fire Tier 1 only)	To surviving spouse / domestic partner: 1.875% x Years of Service x Final Compensation. Maximum 37.5% [SJMC3.36.1640] and to surviving children: 1 Child: Final Compensation x 1.25% x Years of Service, Maximum 25% [SJMC 3.36.1660(B2)] 2 Children: Final Compensation x 1.50% x Years of Service, Maximum 50% [SJMC 3.36.1660(B3)] 3 Children: Final Compensation x 2.50% x Years of Service, Maximum 75% [SJMC 3.36.1660(B4)] If no surviving spouse / domestic partner nor surviving children: Return of contributions interest, to estate. [SJMC 3.36.1660(A2)]

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

<table>
<tr><th></th><th>Fire Tier 1 / Tier 1 Classic</th></tr>
<tr><td colspan="2">Death After Retirement</td></tr>
<tr><td>Service retirees and service connected disability retirees</td><td>To surviving spouse / domestic partner (unmodified):
37.5% to 45.0% of member’s Final Compensation depending on the years of service and date of retirement [SJMC 3.36.1230, 1270(B-E)]

And to surviving children:
1 Child: Final Compensation x 25.0% [SJMC 3.36.1230(D), 1300(B),(B1)]
2 Children: Final Compensation x 37.5% [SJMC 3.36.1230(D), 1300(D1)]
3 Children: Final Compensation x 50.0% [SJMC 3.36.1230(D), 1300(F1)]

If no surviving spouse / domestic partner nor surviving children: $1,000 death benefit to estate [SJMC 3.36.1230(E)]</td></tr>
<tr><td>Non-service connected disability retirees</td><td>To surviving spouse / domestic partner (unmodified):

Fire Tier 1: 24.0% to 45.0% of member's Final Compensation depending on the years of service and date of retirement [SJMC 3.36.1240(C), 1280(B,C,D,)]
Fire Tier 1 Classic: Final Compensation x 24.0% + 0.75% for each year in excess of 2 years (37.5% maximum) [SJMC 3.36.1240(C), 1280(B)]

And to surviving children:
1 Child: Final Compensation x 25.0% [SJMC 3.36.1240(D), 1300(B),(B1)]
2 Children: Final Compensation x 37.5% [SJMC 3.36.1240(D), 1300(D1)]
3 Children: Final Compensation x 50.0% [SJMC 3.36.1240(D), 1300(F1)]

If no surviving spouse / domestic partner nor surviving children: $1,000 death benefit to estate [SJMC 3.36.1240(E)]</td></tr>
<tr><td>Deferred Vested Retiree Death After Retirement
(Fire Tier 1 only)</td><td>To surviving spouse / domestic partner: 1.875% x Years of Service x Final Compensation. Maximum 37.5% [SJMC3.36.1640]

and to surviving children:
1 Child: Final Compensation x 1.25% x Years of Service, Maximum 25% [SJMC 3.36.1670(B2)]
2 Children: Final Compensation x 1.50% x Years of Service, Maximum 50% [SJMC 3.36.1670(B3)]
3 Children: Final Compensation x 2.50% x Years of Service, Maximum 75% [SJMC 3.36.1670(B4)]

If no surviving spouse / domestic partner nor surviving children: $1,000 death benefit to estate [3.36.1670(A)]</td></tr>
<tr><td colspan="2">Optional Settlements</td></tr>
<tr><td>Optional settlements</td><td>Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse / domestic partner</td></tr>
<tr><td colspan="2">Post-Retirement Marriage</td></tr>
<tr><td>Post-retirement marriage</td><td>If a retiree marries after retirement, the retiree can elect to take a reduction on their pension benefit in order to allow for a survivorship benefit to the surviving spouse / domestic partner.
Fire Tier 1 only: This election must be made within 90 days of marriage or establishment of domestic partnership. [SJMC 3.36.1468(B3)]</td></tr>
</table>

Note: The maximum total combined benefit payable to a surviving spouse / domestic partner and surviving children is 75% of Final Compensation. If necessary, the children's survivorship allowance will be reduced so that the total benefit does not exceed 75% of Final Compensation.

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

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

Fire Tier 2	
Death Before Retirement (Active Employees Only, Deferred Vested contact ORS)	
Service connected death regardless of years of service	To surviving spouse / domestic partner: 37.5% to 40.0% of member's Final Compensation depending on the years of service [SJMC 3.36.1200(F), 1205, 1270(B)] And to surviving children: 1 Child: Final Compensation x 25.0% [SJMC 3.36.1200(G), 1300(B)] 2 Children: Final Compensation x 50.0% [SJMC 3.36.1200(G), 1300(D2)] 3 or more children: Final Compensation x 75.0% [SJMC 3.36.1200(G), 1300(F2)] There is an 80.0% cap on Final Compensation that can be paid to survivors If no surviving spouse / domestic partner nor surviving children, to the estate: Return of contributions, plus interest, or $1,000, whichever is greater [SJMC 3.36.1200(E), 1200(I)]
Non-service connected death with less than 2 years of service	Greater of: (1) Return of contributions, plus interest, to surviving spouse / domestic partner; where there is no surviving spouse / domestic partner to member's surviving children, or where there are no surviving children either, to the member's estate, or (2) $1,000, whichever is greater [SJMC 3.36.1250(C-E)]
Non-service connected death with more than 2 years of service, but not eligible for a service retirement	To surviving spouse / domestic partner: 24.0% + 0.75% for each year in excess of 2 years x Final Compensation (40% maximum) [SJMC 3.36.1210(F), 1205, 1280(B),(D)] And to surviving children: 1 Child: Final Compensation x 25.0% [SJMC 3.36.1210(G), 1300(B)] 2 Children: Final Compensation x 37.5% [SJMC 3.36.1210(G), 1300(D1)] 3 or more children: Final Compensation x 50.0% [SJMC 3.36.1210(G), 1300(F1)] There is an 80.0% cap on Final Compensation that can be paid to survivors If no surviving spouse / domestic partner nor surviving children to the estate: Return of contributions, plus interest, or $1,000 whichever is greater [SJMC 3.36.1210(E), 1210(I)]
Non-service connected death before retirement, but while eligible for service retirement	To surviving spouse / domestic partner: 37.5% to 40.0% of member's Final Compensation depending on the years of service [SJMC 3.36.1200(A), (F), 1270(B)] For example: Up to 28.53 years of service: Member's benefit = up to 75% Survivorship benefit = 37.5%% of Final Compensation 29 years of service: Member's benefit = 76.6%% Survivorship benefit = 38.3% of Final Compensation 30+ years of service: Member's benefit = 80.0% Survivorship benefit = 40.0% of Final Compensation And to surviving children: 1 Child: Final Compensation x 25.0% [SJMC 3.36.1200(G), 1300(B)] 2 Children: Final Compensation x 37.5% [SJMC 3.36.1200(G), 1300(D1)] 3 or more children: Final Compensation x 50.0% [SJMC 3.36.1200(G), 1300(F1)] If no surviving spouse / domestic partner nor surviving children, to the estate: Return of contributions, plus interest, or $1,000, whichever is greater [SJMC 3.36.1200(E), 1200(I)]

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

Fire Tier 2	
Death After Retirement	
Service retirees and service-connected disability retirees	To surviving spouse / domestic partner: Survivorship allowance equal to 50.0% joint and survivor annuity as determined by the Plan's actuaries. Retiree may choose an optional settlement
Non-service connected disability retirees	To surviving spouse / domestic partner: Survivorship allowance equal to 50.0% joint and survivor annuity as determined by the Plan's actuaries. Retiree may choose an optional settlement
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse / domestic partner
Post-Retirement Marriage	
Post-retirement marriage	If a retiree marries after retirement, the retiree can elect to take a reduction on their pension benefit to allow for a survivorship benefit to the surviving spouse / domestic partner. This election must be made within 90 days of marriage or establishment of domestic partnership [3.36.1468(B3)]

Note: The maximum total combined benefit payable to a surviving spouse / domestic partner and surviving children is 80% of Final Compensation. If necessary, the children's survivorship allowance will be reduced so that the total benefit does not exceed 80% of Final Compensation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying financial statements present only the financial activities of the Plan in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements of the Plan are intended to present only the plan net position and changes in plan net position of the Plan. They do not purport to, and do not, present fairly the financial position of the City of San José, California, as of June 30, 2024 and 2023, and the changes in its financial position for the years then ended in conformity with U.S. GAAP. The Plan is reported in a pension and postemployment healthcare trust fund in the City of San José's basic financial statements.

(b) Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting. Contributions are recognized when due pursuant to legal requirements. Benefits and refunds of contributions are recognized when currently due and payable under the provisions of the Plan. Activities of the Defined Benefit Pension Plan and the Postemployment Healthcare Plans are accounted for separately. It is required by the Municipal Code that transactions of the Defined Benefit Pension Plan be accounted for in two funds: a Retirement Fund and a Cost-of-Living Fund.

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

(c) Investments

The City of San José Municipal Code Charter Section 3.36.530 delegates authority to the Board of Administration to invest the monies of the Plan as provided in Section 3.36.540. The Board has adopted detailed investment guidelines consistent with conditions and limitations set forth in Section 3.36.540.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments (continued)

The Defined Benefit Pension Plan investment policy was updated and approved by the Board on October 5, 2023, and the asset allocation was updated and approved on May 2, 2024. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the Plan's adopted actuarial assumed rate of return as utilized in the June 30, 2023 and June 30, 2022 valuations, respectively.

The Plan's investment asset allocation is as follows:

PENSION			As of June 30,		
	2024	2023		2024	2023
Asset Class	Target Asset Allocation		Asset Class	Target Asset Allocation	
Public equity	42.0%	42.0%	Growth real estate	4.0%	4.0%
Private equity	10.0%	9.0%	Private real assets	4.0%	4.0%
Cash and cash equivalents	5.5%	8.0%	Market neutral strategies	3.0%	3.0%
Core real estate	5.0%	5.0%	Emerging market bonds	2.0%	2.0%
Immunized cash flows	5.0%	5.0%	High yield bonds	2.0%	2.0%
Private debt	5.0%	4.0%	Treasury inflation-protected securities	2.0%	2.0%
Investment grade bonds	4.5%	4.5%	Long-term government bonds	1.5%	1.5%
Venture / Growth capital	4.5%	4.0%			

The Postemployment Healthcare Plan investment policy and asset allocation was updated and approved by the Board on January 6, 2022 and April 7, 2022, respectively. There were no changes to the investment policy for fiscal year ending June 30, 2024. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the Plan's adopted actuarial assumed rate of return as utilized in the June 30, 2023 and June 30, 2022 valuations, respectively.

The Plan's investment asset allocation is as follows:

HEALTHCARE			As of June 30,		
	2024	2023		2024	2023
Asset Class	Target Asset Allocation		Asset Class	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 government bonds	5%	5%

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments (continued)

The fair value of derivative instrument investments that are not exchange traded, such as swaps and rights is determined by the Plan'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 *Schedules of Investment Expenses* 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. These fees are reported as part of the net appreciation / (depreciation) in the investments fair value on the financial statements.

For the fiscal years ended June 30, 2024 and 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.53% and 7.94%, respectively. For the fiscal years ended June 30, 2024 and 2023, the annual money-weighted rate of return on healthcare plan investments, net of healthcare plan investment expenses, was 9.53% and 8.22%, 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 all costs related to the development of a new pension administration system. Total costs are allocated to both the Federated City Employees' Retirement System and the 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 in 2029. It is being amortized per GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

The Plan 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 is reduced by payments made pursuant to the lease. The Plan’s principal leased asset is its office space in San José, California, the term of which expires March 31, 2025, and will most likely be extended for an additional five years. Lease expense is not significant to the Plan.

The Plan 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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Other Assets (continued)

amortized over the lease term and the liability is reduced by payments made pursuant to the lease. The Plan's subscription leased assets are composed of numerous investment related subscriptions, the terms of which expire through June 30, 2026. The subscription lease expense is not significant to the Plan.

For fiscal year ended 2024 and 2023, the amortization expense was $522,972 and $756,374, respectively.

(Dollars in thousands)	As of June 30, 2023	Additions	Deletions	As of June 30, 2024
Other depreciable assets and amortization				
Pension administration system, cost	$ 4,201	$ 75	$ -	$ 4,276
Leased and subscription assets, cost	903	70	(148)	825
Less accumulated amortization for:	(2,353)	(523)	-	(2,876)
Other depreciable assets, net of accumulated amortization	**$ 2,751**	**$ (378)**	**$ (148)**	**$ 2,225**

(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 accumulated amortization for:	(1,597)	(756)	-	(2,353)
Other depreciable assets, net of accumulated amortization	**$ 3,362**	**$ (611)**	**$ -**	**$ 2,751**

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

The Plan is required by the City of San José Municipal Code to establish various reserves in the plan net position. The plan net position is allocated between the Defined Benefit Pension Plan (which includes the Retirement Fund and the Cost-of-Living Fund) and the Postemployment Healthcare Plans (which include the 401(h) and the two 115 Subtrusts).

As of June 30, 2024 and 2023, plan net position totaling $5,440,664,000 and $5,020,851,000, respectively, is allocated as follows (in thousands):

	Retirement Fund	Cost-of-Living Fund	Total Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total OPEB	Grand Total
June 30, 2024								
Employee contributions reserve	$ 172,304	$ 288,396	$ 460,700	$ -	$ -	$ -	$ -	$ 460,700
General reserve	2,728,066	1,907,693	4,635,759	2,977	214,034	123,995	341,006	4,976,765
Retiree healthcare in-lieu premium credit	-	-	-	3,199	-	-	3,199	3,199
Total	**$ 2,900,370**	**$ 2,196,089**	**$ 5,096,459**	**$ 6,176**	**$ 214,034**	**$ 123,995**	**$ 344,205**	**$ 5,440,664**

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-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total OPEB	Grand Total
June 30, 2023								
Employee contribution reserve	$ 360,792	$ 88,138	$ 448,930	$ -	$ -	$ -	$ -	$ 448,930
General reserve	2,341,428	1,931,129	4,272,557	6,831	183,666	106,475	296,972	4,569,529
Retiree healthcare in-lieu premium credit	-	-	-	2,392	-	-	2,392	2,392
Total	**$ 2,702,220**	**$2,019,267**	**$ 4,721,487**	**$ 9,223**	**$ 183,666**	**$ 106,475**	**$ 299,364**	**$ 5,020,851**

Employee Contributions Reserve represents the total accumulated employee contributions of current active and deferred members plus credited interest. The reserve is accounted for separately due to the possibility of a return of accumulated employee contributions, plus credited interest, to the member upon separation from City employment. Terminated members' returns of contributions are paid from the Defined Benefit Pension Plan only. No employee contributions are paid out of the healthcare plans' 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 2%, as specified by the City of San José Municipal Code.

(g) Implementation of Governmental Accounting Standards Board (GASB) 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 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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 Managements 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 have been 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 has adopted the provisions of Statement No. 100 for the fiscal year beginning with July 1, 2023.

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 Plan will adopt the provisions of Statement No. 101 for the fiscal year beginning with July 1, 2024.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued in December 2023. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The Plan will adopt the provisions of Statement No. 102 for fiscal years beginning after July 1, 2024, if applicable.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. The Plan will adopt the provisions of Statement No. 103 for the fiscal year beginning with July 1, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued in September 2024. The purpose of this statement is to provide users of governmental financial statements with essential information about certain types of capital assets. It requires certain types of capital assets to be disclosed separately within the capital assets note disclosures required by Statement No. 34. These include lease assets recognized under Statement No. 87 (*Leases*), intangible right-to-use assets recognized under Statement No. 94 (*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*), and subscription assets recognized under Statement No. 96 (*Subscription-Based Information Technology Arrangements*). These assets must be disclosed separately by major class of underlying asset in the capital assets note disclosures. In addition, intangible assets other than those three types must also be disclosed separately by major class. The statement further requires additional disclosures for capital assets that are held for sale. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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 Plan's asset allocation details how much of the Plan's investments are fixed income, as well as other types of investments. The Plan does not have a policy regarding interest rate risk.

Market Risk – General market risk factors exist that could cause depreciation or appreciation of the Plan's investment portfolio. These risks include general, economic, political and regulatory risks. The Plan'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, 2024 and 2023.

NOTE 3 - INVESTMENTS (continued)

INVESTMENT MATURITIES AT FAIR VALUE

As of June 30, 2024 (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								
Immunized cash flows	$17,905	$12,629	$ 30,443	$ 317,098	$ -	$ -	$ 378,075	$ 381,159
Investment grade bonds [1]	134	-	5,046	49,594	84,694	125,904	265,372	274,547
Treasury inflation-protected securities	5,064	4,478	11,271	80,784	-	-	101,597	107,252
High yield bonds	265	77	1,804	61,079	36,497	275	99,997	101,848
Long-term government bonds	-	-	-	-	-	85,639	85,639	117,172
Emerging market bonds [2]	-	-	-	52,633	-	-	52,633	50,929
Short-term investment grade bonds	15,107	-	-	-	-	-	15,107	15,106
Private debt [3]	2,643	-	-	-	-	-	2,643	3,197
Total Fixed Income	**$41,118**	**$17,184**	**$ 48,564**	**$ 561,188**	**$ 121,191**	**$ 211,818**	**$1,001,063**	**$1,051,210**

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								
Immunized cash flows	$18,893	$ 9,881	$ 28,385	$ 313,941	$ -	$ -	$ 371,100	$ 385,746
Investment grade bonds [1]	195	606	1,074	49,632	68,568	124,850	244,925	267,899
Treasury inflation-protected securities	5,793	-	8,811	81,900	-	-	96,504	103,936
High yield bonds	14	-	960	38,173	41,178	10,167	90,492	98,892
Long-term government bonds	-	-	-	-	-	85,778	85,778	112,402
Emerging market bonds [2]	-	-	-	-	56,644	-	56,644	40,929
Commodities	-	-	-	-	-	13,526	13,526	13,499
Private debt [3]	3,111	675	-	-	-	-	3,786	6,545
Total Fixed Income	**$28,006**	**$11,162**	**$ 39,230**	**$ 483,646**	**$ 166,390**	**$ 234,321**	**$ 962,755**	**$1,029,848**

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

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

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

Custodial Credit Risk – Custodial credit risk is the risk that the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party, if that outside party fails. The Plan does not have a policy regarding custodial credit risk. As of June 30, 2024 and 2023, all of the Plan's investments are held in the Plan's name and / or are not exposed to custodial credit risk.

Credit Quality Risk – The Plan's investment policy allows for investments in a wide variety of domestic and international debt securities that may carry a high rating, low rating, or be unrated. 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 Plan may hedge against the possible adverse effects of currency fluctuations on the Plan's portfolio of international fixed income obligations when it is considered appropriate. This is typically achieved using forward currency contracts. Short-term investments may consist of commercial paper rated at least A1 or P1, repurchase agreements, short-term U.S. securities, and other money market investments. Nationally recognized statistical rating organizations provide ratings of debt securities' quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations.

NOTE 3 - INVESTMENTS (continued)

The following tables provide information for the portfolio as of June 30, 2024 and 2023 concerning credit risk. These tables reflect only securities held in the Plan's name.

RATINGS OF FIXED INCOME INVESTMENTS
As of June 30, 2024 and 2023 (Dollars in thousands)

	2024		2023	
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	$ 21,525	2.15 %	$ 105,841	10.98 %
AA+	595,908	59.53	493,165	51.22
AA	123,493	12.34	40,330	4.19
AA-	3,416	0.34	4,267	0.44
A+	3,527	0.35	5,192	0.54
A	12,218	1.22	9,075	0.94
A-	11,988	1.20	11,659	1.21
BBB+	11,699	1.17	15,468	1.61
BBB	15,947	1.59	15,849	1.65
BBB-	68,596	6.85	70,838	7.36
BB+	12,426	1.24	10,940	1.14
BB	18,312	1.83	12,289	1.28
BB-	18,595	1.86	18,593	1.93
B+	20,150	2.01	12,322	1.28
B	11,606	1.16	10,195	1.06
B-	10,205	1.02	9,470	0.98
CCC+	6,630	0.66	5,105	0.53
CCC	2,717	0.27	3,419	0.36
CCC-	389	0.04	173	0.02
Not Rated	31,716	3.17	108,565	11.28
Total	**$ 1,001,063**	**100.00 %**	**$ 962,755**	**100.00 %**

Foreign Currency Risk – This is the risk that changes in the exchange rates will adversely affect the fair value of underlying investments. To mitigate this risk, the Plan’s investment policy permits individual investment managers to mitigate the impact of currency fluctuation on the underlying asset value. The Plan’s investment managers enter into international forward currency contracts, which are commitments to purchase or sell stated amounts of international currency. The Plan utilizes these contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2024 and 2023, the Plan’s net position in these contracts is recorded at fair value as international currency contract investments. The fair values of international currency contracts are determined by quoted currency prices from national exchanges. The Plan’s commitments relating to international currency contracts are settled on a net basis.

NOTE 3 - INVESTMENTS (continued)

The following tables provide information as of June 30, 2024 and 2023, concerning the fair value of investments that are subject to foreign currency risk:

FOREIGN CURRENCY RISK ANALYSIS
As of June 30, 2024 (Dollars in thousands)

Currency Name	Cash	Public Equity	Growth Real Estate	Total Exposure
Australian dollar	$ -	$ 2,626	$ -	$ 2,626
Canadian dollar	1	8,639	-	8,640
Danish krone	-	8,088	-	8,088
Euro currency	366	82,187	36,779	119,332
Hong Kong dollar	-	6,284	-	6,284
Japanese yen	31	16,454	-	16,485
Norwegian krone	-	4,237	-	4,237
Swedish krona	1	4,748	-	4,749
Swiss franc	13	28,072	-	28,085
United Kingdom pound	435	48,802	-	49,237
Total	**$ 847**	**$ 210,137**	**$ 36,779**	**$ 247,763**

FOREIGN CURRENCY RISK ANALYSIS
As of June 30, 2023 (Dollars in thousands)

Currency name	Cash	Public Equity	Growth Real Estate	Total Exposure
Australian dollar	$ -	$ 1,754	$ -	$ 1,754
Canadian dollar	31	8,770	-	8,801
Danish krone	-	8,410	-	8,410
Euro currency	596	78,468	44,071	123,135
Hong Kong dollar	51	7,118	-	7,169
Japanese yen	-	17,097	-	17,097
Norwegian krone	-	1,360	-	1,360
Swedish krona	-	5,450	-	5,450
Swiss franc	7	28,526	-	28,533
United Kingdom pound	52	36,036	-	36,088
Total	**$ 737**	**$ 192,989**	**$ 44,071**	**$ 237,797**

Investment Concentration Risk – The Plan's investment policy specifies that investments shall be diversified with the intent to minimize the risk of large investment losses. The total portfolio shall be constructed in a way to provide prudent diversification with regard to the concentration of holdings in individual asset classes, issues, issuers, geographies, or industries. In addition, assets will be assigned to a variety of investment managers that employ a range of investment management strategies. No single investment management firm shall be authorized to manage more than 15% of the Plan's assets without Board approval, with the exception of passive management where the Plan's assets are not held in the Plan's name at the Plan's custodian bank. In such cases, there is no concentration limit. As of June 30, 2024 and 2023, the Plan 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.

NOTE 3 - INVESTMENTS (continued)

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

Derivative investments are reported at fair value. Derivative instruments traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates, if applicable. 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, 2024 or 2023. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated based on the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

The fair values and notional amounts for derivative instruments outstanding as of June 30, 2024 and 2023, classified by type, and the changes in fair value of such derivative instruments for the years then ended as reported in the 2024 and 2023 financial statements are as follows (amounts in thousands):

	Net Appreciation / (Depreciation) in Fair Value of Investments through June 30, 2024		Fair Value at June 30, 2024		
Investment Derivative Instruments	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount / Shares**
FX forwards	Investment income	$ (42)	FX forwards	$ -	774
Fixed income futures long	Investment income	552	Futures	-	33,566
Fixed income futures short	Investment income	(104)	Futures	-	(817)
Index futures long	Investment income	79	Futures	-	15,934
Index futures short	Investment income	153	Futures	-	(43,598)
Total Derivative Instruments		**$ 638**		**$ -**	

	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	$ (118)	FX forwards	$ -	$ 1,076
Fixed income futures long	Investment income	(1,910)	Futures	-	21,954
Fixed income futures short	Investment income	261	Futures	-	(9,085)
Index futures long	Investment income	(772)	Futures	-	9,592
Index futures short	Investment income	(2,347)	Futures	-	(69,315)
Total Derivative Instruments		**$ (4,886)**		**$ -**	

NOTE 3 - INVESTMENTS (continued)

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, 2024 and 2023.

Counterparty Credit Risk – The Plan is exposed to credit risk on derivative instruments that are in asset positions and non-exchange traded. The Plan's investments in forward currency contracts bear counterparty credit risk in that parties to the contracts may fail to perform according to the terms of the contract. As of June 30, 2024, total commitments in forward currency contracts to purchase and sell international currencies were $(774,000) and $774,000, with fair values of $(774,000) and $775,000, respectively, held by counterparties with S&P rating of at least AA+. As of June 30, 2023, total commitments in forward currency contracts to purchase and sell international currencies were $1,076,000 with fair values of $1,076,000 and $1,076,000, respectively, held by counterparties with S&P rating of at least BBB+ and above.

Fair Value Measurements – The Plan 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.

NOTE 3 - INVESTMENTS (continued)

The Plan has the following recurring fair value measurements as of June 30, 2024 and 2023:

Investments Measured At Fair Value As of June 30, 2024		**Fair Value Measurement Using**			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**	**Net Asset Value (NAV)**
Investments by Fair Value Level					
Public equity	$ 2,410,934	$ 409,306	$ -	$ -	$ 2,001,628
Private equity	494,833	-	-	25,362	469,471
Cash and cash equivalents	393,621	393,621	-	-	-
Immunized cash flows	378,075	323,647	54,428	-	-
Investment grade bonds	265,736	54,364	164,279	-	47,093
Core real estate	259,391	-	-	-	259,391
Private debt	225,809	-	-	2,642	223,167
Growth real estate	223,787	-	-	-	223,787
Market neutral strategies	150,060	-	-	-	150,060
Private real assets	127,435	-	-	68	127,367
Treasury inflation-protected securities	101,597	101,597	-	-	-
Emerging market bonds	100,743	-	-	-	100,743
High yield bonds	99,997	189	89,550	-	10,258
Venture / Growth capital	92,386	-	-	-	92,386
Long-term government bonds	85,639	-	-	-	85,639
Commodities	16,089	-	-	-	16,089
Short-term investment grade bonds	15,107	15,107	-	-	-
Total Investments Measured at Fair Value	**$ 5,441,239**	**$ 1,297,831**	**$ 308,257**	**$ 28,072**	**$ 3,807,079**

Investments Measured at Fair Value As of June 30, 2023		**Fair Value Measurement Using**			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**	**Net Asset Value (NAV)**
Investments by Fair Value Level					
Public equity	$ 2,205,308	$ 362,317	$ -	$ -	$ 1,842,991
Private equity	444,231	-	-	26,304	417,927
Immunized cash flows	371,100	292,136	78,964	-	-
Cash and cash equivalents	359,051	359,051	-	-	-
Core real estate	282,868	2,229	-	-	280,639
Investment grade bonds	244,611	36,930	168,959	-	38,722
Growth real estate	211,981	-	-	-	211,981
Private debt	192,625	-	-	3,786	188,839
Market neutral strategies	145,181	-	-	-	145,181
Emerging market bonds	124,499	-	-	-	124,499
Private real assets	116,727	-	-	68	116,659
Treasury inflation-protected securities	96,504	96,504	-	-	-
High yield bonds	90,492	7,560	73,632	-	9,300
Long-term government bonds	85,778	-	-	-	85,778
Venture / Growth capital	48,366	-	-	-	48,366
Commodities	13,526	-	-	-	13,526
Short-term investment grade bonds	12,239	12,239	-	-	-
Total Investments Measured at Fair Value	**$ 5,045,087**	**$ 1,168,966**	**$ 321,555**	**$ 30,158**	**$ 3,524,408**

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, private debt, market neutral strategies, emerging market bonds, private real assets, high yield bonds, long-term government bonds, venture / growth capital, and commodities. 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 Plan. 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.

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS (continued)

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, 2024 and 2023:

Investments Measured at the NAV As of June 30, 2024 *(Dollars in thousands)*	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period**
Public equity	$ 2,001,628	$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	469,471	213,522	Daily, N/A	1 Day, N/A
Investment grade bonds	47,093	-	Daily	1- 3 Days
Core real estate	259,391	-	Quarterly	45 - 90 Days
Private debt	223,167	172,000	N/A	N/A
Growth real estate	223,787	89,500	N/A	N/A
Market neutral strategies	150,060	-	Monthly, Bi-Annual	45 - 60 Days
Private real assets	127,367	104,500	N/A	N/A
Emerging market bonds	100,743	-	Daily, Quarterly	1 - 45 Days
High yield bonds	10,258	-	Daily	3 Days
Venture / Growth capital	92,386	89,700	N/A	N/A
Long-term government bonds	85,639	-	Daily	3 Days
Commodities	16,089	-	Daily	3 Days
Total Investments Measured at NAV	**$ 3,807,079**	**$ 669,222**		

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	$ 1,842,991	$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	417,927	169,611	Daily, N/A	1 Day, N/A
Core real estate	280,639	-	Quarterly	90 Days
Investment grade bonds	38,722	-	Daily	1 - 3 Days
Growth real estate	211,981	119,683	N/A	N/A
Private debt	188,839	185,457	N/A	N/A
Market neutral strategies	145,181	-	Monthly, Bi-Annual	45 - 60 Days
Emerging market bonds	124,499	-	Daily, Quarterly	1 - 45 Days
Private real assets	116,659	86,320	N/A	N/A
High yield bonds	9,300	-	Daily	3 Days
Long-term government bonds	85,778	-	Daily	3 Days
Venture / Growth capital	48,366	70,953	N/A	N/A
Commodities	13,526	-	Daily	3 Days
Total Investments Measured at NAV	**$ 3,524,408**	**$ 632,024**		

Public equity – Public equities are shares of ownership of a firm listed on an exchange; the Plan 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.

NOTE 3 - INVESTMENTS (continued)

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 Plan. The open-ended real estate funds offer quarterly redemptions with notice periods of forty-five days to ninety days.

Investment grade bonds – The purpose of investment grade bonds is to produce returns and income for the Plan 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.

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 forty-five days to sixty days.

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 forty-five days; the other has a daily redemption period with a one-day notice period.

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 Plan with exposure to high yielding corporate debt. The commingled funds offer daily liquidity with a notice period of three 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.

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.

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.

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, 2024 and 2023, were as follows (dollars in thousands):

	2024	2023
Total pension liability	$ 6,097,406	$ 5,838,544
Plan fiduciary net position	5,096,459	4,721,487
Net pension liability	$ 1,000,947	$ 1,117,057
Plan fiduciary net position as a percentage of the total pension liability	**83.6 %**	**80.9 %**

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 November 2023.

The total pension liability as of June 30, 2024 and 2023 is based on results of an actuarial valuation date of June 30, 2023 and 2022, respectively, and rolled-forward to June 30, 2024 and 2023 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, 2023	June 30, 2022
Measurement date	June 30, 2024	June 30, 2023
Inflation rate	2.50%	2.50%
Discount rate	6.625% (net of investment expenses) The long-term expected return on assets based on Meketa's capital market assumptions for a 10-year and 20-year time horizons are 7.9% and 8.5%, respectively. The Board applied a margin for adverse deviation to maintain the assumption of 6.625%	6.625% (net of investment expenses) The long-term expected return on assets based on Meketa's capital market assumptions for a 10-year and 20-year time horizons is 5.9 % and 6.9%, respectively
Rate of service retirement, withdrawal, death, disability retirements	Tables based on current experience	Tables based on current experience

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

Actuarial Assumptions		
Rates of mortality	*Healthy retirees:* 0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010(A)) for healthy male and female retirees *Disabled retirees:* 0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees *Beneficiaries:* 1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy male and female retirees *Healthy non-annuitant:* 0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010(A)) for healthy male and female employees Mortality is projected using SOA MP-2021 on a generational basis from the base year of 2010	*Healthy retirees:* 1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010(A)) for healthy male and female retirees *Disabled retirees:* 0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees *Beneficiaries:* 1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy male and female retirees *Healthy non-annuitant:* 0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010(A)) for healthy male and female employees Mortality is projected using SOA MP-2021 on a generational basis from the base year of 2010
Salary increase	*Wage inflation:* Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Police and Fire members have bargained increases of 4.00% for FYE 2024. Police members have an ongoing non-pensionable 4.00% retention pay that becomes pensionable as well as a bargained increase of 3.00% for FYE 2025 *Merit increase:* Merit component added based on an individual's years of service ranging from 6.50% to 0.60%	*Wage inflation:* Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Fire members have bargained increases of 3.00% for FYE 2023. The bargaining agreement for Police members has expired *Merit increase:* Merit component added based on an individual's years of service ranging from 6.50% to 0.60%
Cost-of-living adjustment	Tier 1 - 3% per year Tier 2 - 2% per year	Tier 1 - 3% per year Tier 2 - 2% per year

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, 2023 and 2022, was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the Board, including nominal expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

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

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2024 and 2023, (see the discussion of the Plan's investment policy) are summarized in the following table:

	2024		2023	
Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42.0%	8.5%	42.0%	6.4%
Private equity	10.0%	10.8%	9.0%	7.9%
Cash and cash equivalents	5.5%	2.5%	8.0%	0.3%
Core real estate	5.0%	6.9%	5.0%	3.8%
Immunized cash flows	5.0%	2.5%	5.0%	0.3%
Private debt	5.0%	9.2%	4.0%	6.2%
Investment grade bonds	4.5%	4.8%	4.5%	2.1%
Venture / Growth capital	4.5%	12.0%	4.0%	8.8%
Growth real estate	4.0%	9.0%	4.0%	6.2%
Private real assets	4.0%	9.3%	4.0%	6.5%
Market neutral strategies	3.0%	5.8%	3.0%	3.4%
Emerging market bonds	2.0%	6.8%	2.0%	3.5%
High yield bonds	2.0%	6.8%	2.0%	4.6%
Treasury inflation-protected securities	2.0%	4.7%	2.0%	1.9%
Long-term government bonds	1.5%	5.0%	1.5%	2.3%

Discount Rate. The discount rate used to measure the total pension liability was 6.625% for both measurement years ended June 30, 2024 and 2023. It is assumed that Plan member contributions and City contributions will be made based on the actuarially determined rates based on the Board's funding policy. Based on those assumptions, the Plan's net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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, 2024 and 2023, 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):

	2024			2023		
	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	$ 6,970,574	$ 6,097,406	$ 5,389,843	$ 6,675,448	$ 5,838,544	$ 5,160,745
Plan fiduciary net position	5,096,459	5,096,459	5,096,459	4,721,487	4,721,487	4,721,487
Net pension liability	$ 1,874,115	$ 1,000,947	$ 293,384	$ 1,953,961	$ 1,117,057	$ 439,258
Plan fiduciary net position as a percentage of the total pension liability	**73.1 %**	**83.6 %**	**94.6 %**	**70.7 %**	**80.9 %**	**91.5 %**

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

On June 24, 2008, the City Council adopted Ordinance No. 28332 amending Chapter 3.36 of Title 3 of the San José Municipal Code to provide the City with the option to make lump sum payments of City required contributions to the Plan (referred to as prefunding).

In January 2011, 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 of contribution 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 Plan 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. 29266 and Ordinance No. 29511 implemented the terms of a stipulated arbitration award for Police Tier 2 and Fire Tier 2 pension benefits, respectively. Police Tier 2 members are any new Plan members hired on or after August 4, 2013; Fire Tier 2 members are any new Plan members hired on or after January 2, 2015. The new tiers include significant benefit changes from the existing Police Tier 1 and Fire Tier 1 plans as described in Note 1. In addition, the contribution rates for Police Tier 2 and Fire Tier 2 members include a change in the cost sharing between the City and active Police Tier 2 and Fire Tier 2 members, which is a 50/50 split of all costs, including UAL. Currently, Police Tier 1 and Fire Tier 1 members split normal cost with 8/11 paid by the City and 3/11 paid by Police Tier 1 and Fire Tier 1 members. The responsibility for funding the UAL is generally not shared with the Police Tier 1 and Fire 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 to determine the contribution.

On April 6, 2023, the Board approved the City's decision to prefund Tier 1 contributions for the fiscal year ending June 30, 2024. On May 5, 2022, the Board approved the City's decision to prefund the contributions for the fiscal year ending June 30, 2023.

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

The City's contributions for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2024 and 2023 were as follows.

Fiscal Year			**2024**		
Actuarial Valuation Year			**2022**		
(Dollars in thousands)	**Police Tier 1**	**Fire Tier 1**	**Police Tier 2[1]**	**Fire Tier 2[1]**	**Total**
Actual payroll	$77,057	$69,029	$87,605	$31,860	$265,551
Actuarial payroll	73,000	65,265	N/A	N/A	N/A
Actual payroll in excess of actuarial payroll	4,057	3,764	N/A	N/A	N/A
City normal cost rate for pension and COLA	33.84%	34.25%	14.35%[1]	15.11%[1]	N/A
Additional contributions due to the floor methodology	1,373	1,289	N/A	N/A	2,662
Prefunded contributions amount (BOY)[2]	93,670	88,627	N/A	N/A	182,297
Regular contributions paid throughout the year	-	-	12,571	4,814	17,385
Adjustments and accruals	23	198	143	(8)	356
Total Contributions for the Fiscal Year	**$95,066**	**$90,114**	**$12,714**	**$4,806**	**$202,700**

[1] Police Tier 2 and Fire Tier 2 City contribution rates include UAL percentage of (0.46)% and (0.25)%, respectively

[2] Beginning of year

Fiscal Year			**2023**		
Actuarial Valuation Year			**2021**		
(Dollars in thousands)	**Police Tier 1**	**Fire Tier 1**	**Police Tier 2[1]**	**Fire Tier 2[1]**	**Total**
Actual payroll	$80,465	$71,105	$76,503	$26,283	$254,356
Actuarial payroll	77,533	68,774	N/A	N/A	N/A
Actual payroll in excess of actuarial payroll	2,932	2,331	N/A	N/A	N/A
City normal cost rate for pension and COLA	33.24%	34.34%	14.37%[1]	15.18%[1]	N/A
Additional contributions due to the floor methodology	975	800	N/A	N/A	1,775
Prefunded contributions amount (BOY)[2]	99,360	90,788	N/A	N/A	190,148
Regular contributions paid throughout the year	-	-	10,993	3,990	14,983
Adjustments and accruals	(2,671)	(2,629)	130	14	(5,156)
Total Contributions for the Fiscal Year	**$97,664**	**$88,959**	**$11,123**	**$4,004**	**$201,750**

[1] Police Tier 2 and Fire Tier 2 City contribution rates include UAL percentage of (0.35)% and (0.24)%, respectively

[2] Beginning of year

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, 2024 and 2023 were based on the actuarial valuations performed as of June 30, 2022 and 2021, respectively.

The City and the participating member’s contribution amounts and rates in effect for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2024 and 2023 were as follows:

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

	City-Board Adopted						Member [2]			
Period	Police Tier 1	Police Tier 1 UAL Dollar Amount [3]	Police Tier 2	Fire Tier 1	Fire Tier 1 UAL Dollar Amount [3]	Fire Tier 2	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2
6/23/24 - 6/30/24	34.46%		13.65%	36.57%		14.90%	10.59%	13.65%	11.81%	14.90%
6/25/23 - 6/22/24[1]	33.84%	$ 72,023,000	14.35%	34.25%	$ 69,168,000	15.11%	11.06%	14.35%	11.99%	15.11%
7/01/22 - 6/24/23[1]	33.24%	$ 76,350,000	14.37%	34.34%	$ 69,689,000	15.18%	10.99%	14.37%	12.11%	15.18%

[1] *The actual contribution rates paid by the City for fiscal years ended June 30, 2024 and June 30, 2023, respectively, differed from what is above 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. 30145, which became effective October 12, 2018, amended the Municipal Code to reflect these changes. Effective 3/24/2019, reclassified Tier 1 members paid an additional 1.96% in contributions, members with prior Federated Service, reclassified Tier 1 paid an additional 0.87% in contributions, and Classic Tier 1 members paid an additional 0.15% and 0.18% in contributions for the years ending June 30, 2024 and 2023, 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 Plan, including all of the healthcare sub-trusts, (i.e., the Plan'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, 2024 and 2023, were as follows (dollars in thousands):

	Police		Fire	
	2024	2023	2024	2023
Total OPEB liability	$ 569,369	$ 492,797	$ 340,491	$ 288,507
Plan fiduciary net position	218,892	191,682	125,313	107,682
Net OPEB liability	$ 350,477	$ 301,115	$ 215,178	$ 180,825
Plan fiduciary net position as a percentage of the total OPEB liability	**38.4 %**	**38.9 %**	**36.8 %**	**37.3 %**

As of June 30, 2024, the Plan's total net position for the 401(h) was $6,176, of which $4,854 was allocated towards the Police sub-trust, and $1,322 was allocated towards the Fire sub-trust. As of June 30, 2023, the Plan's total net position for the 401(h) was $9,223, of which $8,012 was allocated towards the Police sub-trust, and $1,211 was allocated towards the Fire sub-trust.

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 November 2023.

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

The total OPEB liability as of June 30, 2024 and 2023 is based on results of an actuarial valuation date of June 30, 2023 and 2022, and rolled-forward to June 30, 2024 and 2023 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, 2023	June 30, 2022
Measurement date	June 30, 2024	June 30, 2023
Actuarial cost method	Entry age normal, level of % of pay	Entry age normal, level of % of pay
Inflation rate	2.50%	2.50%
Discount rate (net)	6.00% per year. The Board expects a long-term rate of return of 8.0% based on Meketa's 20-year capital market assumptions and the Plan's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.	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.
Projected payroll increases	*Wage inflation rate:* Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Police and Fire members have bargained increases of 4.00% for FYE 2024. Police members have an ongoing non-pensionable 4.00% retention pay that becomes pensionable as well as a bargained increase of 3.00% for FYE 2025 *Merit increase:* Merit component added based on an individual's years of service ranging from 6.50% to 0.60%	*Wage inflation rate:* Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Fire members have bargained increases of 3.00% for FYE 2023. The bargaining agreement for Police members has expired *Merit increase:* Merit component added based on an individual's years of service ranging from 6.50% to 0.60%
Rates of Mortality	*Healthy Retirees:* 0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010 (A)) for healthy male and female retirees *Disabled retirees:* 0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees *Beneficiaries:* 1.032 times the 2010 Public General Member Mortality Table (Pub(G)-2010) for healthy male and female retirees *Healthy non-annuitants:* 0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010(A)) for healthy male and female members Mortality is projected from 2010 on a generational basis using the SOA MP-2021 projection scale	*Healthy retirees:* 1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010 (A)) for healthy male and female retirees *Disabled retirees:* 0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees *Beneficiaries:* 1.032 times the 2010 Public General Above Median Income Mortality Table (Pub(G)-2010) for healthy male and female retirees *Healthy non-annuitants:* 0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010(A)) for healthy male and female members Mortality is projected from 2010 on a generational basis using the SOA MP-2021 projection scale

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

Actuarial Assumptions		
Healthcare Cost Trend Rates		
Medical	The valuation assumes that future medical inflation will be at a rate of 8.60% to 3.94% per annum graded down over a 51 year period for medical pre-age 65 and 5.72% to 3.94% per annum for medical post-age 65. For fiscal year beginning 2024, actual calendar year 2024 premiums are combined with a trend assumption for calendar year 2025	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
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 Plan's target asset allocation as of June 30, 2024 and 2023, are summarized in the following table. The assets are invested in both a 401(h) within the pension plan and in 115 subtrusts. The table refers only to the 115 subtrusts. The allocation for the 401(h) is described above in Note 4 (see the discussion of the Plan's investment policy).

	2024		2023	
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%	8.5%	58.0%	6.5%
Investment grade bonds	14.0%	4.8%	14.0%	2.1%
Core real estate	12.0%	6.9%	12.0%	3.8%
Short-term investment grade bonds	6.0%	3.7%	6.0%	0.9%
Commodities	5.0%	5.3%	5.0%	3.0%
Long-term government bonds	5.0%	5.0%	5.0%	2.3%

Discount Rate. The discount rate used to measure the total OPEB liability was 6.00% for the measurement years ended June 30, 2024 and 2023, respectively, and is based on the long-term expected rate of return on investments. It is assumed that plan member contributions are 8.0% 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 maximum of 11.0% of the total Police and Fire payroll. The City also contributes the implicit subsidy on a pay-as-you-go basis.

Based on those assumptions, the Plan'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.

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

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, 2024 and 2023, 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 1.0% lower or 1.0% higher than the current rate (dollars in thousands):

	Police					
	2024			2023		
	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	$ 654,635	$ 569,369	$ 500,943	$ 568,740	$ 492,797	$ 432,059
Plan fiduciary net position	218,892	218,892	218,892	191,682	191,682	191,682
Net OPEB liability	$ 435,743	$ 350,477	$ 282,051	$ 377,058	$ 301,115	$ 240,377
Plan fiduciary net position as a percentage of the total OPEB liability	**33.4 %**	**38.4 %**	**43.7 %**	**33.7 %**	**38.9 %**	**44.4 %**

	Fire					
	2024			2023		
	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	$ 391,927	$ 340,491	$ 299,171	$ 332,975	$ 288,507	$ 252,886
Plan fiduciary net position	125,313	125,313	125,313	107,682	107,682	107,682
Net OPEB liability	$ 266,614	$ 215,178	$ 173,858	$ 225,293	$ 180,825	$ 145,204
Plan fiduciary net position as a percentage of the total OPEB liability	**32.0 %**	**36.8 %**	**41.9 %**	**32.3 %**	**37.3 %**	**42.6 %**

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 (7.6% decreasing to 2.94%) or 1.0% higher (9.6% increasing to 4.94%) than the current healthcare cost trend rates (dollars in thousands):

	Police					
	2024			2023		
	1% Decrease	Healthcare Cost Trend	1% Increase	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB liability	$ 495,186	$ 569,369	$ 661,447	$ 426,354	$ 492,797	$ 575,624
Plan fiduciary net position	218,892	218,892	218,892	191,682	191,682	191,682
Net OPEB liability	$ 276,294	$ 350,477	$ 442,555	$ 234,672	$ 301,115	$ 383,942
Plan fiduciary net position as a percentage of the total OPEB liability	**44.2 %**	**38.4 %**	**33.1 %**	**45.0 %**	**38.9 %**	**33.3 %**

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

	Fire					
	2024			2023		
	1% Decrease	Healthcare Cost Trend	1% Increase	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB liability	$ 294,629	$ 340,491	$ 397,752	$ 248,762	$ 288,507	$ 338,309
Plan fiduciary net position	125,313	125,313	125,313	107,682	107,682	107,682
Net OPEB liability	$ 169,316	$ 215,178	$ 272,439	$ 141,080	$ 180,825	$ 230,627
Plan fiduciary net position as a percentage of the total OPEB liability	**42.5 %**	**36.8 %**	**31.5 %**	**43.3%**	**37.3%**	**31.8%**

For the fiscal year ended June 30, 2024, Police Department and Fire Department employer contributions were made to the Police Department Postemployment 115 Healthcare Plan and the Fire Department Postemployment 115 Healthcare Plan, respectively. Employee postemployment healthcare contributions were made to the Postemployment Healthcare 401(h) Plan. It is unknown at this time when employee contributions to the Police Department Postemployment 115 Healthcare Plan and the Fire Department Postemployment 115 Healthcare Plan will begin, even though the Plan received an IRS private letter ruling on the tax qualification of the Section 115 Trust on July 9, 2014. The Postemployment Healthcare Plan is comprised of the 401(h) Plan and the two 115 Subtrusts.

On June 24, 2008, the City Council adopted Ordinance No. 28332 amending Chapter 3.36 of Title 3 of the San José Municipal Code to provide the City with the option to make lump sum payments of City required contributions to the Plan (referred to as prefunding).

In January 2011, 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 of contribution 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 Plans reduce 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.

Historically, member and City contributions to the Plan have been negotiated through collective bargaining separately for Police and Fire and have not been actuarially determined. No amount was determined on an actuarial basis for the Trusts prior to fiscal year 2019.

With the passage of Measure F, the Alternative Pension Reform Settlement Framework became effective as of June 16, 2017. A Voluntary Employee Beneficiary Association (VEBA) for retiree healthcare was created and Tier 1 members were eligible for a 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, after the IRS issued a private letter ruling to the Trusts allowing this. The VEBA is being implemented by the City, not ORS, and therefore it is also not under the jurisdiction of the Retirement Board.

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

With the implementation of Measure F, Tier 1 member contributions became fixed at 8.0% of pay effective March 25, 2018, when the VEBA was implemented. Beginning with fiscal year 2018-2019, the City's contribution toward the explicit subsidy became actuarially determined separately for Police and Fire, and the City also paid the implicit subsidy on a pay-as-you-go basis as a part of the active health premiums. In addition, the City has an option to limit its contribution for the explicit subsidy to 11.0% of Police and Fire payroll. The explicit subsidy (or premium subsidy) is paid by the Plan 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.

With the implementation of Measure F and VEBA, Tier 2 members were automatically placed into the VEBA. The City and the bargaining units agreed that the City Manager should, pursuant to Municipal Code section 3.36.576(c), terminate the existing Tier 2 retiree medical benefits plan effective July 30, 2017, such that Tier 2 members shall not be provided benefits or make contributions to the Healthcare Plan. The City will, however, continue to make the same retiree healthcare contributions that it was already making in order to ensure that payment towards the unfunded liability would continue and to ensure that the healthcare plan receives its full annual required contribution each year.

In March 2018, the Board approved the contribution policy that sets the City health care 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, 2024 was $33,166,000, $28,722,000 in City explicit subsidy contributions and accruals and $4,444,000 in implicit subsidy. The City's contribution for the Postemployment Healthcare Plan during the fiscal year ended June 30, 2023 was $30,763,000, $27,525,000 in City explicit subsidy contributions and accruals and $3,238,000 in implicit subsidy.

The City and the participating member's contribution rates in effect for the Postemployment Healthcare Plans during the fiscal years ended June 30, 2024 and 2023 were as follows:

	City-Board Adopted [2]		Member			
Period	**Police**	**Fire**	**Police Tier 1**	**Police Tier 2**	**Fire Tier 1**	**Fire Tier 2**
7/01/2023 - 6/30/24	$17,588,000[1]	$10,977,000[1]	8.00 %	N/A	8.00 %	N/A
7/01/2022 - 6/30/23	$17,503,000[1]	$10,972,000[1]	8.00 %	N/A	8.00 %	N/A

[1] *Beginning of the year*

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

NOTE 6 - COMMITMENTS

As of June 30, 2024 and June 30, 2023, the Plan had unfunded commitments to contribute capital for investments in the amount of $669,222,000 and $632,024,000, respectively.

NOTE 7 - LITIGATION

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

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)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Service cost (middle of year)	$ 95,759	$ 95,422	$ 93,139	$ 89,467	$ 87,641	$ 81,883	$ 75,481	$ 72,760	$ 74,531	$ 74,895
Interest	380,456	367,189	354,685	342,802	329,612	313,565	300,378	290,961	274,487	262,738
Changes of benefit terms	-	-	-	-	-	-	178	5,752	-	-
Differences between expected and actual experience	73,890	20,532	7,457	(15,131)	37,127	(17,009)	33,081	67,558	(8,672)	21,457
Change of assumptions	712	58	12,389	73,525	80,853	76,426	(100,328)	72,680	90,180	56,311
Benefit payments, including refunds of member contributions	(291,955)	(275,823)	(259,876)	(244,310)	(231,008)	(218,008)	(206,630)	(196,032)	(186,940)	(176,253)
Net Change in TPL	**258,862**	**207,378**	**207,794**	**246,353**	**304,225**	**236,857**	**102,160**	**313,679**	**243,586**	**239,148**
TPL - Beginning	**5,838,544**	**5,631,166**	**5,423,372**	**5,177,019**	**4,872,794**	**4,635,937**	**4,533,777**	**4,220,098**	**3,976,512**	**3,737,364**
TPL - Ending	**$6,097,406**	**$5,838,544**	**$5,631,166**	**$5,423,372**	**$5,177,019**	**$4,872,794**	**$4,635,937**	**$4,533,777**	**$4,220,098**	**$3,976,512**
Plan Fiduciary Net Position										
Contributions - employer	$ 202,700	$ 201,750	$ 212,046	$ 201,370	$ 188,481	$ 176,618	$ 157,712	$ 136,957	$ 132,480	$ 129,279
Contributions - employee	34,439	32,661	31,660	29,033	27,645	24,811	23,841	20,580	21,508	20,747
Net investment income	437,637	359,863	(294,549)	1,044,290	134,085	114,179	233,475	292,734	(29,206)	(27,690)
Benefit payments, including refunds of member contributions	(291,955)	(275,824)	(259,876)	(244,310)	(231,008)	(218,008)	(206,630)	(196,032)	(186,940)	(176,253)
Administrative expense	(7,849)	(6,832)	(6,051)	(5,764)	(5,605)	(5,369)	(5,464)	(4,635)	(4,254)	(4,191)
Net Change in Plan Fiduciary Net Position	**$ 374,972**	**$ 311,618**	**$ (316,770)**	**$1,024,619**	**$ 113,598**	**$ 92,231**	**$ 202,934**	**$ 249,604**	**$ (66,412)**	**$ (58,108)**
Plan Fiduciary Net Position - Beginning	**4,721,487**	**4,409,869**	**4,726,639**	**3,702,020**	**3,588,422**	**3,496,191**	**3,293,257**	**3,043,653**	**3,110,065**	**3,168,173**
Plan Fiduciary Net Position - Ending	**$5,096,459**	**$4,721,487**	**$4,409,869**	**$4,726,639**	**$3,702,020**	**$3,588,422**	**$3,496,191**	**$3,293,257**	**$3,043,653**	**$3,110,065**
Net Pension Liability - Ending	**$1,000,947**	**$1,117,057**	**$1,221,297**	**$ 696,733**	**$1,474,999**	**$1,284,372**	**$1,139,746**	**$1,240,520**	**$1,176,445**	**$ 866,447**
Plan Fiduciary Net Position as a Percentage of the TPL	**83.58%**	**80.90%**	**78.31%**	**87.15%**	**71.51%**	**73.64%**	**75.41%**	**72.64%**	**72.12%**	**78.21%**
Covered Payroll	**$ 265,551**	**$ 254,356**	**$ 251,023**	**$ 237,476**	**$ 230,401**	**$ 218,619**	**$ 203,164**	**$ 188,177**	**$ 186,874**	**$ 180,226**
Net Pension Liability as a Percentage of Covered Payroll	**376.93 %**	**439.17 %**	**486.53 %**	**293.39 %**	**640.19 %**	**587.49 %**	**561.00 %**	**659.23 %**	**629.54 %**	**480.76 %**

Required Supplementary Information *(continued)*

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	9.53%	7.94%	(4.81)%	26.43%	2.98%	4.00%	6.89%	9.68%	(0.85)%	0.85%

The rate shown above is based on the Defined Benefit and 401(h) only and does not include the 115 subtrusts.

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

(Dollars in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$202,700	$201,750	$212,046	$201,370	$188,481	$176,618	$157,712	$136,957	$132,480	$129,279
Contributions in relation to actuarially determined contribution	$202,700	$201,750	$212,046	$201,370	$188,481	$176,618	$157,712	$136,957	$132,480	$129,279
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$265,551	$254,356	$251,023	$237,476	$230,401	$218,619	$203,164	$188,177	$186,874	$180,226
Contributions as a percentage of covered payroll	76.33%	79.32%	84.47%	84.80%	81.81%	80.79%	77.63%	72.78%	70.89%	71.73%

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	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Valuation Date	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
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
Amortization method	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortiza-tions are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortiza-tions are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortiza-tions are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortiza-tions are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortiza-tions are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortiza-tions are a level percent of payroll
Amortization growth rate	2.50%	2.25%	2.25%	2.50%	3.25%	3.25%	3.25%	3.25%	3.25%	3.50%
Discount rate	6.625%	6.625%	6.625%	6.75%	6.75%	6.875%	6.875%	7.00%	7.00%	7.125%

NOTES TO SCHEDULE (continued)

Fiscal Year	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Valuation Date	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Salary increases	3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.60% for members with 10 or more years of service	3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.60% for members with 11 or more years of service	3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.50% for members with 11 or more years of service	3.25% plus merit component based on length of service ranging from 6.50% for new hires to 0.50% for members with 11 or more years of service	3.25% per annum (0.75% real wage growth) plus merit component based on lengthen of service ranging from 6.00% for new hires to 0.50% for members with 10 or more years of service	3.25% plus merit component based on length of service ranging from 6.75% for new hires to 1.00% for members with 10 or more years of service	3.25% plus merit component based on length of service ranging from 6.00% for new hires to 0.50% for members with 10 or more years of service	3.25% plus merit component based on length of service ranging from 6.75% for new hires to 1.00% for members with 10 or more years of service	3.25% plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service	2.00% for FY 2015, and 3.50% thereafter plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service
Mortality	Healthy Retirees: 2010 Public Safety Above Median Income Mortality Tables for Healthy Retirees multiplied by 1.002.	Healthy Retirees: 2010 Public Safety Above Median Income Mortality Tables for Healthy Retirees multiplied by 1.002.	Healthy Retirees: 2010 Public Safety Above Median Income Mortality Tables for Healthy Retirees multiplied by 1.002.	Healthy Retirees: 2010 Public Safety Above Median Income Mortality tables for retirees multiplied by 1.002.	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females.	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females.	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females.	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females.	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years
	Disabled Retirees: 2010 Public Safety Mortality Tables for Disabled Retirees multiplied by 0.915.	Disabled Retirees: 2010 Public Safety Mortality Tables for Disabled Retirees multiplied by 0.915.	Disabled Retirees: 2010 Public Safety Mortality Tables for Disabled Retirees multiplied by 0.915.	Disabled retirees: 2010 Public Safety Mortality tables for disabled retirees multiplied by 0.915.	Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903.	Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903.	Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903.	Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903.		
	Beneficiaries: 2010 General Member Mortality Table for Healthy Retirees multiplied by 1.032.	Beneficiaries: 2010 General Member Mortality Table for Healthy Retirees multiplied by 1.032.	Beneficiaries: 2010 General Member Mortality Table for Healthy Retirees multiplied by 1.032.	Beneficiaries: CalPERS 2009 Healthy Annuitant Mortality tables multiplied by 0.948 for males and 1.048 for females.						
	Non-Annuitant: 2010 Public Safety Above Median Income Mortality Tables for Healthy Employees multiplied by 0.979.	Non-Annuitant: 2010 Public Safety Above Median Income Mortality Tables for Healthy Employees multiplied by 0.979.	Non-Annuitant: 2010 Public Safety Above Median Income Mortality Tables for Healthy Employees multiplied by 0.979.	Non-Annuitant: 2010 Public Safety Above Median Income Mortality tables for healthy employees multiplied by 0.979.						
	Mortality improvements are projected from 2010 using Scale MP-2021 on a generational basis.	Mortality improvements are projected from 2010 using Scale MP-2021 on a generational basis.	Mortality improvements are projected from 2010 using Scale MP-2019 on a generational basis.	Mortality improvements are projected from 2010 (2009 for Beneficiaries) using Scale MP-2019 on a generational basis	Mortality improvements are projected from 2009 using SOA MP-2017 on a generational basis.	Mortality improvements are projected from 2009 using SOA MP-2017 on a generational basis.	Mortality improvements are projected from 2009 using SOA MP-2015 on a generational basis.	Mortality improvements are projected from 2009 using SOA MP-2015 on a generational basis.		

A complete description of the methods and assumptions used to determine the contribution rates for the fiscal year ending June 30, 2024 can be found in the June 30, 2022 actuarial valuation report.

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

(Dollars in thousands)

Total OPEB Liability	2024		2023		2022		2021		2020		2019		2018		2017	
	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Police	Fire
Service cost (middle of year)	$5,909	$6,383	$6,190	$5,919	$6,913	$6,352	$6,889	$6,102	$6,848	$5,965	$8,168	$6,835	$6,970	$6,031	$9,218	$6,894
Interest (includes interest on service cost)	32,613	19,417	28,215	16,453	28,612	16,491	28,868	16,921	28,017	16,659	30,378	17,830	28,805	16,509	29,674	17,099
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-	-	-	(43,208)	(26,226)	-	-
Differences between expected and actual experience	41,443	27,304	(36,572)	(19,815)	(24,484)	(25,708)	(16,442)	(18,664)	(64,507)	(34,812)	(3,712)	311	7,881	6,996	-	-
Change of assumptions	15,900	10,286	11,834	6,488	21,846	14,737	30,044	18,288	6,817	1,750	25,022	13,821	13,450	7,793	-	-
Benefit payments, including refunds of member contributions	(19,293)	(11,406)	(17,359)	(10,169)	(16,741)	(9,717)	(19,516)	(6,459)	(15,803)	(9,228)	(17,235)	(9,168)	(17,113)	(10,573)	(14,931)	(9,868)
Net Change in Total OPEB Liability	**$76,572**	**$51,984**	**$(7,692)**	**$(1,124)**	**$16,146**	**$2,155**	**$29,843**	**$16,188**	**$(38,628)**	**$(19,666)**	**$42,621**	**$29,629**	**$(3,215)**	**$530**	**$23,961**	**$14,125**
Total OPEB Liability - Beginning	**492,797**	**288,507**	**500,489**	**289,631**	**484,343**	**287,476**	**454,500**	**271,288**	**493,128**	**290,954**	**450,507**	**261,325**	**453,722**	**260,795**	**429,761**	**246,670**
Total OPEB Liability - Ending	**$569,369**	**$340,491**	**$492,797**	**$288,507**	**$500,489**	**$289,631**	**$484,343**	**$287,476**	**$454,500**	**$271,288**	**$493,128**	**$290,954**	**$450,507**	**$261,325**	**$453,722**	**$260,795**
Plan Fiduciary Net Position																
Contributions - ER	20,652	12,514	19,063	11,700	18,882	11,881	17,270	11,127	16,522	10,828	17,785	10,959	14,964	10,418	11,701	8,966
Contributions - EE	5,734	5,086	6,000	5,299	6,592	5,517	6,743	5,732	7,331	5,804	7,635	5,680	9,294	6,833	10,344	7,772
Net investment income	20,200	11,485	12,676	6,983	(17,263)	(10,037)	34,619	18,375	4,826	2,417	5,232	2,675	5,148	1,923	8,844	3,610
Benefit payments, including refunds of member contributions	(19,293)	(11,406)	(17,359)	(10,169)	(16,741)	(9,717)	(19,516)	(6,459)	(15,803)	(9,228)	(17,235)	(9,168)	(17,113)	(10,573)	(14,931)	(9,868)
Administrative exp	(83)	(48)	(67)	(35)	(104)	(50)	(64)	(46)	(77)	(45)	(86)	(40)	(115)	(44)	(123)	(58)
VEBA Transfer	-	-	-	-	-	-	-	-	-	-	-	-	(5,276)	(2,621)	-	-
Adjustments [1]	-	-	-	-	3,162	(3,162)	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	**$27,210**	**$ 17,631**	**$ 20,313**	**$ 13,778**	**$ (5,472)**	**$ (5,568)**	**$ 39,052**	**$ 28,729**	**$ 12,799**	**$ 9,776**	**$ 13,331**	**$ 10,106**	**$ 6,902**	**$ 5,936**	**$ 15,835**	**$ 10,422**
Plan Fiduciary Net Position - Beginning	**$191,682**	**$107,682**	**$171,369**	**$93,904**	**$176,841**	**$99,472**	**$137,789**	**$70,743**	**$124,990**	**$60,967**	**$111,659**	**$50,861**	**$104,757**	**$44,925**	**$88,922**	**$34,503**
Plan Fiduciary Net Position - Ending	**$218,892**	**$125,313**	**$191,682**	**$107,682**	**$171,369**	**$93,904**	**$176,841**	**$99,472**	**$137,789**	**$70,743**	**$124,990**	**$60,967**	**$111,659**	**$50,861**	**$104,757**	**$44,925**
Net OPEB Liability - Ending	**$350,477**	**$215,178**	**$301,115**	**$180,825**	**$329,120**	**$195,727**	**$307,502**	**$188,004**	**$316,711**	**$200,545**	**$368,138**	**$229,987**	**$338,848**	**$210,464**	**$348,965**	**$215,870**

Required Supplementary Information *(continued)*

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

(Dollars in thousands)

Total OPEB Liability	2024		2023		2022		2021		2020		2019		2018		2017	
	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Police	Fire
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	38.44%	36.80%	38.90%	37.32%	34.24%	32.42%	36.51%	34.60%	30.32%	26.08%	25.35%	20.95%	24.79%	19.46%	23.09%	17.23%
Covered Payroll	$164,662	$100,889	$156,968	$97,388	$156,706	$94,317	$144,351	$93,125	$140,897	$89,504	$133,617	$85,002	$121,585	$81,579	$108,424	$79,752
Net OPEB Liability as a Percentage of Covered Payroll	212.85%	213.28%	191.83%	185.67%	210.02%	207.52%	213.02%	201.88%	224.78%	224.06%	275.52%	270.57%	278.69%	257.99%	321.85%	270.68%

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

[1] FY 2022 had a benefit payment correction

SCHEDULE OF INVESTMENT RETURNS - POSTEMPLOYMENT HEALTHCARE PLAN (unaudited)

	2024	2023	2022	2021	2020	2018	2018	2017
Annual money-weighted rate of return, net of investment expense	9.53%	8.22%	(9.62)%	23.96%	1.95%	4.86%	3.56%	7.17%

The rate shown above is based on the 115 subtrusts 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 PLANS (unaudited)

Beginning in FYE 2010 for Police and FYE 2012 for Fire members, actual contributions were intended to phase in to the full Annual Required Contribution (ARC) as defined in the bargaining agreements and consistent with the parameters of GASB Statement No. 45, but the contribution rates were capped before the full ARC was reached. With the contribution rates capped, the ARC has been determined as the minimum amount that was consistent with the parameters of GASB Statement No. 45. No amount has been determined on an actuarial basis to fund the plan, and consequently, the schedule of employer contributions was not provided in prior years.

With the implementation of Measure F, fiscal year ending June 30, 2019 is the first year for which an Actuarially Determined Contribution was determined.

	2024		2023		2022		2021		2020		2019	
	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Police	Fire
Actuarially determined contributions (ADC)	$ 20,652	$ 12,514	$ 19,063	$ 11,700	$ 18,882	$ 11,881	$ 17,270	$ 11,127	$ 16,522	$ 10,828	$ 17,785	$ 10,959
Contributions in relation to ADC	20,652	12,514	19,063	11,700	18,882	11,881	17,270	11,127	16,522	10,828	17,785	10,959
Contribution deficiency / (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$164,662	$100,889	$156,706	$ 97,388	$156,706	$ 94,317	$144,351	$ 93,125	$140,897	$ 89,504	$133,617	$ 85,002
Contributions as a percentage of covered employee payroll	12.54%	12.40%	12.14%	12.01%	12.05%	12.60%	11.96%	11.95%	1,173.00%	12.10%	13.31%	12.89%

(Dollars in thousands)

NOTES TO SCHEDULE

Fiscal Year	2024	2023	2022	2021	2020	2019
Valuation Date	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Timing	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year
Key methods and assumptions used to determine contribution rates:						
Actuarial cost method	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age
Asset valuation method	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets
Amortization method	25-year layered amortizations with 3-year phase-in and phase-out	25-year layered amortizations with 3-year phase-in and phase-out	25-year layered amortizations with 3-year phase-in and phase-out	25-year layered amortizations with 3-year phase-in and phase-out	25-year layered amortizations with 3-year phase-in and phase-out	25-year layered amortizations with 3-year phase-in and phase-out
Discount rate	6.00%	6.00%	6.25%	6.50%	6.50%	6.875%
Amortization growth rate	3.00%	3.00%	3.00%	3.25%	3.25%	3.25%
Ultimate rate of medical inflation	3.94%	3.78%	3.78%	3.94%	4.25%	4.25%
Salary increases	3.00% for Fire and 3.00% for Police, through FYE 2023 and 3.00% thereafter plus merit	4.25% for Fire and 3.85% for Police, through FYE 2022 and 3.00% thereafter plus merit	4.25% through FYE 2022 and 3.00% thereafter 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	3.25% plus merit component based on years of service
Rates of mortality	Adjusted 2010 Public Safety Above Median Income Mortality tables for healthy members, adjusted 2010 Public Safety Mortality tables for disabled members, and adjusted 2010 Public General Mortality tables for beneficiaries. Future mortality is projected on a generational basis using the SOA MP-2021 projection scale	Adjusted 2010 Public Safety Above Median Income Mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public Safety Above Median Income Mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2010 Public Safety Above Income Mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors 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-2017 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale

A complete description of the methods and assumptions used to determine the contribution rates for the fiscal year ending June 30, 2024 can be found in the June 30, 2022 actuarial valuation report.

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COMBINING SCHEDULE OF DEFINED BENEFIT PENSION PLAN NET POSITION

As of June 30, 2024 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ASSETS			
Receivables			
Employee contributions	$ 555	$ 199	$ 754
Employer contributions	3,689	1,896	5,585
Brokers and others	13,409	477	13,886
Accrued investment income	6,201	3,291	9,492
Total Receivables	**23,854**	**5,863**	**29,717**
Investments, at fair value			
Securities and other:			
Public equity	1,252,528	949,001	2,201,529
Private equity	281,066	212,956	494,022
Cash and cash equivalents	222,881	168,873	391,754
Immunized cash flows	214,748	162,707	377,455
Investment grade bonds	124,190	94,095	218,285
Core real estate	127,404	96,530	223,934
Private debt	128,260	97,179	225,439
Growth real estate	127,112	96,308	223,420
Market neutral strategies	85,234	64,580	149,814
Private real assets	72,383	54,843	127,226
Treasury inflation-protected securities	57,707	43,724	101,431
Emerging market bonds	57,222	43,356	100,578
High yield bonds	56,799	43,034	99,833
Venture / Growth capital	52,477	39,758	92,235
Long-term government bonds	39,053	29,590	68,643
Total Investments	**2,899,064**	**2,196,534**	**5,095,598**
Other Assets, net	1,434	775	2,209
TOTAL ASSETS	**2,924,352**	**2,203,172**	**5,127,524**
LIABILITIES			
Payable to brokers	21,586	5,861	27,447
Other liabilities	2,397	1,221	3,618
TOTAL LIABILITIES	**23,983**	**7,082**	**31,065**
PLAN NET POSITION - RESTRICTED FOR			
Pension benefits	2,900,369	2,196,090	5,096,459
TOTAL PLAN NET POSITION	**$ 2,900,369**	**$ 2,196,090**	**$ 5,096,459**

Other Supplemental Information *(continued)*

COMBINING SCHEDULE OF CHANGES IN DEFINED BENEFIT PENSION PLAN NET POSITION

For the Fiscal Year Ended June 30, 2024 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ADDITIONS			
Contributions			
Employee	$ 25,263	$ 9,176	$ 34,439
Employer	122,492	80,208	202,700
Total Contributions	**147,755**	**89,384**	**237,139**
Investment income			
Net appreciation in fair value of investments	220,771	166,310	387,081
Interest income	34,726	25,901	60,627
Dividend income	5,713	4,264	9,977
Less: investment expense	(11,473)	(8,575)	(20,048)
Net Investment Income	**249,737**	**187,900**	**437,637**
TOTAL ADDITIONS	**397,492**	**277,284**	**674,776**
DEDUCTIONS			
Retirement benefits	184,291	87,280	271,571
Death benefits	9,822	9,642	19,464
Refund of contributions	735	185	920
Administrative expenses and other	4,495	3,354	7,849
TOTAL DEDUCTIONS	**199,343**	**100,461**	**299,804**
NET INCREASE	**198,149**	**176,823**	**374,972**
PLAN NET POSITION - RESTRICTED FOR PENSION BENEFITS			
BEGINNING OF YEAR	**2,702,220**	**2,019,267**	**4,721,487**
END OF YEAR	**$ 2,900,369**	**$ 2,196,090**	**$ 5,096,459**

Other Supplemental Information *(continued)*

SCHEDULES OF ADMINISTRATIVE EXPENSES AND OTHER

For the Fiscal Years Ended June 30, 2024 and 2023

	2024			2023
	Original Budget	Actual	Under Budget	Actual
Personnel services	$ 4,992,000	$ 4,958,630	$ 33,370	$ 4,438,410
Non-personnel / equipment	799,000	747,876	51,124	707,786
Professional services	1,823,000	1,816,249	6,751	1,173,166
Non-cash reporting items [1]	-	457,278	-	614,941
Total administrative expenses & other	**$ 7,614,000**	**$ 7,980,033**	**$ 91,245**	**$ 6,934,303**

[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 technology 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, 2024 and 2023

Firm	Nature of Service	2024	2023
Alliance Resource Consulting LLP	Executive recruitment	$ 19,000	$ -
Cheiron, Inc.	Actuarial consultant	276,819	227,163
Communication Advantage	Communication consultant	8,150	12,125
Cortex Applied Research, Inc.	Governance consultant	36,359	25,811
Ice Miller, LLC	Tax counsel	27,954	26,194
Levi, Ray, & Shoup	Programming changes, business continuance services, and web development and maintenance	25,144	16,756
Macias Gini & O'Connell LLP	External auditors	102,634	84,908
Reed Smith, LLP	Fiduciary and general counsel	462,568	383,492
Saltzman & Johnson	Domestic relations counsel	264,088	64,762
The Berywn Group	Reports on deceased benefit recipients	1,313	1,313
Trendtec, Inc.	Temporary staff	114,241	149,373
Other Consultants	Miscellaneous professional services	70,125	400
Other Medical	Medical consultants	407,854	180,869
Total		**$ 1,816,249**	**$ 1,173,166**

Other Supplemental Information *(continued)*

SCHEDULES OF INVESTMENT EXPENSES

For the Fiscal Years Ended June 30, 2024 and 2023

Investment Managers' Fees*	2024	2023
Public equity	$ 3,393,931	$ 3,591,789
Private equity	1,970,405	2,006,768
Immunized cash flows	174,251	211,181
Investment grade bonds	434,080	606,031
Core real estate	1,152,132	949,763
Private debt	3,479,646	2,701,263
Growth real estate	2,906,087	3,704,238
Private real assets	3,206,611	2,133,156
Treasury inflation-protected securities	46,680	44,970
Emerging market / High yield bonds	366,985	339,253
Venture / Growth capital	1,615,708	1,046,601
Long-term government bonds	22,007	36,643
Commodities	22,906	628
Short-term investment grade bonds	61,139	30,734
Total investment managers' fees	**18,852,568**	**17,403,018**
Other Investment Fees		
Investment consultants	410,200	454,465
Custodian bank	552,309	562,730
Investment legal fees	145,174	181,327
Other investments fees	356,733	344,739
Total other investment fees	**1,464,416**	**1,543,261**
Total investment expenses	**$ 20,316,984**	**$ 18,946,279**

* 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.

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Investment Section

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

City of San José
Police and Fire Department Retirement Plan
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2024 and June 30, 2023

MEKETA

5796 Armada Drive
Suite 110
Carlsbad, CA 92008

760.795.3450
Meketa.com

August 27, 2024

Mr. John Flynn
CEO
City of San Jose Police and Fire Department Retirement Plan
1737 North First Street, Suite 600
San Jose, CA 95112-4505

Dear Mr. Flynn:

Please find below a summary of the market environment and Plan performance through June 30, 2024.

Fiscal 2024 Year in Review

As it turned out, fiscal year 2024 began right around the same time as the Fed last increased interest rates in the battle against the pandemic-induced inflation. Where we stand today, following the end of fiscal year 2024, we could be close to the first interest rate cut in this cycle. It has been a year that, despite numerous predictions to the contrary, economic growth remained positive, inflation has leveled out or declined, depending on the measure, and the labor market has remained relatively strong despite some recent softening.

The last increase in the Federal Funds rate was in July of 2023, to a range of 5.25% - 5.5%. At the time, given the Fed's hawkish comments and above expectations economic data, investors started to recognize that rates could stay higher for longer, with no forthcoming interest rate cut. Combined with a downgrade in US debt and weakening economic data out of Europe and China, equity markets began to decline. Of the major asset classes, the US equity market (Russell 3000) fell by 3.3% in the first quarter of fiscal 2024. Outside the US, developed markets (MSCI EAFE) lost 4.1% and emerging market equities (MSCI Emerging Markets) were down 2.9%. Within emerging markets, Chinese equities (MSCI China) were down 1.9% in the first quarter of fiscal 2024.

Treasury rates continued to drift upward in the first quarter of fiscal 2024 with rates on longer-dated maturities increasing the most, driving a flattening of the yield curve. The two-year Treasury rose slightly from 4.9% to 5.1% while the ten-year Treasury increased from 3.8% to 4.6%. Higher rates resulted in negative returns for investment grade bonds. The broad US investment grade bond market (Bloomberg US Aggregate) fell 3.2%. Returns for High Yield bonds (Bloomberg High Yield) remained robust on few signs of distress and increased by 0.5% over the period.

As the second quarter of fiscal 2024 began, futures markets were still pricing in a small chance of an additional rate hike in the cycle, with two to three potential rate decreases in 2024. Markets continued searching for overall direction though, on the path of inflation, growth, and interest rates both in the US and abroad. As the quarter progressed, economic data started to come in below expectations and optimism built that major central banks could start cutting rates in 2024. This shift in sentiment rekindled the broad risk-on environment experienced earlier in calendar year 2023.

August 27, 2024

Among equity asset classes, the US equity market (Russell 3000) returned an impressive 12.1% in the second quarter of fiscal 2024. Outside the US, developed markets (MSCI EAFE) increased by 10.4% in the second quarter of fiscal 2024 with more than half the gains coming from a depreciating US dollar. Emerging market equities (MSCI Emerging Markets) were up 7.9% over the same period. Within emerging markets, Chinese equities (MSCI China) were down 4.2%, despite the enthusiasm around the globe.

Following a softening in inflation and expectations of lower policy rates, interest rates fell significantly in the second quarter of fiscal 2024, resulting in positive returns for investment grade asset classes. The two-year Treasury fell from 5.1% to 4.3%[1] while the ten-year Treasury declined from 4.6% to 3.9%.[1] The broad US investment grade bond market (Bloomberg US Aggregate) was up 6.8%, the strongest quarterly performance on record for that benchmark. Returns for high yield bonds (Bloomberg High Yield) continued the positive trend and increased by 7.2% over the second quarter of fiscal 2024.

The third quarter of fiscal 2024 began with the same optimism from the end of the previous quarter that inflation was in decline and that interest rate cuts would be forthcoming. However, as we moved forward it was likely that the resilient economic data that was driving global equities higher was also pushing out the timing of the expected first Fed rate cut, weighing on bonds. At that time major central banks had largely paused interest rate hikes with expectations that many would eventually cut rates. The uneven pace of falling inflation and economic growth across countries led to speculation that the pace of rate cuts could vary between central banks.

Inflation pressures had significantly eased in most countries from their pandemic peaks, but levels were still above most central bank targets with questions about how inflation would track going forward. Headline inflation in the US rose in March 2024 (3.2% to 3.5%) by more than expected, while core inflation was unchanged (3.8%) when it was predicted to decline to 3.7%.

Among equity asset classes, US markets (Russell 3000 Index) rose 10.0% in the third quarter of fiscal 2024. The technology sector continued to perform well, with energy likely gaining on geopolitical tensions. Non-US developed equity markets (MSCI EAFE) increased 5.8% in the quarter, helped by Japanese equities which hit multi-decade highs. A strengthening US dollar drove the weaker relative results for US investors with returns in local currency terms (MSCI EAFE Local) 4.2% higher (10.0% versus 5.8%) over the third quarter of fiscal 2024.

During the third quarter of fiscal 2024, emerging market equities (MSCI Emerging Markets) had the weakest equity returns (+2.4%), depressed by China (MSCI China) at -2.2%. Slowing economic growth, lingering issues in the property sector, and efforts by the US to discourage investments in China all weighed on results. The stronger dollar also hurt performance in emerging markets for US investors with returns in local currency terms (MSCI Emerging Markets Local) 2.1% higher (4.5%) during the same quarter.

Higher inflation and rising interest rates weighed on bonds with the broad US bond market (Bloomberg Aggregate) returning -0.8% for the third quarter of fiscal 2024. High Yield Bonds

August 27, 2024

(Barclays High Yield) remained positive, up 1.5% for the same quarter, as risk appetite remained strong and all-in yields attractive.

The final quarter of fiscal 2024 began with investors recognizing that interest rates may have to stay higher for longer given resilient economic data. Stronger than expected inflation and employment data in the US weighed on both stocks and bonds in April. However, by May and June, sentiment changed as the Fed confirmed it was unlikely they would increase interest rates and economic data started largely coming in below expectations. Headline year-over-year inflation in the US fell 0.5% over the quarter to 3.0% with several readings coming in below expectations. Core CPI also fell 0.5% in the quarter, finishing at 3.3%. Outside the US, inflation readings continued to decline in many developed markets, enough so that central banks in Canada, Sweden, Switzerland, and the EU all cut interest rates in the final quarter of fiscal 2024.

Among equity asset classes, US markets (Russell 3000 Index) rose 3.2% in the fourth quarter of fiscal 2024. Large capitalization technology companies again performed well driven by continued excitement over artificial intelligence. Enthusiasm surrounding artificial intelligence also benefited utilities, although to a lesser extent, with the market recognizing the massive computing power and energy needed to incorporate these technologies into many facets of everyday life. Non-US developed equity markets (MSCI EAFE) decreased 0.4% in the final quarter of fiscal 2024. A strengthening US dollar drove the weaker relative results for US investors with returns in local currency terms (MSCI EAFE Local) 1.4% higher (+1.0% versus -0.4%). Emerging market equities had the best returns in the final quarter of fiscal 2024, with the MSCI Emerging Markets Index returning +5.0%, partially attributed to China (MSCI China) at +7.1%.

Rising interest rates weighed on bonds with income balancing capital losses. The broad US bond market (Bloomberg Aggregate) returned 0.1% for the final quarter of fiscal 2024. High Yield Bonds (Barclays High Yield) remained positive, up 1.1% for the quarter.

Somewhat surprisingly for many, the 2024 fiscal year saw continued high policy rates with many economies avoiding recessions. In the US the Fed kept policy rates steady at 5.25%-5.50%, a level not seen in decades, for almost the entire fiscal year. Despite that, GDP growth in the US remained robust, with growth rates at 4.9%,[2] 3.4%,[2] 1.4%,[2] and 2.8%[2] for the first, second, third, and fourth quarters of fiscal year 2024, respectively. Unemployment increased 0.5% over the fiscal year, starting at 3.6% and ending at 4.1%,[3] but remained low relative to history. All of this occurred while the headline year-over-year inflation number ended where it began, at 3.0%,[3] while the core CPI number declined from 4.8% to 3.3%.[3]

Outside the US, unemployment and inflation painted a stable picture. The Eurozone ended fiscal year 2024 with unemployment numbers at 6.5%,[1] the same level as the beginning of the fiscal year. Japan ended with an unemployment figure of 2.5%,[1] slightly down from where it started for the year. Inflation in the Eurozone ended the fiscal year at 2.5%,[1] down from 5.5%[1] a year earlier. Inflation in Japan ended fiscal year 2024 at 2.8%[1] versus 2.6%[1] at the beginning of the fiscal year. China notably had inflation levels at the end of the fiscal year at 0.2%,[1] up slightly from 0.0% at the beginning of the fiscal year, given a disappointing reopening after Covid, issues in the property sector, geopolitical tensions, and increasingly protectionist trade measures around the globe.

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Fiscal Year 2025 Outlook

In fiscal year 2024, the US economy defied most expectations, with inflation moderating without significant damage to the economy, despite historically high interest rates. The Federal Funds rate ended the year above 5%, where it started, while economic growth remained far from recessionary territory. This, combined with excitement over AI, led to strong results in many equity markets, while fixed income markets were positive on softening inflation expectations. As we look toward fiscal 2025, there are several areas that could guide markets, both positively and negatively. These include:

→ The path of inflation and monetary policy.

- In fiscal 2025 we will be watching as the Fed continues their attempt to manage a "soft landing" of the US economy.[4] A soft landing is when the Fed is able to sufficiently reduce inflation without increasing unemployment and turning growth negative.[5] Economic growth has continued to remain positive in the US, and while the US unemployment rate has increased to 4.1%,[3] it is still near historic lows.
- The current Federal Funds rate stood at 5.25% - 5.5% for most of fiscal 2024. At time of this publication, futures markets were pricing in an almost 100%[6] chance of a rate cut in September of 2024, followed by one or two more by the end of the calendar year. Should this play out as the futures markets expect, the next question might be how many more, if any, rate cuts could be expected in the second half of fiscal 2025. From there we will be watching how lower interest rates impact the economy.
- Inflation, after surging during and after the global pandemic, has significantly declined from its peak in the US and other advanced economies. However, inflation remains above the Fed's average 2% target, largely driven by the "stickier"[7] services sectors. In June 2024, the Consumer Price Index ("CPI") was at 3.0%, well below its peak of 9.1% in June of 2022.[8] Core CPI, which strips out the volatile food and fuel components, finished the fiscal year at 3.3%[1], down from a 6.6% peak.[9] Core inflation is higher than headline inflation, as price increases for parts of the services sector, particularly shelter, medical care, and auto insurance, remain elevated. How inflation tracks on this final leg toward the Fed's average 2.0% target will be key in the upcoming fiscal year and will heavily influence the path of interest rates and the overall economy.
- The US labor market remains relatively healthy, despite some recent softening. Jobs continue to be added to the economy and wage growth remains strong. The unemployment rate has ticked up though, largely from people re-entering the work force. Initial claims for unemployment have also recently started to increase and the ratio of the number of jobs to unemployed has returned to pre-pandemic levels. Labor markets can deteriorate relatively quickly so we expect the Federal Reserve to be more focused on labor markets as they consider lowering interest rates.

→ Will gains in the US equity market broaden out or remain focused in the technology sector?

- The US equity market had impressive gains over the fiscal year, but results were largely driven by several large technology companies that benefited from optimism over artificial intelligence.

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- Signs of a healthy stock market advance usually include broader participation from companies across many sectors and capitalization sizes.
- We have recently seen some rotation into smaller company stocks given the prospect of lower interest rates and the economy potentially avoiding a recession. These companies are typically more interest rate sensitive and domestic focused, so recent developments have particularly benefited them.
- As we move ahead, we will be watching how the large cap technology companies perform and if this recent rotation into other areas of the equity market persists.

→ Will China, the world's second largest economy, be able to manage economic pressures while also deleveraging the economy and addressing the faltering property sector?

- The MSCI China Index returned 1.6% for fiscal year 2024. However, the same index returned +7.1% in the fourth quarter of fiscal 2024. Government purchases of shares, improving economic data, and returning foreign investors have all been supportive.
- Despite the recent gains, concerns remain about China's property sector, as well as tensions with the US and growing protectionist policies globally.
- Other shadow debt should continue to keep a ceiling on economic growth. While hard to measure, it is estimated that local government debt, which is not typically included in official government figures, totals between $7 and $11 trillion,[10] roughly two times the amount of China's office central government debt. The central government could help to bailout local provinces, which may encourage more borrowing, or tolerate the default of the local funding vehicles, which could risk contagion to other areas of China's financial system.
- Market-friendly policies and openness are waning, while Chinese Communist Party ideology and nationalism are growing. The traditional playbook of building things to continue growth in China is not favored by current leadership, making a resolution of these deleveraging issues paramount in order transition China's economy to a more sustainable path.

→ Geopolitical risks.

- Ongoing and latent regional conflicts have the potential to destabilize markets at any time. The war in Ukraine continues to demand more military and financial support.[11] Hamas' attack on Israel and the response of the Israeli Defense Force in Gaza has placed Israel's allies in a difficult position.
- China, with its own troubled domestic economy and real estate crisis, could continue to favor pro-nationalist policies over economic growth. Politically, China might try to thwart US multilateral efforts to restore peace in the Middle East and contain President Putin. Despite Chinese policy makers scrambling to restore investor confidence and battle deflation, public markets in China declined in fiscal 2024.
- Fiscal year 2024 has also been a busy year in elections, with votes happening in India, Mexico, Iran, the European Union, and Britain, among others. Of course, in addition to the November

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presidential election in the US, other possibly consequential elections are set to occur in Moldova and Romania, which could have some impact on the path of the war in Ukraine.

- Given these geopolitical risks, it seems incongruous that the index of volatility in the stock market, the VIX, has been trading around one standard deviation below its long-term average at the end of the fiscal year, as continued strength in technology stocks and weakening economic data has moderated fear in the markets.
- We will continue to evaluate these geopolitical concerns, with an eye toward their impact on inflation and growth. Increases in geopolitical conflicts could hamper supply chains and once again might drive-up inflation. As the world's second largest economy, the health of the Chinese economy is important to many corporations and investors.

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

The City of San Jose Police and Fire Department Retirement Plan had $5.1 billion in assets at the end of the fiscal year. For the fiscal year, the Retirement Plan returned 9.7% net of fees, versus the Policy Benchmark (9.7%) and Investable Benchmark (9.6%). The Retirement Plan's return was above the 6.625% assumed actuarial rate of return. The Retirement Plan's standard deviation of returns was 6.3%, exhibiting lower volatility than the peer median (7.9%).

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

→ *Public Equity*: The Plan's Public Equity aggregate was up 18.2% for the fiscal year, compared to a benchmark return of 18.1%. Global Equity returned 19.8%, U.S. Equity returned 22.5%, International Equity returned 7.7%, and Emerging Markets Equity returned 18.9%

→ *High Yield Bonds:* The Retirement Plan's High Yield Bonds aggregate also had a strongly positive return for the fiscal year, up 10.1%.

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

The City of San Jose Police and Fire Department Retirement Plan Health Care Trust had $337.6 million in assets at the end of the fiscal year. For the fiscal year, the Health Care Trust returned 9.5% net of fees, compared to the Policy Benchmark return of 9.3%.

Within the Health Care Trust, Growth returned 17.6% versus the Growth Benchmark return of 17.7%, Low Beta returned 5.4% compared to the ICE BofA 91 Days T-Bills TR of 5.4%, and Other returned -2.6%, outperforming the Other benchmark by 40 basis points over the fiscal year period.

[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.

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Summary

Performance for the City of San Jose Police and Fire Department Retirement Plan over the fiscal year matched its Policy Benchmark and exceeded its Investable Benchmark. Compared to the Public Peer Group over $1 Billion Net Return, performance over the fiscal year ranked better than median, while also taking on less risk than the peers. We believe that the Retirement Plan 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 Plan in meeting its obligations to participants.

Sincerely,

Laura Wirick, CFA, CAIA	Colin Kowalski
Managing Principal	Investment Analyst

LBW/CK/lv

Return and treasury rate data from Bloomberg unless otherwise indicated.
[1] Source: Bloomberg.
[2] Source: Bureau of Economic Analysis.
[3] Source: Bureau of Labor Statistics.
[4] Source: Federal Reserve of St. Louis, "K. Engermann, "" A Soft Landing for the Economy: What it Means and What Data to Look at," October 11, 2023. The Fed was not able to tame inflation in the late 1970s and early 1980s without triggering economic recessions and raising unemployment.
[5] Source: Federal Reserve of St. Louis, "K. Engermann, "" A Soft Landing for the Economy: What it Means and What Data to Look at," October 11, 2023.
[6] Source: CME Group.
[7] Source: Federal Reserve Bank of Cleveland, M. Bryan, "Are Some Prices More Forward Looking than Others? We Think So"", May 19, 2010. Sticky prices are the prices for goods and services that do not respond quickly to aggregate demand. Medical care, personal services, insurance, and education are some examples of sticky-price services and goods. About 70% of headline CPI includes goods and services with another 30% of the index reflecting goods and services that change prices more quickly in response to consumer demand.
[8] Source: Bureau of Labor Statistics as of February 13, 2024.
[9] Source: Bureau of Labor Statistics as of February 13, 2024. In January 2024, shelter costs accounted for two-thirds of inflation.
[10] Source: Wall Street Journal "Trillions in Hidden Debt Drove China's Growth. Now It Threatens Its Future" July 14, 2024.
[11] Source: Financial Times, C. Miller, "Active Defense [sic]: How Ukraine Plans to Survive in 2024," January 18, 2024.

Statement of Investment Policy

PENSION - INCLUDES THE 401(H) INVESTMENTS

EXECUTIVE SUMMARY

The purpose of this document is to set forth the goals and objectives of the San José Police and Fire Department Retirement Plan, 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 October 5, 2023. The asset allocation was approved on May 2, 2024.

The Board of Administration recognizes that a stable, well-articulated investment policy is crucial to the long-term success of the Plan. 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 Plan's assets,
- To establish a long-term asset allocation with a high likelihood of meeting the Plan's objectives given the explicit constraints, and
- To protect the financial health of the Plan through the implementation of this stable long-term investment policy.

This document includes detail on the Plan's adopted asset allocation policy (summarized in Appendix A) and process, including the selected Functional asset class structure and the Plan benchmarks approved by the Board. It also includes the Plan's policy on manager selection, retention, evaluation, and termination, as well as the Plan'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 POLICE AND FIRE DEPARTMENT RETIREMENT PLAN GOALS

The San José Police and Fire Department Retirement Plan was established to provide retirement income for San José Police and Fire Department Retirement Plan employees and their families. The Plan'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 Police and Fire Department Retirement Plan is designed to ensure the prudent investment of Plan 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 Plan'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 Police and Fire Department Retirement 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.

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

B. Return Objective

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

III. INVESTMENT CONSTRAINTS

A. Legal and Regulatory

The San José Police and Fire Department Retirement Plan is a defined benefit retirement program for certain employees of the Police and Fire departments of the City of San José in the State of California. The terms of the Plan are described in the San José Municipal Code.

B. Time Horizon

The Plan will be managed on a going-concern basis. The assets of the Plan 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 Plan.

C. Liquidity

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

D. Tax Considerations

The Plan 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 Plan is unlikely to be compensated (non-market or diversifiable risks).

V. DIVERSIFICATION

The Board members of the San José Police and Fire Department Retirement Plan 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 - INCLUDES THE 401(H) INVESTMENTS (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.

Statement of Investment Policy *(continued)*

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

Public Equity - *Growth*

The purpose of Public Equity is to provide the Plan 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 Plan 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 Plan exposure to rates and credit risk within emerging markets.

High Yield Bonds - *Growth*

The primary purpose of High Yield Bonds is to provide the Plan 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 Plan 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 Plan 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 Plan by providing exposure to rates and credit risk.

Commodities - *Other*

The purpose of Commodities is to increase the Plan’s portfolio diversification and provide a hedge against unexpected inflation.

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 Plan.

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 Plan'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 Plan 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 Plan.

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.

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

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 Plan's liabilities.
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.
3. A SAAP consisting of the following asset classes and targets shown in Appendix A.

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 whenever requested by the staff or the Board, but no less than every three years or when a significant market correction occurs. The LCPP and SAAP shall be reviewed annually to reflect the capital market assumptions (CMA) used in asset allocation studies and published 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.

PENSION - INCLUDES THE 401(H) INVESTMENTS (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 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, target and ranges (maximum - minimum).

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

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 Plan. Changes to the weights of illiquid asset classes may take several quarters to implement, and the CIO shall keep the IC apprised of the 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 Plan 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 Plan 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	6.3	3.2 (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	7.1	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.

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

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 plans for private markets (assuming the pacing plans are reasonable). For example, if the private equity pacing plan called for 12% to be invested in private equity by the end of the performance measurement period, then the Investable Benchmark Portfolio would reflect a 12% 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.

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 plans similar in size to the Plan, 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 Plan 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 exception of co-investments (due to the investment concentration risk of co-investments). This exception does 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 Plan, including:
    a. Recommending to the CEO the appointment and duties of all professional, technical, and clerical employees of the Investment Division;

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

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 Plan.

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 Plan 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 Plan.

2. The nature and size of the manager's mandate shall be consistent with:
    a. The asset allocation policy of the Plan;
    b. Applicable constraints (e.g. **manager or strategy concentrations**) contained in this Investment Policy Statement; and the total Plan **active risk limit(s)[1] contained in the risk section of this IPS.**
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 [2]
Vehicle	Separately managed accounts (active)	15%
	Commingled funds and SMAs (public, passive)	No limit [3]
	Commingled funds (public, active)	15%
	Commingled funds (hedge funds)	15%
	Commingled funds (private strategies)	15%[4]
Public Markets[5]	Passive strategies	No limit
	Active strategies	15%
		Transaction Limit [6]
Private Markets	Total $ commitment to asset class (e.g. Private Debt)	150% of Board-approved pacing plan (cumulative)[7]
	Primary fund commitment (1st allocation to mgr.)	2%**
	Primary fund commitment (follow-on)	3%**
	Secondary fund investment	1%**

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

2 Percentage (%) of total Plan assets allowable per investment strategy

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

4 For private strategies, limit applies to the capital invested plus future callable commitments

5 Some of these limits related to public markets may be "interim", to be replaced by risk-based limits for example

6 Percentage (%) of total Plan assets allowable per investment manager.

7 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

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

** Percentage (%) of total Plan 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.

Manager Selection

Manager Selection Process

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

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

1. Imposition of a Quiet Period / No Contact policy. Board members and non-investment staff shall not have contact with parties who are under consideration for engagement by the Plan in response to an RFP, RFI, purchase order, other solicitation or other contracting process that has reached the point of specific focus on such parties, except in accordance with the published terms of the contracting process or except for, and limited to, contact necessary in connection with ongoing Plan business with a party. The Plan’s communications with such parties shall include notice that a no-contact “quiet period” will be in place from a specific date until the contracting decision is finalized with respect to such parties, such that these communications shall not occur, except as provided above. As part of the contracting process, potential contracting parties (a) shall be informed by investment staff of the quiet period requirements and that violations of the quiet period requirements will cause immediate disqualification from their being engaged by the Plan; (b) shall be required to disclose potential conflicts of interest; and (c) shall make the placement agent disclosures required by law and Plan policies. Board members and non-investment staff shall not influence or attempt to influence, the Plan’s decision-making process, outside of the authorized actions on behalf of the Plan.
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. **Legal review** by qualified investment counsel of the manager agreement and related documentation;
5. **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;
6. **Approval by the CIO;**
7. **Concurrence by a qualified investment consultant** or quasi-discretionary investment manager as to the reasonableness of the selection decision; and
8. The CIO shall provide the Investment Committee with a summary of all active manager level transactions semi-annually.

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.

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

J. The Plan'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 Plan 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 Plan may also incorporate multi-year performance periods with clawbacks as needed.

Manager Termination Procedures

A. City of San José Office 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.

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

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

1. Plan asset allocation change
2. limited market opportunity
3. style drift
4. violation of policies and 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.

VIII. 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 Police and Fire Retirement Board. This document defines the roles and responsibilities for maintaining this Risk Policy, management of the investment risks of the Plan, and monitoring the results. It also articulates the Board's philosophy towards investment risk. The Plan 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 objective of the risk management program are:

- **A.** To communicate the Plan's commitment to risk management and the central role in achieving Plan goals and objectives;
- **B.** To formalize and communicate a consistent approach for managing risk;
- **C.** To ensure the investment risks assumed by the Plan are appropriate given the financial health of the Sponsor;
- **D.** To ensure the Plan 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 C, which defines all the technical terms use in this policy.

PENSION - INCLUDES THE 401(H) INVESTMENTS (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 Plan, 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.

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 Plan 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

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

E. Capital markets projections

F. Coordination with the Plan'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 Plan 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 Plan 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 Plan 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 Plan assets in accordance with the IPS, Risk Policy, and all other applicable laws and the terms of the applicable investment documents evidencing the Plan'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.

PENSION - INCLUDES THE 401(H) INVESTMENTS (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 Plan 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 Plan 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 Plan 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 Plan 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 Plan, is reviewed on both actuarial and fair 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 Plan will manage funding risk in three main ways:

- **A.** Actuarial review: The actuary will periodically review the Plan'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 Plan 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 Plan 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 Plan's strategic asset allocation and risk reporting processes and is measured and monitored as outlined in Appendix B and C.

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

Market corrections due to economic recession, geo-political instability, and other causes have historically proven detrimental to the funded status of the Plan. 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 Plan and Sponsor.

Active risk, factor exposures, and liquidity must be monitored

Implementation of any strategic asset allocation introduces deviations between the Plan'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 Plan'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 Plan 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 Plan. Under stressed market conditions, however, liquidity within the Investment Program can change significantly and with little advance notice while the Plan must continue to meet its obligations. Liquidity must, therefore, be monitored and measured to ensure that the Plan 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 Plan's IPS, the Board retains full authority and responsibility for ensuring adherence of the Investment Program to this Risk Policy.

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

The Plan’s risk management function is expected to evolve through time. The objective of the risk management function is to ensure the Plan 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 Plan's ability to meet its goals and objectives;
- **B.** Estimate the significant risks to which the Plan 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 Plan 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 Plan.

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.

IX. INVESTMENT COSTS

The Board members intend to monitor and control investment costs at every level of the San José Police and Fire Department Retirement Plan.

- **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 Plan restructurings to eliminate unnecessary turnover expenses.
- **D.** Managers will be instructed to minimize brokerage and execution costs.

Appendix A[1]

ASSET ALLOCATION TARGETS [2]

	Target (%)	SAAP Asset Class Benchmarks	LCPP Asset Class Benchmarks	Tracking Error Target Range (basis points)
Growth	**73.5**			
Public Equity	42	Custom Public Equity Benchmark[3]	LCPP Custom Public Equity Benchmark[3]	0 - 400
Total Private Markets	31.5	Actual Return		N/A
Private Equity	10		Russell 3000	
Private Debt	5		Bloomberg Barclays Aggregate	
Growth Real Estate	4		Global NAREIT	
Private Real Assets	4		S&P Global Natural Resources	
Venture / Growth Capital	4.5		Russell 3000	
Emerging Market Bonds	2	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	**13.5**			
Cash	5.5		ICE BofA 91 days T-Bills TR	
Immunized Cash Flows	5.0	Actual Return	Gov / Credit 1-3 Year	N/A
Market Neutral Strategies	3	SOFR + 1.5% Actual Return	SOFR Bloomberg Barclays	0 - 1,000 N/A
Other	**13**			
Core Real Estate	5	NCREIF ODCE Cap Weighted - Net (Lagged 1 quarter)	Global NAREIT	0 - 400
Investment Grade Bonds	4.5	Custom IG Bonds Benchmark[4]	Custom IG Bonds Benchmark[4]	0 - 200
TIPS	2	Bloomberg Barclays 0-5 Year TIPS	Bloomberg Barclays 0-5 Year TIPS	0 - 100
Long-Term Government Bonds	1.5	Bloomberg Barclays US Long Treasury	Bloomberg Barclays US Long Treasury	0 - 100
Commodities	0	Bloomberg Commodities Index	Bloomberg Commodities Index	0 - 700

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 May 2, 2024.
3 57.1% MSCI US IMI, 26.2% MSCI World ex US IMI Net, 16.7% MSCI EM IMI Net.
4 78% US Aggregate, 22% US Securitized MBS / ABS / CMBS.

Appendix B

SCHEDULE OF OPERATING RANGES AND LIMIT TARGETS

Characteristic	Measurement	Operating Range		Board Approved Limit
		Min.	Max.	
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

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 Plan will not be able to meet financial obligations as they come due.

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

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

Portfolio Construction Engine: A software program relying on mean-variance 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 - 115 SUBTRUSTS

This investment policy was approved on January 6, 2022. The asset allocation was approved on April 7, 2022.

I. SAN JOSÉ POLICE AND FIRE RETIREE HEALTH CARE TRUST FUND GOALS

The San José Police and Fire Retiree Health Care Trust Fund (the "Fund") was established to subsidize postretirement healthcare benefits for San José Police and Fire Department Retirement Plan 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 Plan 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 Police and Fire Department Retirement Plan 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.

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).

HEALTHCARE - 115 SUBTRUSTS (continued)

V. DIVERSIFICATION

The Board members of the San José Police and Fire Department Retirement Plan 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.

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.

HEALTHCARE - 115 SUBTRUSTS (continued)

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.

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 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 whenever requested by the staff or the Board, but no less than every three years or when a significant market correction occurs. The LCPP and SAAP shall be reviewed annually to reflect the capital market assumptions (CMA) used in asset allocation studies and published 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 - 115 SUBTRUSTS (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 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 Plan. 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 Plan, 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 Plan.

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;

HEALTHCARE - 115 SUBTRUSTS (continued)

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 Plan 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 Plan.

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%

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.

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

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.

HEALTHCARE - 115 SUBTRUSTS (continued)

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 7, 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, 2024

PUBLIC EQUITY		
Artisan Partners	GQG Partners	Oberweis Asset Management
Burgundy Asset Management	Kotak	RWC Partners (Redwheel)
Dimensional Fund Advisors	Morgan Stanley	Wellington Management
First Eagle	Northern Trust Asset Management	
PRIVATE EQUITY		
57 Stars	Francisco Partners	Portfolio Advisors
CCMP Capital Investors	Innovation Endeavors	TPG Capital
Crescent Capital Group	Neuberger Berman	Warburg Pincus
Crestline Portfolio Financing	Pantheon Ventures	
GROWTH REAL ESTATE		
AIG	GCP SecureSpace Property Partners	Praedium Group
Brookfield Asset Management	GEM Realty Capital	Rockpoint Group
Centerbridge Partners	HIG Realty Partners	Sculptor Capital Management
DRA Advisors	KSL Capital Partners	Torchlight Investors
Exeter Property Group	Orion Capital Managers	Tristan Capital Partners
PRIVATE DEBT		
Angelo Gordon	Cross Ocean Partners	Octagon Credit Investors
Arbour Lane Capital Management	Eagle Point	Shoreline Capital
Blackstone / GSO Capital Partners	HPS Investment Partners	Silver Point Capital
Charlesbank Capital Partners	Invesco	Strategic Value Partners
Crestline Investors Inc	Medley Capital LLC	Whiteoak Global Advisors
PRIVATE REAL ASSETS		
Aether Investment Partners	Kimmeridge	Ridgewood Energy
Brookfield	Lime Rock Partners	Scout Energy Partners
Crestline Investors Inc	Mountain Capital	Seraya Partners
Global Infrastructure Partners	Orion Mine Finance	Tembo Capital
HIG Capital	Paine Schwartz Partners	
Hull Street Energy Partners	Real Assets Co-Invest I	
EMERGING MARKET BONDS		
Payden & Rygel		Wellington Management (Iguazu)
HIGH YIELD BONDS		
Columbia Threadneedle Investments		Insight Investment
VENTURE CAPTIAL		
Bow Capital	Innovation Endeavors	Sierra Ventures
BSF	Invesco	Signia Venture Partners
Canvas Ventures	Lerer Hippeau	Tiger Iron
Collective Global	Nextplay Capital	Top Tier Capital Partners
Crosslink Capital	Northgate Management	Upfront Ventures
INVESTMENT GRADE BONDS		
BlackRock	Northern Trust Asset Management	Voya Investment Management
Invesco		
MARKET NEUTRAL STRATEGIES		
Crabel Capital Management	D.E. Shaw & Co, LP	Hudson Bay Capital Management
IMMUNIZED CASH FLOWS		
	Insight Investment	
LONG-TERM GOVERNMENT BONDS		
	BlackRock	
TREASURY INFLATION-PROTECTED SECURITIES (TIPS)		
	Northern Trust Asset Management	
CORE REAL ESTATE		
BlackRock	Clarion Partners	TA Realty
COMMODITIES		
	BlackRock	
CONSULTANTS		
Meketa Investment 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 Including 401(h)

NET PERFORMANCE SUMMARY BY ASSET CLASS

For Period Ended June 30, 2024

	One Year	Three Years	Five Years	Ten Years
Total Fund with Overlay (Net of Manager Fees)	**9.7%**	**3.9%**	**7.8%**	**5.8%**
Policy Benchmark	9.7%	3.9%	7.6%	5.9%
InvMetrics All Public DB > $1B Median	9.6%	3.0%	7.2%	6.3%
Public Equity	**18.2%**	**4.0%**	**10.4%**	**8.2%**
Public Equity Benchmark	18.1%	4.2%	10.0%	8.0%
Private Equity	**7.0%**	**9.7%**	**15.5%**	**13.2%**
Custom PE Benchmark	6.5%	10.2%	15.3%	13.5%
Private Real Assets	**2.8%**	**12.7%**	**10.0%**	**N/A**
Private Debt	**11.3%**	**9.6%**	**9.6%**	**N/A**
Morningstar LSTA U.S. Leveraged Loan Index +2%	13.0%	8.0%	7.3%	6.2%
Northern Trust Russell 3000	**23.1%**	**8.1%**	**14.2%**	**12.2%**
Russell 3000 Index	23.1%	8.1%	14.1%	12.1%
Immunized Cash Flows	**4.2%**	**0.0%**	**0.9%**	**N/A**
Immunized Cash Flow Benchmark	4.2%	0.0%	0.9%	N/A
Core Real Estate	**(11.9)%**	**4.1%**	**4.1%**	**N/A**
Core Real Estate Benchmark	(12.0)%	2.5%	2.4%	N/A
Emerging Market Bonds	**4.3%**	**2.5%**	**4.6%**	**3.7%**
50% JPM EMBI GD / 50% JPM GBI-EM	4.9%	(2.9)%	(0.6)%	0.9%
Growth Real Estate	**(4.3)%**	**9.8%**	**8.5%**	**N/A**
NCREIF Property Index	(5.5)%	2.3%	3.4%	6.1%
Market Neutral Strategies	**8.0%**	**11.8%**	**10.6%**	**6.8%**
Market Neutral Strategies Benchmark	7.0%	4.4%	3.0%	2.1%
Venture Capital	**4.2%**	**6.7%**	**N/A**	**N/A**
Treasury Inflation-Protected Securities (TIPS)	**5.4%**	**2.2%**	**3.2%**	**N/A**
Bloomberg U.S. TIPS 0-5 Year	5.4%	2.2%	3.2%	2.0%
Cash and Cash Equivalents	**5.2%**	**2.8%**	**2.1%**	**1.5%**
90 Day U.S. Treasury Bill	5.4%	3.0%	2.2%	1.5%
High Yield Bonds	**10.1%**	**2.1%**	**N/A**	**N/A**
Bloomberg U.S. Corp: High Yield Index	10.4%	1.6%	3.9%	4.3%
Investment Grade Bonds	**4.7%**	**(2.4)%**	**N/A**	**N/A**
Custom IG Bonds Benchmark	2.6%	(2.7)%	N/A	N/A
Long-Term Government Bonds	**(5.5)%**	**(10.5)%**	**N/A**	**N/A**
Long-Term Government Bonds Benchmark	(5.6)%	(10.5)%	N/A	N/A

Basis of Calculation: Time-Weighted Rate of Return

Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2024

Schedule of Investment Results of Healthcare Trust - 115 Subtrusts

NET PERFORMANCE SUMMARY BY ASSET CLASS

For Period Ended June 30, 2024

	One Year	Three Years	Five Years	Ten Years
Total Fund (Net of Manager Fees)	**9.5%**	**2.3%**	**6.3%**	**4.5%**
Policy Benchmark	9.3%	2.2%	6.1%	5.1%
Public Equity	**17.6%**	**3.7%**	**9.6%**	**8.1%**
Public Equity Benchmark	17.7%	3.6%	9.7%	7.9%
Short-Term Investment Grade Bonds	**5.5%**	**3.2%**	**2.3%**	**N/A**
90 Day U.S. Treasury Bill	5.4%	3.0%	2.2%	N/A
Core Real Estate	**(9.6)%**	**4.9%**	**4.2%**	**5.8%**
Core Real Estate Benchmark	(12.0)%	2.5%	2.4%	5.1%
Commodities	**5.1%**	**6.3%**	**8.8%**	**1.2%**
Bloomberg Commodity Index Total Return	5.0%	5.7%	7.2%	(1.3)%
Cash and Cash Equivalents	**4.8%**	**2.8%**	**2.0%**	**1.3%**
90 Day U.S. Treasury Bill	5.4%	3.0%	2.2%	1.5%
Investment Grade Bonds	**2.5%**	**(3.1)%**	**N/A**	**N/A**
Bloomberg U.S. Aggregate Index	2.6%	(3.0)%	N/A	N/A
Long-Term Government Bonds	**(5.5)%**	**(10.4)%**	**N/A**	**N/A**
Bloomberg U.S. Treasury: Long	(5.6)%	(10.5)%	N/A	N/A

Basis of Calculation: Time-Weighted Rate of Return

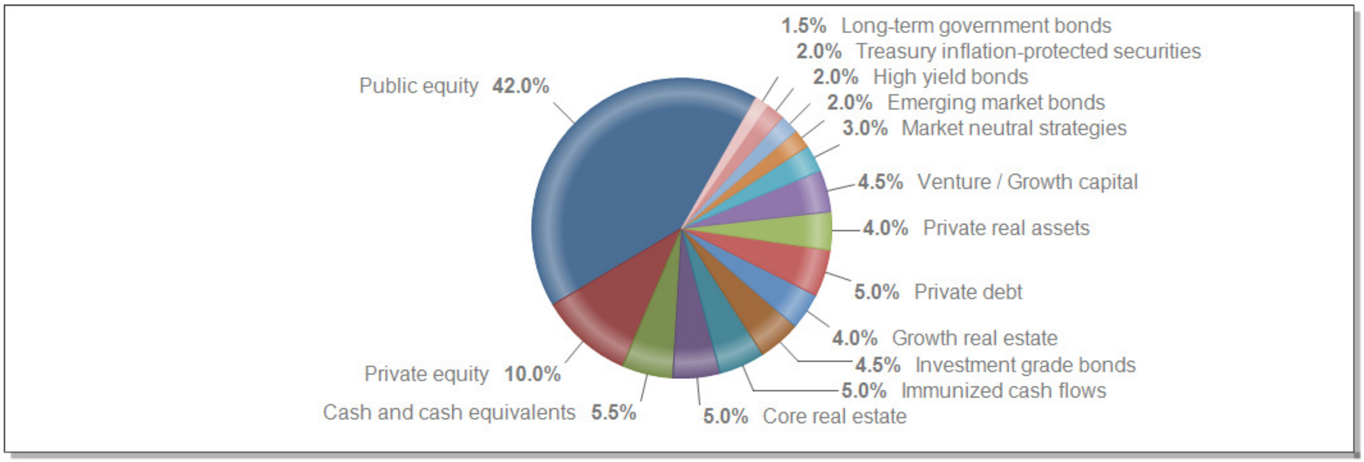
Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2024

Pension Investment Review

INCLUDES THE 401(H) INVESTMENTS

TARGET ASSET ALLOCATION

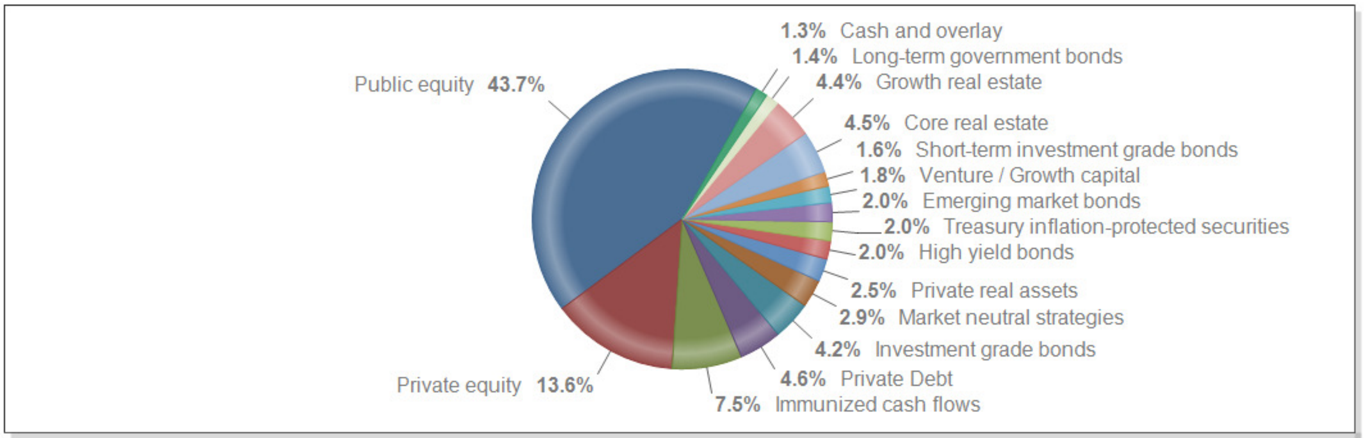
As of June 30, 2024



ACTUAL ASSET ALLOCATION

Non-GAAP Basis

As of June 30, 2024



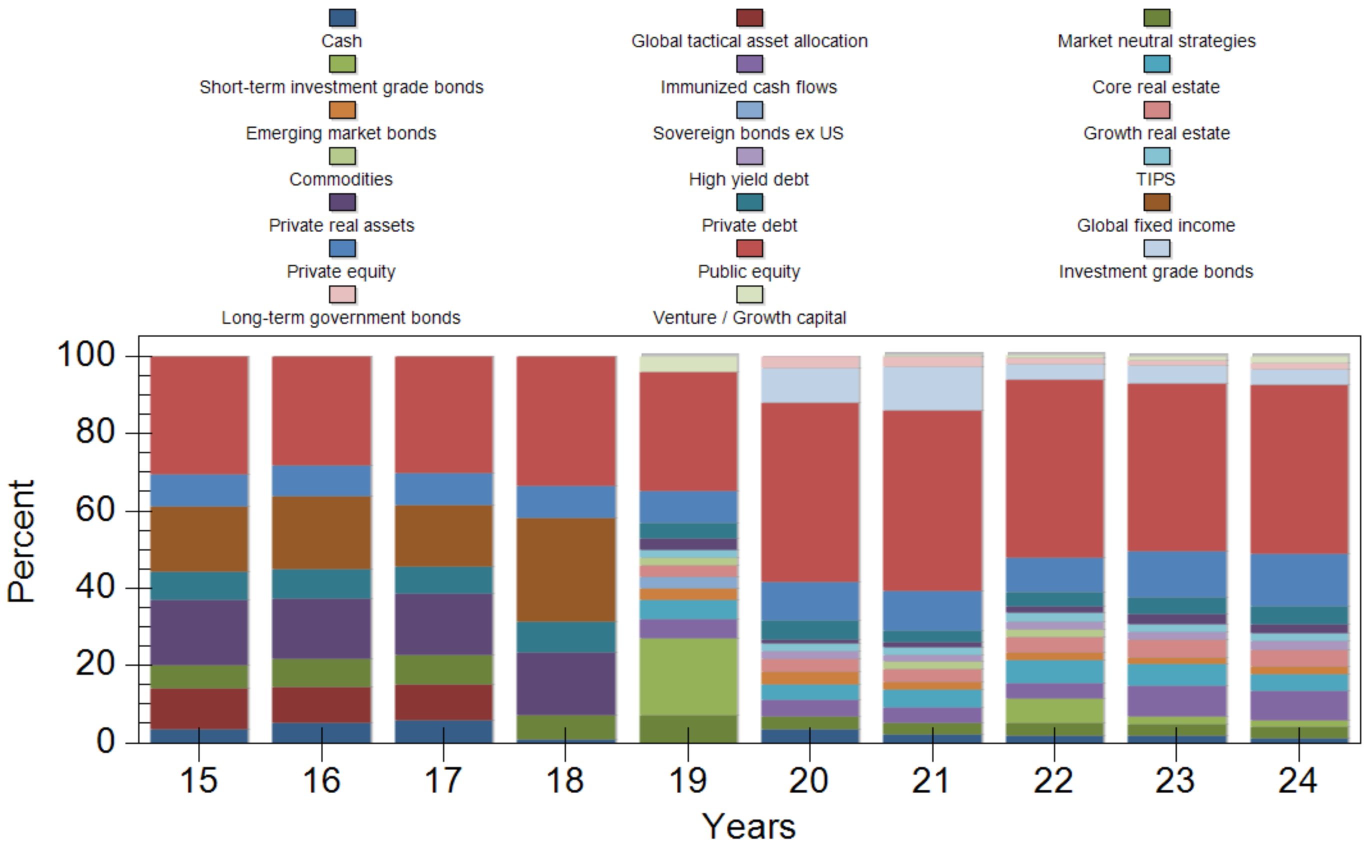
Asset Class	$ In Millions
Public equity	$2,227.0
Private equity	691.5
Immunized cash flows	380.5
Private Debt	236.1
Core real estate	227.5
Growth real estate	223.3
Investment grade bonds	214.7
Market neutral strategies	148.8
Private real assets	125.0
High yield bonds	104.3
Treasury inflation-protected securities	101.9
Emerging market bonds	100.6
Venture / Growth capital	91.2
Short-term investment grade bonds	82.7
Long-term government bonds	68.8
Cash and overlay	64.9
Total	**$5,088.8**

Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2024

INCLUDES THE 401(H) INVESTMENTS (continued)

HISTORICAL ASSET ALLOCATION (Actual)

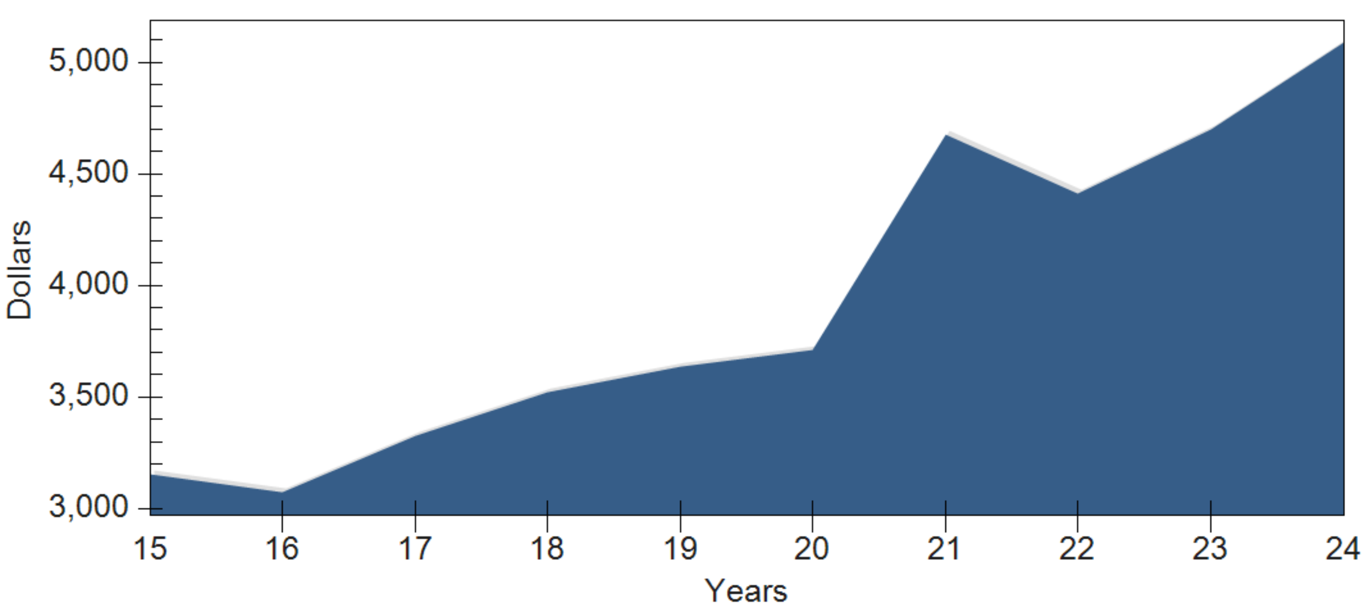
As of June 30, 2015 - June 30, 2024



FAIR VALUE GROWTH OF PLAN ASSETS

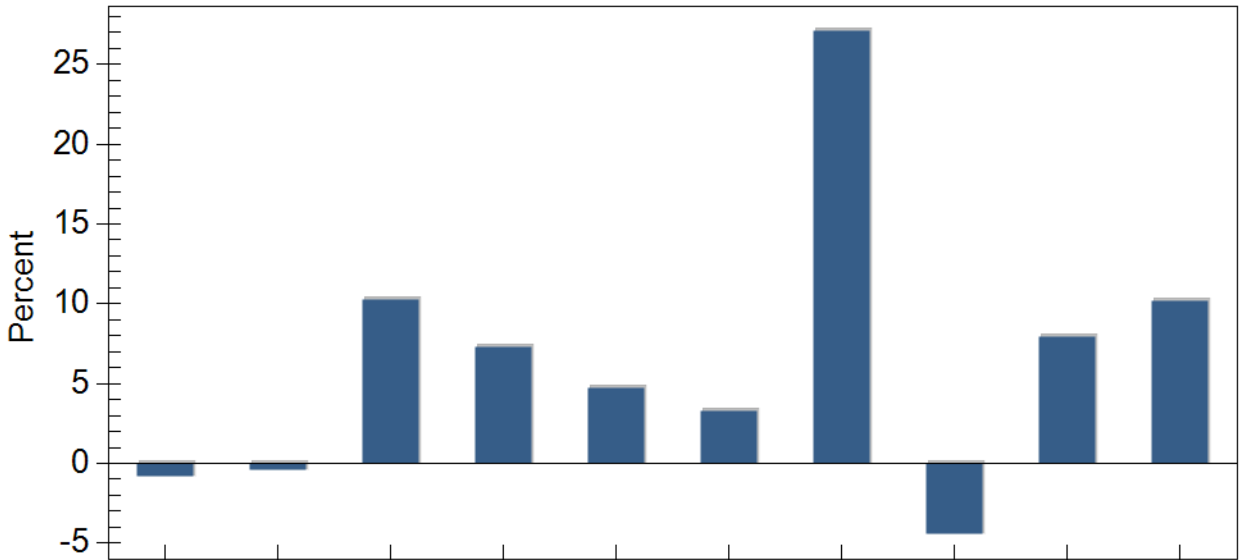
For Ten Years Ended June 30, 2024

(Dollars in Millions)



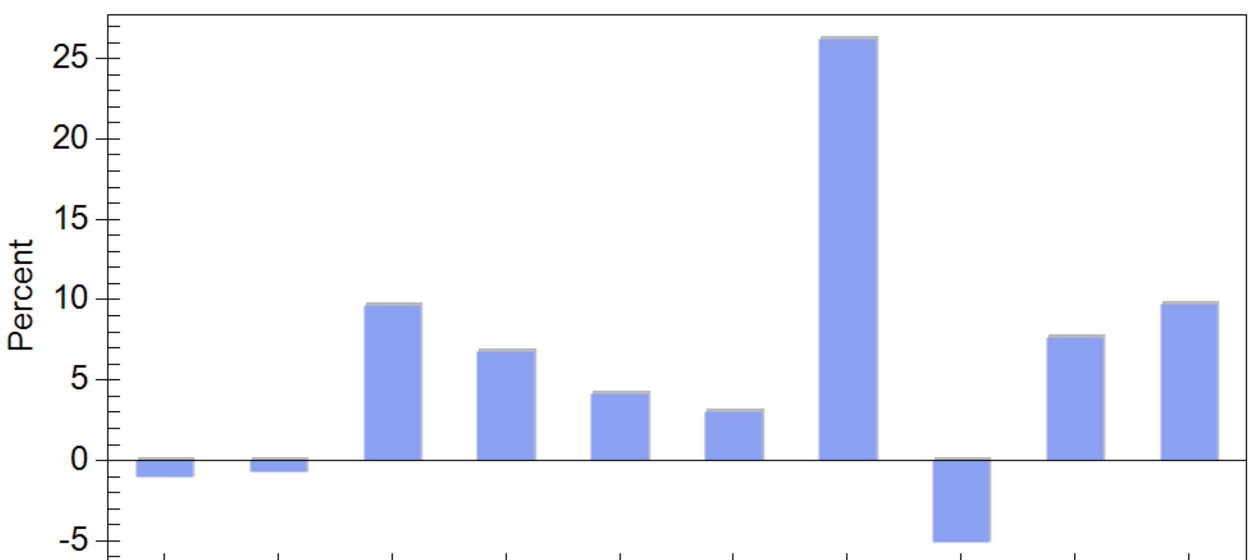
INCLUDES THE 401(H) INVESTMENTS (continued)

HISTORY OF GROSS PERFORMANCE
For Fiscal Years 2015 - 2024
(Based on Fair Value)



Years	15	16	17	18	19	20	21	22	23	24
Percentage	-0.80	-0.40	10.30	7.30	4.70	3.30	27.10	-4.40	7.97	10.21

HISTORY OF NET PERFORMANCE
For Fiscal Years 2015 - 2024
(Based on Fair Value)



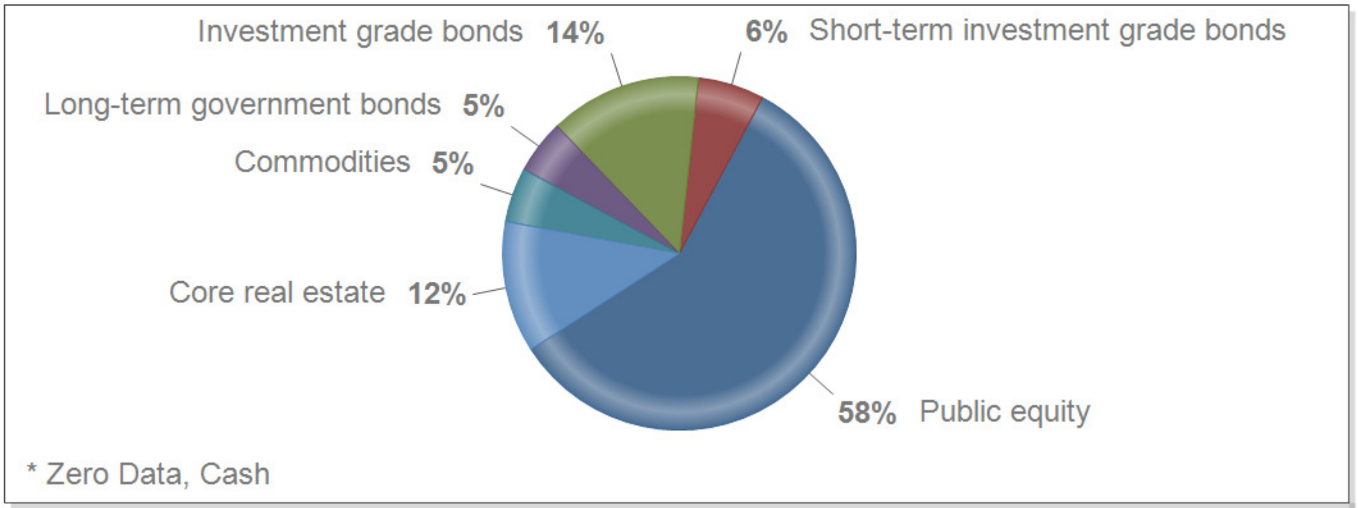
Years	15	16	17	18	19	20	21	22	23	24
Percentage	-1.00	-0.68	9.60	6.79	4.18	3.00	26.19	-5.08	7.65	9.72

Source: Bank of New York Mellon as of June 30, 2024, unaudited

Healthcare Investment Review

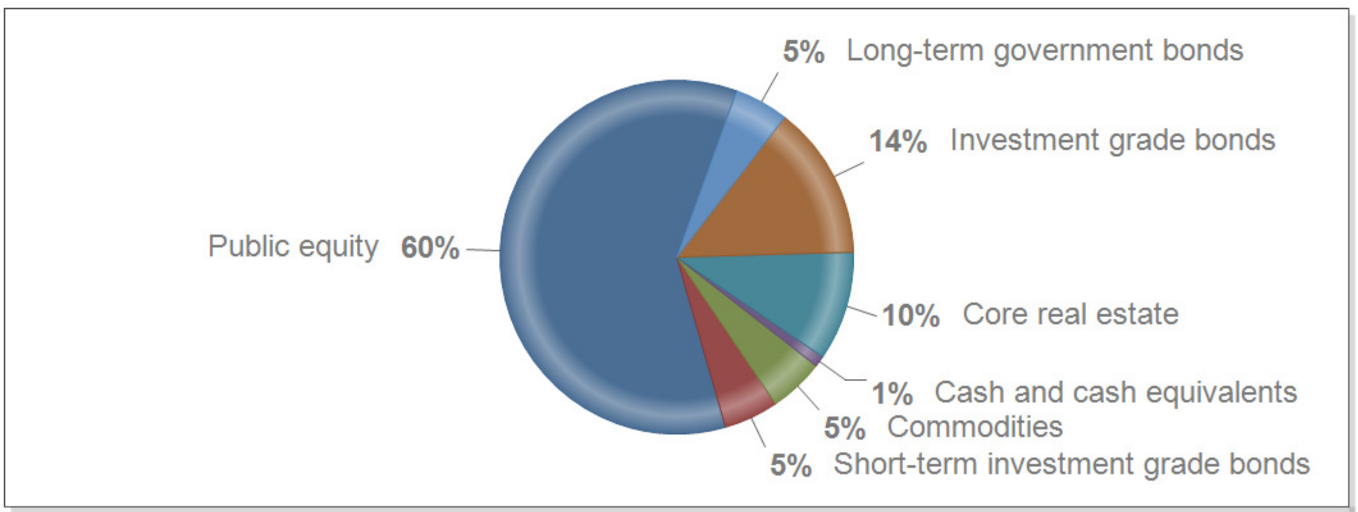
115 SUBTRUSTS

TARGET ASSET ALLOCATION
As of June 30, 2024



**Cash has a zero percentage target allocation.*

ACTUAL ASSET ALLOCATION
Non-GAAP Basis
As of June 30, 2024

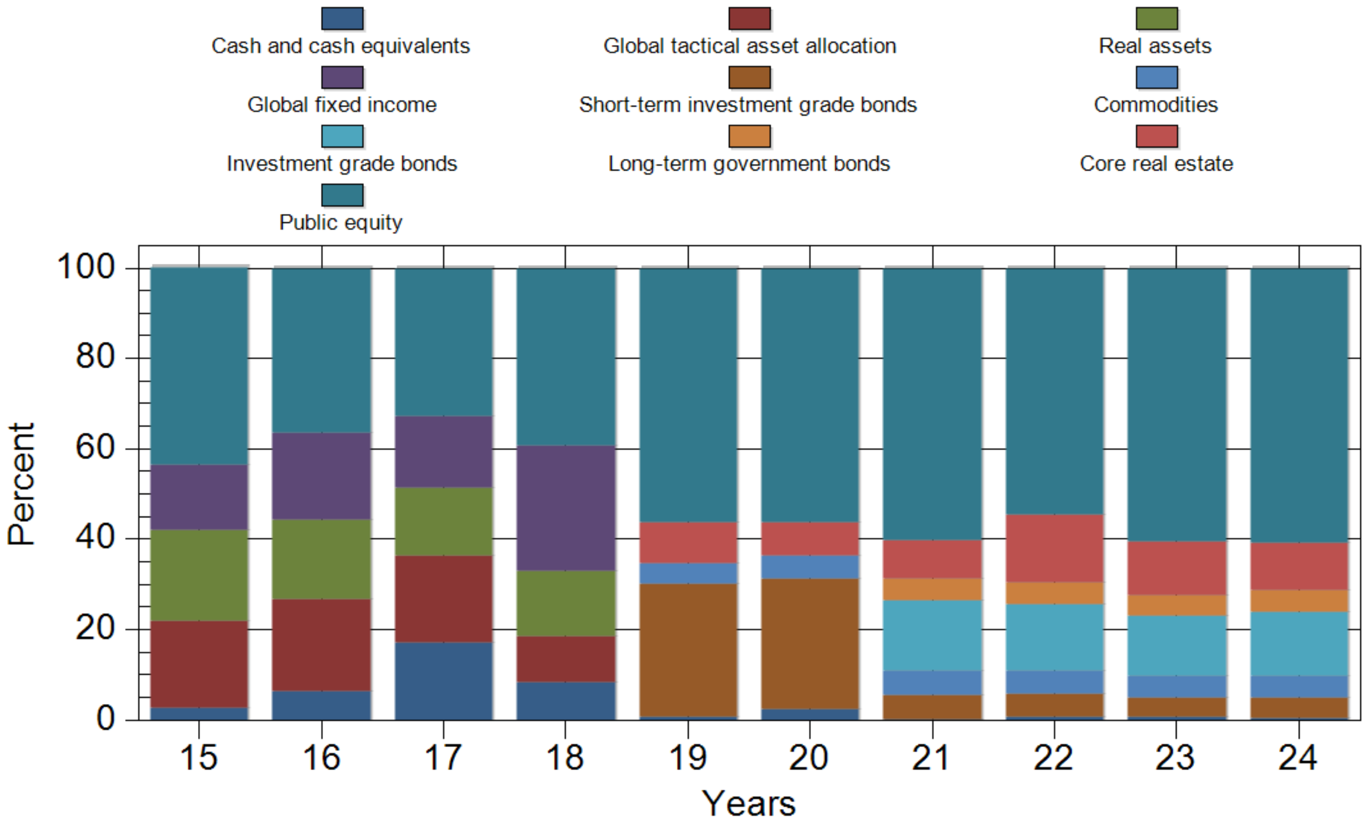


Asset Class	$ In Millions
Public equity	$205.8
Investment grade bonds	47.1
Core real estate	35.4
Long-term government bonds	16.9
Commodities	16.1
Short-term investment grade bonds	15.1
Cash and cash equivalents	1.2
Total	**$337.6**

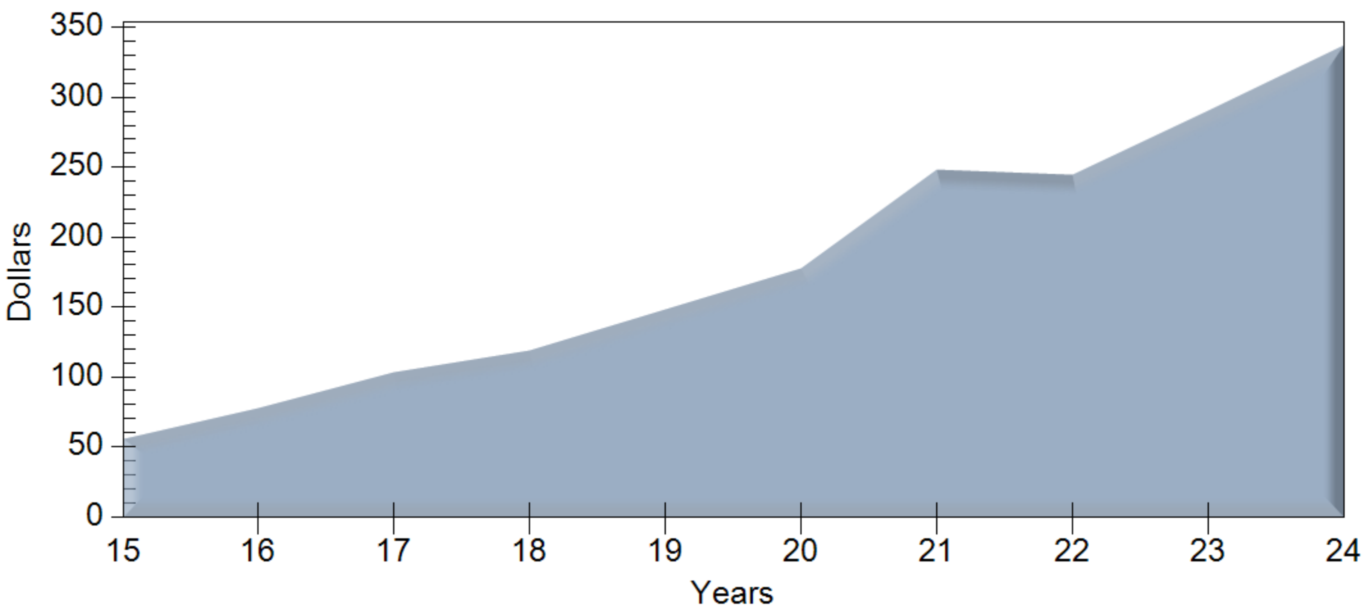
Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2024

115 SUBTRUSTS (continued)

HISTORICAL ASSET ALLOCATION (Actual)
As of June 30, 2015 - June 30, 2024



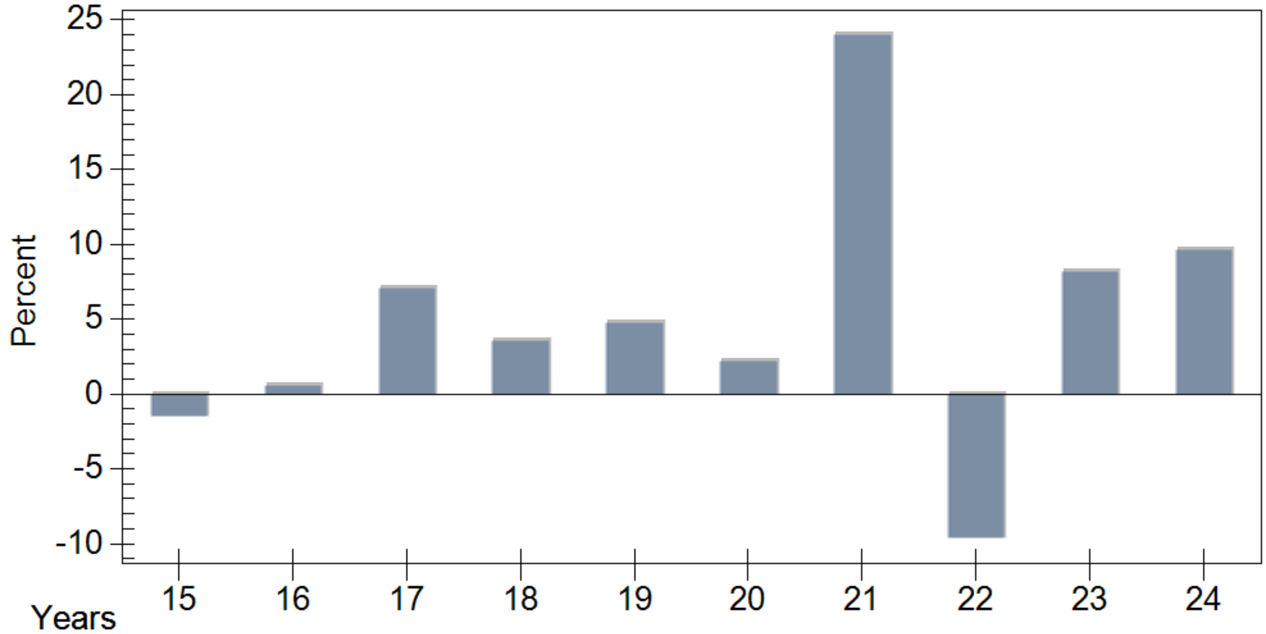
FAIR VALUE GROWTH OF PLAN ASSETS
For Ten Years Ended June 30, 2024
(Dollars in Millions)



115 SUBTRUSTS (continued)

HISTORY OF GROSS PERFORMANCE

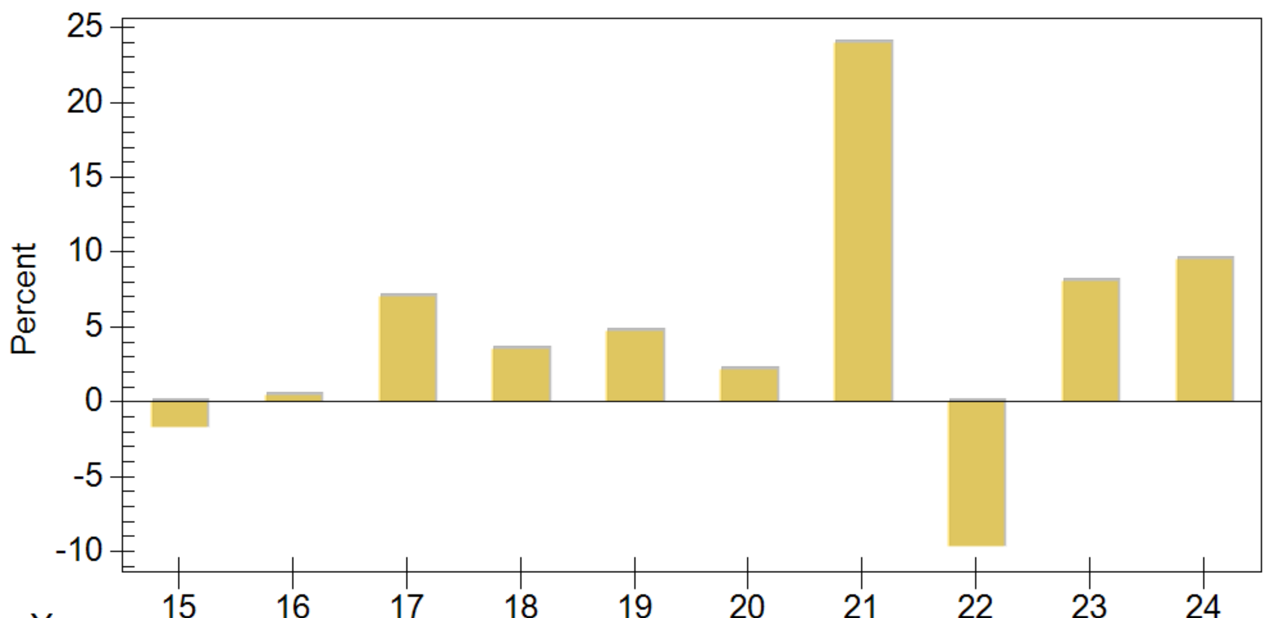
For Fiscal Years 2015 - 2024 (Based on Fair Value)



Years	15	16	17	18	19	20	21	22	23	24
Percentage	-1.50	0.60	7.10	3.60	4.80	2.20	24.00	-9.60	8.15	9.62

HISTORY OF NET PERFORMANCE

For Fiscal Years 2015 - 2024 (Based on Fair Value)



Years	15	16	17	18	19	20	21	22	23	24
Percentage	-1.70	0.42	7.06	3.56	4.77	2.15	23.97	-9.63	8.09	9.54

Source: Bank of New York Mellon as of June 30, 2024, unaudited

List of Largest Assets Held

LARGEST DISCLOSABLE STOCK HOLDINGS (By Fair Value) For Pension

As of June 30, 2024

Description	County	Shares	Fair Value ($US)
ALPHABET INC	UNITED STATES	65,536	$ 11,937,382
HEIDELBERG MATERIALS AG	GERMANY	107,012	$ 11,104,297
SAMSUNG ELECTRONICS CO LTD	SOUTH KOREA	7,377	$ 10,917,960
ELEVANCE HEALTH INC	UNITED STATES	20,058	$ 10,868,628
NOVARTIS AG	SWITZERLAND	95,462	$ 10,216,537
META PLATFORMS INC	UNITED STATES	19,469	$ 9,816,659
DANONE SA	FRANCE	157,346	$ 9,625,719
AMERICAN EXPRESS CO	UNITED STATES	40,978	$ 9,488,456
BERKSHIRE HATHAWAY INC	UNITED STATES	22,344	$ 9,089,539
BANK OF NEW YORK MELLON CORP/T	UNITED STATES	147,017	$ 8,804,848

A complete list of portfolio holdings is available upon request.

LARGEST DISCLOSABLE BOND HOLDINGS (By Fair Value) For Pension

As of June 30, 2024

Security Name	Country	Maturity Date	Interest Rate	Par Value	Fair Value ($US)
U S TREASURY NOTE	UNITED STATES	7/31/2028	4.000%	$ 10,535,000	$ 10,428,386
U S TREASURY NOTE	UNITED STATES	5/31/2026	4.000%	$ 10,274,300	$ 10,294,746
U S TREASURY NOTE	UNITED STATES	2/28/2029	1.000%	$ 10,978,000	$ 9,836,947
U S TREASURY NOTE	UNITED STATES	1/31/2029	1.000%	$ 10,753,000	$ 9,593,289
U S TREASURY NOTE	UNITED STATES	10/31/2028	1.000%	$ 10,871,000	$ 9,591,157
U S TREASURY NOTE	UNITED STATES	8/31/2028	1.000%	$ 10,916,000	$ 9,568,092
U S TREASURY NOTE	UNITED STATES	12/31/2028	1.000%	$ 10,773,000	$ 9,465,481
U S TREASURY NOTE	UNITED STATES	11/30/2028	1.000%	$ 10,634,000	$ 9,415,237
U S TREASURY NOTE	UNITED STATES	3/31/2029	2.000%	$ 10,113,000	$ 9,256,935
U S TREASURY NOTE	UNITED STATES	5/31/2029	2.000%	$ 9,759,000	$ 9,071,674

A complete list of portfolio holdings is available upon request.

Schedule of Investment Fees

For the Fiscal Year Ended June 30, 2024

Includes the 401(h) and 115 Subtrusts

	Assets Under Management at Fair Value [1]	Fees	Basis Points
Investment Managers' Fees			
Public equity	$ 2,432,753,588	$ 3,393,931	14
Private equity	691,507,921	1,970,405	28
Cash and cash equivalents	66,140,276	-	-
Immunized cash flows	380,509,054	174,251	5
Investment grade bonds	261,765,108	434,080	17
Core real estate	262,957,120	1,152,132	44
Private debt	236,129,169	3,479,646	147
Growth real estate	223,263,678	2,906,087	130
Market neutral strategies	148,844,650	-	-
Private real asset	125,021,431	3,206,611	256
Treasury inflation-protected securities	101,914,253	46,680	5
Emerging market / High yield bonds	204,888,840	366,985	18
Venture / Growth capital	91,157,723	1,615,708	177
Long-term government bonds	85,638,110	22,007	3
Commodities	16,089,288	22,906	14
Short-term investment bonds	97,860,006	61,139	6
Total investment managers' fees	**$ 5,426,440,215**	**$ 18,852,568**	**35**

[1] *Includes cash in managers' accounts, non-GAAP Basis*

	Fees
Other Investment Fees	
Investment consultants	$ 410,200
Custodian bank	552,309
Investment legal fees	145,174
Other investment fees	356,733
Total other investment fees	**$ 1,464,416**

Schedule of Commissions

For the Fiscal Year Ended June 30, 2024

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
A			
ABG SEC AS (NORGE), FILIAL, STOCKHOLM	4,236	27.13	0.0064
ABN AMRO CLEARING BANK N.V, AMSTERDAM	90,475	305.38	0.0034
B			
BAIRD, ROBERT W & CO INC, MILWAUKEE	1,912	62.65	0.0328
BANQUE PARIBAS, PARIS	1,332,566	9,803.31	0.0074
BARCLAYS BK BCI PROP AC, BRUSSELS	500	14.23	0.0285
BARCLAYS CAPITAL INC, WHIPPANY	152,682	630.62	0.0041
BARCLAYS CAPITAL LE, NEW YORK	12,153	143.17	0.0118
BARCLAYS CAPITAL, LONDON (BARCGB33)	248,895	8,045.72	0.0323
BARRENJOEY MARKETS PTY LIMITED, SYDNEY	154,800	1,999.03	0.0129
BERENBERG GOSSLER & CIE, HAMBURG	125,427	3,145.63	0.0251
BERNSTEIN SANFORD C & CO, NEW YORK	31,951	349.30	0.0109
BMO CAPITAL MARKETS CORP, NEW YORK	14,751	214.29	0.0145
BNP PARIBAS ARBITRAGE, PARIS	171,223	2,305.28	0.0135
BNP PARIBAS PEREGRINE SEC LTD, HONG KONG	1,800	76.05	0.0423
BNP PARIBAS SEC SRVS SA, SINGAPORE	275,600	4,782.36	0.0174
BNP PARIBAS SEC SVCS, LONDON (PARBGB2L)	2,412	68.72	0.0285
BNP PARIBAS SECS SERVS, SYDNEY	533,100	2,419.69	0.0045
BNP PARIBAS SECURITIES SVCS, HONG KONG	19,800	107.58	0.0054
BNY CONVERGEX EXECUTION SOL, NEW YORK	1,691	136.80	0.0809
BTIG LLC, NEW YORK	6,188	123.76	0.0200
C			
CACEIS BANK, MONTROUGE, FRANCE	310	281.74	0.9088
CACEIS BANK, PARIS	36,339	2,471.82	0.0680
CANACCORD GENUITY CORP, MONTREAL (CCAM)	6,700	99.08	0.0148
CANTOR FITZGERALD EUROPE, LONDON	2,743	60.90	0.0222
CARNEGIE ASA, OSLO	115,600	1,778.07	0.0154
CARNEGIE SECS LTD, HELSINKI (CASFFIH1)	9,700	296.24	0.0305
CITIBANK INTL PLC, LONDON	674	38.26	0.0568
CITIBANK, NY	26,353	525.58	0.0199
CITIGROUP GLOBAL MARKETS EURO, FRANKFURT	11,207	203.61	0.0182
CITIGROUP GLOBAL MARKETS LTD, LONDON	27,497	785.67	0.0286
CITIGROUP GLOBAL MARKETS, INC., NEW YORK	41,248	1,292.79	0.0313
CLSA AMERICAS, NEW YORK	5,689	98.26	0.0173
COWEN AND CO LLC, NEW YORK	55,247	986.74	0.0179
CREDIT INDUSTRIEL ET COMMERCIAL, PARIS	17,300	302.94	0.0175
CREDIT LYONNAIS SECS (ASIA), HONG KONG	1,200	25.33	0.0211
CREDIT LYONNAIS SECS, SINGAPORE	13,500	558.00	0.0413
CREDIT MUTUEL-CIC BANQUES, PARIS	7,000	963.29	0.1376

Schedule of Commissions *(continued)*

For the Fiscal Year Ended June 30, 2024

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
D			
D CARNEGIE AB, STOCKHOLM	79,936	3,347.45	0.0419
DAIWA SECS AMER INC, NEW YORK	86,400	4,602.22	0.0533
DAVY STOCKBROKERS, DUBLIN	1,268	51.83	0.0409
DEN DANSKE BANK, COPENHAGEN	23,957	448.48	0.0187
DEN NORSKE CREDITBANK, OSLO	60,000	974.59	0.0162
DEUTSCHE BK SECS INC, NY (NWSCUS33)	3,947	190.99	0.0484
DNB NOR MARKETS CUSTODY, OSLO	19,026	771.61	0.0406
E			
EXANE, PARIS (EXANFRPP)	59	12.31	0.2086
F			
FOKUS BANK, TRONDHEIM	18,200	150.81	0.0083
G			
GOLDMAN SACHS & CO, NY	257,204	7,292.76	0.0284
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	47,100	1,737.43	0.0369
H			
HSBC SECURITIES (USA) INC, NEW YORK	22,752	243.68	0.0107
I			
ICHIYOSHI SEC CO LTD, TOKYO	58,500	2,706.56	0.0463
INSTINET CLEARING SER INC, NEW YORK	102,750	1,572.73	0.0153
INSTINET EUROPE LIMITED, LONDON	221,721	4,818.27	0.0217
INSTINET PACIFIC LTD, HONG KONG	6,000	39.14	0.0065
INVESTEC SECURITIES (331), LONDON	74,600	1,205.66	0.0162
INVESTMENT TECHNOLOGY GROUP LTD, DUBLIN	57,193	2,070.21	0.0362
ITG CANADA CORP, TORONTO	214	1.18	0.0055
J			
J P MORGAN SEC LTD / STOCK LENDING, LONDON	473,752	8,252.85	0.0174
J P MORGAN SECURITIES LLC, NEW YORK	44,215	789.15	0.0179
J P MORGAN SECURITIES, HONG KONG	38,600	154.56	0.0040
JEFFERIES & CO INC, NEW YORK	225,665	6,355.40	0.0282
JEFFERIES & CO LTD, LONDON	153,291	1,713.08	0.0112
JEFFERIES HONG KONG LIMITED, HONG KONG	21,400	240.64	0.0112
JONESTRADING INST SVCS LLC, NEW YORK	9,600	192.00	0.0200
JONESTRADING INSTL SVCS LLC, WESTLAKE	25,100	368.54	0.0147
L			
LIQUIDNET CANADA INC, TORONTO	263,100	3,511.76	0.0134
LIQUIDNET EUROPE LIMITED, LONDON	244,798	3,039.39	0.0124
LIQUIDNET INC, NEW YORK	33,274	398.75	0.0120
LUMINEX TRADING AND ANALYTICS, BOSTON	4,718	47.18	0.0100

Schedule of Commissions *(continued)*

For the Fiscal Year Ended June 30, 2024

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
M			
MACQUARIE BANK LIMITED, SYDNEY	182,300	3,139.37	0.0172
MACQUARIES SECURITIES AUSTRALIA, SYDNEY	2,500	333.99	0.1336
MERRILL LYNCH GILTS LTD, LONDON	10,755	394.11	0.0366
MERRILL LYNCH INTL LONDON EQUITIES	272,499	6,375.23	0.0234
MERRILL LYNCH PIERCE FENNER SMITH INC NY	26,596	30,706.82	1.1546
MERRILL LYNCH PIERCE FENNER, WILMINGTON	12,542	165.19	0.0132
MERRILL LYNCH PROFESSIONAL CLRG, PURCHAS	783	15.66	0.0200
MITSUBISHI UFJ SECURITIES, NEW YORK	12,800	597.59	0.0467
MIZUHO SECURITIES USA INC. NEW YORK	26,752	885.55	0.0331
MORGAN STANLEY AND CO, LLC, NEW YORK	171,340	6,842.20	0.0399
N			
NATIONAL FINL SVCS CORP, NEW YORK	9,502	54.57	0.0057
NBCN INC, TORONTO (NBCS)	28,600	421.56	0.0147
NEEDHAM AND CO LLC, NEW YORK	5,400	108.00	0.0200
NESBITT BURNS, TORONTO (NTDT)	584	3.55	0.0061
NORDEA BK PLC, HELSINKI (NDEAFIHH030)	2,405	20.44	0.0085
NUMIS SECURITIES INC, NEW YORK	232,400	3,258.59	0.0140
O			
ODDO ET CIE, PARIS	59,634	2,095.67	0.0351
OPTIVER VOF, AMSTERDAM	127	3.41	0.0269
P			
PAREL, PUTEAUX	39,459	2,036.17	0.0516
PEEL HUNT LLP, LONDON	7,500	234.21	0.0312
PERSHING LLC, JERSEY CITY	297	11.14	0.0375
PERSHING SECURITIES LTD, LONDON	1,281,072	12,747.48	0.0100
R			
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	1,055	39.56	0.0375
RBC CAPITAL MARKETS LLC, NEW YORK	171,967	2,025.13	0.0118
RBC DOMINION SECS INC, TORONTO (DOMA)	43,722	550.32	0.0126
REDBURN PARTNERS LLP, LONDON	292	14.69	0.0503
ROYAL BANK OF CANADA EUROPE LTD, LONDON	93,807	1,455.13	0.0155
S			
SANFORD C BERNSTEIN & CO INC, LONDON	4,533	552.45	0.1219
SKANDINAVISKA ENSKILDA BANKEN, COPENHAGEN	6,000	513.87	0.0857
SKANDINAVISKA ENSKILDA BANKEN, LONDON	45,000	626.74	0.0139
SKANDINAVISKA ENSKILDA BANKEN, STOCKHOLM	9,223	188.07	0.0204
SMBC SECURITIES, INC NEW YORK	124,900	3,742.81	0.0300
SOCIETE GENERALE, PARIS	63,957	576.61	0.0090

Schedule of Commissions *(continued)*

For the Fiscal Year Ended June 30, 2024

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
SOCIETE GENERALE, PUTEAUX	142,408	7,011.83	0.0492
STIFEL NICOLAUS	2,729	51.01	0.0187
STIFEL, NICOLAUS AND CO, ST. LOUIS	15,300	168.89	0.0110
U			
UBS AG LONDON BRANCH, LONDON	1,670	20.77	0.0124
UBS EQUITIES, LONDON	149,503	1,824.03	0.0122
UBS SECURITIES CANADA, TORONTO (BWIT)	1,350	24.63	0.0182
UBS SECURITIES LLC, STAMFORD	94,260	2,068.37	0.0219
UBS WARBURG ASIA LTD, HONG KONG	300,100	4,729.29	0.0158
V			
VIRTU AMERICAS LLC, NEW YORK	765	21.62	0.0283
W			
WILLIAM BLAIR & CO, CHICAGO	2,718	101.93	0.0375
TOTAL	**9,899,915**	**$ 199,588.48**	**$ 0.0202**

Investment Summary

PENSION - INCLUDES THE 401(H) INVESTMENTS

As of June 30, 2024 (Dollars in thousands)

Type of Investments	Fair Value	% of Portfolio
Public equity	$ 2,226,959	43.7%
Private equity	691,508	13.6
Immunized cash flows	380,509	7.5
Private debt	236,129	4.6
Core real estate	227,521	4.5
Growth real estate	223,264	4.4
Investment grade bonds	214,672	4.2
Market neutral strategies	148,845	2.9
Private real asset	125,021	2.5
High yield bonds	104,289	2.0
Treasury inflation-protected securities (TIPS)	101,914	2.0
Emerging market bonds	100,600	2.0
Venture / Growth capital	91,158	1.8
Short-term investment grade bonds	82,721	1.6
Long-term government bonds	68,756	1.4
Cash and cash equivalents	64,948	1.3
Total Fair Value	**$ 5,088,814**	**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 SUBTRUSTS

As of June 30, 2024 (Dollars in thousands)

Type of Investments	Fair Value	% of Portfolio
Public equity	$ 205,795	60.9%
Investment grade bonds	47,093	13.9
Core real estate	35,436	10.5
Long-term government bonds	16,882	5.0
Commodities	16,089	4.8
Short-term investment grade bonds	15,139	4.5
Cash and cash equivalents	1,192	0.4
Total Fair Value	**$ 337,626**	**100.0%**

The amounts presented above may vary from the amounts presented in the financial statements, due to the investment summary presenting amounts at the manager level and the financial statements presenting amounts at the security level.

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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
Police and Fire Department Retirement Plan
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2024 and June 30, 2023

Classic Values, Innovative Advice

September 6, 2024

Board of Administration
City of San José Police and Fire Department Retirement Plan
1737 North 1st Street, Suite 580
San José, CA 95112

Dear Members of the Board:

The purpose of this letter is to provide the certification for the Actuarial Section of the Annual Comprehensive Financial Report (ACFR) for the City of San José Police and Fire Department Retirement Plan (Plan) with respect to pension benefits.

Actuarial Valuation Used for Funding Purposes

Actuarial valuations are performed annually. The most recent actuarial valuation was performed as of June 30, 2023. 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, 2023 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 Plan assets to cover the estimated cost of settling the Plan's benefit obligations.

The Board of Administration is responsible for establishing and maintaining the contribution policy for the Plan. The actuarial methods and assumptions used in the actuarial valuation are adopted by the Board of Administration with advice from the actuary. 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.

Board of Administration
September 6, 2024
Page 2

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2023 actuarial valuation updated to the measurement date of June 30, 2024. The Board changed the assumptions for retirement, termination, mortality, and disability rates as well as administrative expenses used in the June 30, 2023 valuation. This change is reflected effective July 1, 2023 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, 2024 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 based on the June 30, 2024, GASB 67/68 report.

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

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

In preparing our valuations and the schedules for the 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 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 6, 2024
Page 3

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

Sincerely,
Cheiron

William R. Hallmark

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

Anne Harper

Anne D. Harper, FSA, EA, MAAA
Principal Consulting Actuary

Timothy S. Doyle

Timothy S. Doyle, ASA, EA, MAAA
Associate Actuary

CHEIRON

Actuarial Assumptions and Methods

DEFINED BENEFIT PENSION

Actuarial Assumptions

The economic and demographic assumptions used in this report were adopted by the Board of Administration at the November 2, 2023 Board meeting based on the actuary's input and recommendations from the actuary's experience study covering plan experience through June 30, 2023. Please refer to the experience study report and presentations for both the October 5, 2023 and November 2, 2023 Board meetings for the rationale for each of the assumptions.

1) Discount Rate

6.625% net of investment expenses. The long-term expected return on assets based on Meketa's capital market assumptions for the 10-year and 20-year time horizons are 7.9% and 8.5%, respectively. The Board applied a margin for adverse deviation to maintain the assumption of 6.625%.

2) Price Inflation 2.50% per annum.

3) Amortization Payment Growth 2.50% per annum.

4) Wage Inflation

Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Police and Fire members have bargained increases of 4.00% for FYE 2024. Police members have an ongoing non-pensionable 4.00% retention pay that becomes pensionable as well as a bargained increase of 3.00% for FYE 2025.

5) Merit Salary Increase Rate

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

TABLE B-1 MERIT SALARY INCREASES					
Years of Service	Increase	Years of Service	Increase	Years of Service	Increase
0	6.50%	4	5.25%	8	1.00%
1	6.50%	5	4.25%	9	0.80%
2	6.25%	6	2.50%	10+	0.60%
3	5.75%	7	1.50%		

6) Rates of Retirement

Rates of retirement are based on age and service according to the following Tables B-2, B-3, and B-4. Tier 1 rates only apply when the member is eligible for unreduced benefits. Tier 1 vested terminated members are assumed to retire at age 50 if they have 25 or more years of service or at age 55 if they have less than 25 years of service. Tier 2 vested terminated members are assumed to retire at age 60.

TABLE B-2 TIER 1 RATES OF RETIREMENT						
	Police Years of Service			Fire Years of Service		
Age	<25	25 - 29	30+	<25	25 - 29	30+
50	0.0%	55.0%	60.0%	0.0%	45.0%	50.0%
51	0.0%	45.0%	60.0%	0.0%	30.0%	50.0%
52 - 54	0.0%	35.0%	60.0%	0.0%	40.0%	50.0%
55	30.0%	40.0%	60.0%	30.0%	40.0%	100.0%
56	30.0%	45.0%	60.0%	25.0%	40.0%	100.0%
57	30.0%	50.0%	60.0%	20.0%	40.0%	100.0%
58 - 61	45.0%	50.0%	60.0%	27.5%	40.0%	100.0%
62+	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

DEFINED BENEFIT PENSION (continued)

TABLE B-3 POLICE TIER 2 RATES OF RETIREMENT				
	Years of Service			
Age	5 - 19	20 - 24	25 - 29	30 +
50 - 56	2.0%	2.0%	2.0%	5.0%
57 - 59	7.5%	10.0%	20.0%	100.0%
60 - 61	10.0%	20.0%	35.0%	100.0%
62 - 64	25.0%	50.0%	75.0%	100.0%
65+	100.0%	100.0%	100.0%	100.0%

TABLE B-4 FIRE TIER 2 RATES OF RETIREMENT				
	Years of Service			
Age	5 - 19	20 - 24	25 - 29	30 +
50 - 56	1.0%	1.0%	1.0%	2.5%
57 - 59	5.0%	7.5%	15.0%	100.0%
60 - 61	7.5%	15.0%	25.0%	100.0%
62 - 64	20.0%	35.0%	50.0%	100.0%
65+	100.0%	100.0%	100.0%	100.0%

7) Rates of Termination

Tier 1 members who terminate with less than 10 years of service and Tier 2 members who terminate with less than 5 years of service are assumed to receive a refund of contributions. For terminating employees who are not assumed to receive a refund, 75.0% are assumed to subsequently work for a reciprocal employer and receive 3.00% pay increases per year. Termination rates do not apply once retirement rates apply. Rates of termination are shown in Table B-5 below.

TABLE B-5 RATES OF TERMINATION								
Service	Police	Fire	Service	Police	Fire	Service	Police	Fire
0	11.00%	8.50%	7	3.40%	0.80%	14	2.75%	0.50%
1	8.00%	4.00%	8	3.30%	0.70%	15	2.25%	0.50%
2	6.25%	2.75%	9	3.25%	0.60%	16	1.75%	0.50%
3	5.00%	1.75%	10	3.25%	0.50%	17	1.50%	0.50%
4	4.25%	1.25%	11	3.25%	0.50%	18	1.25%	0.50%
5	3.75%	1.00%	12	3.15%	0.50%	19+	1.00%	0.50%
6	3.55%	0.90%	13	2.95%	0.50%			

8) Rates of Disability

For Police and Fire, disability rates are equal to the CalPERS Police Officers & Firefighters (POFF) industrial and non-industrial rates multiplied by 104.0%. All disabilities are assumed to be duty related. Sample disability rates of active participants are provided in Table B-6.

TABLE B-6 RATES OF DISABILITY AT SELECTED AGES									
Age	Rate	Age	Rate	Age	Rate	Age	Rate	Age	Rate
25	0.12%	35	0.33%	45	0.80%	55	1.65%	65	2.96%
30	0.20%	40	0.52%	50	1.17%	60	2.24%		

DEFINED BENEFIT PENSION (continued)

9) Family Composition

Percentage married is shown in the following Table B-7. Women are assumed to be three years younger than men.

TABLE B-7 PERCENTAGE MARRIED		
	Males	Females
Percentage	85.0%	85.0%

10) Rates of Mortality

Mortality rates for actives, retirees, beneficiaries, terminated vested, and reciprocals are based on the sex-distinct employee and annuitant mortality tables shown below. Future mortality improvements are reflected by applying the SOA MP-2021 projection scale on a generational basis from the base year of 2010. It is assumed that 50.0% of active deaths are service related.

TABLE B-8 BASE MORTALITY TABLE		
Category	Male	Female
Healthy Retirees	0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees	0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees
Disabled Retiree	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees
Beneficiaries	1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy retirees	1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy retirees
Healthy Non-Annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees

11) Administrative Expenses

Administrative expenses are assumed to equal the prior year’s actual administrative expenses increased by the wage inflation assumption to the year of the contribution. Administrative expenses are allocated to tier groups in proportion to each groups’ fair value of assets.

12) Changes Since Last Valuation

Retirement, termination, mortality, and disability rates as well as administrative expenses were updated for this valuation. Please refer to the actuary's demographic experience study report for an explanation of the rationale for these changes.

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. This contribution allocation procedure, combined with reasonable assumptions, produces a reasonable actuarially determined contribution as defined in Actuarial Standard of Practice No. 4. The contribution allocation procedure was selected to balance benefit security, intergenerational equity, and the stability of actuarially determined contributions. The selection also considered the demographics of plan members, the funding goals and objectives of the Board, and the need to accumulate assets to make benefit payments when due.

1) Actuarial Cost Method

The Entry Age actuarial cost method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member’s date of hire and assumed retirement. The actuarial liability is the difference between the present value of future benefits and the present value of future normal cost. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION (continued)

2) Asset Valuation Method

For the purposes of determining contributions, the actuary uses a smoothed actuarial value of assets that dampens the effects of volatility in the fair value of assets on the pattern of contributions.

The actuarial value of assets is calculated by recognizing the deviation of actual investment returns compared to the expected return over a five-year period. The dollar amount of the expected return on the fair value of assets is determined using the actual contributions and benefit payments during the year. Any difference between this amount and the actual net investment earnings is considered a gain or loss. Finally, the actuarial value of assets is restricted to a corridor between 80 percent and 120 percent of the fair value of assets.

As adopted by the Board at their November 2, 2023 meeting based on the actuary's input, effective for this valuation, the remaining unrecognized investment gains and losses were combined with the investment gain for 2023 and will be recognized over five years. The primary impact of this change is to align the recognition of the large gain for 2021 with the large loss for 2022 to produce a smoother pattern of contributions.

3) Amortization Method

Actuarial gains and losses and plan changes are amortized over a 15-year period (16 years prior to June 30, 2016) beginning with the valuation date in which they first arise. Changes in methods and assumptions are amortized over a 20-year period (16 years prior to June 30, 2011) beginning with the valuation date on which they are effective. Amortization payments are assumed to increase 2.5% each year. Some prior amortization periods have been adjusted in prior years to smooth the pattern of future contributions.

Plan Experiences

DEFINED BENEFIT PENSION

SCHEDULE OF ACTIVE MEMBER DATA				
Valuation Year	Active Count	Annual Payroll	Monthly Average Pay	% Change in Average Pay
2023	1,695	$ 271,893,000	$ 13,367	6.33%
2022	1,746	263,395,000	12,571	3.81%
2021	1,738	252,558,000	12,110	3.13%
2020	1,709	240,798,000	11,742	5.66%
2019	1,638	218,429,000	11,113	1.02%
2018	1,544	203,816,000	11,000	12.69%
2017	1,577	184,733,000	9,762	2.96%
2016	1,654	188,189,000	9,481	5.18%
2015	1,707	184,645,000	9,014	(1.13)%
2014	1,718	187,959,000	9,117	(11.51)%

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS										
	Beginning of Period		Added to Rolls		Removed from Rolls		End of Period		% Increase in Annual Allowances	Average Annual Allowances
Period	Count	Annual Allowances	Count	Annual Allowances	Count	Annual Allowances	Count	Annual Allowances		
2022-23	2,518	$ 266,635	143	$ 22,750	63	$ 5,467	2,598	$ 283,918	6.5%	$ 109,283
2021-22	2,438	251,318	146	21,212	66	5,895	2,518	266,635	6.1%	105,892
2020-21	2,380	237,230	121	18,787	63	4,699	2,438	251,318	5.9%	103,084
2019-20	2,318	224,303	112	16,936	50	4,009	2,380	237,230	5.8%	99,676
2018-19	2,250	211,220	122	17,005	54	3,922	2,318	224,303	6.2%	96,766
2017-18	2,192	200,197	120	15,558	62	4,535	2,250	211,220	5.5%	93,876
2016-17	2,149	190,897	87	11,816	44	2,516	2,192	200,197	4.9%	91,331
2015-16	2,108	182,185	72	10,843	31	2,131	2,149	190,897	4.8%	88,831
2014-15	2,032	170,872	115	13,700	39	2,387	2,108	182,185	6.6%	86,426
2013-14	1,994	162,716	73	10,142	35	1,986	2,032	170,872	5.0%	84,091

Dollar amounts in thousands

In the table below, non-recurring items include changes in assumptions and changes in plan provisions.

ANALYSIS OF FINANCIAL EXPERIENCE					
Gain or (Loss) for Year(s) Ending on Valuation Date Due To:					
Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Non-Recurring Items	Total Experience
6/30/2023	$ (5,280)	$ (70,885)	$ (76,165)	$ (5,679)	$ (81,844)
6/30/2022	22,550	(20,703)	1,847	(58)	1,789
6/30/2021	117,195	(6,608)	110,587	(12,389)	98,198
6/30/2020	(89,538)	19,032	(70,506)	(73,524)	(144,030)
6/30/2019	(116,232)	(27,406)	(143,638)	(80,853)	(224,491)
6/30/2018	(53,615)	13,448	(40,167)	(76,425)	(116,592)
6/30/2017	(50,882)	(57,971)	(108,853)	127,571	18,718
6/30/2016	(106,785)	(54,528)	(161,313)	(72,680)	(233,993)
6/30/2015	2,806	7,291	10,097	(90,004)	(79,907)
6/30/2014	78,462	(14,678)	63,784	(55,787)	7,997

Dollar amounts in thousands

Plan 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' Liability (C)	Reported Assets	Portion of Actuarial Liability Covered by Reported Assets (A)	(B)	(C)
6/30/2023	$ 312,277	4,351,041	1,245,236	4,739,742	100%	100%	6%
6/30/2022	316,682	4,085,699	1,248,100	4,495,687	100%	100%	7%
6/30/2021	315,820	3,875,560	1,250,280	4,210,447	100%	100%	2%
6/30/2020	315,240	3,655,447	1,264,648	3,851,948	100%	97%	0%
6/30/2019	308,023	3,446,977	1,233,427	3,706,302	100%	99%	0%
6/30/2018	304,454	3,227,859	1,164,115	3,596,590	100%	100%	6%
6/30/2017	299,933	3,050,871	1,113,598	3,439,922	100%	100%	8%
6/30/2016	294,535	2,999,773	1,061,682	3,303,550	100%	100%	1%
6/30/2015	285,538	2,819,410	953,462	3,212,776	100%	100%	11%
6/30/2014	288,227	2,585,611	939,987	3,025,101	100%	100%	16%

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
6/30/2023	$ 4,739,742	$ 5,908,554	$ 1,168,812	80.2%	$ 271,893	430.0%
6/30/2022	4,495,687	5,650,481	1,154,794	79.6%	263,395	438.4%
6/30/2021	4,210,447	5,441,660	1,231,213	77.4%	252,558	487.5%
6/30/2020	3,851,948	5,235,335	1,383,387	73.6%	240,798	574.5%
6/30/2019	3,706,302	4,988,427	1,282,125	74.3%	235,818	543.7%
6/30/2018	3,596,590	4,696,428	1,099,838	76.6%	218,429	503.5%
6/30/2017	3,439,922	4,464,402	1,024,480	77.1%	203,816	502.6%
6/30/2016	3,303,550	4,355,990	1,052,440	75.8%	194,072	542.3%
6/30/2015	3,212,776	4,058,410	845,634	79.2%	184,733	457.8%
6/30/2014	3,025,101	3,813,825	788,724	79.3%	188,189	419.1%

Dollar amounts in thousands

Summary of Pension Plan Provisions - Tier 1

1) Membership Requirement

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

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

Persons eligible for Tier 1 membership include:

a. Any police officer hired prior to August 4, 2013 or any firefighter hired prior to January 2, 2015.
b. Any person who was a member of this Plan as an employee of the police department prior to August 4, 2013, and terminated employment with the City, and returned to employment with the City in a position covered by this Plan on or after August 4, 2013.
c. Any person who was a member of this Plan as an employee of the fire department prior to January 2, 2015, and terminated employment with the City, and returned to employment with the City in a position covered by this Plan on or after January 2, 2015.
d. Any person accepting employment in the police department or fire department of the City on or after January 1, 2013, who is otherwise eligible for this Plan and who was an active member in another California public retirement system with which this Plan has reciprocity under Part 16, and who has a break in service of less than six months from that covered employment and employment with the City.

2) Final Compensation

The highest 12 consecutive months of compensation in covered employment. However, in determining Final Compensation, no compensation in the last 12 months of employment that exceeds 108.0% of compensation during the 12 months immediately preceding the last 12 months shall be considered. Compensation excludes overtime pay and expense allowances.

3) Credited Service

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

4) Contributions

Member:

The amount needed to fund 3/11ths of normal cost (excluding normal cost for reciprocal benefits and excluding administrative expenses) calculated under the Entry Age actuarial cost method.

Employer:

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

5) Service Retirement

Eligibility:

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

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

Benefit:

Police: 2.5% of Final Compensation for each year of credited service up to 20 years plus 4.0% of Final Compensation for each year of credited service in excess of 20, subject to a maximum of 90.0% of Final Compensation.

Fire: For members with less than 20 years of service, 2.5% of Final Compensation for each year of credited service. For members with 20 or more years of service, 3.0% of Final Compensation for each year of service, subject to a maximum of 90.0% of Final Compensation.

6) Service Connected Disability Retirement

Eligibility:

No age or service requirement.

Benefit:

Police: 50.0% of Final Compensation plus 4.0% of Final Compensation for each year of credited service in excess of 20, subject to a maximum of 90.0% of Final Compensation.

Fire: For members with less than 20 years of service, 50.0% of Final Compensation. For members with 20 or more years of service, 3.0% of Final Compensation for each year of service, subject to a maximum of 90.0% of Final Compensation.

7) Non-Service Connected Disability Retirement

Eligibility:

Two years of service.

Benefit:

For members with less than 20 years of service, 32.0% of Final Compensation plus 1.0% of Final Compensation for each year of service in excess of two. For members with 20 or more years of service, the benefit amount equals the amount that would be calculated under the service retirement formula.

8) Non-Service Connected Death

Less than 2 years of service:

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

Active members ineligible for service retirement and disabled retirees on a non-service-connected disability:

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

1 Child: 25.0% of Final Compensation

2 Children: 37.5% of Final Compensation

3+ Children: 50.0% of Final Compensation

The total benefit payable to a family is limited to 75.0% of Final Compensation.

If a member does not have a spouse or eligible dependent children, a lump sum benefit equal to the greater of accumulated employee contributions with interest or $1,000.

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

Active members eligible for service retirement, service retirees, and disabled retirees on a service-connected disability:

Spouse receives the greater of 37.5% of Final Compensation or 50.0% of the member’s service retirement benefit, subject to a maximum of 42.5% of Final Compensation for Police and 45.0% of Final Compensation for Fire. Eligible dependent children will receive the same benefit as defined under the non-service connected death for disabled retirees or members ineligible for service retirement. The total benefit payable to a family is limited to 75.0% of Final Compensation.

If a member does not have an eligible surviving spouse or surviving domestic partner or eligible surviving children, the member's estate receives a lump sum death benefit of $1,000.

Deferred vested members eligible for service retirement:

Spouse receives 1.875% of Final Compensation for each year of service, subject to a maximum of 37.5% of Final Compensation. Eligible dependent children receive the same benefit as defined under the non-service-connected death for active members ineligible for service retirement. The total benefit payable to a family is limited to 75.0% of Final Compensation.

If a member does not have a spouse or eligible dependent children, a lump sum benefit is paid to the member's estate equal to the greater of accumulated employee contributions with interest or $1,000.

9) Service-Connected Death

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

If a member does not have a spouse or eligible dependent children, a lump sum benefit equal to the greater of accumulated employee contributions with interest or $1,000 is paid to the member's estate.

10) Termination Benefits

Less than 10 years of service:

Lump sum benefit equal to the accumulated employee contributions with interest at 2.0% per annum. For members not covered by the VEBA, the lump sum also includes an amount equal to the employee contributions made to the 401(h) account accumulated with interest at 2.0% per annum.

10 or more years of credited service:

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

11) Post-retirement Cost-of-Living Benefit

Benefits are increased every February 1 by 3.0%.

12) Changes Since Last Valuation

None.

Summary of Pension Plan Provisions - Tier 2

1) Membership Requirement

Any police officer who is hired by the City on or after August 4, 2013, or any fire fighter who is hired by the City on or after January 2, 2015, and who does not meet the eligibility requirements for Tier 1.

2) Final Compensation

The highest average monthly compensation of the member during any thirty-six consecutive months of covered employment. Compensation excludes overtime pay and expense allowances.

3) Credited Service

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

4) Member Contributions

50.0% of total Tier 2 contributions to the pension plan, including, but not limited to administrative expenses, normal cost and unfunded actuarial liability. Increases in members' unfunded actuarial liability contribution are limited to one-third of one percent of compensation each year. Contributions cannot be less than 50.0% of normal cost.

5) Unreduced Service Retirement

Eligibility:

Age 57 with five years of service.

Benefit - Member:

2.4% of Final Compensation for each year of credited service up to 20 years, plus 3.0% of Final Compensation for each year of credited service between 20 years and 25 years, plus 3.4% of Final Compensation for each year of credited service in excess of 25 years, subject to a maximum of 80.0% of Final Compensation.

Benefit - Survivor:

50.0% joint and survivor annuity.

6) Early Service Retirement

Eligibility:

Age 50 with five years of service.

Benefit - Member:

Reduced 7.0% per year for each year between age 57 and the member's age at retirement.

7) Service-Connected Disability Retirement

Eligibility:

No age or service requirement.

Benefit - Member:

The greater of:

- Monthly benefit equivalent to 50.0% of Final Compensation;
- The service retirement benefit, if eligible for service retirement;
- A service retirement benefit actuarially reduced from age 50, if not eligible for service retirement.

Summary of Pension Plan Provisions - Tier 2 *(continued)*

8) Non-Service Connected Disability Retirement

Eligibility:

Five years of service.

Benefit - Member:

1.8% of Final Compensation for each year of credited service if less than age 50, or the service pension benefit if older than age 50.

9) Death Before Retirement

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

Monthly benefit equal to 24.0% of Final Compensation plus 0.75% of Final Compensation for each year of service in excess of two, up to a maximum of 37.5% of Final Compensation.

If death occurs after retirement eligibility is reached:

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

Employees killed in the line of duty:

Monthly benefit equal to the greater of:

- 37.5% of Final Compensation or
- 50.0% of what the employee would have received if retired at the time of death.

10) 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, actuarially reduced for early retirement, and payable when retirement eligibility is reached.

11) Benefit Forms

Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse / domestic partner.

12) Post-retirement Cost-of-Living Benefit

Benefits are increased every February 1 by the change in the December CPI-U for San José-San Francisco-Oakland, subject to a cap of 2.0%. The first COLA after retirement shall be prorated based on the number of months retired.

13) Changes Since Last Valuation

There have been no changes in Plan provisions since the last valuation.

Classic Values, Innovative Advice

September 27, 2024

Board of Administration
City of San José Police and Fire Department Retirement Plan
1737 North 1st Street, Suite 580
San José, CA 95112

Dear Members of the Board:

The purpose of this letter is to provide the certification for the Actuarial Section of the Annual Comprehensive Financial Report (ACFR) for the City of San José Police and Fire Department Retirement Plan with respect to Other Postemployment Benefits (OPEB) provided through the City of San José Police Department 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, 2023. 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, 2023 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.

Historically, member and City contributions to the plan have been negotiated through collective bargaining and have not been actuarially determined. With the implementation of Measure F, member contributions are fixed at 8.0% 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. In addition, the City can limit its contribution for the explicit subsidy to 11% of the total Police and Fire payroll.

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Board of Administration
September 27, 2024
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The Board of Administration adopts the actuarial methods and assumptions used in the actuarial valuation 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, 2023 actuarial valuation updated to the measurement date of June 30, 2024. The Board changed some economic and demographic assumptions for the June 30, 2023 valuation. These changes are detailed in the actuarial assumptions and methods attachment of this letter and are reflected effective July 1, 2023 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, 2024 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, 2024, 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 letter 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

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Board of Administration
September 27, 2024
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Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial 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

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

John L. Colberg, FSA, EA, MAAA
Principal Consulting Actuary

Jacqueline King

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

CHEIRON

Actuarial Assumptions and Methods

POLICE POSTEMPLOYMENT HEALTHCARE

Economic Assumptions

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 2, 2023 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 8.00% based on Meketa's 20-year capital market assumptions and the Plan's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.

2) Per Person Cost Trends

Medical trends were developed using the 2023 Society of Actuaries Long-run Medical Cost Trend Model with the following parameters:

Initial trend rate: Non-Medicare Eligible:	10.00%	Medicare Eligible:	6.00%
Inflation:	2.50%	*Real GDP per Capita*:	1.40%
Excess Medical Cost Growth:	1.00%	*Expected GDP Share in 2032*:	19.80%
Resistance Point:	19.00%	*Year limited to GDP growth*:	2075

POLICE DEPARTMENT - ANNUAL INCREASE %

FY Beginning	2024[1]	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Pre-Medicare	0.00	8.60	8.05	7.49	6.93	6.37	5.81	5.25	4.87	4.75	4.73	4.71	4.70	4.68
Medicare Eligible	0.00	5.72	5.60	5.49	5.37	5.26	5.15	5.03	4.87	4.75	4.73	4.71	4.70	4.68
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
Part B Premiums	5.92	6.03	6.69	6.87	6.77	6.29	5.81	6.16	6.17	6.00	5.84	5.68	5.51	5.35
FY Beginning	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**	**2050**	**2051**
Pre-Medicare	4.67	4.66	4.64	4.63	4.62	4.61	4.60	4.59	4.58	4.57	4.56	4.55	4.54	4.53
Medicare Eligible	4.67	4.66	4.64	4.63	4.62	4.61	4.60	4.59	4.58	4.57	4.56	4.55	4.54	4.53
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
Part B Premiums	5.19	5.02	4.86	4.70	4.53	4.37	4.21	4.04	3.88	3.75	3.70	3.70	3.70	3.70
FY Beginning	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**	**2059**	**2060**	**2061**	**2062**	**2063**	**2064**	**2065**
Pre-Medicare	4.52	4.52	4.51	4.50	4.49	4.49	4.48	4.47	4.47	4.46	4.45	4.45	4.44	4.41
Medicare Eligible	4.52	4.52	4.51	4.50	4.49	4.49	4.48	4.47	4.47	4.46	4.45	4.45	4.44	4.41
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
Part B Premiums	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
FY Beginning	**2066**	**2067**	**2068**	**2069**	**2070**	**2071**	**2072**	**2073**	**2074**	**2075+**				
Pre-Medicare	4.35	4.30	4.25	4.20	4.15	4.10	4.05	4.01	3.96	3.94				
Medicare Eligible	4.35	4.30	4.25	4.20	4.15	4.10	4.05	4.01	3.96	3.94				
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50				
Part B Premiums	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70				

[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, 2024, the trend was developed using actual calendar year 2024 premiums and a trend assumption for calendar year 2025. The trend factors vary by plan as shown on the table on the next page.

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum (where applicable) are assumed to increase at the below trend rates.

FY BEGINNING 2024 TREND					
Pre-Medicare		**Medicare**		**Dental**	
Kaiser Plans	9.44%	Kaiser Plan	10.63%	HMO Plan	1.76%
Anthem Plans	15.42%	Anthem PPO Plan	4.43%	PPO Plan	1.75%

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 2, 2023 Board meeting based on the actuary's recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 2, 2023 Board meeting based on recommendations from the actuary's experience study covering Plan experience through June 30, 2023. Please refer to the full experience study report for details, including the rationale for each assumption.

1) Salary Increase Rate

Wage inflation component: Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Police members have bargained increases of 4.00% for FYE 2024. Police members have an ongoing non-pensionable 4.00% retention pay that becomes pensionable as well as a bargained increase of 3.00% for FYE 2025.

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

POLICE TIER 1 - MERIT SALARY INCREASES					
Years of Service	**Increase**	**Years of Service**	**Increase**	**Years of Service**	**Increase**
0	6.50%	**4**	5.25%	**8**	1.00%
1	6.50%	**5**	4.25%	**9**	0.80%
2	6.25%	**6**	2.50%	**10+**	0.60%
3	5.75%	**7**	1.50%		

2) Administrative Expenses

For FYE 2025, trust administrative expenses are assumed to equal $35 per full benefit member and are assumed to increase at the ultimate wage inflation assumption of 3.00% per annum.

3) Retirement Rates

Rates of retirement are based on age and service according to the following tables. Tier 1 rates only apply when the member is eligible for unreduced pension benefits.

POLICE TIER 1 - RATES OF RETIREMENT BY AGE AND SERVICE								
Age	**50**	**51**	**52 - 54**	**55**	**56**	**57**	**58 - 61**	**62+**
<25 years	0.0%	0.0%	0.0%	30.0%	30.0%	30.0%	45.0%	100.0%
25 - 29 years	55.0%	45.0%	35.0%	40.0%	45.0%	50.0%	50.0%	100.0%
30+ years	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	100.0%

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

POLICE TIER 2 - RATES OF RETIREMENT BY AGE AND SERVICE					
Age	**50 - 56**	**57 - 59**	**60 - 61**	**62 - 64**	**65+**
5 - 19 years	2.0%	7.5%	10.0%	25.0%	100.0%
20 - 24 years	2.0%	10.0%	20.0%	50.0%	100.0%
25 - 29 years	2.0%	20.0%	35.0%	75.0%	100.0%
30+ years	5.0%	100.0%	100.0%	100.0%	100.0%

4) Deferred Vested Member Retirement Age

Tier 1 vested terminated members are assumed to retire at age 50 if they have 25 or more years of service or at age 55 if they have less than 25 years of service. Tier 2 vested terminated members are assumed to retire at age 60.

5) Rates of Termination

Termination rates do not apply once retirement rates apply. Rates of termination are shown in the following table.

POLICE DEPARTMENT - RATES OF TERMINATION							
Years of Service	**Termination Rate**	**Years of Service**	**Termination Rate**	**Years of Service**	**Termination Rate**	**Years of Service**	**Termination Rate**
0	11.00%	**5**	3.75%	**10**	3.25%	**15**	2.25%
1	8.00%	**6**	3.55%	**11**	3.25%	**16**	1.75%
2	6.25%	**7**	3.40%	**12**	3.15%	**17**	1.50%
3	5.00%	**8**	3.30%	**13**	2.95%	**18**	1.25%
4	4.25%	**9**	3.25%	**14**	2.75%	**19+**	1.00%

6) Rates of Mortality

Mortality rates for actives, retirees, beneficiaries, terminated vested and reciprocals are based on the sex-distinct employee and annuitant mortality tables shown below. Future mortality improvements are reflected by applying the SOA MP-2021 projection scale on a generational basis from the base year of 2010.

POLICE DEPARTMENT - BASE MORTALITY TABLE		
Category	**Male**	**Female**
Healthy Retirees	0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees	0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees
Disabled Retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees
Beneficiaries	1.032 times the 2010 General Member Mortality Table (PubG-2020) for healthy retirees	1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy retirees
Healthy Non-Annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees

7) Disability Rates

Police disability rates are equal to the CalPERS Police Officers & Firefighters (POFF) industrial and non-industrial rates multiplied by 104.0%. All disabilities are assumed to be duty related. Sample disability rates of active participants are provided in the following table:

POLICE DEPARTMENT - RATES OF DISABILITY AT SELECTED AGES									
Age	**25**	**30**	**35**	**40**	**45**	**50**	**55**	**60**	**65**
Rate	0.12%	0.20%	0.33%	0.52%	0.80%	1.17%	1.65%	2.24%	2.96%

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

8) Percent of 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.

POLICE DEPARTMENT - FUTURE RETIREE PARTICIPATION		
	Coverage	In-Lieu
Active members	70.0%	30.0%
Terminated vested members	50.0%	50.0%

9) Dependent Coverage Election

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.

POLICE DEPARTMENT - ASSUMED FUTURE RETIREE TIER ELECTIONS				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree only	18.0%	52.0%	25.0%	75.0%
Retiree and children	7.0%	23.0%	0.0%	0.0%
Retiree and spouse	32.0%	15.0%	75.0%	25.0%
Retiree and family	43.0%	10.0%	0.0%	0.0%

10) 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 25.0% 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.

POLICE DEPARTMENT - ASSUMED FUTURE RETIREE IN-LIEU CREDIT TIER				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree only	22.0%	22.0%	40.0%	40.0%
Retiree and children	0.0%	0.0%	0.0%	0.0%
Retiree and spouse	23.0%	23.0%	60.0%	60.0%
Retiree and family	55.0%	55.0%	0.0%	0.0%

11) 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.

POLICE DEPARTMENT - ASSUMED PLAN ELECTIONS FOR FUTURE RETIREES[1]			
Pre-Medicare Medical Plans	% Electing	Medicare-Eligible Medical Plans	% Electing
Kaiser DHMO	5.0%	Kaiser Senior Advantage	43.0%
Kaiser $25 co-pay	62.0%	Anthem Medicare PPO	57.0%
Kaiser HDHP	6.0%		
Anthem DHMO	3.0%		
Anthem Select $20 co-pay	8.0%		
Anthem Traditional $20 co-pay	3.0%		
Anthem HDHP PPO	9.0%	**Dental Plans (All Retirees)**	**% Electing**
Anthem Select PPO	3.0%	Delta Dental PPO	99.0%
Anthem Classic PPO	1.0%	DeltaCare HMO	1.0%

[1] *Eligible for coverage and elect coverage*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

12) 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 1.65 to estimate the adjustment from a blended active and retiree premium to a retiree only premium.

13) Married Percentage

POLICE DEPARTMENT - PERCENTAGE MARRIED		
	Males	Females
Percentage	85.0%	85.0%

14) Dependent Age

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

18) Changes Since Last Valuation

Plan election assumptions and the administrative expense assumption were updated.

The wage inflation assumption was updated to reflect currently bargained agreements for FYE 2024 and FYE 2025.

Demographic assumptions were updated based on the most recent experience study covering the period through June 30, 2023. Please refer to the actuary's demographic experience study report for more detail and an explanation of the rationale for these changes.

Claim and Health Plan Benefit Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the November 2, 2023 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 2023 and 2024. 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 2023 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 but the load for children for Police and Fire was developed separately from the load for Federated.

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 the 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, 2023 based on the premiums for 2023 and 2024. The explicit subsidy amount (100.0% 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)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

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

POLICE DEPARTMENT - SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE						
	Kaiser		Anthem HMO		Anthem PPO	
Age	Male	Female	Male	Female	Male	Female
40	$ 11,766	$ 14,385	$ 14,624	$ 17,685	$ 18,494	$ 23,203
45	11,956	13,979	14,670	17,034	19,371	23,008
50	12,551	14,196	15,190	17,113	20,978	23,936
55	13,802	14,962	16,477	17,833	23,763	25,849
60	16,039	15,639	18,916	18,448	28,321	27,601
64	18,813	15,314	22,018	17,928	33,738	27,446

POLICE DEPARTMENT - SAMPLE CLAIMS COSTS - MEDICARE ELIGIBLE						
	Kaiser Senior Adv		Anthem HMO		Anthem Select PPO	
Age	Male	Female	Male	Female	Male	Female
65	$ 2,786	$ 2,458	$ 5,366	$ 4,734	$ 5,234	$ 4,617
70	2,959	2,506	5,699	4,826	5,558	4,707
75	3,400	2,818	6,550	5,428	6,388	5,294
80	3,861	3,196	7,437	6,155	7,253	6,003
85	4,170	3,492	8,032	6,727	7,833	6,560

POLICE DEPARTMENT - SAMPLE CLAIMS COSTS - DENTAL	
Dental Blended	
Age	Unisex
All	$ 701.15

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)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

9) Changes Since Last Valuation

All claims costs were updated to reflect the changes in plan premiums and the populations covered.

<u>Contribution Allocation Procedure</u>

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

1) Actuarial Cost Method

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

2) Asset Valuation Method

The actuarial value of assets equals the 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 was amortized as a level percent of payroll over a closed 25-year period. All future amortization bases will be amortized over 25-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 the amortization payment described above less expected employee contributions. The City has the option to limit its contribution to no more than 11.0% of total payroll.

Active members that are eligible for full benefits will contribute 8.0% of pay.

5) Changes Since Last Valuation

None.

Plan Experiences

POLICE POSTEMPLOYMENT HEALTHCARE

POLICE DEPARTMENT - SCHEDULE OF ACTIVE MEMBER DATA						
	Active Member Counts			Annual	Average	Change in
Valuation Date	Under Age 65	Age 65+	Total	Payroll	Annual Pay	Average Pay
6/30/2023	1,047	0	1,047	$ 169,293,313	$ 161,694	6.7%
6/30/2022	1,093	0	1,093	165,636,770	151,543	4.3%
6/30/2021	1,081	0	1,081	157,000,932	145,237	3.3%
6/30/2020	1,047	0	1,047	147,268,605	140,658	(0.5)%
6/30/2019	1,039	0	1,039	146,865,241	141,352	4.4%
6/30/2018	974	0	974	131,888,184	135,409	1.0%
6/30/2017	897	0	897	120,299,327	134,113	10.0%
6/30/2016	911	0	911	111,028,782	121,876	3.1%
6/30/2015	929	0	929	109,868,577	118,265	4.4%
6/30/2014	997	0	997	112,946,895	113,287	

POLICE DEPARTMENT - 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 in Annual Subsidy	Average Annual Subsidy
Period	Count	Annual Subsidy	Count	Count	Count	Annual Subsidy	Count	Annual Subsidy		
Medical										
2022-23	1,444	$ 13,143	63	27	1,480	$ 14,376	36	$ 1,232	9.4%	$ 9,713
2021-22	1,403	13,091	68	27	1,444	13,143	41	53	0.4%	9,102
2020-21	1,353	12,410	74	24	1,403	13,091	50	681	5.5%	9,331
2019-20	1,242	11,217	132	21	1,353	12,410	111	1,193	10.6%	9,172
2018-19	1,233	10,633	69	60	1,242	11,217	9	584	5.5%	9,031
2017-18	1,198	12,719	73	38	1,233	10,633	35	(2,086)	(16.4)%	8,624
2016-17	1,169	12,037	56	27	1,198	12,719	29	681	5.7%	10,616
2015-16	1,141	11,641	60	32	1,169	12,037	28	397	3.4%	10,297
2014-15	1,106	11,900	71	36	1,141	11,641	35	(259)	(2.2)%	10,202
2013-14	1,083	11,802	50	27	1,106	11,900	23	98	0.8%	10,759
Dental										
2022-23	1,435	$ 1,502	60	32	1,463	$ 1,912	28	$ 410	27.3%	$ 1,307
2021-22	1,399	1,776	66	30	1,435	1,502	36	(274)	(15.4)%	1,047
2020-21	1,359	1,723	66	26	1,399	1,776	40	53	3.1%	1,269
2019-20	1,315	1,693	71	27	1,359	1,723	44	30	1.8%	1,268
2018-19	1,269	1,626	70	24	1,315	1,693	46	67	4.1%	1,288
2017-18	1,248	1,605	59	38	1,269	1,626	21	20	1.3%	1,281
2016-17	1,220	1,510	50	22	1,248	1,605	28	96	6.3%	1,286
2015-16	1,199	1,497	42	21	1,220	1,510	21	12	0.8%	1,237
2014-15	1,139	1,428	79	19	1,199	1,497	60	69	4.8%	1,249
2013-14	1,111	1,353	45	17	1,139	1,428	28	75	5.6%	1,254

Annual subsidies are explicit amounts in thousands

Plan Experiences *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

POLICE DEPARTMENT - MEMBER BENEFIT COVERAGE INFORMATION					
	Actuarial Liability				
Actuarial Valuation Date	Retirees and Vested Terminated	Active Members	Fair Value of Assets[1]	Portion of Liability Covered by Actuarial Value of Assets	
	(A)	(B)		(A)	(B)
6/30/2023	$ 413,934	$ 136,206	$ 191,682	46.0%	0.0%
6/30/2022	345,739	130,013	171,369	50.0%	0.0%
6/30/2021	343,241	138,464	180,002	52.0%	0.0%
6/30/2020	324,689	143,413	137,789	42.0%	0.0%
6/30/2019	293,344	142,094	124,990	43.0%	0.0%
6/30/2018	305,606	166,211	111,659	37.0%	0.0%
6/30/2017	280,546	150,792	99,926	36.0%	0.0%
6/30/2016	307,941	188,002	97,412	32.0%	0.0%
6/30/2015	290,354	179,969	85,322	29.0%	0.0%
6/30/2014	275,902	180,568	70,102	25.0%	0.0%

[1] *Actuarial value of assets for 6/30/2016 and earlier*

Dollar amounts in thousands

POLICE DEPARTMENT - ANALYSIS OF FINANCIAL EXPERIENCE					
Gain or (Loss) for the Year Ending on Valuation Date Due to:					
Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Assumption Changes	Total Experience
6/30/2023	$ 1,583	$ (40,872)	$ (39,289)	$ (15,899)	$ (55,188)
6/30/2022	(28,934)	36,673	7,739	(11,836)	(4,097)
6/30/2021	25,626	27,361	52,987	(21,845)	31,142
6/30/2020	(4,115)	17,054	12,939	(30,044)	(17,105)
6/30/2019	(2,839)	64,974	62,135	(6,817)	55,318
6/30/2018	(2,442)	3,712	1,270	(22,819)	(21,549)
6/30/2017	2,647	(15,108)	(12,461)	29,245	16,784
6/30/2016	(2,914)	(2,728)	(5,642)	4,864	(778)
6/30/2015	582	7,990	8,572	(3,449)	5,123
6/30/2014	2,802	16,222	19,024	13,689	32,713

The analysis was combined for Police and Fire for 6/30/2017 and earlier.

Dollar amounts in thousands

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan 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. Since the June 30, 2017 valuation, the actuarial value of assets is equal to the fair value of assets.

POLICE DEPARTMENT - SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AL)	Unfunded AL (UAL)	Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a / b)	(c)	((b-a) / c)
6/30/2023	$ 191,682	$ 550,140	$ 358,459	34.8 %	$ 169,293	211.7 %
6/30/2022	171,369	475,753	304,384	36.0 %	165,637	183.8 %
6/30/2021	180,002	481,704	301,702	37.4 %	157,594	191.4 %
6/30/2020	137,789	468,102	330,314	29.4 %	147,269	224.3 %
6/30/2019	124,990	435,438	310,448	28.7 %	146,865	211.4 %
6/30/2018	111,659	471,817	360,158	23.7 %	131,888	273.1 %
6/30/2017	99,926	431,338	331,412	23.2 %	120,299	275.5 %
6/30/2016	97,412	495,943	398,531	19.6 %	111,029	358.9 %
6/30/2015	85,322	470,323	385,001	18.1 %	109,783	350.7 %
6/30/2014	70,102	456,470	386,368	15.4 %	112,947	342.1 %

Dollar amounts in thousands

Summary of Key Substantive Plan Provisions

POLICE POSTEMPLOYMENT HEALTHCARE

Eligibility

Employees hired before July 2013 that did not elect to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

Medical / Dental

Employees who retire (include deferred vested members) with at least 15 years of service with the City (“OPEB benefit service”), or with a monthly pension equal to at least 37.5% of Final Compensation, are eligible to elect medical coverage upon retirement.

Tier 1 employees (hired before August 4, 2013) are eligible for unreduced service retirement at age 55 with 20 years of service, age 50 with 25 years of service, age 70 with no service requirement, or any age with 30 years of service. Reduced service retirement is available at age 50 with 20 years of service. Tier 2 employees (hired on or after August 4, 2013) are eligible for unreduced service retirement at age 60 with 10 years of service or reduced service retirement at age 50 with 10 years of service. Service credited through reciprocity agreements counts towards an employee’s required service to retire, but only service with the City counts towards the required years of service to receive OPEB benefits.

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

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

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

1) The employee has 15 years of service at time of death or is entitled to a monthly pension of at least 37.5% of Final Compensation; and,
2) Both the member and the survivors were enrolled in the active medical plan immediately before death; and,
3) The survivor will receive a monthly pension benefit.

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

Benefits for Retirees

<u>Medical:</u>

The Plan pays 100.0% of the premium for the lowest cost health plan available to active City employees. The member pays the difference, if another plan is elected.

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

<u>Dental:</u>

The Plan pays 100.0% of the dental insurance premiums.

<u>Premiums:</u>

Monthly premiums before adjustments for calendar years 2023 and 2024 are as follows.

Summary of Key Substantive Plan Provisions *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

POLICE DEPARTMENT - 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.

POLICE DEPARTMENT - 2024 MONTHLY PREMIUMS				
Medical	Single	Employee / Spouse	Employee / Child	Family
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 708.38	$ 1,416.74	$ 1,239.66	$ 2,125.12
Kaiser $25 co-pay	865.12	1,730.22	1,513.94	2,595.34
Kaiser HDHP	596.84	1,193.68	1,044.46	1,790.52
Anthem HMO Select $20 co-pay	940.24	2,068.48	1,692.42	2,914.64
Anthem HMO Traditional $20 co-pay	1,080.88	2,377.90	1,945.60	3,350.68
Anthem DHMO	724.88	1,594.78	1,304.78	2,247.18
Anthem HDHP	1,653.72	3,638.18	2,976.70	5,126.58
Anthem Select PPO	2,684.40	5,905.74	4,831.96	8,321.78
Anthem Classic PPO	2,871.06	6,316.36	5,167.88	8,900.28
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 270.09	$ 540.18	$ 540.18	$ 810.27
Anthem Medicare PPO	502.69	1,005.38	1,005.38	1,508.07
Anthem Medicare HMO	N/A	N/A	N/A	N/A
Dental				
Delta Dental PPO	$ 50.88	$ 111.92	$ 122.12	$ 157.72
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.

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

POLICE DEPARTMENT - SUMMARY OF 2024 BENEFIT PLANS								
Non-Medicare	Kaiser			Anthem HMO		Anthem PPO (In-Network)		
Plans	High Deductible	DHMO	$25 Co-pay	$20 Co-pay	DHMO	Select	Classic	High Deductible
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)	$3,200 / $6,400	$1,500 / $3,000	None	None	$1,500 / $3,000	$100 / $200	$100 / $200	$2,500 / $5,000
Office visit co-pay	30.0%[1]	$40	$25	$20	$20	$25	$25	20.0%[1]
Emergency room co-pay	30.0%[1]	30.0%[1]	$100	$100	30.0%[1]	$100	$100	20.0%[1]
Hospital care co-pay	30.0%[1]	30.0%[1]	$100	$100	30.0%[1]	10.0%[1]	10.0%[1]	20.0%[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 PPO
Annual out-of-pocket maximum	$1,000 per year for any one member	$0
Annual deductible	None	None
Office visit co-pay	$25	$0
Emergency room co-pay	$50	$0
Hospital care co-pay	$250	$0
Prescription Drug Retail Co-pay (30-day supply)		
Generic	$10	$10
Non-formulary	$10	$25
Specialty drug	N/A	$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, contributions, or both.

CATASTROPHIC DISABILITY HEALTHCARE PROGRAM

Eligibility: Employees hired after June 2013 or employees who elected to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

Contributions: Employees are required to make mandatory contributions into the VEBA on a pre-tax basis.

EMPLOYEE GROUP	VEBA CONTRIBUTION RATE
Tier 1	4.0%
Tier 2	4.0%

Medical: VEBA funds can be used to reimburse members for eligible healthcare expenses. VEBA members on service-connected disability will receive benefits from the Postemployment Healthcare Plan up to age 65 once VEBA funds exhausted.

CHEIRON

Classic Values, Innovative Advice

September 27, 2024

Board of Administration
City of San José Police and Fire Department Retirement Plan
1737 North 1st Street, Suite 580
San José, CA 95112

Dear Members of the Board:

The purpose of this letter is to provide the certification for the Actuarial Section of the Annual Comprehensive Financial Report (ACFR) for the City of San José Police and Fire Department Retirement Plan with respect to Other Postemployment Benefits (OPEB) provided through the City of San José Fire Department 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, 2023. 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, 2023 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.

Historically, member and City contributions to the plan have been negotiated through collective bargaining and have not been actuarially determined. With the implementation of Measure F, member contributions are fixed at 8.0% 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. In addition, the City can limit its contribution for the explicit subsidy to 11% of the total Police and Fire payroll.

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Board of Administration
September 27, 2024
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The Board of Administration adopts the actuarial methods and assumptions used in the actuarial valuation 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, 2023 actuarial valuation updated to the measurement date of June 30, 2024. The Board changed some economic and demographic assumptions for the June 30, 2023 valuation. These changes are detailed in the actuarial assumptions and methods attachment of this letter and are reflected effective July 1, 2023 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, 2024 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, 2024, 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 letter 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

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Board of Administration
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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

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

John L. Colberg, FSA, EA, MAAA
Principal Consulting Actuary

Jacqueline King

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

CHEIRON

Actuarial Assumptions and Methods

FIRE 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 2, 2023 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 8.00% based on Meketa's 20-year capital market assumptions and the Plan's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.

2) Per Person Cost Trends

Medical trends were developed using the 2023 Society of Actuaries Long-run Medical Cost Trend Model with the following parameters:

Initial trend rate: Non-Medicare Eligible:	10.00%	Medicare Eligible:	6.00%
Inflation:	2.50%	*Real GDP per Capita*:	1.40%
Excess Medical Cost Growth:	1.00%	*Expected GDP Share in 2032*:	19.80%
Resistance Point:	19.00%	*Year limited to GDP growth*:	2075

FIRE DEPARTMENT - ANNUAL INCREASE %														
FY Beginning	**2024[1]**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**
Pre-Medicare	0.00	8.60	8.05	7.49	6.93	6.37	5.81	5.25	4.87	4.75	4.73	4.71	4.70	4.68
Medicare Eligible	0.00	5.72	5.60	5.49	5.37	5.26	5.15	5.03	4.87	4.75	4.73	4.71	4.70	4.68
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
Part B Premiums	5.92	6.03	6.69	6.87	6.77	6.29	5.81	6.16	6.17	6.00	5.84	5.68	5.51	5.35
FY Beginning	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**	**2050**	**2051**
Pre-Medicare	4.67	4.66	4.64	4.63	4.62	4.61	4.60	4.59	4.58	4.57	4.56	4.55	4.54	4.53
Medicare Eligible	4.67	4.66	4.64	4.63	4.62	4.61	4.60	4.59	4.58	4.57	4.56	4.55	4.54	4.53
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
Part B Premiums	5.19	5.02	4.86	4.70	4.53	4.37	4.21	4.04	3.88	3.75	3.70	3.70	3.70	3.70
FY Beginning	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**	**2059**	**2060**	**2061**	**2062**	**2063**	**2064**	**2065**
Pre-Medicare	4.52	4.52	4.51	4.50	4.49	4.49	4.48	4.47	4.47	4.46	4.45	4.45	4.44	4.41
Medicare Eligible	4.52	4.52	4.51	4.50	4.49	4.49	4.48	4.47	4.47	4.46	4.45	4.45	4.44	4.41
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
Part B Premiums	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
FY Beginning	**2066**	**2067**	**2068**	**2069**	**2070**	**2071**	**2072**	**2073**	**2074**	**2075+**				
Pre-Medicare	4.35	4.30	4.25	4.20	4.15	4.10	4.05	4.01	3.96	3.94				
Medicare Eligible	4.35	4.30	4.25	4.20	4.15	4.10	4.05	4.01	3.96	3.94				
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50				
Part B Premiums	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70				

[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, 2024, the trend was developed using actual calendar year 2024 premiums and a trend assumption for calendar year 2025. The trend factors vary by plan as shown in the table on the next page.

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum (where applicable) are assumed to increase at the below trend rates.

FY BEGINNING 2024 TREND					
Pre-Medicare		**Medicare**		**Dental**	
Kaiser Plans	9.44%	Kaiser Plan	10.63%	HMO Plan	1.76%
Anthem Plans	15.42%	Anthem PPO Plan	4.43%	PPO Plan	1.75%

3) Changes Since Last Valuation

The per-person cost trends were updated.

<u>Demographic Assumptions</u>

The OPEB assumptions were adopted by the Board of Administration at the November 2, 2023 Board meeting based on the actuary's recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 2, 2023 Board meeting based on recommendations from the actuary's experience study covering Plan experience through June 30, 2023. Please refer to the full experience study report for details, including the rationale for each assumption.

1) Salary Increase Rate

<u>Wage inflation component:</u> Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Fire members have bargained increases of 4.00% for FYE 2024.

<u>Merit Increases:</u> The following merit component is added to wage inflation, based on an individual member's years of service:

FIRE DEPARTMENT - MERIT SALARY INCREASE					
Years of Service	**Increase**	**Years of Service**	**Increase**	**Years of Service**	**Increase**
0	6.50%	**4**	5.25%	**8**	1.00%
1	6.50%	**5**	4.25%	**9**	0.80%
2	6.25%	**6**	2.50%	**10+**	0.60%
3	5.75%	**7**	1.50%		

2) Administrative Expenses

For FYE 2025, trust administrative expenses are assumed to equal $35 per full benefit member and are assumed to increase at the ultimate wage inflation assumption of 3.00% per annum.

3) Retirement Rates

Rates of retirement are based on age and service according to the following tables. Tier 1 rates only apply when the member is eligible for unreduced pension benefits.

FIRE TIER 1 - RATES OF RETIREMENT BY AGE AND SERVICE								
Age	**50**	**51**	**52 - 54**	**55**	**56**	**57**	**58 - 61**	**62+**
<25 years	0.0%	0.0%	0.0%	30.0%	25.0%	20.0%	27.5%	100.0%
25 - 29 years	45.0%	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	100.0%
30+ years	50.0%	50.0%	50.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Actuarial Assumptions and Methods *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

FIRE TIER 2 - RATES OF RETIREMENT BY AGE AND SERVICE					
Age	**50 - 56**	**57 - 59**	**60 - 61**	**62 - 64**	**65+**
5 - 19 years	1.0%	5.0%	7.5%	20.0%	100.0%
20 - 24 years	1.0%	7.5%	15.0%	35.0%	100.0%
25 - 29 years	1.0%	15.0%	25.0%	50.0%	100.0%
30+ years	2.5%	100.0%	100.0%	100.0%	100.0%

4) Deferred Vested Member Retirement Age

Tier 1 vested terminated members are assumed to retire at age 50 if they have 25 or more years of service or at age 55 if they have less than 25 years of service. Tier 2 vested terminated members are assumed to retire at age 60.

5) Rates of Termination

Termination rates do not apply once retirement rates apply. Rates of termination are shown in the following table.

FIRE DEPARTMENT - RATES OF TERMINATION							
Years of Service	**Termination Rate**	**Years of Service**	**Termination Rate**	**Years of Service**	**Termination Rate**	**Years of Service**	**Termination Rate**
0	8.50%	**5**	1.00%	**10**	0.50%	**15**	0.50%
1	4.00%	**6**	0.90%	**11**	0.50%	**16**	0.50%
2	2.75%	**7**	0.80%	**12**	0.50%	**17**	0.50%
3	1.75%	**8**	0.70%	**13**	0.50%	**18**	0.50%
4	1.25%	**9**	0.60%	**14**	0.50%	**19+**	0.50%

6) Rates of Mortality

Mortality rates for actives, retirees, beneficiaries, terminated vested and reciprocals are based on the sex-distinct employee and annuitant mortality tables shown below. Future mortality improvements are reflected by applying the SOA MP-2021 projection scale on a generational basis from the base year of 2010.

FIRE DEPARTMENT - BASE MORTALITY TABLE		
Category	**Male**	**Female**
Healthy Retirees	0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees	0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees
Disabled Retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees
Beneficiaries	1.032 times the 2010 General Member Mortality Table (PubS-2010) for healthy retirees	1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy retirees
Healthy Non-Annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees

7) Disability Rates

Fire disability rates are equal to the CalPERS Police Officers & Firefighters (POFF) industrial and non-industrial rates multiplied by 104.0%. All disabilities are assumed to be duty related. Sample disability rates of active participants are provided in the following table:

FIRE DEPARTMENT - RATES OF DISABILITY AT SELECTED AGES									
Age	**25**	**30**	**35**	**40**	**45**	**50**	**55**	**60**	**65**
Rate	0.12%	0.20%	0.33%	0.52%	0.80%	1.17%	1.65%	2.24%	2.96%

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

8) Percent of 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.

FIRE DEPARTMENT - FUTURE RETIREE PARTICIPATION		
	Coverage	In-Lieu
Active Members	70.0%	30.0%
Terminated Vested Members	50.0%	50.0%

9) Dependent Coverage Election

100.0% of members eligible for dental are assumed to elect spousal coverage. Upon retirement, members who elect coverage are assumed to cover dependents according to the following table.

FIRE DEPARTMENT - ASSUMED FUTURE RETIREE TIER ELECTIONS				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree only	18.0%	52.0%	25.0%	75.0%
Retiree and children	7.0%	23.0%	0.0%	0.0%
Retiree and spouse	32.0%	15.0%	75.0%	25.0%
Retiree and family	43.0%	10.0%	0.0%	0.0%

10) 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 25.0% 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.

FIRE DEPARTMENT - ASSUMED FUTURE RETIREE IN-LIEU CREDIT TIER				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree only	22.0%	22.0%	40.0%	40.0%
Retiree and children	0.0%	0.0%	0.0%	0.0%
Retiree and spouse	23.0%	23.0%	60.0%	60.0%
Retiree and family	55.0%	55.0%	0.0%	0.0%

11) 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.

FIRE DEPARTMENT - ASSUMED PLAN ELECTIONS FOR FUTURE RETIREES[1]			
Pre-Medicare Medical Plans	% Electing	Medicare - Eligible Medical Plans	% Electing
Kaiser DHMO	5.0%	Kaiser Senior Advantage	43.0%
Kaiser $25 co-pay	62.0%	Anthem Medicare PPO	57.0%
Kaiser HDHP	6.0%		
Anthem DHMO	3.0%		
Anthem Select $20 co-pay	8.0%		
Anthem Traditional $20 co-pay	3.0%		
Anthem HDHP PPO	9.0%	**Dental Plans (All Retirees)**	**% Electing**
Anthem Select PPO	3.0%	Delta Dental PPO	99.0%
Anthem Classic PPO	1.0%	DeltaCare HMO	1.0%

[1] *Eligible for coverage and elect coverage*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

12) 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 1.65 to estimate the adjustment from a blended active and retiree premium to a retiree only premium.

13) Married Percentage

FIRE DEPARTMENT - PERCENTAGE MARRIED		
	Males	Females
Percentage	85.0%	85.0%

14) Dependent Age

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

15) Changes Since Last Valuation

Plan election assumptions and the administrative expense assumption were updated.

The wage inflation assumption was updated to reflect currently bargained agreements for FYE 2024 and FYE 2025.

Demographic assumptions were updated based on the most recent experience study covering the period through June 30, 2023. Please refer to the actuary's demographic experience study report for more detail and an explanation of the rationale for these changes.

Claim and Health Plan Benefit Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the November 2, 2023 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 2023 and 2024. 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 2023 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 but the load for children for Police and Fire was developed separately from the load for Federated.

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 the 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, 2023 based on the premiums for 2023 and 2024. The explicit subsidy amount (100.0% 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)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

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

FIRE DEPARTMENT - SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE						
	Kaiser		Anthem HMO		Anthem PPO	
Age	Male	Female	Male	Female	Male	Female
40	$ 11,766	$ 14,385	$ 14,624	$ 17,685	$ 18,494	$ 23,203
45	11,956	13,979	14,670	17,034	19,371	23,008
50	12,551	14,196	15,190	17,113	20,978	23,936
55	13,802	14,962	16,477	17,833	23,763	25,849
60	16,039	15,639	18,916	18,448	28,321	27,601
64	18,813	15,314	22,018	17,928	33,738	27,446

FIRE DEPARTMENT - SAMPLE CLAIMS COSTS - MEDICARE ELIGIBLE						
	Kaiser Senior Adv		Anthem HMO		Anthem PPO	
Age	Male	Female	Male	Female	Male	Female
65	$ 2,786	$ 2,458	$ 5,366	$ 4,734	$ 5,234	$ 4,617
70	2,959	2,506	5,699	4,826	5,558	4,707
75	3,400	2,818	6,550	5,428	6,388	5,294
80	3,861	3,196	7,437	6,155	7,253	6,003
85	4,170	3,492	8,032	6,727	7,833	6,560

FIRE DEPARTMENT - SAMPLE CLAIMS COSTS - DENTAL	
Dental Blended	
Age	Unisex
All	$ 701.15

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.

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

9) Changes Since Last Valuation

All claims costs were updated to reflect the changes in plan premiums and the populations covered.

Contribution Allocation Procedure

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

1) Actuarial Cost Method

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

2) Asset Valuation Method

The actuarial value of assets equals the 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 was amortized as a level percent of payroll over a closed 25-year period. All future amortization bases will be amortized over 25-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 to no more than 11.0% of total payroll.

Active members that are eligible for full benefits will contribute 8.0% of pay.

5) Changes Since Last Valuation

None.

FIRE POSTEMPLOYMENT HEALTHCARE

FIRE DEPARTMENT - SCHEDULE OF ACTIVE MEMBER DATA						
	Active Member Counts			Annual	Average	Change in
Valuation Date	Under Age 65	Age 65+	Total	Payroll	Annual Pay	Average Pay
6/30/2023	648	0	648	$ 102,599,376	$ 158,332	5.8%
6/30/2022	653	0	653	97,757,818	149,706	2.9%
6/30/2021	657	0	657	95,556,891	145,444	2.9%
6/30/2020	662	0	662	93,529,264	141,283	5.1%
6/30/2019	662	0	662	88,952,979	134,370	3.1%
6/30/2018	664	0	664	86,541,114	130,333	1.0%
6/30/2017	646	0	646	83,370,711	129,057	4.3%
6/30/2016	671	0	671	83,043,310	123,761	7.5%
6/30/2015	648	0	648	74,613,261	115,144	0.5%
6/30/2014	657	0	657	75,241,817	114,523	

FIRE DEPARTMENT - SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS										
	Beginning of Period		Added to Rolls	Removed from Rolls	End of Period		Net Change		% Increase	Average
Period	Count	Annual Subsidy	Count	Count	Count	Annual Subsidy	Count	Annual Subsidy	in Annual Subsidy	Annual Subsidy
Medical										
2022-23	856	$ 7,545	51	28	879	$ 8,432	23	$ 887	11.8%	$ 9,592
2021-22	832	7,525	54	30	856	7,545	24	20	0.3%	8,814
2020-21	825	7,332	36	29	832	7,525	7	192	2.6%	9,044
2019-20	799	6,791	41	15	825	7,332	26	542	8.0%	8,888
2018-19	803	6,518	27	31	799	6,791	(4)	272	4.2%	8,499
2017-18	776	7,455	47	20	803	6,518	27	(937)	(12.6)%	8,117
2016-17	752	6,976	42	18	776	7,455	24	479	6.9%	9,607
2015-16	758	6,965	28	34	752	6,976	(6)	11	0.2%	9,277
2014-15	743	7,095	35	20	758	6,965	15	(130)	(1.8)%	9,189
2013-14	749	7,737	29	35	743	7,095	(6)	(642)	(8.3)%	9,549
Dental										
2022-23	861	$ 829	45	30	876	$ 1,065	15	$ 236	28.5%	$ 1,216
2021-22	841	977	51	31	861	829	20	(148)	(15.2)%	962
2020-21	839	970	32	30	841	977	2	7	0.7%	1,161
2019-20	828	963	26	15	839	970	11	7	0.7%	1,156
2018-19	828	962	26	26	828	963	0	1	0.2%	1,163
2017-18	808	942	39	19	828	962	20	20	2.1%	1,162
2016-17	798	893	30	20	808	942	10	49	5.5%	1,166
2015-16	793	891	23	18	798	893	5	2	0.2%	1,120
2014-15	778	876	29	14	793	891	15	15	1.8%	1,124
2013-14	779	949	23	24	778	876	(1)	(73)	(7.7)%	1,126

Annual subsidies are explicit amounts in thousands

Plan Experiences *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

FIRE DEPARTMENT - MEMBER BENEFIT COVERAGE INFORMATION					
	Actuarial Liability				
Actuarial Valuation Date	Retirees and Vested Terminated	Active Members	Fair Value of Assets[1]	Portion of Liability Covered by Actuarial Value of Assets	
	(A)	(B)		(A)	(B)
6/30/2023	$ 206,503	$ 119,594	$ 107,682	52.0%	0.0%
6/30/2022	168,837	107,466	93,904	56.0%	0.0%
6/30/2021	162,834	113,670	96,311	59.0%	0.0%
6/30/2020	161,088	109,823	70,743	44.0%	0.0%
6/30/2019	154,885	103,007	60,967	39.0%	0.0%
6/30/2018	161,946	113,510	50,861	31.0%	0.0%
6/30/2017	147,204	101,704	42,591	29.0%	0.0%
6/30/2016	164,063	118,866	37,795	23.0%	0.0%
6/30/2015	161,381	108,049	29,243	18.0%	0.0%
6/30/2014	153,132	97,108	23,503	15.0%	0.0%

[1]*Actuarial value of assets for 6/30/2016 and earlier* *Dollar amounts in thousands*

FIRE DEPARTMENT - ANALYSIS OF FINANCIAL EXPERIENCE					
Gain or (Loss) for the Year Ending on Valuation Date Due to:					
Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Assumption Change	Total Experience
6/30/2023	$ 791	$ (27,055)	$ (26,264)	$ (10,286)	$ (36,550)
6/30/2022	(16,421)	19,851	3,430	(6,488)	(3,058)
6/30/2021	12,961	23,287	36,248	(14,737)	21,511
6/30/2020	(2,137)	19,190	17,053	(18,287)	(1,234)
6/30/2019	(1,205)	34,915	33,710	(1,749)	31,961
6/30/2018	(1,548)	(311)	(1,859)	(13,568)	(15,427)
6/30/2017	2,647	(15,108)	(12,461)	29,245	16,784
6/30/2016	(2,914)	(2,728)	(5,642)	4,864	(778)
6/30/2015	582	7,990	8,572	(3,449)	5,123
6/30/2014	2,802	16,222	19,024	13,689	32,713

The analysis was combined for Police and Fire for 6/30/2017 and earlier. *Dollar amounts in thousands*

Plan Experiences *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan 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. Since the June 30, 2017 valuation, the actuarial value of assets is equal to the fair value of assets.

FIRE DEPARTMENT - SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AL)	Unfunded AL (UAL)	Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a / b)	(c)	((b-a) / c)
6/30/2023	$ 107,682	$ 326,097	$ 218,415	33.0%	$ 102,599	212.9%
6/30/2022	93,904	276,304	182,399	34.0%	97,758	186.6%
6/30/2021	96,311	276,504	180,193	34.8%	95,841	188.0%
6/30/2020	70,743	270,912	200,169	26.1%	93,529	214.0%
6/30/2019	60,967	257,891	196,925	23.6%	88,953	221.4%
6/30/2018	50,861	275,455	224,594	18.5%	86,541	259.5%
6/30/2017	42,591	248,908	206,317	17.1%	83,517	247.0%
6/30/2016	37,795	282,929	245,134	13.4%	83,043	295.2%
6/30/2015	29,243	269,430	240,187	10.9%	74,950	320.5%
6/30/2014	23,503	250,240	226,737	9.4%	75,242	301.3%

Dollar amounts in thousands

Summary of Key Substantive Plan Provisions

FIRE POSTEMPLOYMENT HEALTHCARE

Eligibility

Employees hired before July 2013 that did not elect to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

Medical / Dental

Employees who retire (include deferred vested members) with at least 15 years of service with the City ("OPEB benefit service"), or with a monthly pension equal to at least 37.5% of Final Compensation, are eligible to elect medical coverage upon retirement.

Tier 1 employees (hired before August 4, 2013) are eligible for unreduced service retirement at age 55 with 20 years of service, age 50 with 25 years of service, age 70 with no service requirement, or any age with 30 years of service. Reduced service retirement is available at age 50 with 20 years of service. Tier 2 employees (hired on or after August 4, 2013) are eligible for unreduced service retirement at age 60 with 10 years of service or reduced service retirement at age 50 with 10 years of service. Service credited through reciprocity agreements counts towards an employee's required service to retire, but only service with the City counts towards the required years of service to receive OPEB benefits.

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

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

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

1) The employee has 15 years of service at time of death or is entitled to a monthly pension of at least 37.5% of Final Compensation; and,
2) Both the member and the survivors were enrolled in the active medical plan immediately before death; and,
3) The survivor will receive a monthly pension benefit.

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

Benefits for Retirees

<u>Medical:</u>

The Plan pays 100.0% of the premium for the lowest cost health plan available to active City employees. The member pays the difference if another plan is elected.

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

<u>Dental:</u>

The Plan pays 100.0% of the dental insurance premiums.

Summary of Key Substantive Plan Provisions *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

Premiums:

Monthly premiums before adjustments for calendar years 2023 and 2024 are as follows.

FIRE DEPARTMENT - 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

FIRE DEPARTMENT - 2024 MONTHLY PREMIUMS				
Medical	**Single**	**Employee / Spouse**	**Employee / Child**	**Family**
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 708.38	$ 1,416.74	$ 1,239.66	$ 2,125.12
Kaiser $25 co-pay	865.12	1,730.22	1,513.94	2,595.34
Kaiser HDHP	596.84	1,193.68	1,044.46	1,790.52
Anthem HMO Select $20 co-pay	940.24	2,068.48	1,692.42	2,914.64
Anthem HMO Traditional $20 co-pay	1,080.88	2,377.90	1,945.60	3,350.68
Anthem DHMO	724.88	1,594.78	1,304.78	2,247.18
Anthem HDHP	1,653.72	3,638.18	2,976.70	5,126.58
Anthem Select PPO	2,684.40	5,905.74	4,831.96	8,321.78
Anthem Classic PPO	2,871.06	6,316.36	5,167.88	8,900.28
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 270.09	$ 540.18	$ 540.18	$ 810.27
Anthem Medicare PPO	502.69	1,005.38	1,005.38	1,508.07
Anthem Medicare HMO	N/A	N/A	N/A	N/A
Dental				
Delta Dental PPO	$ 50.88	$ 111.92	$ 122.12	$ 157.72
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.

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

FIRE DEPARTMENT - SUMMARY OF 2024 BENEFIT PLANS								
Non-Medicare	**Kaiser**			**Anthem HMO**		**Anthem PPO (In-Network)**		
Plans	**High Deductible**	**DHMO**	**$25 Co-Pay**	**$20 Co-Pay**	**DHMO**	**Select**	**Classic**	**High Deductible**
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)	$3,200 / $6,400	$1,500 / $3,000	None	None	$1,500 / $3,000	$100 / $200	$100 / $200	$2,500 / $5,000
Office visit co-pay	30.0%[1]	$40	$25	$20	$20	$25	$25	20.0%[1]
Emergency room co-pay	30.0%[1]	30.0%[1]	$100	$100	30.0%[1]	$100	$100	20.0%[1]
Hospital care co-pay	30.0%[1]	30.0%[1]	$100	$100	30.0%[1]	10.0%[1]	10.0%[1]	20.0%[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 PPO**
Annual out-of-pocket maximum	$1,000 per year for any one member	$0
Annual deductible	None	None
Office visit co-pay	$25	$0
Emergency room co-pay	$50	$0
Hospital care co-pay	$250	$0
Prescription Drug retail co-pay (30-day supply)		
Generic brand	$10	$10
Non-formulary	$10	$25
Specialty drug	N/A	$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, contributions, or both.

CATASTROPHIC DISABILITY HEALTHCARE PROGRAM

Eligibility: Employees hired after June 2013 or employees who elected to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

Contributions: Employees are required to make mandatory contributions into the VEBA on a pre-tax basis.

EMPLOYEE GROUP	VEBA CONTRIBUTION RATE
Tier 1	4.0%
Tier 2	4.0%

Medical: VEBA funds can be used to reimburse members for eligible healthcare expenses. VEBA members on service-connected disability will receive benefits from the Postemployment Healthcare Plan only up to age 65 once VEBA funds exhausted.

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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
Police and Fire Department Retirement Plan
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2024 and June 30, 2023

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 2015 - 2024 *(Dollars in thousands)*

DEFINED BENEFIT PENSION PLAN (Schedule 1a)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Additions										
Employee contributions	$ 34,439	$ 32,661	$ 31,660	$ 29,033	$ 27,645	$ 24,811	$ 23,841	$ 20,580	$ 21,508	$ 20,747
Employer contributions	202,700	201,750	212,046	201,370	188,481	176,618	157,712	136,957	132,480	129,279
Investment income / (loss) [1]	437,637	359,863	(294,549)	1,044,290	134,085	114,179	233,475	292,734	(29,206)	(27,690)
Total additions to plan net position	**674,776**	**594,274**	**(50,843)**	**1,274,693**	**350,211**	**315,608**	**415,028**	**450,271**	**124,782**	**122,336**
Deductions										
Benefit payments	271,571	256,773	241,564	228,491	216,206	204,652	194,139	184,596	176,029	166,331
Death benefits	19,464	18,386	16,938	15,152	14,238	13,162	12,102	11,072	10,083	9,220
Refunds	920	665	1,374	667	564	194	389	364	828	702
Administrative expenses and other	7,849	6,832	6,051	5,764	5,605	5,369	5,464	4,635	4,254	4,191
Total deductions from plan net position	**299,804**	**282,656**	**265,927**	**250,074**	**236,613**	**223,377**	**212,094**	**200,667**	**191,194**	**180,444**
Changes in plan net position	**$ 374,972**	**$ 311,618**	**$ (316,770)**	**$ 1,024,619**	**$ 113,598**	**$ 92,231**	**$ 202,934**	**$ 249,604**	**$ (66,412)**	**$ (58,108)**

[1]*Net of expenses*

CHANGES IN PLAN NET POSITION FOR FISCAL YEARS 2015 - 2024 *(Dollars in thousands)*

POSTEMPLOYMENT HEALTHCARE PLANS (Schedule 1b)

	2024			2023			2022			2021			2020		
	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust
Additions															
Employee contributions	$10,820	$ -	$ -	$11,299	$ -	$ -	$12,109	$ -	$ -	$12,475	$ -	$ -	$13,135	$ -	$ -
Employer contributions	4,444	17,672	11,050	3,236	16,951	10,574	3,261	16,735	10,767	3,105	15,320	10,062	3,347	14,595	9,408
Investment income / (loss) [1]	687	19,625	11,373	1,051	11,716	6,892	(1,732)	15,906)	(9,663)	6,838	28,448	17,708	1,220	3,722	2,301
Total additions to plan net position	**15,951**	**37,297**	**22,423**	**15,586**	**28,667**	**17,466**	**13,638**	**829**	**1,104**	**22,418**	**43,768**	**27,770**	**17,702**	**18,317**	**11,709**
Deductions															
Healthcare insurance premiums	18,961	6,872	4,866	23,776	-	3,752	23,066	-	3,392	25,974	-	-	25,031	-	-
Administrative expenses and other	37	57	37	42	38	22	44	68	42	57	33	20	72	31	19
Total deductions from plan net position	**18,998**	**6,929**	**4,903**	**23,818**	**38**	**3,774**	**23,110**	**68**	**3,434**	**26,031**	**33**	**20**	**25,103**	**31**	**19**
Change in plan net position	**$ (3,047)**	**$30,368**	**$17,520**	**$ (8,230)**	**$28,629**	**$13,692**	**$ (9,472)**	**$ 761**	**$ (2,330)**	**$ (3,703)**	**$43,735**	**$27,750**	**$ (7,401)**	**$18,286**	**$11,690**

CHANGES IN PLAN NET POSITION FOR FISCAL YEARS 2015 - 2024 *(Dollars in thousands) (continued)*

POSTEMPLOYMENT HEALTHCARE PLANS (Schedule 1b) (continued)

	2019			2018			2017			2016			2015		
	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust
Additions															
Employee contributions	$13,315	$ -	$ -	$16,127	$ -	$ -	$18,116	$ -	$ -	$18,007	$ -	$ -	$17,017	$ -	$ -
Employer contributions	5,716	14,086	8,942	5,716	11,265	8,401	1,599	10,905	8,163	1,389	11,576	8,100	-	13,073	7,837
Investment income / (loss) [1]	1,288	4,099	2,520	3,058	2,511	1,502	4,278	5,220	2,955	(465)	(798)	(420)	(499)	(753)	(363)
Total additions to plan net position	**20,319**	**18,185**	**11,462**	**24,901**	**13,776**	**9,903**	**23,993**	**16,125**	**11,118**	**18,931**	**10,778**	**7,680**	**16,518**	**12,320**	**7,474**
Deductions															
Healthcare insurance premiums	26,403	-	-	27,686	-	-	24,799	-	-	23,449	-	-	24,205	-	-
Administrative expenses and other	80	28	18	75	55	29	69	71	42	74	44	21	82	24	17
VEBA transfer	-	-	-	-	5,276	2,621	-	-	-	-	-	-	-	-	-
Total deductions from plan net position	**26,483**	**28**	**18**	**27,761**	**5,331**	**2,650**	**24,868**	**71**	**42**	**23,523**	**44**	**21**	**24,287**	**24**	**17**
Change in plan net position	**$ (6,164)**	**$18,157**	**$11,444**	**$ (2,860)**	**$ 8,445**	**$ 7,253**	**$ (875)**	**$16,054**	**$11,076**	**$ (4,592)**	**$10,734**	**$ 7,659**	**$ (7,769)**	**$12,296**	**$ 7,457**

[1] *Net of expenses*

BENEFIT AND REFUND DEDUCTIONS FROM PLAN NET POSITION BY TYPE *(Dollars in thousands)*

DEFINED BENEFIT PENSION PLAN (Schedule 2a)

Type of Benefit	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Age and Service Benefits										
Retirees - service	$ 162,024	$ 150,997	$ 137,711	$ 128,532	$ 119,030	$ 109,078	$ 101,338	$ 96,317	$ 90,944	$ 86,672
Retirees - deferred vested	9,570	8,677	7,950	7,072	6,171	5,499	4,983	4,352	3,730	3,056
Survivors - service	6,221	5,675	5,492	4,975	4,556	3,870	3,321	2,815	2,537	2,201
Survivors - deferred vested	391	359	303	218	201	99	110	105	97	78
Death in service benefits	2,173	2,058	1,817	1,744	1,772	1,721	1,722	1,713	1,606	1,493
Disability Benefits										
Retirees - duty	92,274	89,763	88,699	87,769	86,198	84,239	81,874	78,801	76,440	71,980
Retirees - non-duty	1,569	1,524	1,780	1,859	1,607	1,876	1,130	973	928	903
Survivors - duty	10,264	9,900	8,956	7,852	7,355	7,072	6,567	6,076	5,532	5,135
Survivors - non-duty	365	354	344	334	323	318	312	266	230	235
Ex-spouse benefits	6,184	5,852	5,450	3,288	3,231	4,042	4,884	4,249	4,068	3,798
Total benefits	**291,035**	**275,159**	**258,502**	**243,643**	**230,444**	**217,814**	**206,241**	**195,667**	**186,112**	**175,551**
Type of Refund										
Separation	920	665	1,374	667	564	194	389	364	828	1,024
Total refunds	**$ 920**	**$ 665**	**$ 1,374**	**$ 667**	**$ 564**	**$ 194**	**$ 389**	**$ 364**	**$ 828**	**$ 1,024**

Source*:* Pension Administration System

BENEFIT AND REFUND DEDUCTIONS FROM PLAN NET POSITION BY TYPE *(Dollars in thousands)*

POSTEMPLOYMENT HEALTHCARE PLANS (Schedule 2b)

Type of Benefit	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Age and Service Benefits										
Retirees - service										
Medical	$ 12,947	$ 11,829	$ 11,069	$ 10,402	$ 9,430	$ 8,703	$ 9,300	$ 9,892	$ 9,258	$ 9,450
Dental	1,632	1,424	1,200	1,371	1,313	1,251	1,215	1,162	1,099	988
Retirees - deferred vested [1]										
Medical	547	401	363	314	271	261	319	369	315	275
Dental	68	57	46	53	50	49	49	45	39	30
Survivors - service										
Medical	469	411	419	361	324	266	289	268	235	238
Dental	54	48	44	48	45	38	35	30	27	24
Survivors - deferred vested [1]										
Medical	21	21	20	20	20	54	16	17	16	13
Dental	3	3	3	3	3	2	2	2	2	1
Death in service benefits										
Medical	118	131	112	119	133	139	165	184	176	185
Dental	24	20	18	22	23	23	25	25	24	22
Disability Benefits										
Retirees - duty										
Medical	8,111	7,792	7,842	8,009	7,921	7,757	8,402	9,033	8,809	8,985
Dental	1,036	960	887	1,094	1,116	1,137	1,151	1,128	1,116	992
Retirees - non-duty										
Medical	176	181	219	233	194	199	183	228	202	210
Dental	27	25	29	40	31	30	25	25	24	23
Survivors - duty										
Medical	881	857	812	746	685	654	668	679	615	623
Dental	107	98	85	93	94	92	89	83	78	69
Survivors - non-duty										
Medical	29	27	27	26	26	27	32	26	21	23
Dental	5	5	2	5	5	5	5	5	4	4
Implicit Subsidy										
Medical	4,444	3,238	3,261	3,015	3,347	5,716	5,716	1,598	1,389	2,050
Total benefits	**$ 30,699**	**$ 27,528**	**$ 26,458**	**$ 25,974**	**$ 25,031**	**$ 26,403**	**$ 27,686**	**$ 24,799**	**$ 23,449**	**$ 24,205**

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

Source: Pension Administration System

EMPLOYER AND EMPLOYEE CONTRIBUTION RATES FOR FISCAL YEARS 2015-2024 (Schedule 3)

Fiscal Year Ended	Police Tier 1 Employee Rate %	Police Tier 2 Employee Rate %	Fire Tier 1 Employee Rate %	Fire Tier 2 Employee Rate %
2024	19.06%	14.35%	19.99%	15.11%
2023	18.99%	14.37%	20.11%	15.18%
2022	18.85%	14.43%	19.91%	15.28%
2021	18.72%	14.18%	19.72%	15.53%
2020	18.70%	14.06%	19.46%	15.39% [1]
2019	18.28%	13.71%	19.09%	15.13%

	Police Employer Rate				Fire Employer Rate			
Fiscal Year Ended	Tier 1%	Tier 1 Minimum Dollar Amount	Tier 2 Pension %	Tier 1 / Tier 2 OPEB $	Tier 1 Pension %	Tier 1 Minimum Dollar Amount	Tier 2 Pension %	Tier 1 / Tier 2 OPEB $
2024	33.84%	$72,023,000	14.35%	$17,588,000	34.25%	$69,168,000	15.11%	$10,977,000
2023	33.24%	$76,350,000	14.37%	$17,503,000	34.34%	$69,689,000	15.18%	$10,972,000
2022	32.47%	$80,921,000	14.43%	$16,730,000	33.70%	$70,887,000	15.28%	$10,697,000
2021	31.80%	$79,984,000	14.18%	$15,320,000	33.18%	$61,213,000	15.53%	$10,062,000
2020	31.43%	$70,024,000 [2]	14.06%	$14,595,000	32.25%	$55,031,000 [3]	15.39% [1]	$9,408,000
2019	97.55%	N/A	13.71%	$13,471,000	98.49%	N/A	15.13%	$8,591,000

Beginning fiscal year 2019, the Board approved the contribution policy that sets the City OPEB contributions as a flat dollar amount.

[1] *The Fire Tier 2 Employee and Employer rate percentage for fiscal year ending 2020 was incorrectly shown as 15.53%. The percentage has been updated to correctly show as 15.39%*

[2] *The Police Tier 1 minimum dollar amount for fiscal year ending 2020 was incorrectly shown as $30,375,726. The amount has been updated to correctly show as $70,024,000.*

[3] *The Fire Tier 1 minimum dollar amount for fiscal year ending 2020 was incorrectly shown as $23,917,358. The amount has been updated to correctly show as $55,031,000.*

	Police Department Rate				Fire Department Rate			
	Tier 1		Tier 2		Tier 1		Tier 2	
Fiscal Year Ended	Employee Rate	Employer Rate	Employee Rate	Employer Rate	Employee Rate	Employer Rate	Employee Rate	Employer Rate
	%	%	%	%	%	%	%	%
2018	18.88	105.62	15.17	25.48	19.38	106.68	16.26	26.88
2017	20.10	90.71	20.48	21.28	20.81	92.23	20.35	21.23
2016	20.77	83.32	20.78	21.58	21.57	85.57	20.90	21.79
2015	21.26	83.14	20.80	21.80	20.13	82.75	19.43	20.21

Retired Members by Type of Benefit

PENSION BENEFITS

As of June 30, 2024

		Type of Retirement[1]								Option Selected [2]				
Monthly Benefit Amount	Number of Retirees & Beneficiaries	1	2	3	4	5	6	7	8	A	B	C	D	Total
$1 - 500	9	0	0	3	0	0	0	2	4	5	0	3	1	9
$501 - 1,000	27	0	0	1	0	0	1	1	24	15	2	7	3	27
$1,001 - 1,500	44	0	0	1	0	5	5	10	23	19	8	13	4	44
$1,501 - 2,000	54	0	0	1	0	2	5	8	38	29	2	21	2	54
$2,001 - 2,500	56	1	0	1	0	10	8	6	30	25	1	25	5	56
$2,501 - 3,000	66	1	2	4	1	10	13	7	28	40	1	21	4	66
$3,001 - 3,500	54	6	0	0	0	4	15	12	17	35	3	14	2	54
$3,501 - 4,000	65	12	1	0	1	5	24	9	13	51	2	9	3	65
$4,001 - 4,500	83	9	1	0	4	10	44	8	7	59	3	17	4	83
$4,501 - 5,000	80	15	0	2	7	5	31	8	12	63	6	6	5	80
$5,001 - 5,500	88	30	3	1	10	7	31	1	5	61	5	14	8	88
$5,501 - 6,000	69	30	5	5	6	2	13	5	3	49	5	8	7	69
$6,001 - 6,500	114	61	4	0	18	1	23	5	2	64	10	22	18	114
$6,501 - 7,000	125	65	4	3	30	0	14	5	4	71	12	23	19	125
$7,001 - 7,500	108	59	4	0	30	1	8	6	0	67	9	18	14	108
$7,501 - 8,000	83	32	2	1	33	0	11	4	0	53	9	10	11	83
$8,001 - 8,500	103	43	0	2	48	1	7	1	1	58	11	15	19	103
$8,501 - 9,000	135	45	4	0	79	2	4	1	0	78	17	16	24	135
$9,001 - 9,500	150	50	0	1	94	0	1	3	1	94	20	19	17	150
$9,501 - 10,000	149	50	0	0	96	0	1	2	0	97	14	15	23	149
$10,001 - 10,500	129	39	2	0	86	0	2	0	0	83	14	13	19	129
$10,501 - 11,000	125	35	3	1	83	0	1	2	0	76	13	17	19	125
Over $11,000	869	264	3	0	566	0	9	27	0	507	87	110	165	869
Total	**2,785**	**847**	**38**	**27**	**1,192**	**65**	**271**	**133**	**212**	**1,699**	**254**	**436**	**396**	**2,785**

[1] **Retirement Codes**

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

[2] **Option Descriptions**

A. Unmodified with Beneficiary (default for married)
B. Contingent Joint & Survivorship (increased percentage to survivor / reduce pension to member)
C. Unmodified with No Beneficiary (default for unmarried)
D. Joint & Survivorship Pop-Up (same as option A but if spouse predeceases member, pension goes back to original pension calculation)

POSTEMPLOYMENT HEALTHCARE BENEFITS

As of June 30, 2024

	Type of Subsidy	
Average Monthly Benefit	Health	Dental
Ineligible / Deferred	$ 383	$ 352
$1 - 60	-	721
$61 - 250	62	1,712
$251 - 500	491	-
$501 - 1,000	771	-
Over $1,000	1,078	-
Total	**$ 2,785**	**$ 2,785**

Source: Pension Administration System as reviewed by Cheiron

Retired Members by Type of Benefit *(continued)*

PENSION BENEFITS BY FAMILY UNIT

As of June 30, 2024

		Type of Retirement[1]							
Monthly Benefit Amount	Number of Retirees & Beneficiaries	1	2	3	4	5	6	7	8
$0 - 999	29	0	0	4	0	0	1	3	21
$1,000 - 1,999	83	0	0	2	0	3	6	15	57
$2,000 - 2,999	100	2	0	3	1	3	23	16	52
$3,000 - 3,999	112	14	1	0	1	6	41	19	30
$4,000 - 4,999	161	26	1	4	9	6	80	17	18
$5,000 - 5,999	145	55	7	6	14	3	45	6	9
$6,000 - 6,999	219	116	8	3	37	1	37	11	6
$7,000 - 7,999	191	97	6	1	59	1	17	9	1
$8,000 - 8,999	230	85	4	2	121	3	12	2	1
$9,000 - 9,999	306	99	0	1	194	4	2	5	1
$10,000 - 10,999	271	82	6	1	174	1	3	4	0
$11,000 - 11,999	229	74	0	0	145	1	3	6	0
$12,000 - 12,999	212	58	0	0	147	1	2	4	0
$13,000 - 13,999	151	63	0	0	80	0	2	6	0
$14,000 - 14,999	121	35	0	0	78	0	2	6	0
$15,000 - 15,999	60	15	2	0	40	0	2	1	0
$16,000 - 16,999	42	16	1	0	22	0	0	3	0
$17,000 - 17,999	19	6	0	0	13	0	0	0	0
$18,000 - 18,999	12	2	0	0	10	0	0	0	0
$19,000 - 19,999	19	3	0	0	14	0	0	2	0
$20,000 - 20,999	13	2	0	0	11	0	0	0	0
$21,000 - 23,999	11	0	0	0	11	0	0	0	0
Over $24,000	3	0	0	0	3	0	0	0	0
Total	**2,739**	**850**	**36**	**27**	**1,184**	**33**	**278**	**135**	**196**

1 **Retirement Codes**

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

Source: Pension Administration System

Average Benefit Payment Amounts

PENSION BENEFITS

As of June 30, 2024

	Years of Service Credit						
Time Periods	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
As of June 30, 2024							
Average monthly benefit [1]	$ 2,429	$ 4,383	$ 5,297	$ 6,950	$ 9,635	$ 12,286	$ 13,545
Average final average salary [2]	$ 9,296	$ 7,236	$ 8,455	$ 10,000	$ 10,790	$ 10,611	$ 9,255
Number of retired members [3]	21	55	134	222	631	930	113
Average monthly benefit (No FAS) [1]	$ -	$ 2,522	$ 4,284	$ 5,013	$ 6,220	$ 9,341	$ 10,953
Number of retired members [2]	-	3	4	9	22	78	15
As of June 30, 2023							
Average monthly benefit [1]	$ 2,315	$ 4,290	$ 5,230	$ 6,836	$ 9,443	$ 12,184	$ 13,364
Average final average salary [2]	$ 9,093	$ 7,148	$ 8,213	$ 10,147	$ 10,937	$ 11,380	$ 10,516
Number of retired numbers [3]	19	49	133	210	587	833	102
Average monthly benefit (No FAS) [1]	$ -	$ 2,448	$ 2,025	$ 4,407	$ 5,927	$ 9,014	$ 10,621
Number of retired members [2]	-	3	2	8	21	81	16
As of June 30, 2022							
Average monthly benefit [1]	$ 2,124	$ 4,113	$ 5,137	$ 6,647	$ 9,149	$ 11,830	$ 13,182
Average final average salary [2]	$ 9,085	$ 6,803	$ 8,117	$ 9,952	$ 10,657	$ 11,131	$ 10,620
Number of retired members [3]	18	51	127	204	556	798	103
Average monthly benefit (No FAS) [1]	$ -	$ 2,377	$ 1,966	$ 4,019	$ 5,754	$ 8,680	$ 10,033
Number of retired members [2]	-	3	2	7	21	84	18
As of June 30, 2021							
Average monthly benefit [1]	$ 2,384	$ 4,040	$ 4,887	$ 6,307	$ 8,673	$ 11,055	$ 11,946
Average final average salary [2]	$ 6,306	$ 6,157	$ 7,619	$ 9,229	$ 9,876	$ 9,979	$ 9,054
Number of retired members [3]	9	53	124	195	524	895	132
Average monthly benefit (No FAS) [1]	$ -	$ 2,308	$ 1,909	$ 3,822	$ 5,758	$ 8,422	$ 9,522
Number of retired members [2]	-	3	2	8	23	90	20
As of June 30, 2020							
Average monthly benefit [1]	$ 2,208	$ 3,882	$ 4,756	$ 6,112	$ 8,451	$ 10,839	$ 11,762
Average final average salary [2]	$ 7,827	$ 5,869	$ 7,518	$ 9,124	$ 9,753	$ 9,619	$ 8,696
Number of retired members [3]	16	51	122	198	519	835	129
Average monthly benefit (No FAS) [1]	$ -	$ 2,241	$ 1,853	$ 3,524	$ 5,626	$ 8,124	$ 9,244
Number of retired members [2]	-	3	2	9	24	94	20
As of June 30, 2019							
Average monthly benefit [1]	$ 2,268	$ 3,922	$ 4,587	$ 5,922	$ 8,193	$ 10,502	$ 11,396
Average final average salary [2]	$ 7,038	$ 5,624	$ 7,384	$ 8,987	$ 9,499	$ 9,428	$ 8,657
Number of retired members [3]	15	50	122	192	487	814	134
Average monthly benefit (No FAS) [1]	$ -	$ 2,175	$ 1,799	$ 3,421	$ 5,324	$ 7,858	$ 8,943
Number of retired members [2]	-	3	2	9	25	98	21

Average Benefit Payment Amounts *(continued)*

PENSION BENEFITS (continued)

As of June 30, 2024

	Years of Service Credit						
Time Periods	0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+
As of June 30, 2018							
Average monthly benefit [1]	$ 2,595	$ 3,902	$ 4,487	$ 5,630	$ 7,934	$ 10,174	$ 10,961
Average final average salary [2]	$ 6,169	$ 5,522	$ 7,284	$ 8,701	$ 9,285	$ 9,262	$ 8,558
Number of retired members[3]	12	49	122	183	461	791	160
Average monthly benefit (No FAS) [1]	$ -	$ 2,112	$ 1,747	$ 3,290	$ 5,030	$ 7,580	$ 8,683
Number of retired members [2]	-	3	2	8	27	101	21
As of June 30, 2017							
Average monthly benefit [1]	$ 2,514	$ 3,724	$ 4,359	$ 5,451	$ 7,703	$ 9,851	$ 10,627
Average final average salary [2]	$ 5,836	$ 4,876	$ 7,204	$ 8,414	$ 9,110	$ 9,103	$ 8,482
Number of retired members [3]	12	50	121	170	436	788	161
Average monthly benefit (No FAS) [1]	$ -	$ 2,050	$ 1,696	$ 3,192	$ 4,778	$ 7,303	$ 8,374
Number of retired members [2]	-	3	2	9	29	105	22
As of June 30, 2016							
Average monthly benefit [1]	$ 2,308	$ 3,631	$ 4,203	$ 5,271	$ 7,469	$ 9,546	$ 10,280
Average final average salary [2]	$ 4,623	$ 4,620	$ 6,694	$ 8,302	$ 8,940	$ 8,979	$ 8,416
Number of retired members [3]	10	51	114	166	422	773	166
Average monthly benefit (No FAS) [1]	$ -	$ 1,991	$ 1,348	$ 3,099	$ 4,618	$ 7,080	$ 8,043
Number of retired members [2]	-	3	3	9	30	107	23
As of June 30, 2015							
Average monthly benefit [1]	$ 2,477	$ 3,462	$ 4,004	$ 5,051	$ 7,004	$ 8,940	$ 9,657
Average final average salary [2]	$ 4,014	$ 4,222	$ 6,433	$ 7,649	$ 8,124	$ 7,765	$ 7,206
Number of retired members [3]	10	51	113	151	403	774	168
Average monthly benefit (No FAS) [1]	$ -	$ 1,933	$ 1,523	$ 3,009	$ 4,478	$ 6,858	$ 7,794
Number of retired members [2]	-	3	4	9	31	110	24

[1] *Includes cost-of-living increases*

[2] *Final average salary not available for those that retired prior to April 1998, except for service-connected disability retirees. Those without final average salary are not included in average monthly benefit.*

[3] *Does not include survivors and ex-spouses*

Source: Pension Administration System as reviewed by Cheiron

Average Benefit Payment Amounts *(continued)*

POSTEMPLOYMENT HEALTHCARE BENEFITS

As of June 30, 2024

	Years of Service Credit						
Time Periods	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
As of June 30, 2024							
Average health subsidy	$ 868	$ 845	$ 865	$ 845	$ 915	$ 874	$ 743
Number of health participants [1]	7	38	94	171	639	1,042	136
Average dental subsidy	$ 109	$ 108	$ 116	$ 105	$ 107	$ 108	$ 103
Number of dental participants [1]	7	40	96	173	640	1,048	136
As of June 30, 2023							
Average health subsidy	$ 800	$ 810	$ 818	$ 761	$ 846	$ 816	$ 689
Number of health participants [1]	7	37	97	166	613	1,027	141
Average dental subsidy	$ 109	$ 108	$ 115	$ 105	$ 106	$ 108	$ 101
Number of dental participants [1]	7	39	99	169	614	1,034	141
As of June 30, 2022							
Average health subsidy	$ 763	$ 741	$ 819	$ 755	$ 816	$ 805	$ 661
Number of health participants [1]	7	40	97	163	584	997	146
Average dental subsidy	$ 90	$ 89	$ 96	$ 88	$ 88	$ 89	$ 83
Number of dental participants [1]	7	42	98	166	586	1,005	146
As of June 30, 2021							
Average health subsidy	$ 772	$ 788	$ 834	$ 762	$ 846	$ 816	$ 684
Number of health participants [1]	7	40	96	155	565	972	153
Average dental subsidy	$ 109	$ 108	$ 116	$ 107	$ 106	$ 108	$ 100
Number of dental participants [1]	7	42	97	158	567	980	153
As of June 30, 2020							
Average health subsidy	$ 711	$ 802	$ 817	$ 749	$ 812	$ 806	$ 708
Number of health participants [1]	8	40	92	156	525	960	155
Average dental subsidy	$ 102	$ 105	$ 116	$ 110	$ 107	$ 109	$ 100
Number of dental participants [1]	8	42	94	159	528	969	155
As of June 30, 2019							
Average health subsidy	$ 683	$ 738	$ 848	$ 757	$ 785	$ 778	$ 689
Number of health participants [1]	7	38	81	143	471	922	155
Average dental subsidy	$ 93	$ 107	$ 115	$ 111	$ 108	$ 109	$ 102
Number of dental participants [1]	8	43	93	156	494	952	159
As of June 30, 2018							
Average health subsidy	$ 600	$ 693	$ 797	$ 701	$ 759	$ 749	$ 654
Number of health participants [1]	7	39	88	154	465	890	173
Average dental subsidy	$ 93	$ 105	$ 116	$ 112	$ 109	$ 109	$ 103
Number of dental participants [1]	8	44	92	157	476	906	175

Average Benefit Payment Amounts *(continued)*

POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)

As of June 30, 2024

	Years of Service Credit						
Time Periods	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
As of June 30, 2017							
Average health subsidy	$ 910	$ 878	$ 1,060	$ 940	$ 949	$ 901	$ 743
Number of health participants [1]	7	42	83	140	437	869	169
Average dental subsidy	$ 93	$ 103	$ 117	$ 113	$ 109	$ 110	$ 102
Number of dental participants [1]	8	47	93	150	455	905	173
As of June 30, 2016							
Average health subsidy	$ 934	$ 865	$ 991	$ 903	$ 909	$ 861	$ 719
Number of health participants [1]	6	39	81	138	427	862	172
Average dental subsidy	$ 95	$ 102	$ 111	$ 108	$ 105	$ 105	$ 98
Number of dental participants [1]	7	46	89	147	441	894	179
As of June 30, 2015							
Average health subsidy	$ 899	$ 811	$ 985	$ 860	$ 894	$ 857	$ 727
Number of health participants[1]	7	42	83	124	407	874	178
Average dental subsidy	$ 89	$ 101	$ 112	$ 108	$ 107	$ 105	$ 99
Number of dental participants [1]	8	50	91	132	424	899	181

[1] *Does not include survivors and ex-spouses.*

Source: Pension Administration System as reviewed by Cheiron

Retirements During Fiscal Year 2023-2024

SERVICE RETIREMENTS			
POLICE DEPARTMENT		FIRE DEPARTMENT	
ANDERSON, BRIAN S.	MIZUHARA, KEITH K.	AVERY, VERNON J.	MACDONELL, BRETT
BROWN, ANDREW T.	NGO, DUC V.	BALISCAO, JESSE D.	MARKS, BRYAN P.
CARR, JOHN B.	NGUYEN, HUAN P.	BARBOUR, MARK R.	NGUYEN, STEVEN M.
DOANE, WILLIAM R.	PENDER, WILLIAM W.	BEVINGTON, STEVEN J.	REGGIARDO, PHILIP P.
HARRIS, SCOTT T.	PEREZ, VICTOR	BLACKWELL, DAVID	RO, RAY
HATA, TOSHI M.	PIERCE, JASON K.	BORRESON, KIM M.	SCOCCA, DAVID J.
HOVE, ERIK C.	PIMENTEL, MARK S.	CAMPBELL, HERB	SUMMERS, ARLEN J.
HRNCIR, MILAN	PRITCHARD, SEAN A.	CONNELLY, NEIL	TORRES, DONALD
ITO, EUGENE Y.	RAMOS, EDWARD M.	CORONA, JESUS	VAN DALEN, MICHAEL
JEFFREY, STEVEN D.	SANDALL, WADE A.	CORONA, PEDRO	VIERRA, JOSEPH J.
JOHAL, HARTAJ S.	SCIBA, CHRISTOPHER M.	COSCARELLI, SCOTT M.	
JOHNSON, SCOTT R.	SHAHEEN, JONATHAN D.	FAVORITO, JOE A., JR	
KEPLER, GERALD L., III	SOLMA, WILLIAM M., JR	FOLSOM, KENNETH	
LANG, ROBERT C., JR	TAKASH, TIMOTHY J.	GONZALEZ, AMALIO	
MARFIA, JOHN R.	THONI, JARROD K.	HUSEMAN, DAVID W.	
MARTINEZ, JEREMY A.	TRAN, DOUG T.	JIMENEZ, FERNANDO	
MATA, ANTHONY J.	TRINH, VINH Q.	KASTEN, BRENDAN B.	
MATCHETT, BRIAN R.	TROY, THOMAS J.	KING, ROBERT B.	
EARLY RETIREMENTS			
POLICE DEPARTMENT		FIRE DEPARTMENT	
ENRIQUEZ, DANIEL A.		BETANCOURT, DAVID	RISHEL, JEFFERY S.
DEFERRED VESTED			
POLICE DEPARTMENT		FIRE DEPARTMENT	
CONOVER, EDWARD L.	MACIAS, JESUS P.	BELTON, ARTHUR	
CRAIG, TERRENCE M.	MARCHETTI, DAWN M.		
DOMINGUEZ, CRISTOBAL R.	MCMAHON, LIANE M.		
FIGUEROA, ANTONIO	MINA, ANGEL M.		
GERBRANDT, DOUGLAS G.	ROSE, MICHAEL H.		
HARDIN, CHRISTOPHER E.	SALGUERO, DESIREE M.		
HAWKE, MARK	WILSON, KIRK R.		
SERVICE-CONNECTED DISABILITY RETIREMENTS			
POLICE DEPARTMENT		FIRE DEPARTMENT	
BRAHIMAJ, VALTRIM	RAGHAVAN, ANEEZ	ALVARADO, DANIEL J.	WILDER, NICHOLAS D.
PAUL, ROBERT V.		WEGGELAND, JOSEPH P.	
NON SERVICE-CONNECTED DISABILITY RETIREMENTS			
POLICE DEPARTMENT		FIRE DEPARTMENT	
None		None	

Deaths During Fiscal Year 2023-2024

DEATHS AFTER RETIREMENT			
POLICE DEPARTMENT		FIRE DEPARTMENT	
ANTHONY, MARGARET	MARQUEZ, ERNEST	DILLON, RALPH J.	WHEELER, HENRY A.
BECKWITH, ANTHONY E.	MARTIN, WILLARD A.	DYBALL, MERLIN W.	WILLCOX, FORREST
CAMPBELL, RANDALL S.	MUSSER, MARILYNN J.	FLATLEY, JOHN P.	
FANUCCHI, ROSCOE	NURISIO, LOUIS G.	GONZALEZ, AMALIO	
GRAVES, ERNEST P.	OTTER, LORRENCE J.	HOOKS, THOMAS D.	
GUIDO JR, JAMES J	OVERSTREET, JAMES M.	KERNS, TERRY L.	
HARRISON, DAVID C.	PINCK, GREGORY J.	LOPEZ, THEODORE A.	
HOUSTON, HERRELL J.	PURSER, OWEN	OMANS, LESLIE P.	
ILSE, ROY	RUSSELL, LAURENCE M.	OWENS, BLAINE	
KUHLMANN, FLORENCE A.	SAITO, RICHARD K.	PADILLA, RALPH S.	
LEE-HAROLD, DORIS M.	SCHRIEFER, RANDALL B.	RYAN, TERRENCE P.	
LEWIS, MARVIN G.	TATE, BILL E.	SCHULLER, WARREN F.	
LINDEN, LAWRENCE D.	TOZER, DAVID E.	TROTTER, MARIAM	
LIVINGSTONE, JOHN	VEGA, GUSTAVO	WALLS, ROBERT H.	
MARINI, EDWARD C.		WHEATLEY, WINSFORD R.	
DEATHS BEFORE RETIREMENT			
POLICE DEPARTMENT		FIRE DEPARTMENT	
JANTZ, JUSTIN D.		GERBINO, VIRGINIA	

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