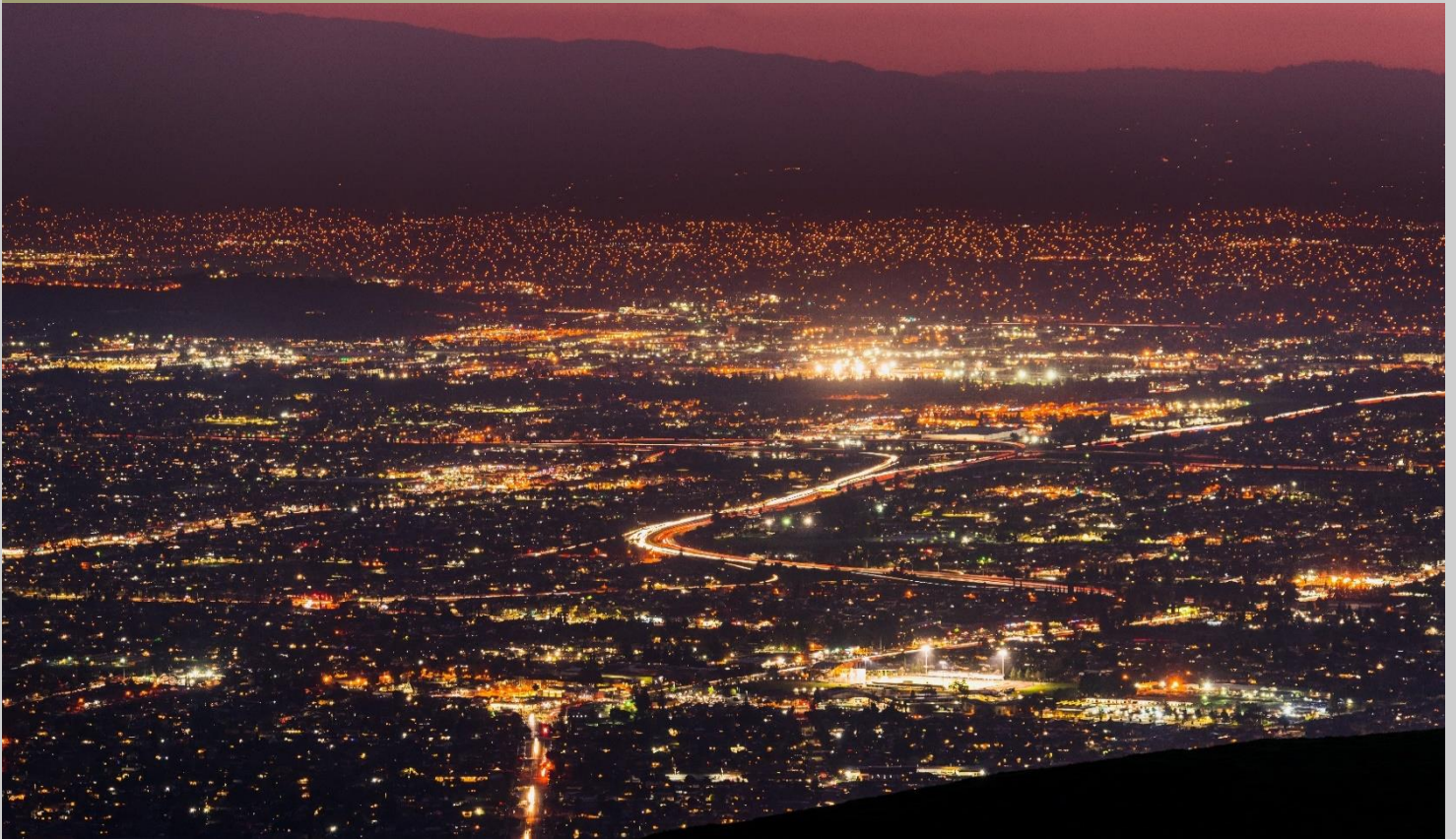


CITY OF SAN JOSE

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

POPULAR ANNUAL FINANCIAL REPORT



**PENSION TRUST &
POSTEMPLOYMENT HEALTHCARE TRUST FUNDS
OF THE
CITY OF SAN JOSE, CALIFORNIA**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

WHAT'S INSIDE

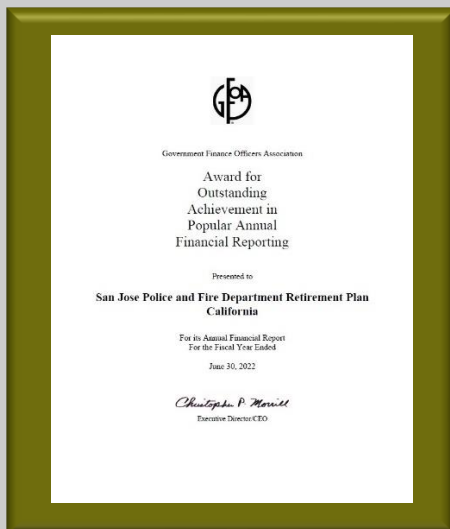
- 3 Meet the Board of Trustees
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Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Police and Fire Department Retirement Plan (Plan) for its Popular Annual Financial Report for the fiscal year ended June 30, 2022. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The Plan has received this award for the seventh year for the fiscal year ended June 30, 2022. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we plan to submit it to GFOA to determine its eligibility for another Award.



<https://www.sjretirement.com/>

City of San José
Office of Retirement Services
1737 North First Street, Suite 600
San José, CA 95112-4505
Phone: 408 794-1000 or 800-732-6477
Fax: 408 392-6732

Meet the Board of Trustees



Andrew Lanza
Chair



Franco Vado
Vice Chair



Sunita Ganapati
Trustee



Andrew Gardaniner
Trustee



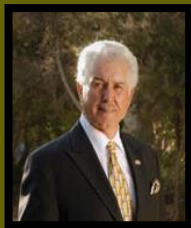
David Kwan
Trustee



Howard Lee
Trustee



Eswar Menon
Trustee



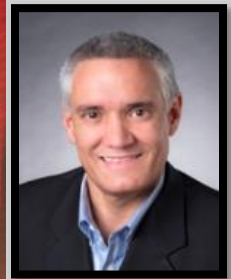
Richard Santos
Trustee



Dave Wilson
Trustee



Pam Foley, City
Council Liaison



Roberto L. Peña,
Director
Chief Executive
Officer

The Plan is pleased to present the Popular Annual Financial Report (PAFR) which summarizes the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. The financial data presented in the PAFR is derived from the ACFR and is consistent with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP). The PAFR provides a concise summary of the Plan's financial position, investment performance and key accomplishments throughout the fiscal year. The Plan consists of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan.

The Plan's Annual Comprehensive Financial Report for the year ended June 30, 2022, from which the information on pages 4, 5, and 6 has been drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such an Annual Comprehensive Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

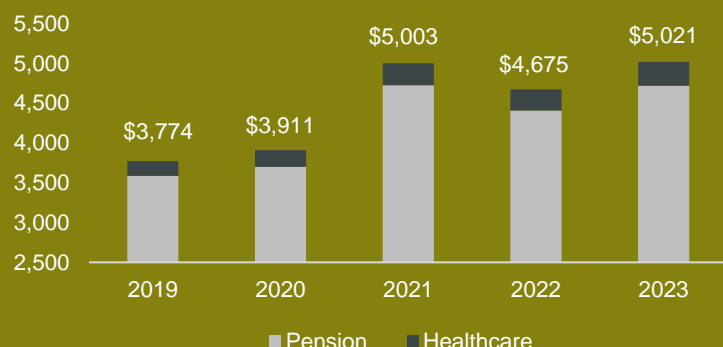
A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

This report is not intended to replace the ACFR, which provides a more complete overview of the Plan's financial position and operating results. For more in-depth information, we encourage you to read the ACFR by visiting:

<https://www.sjretirement.com/investments-and-reports/investments-and-reports-police-and-fire/financial/>

FINANCIAL RESULTS

Total Net Position In Millions



Net Position

This amount represents the total assets available for benefit payments for current and future retirees.

Financial Condition

The most significant financial change that occurred this year compared to last year was the appreciation in the fair value of investments due to strong market conditions. Fiscal year 2022-2023 saw a significant rebound in the markets overall, especially in the first half of 2023. Both the equity and bond markets experienced a strong positive performance in the first half of 2023.

In Thousands	Net Position for the Defined Benefit Plan			Net Position for the Postemployment Healthcare Plans		
	2021	2022	2023	2021	2022	2023
As of June 30,						
Receivables	83,889	95,164	42,039	7,015	14,680	7,154
Investments at fair value	4,668,833	4,357,958	4,744,499	271,009	259,144	300,588
Other assets, net	3,871	3,311	2,710	54	51	41
Total Assets	\$ 4,756,593	\$ 4,456,433	\$ 4,789,248	\$ 278,078	\$ 273,875	\$ 307,783
Current liabilities	29,954	46,564	67,761	1,764	8,602	8,419
Total Liabilities	\$ 29,954	\$ 46,564	\$ 67,761	\$ 1,764	\$ 8,602	\$ 8,419
Plan Net Position	\$ 4,726,639	\$ 4,409,869	\$ 4,721,487	\$ 276,314	\$ 265,273	\$ 299,364

In Thousands	Changes in Plan Net Position for the Defined Benefit Plan			Changes in Plan Net Position for the Postemployment Healthcare Plans		
	2021	2022	2023	2021	2022	2023
For the Period Ended June 30,						
Employee contributions	29,033	31,660	32,661	12,475	12,109	11,299
Employer contributions	201,370	212,046	201,750	28,397	30,763	30,763
Net investment income / (loss)	1,044,290	(294,549)	359,863	52,994	(27,301)	19,659
Total Additions	\$ 1,274,693	\$ (50,843)	\$ 594,274	\$ 93,866	\$ 15,571	\$ 61,721
Retirement benefits	228,491	241,564	256,773			
Death benefits	15,152	16,938	18,386			
Refund of contributions	667	1,374	665			
Administrative expenses	5,764	6,051	6,832	110	154	102
Healthcare insurance premiums				25,974	26,458	27,528
Total Deductions	\$ 250,074	\$ 265,927	\$ 282,656	\$ 26,084	\$ 26,612	\$ 27,630
Net Increase / (Decrease) in Plan Net Position	1,024,619	(316,770)	311,618	67,782	(11,041)	34,091
Beginning Net Position	\$ 3,702,020	\$ 4,726,639	\$ 4,409,869	\$ 208,532	\$ 276,314	\$ 265,273
Ending Net Position	\$ 4,726,639	\$ 4,409,869	\$ 4,721,487	\$ 276,314	\$ 265,273	\$ 299,364

BENEFIT PAYMENTS AND FUNDING PROGRESS

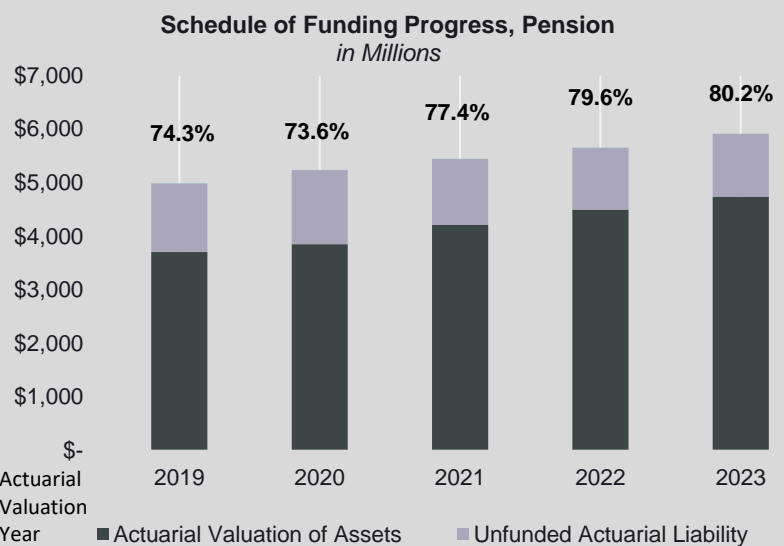
The Average Benefit Payment chart is a broad representation of average benefits paid to retirees and survivors. The Average Benefit Payment includes annual cost-of-living increases. All tiers are combined in the calculation. The chart includes all members who have retired through June 30, 2023.



Years of Credited Service	Average Monthly Final Average Salary	Average Monthly Benefit
0 - 5	\$ 9,093	\$ 2,315
6 - 10	\$ 7,148	\$ 4,290
11 - 15	\$ 8,213	\$ 5,230
16 - 20	\$ 10,147	\$ 6,836
21 - 25	\$ 10,937	\$ 9,443
26 - 30	\$ 11,380	\$ 12,184
31+	\$ 10,516	\$ 13,364

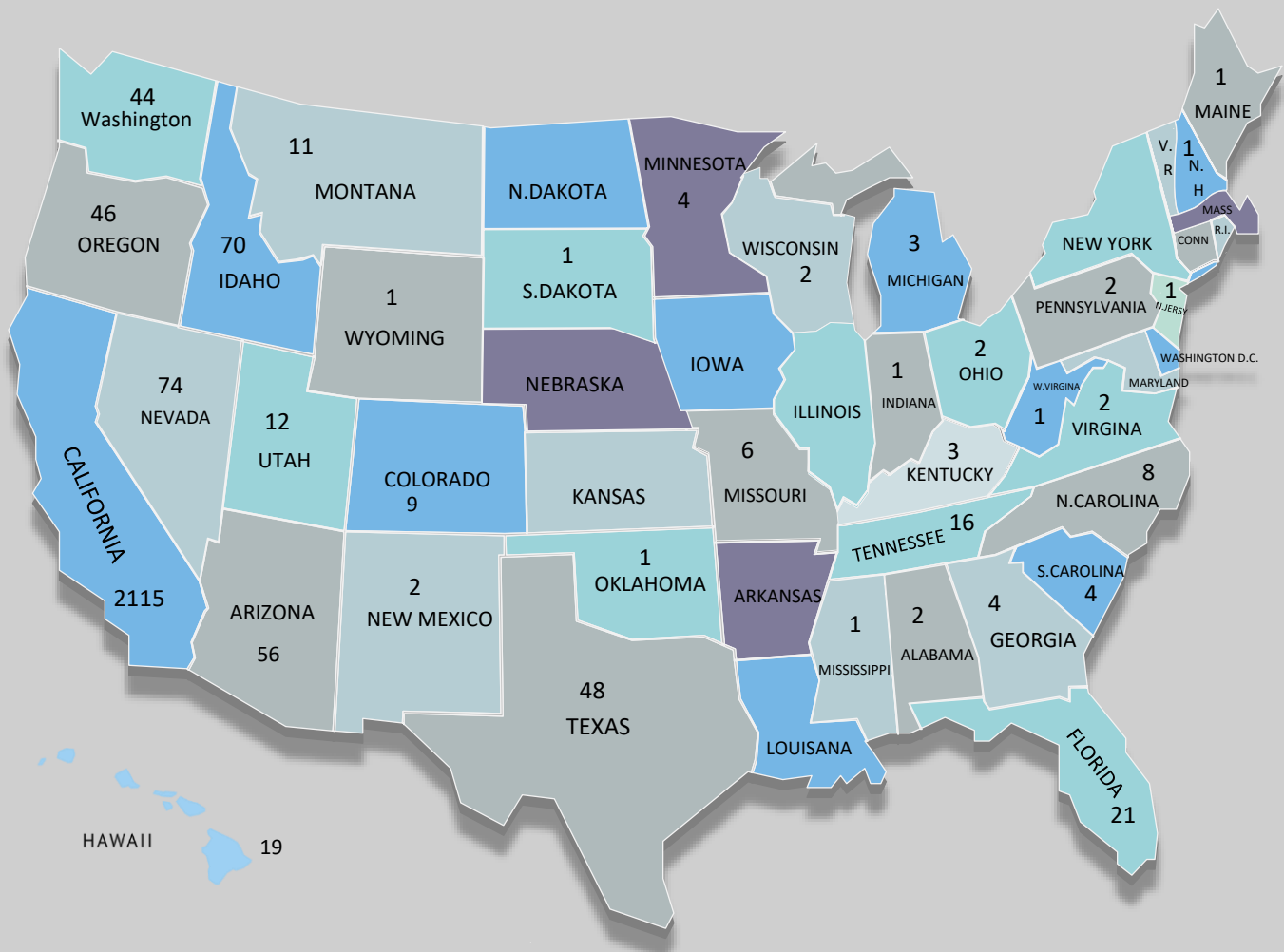


The Funding Progress ratio is a measurement of the funded status of the Plan. The Funded ratio is calculated by dividing the actuarial value of assets by the actuarial liabilities. The available difference is used to pay current and future retirement benefits. As the Plan becomes better funded, the ratio will increase.



MEMBERSHIP

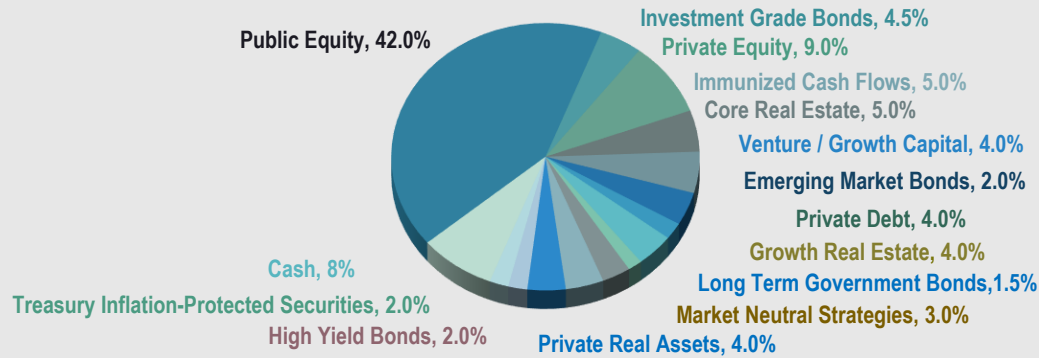
As of June 30, 2023							As of June 30, 2022						
Police							Police						
<u>Retirees</u>		<u>Deferred</u>		<u>Active</u>		<u>Total</u>	<u>Retirees</u>		<u>Deferred</u>		<u>Active</u>		<u>Total</u>
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2		Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	
1,647	1	164	153	440	607	3,012	1,595		165	124	508	585	2,977
Fire							Fire						
<u>Retirees</u>		<u>Deferred</u>		<u>Active</u>		<u>Total</u>	<u>Retirees</u>		<u>Deferred</u>		<u>Active</u>		<u>Total</u>
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2		Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	
950		35	10	422	226	1,643	923		39	8	458	195	1,623



As of June 30, 2023, the map above is an approximate representation of where all the retirees reside within the U.S. There are several retirees living abroad; and one retiree lives in Alaska.

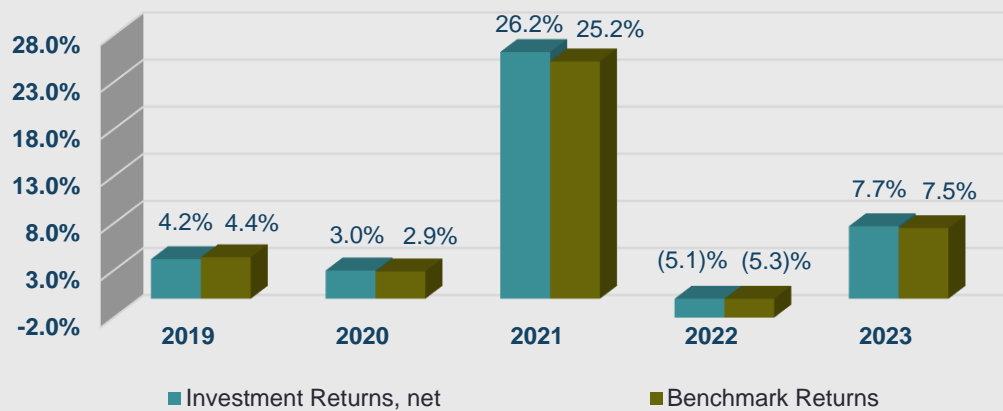
PENSION - TARGET ASSET ALLOCATION

AS OF JUNE 30, 2023



The Assets are structured to provide growth from capital gains and income, while maintaining sufficient liquidity to meet beneficiary payments.

Pension - Investment Returns Compared to Benchmark



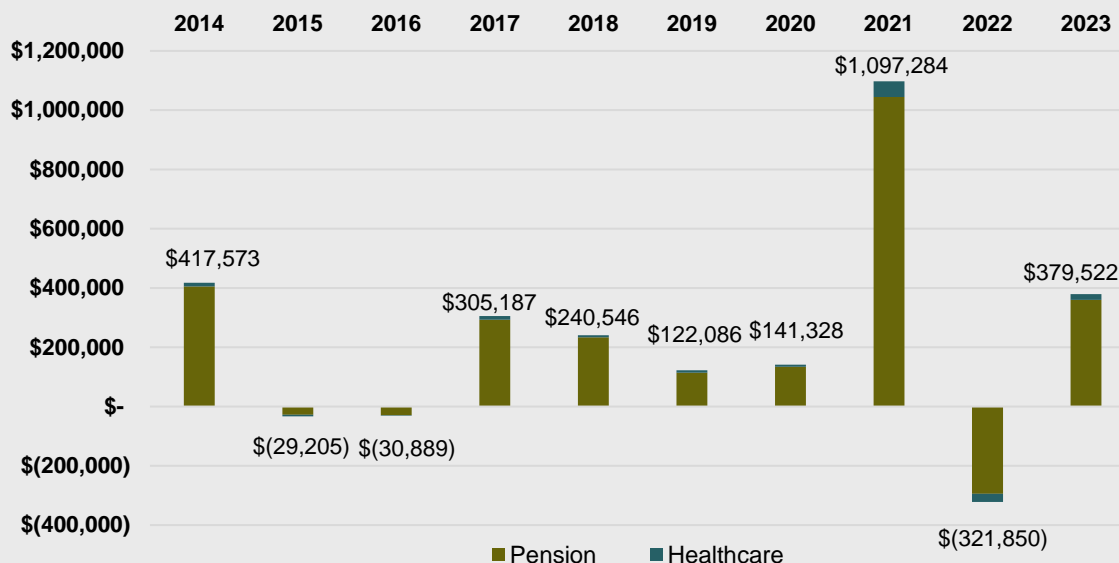
BENCHMARK INDICES

Growth:
Public Equity Benchmark
Custom Private Equity Benchmark
S&P Global Leveraged Loan + 2%
NCREIF Property Index
Russell 3000
Bloomberg US Corporate High Yield TR
50% JPM EMBI GD / 50% JPM GBI-EM

Low Beta:
Immunized Cash Flow Benchmark
Market Neutral Strategies Benchmark
ICE BofA 91 Days T-Bills TR

Other:
Core Real Estate Benchmark
Bloomberg US Treasury TIPS 0-5 YR TR
Custom IG Bonds Benchmark
Long-Term Government Bonds Benchmark

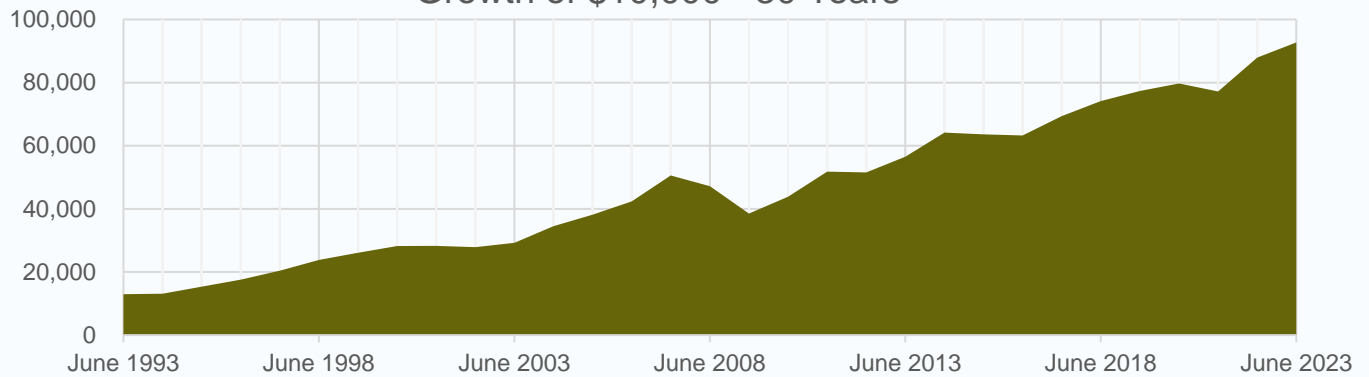
Investment Income, Net in Thousands



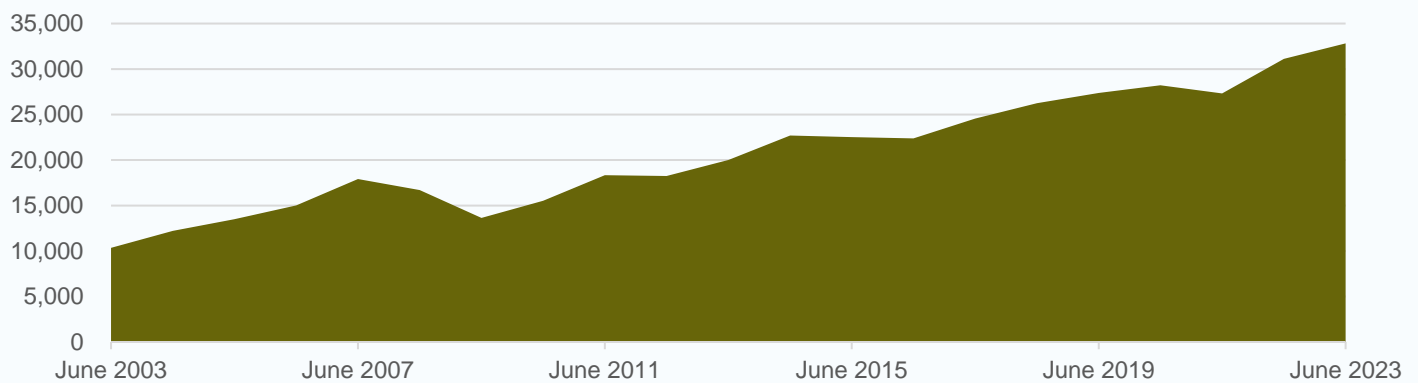
GROWTH OF \$10,000 IN THE LONG-TERM

These are graphic trends to show how much an initial investment of \$10,000 would be worth in the Retirement Plan's pension portfolio after 10, 20, and 30 years.

Growth of \$10,000 - 30 Years



Growth of \$10,000 - 20 Years



Growth of \$10,000 - 10 Years

