CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

2022

City of San José
Police & Fire Employees' Retirement Plan

Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2022 and June 30, 2021
Pension and OPEB Trust Funds of the City of San Jose, CA

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City of San José

Police & Fire Department Retirement Plan

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

Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2022 and June 30, 2021
Pension and OPEB Trust Funds of the City of San Jose, CA

Roberto L. Peña - Chief Executive Officer

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

Board Chair Letter

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Office of Retirement Services

Police and Fire Department Retirement Plan

November 3, 2022

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

Dear Mayor, Council Members, and Plan Members:

On behalf of the members of the Board of Administration, I am pleased to present the Police and Fire Department Retirement Plan's (the Plan) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022.

The Pension Plan earned a time-weighted net of investment fees rate of return of (5.0)% for the fiscal year, compared to a (5.3)% return for its policy benchmark and a (7.4)% return for the Investment Metrics universe net median of public funds greater than $1 billion. The Plan underperformed the net rate of return of 6.625% assumed by the Board and Plan's actuary for the fiscal year ended June 30, 2022. The Pension Plan earned a time-weighted net of investment fees rate of return of 7.3% and 6.6% for the three-year and five-year periods ending June 30, 2022, respectively, while the Investment Metrics universe net median earned a time-weighted rate of return of 6.3% and 6.6% for the same periods.

The Healthcare Plans earned a time-weighted net of investment fees rate of return of (9.6)% for the fiscal year, compared to a (9.5)% return for its policy benchmark. Additionally, the Healthcare Plans earned a time-weighted net of investment fees rate of return of 4.6% and 4.4% for the three-year and five-year periods ending June 30, 2022, respectively.

Both Plans suffered from the deterioration of financial markets through the fiscal year. Markets, and by extension, the plans, experienced losses this past fiscal year following the extremely positive returns of the prior period. In March 2021, the Board maintained the Pension Plan's increased shift towards growth assets that was first implemented in March 2020. The Plan's net position decreased from $5,002,953,000 to $4,675,142,000 (see the Financial Section beginning on page 13). The net decrease in the Plan's net position for fiscal year 2021-2022 was $(327,811,000).

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,

Andrew Lanza, Chair
Board of Administration

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CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Office of Retirement Services

Police and Fire Department Retirement Plan

November 3, 2022

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

Dear Trustees:

I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the San José Police and Fire Department Retirement Plan (Plan) for the fiscal year ended June 30, 2022. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Plan's management.

This 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, 2022 and 2021, please refer to the Management's Discussion and Analysis (MD&A) on page 18.

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

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

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, 2021. This was the 22nd consecutive year that the Plan has achieved this prestigious award. In order 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 its 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.

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

Funding

The Plan's funding objective for both its defined benefit pension plan and its defined benefit other post-employment benefits (OPEB) healthcare plan is to meet long-term benefit obligations through contributions and investment income. As of the most recent actuarial valuation dated June 30, 2021, the funding ratio of the defined benefit pension plan and the defined benefit Police and Fire OPEB plans were 77.4%, 37.4% and 34.8%, 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, respectively. The net decrease in Plan net position for fiscal year 2021-2022 was $(327,811,000). Details of the components of this decrease are included in the Statement of Changes in Plan Net Position on page 30. The defined benefit pension plan's funding progress is presented on page 148 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 the establishment of investment objectives, strategies, and policies. Members of the Board serve in a fiduciary capacity and must discharge their duties with respect to the Plan and the investment portfolio solely in the interest of, and for the exclusive purposes of providing benefits to, members of the Plan and defraying the reasonable cost of administration.

While absolute performance for the Plan over the fiscal year was negative due to the severe market downturn in public equities and bonds during the second half of the fiscal year, Plan performance exceeded all its predetermined total fund benchmarks. Over the past fiscal year, the Pension Plan's time-weighted net of investment fees rate of return was (5.0)% for the fiscal year, compared to a (5.3)% return for its policy benchmark and a (7.4)% return for the Investment Metrics universe net median of public funds greater than $1 billion. Additionally, the Plan Pension Plan earned a time-weighted net of investment fees rate of return of 7.3% and 6.6% for the three-year and five-year periods ending June 30, 2022, respectively, while the Investment Metrics universe net median earned a time-weighted rate of return of 6.3% and 6.6% for the same periods.

The Plan underperformed the actuarially assumed rate of return of 6.625%. Fiscal Year 2021-22 saw a sharp downturn in the markets, especially in the second half of the year. Both the equity and bond markets declined during the second half of fiscal year 2021-22. The plans were not immune from the decline. While the relative performance was strong relative to the policy benchmark, the plan declined (5.0) during the year.

The Plan's 0.3% outperformance relative to the policy benchmark reflected the significant added value of the Plan's external active managers. The Plan's fixed income and absolute return managers contributed to the relative outperformance.

The Healthcare Plans' time-weighted net of investment fees rate of return was (9.6)% for the fiscal year, compared to a (9.5)% return for its policy benchmark. In addition, the Healthcare Plans earned a time-weighted net of investment fees rate of return of 4.6% and 4.4% for the three-year and five-year periods ending June 30, 2022, respectively.

The net position of the Plan decreased from $5,002,953,000 to $4,675,142,000 (see the Financial Section beginning on page 13).

Major Initiatives

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

During this fiscal year, performance metrics for the Chief Executive Officer and the Chief Investment Officer were implemented.

In October 2017, the City Auditor issued report 17-06, Audit of Retirement Services: Greater Transparency Needed in the Budgeting Process, Interactions Among Stakeholders, Investment Policies, and Plan Administration. The report was published with five separate findings which are covered in 25 different recommendations and five of the 25 recommendations are addressed to the City. The Office of Retirement Services (ORS) has addressed and completed all but one of the recommendations over which they have control. The last recommendation to update the performance measures for the budget has been partly implemented with a goal of completion by June 2023.

As a result of the one of the audits that the City Auditor issued, a recommendation was made to conduct an audit of the actuarial valuation reports every five years. This year, an independent audit of the actuarial valuation reports was conducted and discussed at the January through March meetings of the Board of Administration.

In addition to the City Audit, the ORS' Internal Audit Division conducted several operational audits this fiscal year in the Benefits, Accounting, and IT divisions as part of the FiveYear Internal Audit Plan. This has resulted in numerous recommendations to improve the efficiency of the operations of ORS, some of which have already been implemented.

With the continuance of the COVID19 pandemic, ORS operated with a remote workforce and sustained to meet its core duties and operations, ensuring that day to day operations, such as processing pension payments, accepting members' retirement applications, and providing quality customer service remained. ORS successfully transitioned to a hybrid workforce model, with staff working both onsite and remotely. In addition, Board and Committee meetings continue to be held virtually.

The continuance of the pandemic resulted in a virtual Retiree Health Fair. Retired members were offered multiple webinars and office hours by the health insurance providers, which included Kaiser and Anthem Blue Cross. Staff also posted additional online presentations on the ORS website that detailed major changes for 2022 as well as detailed instructions for completing Open Enrollment forms. Enrollment 2022 consisted of receipt of 553 change requests.

In addition, there was an escalation of the municipal code "Medicare Mandate" compliance enforcement efforts to transition Medicare eligible retirees and dependents from non-Medicare health plans to Medicare health plans.

Conclusion

I would like to take this opportunity to thank the members of the Plan for their patience and 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 for their support, as well as the consultants.

Respectfully Submitted,

Roberto L. Peña
Chief Executive Officer
Office of Retirement Services

Certificate of Achievement for Excellence in Financial Reporting

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San José Police and Fire Department Retirement Plan
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

Certificate of Meeting Professional Standards in Public Pensions

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2021

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, 2022, the members of the Board were as follows:

ANDREW LANZA, CHAIR
Public member appointed to the Board in April 2011. His current term expires April 30, 2023.

ANDREW GARDANIER, VICE CHAIR
Employee representative for the Fire Department appointed to the Board in December 1, 2015. His term expires November 30, 2023.

DAVID KWAN, TRUSTEE
Public member appointed to the Board in June 2022. His current term expires November 30, 2024.

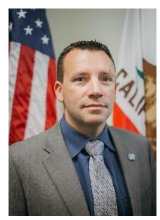
DAVE WILSON, TRUSTEE
Employee representative for the Police Department appointed to the Board in August 2021. His term expires November 30, 2025.

HOWARD LEE, TRUSTEE
Public member appointed to the Board in February 2020. His current term expires November 2022.

RICHARD SANTOS, TRUSTEE
Retired Plan member appointed to the Board in March 2011. His current term expires November 30, 2022.

ESWAR MENON, TRUSTEE
Public member appointed to the Board in November 2018. His current term expires November 30, 2022.

SUNITA GANAPATI, TRUSTEE
Public member appointed to the Board June 2020. Her current term expires November 2022.



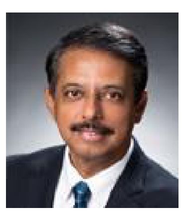
FRANCO VADO, TRUSTEE
Retired Plan member appointed to the Board in August 2021. His term expires November 30, 2024.

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

OFFICE OF RETIREMENT SERVICES ADMINISTRATION

ROBERTO L. PEÑA, DIRECTOR CHIEF EXECUTIVE OFFICER

BARBARA HAYMAN, DEPUTY DIRECTOR CHIEF OPERATIONS OFFICER



PRABHU PALANI, CHIEF INVESTMENT OFFICER

STANDING PUBLIC MEETINGS

Board Meetings: 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
Grant Thornton LLP
San Francisco, 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

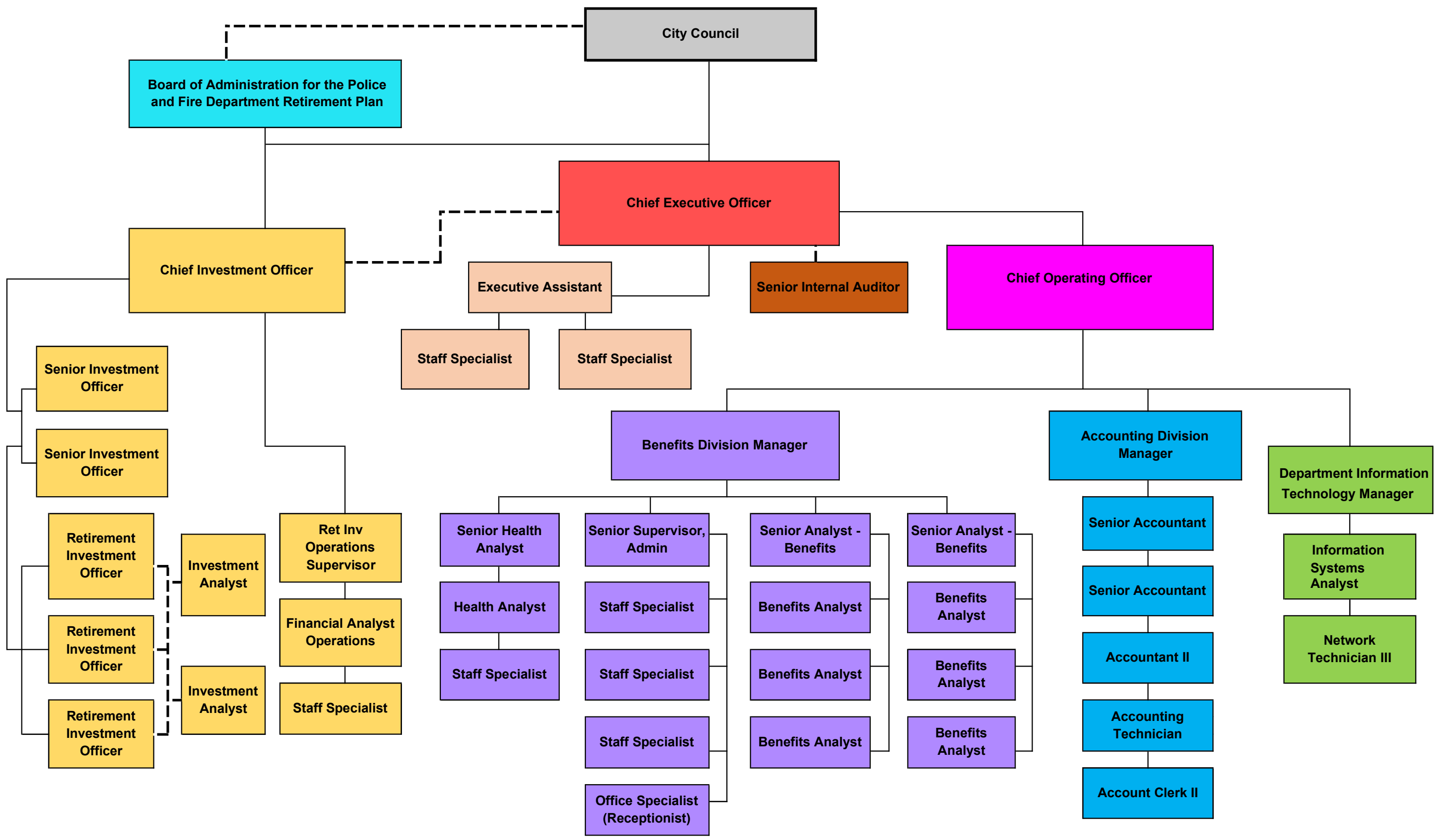
Meketa Investment Group, Inc – General Consultant
Carlsbad, CA

Verus Advisory Inc. – Risk Advisory
Seattle, WA

TAX COUNSEL
Ice Miller LLP
Indianapolis, IN

A list of investment professionals who provide services to the Pension and Postemployment Healthcare benefits 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, respectively.

2022 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

Financial Section

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

City of San José
Police and Fire Department Retirement Plan
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2022 and June 30, 2021

GRANT THORNTON LLP
101 California Street, Suite 2700
San Francisco, CA 94111

D +1 415 986 3900
F +1 415 986 3916

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

Opinion
We have audited the accompanying financial statements of the City of San José Police and Fire Department Retirement Plan (the "Plan"), a pension trust fund and postemployment healthcare fund of the City of San José, California, as of and for the years ended June 30, 2022 and 2021, which comprise the statements of plan net position and changes in plan net position 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 present fairly, in all material respects, the financial position of the Plan as of June 30, 2022 and 2021, and the changes in financial 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 audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US 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

Grant Thornton

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

Supplementary information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Plan's basic financial statements. The combining schedule of defined benefit pension plan net position as of June 30, 2022, combining schedule of changes in defined benefit pension plan net position for the year ended June 30, 2022, combining schedule of other postemployment plan net position as of June 30, 2022, the schedules of administrative expenses and other, schedules of payments to consultants, and schedules of investment expenses for the years ended June 30, 2022 and 2021 are presented for purposes of additional analysis and are not a required part of the basic financial statements . Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling 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 US GAAS. In our opinion, the accompanying 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 comprised of the introductory, investment, actuarial, and statistical sections of the Annual Comprehensive Financial Report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Our opinion on the basic financial statements do 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 __, 2022 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.

San Francisco, California
November __, 2022

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

November 3, 2022

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, 2022 and 2021. 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 2022

- As of June 30, 2022, the Plan had $4,675,142,000 in plan net position restricted for pension benefits and postemployment healthcare benefits. Plan net position of $4,409,869,000 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 $265,273,000 is available for the exclusive use of retiree medical benefits.
- The Plan's total net position held in trust for pension benefits and postemployment healthcare benefits decreased during the fiscal year ended June 30, 2022 by approximately $(327,811,000) or (6.6)% from the prior fiscal year, primarily as a result of the depreciation in the fair value of investments caused by the severe market downturn in public equities and bonds during the second half of the fiscal year.
- Additions to plan net position during fiscal year ended June 30, 2022 were $(35,272,000), which includes employer and employee contributions of $242,809,000 and $43,769,000, respectively, and net investment losses of $(321,850,000). This represents an decrease of $(1,403,831,000) or (102.6)% of total additions from the prior fiscal year amount of $1,368,559,000.
- Deductions from plan net position for fiscal year ended June 30, 2022 increased from $276,158,000 to $292,539,000 over the prior fiscal year, or approximately 5.9%, due to an increase in retirement benefit payments. The increase in retirement benefits payments was attributable to an increased number of retired members and beneficiaries.

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

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, 2022, 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 held in trust for pension benefits and postemployment healthcare benefits (net position)—the difference between assets and liabilities. Over time, increases and decreases in the Plan's net position are one indicator of whether its financial health is improving or deteriorating. Other factors, such as the net pension liability and the 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 32 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 74 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 20). At the close of fiscal years 2022 and 2021, 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, 2021 actuarial valuation rolled forward to June 30, 2022, the net position of the Defined Benefit Pension Plan was 78.3% of the total pension liability, and the net position of the Other Postemployment Employee Benefit Plan was 34.2% for Police and 32.4% for Fire. For more information on the results and impact of the June 30, 2021 actuarial valuations, please see Notes 4 and 5 to the financial statements beginning on page 63.

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

	2022	2021	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	$ 95,164	$ 83,889	$ 11,275	13.4%
Investments at fair value	4,357,958	4,668,833	(310,875)	(6.7)%
Other assets, net	3,311	3,871	(560)	(14.5)%
Total Assets	**4,456,433**	**4,756,593**	**(300,160)**	**(6.3)%**
Current liabilities	46,564	29,954	16,610	55.5%
Total Liabilities	**46,564**	**29,954**	**16,610**	**55.5%**
Plan Net Position	**$ 4,409,869**	**$ 4,726,639**	**$ (316,770)**	**(6.7)%**

NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 1b)
As of June 30, 2021 and 2020 (Dollars in thousands)

	2021	2020	Increase Amount	Increase Percent
Receivables	$ 83,889	$ 127,537	$ (43,648)	(34.2)%
Investments at fair value	4,668,833	3,587,886	1,080,947	30.1%
Other assets, net	3,871	3,494	377	10.8%
Total Assets	**4,756,593**	**3,718,917**	**1,037,676**	**27.9%**
Current liabilities	29,954	16,897	13,057	77.3%
Total Liabilities	**29,954**	**16,897**	**13,057**	**77.3%**
Plan Net Position	**$ 4,726,639**	**$ 3,702,020**	**$ 1,024,619**	**27.7%**

NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 1c)
As of June 30, 2022 and 2021 (Dollars in thousands)

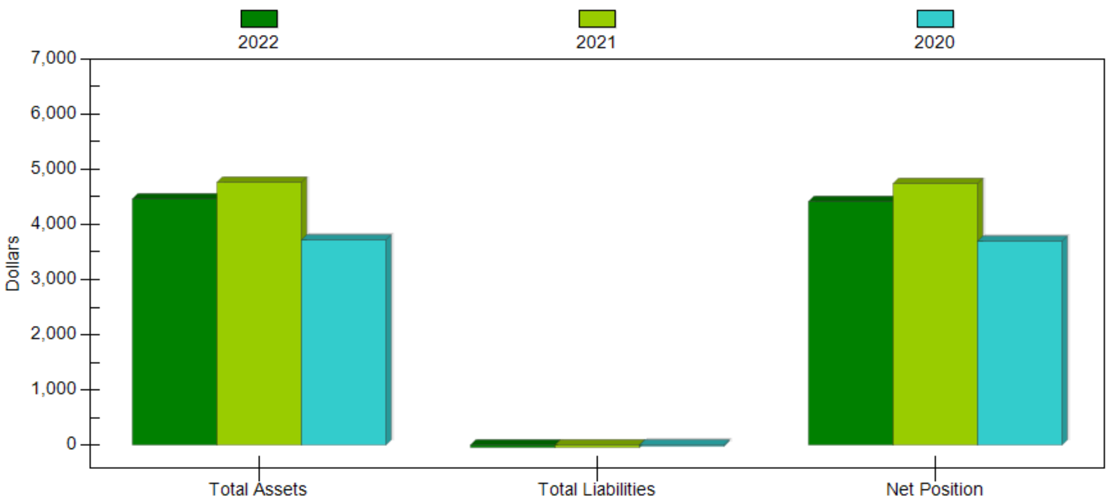
	2022	2021	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	$ 14,680	$ 7,015	$ 7,665	109.3%
Investments at fair value	259,144	271,009	(11,865)	(4.4)%
Other assets, net	51	54	(3)	(5.6)%
Total Assets	**273,875**	**278,078**	**(4,203)**	**(1.5)%**
Current liabilities	8,602	1,764	6,838	387.6%
Total Liabilities	**8,602**	**1,764**	**6,838**	**387.6%**
Plan Net Position	**$ 265,273**	**$ 276,314**	**$ (11,041)**	**(4.0)%**

NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 1d)
As of June 30, 2021 and 2020 (Dollars in thousands)

	2021	2020	Increase Amount	Increase Percent
Receivables	$ 7,015	$ 9,450	$ (2,435)	(25.8)%
Investments at fair value	271,009	201,764	69,245	34.3%
Other assets, net	54	51	3	5.9%
Total Assets	**278,078**	**211,265**	**66,813**	**31.6%**
Current liabilities	1,764	2,733	(969)	(35.5)%
Total Liabilities	**1,764**	**2,733**	**(969)**	**(35.5)%**
Plan Net Position	**$ 276,314**	**$ 208,532**	**$ 67,782**	**32.5%**

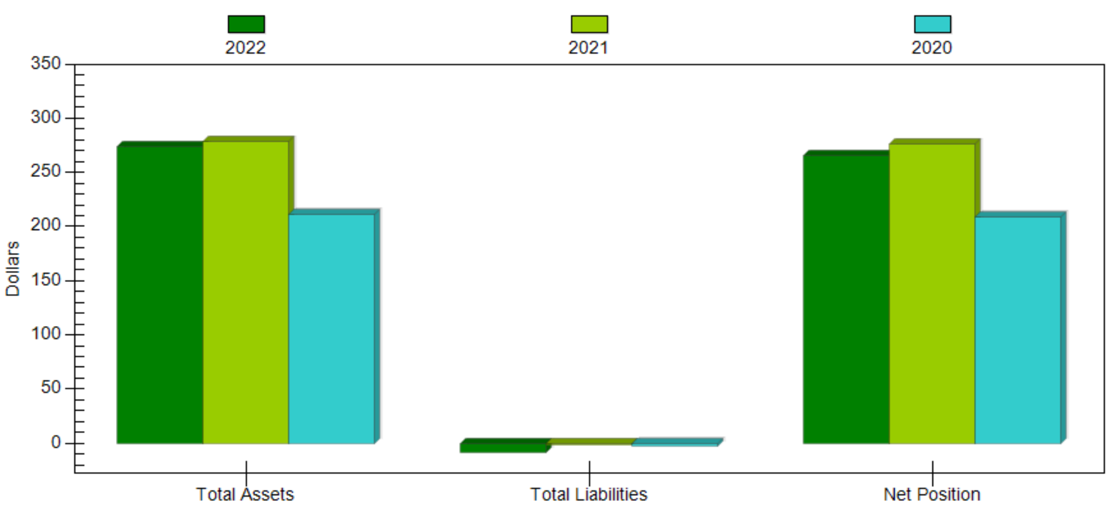
DEFINED BENEFIT PENSION PLAN NET POSITION (Tables 1a and 1b)
As of June 30, 2022 , 2021 and 2020

(Dollars in millions)



POSTEMPLOYMENT HEALTHCARE PLANS NET POSITION (Tables 1c and 1d)
As of June 30, 2022 , 2021 and 2020

(Dollars in millions)



As of June 30, 2022, $4,409,869,000 and $265,273,000 in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1a and 1c on page 20). Plan net position restricted for pension benefits of $4,409,869,000 is available to meet the Plan's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of $265,273,000 is available for the exclusive use of retiree medical benefits.

As of June 30, 2022, total net position restricted for pension benefits and for the postemployment healthcare benefits decreased by (6.7)% and (4.0)% from the prior year, primarily due to the net depreciation in the fair value of investments of $(332,752,000) and $(32,741,000) for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively. The depreciation in the fair value of investments was caused by the severe market downturn in public equities and bonds during the second half of the fiscal year. The Plan's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 48.

As of June 30, 2021, $4,726,639,000 and $276,314,000, in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1b and 1d on pages 20 - 21). Plan net position restricted for pension benefits of $4,726,639,000 was available to meet the Plan's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of $276,314,000 was available for the exclusive use of retiree medical benefits.

As of June 30, 2021, total net position restricted for pension benefits and for the postemployment healthcare benefits increased by 27.7% and 32.5% from the prior year, primarily due to the net appreciation in the fair value of investments of $1,006,860,000 and $50,022,000 for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively. The appreciation in the fair value of investments was caused by strong market conditions during the fiscal year. The Plan's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 48.

As of June 30, 2022, receivables increased by $11,275,000 or 13.4% in the Defined Benefit Pension Plan and by $7,665,000 or 109.3% in the Postemployment Healthcare Plans. Receivables in the Defined Benefit Pension Plan and the Postemployment Healthcare Plans increased mainly due to pending investment trades at year end, compared with June 30, 2021, causing an increase in receivables from brokers and other and accrued investment income receivables. In the previous year, receivables decreased by $(43,648,000) or (34.2)% and $(2,435,000) or (25.8)% in the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively, due to a decrease in receivables from brokers and others for year-end investment trades.

As of June 30, 2022, total liabilities for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans increased by $16,610,000, or 55.5% and increased by $6,838,000 or 387.6%, respectively, compared with June 30, 2021, 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 $13,057,000, or 77.3% and decreased by $(969,000) or (35.5)%, respectively, compared with June 30, 2020, to the timing of year-end investment trades.

POLICE AND FIRE PLAN ACTIVITIES

In the fiscal year ended June 30, 2022, the Plan's combined Defined Benefit Pension Plan and Postemployment Healthcare Plans net position decreased by $(327,811,000), or (6.6)%, primarily due to the strong market conditions 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, 2022, were $(50,843,000) and $15,571,000, respectively (see Tables 2a and 2c on pages 24 - 25).

For the fiscal year ended June 30, 2022, total additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plans decreased by $(1,325,536,000) or (104.0)% and $(78,295,000) or (83.4)%, respectively . The primary cause of the decrease from prior year in the Defined Benefit Pension Plan and Postemployment Healthcare Plans was due to the decrease in net investment income of $(1,338,839,000) and $(80,295,000), respectively, due to the sever market downturn during the second half of 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, 2022 for the Defined Benefit Pension Plan, was (5.0)% compared to 26.3% for fiscal year 2021.

For the fiscal year ended June 30, 2021, total additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plans increased by $924,482,000 or 264.0% and $46,138,000, or 96.7%, 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 $910,205,000 and $45,751,000, respectively, due to strong market conditions.

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, 2021, for the Defined Benefit Pension Plan was 26.3% compared to 3.1% for fiscal year 2020.

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, 2022, totaled $265,927,000 and $26,612,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively. Deductions for the Defined Benefit Pension Plan increased by $15,853,000 or 6.3% from the previous year due to an increase in benefit payments (see Table 2a on page 24). The increase in benefit payments is primarily due to continued increases in the number of retirees and beneficiaries with higher final average salaries and added cost of living adjustments. Deductions for the Postemployment Healthcare Plans increased by $528,000 or 2.0% from the previous year mainly due to the increase in healthcare insurance premiums. (see Table 2c on page 25).

Deductions for the fiscal year ended June 30, 2021, totaled $250,074,000 and $26,084,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively. Deductions for the Defined Benefit Pension Plan increased by $13,461,000 or 5.7% 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 24). Deductions for the Postemployment Healthcare Plans increased by $931,000 or 3.7% from the previous year mainly due to the increase in healthcare insurance premiums. (see Table 2d on page 25).

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

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

	2022	2021	Increase Amount	Increase Percent
Employee contributions	$ 31,660	$ 29,033	$ 2,627	9.0%
Employer contributions	212,046	201,370	10,676	5.3%
Net investment (loss) income[1]	(294,549)	1,044,290	(1,338,839)	(128.2)%
Total Additions	**(50,843)**	**1,274,693**	**(1,325,536)**	**(104.0)%**
Retirement benefits	241,564	228,491	13,073	5.7%
Death benefits	16,938	15,152	1,786	11.8%
Refund of contributions	1,374	667	707	106.0%
Administrative expenses	6,051	5,764	287	5.0%
Total Deductions	**265,927**	**250,074**	**15,853**	**6.3%**
Net (Decrease) Increase in Plan Net Position	**(316,770)**	**1,024,619**	**(1,341,389)**	**(130.9)%**
Beginning Net Position	**4,726,639**	**3,702,020**	**1,024,619**	**27.7%**
Ending Net Position	**$ 4,409,869**	**$ 4,726,639**	**$ (316,770)**	**(6.7)%**

[1] *Net of investment expenses of $14,928 and $15,239 in 2022 and 2021, respectively.*

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

For the Fiscal Years Ended June 30, 2021 and 2020 (Dollars in thousands)

	2021	2020	Increase Amount	Increase Percent
Employee contributions	$ 29,033	$ 27,645	$ 1,388	5.0%
Employer contributions	201,370	188,481	12,889	6.8%
Net investment income[1]	1,044,290	134,085	910,205	678.8%
Total Additions	**1,274,693**	**350,211**	**924,482**	**264.0%**
Retirement benefits	228,491	216,206	12,285	5.7%
Death benefits	15,152	14,238	914	6.4%
Refund of contributions	667	564	103	18.3%
Administrative expenses	5,764	5,605	159	2.8%
Total Deductions	**250,074**	**236,613**	**13,461**	**5.7%**
Net Increase in Plan Net Position	**1,024,619**	**113,598**	**911,021**	**802.0%**
Beginning Net Position	**3,702,020**	**3,588,422**	**113,598**	**3.2%**
Ending Net Position	**$ 4,726,639**	**$ 3,702,020**	**$ 1,024,619**	**27.7%**

[1] *Net of investment expenses of $15,239 and $15,628 in 2021 and 2020, respectively.*

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

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

	2022	2021	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 12,109	$ 12,475	$ (366)	(2.9)%
Employer contributions	30,763	28,397	2,366	8.3%
Net investment income [1]	(27,301)	52,994	(80,295)	(151.5)%
Total Additions	**15,571**	**93,866**	**(78,295)**	**(83.4)%**
Healthcare insurance premiums	26,458	25,974	484	1.9%
Administrative expenses	154	110	44	40.0%
Total Deductions	**26,612**	**26,084**	**528**	**2.0%**
Net Increase in Plan Net Position	**(11,041)**	**67,782**	**(78,823)**	**(116.3)%**
Beginning Net Position	**276,314**	**208,532**	**67,782**	**32.5%**
Ending Net Position	**$ 265,273**	**$ 276,314**	**$ (11,041)**	**(4.0)%**

[1] *Net of investment expenses of $312 and $310 in 2022 and 2021, respectively.*

CHANGES IN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 2d)

For the Fiscal Years Ended June 30, 2021 and 2020 (Dollars in thousands)

	2021	2020	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 12,475	$ 13,135	$ (660)	(5.0)%
Employer contributions	28,397	27,350	1,047	3.8%
Net investment income[1]	52,994	7,243	45,751	631.7%
Total Additions	**93,866**	**47,728**	**46,138**	**96.7%**
Healthcare insurance premiums	25,974	25,031	943	3.8%
Administrative expenses	110	122	(12)	(9.8)%
Total Deductions	**26,084**	**25,153**	**931**	**3.7%**
Net Increase in Plan Net Position	**67,782**	**22,575**	**45,207**	**200.3%**
Beginning Net Position	**208,532**	**185,957**	**22,575**	**12.1%**
Ending Net Position	**$ 276,314**	**$ 208,532**	**$ 67,782**	**32.5%**

[1] *Net of investment expenses of $310 and $336 in 2021 and 2020, 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 Reserves was created to account for those members who elected to be in the medical in-lieu credit program. These members are retirees who are eligible for medical insurance and/or dental insurance but who opt not to take it and instead elect to be in the in-lieu credit program. These members are given credits worth 25% of the lowest cost plan, which can be used in future years if the retiree opts to enroll in a City medical or dental plan. See Note 2 of the financial statements for additional information.

The 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, 2021, were used to determine the contribution rates and dollar amounts effective June 26, 2022 for fiscal year 2022-2023. The annual determined contribution rates and dollar amounts were adopted by the Board in May 2022. The June 30, 2021 actuarial valuations include Board adopted actuarial assumption changes recommended by the Plan's actuary in the June 30, 2021 Preliminary Valuation Results and Economic Assumption Review presented in December and October 2021, respectively.

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 $1,231.2 million, as of June 30, 2021, does not include the impact of approximately $516.2 million of net deferred investment gains yet to be recognized, primarily resulting from strong investment returns during fiscal year 2021. It is anticipated that future actuarial valuations will recognize these remaining deferred net investment gains 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, 2021. 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, 2021 actuarial valuation as a result of the economic assumptions review presented in October 2021. The merit salary, the beneficiary base mortality table, the mortality projection scale, and the assumed administrative expenses were updated for the June 30, 2021 valuation. See Actuarial section for the effects of these changes

Contribution rates for fiscal year 2022-2023, as determined by the June 30, 2021 actuarial valuation, includes the impact of the changes stated above and the recognition of smoothed deferred investment gains and losses.

Postemployment Healthcare Plans

The Measure F Framework became effective as of March 31, 2017. A VEBA for retiree healthcare was created and Tier 1 members were eligible for an irrevocable opt-out of the defined benefit retiree healthcare plan, while Tier 2 members were required to move out of the defined benefit retiree healthcare plan and into the VEBA. 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.

Historically, members and City contributions to the Plan have been negotiated through collective bargaining separately for Police and Fire and have not been actuarially determined. With the implementation of Measure F, member contributions were fixed at 8.0% of pay; the City's contribution toward the explicit subsidy (or premium subsidy) is actuarially determined separately for Police and Fire; and the City also pays the implicit subsidy (difference between the expected claims cost for a retiree or spouse and the total (retiree plus City) premium on pay-as-you-go basis as part of active health premiums. In addition, the City has an option to limit its contribution for the explicit subsidy to 11% of Police and Fire payroll.

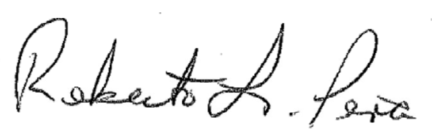
In March 2018, the Board approved the contribution policy that sets the City health care contributions as a flat dollar amount, beginning with fiscal year 2019.

Requests for Information

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

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

Respectfully Submitted,



Roberto L. Peña
Chief Executive Officer
Office of Retirement Services

STATEMENTS OF PLAN NET POSITION

As of June 30, 2022 and 2021 (In Thousands)

	2022				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ASSETS					
Receivables					
Employee contributions	$ 1,653	$ 604	$ -	$ -	$ 2,257
Employer contributions	9,819	-	858	580	11,257
Brokers and others	77,695	5,122	3,739	3,450	90,006
Accrued investment income	5,997	44	177	106	6,324
Total Receivables	**95,164**	**5,770**	**4,774**	**4,136**	**109,844**
Investments, at fair value					
Securities and other:					
Public equity	2,016,404	8,151	83,464	49,922	2,157,941
Cash and cash equivalents	415,836	1,681	1,189	711	419,417
Private equity	395,697	1,600	-	-	397,297
Core real estate	224,109	906	20,861	12,477	258,353
Investment grade bonds	200,992	813	22,278	13,326	237,409
Growth real estate	195,101	789	-	-	195,890
Immunized cash flows	168,795	682	-	-	169,477
Private debt	157,053	635	-	-	157,688
Market neutral strategies	140,888	570	-	-	141,458
Emerging market bonds	90,434	366	-	-	90,800
Treasury inflation-protected securities	90,120	364	-	-	90,484
High yield bonds	82,695	334	-	-	83,029
Long-term government bonds	69,240	280	7,597	4,544	81,661
Private real assets	78,213	316	-	-	78,529
Venture / Growth capital	32,381	131	-	-	32,512
Short-term investment grade bonds	-	-	7,914	4,734	12,648
Commodities	-	-	7,827	4,682	12,509
Total Investments	**4,357,958**	**17,618**	**151,130**	**90,396**	**4,617,102**
Other assets, net	3,311	51	-	-	3,362
TOTAL ASSETS	**4,456,433**	**23,439**	**155,904**	**94,532**	**4,730,308**
LIABILITIES					
Payable to brokers	39,633	1,487	690	159	41,969
Other liabilities	6,931	4,499	177	1,590	13,197
TOTAL LIABILITIES	**46,564**	**5,986**	**867**	**1,749**	**55,166**
PLAN NET POSITION - RESTRICTED FOR					
Pension benefits	4,409,869	-	-	-	4,409,869
Postemployment healthcare benefits	-	17,453	155,037	92,783	265,273
TOTAL PLAN NET POSITION	**$ 4,409,869**	**$ 17,453**	**$ 155,037**	**$ 92,783**	**$ 4,675,142**

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

STATEMENTS OF PLAN NET POSITION (continued)
As of June 30, 2022 and 2021 (In Thousands)

	2021				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ASSETS					
Receivables					
Employee contributions	$ 1,466	$ 599	$ -	$ -	$ 2,065
Employer contributions	9,237	-	853	511	10,601
Brokers and others	66,993	3,419	1,316	(16)	71,712
Accrued investment income	6,193	45	180	108	6,526
Total Receivables	**83,889**	**4,063**	**2,349**	**603**	**90,904**
Investments, at fair value					
Securities and other:					
Public equity	2,146,642	10,608	92,222	57,578	2,307,050
Investment grade bonds	532,984	2,633	23,567	14,713	573,897
Private equity	521,463	2,577	-	-	524,040
Core real estate	213,364	1,054	13,397	8,364	236,179
Immunized cash flows	180,604	892	-	-	181,496
Growth real estate	160,891	795	-	-	161,686
Private real assets	158,805	785	-	-	159,590
Long-term government bonds	134,311	664	7,662	4,784	147,421
Private debt	137,234	678	-	-	137,912
Cash and cash equivalents	129,621	640	85	53	130,399
Emerging market bonds	93,287	461	-	-	93,748
Treasury inflation-protected securities	87,895	434	-	-	88,329
High yield bonds	87,150	431	-	-	87,581
Market neutral strategies	75,439	373	-	-	75,812
Short-term investment grade bonds	-	-	8,012	5,003	13,015
Commodities	-	-	7,694	4,805	12,499
Venture / Growth capital	9,143	45	-	-	9,188
Total Investments	**4,668,833**	**23,070**	**152,639**	**95,300**	**4,939,842**
Other assets, net	3,871	54	-	-	3,925
TOTAL ASSETS	**4,756,593**	**27,187**	**154,988**	**95,903**	**5,034,671**
LIABILITIES					
Payable to brokers	27,196	1,419	693	(404)	28,904
Other liabilities	2,758	22	19	15	2,814
TOTAL LIABILITIES	**29,954**	**1,441**	**712**	**(389)**	**31,718**
PLAN NET POSITION - RESTRICTED FOR					
Pension benefits	4,726,639	-	-	-	4,726,639
Postemployment healthcare benefits	-	25,746	154,276	96,292	276,314
TOTAL PLAN NET POSITION	**$ 4,726,639**	**$ 25,746**	**$ 154,276**	**$ 96,292**	**$ 5,002,953**

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

STATEMENTS OF CHANGES IN PLAN NET POSITION

For the Fiscal Years Ended June 30, 2022 and 2021 (In Thousands)

	2022				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ADDITIONS					
Contributions					
Employee	$ 31,660	$ 12,109	$ -	$ -	$ 43,769
Employer	212,046	3,261	16,735	10,767	242,809
Total Contributions	**243,706**	**15,370**	**16,735**	**10,767**	**286,578**
Investment income / (loss)					
Net depreciation in fair value of investments	(332,752)	(1,940)	(19,128)	(11,673)	(365,493)
Interest income	39,104	213	739	461	40,517
Dividend income	14,027	76	2,625	1,638	18,366
Less: investment expense	(14,928)	(81)	(142)	(89)	(15,240)
Net Investment Loss	**(294,549)**	**(1,732)**	**(15,906)**	**(9,663)**	**(321,850)**
TOTAL ADDITIONS	**(50,843)**	**13,638**	**829**	**1,104**	**(35,272)**
DEDUCTIONS					
Retirement benefits	241,564	-	-	-	241,564
Healthcare insurance premiums	-	23,066	-	3,392	26,458
Death benefits	16,938	-	-	-	16,938
Refund of contributions	1,374	-	-	-	1,374
Administrative expenses and other	6,051	44	68	42	6,205
TOTAL DEDUCTIONS	**265,927**	**23,110**	**68**	**3,434**	**292,539**
NET INCREASE / (DECREASE)	**(316,770)**	**(9,472)**	**761**	**(2,330)**	**(327,811)**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS					
BEGINNING OF YEAR	**4,726,639**	**25,746**	**154,276**	**96,292**	**5,002,953**
TRANSFER - see Note 2 (e)	**-**	**1,179**	**-**	**(1,179)**	**-**
BEGINNING OF YEAR	**4,726,639**	**26,925**	**154,276**	**95,113**	**5,002,953**
END OF YEAR	**$ 4,409,869**	**$ 17,453**	**$ 155,037**	**$ 92,783**	**$ 4,675,142**

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

STATEMENTS OF CHANGES IN PLAN NET POSITION (continued)

For the Fiscal Years Ended June 30, 2022 and 2021 (In Thousands)

	2021				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ADDITIONS					
Contributions					
Employee	$ 29,033	$ 12,475	$ -	$ -	$ 41,508
Employer	201,370	3,015	15,320	10,062	229,767
Total Contributions	**230,403**	**15,490**	**15,320**	**10,062**	**271,275**
Investment income					
Net appreciation in fair value of investments	1,006,860	6,531	26,802	16,689	1,056,882
Interest income	40,298	331	405	251	41,285
Dividend income	12,371	101	1,355	839	14,666
Less: investment expense	(15,239)	(125)	(114)	(71)	(15,549)
Net Investment Income	**1,044,290**	**6,838**	**28,448**	**17,708**	**1,097,284**
TOTAL ADDITIONS	**1,274,693**	**22,328**	**43,768**	**27,770**	**1,368,559**
DEDUCTIONS					
Retirement benefits	228,491	-	-	-	228,491
Healthcare insurance premiums	-	25,974	-	-	25,974
Death benefits	15,152	-	-	-	15,152
Refund of contributions	667	-	-	-	667
Administrative expenses and other	5,764	57	33	20	5,874
TOTAL DEDUCTIONS	**250,074**	**26,031**	**33**	**20**	**276,158**
NET INCREASE / (DECREASE)	**1,024,619**	**(3,703)**	**43,735**	**27,750**	**1,092,401**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS					
BEGINNING OF YEAR	**3,702,020**	**29,449**	**110,541**	**68,542**	**3,910,552**
END OF YEAR	**$ 4,726,639**	**$ 25,746**	**$ 154,276**	**$ 96,292**	**$ 5,002,953**

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 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. Periodic reviews and projections of the IRC 25% subordination test are performed by the Plan's actuary. 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 defined contribution VEBA from the defined benefit retiree healthcare plan for eligible employees; defining the qualifications for members of the independent medical panel; and creating a Guaranteed Purchasing Power benefit for Tier 1 retirees. All Tier 1 employees 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 defined contribution 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, 2022 and 2021, respectively.

As of June 30, 2022	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]	-	-	-	-	-	-	-	-	-
Terminated Vested Member Entitled to Future Benefits	-	-	-	-	-	-	-	-	-
Active members	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Tier 1			Police Total	Tier 1			Fire Total	Grand Total
Postemployment Healthcare Plan:									
Retirees and Beneficiaries	-			-	-			-	-
Terminated Vested Member Entitled to Future Benefits	-			-	-			-	-
Active members	-			-	-			-	-
Total	**-**			**-**	**-**			**-**	**-**

As of June 30, 2021	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]	1,424	116	-	1,540	849	54	-	903	2,443
Terminated Vested Member Entitled to Future Benefits	10	175	105	290	3	33	6	42	332
Active members	517	37	527	1,081	469	30	158	657	1,738
Total	**1,951**	**328**	**632**	**2,911**	**1,321**	**117**	**164**	**1,602**	**4,513**
	Tier 1			Police Total	Tier 1			Fire Total	Grand Total
Postemployment Healthcare Plan:									
Retirees and Beneficiaries	1,424			1,424	849			849	2,273
Terminated Vested Member Entitled to Future Benefits	10			10	3			3	13
Active members	517			517	469			469	986
Total	**1,951**			**1,951**	**1,321**			**1,321**	**3,272**

[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*

Notes to the Basic Financial Statements *(continued)*

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	18.85% of base salary (Pension: 10.85% [5] , Retiree Healthcare: 8.00%) as of 6/27/2021	15.07% of base salary (Pension: 11.07%, VEBA: 4.00%) as of 6/27/2021	18.43% of base salary (Pension: 14.43%, VEBA: 4.00%) as of 6/27/2021
City	Pension: 32.47% (Normal cost) + Flat dollar amount (UAL); Retiree Healthcare: Flat dollar amount as of 6/27/2021	Pension: 32.47% (Normal cost) + Flat dollar amount (UAL) as of 6/27/2021	14.43% of base salary (Pension: 14.43%) as of 6/27/2021
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 within 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	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying members can begin receiving benefits at age 50 with at least 25 years of service.)	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying members can begin receiving benefits at age 50 with at least 25 years of service.)	At least 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% per year of service x Final Compensation (90% max)	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)			
Minimum service	None	None	None
Allowance	< 20 years of service: 50% of Final Compensation Next 21-30 years of service: 4% per year of service x Final Compensation (90% max)	< 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 number of years of service subject to the applicable formula, if not qualified for a service retirement
Disability Retirement (Non-Service Connected)			
Minimum service	2 years of service	2 years of service	5 years of service
Allowance	< 20 years of service: 32% of Final Compensation plus 1% for each full year in excess of 2 years (50% max) > 20 years of service: 2.5% x first 20 years of service x Final Compensation Next 21-30 years of service: 4% per year of service x Final Compensation (90% max)	< 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

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]
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 San José service and leaves contributions in the retirement plan and former member receives allowance (i.e., applies & 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
Dental Benefits [4]			
Eligibility	Retired for disability or service 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

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]
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. The first COLA will be prorated based on the number of months retired

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.*

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	19.91% of base salary (Pension: 11.91% [5] , Retiree Healthcare: 8.00%) as of 6/27/2021	16.13% of base salary (Pension: 12.13% VEBA: 4.00%) as of 6/27/2021	19.28% of base salary (Pension: 15.28%, VEBA: 4.00%) as of 6/27/2021
City	Pension: 33.70% (Normal cost) + Flat dollar amount (UAL); Retiree Healthcare: Flat dollar amount as of 6/27/2021	Pension: 33.70% (Normal cost) + Flat dollar amount (UAL) as of 6/27/2021	15.28% of base salary (Pension: 15.28%) as of 6/27/2021
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)

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]
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	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	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying member can begin receiving benefits at age 50 with at least 25 years of service)	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying member can begin receiving benefits at age 50 with 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% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month
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)	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	None	None	None

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	< 20 yrs 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 yrs 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
Disability Retirement (Non-Service Connected)			
Minimum service	2 years of service	2 years of service	5 years of service
Allowance	< 20 years service: 32% of Final Compensation plus 1% for each full year in excess of 2 years. (50% max) > 20 years of service - 3% for each full year x Final Compensation (90% max)	< 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

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]
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
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. The first COLA will be prorated based on the number of months retired

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.*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

[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.*

(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 (unmodified): 24% + 0.75% for each year in excess of 2 years x Final Compensation (37.5% maximum) [SJMC 3.36.1210(F), 1280(B)] 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)] 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)]
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 (F), 1270(B)] 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% 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)] 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: Return of contributions, plus interest, to estate or $1,000, whichever is greater [SJMC 3.36.1210(E), 1210(I)]
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)] 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)] 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)]

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

	Police Tier 1 / Tier 1 Classic
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 3.36.1240(D), 1300 (B)] 2 Children: Final Compensation x 37.5% [SJMC 3.36.1240(D), 1300(D1)] 3 or more 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)]
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 or more 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)]
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 30 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	
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]

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

Police Tier 2	
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 or more 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)]
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(F), 1270(B)] 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% Survivorship benefit = 42.5% of Final Compensation And to surviving children: 1 Child: Final Compensation x 25.0% [SJMC3.36.1200(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)]
Service Connected Death	
Service connected death regardless of years of service	To surviving spouse / domestic partner: 37.5% to 42.5% of member's Final Compensation depending on years of service And to surviving children: 1 Child: Final Compensation x 25.0% [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 contributions, plus interest, or $1,000 whichever is greater [SJMC 3.36.1200(E), 1200(I)]
Death After Retirement	
Service retirees	To surviving spouse / domestic partner: Survivorship allowance equal to 50.0% joint and survivor annuity as determined by the plan's actuaries
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

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

Note: The maximum total combined benefit payable to a surviving spouse / domestic partner and surviving children is 80% of Final Compensation. If necessary, 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)]
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 (45.0% maximum) [SJMC 3.36.1270(E), 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)] 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 years of service [SJMC 3.36.1200(A), (F), 1270(B)] 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)] 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: 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% for 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)] 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)] 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)]

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

	Fire Tier 1 / Tier 1 Classic
Death After Retirement	
Service retirees and service connected disability retirees	To surviving spouse / domestic partner: 37.5% to 45.0% of member's Final Compensation depending on 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)] 2 Children: Final Compensation x 37.5% [SJMC3.36.1230(D), 1300(D1)] 3 or more 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: **Fire Tier 1:** 24.0% to 45% 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)] 2 Children: Final Compensation x 37.5% [SJMC 3.36.1240(D), 1300(D1)] 3 or more 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)]
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse / domestic partner
Post-Retirement Marriage	
Post-retirement marriage	If a retiree marries after retirement, the retiree can elect to take a reduction of their pension benefit in order to allow for a survivorship benefit to the surviving spouse / domestic partner. Fire Tier 1 only: This election must be made within 30 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.

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

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

Fire Tier 2	
Death Before Retirement	
Service connected death regardless of years of service	To surviving spouse / domestic partner: 37.5% to 45.0% of member's Final Compensation depending on the years of service [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 (45% 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 45.0% of member's Final Compensation depending on the years of service [SJMC 3.36.1200(A), (F), 1270(B)] 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 3.361200(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	To surviving spouse / domestic partner: Survivorship allowance equal to 50.0% joint and survivor annuity as determined by the Plan's actuaries
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
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

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, 2022 and 2021, and the changes in its financial position for the years then ended in conformity with U.S. GAAP. The Plan is reported in a pension and postemployment healthcare trust fund in the City of San José's basic financial statements.

(b) Basis of Accounting

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

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

(c) Investments

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

The Defined Benefit Pension Plan investment policy was originally approved on May 7, 2020. The Board adopted an updated asset allocation on April 1, 2021, and the asset allocation transitioned over the next

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments (continued)

several months until a new investment policy was approved on January 6, 2022. 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, 2021 and June 30, 2020 valuations, respectively.

The Plan’s investment allocation for year ended June 30, 2022 and 2021 are as follows:

PENSION	As of June 30,				
	2022	2021		2022	2021
Asset Class	Target Asset Allocation		Asset Class	Target Asset Allocation	
Public equity	42.0%	46%	Private real assets	4.0%	3%
Private equity	9.0%	6%	Venture / Growth capital	4.0%	4%
Cash and cash equivalents	8.0%	0%	Market neutral strategies	3.0%	3%
Core real estate	5.0%	5%	Emerging market bonds	2.0%	3%
Immunized cash flows	5.0%	5%	High yield bonds	2.0%	2%
Investment grade bonds	4.5%	12%	Treasury inflation-protected securities	2.0%	2%
Growth real estate	4.0%	3%	Long-term government bonds	1.5%	3%
Private debt	4.0%	3%			

The Postemployment Healthcare Plan investment policy was originally approved on June 6, 2013. The Board adopted an updated asset allocation on April 1, 2021, and the asset allocation transitioned over the next several months until a new investment policy was approved on January 6, 2022. 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, 2021 and June 30, 2020 valuations, respectively.

HEALTHCARE	As of June 30,				
	2022	2021		2022	2021
Asset Class	Target Asset Allocation		Asset Class	Target Asset Allocation	
Public equity	58%	0%	Global equity	0%	43%
Investment grade bonds	14%	0%	Real assets	0%	22%
Core real estate	12%	0%	Global tactical asset allocation	0%	20%
Short-term investment grade bonds	6%	0%	Global fixed income	0%	15%
Commodities	5%	0%	Cash and cash equivalents	0%	
Long-term government bonds	5%	0%			

The real assets category includes allocations to commodities, real estate, and other infrastructure assets. The global tactical asset category is currently comprised of two global tactical asset allocation managers who run unconstrained global portfolios.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates, if applicable. Investments that do not have an established market, such as private equity, commingled real estate funds and certain pooled fund investments, are reported at estimated fair value based on the most recently available investor reports or audited financial statements issued by the manager of those funds. The fund manager provides an estimated unrealized gain / loss of the fund based on the most recently available audited financial statements and other fund information. See Note 3 starting on page 54 for more detailed information on the fair value of investments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments (continued)

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

Cash includes payments to the City to pay for Plan's administrative costs. Cash can fluctuate due to the timing of payments.

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

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

For the fiscal years ended June 30, 2022 and 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (4.81)% and 26.43%, respectively. For the fiscal years ended June 30, 2022 and 2021, the annual money-weighted rate of return on healthcare plan investments, net of healthcare plan investment expenses, was (9.62)% and 23.96%. 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 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 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 principal 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 Jose, California, the term of which expires March 31, 2025, with an option to extend for an additional five years. Lease expense is not significant to the 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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Other Assets (continued)

asset for the right to use the underlying asset (subscription asset). The subscription liability is the present value of payments expected to be made during the lease term. The right to use asset is then amortized over the lease term and the liability is reduced by payments made pursuant to the lease. The Plan's subscription leased assets are composed of numerous investment related subscriptions, the terms of which expire through June 30, 2023. The subscription lease expense is not significant to the Plan.

For fiscal year ended 2022 and 2021, the amortization expense was $641,123 and $412,979, respectively.

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

(Dollars in thousands)	As of June 30, 2020	Additions	Deletions	As of June 30, 2021
Other assets and amortization				
Pension administration system, cost	$ 4,087	$ 38	$ -	$ 4,125
Leased and subscription assets, cost	$ -	$ 756	$ -	$ 756
Less accumulated amortization for:	(542)	(414)	-	(956)
Other assets, net of accumulated amortization	**$ 3,545**	**$ 380**	**$ -**	**$ 3,925**

(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, 2022 and 2021, plan net position totaling $4,675,142,000 and $5,002,953,000, respectively, is allocated as follows (dollars in thousands):

	Retirement Fund	Cost-of-Living Fund	Total Defined Benefit Pension Plan	Post-employ-ment Health - care 401(h)	Police Depart-ment Health - care Subtrust	Fire Depart-ment Health - care Subtrust	Total OPEB	Grand Total
June 30, 2022								
Employee contributions reserve	$ 363,175	$ 88,583	$ 451,758	$ -	$ -	$ -	$ -	$ 451,758
General reserve	2,184,120	1,773,991	3,958,111	14,550	155,037	93,962	263,549	4,221,660
Transfer	-	-	-	1,179	-	(1,179)	-	-
Retiree healthcare in-lieu premium credit	-	-	-	1,724	-	-	1,724	1,724
Total	**$2,547,295**	**$1,862,574**	**$4,409,869**	**$ 17,453**	**$ 155,037**	**$ 92,783**	**$ 265,273**	**$4,675,142**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

June 30, 2021								
Employee contribution reserve	$ 361,410	$ 88,024	$ 449,434	$ -	$ -	$ -	$ -	$ 449,434
General reserve	2,392,536	1,884,669	4,277,205	24,600	154,276	96,292	275,168	4,552,373
Retiree healthcare in-lieu premium credit	-	-	-	1,146	-	-	-	1,146
Total	**$2,753,946**	**$1,972,693**	**$4,726,639**	**$ 25,746**	**$ 154,276**	**$ 96,292**	**$ 275,168**	**$5,002,953**

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.

Transfer - In January 2022, it was determined that the Fire 401(h) plan was overdrawn in the amount of $1,179,000 due to benefit expenses. A transfer in the same amount was made from the Fire 115 Trust to cover the overdrawn amount and thus reduce the Fire 401(h) account balance to zero. Because employee contributions are still going into the Fire 401(h) account but employer contributions are going into the Fire 115 Trust, any benefit expenses that are not covered by the employee contributions will come out of the Fire 115 Trust.

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

(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. 98, *The Annual Comprehensive Financial Report*, was issued in October 2021. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that common pronunciation of the acronym

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The Plan decided to early implement this Statement. As a result, all the related term and its acronym were replaced starting from fiscal year 2021.

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 short-term SBITA, and recognition and measurement of a subscription liability; extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements; terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; terminology used in Statement 53 to refer to resource flows statements. Based on the GASB Statement No. 95, the Plan will adopt the provisions of Statement No. 93 for the fiscal year beginning with July 1, 2022.

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. Based on the GASB Statement No. 100, the Plan will adopt the provisions of Statement No. 100 for the fiscal year beginning with July 1, 2023, if applicable.

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

NOTE 3 - INVESTMENTS

Investments are subject to certain types of risks, including interest rate risk, custodial credit risk, credit quality risk, foreign currency risk, and concentration of credit risk. The following describes those risks:

Interest Rate Risk – The fair value of fixed income investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest-sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, and other general interest rate conditions. Certain fixed income investments have call provisions that could result in shorter maturity periods. 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, 2022 and 2021.

INVESTMENT MATURITIES AT FAIR VALUE
As of June 30, 2022 (Dollars in thousands)

	0 - 3 Months	3 - 6 Months	6 Months - 1 Year	1 - 5 Years	5 - 10 Years	More than 10 Years	Total Fair Value	Cost
Investment grade bonds	$ -	$ -	$ 2,499	$ 60,088	$ 31,232	$ 143,590	$ 237,409	$ 257,221
Immunized cash flows	8,283	9,061	21,815	130,318	-	-	169,477	178,788
Treasury inflation-protected securities	4,912	-	11,228	74,344	-	-	90,484	93,513
High yield bonds	-	35	579	25,887	46,338	10,190	83,029	96,574
Long-term government bonds	-	-	-	-	-	81,661	81,661	102,651
Private debt [1]	6,231	-	-	-	-	-	6,231	8,331
Total Fixed Income	**$ 19,426**	**$ 9,096**	**$ 36,121**	**$ 290,637**	**$ 77,570**	**$ 235,441**	**$ 668,291**	**$ 737,078**

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

INVESTMENT MATURITIES AT FAIR VALUE
As of June 30, 2021 (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
Investment grade bonds	$ (247)	$ -	$ 658	$ 499,690	$ 42,303	$ 31,493	$ 573,897	$ 568,568
Immunized cash flows	8,887	6,023	15,617	150,969	-	-	181,496	180,972
Long-term government bonds	-	-	-	-	-	147,421	147,421	161,083
Private debt	137,912	-	-	-	-	-	137,912	141,713
Cash and cash equivalents	130,399	-	-	-	-	-	130,399	130,399
Treasury inflation-protected securities	3,859	5,065	4,953	74,452	-	-	88,329	84,539
High yield bonds	189	251	290	31,005	51,500	4,346	87,581	85,427
Emerging market bonds	-	-	-	-	93,748	-	93,748	57,885
Short-term investment grade bonds	13,015	-	-	-	-	-	13,015	13,015
Total Fixed Income	**$ 294,014**	**$ 11,339**	**$ 21,518**	**$ 756,116**	**$ 187,551**	**$ 183,260**	**$ 1,453,798**	**$ 1,423,601**

NOTE 3 - INVESTMENTS (continued)

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, 2022 and 2021, all of the Plan's investments are held in the Plan's name and / or are not exposed to negligible custodial credit risk. As of October 2020, the Plan changed custodian banks from State Street Bank & Trust Company to Bank of New York Mellon.

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.

The following tables provide information for the portfolio as of June 30, 2022 and 2021 concerning credit risk. These tables reflect only securities held in the Plan's name.

RATINGS OF FIXED INCOME INVESTMENTS

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

	2022		2021	
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	$ 364,887	54.60 %	$ 49,572	3.41 %
AA+	37,548	5.62	392,683	26.99
AA	614	0.09	131,351	9.04
AA-	2,413	0.36	3,037	0.21
A+	2,647	0.40	2,636	0.18
A	3,884	0.58	9,371	0.64
A-	8,878	1.33	12,906	0.89
BBB+	13,455	2.01	12,579	0.87
BBB	17,777	2.66	17,965	1.24
BBB-	21,350	3.19	24,959	1.72
BB+	11,088	1.66	9,016	0.62
BB	10,823	1.62	17,409	1.20
BB-	18,567	2.78	14,908	1.03
B+	10,782	1.61	8,891	0.61
B	12,295	1.84	11,280	0.78
B-	5,951	0.89	17,890	1.23
CCC+	6,038	0.90	7,022	0.48
CCC	2,696	0.40	3,835	0.26
CCC-	-	-	523	0.04
CC	-	-	45	-
D	68	0.01	-	-
Not Rated	116,530	17.45	705,920	48.56
Total	**$ 668,291**	**100.00 %**	**$ 1,453,798**	**100.00 %**

NOTE 3 - INVESTMENTS (continued)

Foreign Currency Risk – This is the risk that changes in the exchange rates will adversely affect the fair value of underlying investments. To mitigate this risk, the Plan's investment policy permits individual investment managers to mitigate the impact of currency fluctuation on the underlying asset value. The Plan's investment managers enter into international forward currency contracts, which are commitments to purchase or sell stated amounts of international currency. The Plan utilizes these contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2022 and 2021, the Plan's net position in these contracts is recorded at fair value as international currency contract investments. The fair values of international currency contracts are determined by quoted currency prices from national exchanges. The Plan's commitments relating to international currency contracts are settled on a net basis.

The following tables provide information as of June 30, 2022 and 2021, concerning the fair value of investments that are subject to foreign currency risk:

FOREIGN CURRENCY RISK ANALYSIS
As of June 30, 2022 (Dollars in thousands)

Currency Name	Cash	Public Equity	Growth Real Estate	Total Exposure
Australian dollar	$ -	$ 5,736	$ -	$ 5,736
Canadian dollar	-	11,500	-	11,500
Danish krone	-	6,769	-	6,769
Euro currency	-	71,013	41,196	112,209
Hong Kong dollar	-	7,802	-	7,802
Japanese yen	147	16,717	-	16,864
Norwegian krone	-	2,491	-	2,491
Swedish krona	-	3,659	-	3,659
Swiss Franc	208	35,062	-	35,270
United Kingdom pound	46	37,834	-	37,880
Total	**$ 401**	**$ 198,583**	**$ 41,196**	**$ 240,180**

FOREIGN CURRENCY RISK ANALYSIS
As of June 30, 2021 (Dollars in thousands)

Currency name	Cash	Public Equity	Growth Real Estate	Total Exposure
Euro member countries	$ -	$ -	$ 11	$ 11
Hong Kong dollar	-	2	-	2
Switzerland franc	2	-	-	2
Total	**$ 2**	**$ 2**	**$ 11**	**$ 15**

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 custody bank. In such cases, there is no concentration limit. As a general rule, Plan assets placed with an investment manager should not represent more than 10% of the total assets managed by that firm, without prior Board approval. As of June 30, 2022 and 2021, 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, 2022 or 2021. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated based on the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offer Rates*. GASB 93 addresses upcoming changes and the eventual removal of a global reference rate called LIBOR (London Interbank Offered Rate) which is often used as a reference rate for variable and derivative instruments. GASB 93 addresses allowable exceptions to existing contracts and agreements where LIBOR can bereplaced with another IBOR without needing a new contract. GASB 93 also identifies the SOFR (Secured Overnight Financing Rate) and the FFR (Federal Funds Rate) as benchmarks for evaluating interest rate swaps. Finally, GASB 93 modifies lease agreements to allow for a change in the IBOR without being considered a modification to a lease. The Plan does not expect GASB 93 to significantly impact the financial statements as the Plan does not have any direct exposure to derivative contracts tied to LIBOR as of June 30, 2022 and 2021.

The fair values and notional amounts for derivative instruments outstanding as of June 30, 2022 and 2021, classified by type, and the changes in fair value of such derivative instruments for the years then ended as reported in the 2022 and 2021 financial statements are as follows (amounts in thousands):

	Net Appreciation / (Depreciation) in Fair Value of Investments through June 30, 2022		Fair Value at June 30, 2022		
Investment Derivative Instruments	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount / Shares**
Fixed income futures long	Investment income	$ (6,240)	Futures	-	15,215
Fixed income futures short	Investment income	183	Futures	-	(17,102)
FX forwards	Investment income	(419)	Long term instruments	$ -	$ 372
Index futures long	Investment income	1,102	Futures	-	9,561
Index futures short	Investment income	724	Futures	-	(7,314)
Total Derivative Instruments		**$ (4,650)**		**$ -**	

NOTE 3 - INVESTMENTS (continued)

	Net Appreciation / (Depreciation) in Fair Value of Investments through June 30, 2021		Fair value at June 30, 2021		
Investment Derivative Instruments	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount / Shares**
Fixed income futures long	Investment income	$ (1,899)	Futures	-	84,443
Fixed income futures short	Investment income	862	Futures	-	8,480
FX forwards	Investment income	(87)	Long term instruments	$ -	$ 2
Index futures long	Investment income	5,198	Futures	-	18,433
Index futures short	Investment income	(2,749)	Futures	-	2,430
Total Derivative Instruments		**$ 1,325**		**$ -**	

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, 2022 and 2021.

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, 2022, total commitments in forward currency contracts to purchase and sell international currencies were $372,000, with fair values of $372,000 and $372,000, respectively, held by counterparties with S&P rating of at least AA-. As of June 30, 2021, total commitments in forward currency contracts to purchase and sell international currencies were $2,000 with fair values of $2,000 and $2,000, respectively, held by counterparties with S&P rating of at least AA 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.

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS (continued)

The Plan has the following recurring fair value measurements as of June 30, 2022 and 2021:

Investments Measured At Fair Value As of June 30, 2022		**Fair Value Measurement Using**			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**	**Net Assets Value (NAV)**
Investments by Fair Value Level					
Public equity	$ 2,157,941	$ 428,788	$ -	$ -	$ 1,729,153
Cash and cash equivalents	419,417	419,417	-	-	-
Private equity	397,297	-	-	30,339	366,958
Core real estate	258,353	-	-	-	258,353
Investment grade bonds	237,409	163,511	38,294	-	35,604
Growth real estate	195,890	-	-	-	195,890
Immunized cash flows	169,477	92,882	76,595	-	-
Private debt	157,688	-	-	5,721	151,967
Market neutral strategies	141,458	-	-	-	141,458
Emerging market bonds	90,800	-	-	-	90,800
Treasury inflation-protected securities	90,484	90,484	-	-	-
High yield bonds	83,029	74,566	-	-	8,463
Long-term government bonds	81,661	-	-	-	81,661
Private real assets	78,529	-	-	-	78,529
Venture / growth capital	32,512	-	-	-	32,512
Short-term investment grade bonds	12,648	12,648	-	-	-
Commodities	12,509	-	-	-	12,509
Total Investments Measured at Fair Value	**$ 4,617,102**	**$ 1,282,296**	**$ 114,889**	**$ 36,060**	**$ 3,183,857**

Investments Measured at Fair Value As of June 30, 2021		**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	$ 2,307,050	$ 552,234	$ -	$ -	$ 1,754,816
Cash and cash equivalents	130,399	130,399	-	-	-
Private equity	524,040	-	-	18,227	505,813
Core real estate	236,179	-	-	-	236,179
Investment grade bonds	573,897	194,250	99,793	-	279,854
Growth real estate	161,686	-	-	-	161,686
Immunized cash flows	181,496	89,476	92,020	-	-
Private debt	137,912	-	-	4,603	133,309
Market neutral strategies	75,812	-	-	-	75,812
Emerging market bonds	93,748	-	-	-	93,748
Treasury inflation-protected securities	88,329	88,329	-	-	-
High yield bonds	87,581	77,865	-	-	9,716
Long-term government bonds	147,421	-	-	-	147,421
Private real assets	159,590	-	-	-	159,590
Venture capital	9,188	-	-	-	9,188
Short-term investment grade bonds	13,015	13,015	-	-	-
Commodities	12,499	-	-	-	12,499
Total Investments Measured at Fair Value	**$ 4,939,842**	**$ 1,145,568**	**$ 191,813**	**$ 22,830**	**$ 3,579,631**

NOTE 3 - INVESTMENTS (continued)

Equity and Fixed Income Securities

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices 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 date 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, high yield bonds, market neutral strategies, emerging market bonds, commodities, private debt, venture capital, long-term government bonds and private real assets. 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 EBITDA or projected fiscal year EBITDA) or (2) the income or discounted cash flow approach.

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

The following tables present the category, fair value, unfunded commitments, redemption frequency and redemption notice period for investments for which fair value is presented using the NAV as of June 30, 2022 and 2021:

NOTE 3 - INVESTMENTS (continued)

Investments Measured at the NAV As of June 30, 2022 ***(Dollars in thousands)***	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Public equity	$1,729,153	$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	366,958	123,069	Daily, N/A	1 Day, N/A
Core real estate	258,353	65,500	Quarterly	90 Days
Investment grade bonds	35,604	-	Daily	1- 3 Days
Growth real estate	195,890	99,400	N/A	N/A
Private debt	151,967	164,000	N/A	N/A
Market neutral strategies	141,458	-	Monthly, Bi-Annual	45 - 60 Days
Emerging market bonds	90,800	-	Daily, Quarterly	1 - 45 days
High yield bonds	8,463	-	Daily	3 Days
Long-term government bonds	81,661	-	Daily	3 Days
Private real assets	78,529	52,200	N/A	N/A
Venture capital	32,512	52,200	N/A	N/A
Commodities	12,509	-	Daily	3 Days
Total Investments Measured at NAV	**$3,183,857**	**$ 556,369**		

Investments Measured at the NAV As of June 30, 2021 ***(Dollars in thousands)***	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Public equity	$1,754,816	$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	505,813	12,300	Daily, N/A	1 Day, N/A
Core real estate	236,179	50,200	Quarterly	90 Days
Investment grade bonds	279,854	-	Daily	1 - 3 Days
Growth real estate	161,686	112,948	N/A	N/A
Private debt	133,309	143,856	N/A	N/A
Market neutral strategies	75,812	-	Monthly, Bi-Annual	45 - 60 Days
Emerging market bonds	93,748	-	Daily, Quarterly	1 - 45 Days
High yield bonds	9,716	-	Daily	3 Days
Long-term government bonds	147,421	-	Daily	3 Days
Private real assets	159,590	22,130	N/A	N/A
Venture capital	9,188	19,499	N/A	N/A
Commodities	12,499	-	Daily	3 Days
Total Investments Measured at NAV	**$3,579,631**	**$ 360,933**		

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 three months.

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 day 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 45 days to 60 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 45 days; the other has a daily redemption period with a one-day notice period.

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.

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.

Venture 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, 2022 and 2021, were as follows (dollars in thousands):

	2022	2021
Total pension liability	$ 5,631,166	$ 5,423,372
Plan fiduciary net position	4,409,869	4,726,639
Net pension liability	$ 1,221,297	$ 696,733
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**78.3 %**	**87.2 %**

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 revision to the actuarial assumptions, as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed in October 2021.

The total pension liability as of June 30, 2022 and 2021 is based on results of an actuarial valuation date of June 30, 2021 and 2020, respectively, and rolled-forward to June 30, 2022 and 2021 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, 2021	June 30, 2020
Measurement date	June 30, 2022	June 30, 2021
Inflation rate	2.25%	2.25%
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 is 5.89 % and 6.75%, respectively.	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 6.11% and 7.05%, respectively.
Post-retirement mortality		
(a) Healthy retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy male and female retirees projected using SOA MP-2021 on a generational basis from the base year of 2010	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy male and female retirees projected using SOA MP-2019 on a generational basis from the base year of 2010
(b) Disabled retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees projected using SOA MP-2021 on a generational basis from the base year of 2010	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees projected using SOA MP-2019 on a generational basis from the base year of 2010
(c) Beneficiaries	1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy males and females retirees	0.948 times the CalPERS 2009 Healthy Annuitant Mortality Table for males and 1.048 times the CalPERS 2009 Healthy Annuitant Mortality Table for females

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

Actuarial Assumptions		
(d) 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
Rate of service retirement, withdrawal, death, disability retirements	Based upon the June 30, 2021 actuarial experience analysis	Based upon the June 30, 2019 actuarial experience analysis
Salary increase		
Wage inflation	3.00% per annum (0.75% real wage growth) thereafter. For this valuation, Fire Members have bargained increases of 4.25% for FYE 2022 and 3.00% for FYE 2023. Police members bargained increases of 3.85% for FYE 2022.	3.00% per annum (0.75% real wage growth) thereafter. For this valuation, Fire Members have bargained increases of 4.25% for FYE 2021 and 2022 and 3.00% for FYE 2023. Police members bargaining agreement has expired
Merit increase	Merit component added based on an individual's years of service ranging from 6.50% to 0.60%	Merit component added based on an individual's years of service ranging from 6.50% to 0.50%
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 the valuation years ended June 30, 2021 and 2020, 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, 2022 and 2021, (see the discussion of the Plan's investment policy) are summarized in the following table:

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

	2022		2021	
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%	4.9%	46.0%	4.9%
Private equity	9.0%	7.4%	6.0%	6.8%
Cash and cash equivalents	8.0%	(0.5)%	N/A	(1.0)%
Core real estate	5.0%	3.8%	5.0%	3.3%
Immunized cash flows	5.0%	(0.5)%	5.0%	(0.8)%
Investment grade bonds	4.5%	0.2%	12.0%	(0.3)%
Growth real estate	4.0%	6.5%	3.0%	6.0%
Private debt	4.0%	5.0%	3.0%	4.6%
Private real assets	4.0%	5.9%	3.0%	5.7%
Venture / Growth capital	4.0%	7.9%	4.0%	7.4%
Market neutral strategies	3.0%	2.2%	3.0%	2.2%
Emerging market bonds	2.0%	2.2%	3.0%	1.7%
High yield bonds	2.0%	2.2%	2.0%	2.1%
Treasury inflation-protected securities	2.0%	0.2%	2.0%	(0.3)%
Long-term government bonds	1.5%	0.6%	3.0%	0.4%

Discount Rate. The discount rate used to measure the total pension liability was 6.625% for the measurement years ended June 30, 2022 and 2021. 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, 2022 and 2021, 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 (5.625%) or 1.0% higher (7.625%) than the current rate (in thousands):

	2022			2021		
	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	$ 6,444,068	$ 5,631,166	$ 4,973,234	$ 6,214,603	$ 5,423,372	$ 4,784,152
Plan fiduciary net position	4,409,869	4,409,869	4,409,869	4,726,639	4,726,639	4,726,639
Net pension liability	$ 2,034,199	$ 1,221,297	$ 563,365	$ 1,487,964	$ 696,733	$ 57,513
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**68.4 %**	**78.3 %**	**88.7 %**	**76.1 %**	**87.2 %**	**98.8 %**

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 May 6, 2021, the Board approved the City's decision to prefund Tier 1 contributions for the fiscal year ending June 30, 2022. On June 4, 2020, the Board approved the City decided to prefund the contributions for the fiscal year ending June 30, 2021.

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, 2022 and 2021 were as follows.

Fiscal Year			2022		
Actuarial Valuation Year			**2020**		
(Dollars in thousands)	**Police Tier 1**	**Fire Tier 1**	**Police Tier 2**	**Fire Tier 2**	**Total**
Actual payroll	$88,108	$73,315	$68,632	$21,002	$251,057
Actuarial payroll	84,391	71,799	N/A	N/A	N/A
Actual payroll in excess of actuarial payroll	3,717	1,516	N/A	N/A	N/A
City normal cost rate for pension and COLA	32.47%	33.70%	14.43%[1]	15.28%[1]	N/A
Additional contributions due to the floor methodology	1,207	511	N/A	N/A	1,718
Prefunded contributions amount (BOY)[2]	104,898	92,078	N/A	N/A	196,976
Regular contributions paid throughout the year	-	-	9,904	3,209	13,113
Adjustments and accruals	(321)	530	26	4	239
Total Contributions for the Fiscal Year	**$105,784**	**$93,119**	**$9,930**	**$3,213**	**$212,046**

[1] *Police Tier 2 and Fire Tier 2 City contribution rates include UAL percentages of (0.12)% and (.07)%, respectively*

[2] *Beginning of year*

Fiscal Year			2021		
Actuarial Valuation Year			**2019**		
(Dollars in thousands)	**Police Tier 1**	**Fire Tier 1**	**Police Tier 2**	**Fire Tier 2**	**Total**
Actual payroll	$89,695	$75,657	$54,656	$17,468	$237,476
Actuarial payroll	93,255	71,216	N/A	N/A	N/A
Actual payroll in excess of actuarial payroll	-	4,441	N/A	N/A	N/A
City normal cost rate for pension and COLA	31.80%	33.18%	14.18%[1]	15.53%[1]	N/A
Additional contributions due to the floor methodology	-	1,474	N/A	N/A	1,474
Prefunded contributions amount (BOY)[2]	106,110	82,121	N/A	N/A	188,231
Regular contributions paid throughout the year	-	-	7,750	2,713	10,463
Adjustments and accruals	614	575	9	4	1,202
Total Contributions for the Fiscal Year	**$106,724**	**$84,170**	**$7,759**	**$2,717**	**$201,370**

[1] *Police Tier 2 and Fire Tier 2 City contribution rates include UAL percentage of 0.03% and (.01)%, respectively.*

[2] *Beginning of year*

Contributions to the Defined Benefit Pension Plan are actuarially determined to provide adequate asset 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, 2022 and 2021 were based on the actuarial valuations performed as of June 30, 2020 and 2019, respectively.

The City and the participating member's contribution rates in effect for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2022 and 2021 were as follows:

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

	City-Board Adopted						Member [2]			
Period	Police Tier 1	Tier 1 UAL Dollar Amount[3]	Police Tier 2	Fire Tier 1	Tier 1 UAL Dollar Amount[3]	Fire Tier 2	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2
6/26/22 - 6/30/22	33.24%		14.37%	34.34%		15.18%	10.99%	14.37%	12.11%	15.18%
6/27/21 - 6/25/22 [1]	32.47%	$ 80,921,000	14.43%	33.70%	$ 70,887,000	15.28%	10.85%	14.43%	11.91%	15.28%
7/01/20 - 6/26/21[1]	31.80%	$ 79,984,000	14.18%	33.18%	$ 61,213,000	15.53%	10.72%	14.18%	11.72%	15.53%

1 *The actual contribution rates paid by the City for fiscal years ended June 30, 2022 and June 30, 2021, 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 0.47% and 0.26% in contributions for the years ending June 30, 2021 and 2022, respectively.*

3 *Contributions are structured as a normal cost, plus a payment on the unfunded actuarial liability (UAL). Tier 1 City contributions are administered as a normal cost contribution rate based on payroll plus a dollar amount payment on the UAL.*

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

Net OPEB Liability. The components of the net Other Postemployment Benefit (OPEB) liability of the 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, 2022 and 2021, were as follows (dollars in thousands):

	Police		Fire	
	2022	2021	2022	2021
Total OPEB liability	$ 500,489	$ 484,343	$ 289,631	$ 287,476
Plan fiduciary net position	171,369	176,841	93,904	99,472
Net OPEB liability	$ 329,120	$ 307,502	195,727	$ 188,004
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	**34.2 %**	**36.5 %**	**32.4 %**	**34.6 %**

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

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and investment return. Experience studies are performed by the Board's actuary to determine appropriate revisions to the actuarial assumptions, as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed in October 2021.

The total OPEB liability as of June 30, 2022 and 2021 is based on results of an actuarial valuation date of June 30, 2021 and 2020, and rolled-forward to June 30, 2022 and 2021 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, 2021	June 30, 2020
Measurement date	June 30, 2022	June 30, 2021
Actuarial cost method	Entry age normal, level of percentage of pay	Entry age normal, level of percentage of pay
Discount rate	6.00%	6.25%
Inflation rate	2.25%	2.25%
Projected payroll increases		
Wage inflation rate	3.00% per annum (0.75% real wage growth) thereafter. Fire members have bargained increases of 4.25% for FYE 2022 and 3.00% for FYE 2023. Police members have bargained increases of 3.85% for FYE 2022	3.00% for all years for Police department members and 4.25% through FYE 2022 and 3.00% for all other years for the Fire department members
Merit increase	Merit component added based on an individual's years of service ranging from 6.50% to 0.60%.	Merit component added based on an individual's years of service ranging from 6.50% to 0.50%.
Rates of Mortality	Mortality is projected from 2010 on a generational basis using the SOA MP-2021 projection scale	Mortality is projected from 2010 (2009 for beneficiary tables) on a generational basis using the SOA MP-2019 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	1.002 times the 2020 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	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 (A)) for healthy males and females retirees	0.948 times the CalPERS 2009 Healthy Annuitant Mortality Table for males and 1.048 times the CalPERS 2009 Healthy Annuitant Mortality Table for females.
Healthy non-annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy males and females active members	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy males and females
Healthcare Cost Trend Rates		
Medical	The valuation assumes that future medical inflation will be at a rate of 7.49% to 3.78% per annum graded down over a 55 year period for medical pre-age 65 and 4.15% to 3.78% per annum for medical post-age 65. For fiscal year beginning 2022, actual calendar year 2022 premiums are combined with a trend assumption for calendar year 2023	The valuation assumes that future medical inflation will be at a rate of 7.66% to 3.78% per annum graded down over a 55 year period for medical pre-age 65 and 4.10% to 3.78% per annum for medical post-age 65. For calendar year 2021, actual premiums are used
Dental	Dental inflation is assumed to be 3.50%	Dental inflation is assumed to be 3.50%

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

The assumption for the long-term expected rate of return on OPEB plan investments of 6.00% and 6.25% for the valuation years ended June 30, 2021 and 2020, 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, 2022 and 2021, 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).

	2022		2021	
Asset Class	Target Asset Allocation	Long-Term Expected Real Rate Return	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	58.0%	5.0%	59.0%	5.0%
Investment grade bonds	14.0%	0.2%	14.0%	(0.3)%
Core real estate	12.0%	3.8%	12.0%	3.3%
Short-term investment grade bonds	6.0%	(0.3)%	5.0%	(0.8)%
Commodities	5.0%	2.3%	5.0%	1.6%
Long-term government bonds	5.0%	0.6%	5.0%	0.4%

Discount Rate. The discount rate used to measure the total OPEB liability was 6.00% and 6.25% for the measurement years ended June 30, 2022 and 2021, 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.

Sensitivity of the Net OPEB Liability to Changes in Discount Rate. In accordance with GASB Statement 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, 2022 and 2021, calculated using the discount rate of 6.00% and 6.25%, respectively, 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					
	2022			2021		
	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)	1% Decrease (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
Total OPEB liability	$ 578,039	$ 500,489	$ 438,437	$ 559,821	$ 484,343	$ 423,892
Plan fiduciary net position	171,369	171,369	171,369	176,841	176,841	176,841
Net OPEB liability	$ 406,670	$ 329,120	$ 267,068	$ 382,980	$ 307,502	$ 247,051
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	**29.6 %**	**34.2 %**	**39.1 %**	**31.6 %**	**36.5 %**	**41.7 %**

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

	Fire					
	2022			2021		
	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)	1% Decrease (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
Total OPEB liability	$ 334,181	$ 289,631	$ 253,883	$ 330,579	$ 287,476	$ 252,832
Plan fiduciary net position	93,904	93,904	93,904	99,472	99,472	99,472
Net OPEB liability	$ 240,277	$ 195,727	$ 159,979	$ 231,107	$ 188,004	$ 153,360
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	**28.1 %**	**32.4 %**	**37.0 %**	**30.1 %**	**34.6 %**	**39.3 %**

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1.0% lower (6.49% decreasing to 2.50%) or 1.0% higher (8.49% decreasing to 4.50%) than the current healthcare cost trend rates (dollars in thousands):

	Police					
	2022			2021		
	1% Decrease	Healthcare Cost Trend	1% Increase	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB liability	$ 432,424	$ 500,489	$ 585,407	$ 417,914	$ 484,343	$ 567,225
Plan fiduciary net position	171,369	171,369	171,369	176,841	176,841	176,841
Net OPEB liability	$ 261,055	$ 329,120	$ 414,038	$ 241,073	$ 307,502	$ 390,384
Percentage of the Total OPEB Liability	**39.6 %**	**34.2 %**	**29.3 %**	**42.3 %**	**36.5 %**	**31.2 %**

	Fire					
	2022			2021		
	1% Decrease	Healthcare Cost Trend	1% Increase	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB liability	$ 249,586	$ 289,631	$ 339,812	$ 248,581	$ 287,476	$ 336,179
Plan fiduciary net position	93,904	93,904	93,904	99,472	99,472	99,472
Net OPEB liability	$ 155,682	$ 195,727	$ 245,908	$ 149,109	$ 188,004	$ 236,707
Percentage of the Total OPEB Liability	**37.6 %**	**32.4 %**	**27.6 %**	**40.0 %**	**34.6 %**	**29.6 %**

For the fiscal year ended June 30, 2022, 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).

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

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.

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 Heathcare Plan during the fiscal year ended June 30, 2022 was $30,763,000, $27,502,000 in City explicit subsidy contributions and $3,261,000 in implicit subsidy. The City's contribution for the Postemployment Heathcare Plan during the fiscal year ended June 30, 2021 was $28,397,000, $25,382,000 in City explicit subsidy contributions and $3,015,000 in implicit subsidy.

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

The City and the participating member's contribution rates in effect for the Postemployment Healthcare Plans during the fiscal years ended June 30, 2022 and 2021 were as follows:

	City-Board Adopted		Member			
Period	Police	Fire	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2
7/01/21 - 6/30/22	$16,730,000[1]	$10,697,000[1]	8.00 %	0.00 %	8.00 %	0.00 %
7/01/20 - 6/30/21	$15,320,000[1]	$10,062,000[1]	8.00 %	0.00 %	8.00 %	0.00 %

[1] *Beginning of year, explicit subsidy amount*

NOTE 6 - COMMITMENTS

As of June 30, 2022 and June 30, 2021, the Plan had unfunded commitments to contribute capital for investments in the amount of $556,369,000 and $360,933,000, 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 *(continued)*

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

(Dollars in thousands)

Total Pension Liability	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service cost (middle of year)	$ 93,139	$ 89,467	$ 87,641	$ 81,883	$ 75,481	$ 72,760	$ 74,531	$ 74,895	$ 75,030
Interest (includes interest on service cost)	354,685	342,802	329,612	313,565	300,378	290,961	274,487	262,738	251,700
Changes of benefit terms	-	-	-	-	178	5,752	-	-	-
Differences between expected and actual experience	7,457	(15,131)	37,127	(17,009)	33,081	67,558	(8,672)	21,457	-
Change of assumptions	12,389	73,525	80,854	76,426	(100,328)	72,680	90,179	56,311	-
Benefit payments, including refunds of member contributions	(259,876)	(244,310)	(231,009)	(218,008)	(206,630)	(196,032)	(186,939)	(176,253)	(167,397)
Net Change in Total Pension Liability	**207,794**	**246,353**	**304,225**	**236,857**	**102,160**	**313,679**	**243,586**	**239,148**	**159,333**
Total Pension Liability - Beginning	**5,423,372**	**5,177,019**	**4,872,794**	**4,635,937**	**4,533,777**	**4,220,098**	**3,976,512**	**3,737,364**	**3,578,031**
Total Pension Liability - Ending	**$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**
Plan Fiduciary Net Position									
Contributions - employer	$ 212,046	$ 201,370	$ 188,481	$ 176,618	$ 157,712	$ 136,957	$ 132,480	$ 129,279	$ 123,583
Contributions - employee	31,660	29,033	27,645	24,811	23,841	20,580	21,508	20,747	21,115
Net investment income	(294,549)	1,044,290	134,085	114,179	233,475	292,734	(29,206)	(27,690)	404,978
Benefit payments, including refunds of member contributions	(259,876)	(244,310)	(231,009)	(218,008)	(206,630)	(196,032)	(186,939)	(176,253)	(167,397)
Administrative expense	(6,051)	(5,764)	(5,605)	(5,369)	(5,464)	(4,635)	(4,254)	(4,191)	(3,631)
Net Change in Plan Fiduciary Net Position	**$ (316,770)**	**$1,024,619**	**$ 113,597**	**$ 92,231**	**$ 202,934**	**$ 249,604**	**$ (66,411)**	**$ (58,108)**	**$ 378,648**
Plan Fiduciary Net Position - Beginning	**4,726,639**	**3,702,020**	**3,588,423**	**3,496,192**	**3,293,258**	**3,043,654**	**3,110,065**	**3,168,173**	**2,789,525**
Plan Fiduciary Net Position - Ending	**$4,409,869**	**$4,726,639**	**$3,702,020**	**$3,588,423**	**$3,496,192**	**$3,293,258**	**$3,043,654**	**$3,110,065**	**$3,168,173**
Net Pension Liability - Ending	**$1,221,297**	**$ 696,733**	**$1,474,999**	**$1,284,371**	**$1,139,745**	**$1,240,519**	**$1,176,444**	**$ 866,447**	**$ 569,191**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**78.31 %**	**87.15 %**	**71.51 %**	**73.64 %**	**75.42 %**	**72.64 %**	**72.12 %**	**78.21 %**	**84.77 %**
Covered Payroll	**$ 251,023**	**$ 237,476**	**$ 230,401**	**$ 218,619**	**$ 203,164**	**$ 188,177**	**$ 186,874**	**$ 180,226**	**$ 180,083**
Net Pension Liability as a Percentage of Covered Payroll	**486.53 %**	**293.39 %**	**640.19 %**	**587.49 %**	**561.00 %**	**659.23 %**	**629.54 %**	**480.76 %**	**316.07 %**

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	(4.81)%	26.43%	2.98%	4.00%	6.89%	9.68%	(0.85)%	0.85%	13.00%

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

Required Supplementary Information

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

(Dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	$ 212,046	$ 201,370	$ 188,481	$ 176,618	$ 157,712	$ 136,957	$ 132,480	$ 129,279	$ 123,583	$ 105,234
Contributions in relation to actuarially determined contribution	212,046	201,370	188,481	176,618	157,712	136,957	132,480	129,279	123,583	105,234
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 251,023	$ 237,476	$ 230,401	$ 218,619	$ 203,164	$ 188,177	$ 186,874	$ 180,226	$ 180,083	$ 180,333
Contributions as a percentage of covered payroll	84.47%	84.80%	81.81%	80.79%	77.63%	72.78%	70.89%	71.73%	68.63%	58.36%

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	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Valuation Date	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
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 smoo-thed market	5-year smoo-thed market	5-year smoo-thed market	5-year smoo-thed market
Amorti-zation 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. 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 assump-tion 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 amort-ized over closed 16-year periods. Method and assump-tion changes are amort-ized over closed 20-year periods. All amortiza-tions are a level percent of payroll	Actuarial gains and losses and plan changes are amort-ized over closed 16-year periods. Method and assump-tion changes are amort-ized over closed 20-year periods. All amortiza-tions are a level percent of payroll	Actuarial gains and losses and plan changes are amort-ized over closed 16-year periods. Method and assump-tion changes are amort-ized over closed 20-year periods. All amortiza-tions are a level percent of payroll	Actuarial gains and losses and plan changes are amort-ized over closed 16-year periods. Method and assump-tion changes are amort-ized over closed 20-year periods. All amortiza-tions are a level percent of payroll
Discount rate	6.625%	6.75%	6.75%	6.875%	6.875%	7.00%	7.00%	7.125%	7.25%	7.50%

Required Supplementary Information *(continued)*

NOTES TO SCHEDULE (continued)

Fiscal Year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Valuation Date	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Salary increases	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	0.00% for FY 2013 and 2014, and 3.50% thereafter plus merit component based on length of service ranging from 8.00% for new hires to 2.25% for members with 10 or more years of service	0.00% for FY 2013 and 2014, and 3.50% thereafter plus merit component based on length of service ranging from 8.00% for new hires to 2.25% for members with 10 or more years of service
Amortization growth rate	2.25%	2.50%	3.25%	3.25%	3.25%	3.25%	3.25%	3.50%	3.50%	4.25%

NOTES TO SCHEDULE (continued)

Fiscal Year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Valuation Date	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Mortality	Healthy Retirees: 2010 Public Safety Above Median Income Mortality Tables for Retirees multiplied by 1.002, with mortality improvements projected from 2010 using Scale MP-2019 on a generational basis. Disabled Retirees: 2010 Public Safety Mortality Tables for Disabled Retirees multiplied by 0.915, with mortality improvements projected from 2010 using Scale MP-2019 on a generational basis. Beneficiaries: CalPERS 2009 Healthy Annuitant Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP-2019 on a generational basis. Non-Annuitant: 2010 Public Safety Above Median Income Mortality Tables for Healthy Employees multiplied by 0.979, with mortality improvements projected from 2010 using Scale MP-2019 on a generational basis.	Healthy Retirees: 2010 Public Safety Above Median Income Mortality tables for retirees multiplied by 1.002, with mortality improvements projected from 2010 using Scale MP-2019 on a generational basis Disabled retirees: 2010 Public Safety Mortality tables for Disabled Retirees multiplied by 0.915, with mortality improvements projected from 2010 using Scale MP-2019 on a generational basis. Beneficiaries: CalPERS 2009 Healthy Annuitant Mortality tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP-2019 on a generational basis. Non-Annuitant: 2010 Public Safety Above Median Income Mortality tables for Healthy Employees multiplied by 0.979, with mortality improvements projected from 2010 using Scale MP-2019 on generational basis.	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP-2015 on a generational basis Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using Scale MP-2015 on a generational basis	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP-2015 on a generational basis Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using Scale MP-2015 on a generational basis	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years

A complete description of the methods and assumptions used to determine contribution rates for the fiscal year ending June 30, 2022, can be found in the June 30, 2020 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	2022		2021		2020		2019		2018		2017	
	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Police	Fire
Service cost (middle of year)	$ 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)	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	(24,484)	(25,709)	(16,442)	(18,664)	(64,507)	(34,812)	(3,712)	311	7,881	6,996	-	-
Change of assumptions	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	(16,741)	(9,716)	(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	**$ 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	**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	**$500,489**	**$289,631**	**$484,343**	**$287,476**	**$454,500**	**$271,288**	**$493,128**	**$290,954**	**$450,507**	**$261,325**	**$453,722**	**$260,795**
Plan Fiduciary Net Position												
Contributions - ER	18,882	11,881	17,270	11,127	16,522	10,828	17,785	10,959	14,964	10,418	11,701	8,966
Contributions - EE	6,592	5,516	6,743	5,732	7,331	5,804	7,635	5,680	9,294	6,833	10,344	7,772
Net investment income	(17,263)	(10,036)	34,619	18,375	4,826	2,417	5,232	2,675	5,148	1,923	8,844	3,610
Benefit payments, including refunds of member contributions	(16,741)	(9,716)	(19,516)	(6,459)	(15,803)	(9,228)	(17,235)	(9,168)	(17,113)	(10,573)	(14,931)	(9,868)
Administrative exp	(104)	(51)	(64)	(46)	(77)	(45)	(86)	(40)	(115)	(44)	(123)	(58)
VEBA Transfer	-	-	-	-	-	-	-	-	(5,276)	(2,621)	-	-
Adjustments [1]	3,162	(3,162)	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	**$ (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	**$176,841**	**$ 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	**$171,369**	**$ 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	**$329,120**	**$195,727**	**$307,502**	**$188,004**	**$316,711**	**$200,545**	**$368,138**	**$229,987**	**$338,848**	**$210,464**	**$348,965**	**$215,870**
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	**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	**$156,706**	**$ 94,316**	**$144,351**	**$ 93,124**	**$140,897**	**$ 89,504**	**$133,617**	**$ 85,002**	**$121,585**	**$ 81,579**	**$108,424**	**$ 79,752**
Net OPEB Liability as a Percentage of Covered Payroll	**210.02 %**	**207.52 %**	**213.02 %**	**201.89 %**	**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)

	2022	2021	2020	2019	2016	2017
Annual money-weighted rate of return, net of investment expense	(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.

	2022		2021		2020		2019	
	Police	Fire	Police	Fire	Police	Fire	Police	Fire
Actuarially determined contributions (ADC)	$ 18,882	$ 11,881	$ 17,270	$ 11,127	$ 16,522	$ 10,828	$ 17,785	$ 10,959
Contributions in relation to ADC	18,882	11,881	17,270	11,127	16,522	10,828	17,785	10,959
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 156,706	$ 94,316	$ 144,351	$ 93,124	$ 140,897	$ 89,504	$ 133,617	$ 85,002
Contributions as a percentage of covered employee payroll	12.05%	12.60%	11.96%	11.95%	11.73%	12.10%	13.31%	12.89%

(Dollars in thousands)

NOTES TO SCHEDULE

Fiscal Year	2022	2021	2020	2019
Valuation Date	**2020**	**2019**	**2018**	**2017**
	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
Asset valuation method	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 amortization with 3-year phase-in and phase-out	25-year layered amortization with 3-year phase-in and phase-out
Discount rate	6.25%	6.50%	6.50%	6.875%
Amortization growth rate	3.00%	3.25%	3.25%	3.25%

Required Supplementary Information *(continued)*

Ultimate rate of medical inflation	3.78%	3.94%	4.25%	4.25%
Salary increases	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 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 contributions for the year ending June 30, 2022, June 30, 2021, June 30, 2020 and June 30, 2019 can be found in the June 30, 2020, June 30, 2019 June 30, 2018 and June 30, 2017 actuarial valuation reports, respectively.

Other Supplemental Information

COMBINING SCHEDULE OF DEFINED BENEFIT PENSION PLAN NET POSITION

As of June 30, 2022 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ASSETS			
Receivables			
Employee contributions	$ 1,202	$ 451	$ 1,653
Employer contributions	5,948	3,871	9,819
Brokers and others	51,681	26,014	77,695
Accrued investment income	4,189	1,808	5,997
Total Receivables	**63,020**	**32,144**	**95,164**
Investments, at fair value			
Securities and other:			
Public equity	1,164,568	851,836	2,016,404
Cash and cash equivalents	240,165	175,671	415,836
Private equity	228,534	167,163	395,697
Core real estate	129,434	94,675	224,109
Investment grade bonds	116,082	84,910	200,992
Growth real estate	112,680	82,421	195,101
Immunized cash flows	97,487	71,308	168,795
Private debt	90,705	66,348	157,053
Market neutral strategies	81,369	59,519	140,888
Emerging market bonds	52,230	38,204	90,434
Treasury inflation-protected securities	52,048	38,072	90,120
High yield bonds	47,760	34,935	82,695
Long-term government bonds	39,989	29,251	69,240
Private real assets	45,172	33,041	78,213
Venture / Growth capital	18,701	13,680	32,381
Total Investments	**2,516,924**	**1,841,034**	**4,357,958**
Other Assets, net	2,067	1,244	3,311
TOTAL ASSETS	**2,582,011**	**1,874,422**	**4,456,433**
LIABILITIES			
Payable to brokers	30,559	9,074	39,633
Other liabilities	4,157	2,774	6,931
TOTAL LIABILITIES	**34,716**	**11,848**	**46,564**
PLAN NET POSITION - RESTRICTED FOR			
Pension benefits	2,547,295	1,862,574	4,409,869
TOTAL PLAN NET POSITION	**$ 2,547,295**	**$ 1,862,574**	**$ 4,409,869**

Other Supplemental Information *(continued)*

COMBINING SCHEDULE OF CHANGES IN DEFINED BENEFIT PENSION PLAN NET POSITION

For Fiscal Year Ended June 30, *2022* (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ADDITIONS			
Contributions			
Employee	$ 22,938	$ 8,722	$ 31,660
Employer	119,814	92,232	212,046
Total Contributions	**142,752**	**100,954**	**243,706**
Investment income / (loss)			
Net depreciation in fair value of investments	(193,166)	(139,586)	(332,752)
Interest income	22,784	16,320	39,104
Dividend income	8,173	5,854	14,027
Less: investment expense	(8,696)	(6,232)	(14,928)
Net Investment Loss	**(170,905)**	**(123,644)**	**(294,549)**
TOTAL ADDITIONS	**(28,153)**	**(22,690)**	**(50,843)**
DEDUCTIONS			
Retirement benefits	165,300	76,264	241,564
Death benefits	8,562	8,376	16,938
Refund of contributions	1,104	270	1,374
Administrative expenses and other	3,531	2,520	6,051
TOTAL DEDUCTIONS	**178,497**	**87,430**	**265,927**
NET DECREASE	**(206,650)**	**(110,120)**	**(316,770)**
PLAN NET POSITION - RESTRICTED FOR PENSION BENEFITS			
BEGINNING OF YEAR	**2,753,945**	**1,972,694**	**4,726,639**
END OF YEAR	**$ 2,547,295**	**$ 1,862,574**	**$ 4,409,869**

Other Supplemental Information *(continued)*

SCHEDULES OF ADMINISTRATIVE EXPENSES AND OTHER

For the Fiscal Years Ended June 30, 2022 and 20

	2022			2021
	Original Budget	Actual	Under Budget	Actual
Personnel services	$ 4,165,000	$ 3,936,730	$ 228,270	$ 3,711,220
Non-personnel / equipment [1]	712,000	682,592	29,408	1,072,217
Professional services	1,174,000	1,147,090	26,910	677,540
Non-cash reporting items [2]	-	439,062	-	412,979
Total administrative expenses & other	**$ 6,051,000**	**$ 6,205,474**	**$ 284,588**	**$ 5,873,956**

[1] *The investment-related expenses, that were included in the FY 20-21 budget, were removed from FY 21-22 budget and placed in the Schedule of Investment Expenses - Other Investment Fees. In FY 20-21, $148,000 of investment-related expenses including data processing, were included in the budget approved by the Board.*

[2] *Non-cash reporting items include amortization and GASB No. 87 interest expenses. The amortization expense is excluded from the budget totals since it is a non-cash item. GASB statement No. 87 recognizes certain long term operating leases as a leased asset and is also excluded from the budget.*

SCHEDULES OF PAYMENTS TO CONSULTANTS

For the Fiscal Years Ended June 30, 2022 and 2021

Firm	Nature of Service	2022	2021
The Berywn Group	Reports on deceased benefit recipients	$ 919	$ 919
Cheiron, Inc.	Actuarial consultant	287,400	199,302
Communication Advantage	Communication consultant	14,975	11,950
Cortex Implied Research, Inc.	Governance consultant	27,595	34,119
Grant Thornton LLP	External auditors	92,837	80,817
Ice Miller, LLC	Tax counsel	8,670	468
Levi, Ray, & Shoup	Programming changes, business continuance services, web development and maintenance	16,944	20,759
Other Medical	Medical consultants	86,899	87,224
Reed Smith, LLP	Fiduciary and general counsel	356,070	133,110
Saltzman & Johnson	Domestic relations counsel	63,640	84,924
Segal Company	Actuarial auditors	100,000	-
Trendtec, Inc.	Temporary staff	90,741	23,573
Other Consultants	Miscellaneous professional services	400	375
Total		**$ 1,147,090**	**$ 677,540**

Other Supplemental Information *(continued)*
SCHEDULES OF INVESTMENT EXPENSES

For the Fiscal Years Ended June 30, 2022 and 2021

Investment Managers' Fees	2022	2021
Public equity	$ 3,884,110	$ 3,517,352
Private equity	1,567,056	2,948,319
Core real estate	836,615	848,978
Investment grade bonds	522,610	645,534
Growth real estate	2,179,297	2,034,397
Immunized cash flows	95,512	98,417
Private debt	2,230,730	2,415,370
Market neutral strategies	-	449,833
Treasury inflation-protected securities	47,381	41,034
High yield bonds / Emerging market bonds	354,149	274,347
Long-term government bonds	32,542	-
Private real assets	1,414,317	1,348,900
Venture / Growth capital	308,837	-
Short-term investment grade bonds	2,579	10,746
Commodities	135,705	10,342
Total investment managers' fees	**13,611,440**	**14,643,569**

Other Investment Fees		
Investment consultants	406,750	400,000
Custodian bank	593,126	342,662
Investment legal fees	187,152	140,653
Other investments fees	441,615	21,673
Total other investment fees	**1,628,643**	**904,988**
Total investment expenses	**$ 15,240,083**	**$ 15,548,557**

Investment 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, 2022 and June 30, 2021

MEKETA
INVESTMENT GROUP

5796 Armada Drive
Suite 110
Carlsbad, CA 92008

760.795.3450
Meketa.com

August 19, 2022

Mr. Roberto L. Peña
Director
City of San Jose Police and Fire Department Retirement Plan
1737 North First Street, Suite 600
San Jose, CA 95112-4505

Dear Mr. Peña:

Please find below a summary of the market environment and Plan performance through June 30, 2022.

Fiscal Year 2022 Year in Review

We entered fiscal year 2022 in an environment of improvements related to COVID-19, supportive monetary policy, relatively low interest rates, and the belief that inflation would be transitory. As the year progressed it became clear that as supply chain issues lingered inflation was going to remain high. The inflation picture was further complicated by the war in Ukraine and China's strict policies related to the virus, as well as relatively strong demand here in the US driven by policy support. With inflation levels at multi-decade highs the US central bank, and others, were forced to aggressively start increasing interest rates. This led to one of the worst starts to a calendar year on record and weighed heavily on the overall fiscal year results.

Related to COVID-19, there was a global push for vaccine development and distribution, as well as advances in therapeutics. This led to increased optimism that there was a path to normal life and a return to typical economic patterns that we had not seen since early 2020. Despite these improvements there were pockets of disruption related to the virus during the fiscal year with various outbreaks reintroducing restrictions. Here in the US the Omicron variant led to a massive spike in cases toward the end of 2021 and into 2022.

While COVID-19 was still present worldwide, it evolved into a less virulent form and much of the world has learned to live with it. Many restrictions on travel were removed, and spending patterns among individuals and businesses adjusted to reflect that. Early in the pandemic, much of consumer spending in the US was on real estate, home renovation, and other goods to make living and for some working solely at home more comfortable. As the global economy reopened, spending patterns shifted to reflect preferences for travel and leisure.

One exception to the reopening of the global economy has been China. The Chinese government has continued the "COVID Zero" policy instituted early in the pandemic that includes mass testing, restrictions on mobility, and the closure of commercial and manufacturing centers. The policy also weighs on the resolution of supply chain issues and contributes to inflation globally.

At the beginning of fiscal year 2022 (July 2021), CPI stood at 5.4%[i]. At the time, many market commentators and the Federal Reserve were labeling increases in inflation as "transitory," a result of

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pandemic-induced supply chain issues and accumulated savings over a year of stay-at-home orders. The Federal Reserve declined to act at the time, citing elevated unemployment levels and an incomplete recovery. Capital markets started to digest the high inflation numbers, with the Bloomberg Commodity index increasing 6.6%[1] and the Bloomberg TIPS index returning 1.8%[1] in the third calendar year quarter of 2021. Ultimately for the July-September period, US equity markets were slightly positive. Developed equity markets outside the US were slightly negative (in US dollar terms), while the MSCI Emerging Markets index declined 8.1%[1] for the period driven by concerns in China related to the property market and the government's crackdown on the technology sector. Rates stayed largely unchanged through September in the US as investors waited for clarity on the path of the economy and monetary policy.

It was also late in 2021 that news of a new COVID-19 variant of concern, Omicron, were beginning to come out of South Africa. Early reports were that it was significantly more transmissible, and possibly less virulent. Depending on the region of the world, restrictions were reintroduced, exacerbating supply chain issues. Additionally, high natural gas prices were threatening the economic recovery in Europe and troubles related to China's overleveraged property sector and crackdown on the technology sector continued to rattle markets.

By December of 2021, CPI had increased to 7.0%, well above trend and at risk of becoming entrenched in consumer expectations. It was at this time that the Federal Reserve acknowledged that increases in inflation may not be "transitory" and gave indications that price increases were broadening out to goods and services not directly related to pandemic dislocations. The change in tone from the Federal Reserve did not significantly affect capital markets in the fourth quarter of 2021, as many asset classes were still positive. The S&P 500 returned 11.0%[1] for the September to December quarter, with developed market equities registering lower (+2.7%) but positive returns, and emerging market equities declining (-1.3%).[1] The broad US bond market was flat, while TIPS (+2.4%) benefited from increasing inflation concerns.[1]

In early 2022, market participants in the US started to digest the hawkish pivot of the Federal Reserve in December given inflation pressures were not easing. US and non-US equity markets posted negative returns January, with non-US equities generally outperforming US equities. Rates began to increase across the US yield curve, but the curve also began to flatten, given policy expectations. Bond markets also posted negative returns on concerns of higher interest rates in the inflationary environment, marking an unusual positive correlation between the two asset classes.

Russia invaded the Ukraine the last week of February and the West responded with sweeping sanctions that exceeded market expectations. Restricting access to foreign reserves was key, leading to Russia's central bank dramatically increasing policy rates (9.5% to 20%) to try to protect the currency. Food and energy prices added to inflation pressures in Europe and the US, pushing interest rates higher. During the first quarter of 2022, all major asset classes declined except for commodities. Value stocks in the US significantly outperformed growth stocks, given higher rates and a preference by many investors for companies presumably better able to weather the tightening financial conditions. An increase in inflation expectations, and the pricing in of higher policy rates, proved to be a challenging headwind for

[1] Performance figures calculated by custodian bank.

August 19, 2022

nearly all bond indices. The broad US bond market experienced one of its worst quarters on record, down 5.9%.[1]

The Federal Reserve began lifting interest rates in the last quarter of the fiscal year. It started with a 25 basis point hike in April and followed that with a 50 basis point increase in early May. In June, reacting to a CPI reading of 8.6%, the Federal Reserve hiked rates by 75 basis points, which was the largest one-time increase since 1994. A similar increase took place in July 2022 with further increases expected into 2023. All major equity indices suffered steep declines in June weighing on overall second quarter 2022 results, with the S&P hitting bear market territory by the end of the second calendar quarter. Emerging markets proved slightly more resilient than developed markets on a partial re-opening in China from pandemic-related lockdowns. The global bond selloff continued, as inflation fears, and policy expectations weighed on all major global bond markets.

Over the full fiscal year, US stocks outperformed other regions, with the S&P 500 returning -10.6%[ii] for the year, compared to the MSCI EAFE at -17.8%,[1] and a decline of 25.3% for the MSCI Emerging Market index. Despite positive performance in June, the MSCI China index declined the most among major regions with a full fiscal year return of -31.8%.[1] Within fixed income, higher inflation and higher rates led the Bloomberg TIPS index to decrease 5.1% over the full fiscal year, while the Bloomberg Aggregate index declined by 10.3%.[1] Economic growth in the US fell in the first and second quarters of 2022, at -1.6% and -0.9%, respectively.[iii] Europe's economic output moderated but was still positive in the first two quarters of 2022. Japan's economic growth was slightly negative to begin 2022, while China's GDP remained positive but below the prior trend. Inflation remained stubbornly high, with CPI increasing 8.6%[iv] in the US over the fiscal year, the highest reading since 1981. The Eurozone matched the US with an 8.6%[v] inflation print for the fiscal year ending in June.

2023 Outlook

Fiscal year 2022 was a tale of two periods in the context of economic growth and market returns. Outsized economic growth and positive returns globally in the last six months of 2021 coupled with slowing economic growth and negative returns in the first six months of 2022. Above trend price increases continued for the entirety of fiscal year 2022. One of the central questions now, is whether central banks around the world can rein in inflation without sending global economies into a deep recession, all while the war in Ukraine continues and some supply chain dislocations remain. Economic uncertainties abound. These include:

→ Central Banks find themselves potentially behind the curve on inflation, with available tools that may not be the most effective in dealing with the cost-push type of inflation we are experiencing. This dynamic creates the risk of creating a stagflationary environment. Longer-term, we could also see a slowing or decline in globalization creating more persistent inflationary pressures.

  - Supply chain issues and geopolitical risks have placed a premium on supply chain stability relative to supply chain efficiency. Beginning in the 1990s and accelerating after the inclusion of China in the World Trade Organization in 2001, many companies globalized their sourcing and

[1] Performance figures calculated by custodian bank.

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production and embraced lean manufacturing techniques to drive efficiency. But the move toward globalization, though greatly reducing most costs, exposed companies to an abundance of supply chain risks, which the pandemic and Russian invasion of Ukraine laid bare. As a result, many companies are focused on making supply chains more resilient and robust. This often entails the reshoring of large segments of the supply chain and an embrace of redundancies, including input and inventory stockpiling, and diversifying sourcing from nearshored, and/or reshored suppliers. Ultimately, with a focus on supplier reliability over cost. This transition is likely a secular change which could lead to pricing pressure for years to come, that is largely unaffected by monetary policy.

→ Current levels of inflation may not come down as much as market metrics imply.

- Measures of breakeven inflation, or the difference in yields between TIPS and nominal bonds, imply that inflation will return to sub-3% levels over the next 5 years. Additionally, because of expectations of rapid declines in inflation, some metrics are even implying a pause or rate cuts next year. If inflation does not come down quickly enough, further rate increases may be necessary, leading to potentially more losses in bond markets.

→ Unemployment levels are low, and back near levels consistent with full employment, but the labor force participation rate has not recovered. There also continues to be an imbalance between job openings and the available workers to fulfill them.

- Potential for a wage-price spiral: early retirements and other trends associated with the pandemic and the "Great Resignation" have left millions more job openings than available workers in the US. The labor force participation rate was at 63.4% in January of 2020, prior to the pandemic, and was still only at 62.2% at the end of fiscal year 2022. As companies look to respond to increased demand as the economy reopens, they have faced a distinct shortage in available workers. In response, some companies have been aggressively raising wages to fill vacancies. As companies look to offset the higher input costs, often they respond by raising the prices of the goods and services they sell, furthering contributing to pricing pressure. Which then can feed into wage expectations and ultimately additional wage growth eventually leading to a cyclical feedback loop. Ultimately, such a condition may only exist during a strong economic expansion and ultra-tight labor markets. As a result, inflation arising from this process should be sensitive to monetary policy to the extent that the central bank is willing to slow economic growth to break the cycle.

→ The invasion of Ukraine by Russia evolves into a long-term conflict and threatens to pull in other nations to the fight.

- This development increases the possibility of lower economic growth worldwide, and most likely causes prices to stay elevated for longer periods of time, versus the absence of global conflict.

→ Economic growth continues to slow globally.

- After growth in calendar year 2021 that exceeded historical norms, growth forecasts continue to be revised downward across countries as economies adjust to higher prices and tighter monetary conditions.

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→ Another COVID-19 variant of concern emerges that may be more dangerous.

- The novel coronavirus is still out there, and as it continues to spread there is always a chance that a new, more virulent variant could emerge.

While there are many risks to markets as the pandemic continues, prices are higher, rates are increasing, and global conflicts persist, there are reasons to remain optimistic as well. These include:

→ Inflation potentially peaks in fiscal year 2023, and central banks reduce the pace of monetary tightening or end it altogether. It is also possible that we could even start seeing rate decreases in the coming years.

→ Despite the recent rate increases, interest rates in the US are still low relative to historical levels and economic projections remain positive.

→ As a result of equity market declines in fiscal year 2022, valuations are more reasonable and near historical averages. The recent decline in equities also leads to higher expected returns going forward. Similarly, higher interest rates also lead to increases in expected returns for bonds.

→ Spending by the US consumer has held up well in the face of higher prices, and if inflation peaks while the job market is still strong, positive economic growth would be expected to occur.

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

The City of San Jose Police and Fire Department Retirement Plan had $4.4 billion in assets at the end of the fiscal year. For the fiscal year, the Retirement Plan returned -5.0% net of fees, versus the Policy Benchmark (-5.3%) and Investable Benchmark (-6.1%). The Retirement Plan's return fell below the 6.625% assumed actuarial rate of return, after returning nearly 3x that goal during fiscal 2021. The Retirement Plan's standard deviation of returns was 8.2%, exhibiting lower volatility than the peer median (8.5%).

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

→ *Asset Allocation*: The Plan's small cash balance during falling markets contributed positively to returns, as did Private Markets exposure. During fiscal year 2022, cash returned 0.2%, while Private Markets returned 14.6%.

→ *Private Markets:* All Private Markets asset classes were positive during the fiscal year, on a time-weighted return basis. Private Equity returned 26.4%, Venture Capital returned 28.8%, Private Debt returned 16.6%, Growth Real Estate returned 29.0%, and Private Real Assets returned 30.2%. Because private markets investing takes some time to reach targets and the policy target allocation was recently raised, Private Markets asset classes were below their long-term target during the year (the difference between the actual allocation and the target allocation was made up by investments in the Russell 3000 index/public equity). Core Real Estate, which is classified as "Other" for asset allocation purposes, was also up 28.3% during the fiscal year.

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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→ *Low Beta:* The Retirement Plan's Low Beta aggregate also had a positive return for the fiscal year, up 3.9%. The Plan's allocation to Relative Value hedge funds was up 21.6%, compared to a benchmark return of 0.8%. Three of the four Relative Value hedge funds posted positive returns, validating their countercyclical purpose in the Plan.

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 $244.9 million in assets at the end of the fiscal year. For the fiscal year, the Health Care Trust returned -9.6% net of fees, largely in line with the Policy Benchmark return of-9.5%.

Within the Health Care Trust, Growth returned -17.7% versus the Growth Benchmark return of -17.9%. Low Beta returned +0.2% and matched the ICE BofA 91 Days T-Bills TR, while Other returned 3.2%, outperforming the Other benchmark by 110 basis points over the fiscal year period. Within Other, Core Real Estate represented 14.9% of the Total Trust and returned 28.3%, while Commodities represented 5.1% of the Total Trust and returned 13.9% for the fiscal year.

Summary

While absolute performance for the City of San Jose Police and Fire Department Retirement Plan over the fiscal year was negative due to the severe market downturn in public equities and bonds during the second half of the fiscal year, Plan performance exceeded all of its predetermined total fund benchmarks. Compared to the Public Peer Group over $1 Billion Net Return, performance over the fiscal year ranked near the top quartile, 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	Jared Pratt, CFA
Managing Principal	Investment Analyst

LBW/jls

[i] Source: Bloomberg and InvestMetrics.
[ii] Source: Bloomberg.
[iii] Source: Bureau of Economic Analysis.
[iv] Source: US Bureau of Labor Statistics.
[v] Source: Eurostat.

[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.

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 May 5, 2022. The asset allocation was approved on March 3, 2022.

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.

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.

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.

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.

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. The expected return for the LBP is 3.1% (20 years / geometric mean) as of the date of this document.

2. A LCPP consisting of the following asset classes and targets, and the broad, commonly-used market indices that could be used for each asset class, are shown in Appendix A. The expected return for the LCPP is 6.3% (20 years / geometric mean) as of the date of this document.
3. A SAAP consisting of the following asset classes and targets shown in Appendix A. The expected return of the SAAP is 7.1% (20 years / geometric mean) as of the date of this document.

Asset Allocation Tools & Methods

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

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

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

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

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

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

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

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

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

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 <u>not</u> 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).

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.

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 exceptions of venture capital and co-investments (due to the nascent nature of the venture capital program and investment concentration risk of co-investments). The Venture Capital program shall be approved by the Investment Committee and the Board prior to its implementation. These exceptions do not pertain to funds where an external manager has discretion.

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

1. Manage the Investment Personnel of the 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;

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:

Statement of Investment Policy *(continued)*

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

1. Imposition of a Quiet Period / No Contact policy. Board members and staff shall not have contact with individuals or entities who are seeking engagement by the Plan in response to an RFP, RI, purchase order, or other solicitation or contracting process, except in accordance with the published terms of the contracting process or except for, and limited to, contact necessary in connection with ongoing Plan business with an individual or entity. The Plan's RFPs, RFIs, and other contract solicitations shall include notice that a "quiet period" will be in place from the beginning of the contracting process until the selection of the successful party such that these communications shall not occur, except as provided above. As part of the contracting process, potential contracting parties shall be required to disclose potential conflicts of interest. Board members and staff shall not use or attempt to use influence, outside of the individual authority to cause the organization to enter into a contract with any individual or entity. Board members and staff may refer individuals or entities for consideration for contracting to the appropriate Plan staff member(s) responsible for the particular procurement or contract process.
2. Identification of a mandate to implement the Board's SAA Policy Portfolio.
3. Comprehensive **operational due diligence** performed by the investment staff, qualified investment consultant, or qualified quasi-discretionary investments manager;
4. In the case of private markets, comprehensive **operational due diligence** performed by the investment staff, qualified investment consultant, or qualified quasi-discretionary investment manager;
5. **Legal review** by qualified investment counsel of the manager agreement and related documentation;
6. **An internal meeting of investment officers, including the CIO** and the officer responsible for the asset class in question, during which staff's due diligence analysis is reviewed and debated and a staff recommendation is made;
7. **Approval by the CIO;**
8. **Concurrence by a qualified investment consultant** or quasi-discretionary investment manager as to the reasonableness of the selection decision; and
9. Written affirmation to the Investment Committee by the CIO that the process used to select the manager complied with applicable policies and the procedures. Such affirmation shall be submitted to the Investment Committee at the next regularly scheduled Investment Committee meeting following the selection of the manager.

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

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

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

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

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

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.

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.

XIII. RISK POLICY

Purpose and Scope

The purpose of this Risk Policy is to ensure that the total portfolio investment risk is consistent with the investment beliefs and strategic goals set forth by the San José 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 D, which defines all the technical terms use in this policy.

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. Staff risk operating zones are defined in Appendix C.

General Investment Consultant

The General Investment Consultant ("GC") is appointed by the Board to provide independent, objective investment advice. The GC is a fiduciary to the 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

- **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.

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.

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.

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. Annualized tracking error, as measured quarterly by the RC, shall adhere to the targets and ranges outlined in **Appendix C**.

IX. INVESTMENT COSTS

The Board members intend to monitor and control investment costs at every level of the San José 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 [8] ASSET ALLOCATION TARGETS [9] (As of March 3, 2022)

	Target (%)	SAAP Asset Class Benchmarks	LCPP Asset Class Benchmarks	Tracking Error Target Range (basis points)
Growth	**71**			
Public Equity	42	Custom Public Equity Benchmark[10]	LCPP Custom Public Equity Benchmark[9]	0 - 400
Total Private Markets	25	Actual Return		N/A
Private Equity	9		Russell 3000	
Growth Real Estate	4		Global NAREIT	
Private Debt	4		Bloomberg Barclays Aggregate	
Private Real Assets	4		S&P Global Natural Resources	
Venture/Growth Capital	4		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	**16**			
Cash	8		ICE BofA 91 Days T-Bills TR	N/A
Immunized cash flows	5	Actual Return	Gov/Credit 1-3 Year	N/A
Market Neutral Strategies	3	SOFR + 1.5% Actual Return	SOFR Bloomberg Barclays	0 - 1,000
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[11]	Custom IG Bonds Benchmark[10]	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

[8] Appendix A shall be revised as new Asset Allocation targets are approved by the Board.
[9] Approved by the Board of Administration on March 3, 2022.
[10] 57.1% MSCI US IMI, 26.2% MSCI World ex US IMI, 16.7% MSCI EM IMI Net.
[11] 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
FORECASTED RISK OPERATING ZONES

Risk Guideline	CIO	IC	Board
Total Portfolio Forecast Risk	8-11%	<8%; 11-12%	>12%
Total Portfolio Forecast Beta	0.5-0.8	0.3-0.5; 0.8-1	<0.3; >1
Total Portfolio Duration	0-3 years	3-5 years	> 5 years
Total Portfolio Credit Spread Duration	0-3 years	3-5 years	> 5 years
Total Portfolio Relative Risk	< I10%I	I10% I-I 20%I	> I20%I
Equity Factor Relative Risk	< I10%I	I10% I-I 20%I	> I20%I
Interest Rate Factor Relative Risk	< I10%I	I10% I-I 20%I	> I20%I
Credit Factor Relative Risk	< I10%I	I10% I-I 20%I	> I20%I
Currency Factor Relative Risk	< I10%I	I10% I-I 20%I	> I20%I
Portfolio Active Risk	0.5%-3%	0-0.5%; 3-4%	> 4%
Average Drawdown Risk	0-25%	25-30%	<-30%

Appendix D
DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 Jose Police and Fire Retiree Health Care Trust Fund Goals

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

V. Diversification

The Board members of the San Jose 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.

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

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

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

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

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

1. Step 1: Inputs

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

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

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

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

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;

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 Jose 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 SMA's (public, passive)	No limit [2]
	Commingled funds (public, active)	15%
	Commingled funds (private strategies)	15% [3]
Public Markets	Passive strategies	No limit
	Active strategies	15%

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

** Percentage (%) of total Fund assets

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

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

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

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

Appendix A [1]
ASSET ALLOCATION TARGETS [2]

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

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

2 *Approved by the Board of Administration in 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, 2022

PUBLIC EQUITY		
Artisan Partners	GQG Partners	Oberveis Asset Management
Cove Street Capital	Kotak Infinity Fund	Redwheel
Dimensional Fund Advisors	Morgan Stanley	Wellington Management
First Eagle	Northern Trust Asset Management	
PRIVATE EQUITY		
57 Stars LLC	Innovation Endeavors	Siguler Guff & Company, LP
CCMP Capital Investors	Neuberger Berman	TCW
Crescent Capital Group	Northern Trust Asset Management	TPG Capital
Francisco Partners	Pantheon Ventures	Warburg Pincus LLC
HarbourVest Partners	Portfolio Advisors LLC	
GROWTH REAL ESTATE		
AIG Global Real Estate Investment Group	GEM Realty Capital	Sculptor Capital Management
Blackstone Group	HIG Realty Partners	TA Realty
Brookfield Asset Management	KSL Capital Partners, LLC	Torchlight Investors
Centerbridge Partners	Orion Capital Managers LLP	Tristan Capital Partners
DRA Advisors LLC	Praedium Group	
Exeter Property Group	Rockpoint Group	
PRIVATE DEBT		
Angelo Gordon	Eagle Point	Shoreline Capital
Arbour Lane Capital Management	HPS Investment Partners	Strategic Value Partners
Blackstone / GSO Capital Partners	Medley Capital LLC	Whiteoak Global Advisors
Crestline Investors Inc	Octagon Credit Investors	
Cross Ocean Partners	Park Square Capital, LLP	
PRIVATE REAL ASSETS		
Aether Investment Partners	Global Infrastructure Partners	Mountain Capital
Brookfield Asset Management	Kimmeridge	Orion Mine Finance
Crestline Investors Inc	Lime Rock Partners	Tembo Capital
EMERGING MARKET BONDS		
Payden & Rygel		Wellington Management
HIGH YIELD BONDS		
BNY Mellon Asset Management		Columbia Threadneedle Investments
LONG-TERM GOVERNMENT BONDS		
	BlackRock Financial Management Inc	
INVESTMENT GRADE BONDS		
BlackRock Financial Management Inc	Northern Trust Asset Management	
Invesco	Voya Investment Management	
MARKET NEUTRAL STRATEGIES		
Crabel Capital Management	Hudson Bay Capital Management	
D.E. Shaw & Co, LP	Pine River Capital	
IMMUNIZED CASH FLOWS		
	Insight Investment	
VENTURE / GROWTH CAPITAL		
Bow Capital	Nextplay Capital	Top Tier Capital Partners
Canvas Ventures	Northgate Venture Partners	
Invesco	Tiger Iron	
TREASURY INFLATION-PROTECTED SECURITIES (TIPS)		
	Northern Trust Asset Management	
CORE REAL ESTATE		
BlackRock Financial Management Inc	Clarion Partners	TA Realty
COMMODITIES		
BlackRock Financial Management Inc		Credit Suisse Asset Management
CONSULTANTS		
Albourne America LLC (Absolute Return)	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, 2022

	One Year	Three Years	Five Years	Ten Years
Total Fund with Overlay (Net of Manager Fees)	**(5.0)%**	**7.3%**	**6.6%**	**6.4%**
Policy Benchmark	(5.3)%	6.8%	6.5%	6.4%
InvMetrics Public DB > $1B Net Median	(7.4)%	6.3%	6.6%	7.6%
Public Equity	**(18.9)%**	**5.8%**	**6.4%**	**8.5%**
Public Equity Benchmark	(17.6)%	5.5%	6.5%	8.7%
Private Equity	**26.4%**	**25.2%**	**20.7%**	**16.2%**
Custom PE Benchmark	26.8%	23.8%	19.9%	15.9%
Private Real Assets	**30.2%**	**13.6%**	**10.9%**	**N/A**
Private Debt	**16.6%**	**12.0%**	**7.4%**	**N/A**
S&P Global Leveraged Loan + 2%	(0.8)%	3.9%	4.6%	N/A
Northern Trust Russell 3000	**(13.8)%**	**9.8%**	**10.6%**	**N/A**
Russell 3000	(13.9)%	9.8%	10.6%	N/A
Immunized Cash Flows	**(3.5)%**	**0.3%**	**N/A**	**N/A**
Immunized Cash Flow Benchmark	(3.5)%	0.3%	N/A	N/A
Core Real Estate	**28.3%**	**11.5%**	**9.8%**	**N/A**
Core Real Estate Benchmark	27.3%	10.0%	8.6%	N/A
Emerging Market Bonds	**4.1%**	**6.5%**	**5.9%**	**N/A**
50% JPM EMBI GD / 50% JPM GBI-EM	(20.2)%	(5.5)%	(1.7)%	N/A
Growth Real Estate	**29.0%**	**13.5%**	**12.8%**	**N/A**
NCREIF Property Index	21.5%	10.2%	8.9%	N/A
Market Neutral Strategies	**21.6%**	**12.9%**	**10.0%**	**N/A**
Market Neutral Strategies Benchmark	0.8%	0.9%	1.1%	N/A
Venture / Growth Capital	**28.8%**	**N/A**	**N/A**	**N/A**
Treasury Inflation-Protected Securities (TIPS)	**1.2%**	**3.5%**	**N/A**	**N/A**
Bloomberg US Treasury TIPS 0-5 Yr TR	1.1%	3.5%	N/A	N/A
Cash and Cash Equivalents	**0.2%**	**0.7%**	**1.2%**	**0.7%**
ICE BofA 91 Days T-Bills TR	0.2%	0.6%	1.1%	0.6%
High Yield Bonds	**(11.9)%**	**N/A**	**N/A**	**N/A**
Bloomberg US Corporate High Yield TR	(12.8)%	N/A	N/A	N/A
Investment Grade Bonds	**(10.0)%**	**N/A**	**N/A**	**N/A**
Custom IG bonds Benchmark	(9.3)%	N/A	N/A	N/A
Long-Term Government Bonds	**(18.5)%**	**N/A**	**N/A**	**N/A**
Bloomberg US Treasury Long TR	(18.5)%	N/A	N/A	N/A

Basis of Calculation : Time-Weighted Rate of Return

Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2022

Schedule of Investment Results of Healthcare Trust - 115 Subtrusts

NET PERFORMANCE SUMMARY BY ASSET CLASS

For Period Ended June 30, 2022

	One Year	Three Years	Five Years	Ten Years
Total Fund (Net of Manager Fees)	**(9.6)%**	**4.6%**	**4.4%**	**4.7%**
Policy Benchmark	(9.5)%	4.8%	5.3%	5.5%
Public Equity	**(17.7)%**	**5.3%**	**6.6%**	**N/A**
Public Equity Benchmark	(17.9)%	5.4%	6.5%	N/A
Short-Term Investment Grade Bonds	**0.3%**	**0.7%**	**N/A**	**N/A**
ICE BofA 91 Days T-Bills TR	0.2%	0.6%	N/A	N/A
Core Real Estate	**28.3%**	**10.9%**	**9.1%**	**N/A**
Core Real Estate Benchmark	27.3%	10.0%	8.9%	N/A
Commodities	**13.9%**	**13.2%**	**8.1%**	**N/A**
Bloomberg Commodity Index TR USD	24.3%	14.3%	8.4%	N/A
Cash and Cash Equivalents	**0.2%**	**0.6%**	**0.9%**	**0.5%**
ICE BofA 91 Days T-Bills TR	0.2%	0.6%	1.1%	0.6%
Investment Grade Bonds	**(10.4)%**	**N/A**	**N/A**	**N/A**
Bloomberg US Aggregate TR	(10.3)%	N/A	N/A	N/A
Long-Term Government Bonds	**(18.5)%**	**N/A**	**N/A**	**N/A**
Long-Term government bonds Benchmark	(18.5)%	N/A	N/A	N/A

Basis of Calculation: Time-Weighted Rate of Return

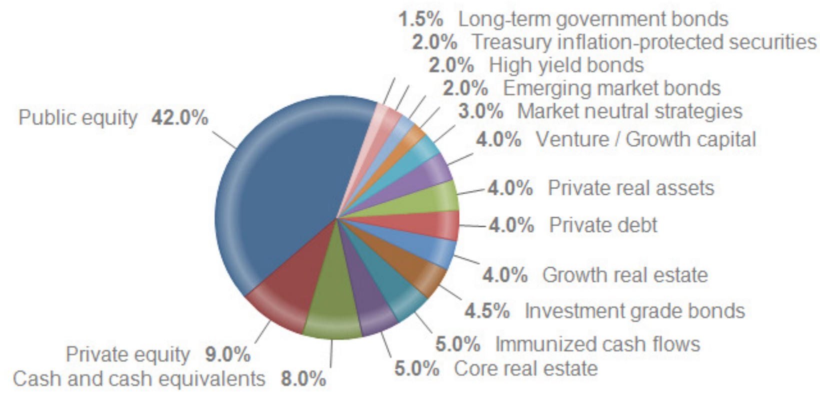
Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2022

Pension Investment Review

INCLUDES THE 401(H) INVESTMENTS

TARGET ASSET ALLOCATION

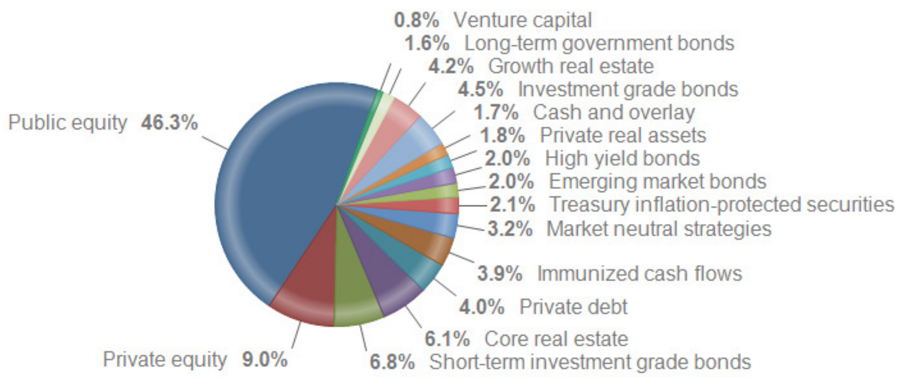
As of June 30, 2022



ACTUAL ASSET ALLOCATION

Non-GAAP Basis

As of June 30, 2022

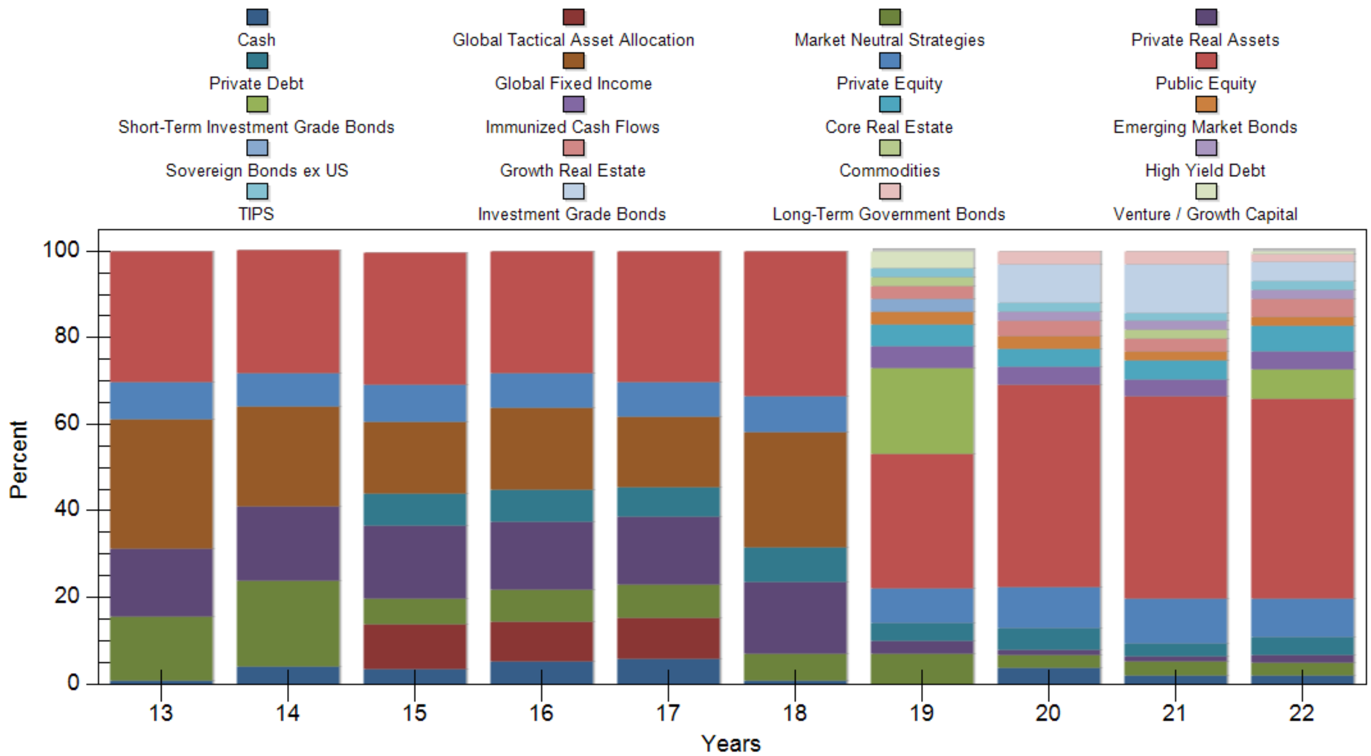


Asset Class	$ Millions
Public equity	$2,042.1
Private equity	398.2
Short-term investment grade bonds	300.3
Core real estate	268.9
Investment grade bonds	199.8
Growth real estate	186.7
Private debt	178.0
Immunized cash flows	170.5
Market neutral strategies	139.6
Treasury inflation-protected securities	90.8
Emerging market bonds	90.3
High yield bonds	86.3
Private real assets	79.1
Cash and overlay	77.7
Long-term government bonds	69.5
Venture capital	34.5
Total	**$4,412.3**

Source: *Meketa performance report dated June 30, 2022*

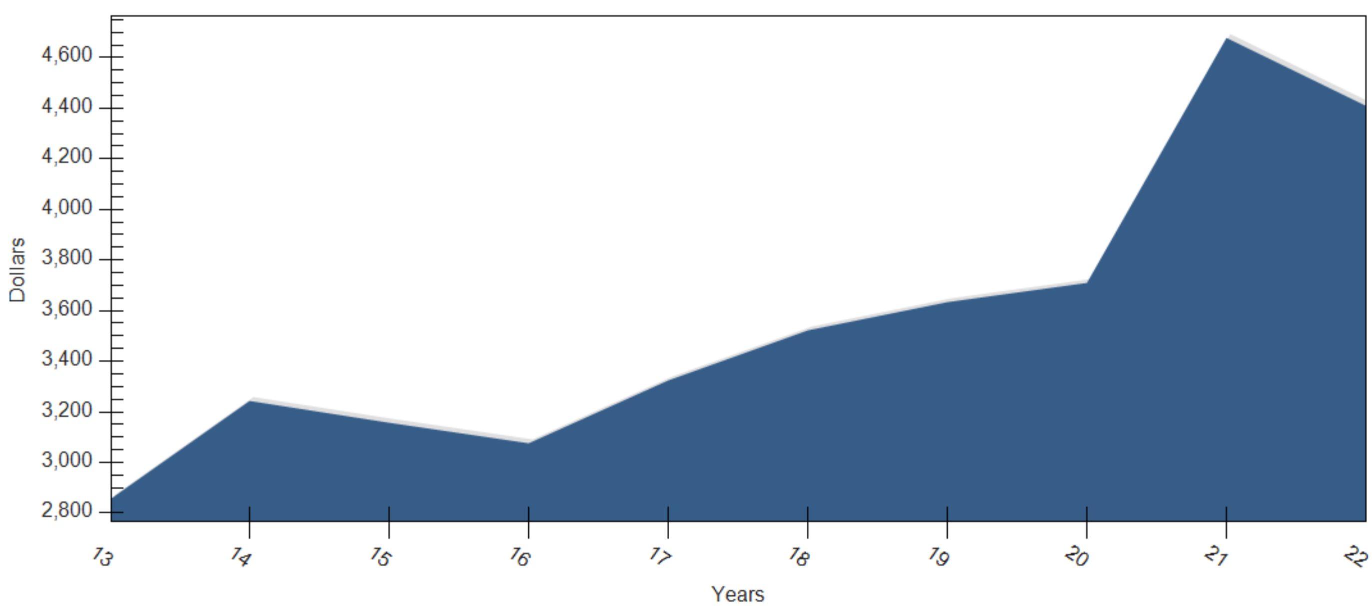
HISTORICAL ASSET ALLOCATION (Actual)

As of June 30, 2013 - June 30, 2022

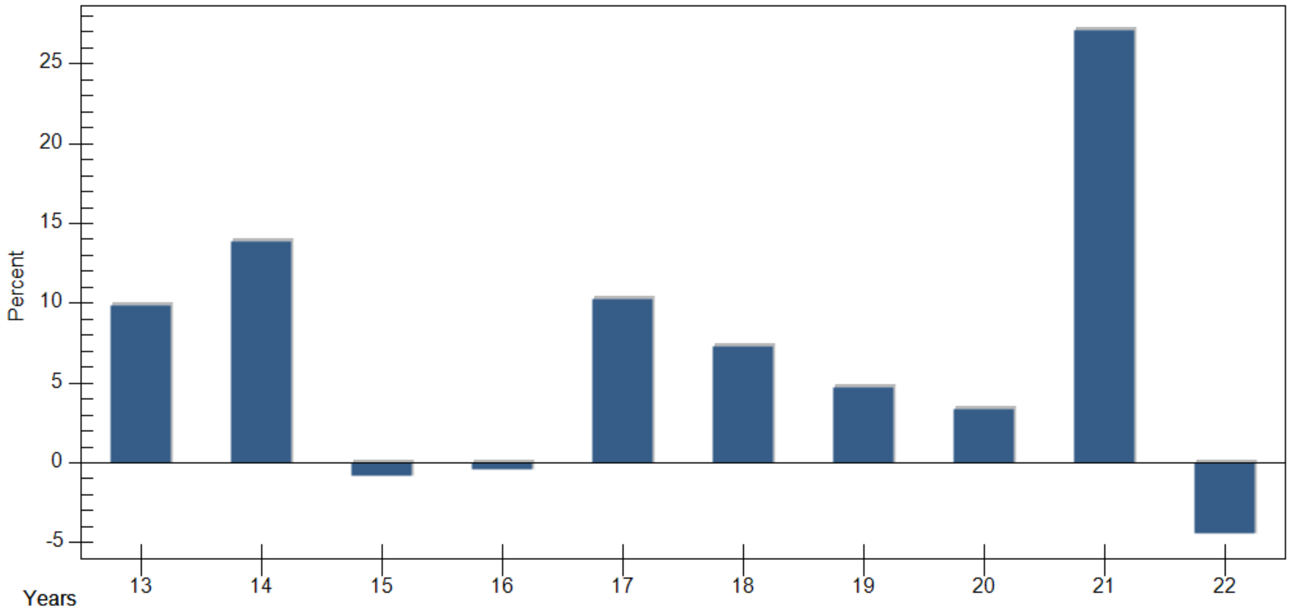


FAIR VALUE GROWTH OF PLAN ASSETS

For Ten Years Ended June 30, 2022
(Dollars in Millions)

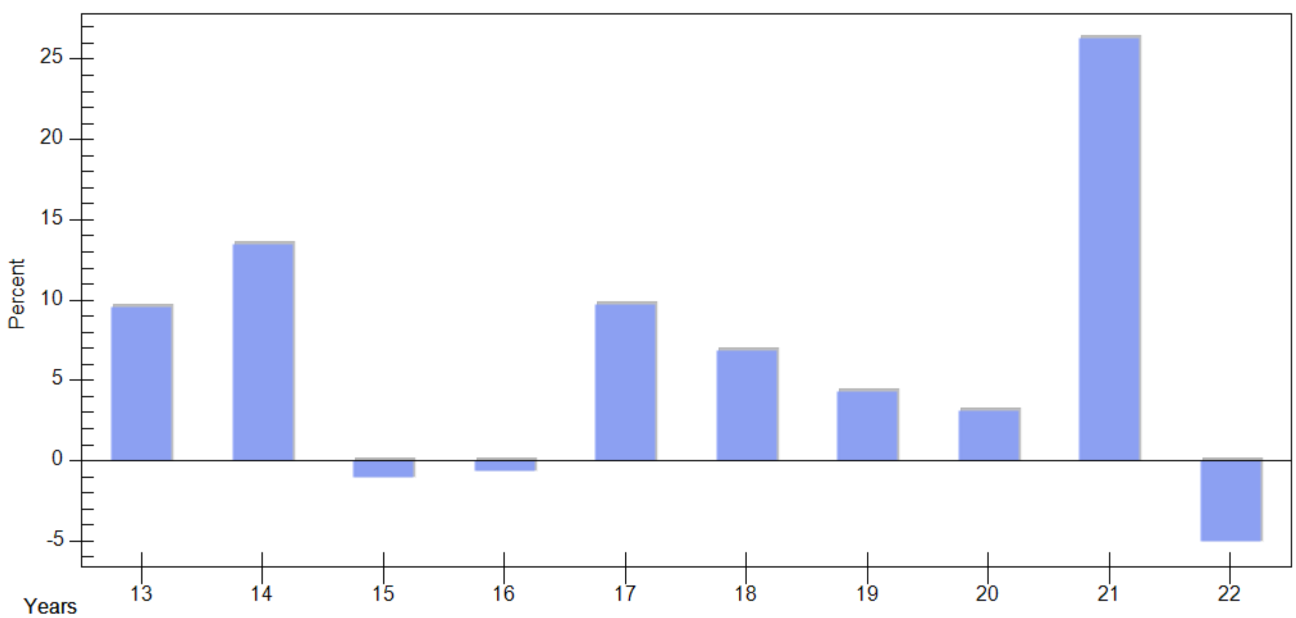


HISTORY OF GROSS PERFORMANCE
For Fiscal Years 2013 - 2022
(Based on Fair Value)



Years	13	14	15	16	17	18	19	20	21	22
Percentage	9.90	13.90	-0.80	-0.40	10.30	7.30	4.70	3.40	27.10	-4.40

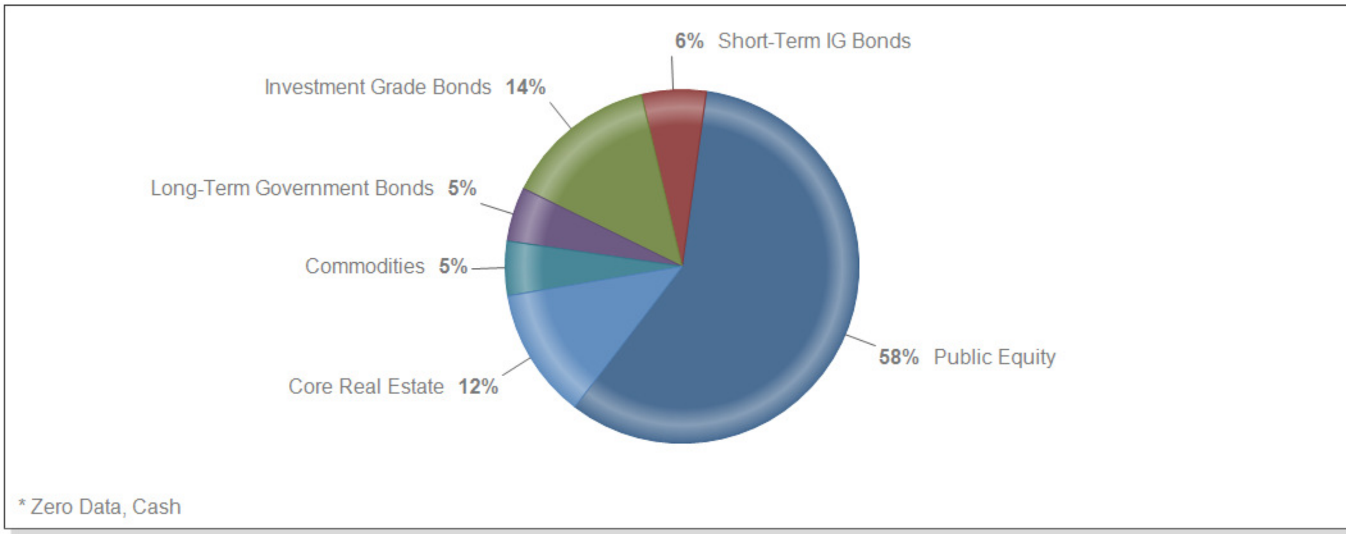
HISTORY OF NET PERFORMANCE
For Fiscal Years 2013 - 2022
(Based on Fair Value)



Years	13	14	15	16	17	18	19	20	21	22
Percentage	9.60	13.50	-1.00	-0.60	9.70	6.90	4.30	3.10	26.30	-5.00

Healthcare Investment Review
115 SUBTRUSTS

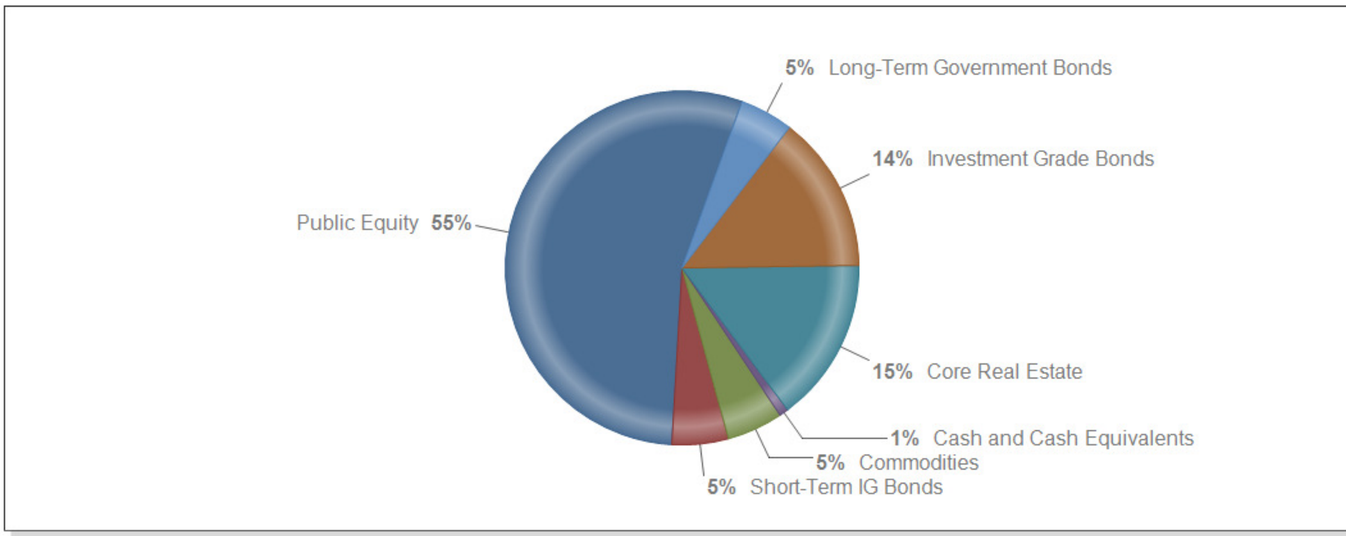
TARGET ASSET ALLOCATION
As of June 30, 2022



**Cash has a zero percentage target allocation.*

ACTUAL ASSET ALLOCATION
Non-GAAP Basis

As of June 30, 2022

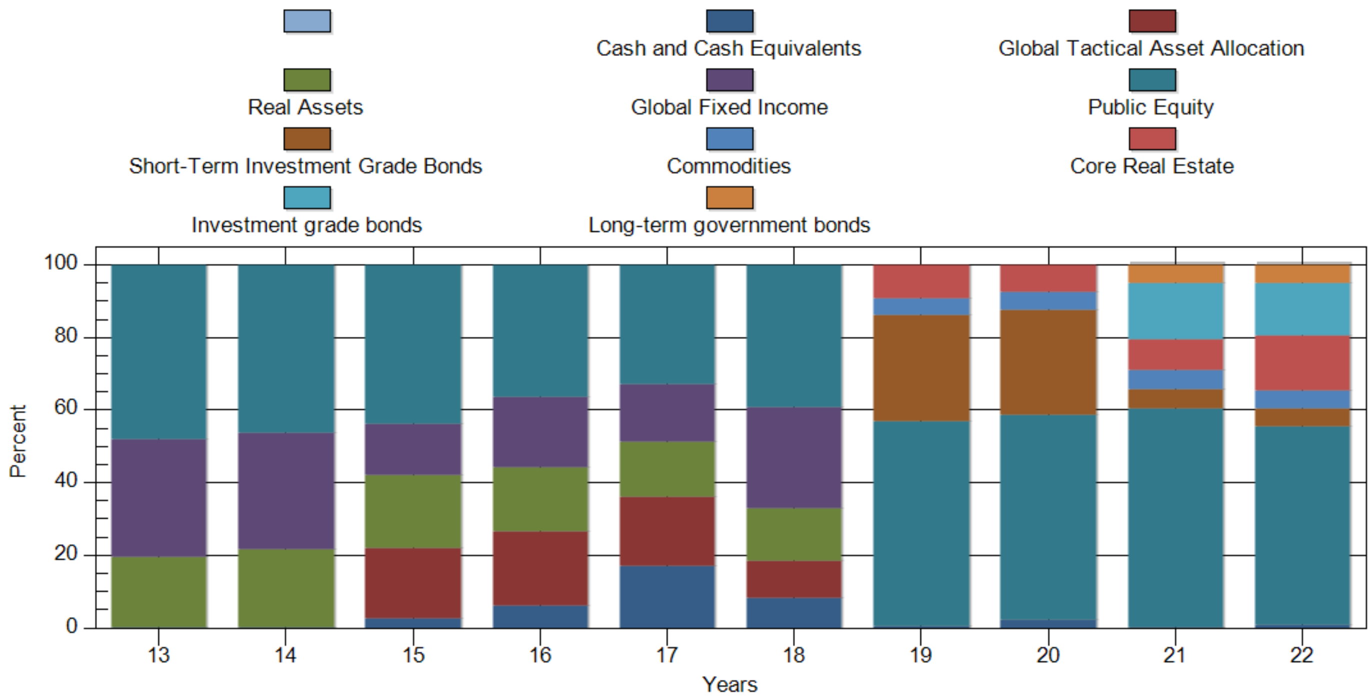


Asset Class	$ Millions
Public equity	$133.7
Core real estate	36.4
Investment grade bonds	35.6
Short-term investment grade bonds	12.7
Commodities	12.5
Long-term government bonds	12.1
Cash and cash equivalents	1.8
Total	**$244.8**

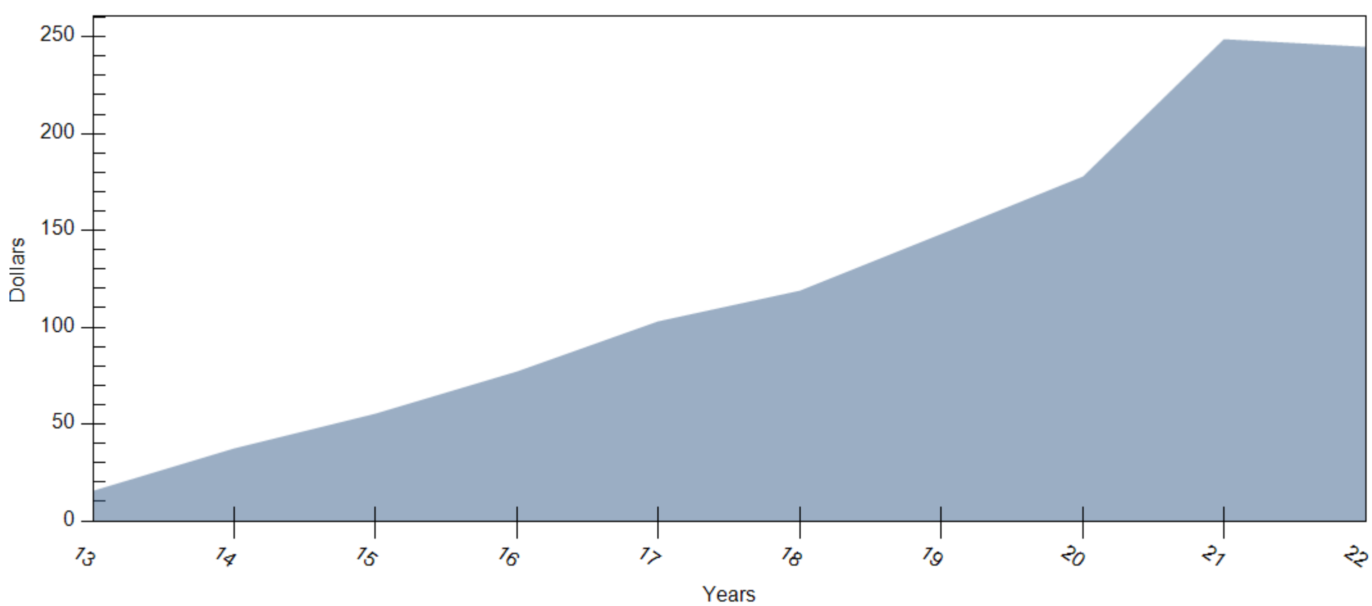
Source: *Meketa performance report dated June 30, 2022*

Healthcare Investment Review *(continued)*
115 SUBTRUSTS *(continued)*

HISTORICAL ASSET ALLOCATION (Actual)
As of June 30, 2013 - June 30, 2022



FAIR VALUE GROWTH OF PLAN ASSETS
For Ten Years Ended June 30, 2022
(Dollars in Millions)



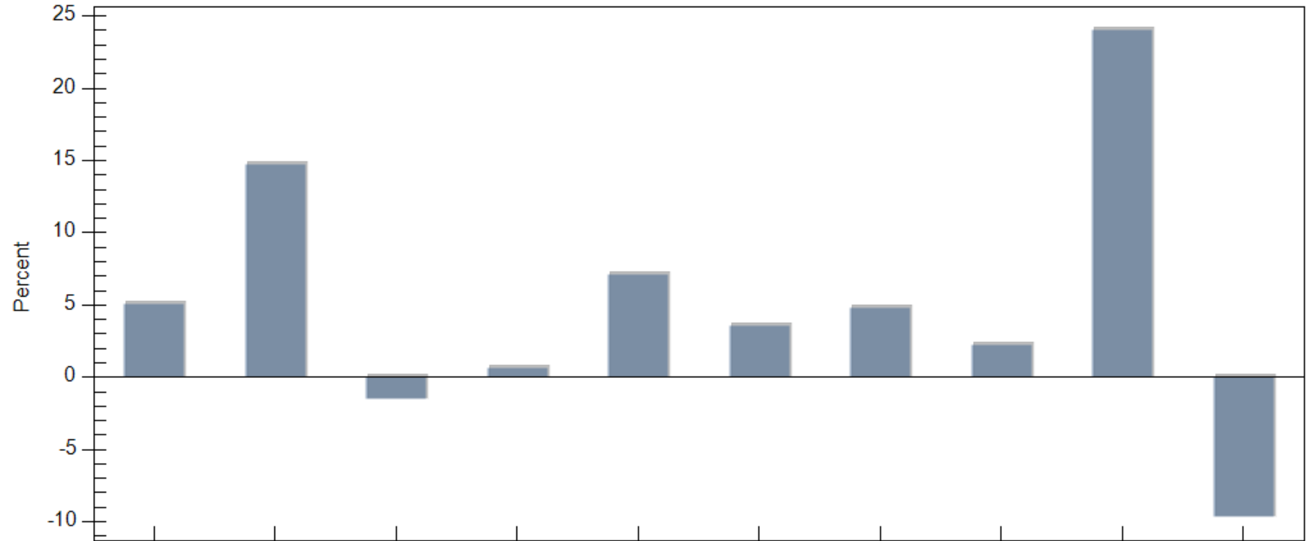
Healthcare Investment Review *(continued)*

115 SUBTRUSTS *(continued)*

HISTORY OF GROSS PERFORMANCE

For Fiscal Years 2013 - 2022

(Based on Fair Value)

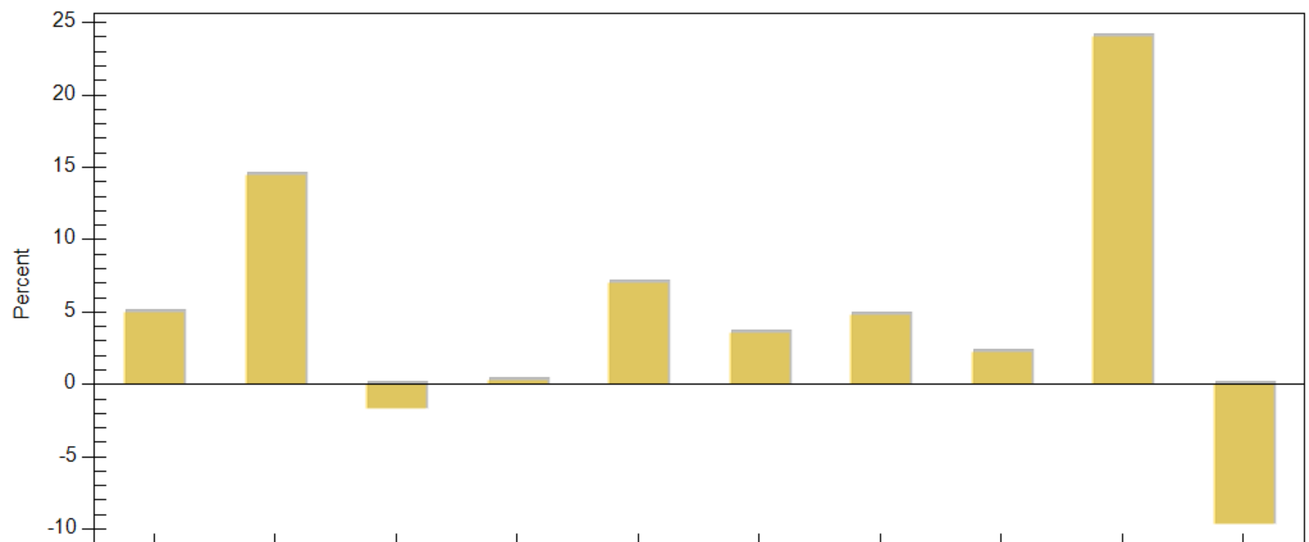


Years	13	14	15	16	17	18	19	20	21	22
Percentage	5.10	14.70	-1.50	0.60	7.10	3.60	4.80	2.20	24.00	-9.60

HISTORY OF NET PERFORMANCE

For Fiscal Years 2013 - 2022

(Based on Fair Value)



Years	13	14	15	16	17	18	19	20	21	22
Percentage	5.00	14.50	-1.70	0.30	7.00	3.60	4.80	2.20	24.00	-9.60

List of Largest Asset Held

LARGEST DISCLOSABLE STOCK HOLDINGS (By Fair Value) For Pension

As of June 30, 2022

Description	County	Shares	Fair Value ($US)
NOVARTIS AG	Switzerland	163,973	$ 13,847,827
ELEVANCE HEALTH INC	United States	28,690	$ 13,845,220
DANONE SA	France	217,606	$ 12,116,447
UBS GROUP AG	Switzerland	649,793	$ 10,445,829
COMPASS GROUP PLC	United Kingdom	509,381	$ 10,392,778
BANK OF NEW YORK MELLON CORP/T	United States	247,425	$ 10,320,097
SAMSUNG ELECTRONICS CO LTD	South Korea	8,727	$ 9,521,157
ALPHABET INC	United States	4,312	$ 9,396,969
BERKSHIRE HATHAWAY INC	United States	33,482	$ 9,141,256
META PLATFORMS INC	United States	50,941	$ 8,214,236

A complete list of portfolio holdings is available upon request.

LARGEST DISCLOSABLE BOND HOLDINGS (By Fair Value) For Pension

As of June 30, 2022

Security Name	Country	Maturity Date	Interest Rate	Par Value	Fair Value ($US)
U S TREASURY NOTE	United States	5/31/2024	2.500%	$ 19,138,300	$ 18,981,366
U S TREASURY NOTE	United States	6/15/2025	2.875%	$ 7,665,600	$ 7,642,220
U S TREASURY BOND	United States	8/15/2025	6.875%	$ 6,536,600	$ 7,289,812
U S TRESURY NOTE	United States	5/31/2027	2.625%	$ 6,833,700	$ 6,714,657
U S TREASURY NOTE	United States	9/30/2025	3.000%	$ 6,655,000	$ 6,652,671
U S TREASURY NOTE	United States	7/31/2025	2.875%	$ 6,662,600	$ 6,638,948
U S TREASURY BOND	United States	5/15/2042	3.250%	$ 6,481,100	$ 6,359,579
U S TREASURY NOTE	United States	3/31/2025	2.625%	$ 5,852,900	$ 5,798,936
FEDERAL NATL MTG ASSN	United States	10/15/2024	1.625%	$ 5,973,000	$ 5,793,571
U S TREASURY NOTE	United States	11/30/2024	1.500%	$ 5,975,600	$ 5,769,502

A complete list of portfolio holdings is available upon request.

Schedule of Investment Fees

For Fiscal Year Ended June 30, 2022

Includes the 401 (h) and 115 Subtrusts

	Assets Under Management at Fair Value [1]	Fees	Basis Points
Investment Managers' Fees			
Public equity	$ 2,175,818,000	$ 3,884,110	18
Cash and cash equivalents	79,533,000	-	-
Private equity	398,281,000	1,567,056	39
Core real estate	305,339,000	836,615	27
Investment grade bonds	235,422,000	522,610	22
Growth real estate	186,698,000	2,179,297	117
Immunized cash flows	170,491,000	95,512	6
Private debt	177,971,000	2,230,730	125
Market neutral strategies	139,509,000	-	-
Venture / Growth capital	34,525,000	308,837	89
High yield bonds / Emerging market bonds	176,587,000	354,149	20
Treasury inflation-protected securities	90,710,000	47,381	5
Long-term government bonds	81,661,000	32,542	4
Private real asset	79,129,000	1,414,317	179
Short-term investment bonds	312,963,000	2,579	-
Commodities	12,509,000	135,705	108
Total investment managers' fees	**$ 4,657,146,000**	**$ 13,611,440**	**29**

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

	Fees
Other Investment Fees	
Investment consultants	$ 406,750
Custodian bank	593,126
Investment legal fees	187,152
Other investment fees	441,615
Total other investment fees	**$ 1,628,643**

Schedule of Commissions

For the Fiscal Year Ended June 30, 2022

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
A			
ABN AMRO CLEARING BANK N.V, AMSTERDAM	85,279	4,250.41	0.0498
B			
BAIRD, ROBERT W & CO INC, MILWAUKEE	5,553	208.24	0.0375
BANK OF NEW YORK, BRUSSELS	200	11.22	0.0561
BANQUE PARIBAS, PARIS	14,450	227.54	0.0157
BARCLAYS CAPITAL INC / LE, NEW JERSEY	14,024	303.93	0.0217
BARCLAYS CAPITAL, LONDON (BARCGB33)	2,725,572	12,794.46	0.0047
BERENBERG GOSSLER & CIE, HAMBURG	165,060	4,767.20	0.0289
BERNSTEIN SANFORD C & CO, NEW YORK	22,207	510.50	0.0230
BMO CAPITAL MARKETS CORP, NEW YORK	8,741	248.31	0.0284
BNP PARIBAS SEC SRVS SA, SINGAPORE	293,900	4,217.99	0.0144
BNP PARIBAS SECS SERVS, SYDNEY	542,300	2,087.13	0.0038
BNP PARIBAS SECURITIES SVCS, HONG KONG	102,500	329.27	0.0032
BNY CONVERGEX EXECUTION SOL, NEW YORK	102	1.39	0.0136
BTIG LLC, NEW YORK	848	16.96	0.0200
C			
CANACCORD GENUITY CORP., MONTREAL (CCAM)	8,900	140.72	0.0158
CARNEGIE ASA, OSLO	60,200	511.64	0.0085
CARNEGIE INVESTMENT BANK AB, STOCKHOLM	13,400	428.48	0.0320
CARNEGIE SECS LTD, HELSINKI (CASFFIH1)	68,400	959.04	0.0140
CHINA INTL CAP CORP HK SECS, HONG KONG	16,500	203.53	0.0123
CIBC WORLD MKTS INC, TORONTO	1,070	14.75	0.0138
CITIBANK CUSTODIAL, TORONTO (CITC)	1,090	31.66	0.0290
CITIBANK, LUXEMBOURG	2,043	174.96	0.0856
CITIGROUP GBL MKTS INC, NEW YORK	22,598	352.67	0.0156
CITIGROUP GBL MKTS/SALOMON, NEW YORK	117	69.81	0.5967
CITIGROUP GLOBAL MARKETS EURO, FRANKFURT	188,806	825.10	0.0044
CITIGROUP GLOBAL MARKETS LTD, LONDON	493,144	3,518.94	0.0071
CITIGROUP GLOBAL MARKETS, INC., NEW YORK	298,924	4,721.14	0.0158
CLSA AMERICAS, NEW YORK	25	0.13	0.0052

Schedule of Commissions *(continued)*

For the Fiscal Year Ended June 30, 2022

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
COWEN AND CO LLC, NEW YORK	51,143	1,057.38	0.0207
CREDIT INDUSTRIEL ET COMMERCIAL, PARIS	10,774	720.46	0.0669
CREDIT LYONNAIS SECS (ASIA), HONG KONG	78,500	807.16	0.0103
CREDIT LYONNAIS SECS, SINGAPORE	44,000	1,932.38	0.0439
CREDIT MUTUEL-CIC BANQUES, PARIS	34,513	1,461.46	0.0423
CREDIT SUISSE, LONDON (CSFPGB2L)	168,186	1,804.83	0.0107
CREDIT SUISSE, NEW YORK (CSUS)	240,050	3,170.29	0.0132
D			
D CARNEGIE AB, STOCKHOLM	116,600	4,710.66	0.0404
DAIWA SEC SMBC SINGAPORE LTD, SINGAPORE	4,100	38.66	0.0094
DAIWA SECS AMER INC, NEW YORK	220,300	12,581.30	0.0571
DEN DANSKE BANK, COPENHAGEN	49,900	1,258.92	0.0252
DEN NORSKE CREDITBANK, OSLO	25,900	316.72	0.0122
DEUTSCHE BK SECS INC, NY (NWSCUS33)	4,110	154.13	0.0375
DNB NOR MARKETS CUSTODY, OSLO	26,204	1,153.98	0.0440
E			
EXANE, PARIS (EXANFRPP)	103,736	1,212.19	0.0117
F			
FOKUS BANK, TRONDHEIM	21,400	243.05	0.0114
G			
GOLDMAN SACHS & CO, NY	1,142,728	8,806.66	0.0077
GOLDMAN SECH INTL, LONDON (GSILGB2X)	3,574	81.27	0.0227
H			
HAITONG INTL SEC SO LTD, HONG KONG	32,600	783.90	0.0240
HSBC BANK PLC (MIDLAND BK) (JAC), LONDON	210	6.99	0.0333
HSBC SECS INC, NEW YORK	3,100	616.71	0.1989
HSBC SECURITIES (USA) INC, NEW YORK	10,084	330.65	0.0328
I			
ICHIYOSHI SEC CO LTD, TOKYO	47,900	3,586.75	0.0749
INSTINET CLEARING SER INC, NEW YORK	1,301,504	13,031.04	0.0100
INSTINET CORP, NEW YORK	20,291	686.79	0.0338
INSTINET EUROPE LIMITED, LONDON	65,602	1,993.25	0.0304
INVESTEC SECURITIES (331), LONDON	16,630	284.13	0.0171
INVESTMENT TECHNOLOGY GROUP LTD,DUBLIN	679,649	12,494.73	0.0184
ITG AUSTRALIA LTD, MELBOURNE	6,000	52.39	0.0087

Schedule of Commissions *(continued)*
For the Fiscal Year Ended June 30, 2022

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
J			
J P MORGAN SEC LTD/STOCK LENDING, LONDON	12,098	146.51	0.0121
J.P. MORGAN SECS LTD, LONDON	188,096	4,986.98	0.0265
J.P. MORGAN SECURITIES LLC, NEW YORK	22,242	824.18	0.0371
J P MORGAN SECURITIES, HONG KONG	14,300	102.91	0.0072
JEFFERIES & CO INC, NEW YORK	90,619	2,927.23	0.0323
JEFFERIES & CO LTD, LONDON	374,042	2,639.23	0.0071
JEFFERIES HONG KONG LIMITED, HONG KONG	54,800	1,110.16	0.0203
JONESTRADING INST SVCS LLC, NEW YORK	85,415	2,556.45	0.0299
JONES TRADING INSTL SVCS LLC, WESTLAKE	4,300	67.98	0.0158
K			
KEEFE BRUYETTE + WOODS INC, NEW YORK	5,280	105.60	0.0200
KEPLER EQUITIES, PARIS	76,495	3,187.92	0.0417
L			
LIQUIDNET CANADA INC, TORONTO	185,200	1,473.92	0.0080
LIQUIDNET EUROPE LIMITED, LONDON	2,734,118	17,101.60	0.0063
LIQUIDNET INC, NEW YORK	28,200	282.00	0.0100
LOOP CAPITAL MARKETS, JERSEY CITY	9,227	184.54	0.0200
LUMINEX TRADING AND ANALYTICS, BOSTON	1,673	16.73	0.0100
M			
MACQUARIE BANK LIMITED, SYDNEY	201,400	1,798.02	0.0089
MACQUARIES SECURITIES AUSTRALIA, SYDNEY	8,000	32.99	0.0041
MERRILL LYNCH & CO INC ATLAS GLOBAL, NY	14,334	199.46	0.0139
MERRILL LYNCH GILTS LTD, LONDON	1,000	44.60	0.0446
MERRILL LYNCH INTL LONDON EQUITIES	1,034,730	15,235.22	0.0147
MERRILL LYNCH PIERCE FENNER SMITH INC NY	71,944	57,792.27	0.8033
MITSUBISHI UFJ SECURITIES, NEW YORK	116,700	4,775.87	0.0409
MIZUHO SECURITIES USA INC. NEW YORK	60,198	3,078.39	0.0511
MIZUHO SECURITIES USA INC, NEW YORK	11,024	304.45	0.0276
MORGAN J P SECS INC, NEW YORK	12,547	501.88	0.0400
MORGAN STANLEY & CO INC, NY	2,199,782	23,248.71	0.0106
N			
NATIONAL FINL SVCS CORP, NEW YORK	28,842	598.96	0.0208
NBCN INC, TORONTO (NBCS)	57,800	921.73	0.0159
NEEDHAM & CO LLC, NEW YORK	6,300	126.00	0.0200

Schedule of Commissions *(continued)*
For the Fiscal Year Ended June 30, 2022

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
NUMIS SECURITIES INC, NEW YORK	250,020	2,207.94	0.0088
O			
ODDO ET CIE, PARIS	27,726	1,502.88	0.0542
OPPENHEIMER & CO INC, NEW YORK	2,529	94.84	0.0375
P			
PAREL, PARIS	12,564	750.14	0.0597
PAREL, PUTEAUX	121,692	6,204.04	0.0510
PEEL HUNT LLP, LONDON	97,251	574.76	0.0059
PERSHING LLC, JERSEY CITY	6,703	214.85	0.0321
PERSHING SECURITIES LIMITED, LIVERPOOL	1,756	93.07	0.0530
PERSHING SECURITIES LTD, LONDON	736,889	10,705.11	0.0145
R			
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	1,318	49.43	0.0375
RBC CAPITAL MARKETS LLC, NEW YORK	49,205	385.73	0.0078
RBC DOMINION SECS INC, TORONTO (DOMA)	5,743	62.23	0.0108
ROYAL BANK OF CANADA EUROPE LTD, LONDON	83,655	713.06	0.0085
S			
SANFORD C BERNSTEIN & CO INC, LONDON	13,118	379.51	0.0289
SCOTIA CAPITAL (USA) INC, NEW YORK	1,652	61.95	0.0375
SCOTIA CAPITAL MKTS, TORONTO	3,343	42.42	0.0127
SKANDINAVISKA ENSKILDA BANKEN, COPENHAGEN	2,315	130.06	0.0562
SKANDINAVISKA ENSKILDA BANKEN, LONDON	71,100	852.66	0.0120
SKANDINAVISKA ENSKILDA BANKEN, STOCKHOLM	34,100	1,265.95	0.0371
SMBC SECURITIES, INC NEW YORK	273,400	6,870.06	0.0251
SOCIETE GENERALE, PARIS	3,154	42.63	0.0135
STIFEL NICOLAUS	2,263	45.26	0.0200
STIFEL, NICOLAUS AND CO, ST.LOUIS	15,400	183.44	0.0119
SVENSKA HANDELSBANKEN, STOCKHOLM	100,750	2,811.57	0.0279
T			
TOURMALINE PARTNERS LLC, NEW YORK	442,190	13,265.70	0.0300
U			
UBS EQUITIES, LONDON	38,508	200.32	0.0052
UBS SECURITIES LLC, STAMFORD	42,356	446.87	0.0106
UBS WARBURG ASIA LTD, HONG KONG	36,900	957.94	0.0260

Schedule of Commissions *(continued)*

For the Fiscal Year Ended June 30, 2022

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
V			
VIRTU AMERICAS, NEW YORK	352	2.48	0.0070
W			
WELLS FARGO SECURITIES LLC, CHARLOTTE	6,198	232.43	0.0375
WELLS FARGO SECURITIES, LLC, NEW YORK	6,158	230.93	0.0375
WILLIAM BLAIR & CO, CHICAGO	3,642	136.58	0.0375
WINTERFLOOD SECS, LONDON	18,728	283.45	0.0151
TOTAL	**19,908,625 $**	**315,678.73 $**	**0.0159**

Investment Summary

PENSION - INCLUDES THE 401(H) INVESTMENTS

As of June 30, 2022 (Dollars in thousands)

Type of Investments	Fair Value	% of Portfolio
Public equity	$ 2,042,150	46.3%
Private equity	398,281	9.0
Short-term investment grade bonds	300,252	6.8
Core real estate	268,948	6.1
Investment grade bonds	199,818	4.5
Growth real estate	186,698	4.2
Private debt	177,971	4.0
Immunized cash flows	170,490	3.9
Market neutral strategies	139,509	3.2
Treasury inflation-protected securities (TIPS)	90,710	2.1
Emerging market bonds	90,294	2.0
High yield bonds	86,293	2.0
Private real asset	79,128	1.8
Cash and cash equivalents	77,695	1.7
Long-term government bonds	69,520	1.6
Venture / Growth capital	34,525	0.8
Total Fair Value	**$ 4,412,282**	**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.

Includes cash to support synthetic exposure.

HEALTHCARE - 115 SUBTRUSTS

As of June 30, 2022 (Dollars in thousands)

Type of Investments	Fair Value	% of Portfolio
Public equity	$ 133,669	54.6%
Core real estate	36,391	14.9
Investment grade bonds	35,604	14.5
Short-term investment grade bonds	12,710	5.2
Commodities	12,509	5.1
Long-term government bonds	12,142	4.9
Cash and cash equivalents	1,838	0.8
Total Fair Value	**$ 244,863**	**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, 2022 and June 30, 2021

CHEIRON Classic Values, Innovative Advice

September 30, 2022

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, 2021. 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, 2021 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.

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Board of Administration
September 30, 2022
Page 2

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2021 actuarial valuation updated to the measurement date of June 30, 2022. The Board changed the economic assumptions used in the June 30, 2021 valuation. These changes are reflected effective July 1, 2021 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, 2022 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, 2022, 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 30, 2022
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, FCA, MAAA
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 4, 2021 Board meeting based on the actuary's input and recommendations from the actuary's experience study covering plan experience through June 30, 2021. Please refer to the experience study report and presentations 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 a 10-year and 20-year time horizons are 5.89% and 6.75%, respectively.

2) Wage Inflation

Reflect currently bargained across-the-board increases and 3.00% per annum (0.75% real wage growth) thereafter. For this valuation, Fire members have bargained increases of 4.25% for FYE 2022 and 3.00% for FYE 2023. Police members bargained increases of 3.85% for FYE 2022.

3) Price Inflation 2.25% per annum.

4) 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	Merit / Longevity	Years of Service	Merit / Longevity	Years of Service	Merit / Longevity
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%		

5) Family Composition

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

TABLE B-2 PERCENTAGE MARRIED		
	Males	Females
Percentage	85%	85%

6) Rates of Disability

For Police, disability rates are equal to the CalPERS police industrial and non-industrial rates for public agencies multiplied by 90% for ages under 50 and 140% for ages 50 and older. For Fire, disability rates are equal to the CalPERS fire industrial and non-industrial rates for public agencies multiplied by 90% for ages under 50 and 180% for ages 50 and older. 100% of disabilities are assumed to be duty related. Sample disability rates of active participants are provided in Table B-4.

TABLE B-4 RATES OF DISABILITY AT SELECTED AGES									
Age	25	30	35	40	45	50	55	60	65
Police	0.16%	0.45%	0.74%	1.03%	1.32%	2.70%	6.88%	8.71%	10.47%
Fire	0.03%	0.08%	0.15%	0.28%	0.50%	5.08%	7.54%	10.77%	14.84%

DEFINED BENEFIT PENSION (continued)

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% 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 the following Table B-3.

TABLE B-3 RATES OF TERMINATION

Service	Police	Fire	Service	Police	Fire	Service	Police	Fire
0	13.75%	8.50%	**7**	5.50%	0.80%	**14**	2.75%	0.50%
1	11.75%	4.00%	**8**	5.00%	0.70%	**15**	2.25%	0.50%
2	10.00%	2.75%	**9**	4.75%	0.60%	**16**	1.75%	0.50%
3	8.50%	1.75%	**10**	4.50%	0.50%	**17**	1.50%	0.50%
4	7.50%	1.25%	**11**	4.25%	0.50%	**18**	1.25%	0.50%
5	6.75%	1.00%	**12**	3.75%	0.50%	**19+**	1.00%	0.50%
6	6.00%	0.90%	**13**	3.25%	0.50%			

8) 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% of active deaths are service related.

TABLE B-5 BASE MORTALITY TABLE

Category	Male	Female
Healthy Retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees	1.002 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

9) Administrative Expenses

For FYE 2022, administrative expenses are assumed to equal $1,334 per member and are assumed to increase at the wage inflation assumption of 3.00% per annum. Historically, the administrative expenses were assumed to reduce the investment return assumption by 10 basis points which resulted in a higher normal cost. To maintain the same historic division of Tier 1 member and City contributions for administrative expenses for this valuation, members were allocated a portion of the administrative expenses equal to 3/11ths of the difference in normal cost that a 10 basis point reduction in the investment return assumption would cause. Tier 2 members pay 50 percent of administrative expenses.

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION (continued)

10) Rates of Retirement

Rates of retirement are based on age and service according to the following Tables B-6, B-7, and B-8. 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 57.

TABLE B-6 TIER 1 RATES OF RETIREMENT BY AGE AND SERVICE				
	Police		Fire	
Age	<30 Years	30+ Years	<30 Years	30+ Years
50	55.0%	100.0%	35.0%	100.0%
51	45.0%	100.0%	35.0%	100.0%
52	40.0%	100.0%	35.0%	100.0%
53 - 54	30.0%	100.0%	35.0%	100.0%
55	30.0%	100.0%	30.0%	100.0%
56	30.0%	100.0%	25.0%	100.0%
57	30.0%	100.0%	20.0%	100.0%
58 - 61	50.0%	100.0%	27.5%	100.0%
62+	100.0%	100.0%	100.0%	100.0%

TABLE B-7 POLICE TIER 2 RATES OF RETIREMENT BY AGE AND SERVICE				
Age	5 - 19 Years	20 - 24 Years	25 - 29 Years	30+ Years
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-8 FIRE TIER 2 RATES OF RETIREMENT BY AGE AND SERVICE				
Age	5 - 19 Years	20 - 24 Years	25 - 29 Years	30+ Years
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%

11) Changes Since Last Valuation

The merit salary scale, the beneficiary base mortality table, the mortality projection scale, and the assumed administrative expenses were updated for this valuation. Please refer to the actuary's 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. All components of the contribution allocation procedure were established prior to the June 30, 2011 actuarial valuation except as specifically noted below.

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION (continued)

1) Actuarial Cost Method

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

2) Asset Valuation Method

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

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

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

3) Amortization Method

Actuarial gains and losses and plan changes are amortized over a 15-year period (16 years for gains and losses 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 for changes prior to June 30, 2011) beginning with the valuation date on which they are effective. Amortization payments are assumed to increase 2.25% each year. Some prior amortization periods have been adjusted in prior years to smooth the pattern of future contributions.

SCHEDULE OF ACTIVE MEMBER DATA				
Valuation Year	**Active Count**	**Annual Payroll**	**Monthly Average Pay**	**% Change in Average Pay**
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	(0.48)%
2013	1,735	190,726,000	9,161	(11.51)%
2012	2,021	251,058,000	10,352	1.39%

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION (continued)

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS										
	Beginning of Period		Added to Rolls		Removed from Rolls		End of Period		% Increase	Average
Period	Count	Annual Allowances	Count	Annual Allowances	Count	Annual Allowances	Count	Annual Allowances	In Annual Allowances	Annual Allowances
2020-2021	2,380	$ 237,230	121	$ 18,787	63	$ 4,699	2,438	$ 251,318	5.9%	$ 103,084
2019-2020	2,318	224,303	112	16,936	50	4,009	2,380	237,230	5.8%	99,676
2018-2019	2,250	211,220	122	17,005	54	3,922	2,318	224,303	6.2%	96,766
2017-2018	2,192	200,197	120	15,558	62	4,535	2,250	211,220	5.5%	93,876
2016-2017	2,149	190,897	87	11,816	44	2,516	2,192	200,197	4.9%	91,331
2015-2016	2,108	182,185	72	10,843	31	2,131	2,149	190,897	4.8%	88,831
2014-2015	2,032	170,872	115	13,700	39	2,387	2,108	182,185	6.6%	86,426
2013-2014	1,994	162,716	73	10,142	35	1,986	2,032	170,872	5.0%	84,091
2012-2013	1,942	154,381	91	10,259	39	1,924	1,994	162,716	5.4%	81,603
2011-2012	1,885	144,139	88	11,583	31	1,341	1,942	154,381	7.1%	79,496

Annual allowances 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
6/30/2021	$ 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
6/30/2013	(92,499)	11,115	(81,384)	(28,233)	(109,617)
6/30/2012	(172,759)	39,432	(133,327)	(75,220)	(208,547)

Dollar amounts in thousands

Actuarial Assumptions and Methods *(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)
6/30/2021	$ 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%
6/30/2013	280,727	2,452,728	844,576	2,771,924	100%	100%	5%
6/30/2012	276,047	2,310,295	811,450	2,703,539	100%	100%	14%

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
6/30/2021	$ 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%
6/30/2013	2,771,924	3,578,031	806,107	77.5%	184,645	436.6%
6/30/2012	2,703,539	3,397,792	694,253	79.6%	187,959	369.4%

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% 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

<u>Member:</u>

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

<u>Employer:</u>

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

5) Service Retirement

<u>Eligibility:</u>

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% of final compensation.

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

6) Service Connected Disability Retirement

Eligibility:

No age or service requirement.

Benefit:

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

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

7) Non-Service Connected Disability Retirement

Eligibility:

Two years of service.

Benefit:

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

8) Non-Service Connected Death

Less than 2 years of service:

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

Disabled retirees or members ineligible for service retirement:

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

1 Child: 25.0% of final compensation

2 Children: 37.5% of final compensation

3+ Children: 50.0% of final compensation

The total benefit payable to a family is limited to 75.0% of final compensation.

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

Service retirees or members eligible for service retirement:

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

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

9) Service-Connected Death

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

10) Termination Benefits

Less than 10 years of service:

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

10 or more years of credited service:

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

11) Post-retirement Cost-of-Living Benefit

Benefits are increased every February 1 by 3.0%.

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% 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% of normal cost.

5) Unreduced Service Retirement

Eligibility:

Age 57 with 5 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% joint and survivor annuity.

6) Early Service Retirement

Eligibility:

Age 50 with 5 years of service.

Benefit - Member:

Reduced 7% 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% 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% 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 employee would have received if retired at the time of death.

Employees killed in the line of duty:

Monthly benefit equal to the greater of:

- 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 April 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.

CHEIRON *Classic Values, Innovative Advice*

October 4, 2022

Board of Administration
City of San José Police and Fire Department Retirement Plan
1737 North 1st Street, Suite 580
San José, California 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, 2021. 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, 2021 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 has the option to limit its contribution for the explicit subsidy to 11% of the total Police and Fire payroll.

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Board of Administration
October 4, 2022
Page 2

The actuarial methods and assumptions used in the actuarial valuation are adopted by the Board of Administration with advice from the actuary. In our opinion, the assumptions and methods used in the actuarial valuation for funding purposes are consistent with applicable Actuarial Standards of Practice. The actuarial cost method and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes.

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total OPEB Liability is based on the June 30, 2021 actuarial valuation updated to the measurement date of June 30, 2022. The Board changed some economic and demographic assumptions for the June 30, 2021 valuation. These changes are detailed in the actuarial assumptions and methods attachment of this letter and are reflected effective July 1, 2021 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, 2022 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, 2022, 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

CHEIRON

Board of Administration
October 1, 2022
Page 3

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 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

Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary

Jacqueline King

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

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 December 2, 2021 Board meeting. Price inflation and wage inflation assumptions were adopted at the December 3, 2020 Board meeting based upon the actuary's recommendations. Please refer to the presentation for that meeting for details, including the rationale for each assumption.

1) Expected Return on Plan Assets

6.00% per year. The Board expects a long-term rate of return of 6.1% based on Meketa's 20-year capital market assumptions and the Plan's current investment policy.

2) Per Person Cost Trends

Medical trends were developed using the 2021 Society of Actuaries Long-run Medical Cost Trend Model with the following parameters:

Initial trend rate: Non-Medicare Eligible:	8.00%	Medicare Eligible:	4.00%
Inflation:	2.25%	*Real GDP per Capita:*	1.50%
Excess Medical Cost Growth:	1.10%	*Expected GDP Share in 2030:*	20.30%
Resistance Point:	20.00%	*Year limited to GDP growth:*	2075

POLICE DEPARTMENT - ANNUAL INCREASE %															
FY Beginning	**2022[1]**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Pre-Medicare	0.00	7.49	7.15	6.80	6.46	6.12	5.78	5.44	5.10	4.93	4.87	4.78	4.74	4.71	4.68
Medicare Eligible	0.00	4.15	4.26	4.36	4.46	4.57	4.67	4.77	4.87	4.93	4.87	4.78	4.74	4.71	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	3.50
Part B Premiums	6.96	3.04	5.25	4.94	5.68	5.81	5.91	5.66	5.37	5.27	5.16	5.05	4.94	4.83	4.72
FY Beginning	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**	**2050**	**2051**
Pre-Medicare	4.66	4.64	4.62	4.60	4.59	4.57	4.56	4.54	4.53	4.51	4.50	4.49	4.48	4.47	4.46
Medicare Eligible	4.66	4.64	4.62	4.60	4.59	4.57	4.56	4.54	4.53	4.51	4.50	4.49	4.48	4.47	4.46
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Part B Premiums	4.61	4.51	4.40	4.29	4.18	4.07	3.96	3.85	3.75	3.70	3.70	3.70	3.70	3.70	3.70
FY Beginning	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**	**2059**	**2060**	**2061**	**2062**	**2063**	**2064**	**2065**	**2066**
Pre-Medicare	4.45	4.44	4.43	4.42	4.41	4.40	4.39	4.38	4.37	4.36	4.36	4.35	4.34	4.33	4.30
Medicare Eligible	4.45	4.44	4.43	4.42	4.41	4.40	4.39	4.38	4.37	4.36	4.36	4.35	4.34	4.33	4.30
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
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	3.70
FY Beginning	**2067**	**2068**	**2069**	**2070**	**2071**	**2072**	**2073**	**2074**	**2075**	**2076**	**2077**	**2078+**			
Pre-Medicare	4.24	4.18	4.12	4.07	4.02	3.96	3.91	3.86	3.81	3.78	3.78	3.78			
Medicare Eligible	4.24	4.18	4.12	4.07	4.02	3.96	3.91	3.86	3.81	3.78	3.78	3.78			
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			
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			

[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, 2022, the trend was developed using actual calendar year 2022 premiums and a trend assumption for calendar year 2023. The trend factors vary by plan as shown on the next page table.

Actuarial Assumptions and Methods *(continued)*

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 2022 TREND					
Pre-Medicare		**Medicare**		**Dental**	
Kaiser Plans	3.59%	Kaiser Plan	1.67%	HMO Plan	1.76%
Anthem HMO Plans	(0.91)%	Anthem HMO Plan	1.82%	PPO Plan	(7.69)%
Anthem High Deductible Plan	12.84%	Anthem PPO Plan	0.43%		
Anthem PPO Plans	12.84%				

3) Changes Since Last Valuation

The per-person cost trends were updated, and the discount rate was reduced from 6.25% to 6.00%.

<u>Demographic Assumptions</u>

The OPEB assumptions were adopted by the Board of Administration at the December 2, 2021 Board meeting based on the actuary's recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 4, 2021 Board meeting based on recommendations from the actuary's experience study covering Plan experience through June 30, 2021. Please refer to the full experience study report for details, including the rationale for each assumption.

1) Retirement Rates

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

POLICE TIER 1 - RATES OF RETIREMENT BY AGE AND SERVICE							
Age	**50**	**51**	**52**	**53-55**	**56-57**	**58-61**	**62+**
<30 years	55.0%	45.0%	40.0%	30.0%	30.0%	50.0%	100.0%
30+ years	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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%

2) Disability Rates

Police disability rates are equal to the CalPERS police industrial and non-industrial rates for public agencies multiplied by 90% for ages under 50 and 140% for ages 50 and older. 100% of 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**
Police	0.16%	0.45%	0.74%	1.03%	1.32%	2.70%	6.88%	8.71%	10.47%

Actuarial Assumptions and Methods *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

3) 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	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees	1.002 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 Public General Above Median Income Mortality Table (Pub(g)-2010(A)) for healthy retirees	1.032 times the 2010 Public General Above Median Income Mortality Table (Pub(g)-2010(A)) 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

4) Rates of Termination

Termination rates do not apply one a member is eligible for unreduced retirement. Sample rates of refund / termination are shown in the following table.

POLICE DEPARTMENT - RATES OF TERMINATION							
Service	**Police**	**Service**	**Police**	**Service**	**Police**	**Service**	**Police**
0	13.75%	**5**	6.75%	**10**	4.50%	**15**	2.25%
1	11.75%	**6**	6.00%	**11**	4.25%	**16**	1.75%
2	10.00%	**7**	5.50%	**12**	3.75%	**17**	1.50%
3	8.50%	**8**	5.00%	**13**	3.25%	**18**	1.25%
4	7.50%	**9**	4.75%	**14**	2.75%	**19+**	1.00%

5) Salary Increase Rate

Wage inflation component: Reflect currently bargained across-the-board increases and 3.00% per annum (0.75% real wage growth) thereafter. For this valuation, Police members bargained increases of 3.85% for FYE 2022. The following merit component is added to wage inflation, based on an individual member's years of service.

POLICE DEPARTMENT - MERIT SALARY INCREASES					
Years of Service	**Merit / Longevity**	**Years of Service**	**Merit / Longevity**	**Years of Service**	**Merit / Longevity**
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) 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%	30%
Terminated vested members	50%	50%

Actuarial Assumptions and Methods *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

7) Dependent Coverage Election

100% 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.

POLICE DEPARTMENT - ASSUMED FUTURE RETIREE TIER ELECTIONS				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree only	20%	52%	27%	74%
Retiree and children	7%	22%	0%	0%
Retiree and spouse	34%	13%	73%	26%
Retiree and family	39%	13%	0%	0%

8) In-Lieu Assumptions

Members who elect to receive the In-Lieu credits are assumed to remain in the In-Lieu credit program for five years, after which they are assumed to elect coverage and use their In-Lieu credits. The amount of the In-Lieu credit is 25% of the subsidy for the tier of coverage for which the retiree qualifies. Future retiree medical tier qualification assumptions are provided in the following table.

POLICE DEPARTMENT - ASSUMED FUTURE RETIREE IN-LIEU CREDIT TIER				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree only	25%	25%	40%	40%
Retiree and children	0%	0%	0%	0%
Retiree and spouse	20%	20%	60%	60%
Retiree and family	55%	55%	0%	0%

9) 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. The Anthem $20 co-pay Traditional HMO plan was added effective January 1, 2022. 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	4%	Kaiser Senior Advantage	43%
Kaiser $25 co-pay	62%	Anthem Medicare HMO	1%
Kaiser HDHP	6%	Anthem Medicare PPO	56%
Anthem DHMO	2%		
Anthem Select $20 co-pay	8%		
Anthem Traditional $20 co-pay	1%		
Anthem HDHP PPO	7%	Dental Plans (All Retirees)	
Anthem Select PPO	8%	Delta Dental PPO	99%
Anthem Classic PPO	2%	DeltaCare HMO	1%

[1] *Eligible for coverage and elect coverage*

10) Voluntary Employees' Beneficiary Association Balance Drawdown

Members are assumed to draw down their VEBA balances by the blended active and retiree member plus spouse premium, without factoring in the lowest cost premium, and increased by a factor of 1.5 to estimate the adjustment from a blended active and retiree premium to a retiree only premium.

Actuarial Assumptions and Methods *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

11) Married Percentage

POLICE DEPARTMENT - PERCENTAGE MARRIED		
	Males	Females
Percentage	85%	85%

12) 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.

13) Administrative Expenses

For FYE 2023, trust administrative expenses are assumed to equal $41 per full benefit member and are assumed to increase at the wage inflation assumption of 3.00% per annum.

14) Changes Since Last Valuation

Plan elections assumptions and the administrative expense assumption were updated. The assumed rate of mortality improvement was updated from MP-2019 to MP-2021. The Beneficiary mortality table was updated.

Claim and Health Plan Benefit Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the December 2, 2021 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 2021 and 2022. 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 2021 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.

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

1) Average Annual Claims and Expense Assumptions

The following claim and expense assumptions were developed as of July 1, 2021 based on the premiums for 2021 and 2022. The explicit subsidy amount (100% of the premium for the lowest cost health plan available to active City employees) is assumed to grow based on the Pre-Medicare cost trend rates.

Actuarial Assumptions and Methods *(continued)*

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	$ 10,255	$ 12,604	$ 11,561	$ 13,979	$ 14,589	$ 18,432
45	10,484	12,298	11,595	13,463	15,406	18,374
50	11,078	12,553	12,005	13,524	16,819	19,233
55	12,259	13,299	13,020	14,091	19,193	20,895
60	14,324	13,965	14,945	14,576	23,014	22,427
64	16,858	13,721	17,395	14,163	27,515	22,381

POLICE DEPARTMENT - SAMPLE CLAIMS COSTS - MEDICARE ELIGIBLE						
	Kaiser Senior Adv		Anthem HMO		Anthem Select PPO	
Age	Male	Female	Male	Female	Male	Female
65	$ 2,922	$ 2,578	$ 4,873	$ 4,299	$ 5,041	$ 4,447
70	3,103	2,628	5,175	4,383	5,353	4,534
75	3,566	2,956	5,948	4,929	6,153	5,099
80	4,050	3,352	6,754	5,590	6,987	5,783
85	4,374	3,663	7,294	6,108	7,546	6,319

POLICE DEPARTMENT - SAMPLE CLAIMS COSTS - DENTAL	
Dental Blended	
Age	Unisex
All	$ 579.18

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.

9) Changes Since Last Valuation

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

Actuarial Assumptions and Methods *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

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 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.

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
6/30/2021	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	6.1%
6/30/2013	1,028	0	1,028	109,783,295	106,793	6.5%
6/30/2012	1,076	0	1,076	107,929,300	100,306	

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

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										
2020-2021	1,353	$ 12,410	74	24	1,403	$ 13,091	50	$ 681	5.5%	$ 9,331
2019-2020	1,242	11,217	132	21	1,353	12,410	111	1,193	10.6%	9,172
2018-2019	1,233	10,633	69	60	1,242	11,217	9	584	5.5%	9,031
2017-2018	1,198	12,719	73	38	1,233	10,633	35	(2,086)	(16.4)%	8,624
2016-2017	1,169	12,037	56	27	1,198	12,719	29	681	5.7%	10,616
2015-2016	1,141	11,641	60	32	1,169	12,037	28	397	3.4%	10,297
2014-2015	1,106	11,900	71	36	1,141	11,641	35	(259)	(2.2)%	10,202
2013-2014	1,083	11,802	50	27	1,106	11,900	23	98	0.8%	10,759
2012-2013	1,037	12,823	66	20	1,083	11,802	46	(1,022)	(8.0)%	10,897
2011-2012	991	12,267	77	31	1,037	12,823	46	557	4.5%	12,366
Dental										
2020-2021	1,359	$ 1,723	66	26	1,399	$ 1,776	40	$ 53	3.1%	$ 1,269
2019-2020	1,315	1,693	71	27	1,359	1,723	44	30	1.8%	1,268
2018-2019	1,269	1,626	70	24	1,315	1,693	46	67	4.1%	1,288
2017-2018	1,248	1,605	59	38	1,269	1,626	21	20	1.3%	1,281
2016-2017	1,220	1,510	50	22	1,248	1,605	28	96	6.3%	1,286
2015-2016	1,199	1,497	42	21	1,220	1,510	21	12	0.8%	1,237
2014-2015	1,139	1,428	79	19	1,199	1,497	60	69	4.8%	1,249
2013-2014	1,111	1,353	45	17	1,139	1,428	28	75	5.6%	1,254
2012-2013	1,070	1,384	53	10	1,111	1,353	41	(31)	(2.2)%	1,218
2011-2012	1,028	1,330	50	11	1,070	1,384	42	54	4.0%	1,294

Annual subsidies are explicit amounts in thousands

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)
6/30/2021	$ 343,241	$ 138,464	$ 180,002	52%	0%
6/30/2020	324,689	143,413	137,789	42%	0%
6/30/2019	293,344	142,094	124,990	43%	0%
6/30/2018	305,606	166,211	111,659	37%	0%
6/30/2017	280,546	150,792	99,926	36%	0%
6/30/2016	307,941	188,002	97,412	32%	0%
6/30/2015	290,354	179,969	85,322	29%	0%
6/30/2014	275,902	180,568	70,102	25%	0%
6/30/2013	268,633	183,266	57,832	22%	0%
6/30/2012	374,949	268,590	49,797	13%	0%

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

Actuarial Assumptions and Methods *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

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
6/30/2021	$ 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
6/30/2013	2,437	(4,536)	(2,099)	258,939	256,840
6/30/2012	(6,011)	4,760	(1,251)	58,173	56,922

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

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)
6/30/2021	$ 180,002	$ 481,704	$ 301,702	37.4 %	$ 157,594	191%
6/30/2020	137,789	468,102	330,313	29.4 %	147,269	224%
6/30/2019	124,990	435,438	310,448	28.7 %	146,865	211%
6/30/2018	111,659	471,817	360,158	23.7 %	131,888	273%
6/30/2017	99,926	431,338	331,412	23.2 %	120,299	275%
6/30/2016	97,412	495,943	398,531	19.6 %	111,029	359%
6/30/2015	85,322	470,323	385,001	18.1 %	109,783	351%
6/30/2014	70,102	456,470	386,368	15.4 %	112,947	342%
6/30/2013	57,832	451,899	394,067	12.8 %	109,783	359%
6/30/2012	49,797	643,539	593,742	7.7 %	107,929	550%

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% 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% of the dental insurance premiums.

Summary of Key Substantive Plan Provisions *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

Premiums:

Monthly premiums for calendar years 2021 and 2022 are as follows.

POLICE DEPARTMENT - 2021 MONTHLY PREMIUMS				
Medical	**Single**	**Employee / Spouse**	**Employee / Child**	**Family**
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 610.44	$ 1,220.88	$ 1,068.28	$ 1,831.32
Kaiser $25 co-pay	745.52	1,491.04	1,304.64	2,236.56
Kaiser HDHP	514.34	1,028.68	900.10	1,543.02
Anthem HMO $20 co-pay	724.82	1,594.58	1,304.68	2,246.90
Anthem DHMO	558.80	1,229.40	1,005.86	1,732.34
Anthem HDHP	977.80	2,151.16	1,760.04	3,031.20
Anthem Select PPO	1,587.22	3,491.90	2,857.00	4,920.42
Anthem Classic PPO	1,697.56	3,734.68	3,055.62	5,262.48
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 262.90	$ 525.80	$ 525.80	$ 788.70
Anthem Medicare PPO	480.04	960.08	960.08	1,440.12
Anthem Medicare HMO	425.71	851.42	851.42	1,277.13
Dental				
Delta Dental PPO	$ 50.88	$ 111.92	$ 122.12	$ 157.72
DeltaCare HMO	24.44	48.86	42.74	73.30

POLICE DEPARTMENT - 2022 MONTHLY PREMIUMS				
Medical	**Single**	**Employee / Spouse**	**Employee / Child**	**Family**
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 607.66	$ 1,215.32	$ 1,063.40	$ 1,822.98
Kaiser $25 co-pay	742.12	1,484.24	1,298.70	2,226.36
Kaiser HDHP	511.98	1,023.96	895.96	1,535.94
Anthem HMO Select $20 co-pay	661.56	1,455.40	1,190.80	2,050.78
Anthem HMO Traditional $20 co-pay	760.52	1,673.12	1,368.94	2,357.58
Anthem DHMO	510.02	1,234.30	1,122.10	1,581.14
Anthem HDHP	1,163.58	2,559.88	2,094.44	3,607.12
Anthem Select PPO	1,888.78	4,155.36	3,399.82	5,855.30
Anthem Classic PPO	2,020.10	4,444.26	3,636.18	6,262.34
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 260.92	$ 521.84	$ 521.84	$ 782.76
Anthem Medicare PPO	465.06	930.12	930.12	1,395.18
Anthem Medicare HMO	423.76	847.52	847.52	1,271.28
Dental				
Delta Dental PPO	$ 42.24	$ 92.90	$ 101.36	$ 130.90
DeltaCare HMO	24.44	48.86	42.74	73.30

Anthem HMO Medicare family rates assume the children are on the Non-Medicare $20 co-pay Anthem HMO.

Summary of Key Substantive Plan Provisions *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

POLICE DEPARTMENT - SUMMARY OF 2022 BENEFIT PLANS								
Non-Medicare Plans	**Kaiser High Deductible**	**Kaiser DHMO**	**Kaiser $25 Co-pay**	**Anthem $20 Co-pay HMO**	**Anthem DHMO**	**Anthem Select PPO (In-Network)**	**Anthem Classic PPO (In-Network)**	**Anthem High Deductible (In-Network)**
Annual out-of-pocket maximum (single / family)	$5,950 / $11,900	$4,000 / $8,000	$1,500 / $3,000	$1,500 / $3,000	$4,000 / $8,000	$2,100 / $4,200	$2,100 / $4,200	$4,000 / $8,000
Annual deductible (single / family)	$3,000 / $6,000	$1,500 / $3,000	None	None	$1,500 / $3,000	$100 / $ 200	$100 / $ 200	$2,500 / $5,000
Office visit co-pay	30%[1]	$40	$25	$20	$20	$25	$25	20%[1]
Emergency room co-pay	30%[1]	30%[1]	$100	$100	30%[1]	$100	$100	20%[1]
Hospital care co-pay	30%[1]	30%[1]	$100	$100	30%[1]	10%[1]	10%[1]	20%[1]
Prescription Drug Retail Co-pay (30-day supply)								
Generic	$10	$10	$10	$10	$10	$10	$10	$10
Brand	$30	$30	$25	$30	$30	$25	$25	$30
Non-formulary	N/A	N/A	N/A	$60	$60	$40	$40	$60

[1] *After deductible is paid*

Medicare-Eligible Plans	**Kaiser**	**Anthem HMO**	**Anthem PPO**
Annual out-of-pocket maximum (single / family)	$1,500 / $3,000	$1,000 per member	$0
Annual deductible	None	None	None
Office visit co-pay	$25	$25	$0
Emergency room co-pay	$50	$100	$0
Hospital care co-pay	$250	$100	$0
Prescription Drug Retail Co-pay (30-day supply)			
Generic	$10	$10	$10
Brand	$10	$25	$25
Non-formulary	N/A	$40	$40

Summary of Key Substantive Plan Provisions *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

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	5.0%
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 single coverage benefits from the Postemployment Healthcare Plan up to age 65 once VEBA funds exhausted.

CHEIRON Classic Values, Innovative Advice

October 4, 2022

Board of Administration
City of San José Police and Fire Department Retirement Plan
1737 North 1st Street, Suite 580
San José, California 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, 2021. 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, 2021 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 has the option to limit its contribution for the explicit subsidy to 11% of the total Police and Fire payroll.

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Board of Administration
October 4, 2022
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The actuarial methods and assumptions used in the actuarial valuation are adopted by the Board of Administration with advice from the actuary. In our opinion, the assumptions and methods used in the actuarial valuation for funding purposes are consistent with applicable Actuarial Standards of Practice. The actuarial cost method and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes.

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total OPEB Liability is based on the June 30, 2021 actuarial valuation updated to the measurement date of June 30, 2022. The Board changed some economic and demographic assumptions for the June 30, 2021 valuation. These changes are detailed in the actuarial assumptions and methods attachment of this letter and are reflected effective July 1, 2021 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, 2022 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, 2022, 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
October 4, 2022
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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 meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter and these exhibits. This letter does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

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

Sincerely,
Cheiron

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

Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary

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

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Actuarial Assumptions and Methods

FIRE 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 December 2, 2021 Board meeting. Price inflation and wage inflation assumptions were adopted at the December 3, 2020 Board meeting based upon the actuary's recommendations. Please refer to the presentation for that meeting for details, including the rationale for each assumption.

1) Expected Return on Plan Assets

6.00% per year. The Board expects a long-term rate of return of 6.1% based on Meketa's 20-year capital market assumptions and the Plan's current investment policy.

2) Per Person Cost Trends

Medical trends were developed using the 2021 Society of Actuaries Long-run Medical Cost Trend Model with the following parameters:

Initial trend rate: Non-Medicare Eligible:	8.00%	Medicare Eligible:	4.00%
Inflation:	2.25%	*Real GDP per Capita:*	1.50%
Excess Medical Cost Growth:	1.10%	*Expected GDP Share in 2030:*	20.30%
Resistance Point:	20.00%	*Year limited to GDP growth:*	2075

FIRE DEPARTMENT - ANNUAL INCREASE %															
FY beginning	**2022[1]**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Pre-Medicare	0.00	7.49	7.15	6.80	6.46	6.12	5.78	5.44	5.10	4.93	4.87	4.78	4.74	4.71	4.68
Medicare Eligible	0.00	4.15	4.26	4.36	4.46	4.57	4.67	4.77	4.87	4.93	4.87	4.78	4.74	4.71	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	3.50
Part B Premiums	6.96	3.04	5.25	4.94	5.68	5.81	5.91	5.66	5.37	5.27	5.16	5.05	4.94	4.83	4.72
FY Beginning	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**	**2050**	**2051**
Pre-Medicare	4.66	4.64	4.62	4.60	4.59	4.57	4.56	4.54	4.53	4.51	4.50	4.49	4.48	4.47	4.46
Medicare Eligible	4.66	4.64	4.62	4.60	4.59	4.57	4.56	4.54	4.53	4.51	4.50	4.49	4.48	4.47	4.46
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Part B Premiums	4.61	4.51	4.40	4.29	4.18	4.07	3.96	3.85	3.75	3.70	3.70	3.70	3.70	3.70	3.70
FY Beginning	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**	**2059**	**2060**	**2061**	**2062**	**2063**	**2064**	**2065**	**2066**
Pre-Medicare	4.45	4.44	4.43	4.42	4.41	4.40	4.39	4.38	4.37	4.36	4.36	4.35	4.34	4.33	4.30
Medicare Eligible	4.45	4.44	4.43	4.42	4.41	4.40	4.39	4.38	4.37	4.36	4.36	4.35	4.34	4.33	4.30
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
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	3.70
FY Beginning	**2067**	**2068**	**2069**	**2070**	**2071**	**2072**	**2073**	**2074**	**2075**	**2076**	**2077**	**2078+**			
Pre-Medicare	4.24	4.18	4.12	4.07	4.02	3.96	3.91	3.86	3.81	3.78	3.78	3.78			
Medicare Eligible	4.24	4.18	4.12	4.07	4.02	3.96	3.91	3.86	3.81	3.78	3.78	3.78			
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			
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			

[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, 2022, the trend was developed using actual calendar year 2022 premiums and a trend assumption for calendar year 2023. 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 2022 TREND					
Pre-Medicare		**Medicare**		**Dental**	
Kaiser Plans	3.59%	Kaiser Plan	1.67%	HMO Plan	1.76%
Anthem HMO Plans	(0.91)%	Anthem HMO Plan	1.82%	PPO Plan	(7.69)%
Anthem High Deductible Plan	12.84%	Anthem PPO Plan	0.43%		
Anthem PPO Plans	12.84%				

3) Changes Since Last Valuation

The per-person cost trends were updated, and the discount rate was reduced from 6.25% to 6.00%.

Demographic Assumptions

The OPEB assumptions were adopted by the Board of Administration at the December 2, 2021 Board meeting based on the actuary's recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 4, 2021 Board meeting based on recommendations from the actuary's experience study covering Plan experience through June 30, 2021. Please refer to the full experience study report for details, including the rationale for each assumption.

1) 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. 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 terminated vested members are assumed to retire at age 60.

FIRE DEPARTMENT TIER 1 - RATES OF RETIREMENT BY AGE AND SERVICE							
Age	**50**	**51-54**	**55**	**56**	**57**	**58-61**	**62+**
<30 years	35.0%	35.0%	30.0%	25.0%	20.0%	27.5%	100.0%
30+ years	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FIRE DEPARTMENT 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%

2) Disability Rates

Fire disability rates are equal to the CalPERS fire industrial and non-industrial rates for public agencies multiplied by 90% for ages under 50 and 180% for ages 50 and older. 100% of disabilities are assumed to be duty related. Sample disability rates of active participants are provided in the table below:

FIRE DEPARTMENT - RATES OF DISABILITY AT SELECTED AGES									
Age	**25**	**30**	**35**	**40**	**45**	**50**	**55**	**60**	**65**
Fire	0.03%	0.08%	0.15%	0.28%	0.50%	5.08%	7.54%	10.77%	14.84%

Actuarial Assumptions and Methods *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

3) 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	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees	1.002 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 Public General Above Median Income Mortality Table (Pub(g)-2010(A)) for healthy retirees	1.032 times the 2010 Public General Above Median Income Mortality Table (Pub(g)-2010(A)) 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

4) Rates of Termination

Termination rates do not apply once a member is eligible for unreduced retirement. Sample rates of refund / termination are shown in the following table.

FIRE DEPARTMENT - RATES OF TERMINATION							
Service	**Fire**	**Service**	**Fire**	**Service**	**Fire**	**Service**	**Fire**
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%

5) Salary Increase Rate

Wage inflation component: Reflect currently bargained across-the-board increases and 3.00% per annum (0.75% real wage growth) thereafter. For this valuation, Fire members have bargained increases of 4.25% for FYE 2022 and 3.00% for FYE 2023. The following merit component is added to wage inflation, based on an individual member's years of service:

FIRE DEPARTMENT - MERIT SALARY INCREASES					
Years of Service	**Merit/ Longevity**	**Years of Service**	**Merit/ Longevity**	**Years of Service**	**Merit/ Longevity**
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) Percent of Future 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%	30%
Terminated Vested Members	50%	50%

Actuarial Assumptions and Methods *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

7) Dependent Coverage Election

100% 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	20%	52%	27%	74%
Retiree and children	7%	22%	0%	0%
Retiree and spouse	34%	13%	73%	26%
Retiree and family	39%	13%	0%	0%

8) In-Lieu Assumptions

Members who elect to receive the In-Lieu credits are assumed to remain in the In-Lieu credit program for five years, after which they are assumed to elect coverage and use their In-Lieu credits. The amount of the In-Lieu credit is 25% of the subsidy for the tier of coverage for which the retiree qualifies. Future retiree medical tier qualification assumptions are provided in the following table.

FIRE DEPARTMENT - ASSUMED FUTURE RETIREE IN-LIEU CREDIT TIER				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree only	25%	25%	40%	40%
Retiree and children	0%	0%	0%	0%
Retiree and spouse	20%	20%	60%	60%
Retiree and family	55%	55%	0%	0%

9) 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. The Anthem $20 co-pay Traditional HMO plan was added effective January 1, 2022. 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	4%	Kaiser Senior Advantage	43%
Kaiser $25 co-pay	62%	Anthem Medicare HMO	1%
Kaiser HDHP	6%	Anthem Medicare PPO	56%
Anthem DHMO	2%		
Anthem Select $20 co-pay	8%		
Anthem Traditional $20 co-pay	1%		
Anthem HDHP PPO	7%	Dental Plans (All Retirees)	% Electing
Anthem Select PPO	8%	Delta Dental PPO	99%
Anthem Classic PPO	2%	DeltaCare HMO	1%

[1] *Eligible for coverage and elect coverage*

10) Voluntary Employees' Beneficiary Association Balance Drawdown

Members are assumed to draw down their VEBA balances by the blended active and retiree member plus spouse premium, without factoring in the lowest cost premium, and increased by a factor of 1.5 to estimate the adjustment from a blended active and retiree premium to a retiree only premium.

Actuarial Assumptions and Methods *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

11) Married Percentage

FIRE DEPARTMENT - PERCENTAGE MARRIED		
	Males	**Females**
Percentage	85%	85%

12) 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.

13) Administrative Expenses

For FYE 2023, trust administrative expenses are assumed to equal $41 per full benefit member and are assumed to increase at the wage inflation assumption of 3.00% per annum.

14) Changes Since Last Valuation

Plan elections assumptions and the administrative expense assumption were updated. The assumed rate of mortality improvement was updated from MP-2019 to MP-2021. The Beneficiary mortality table was updated.

Claim and Health Plan Benefit Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the December 2, 2021 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 2021 and 2022. 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 2021 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.

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

1) Average Annual Claims and Expense Assumptions

The following claim and expense assumptions were developed as of July 1, 2021 based on the premiums for 2021 and 2022. The explicit subsidy amount (100% of the premium for the lowest cost health plan available to active City employees) is assumed to grow based on the pre-Medicare cost trend rates.

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	$ 10,255	$ 12,604	$ 11,561	$ 13,979	$ 14,589	$ 18,432
45	10,484	12,298	11,595	13,463	15,406	18,374
50	11,078	12,553	12,005	13,524	16,819	19,233
55	12,259	13,299	13,020	14,091	19,193	20,895
60	14,324	13,965	14,945	14,576	23,014	22,427
64	16,858	13,721	17,395	14,163	27,515	22,381

FIRE DEPARTMENT - SAMPLE CLAIMS COSTS - MEDICARE ELIGIBLE						
	Kaiser Senior Adv		Anthem HMO		Anthem PPO	
Age	Male	Female	Male	Female	Male	Female
65	$ 2,922	$ 2,578	$ 4,873	$ 4,299	$ 5,041	$ 4,447
70	3,103	2,628	5,175	4,383	5,353	4,534
75	3,566	2,956	5,948	4,929	6,153	5,099
80	4,050	3,352	6,754	5,590	6,987	5,783
85	4,374	3,663	7,294	6,108	7,546	6,319

FIRE DEPARTMENT - SAMPLE CLAIMS COSTS - DENTAL	
Dental Blended	
Age	Unisex
All	$ 579.18

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.

9) Changes Since Last Valuation

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

Actuarial Assumptions and Methods *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

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% of total payroll.

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

5) Changes Since Last Valuation

None.

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
6/30/2021	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	3.9%
6/30/2013	679	0	679	74,681,955	110,253	9.4%
6/30/2012	642	0	642	64,696,203	100,773	

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

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 in Annual Subsidy	Average Annual Subsidy
Period	Count	Annual Subsidy	Count	Count	Count	Annual Subsidy	Count	Annual Subsidy		
Medical										
2020-2021	825	$ 7,332	36	29	832	$ 7,525	7	$ 192	2.6%	$ 9,044
2019-2020	799	6,791	41	15	825	7,332	26	542	8.0%	8,888
2018-2019	803	6,518	27	31	799	6,791	(4)	272	4.2%	8,499
2017-2018	776	7,455	47	20	803	6,518	27	(937)	(12.6)%	8,117
2016-2017	752	6,976	42	18	776	7,455	24	479	6.9%	9,607
2015-2016	758	6,965	28	34	752	6,976	(6)	11	0.2%	9,277
2014-2015	743	7,095	35	20	758	6,965	15	(130)	(1.8)%	9,189
2013-2014	749	7,737	29	35	743	7,095	(6)	(642)	(8.3)%	9,549
2012-2013	752	8,665	28	31	749	7,737	(3)	(929)	(10.7)%	10,329
2011-2012	745	8,838	30	23	752	8,665	7	(173)	(2.0)%	11,523
Dental										
2020-2021	839	$ 970	32	30	841	$ 977	2	$ 7	0.7%	$ 1,161
2019-2020	828	963	26	15	839	970	11	7	0.7%	1,156
2018-2019	828	962	26	26	828	963	0	1	0.2%	1,163
2017-2018	808	942	39	19	828	962	20	20	2.1%	1,162
2016-2017	798	893	30	20	808	942	10	49	5.5%	1,166
2015-2016	793	891	23	18	798	893	5	2	0.2%	1,120
2014-2015	778	876	29	14	793	891	15	15	1.8%	1,124
2013-2014	779	949	23	24	778	876	(1)	(73)	(7.7)%	1,126
2012-2013	785	1,015	18	23	779	949	(6)	(66)	(6.5)%	1,218
2011-2012	770	995	20	7	785	1,015	15	20	2.0%	1,293

Annual subsidies are explicit amounts in thousands

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)
6/30/2021	$ 162,834	$ 113,670	$ 96,311	59%	0%
6/30/2020	161,088	109,823	70,743	44%	0%
6/30/2019	154,885	103,007	60,967	39%	0%
6/30/2018	161,946	113,510	50,861	31%	0%
6/30/2017	147,204	101,704	42,591	29%	0%
6/30/2016	164,063	118,866	37,795	23%	0%
6/30/2015	161,381	108,049	29,243	18%	0%
6/30/2014	153,132	97,108	23,503	15%	0%
6/30/2013	153,366	95,261	17,203	11%	0%
6/30/2012	225,919	127,862	16,587	7%	0%

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

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

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
6/30/2021	$ 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
6/30/2013	2,437	(4,536)	(2,099)	258,939	256,840
6/30/2012	(6,011)	4,760	(1,251)	58,173	56,922

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

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)
6/30/2021	$ 96,311	$ 276,504	$ 180,193	34.8%	$ 95,841	188%
6/30/2020	70,743	270,912	200,169	26.1%	93,529	214%
6/30/2019	60,967	257,891	196,924	23.6%	88,953	221%
6/30/2018	50,861	275,456	224,595	18.5%	86,541	260%
6/30/2017	42,591	248,908	206,317	17.1%	83,517	247%
6/30/2016	37,795	282,928	245,133	13.4%	83,043	295%
6/30/2015	29,243	269,430	240,187	10.9%	74,950	320%
6/30/2014	23,503	250,240	226,737	9.4%	75,242	301%
6/30/2013	17,203	248,627	231,424	6.9%	74,862	309%
6/30/2012	16,587	353,781	337,194	4.7%	64,696	521%

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 wtih 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% 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% of the dental insurance premiums.

Summary of Key Substantive Plan Provisions *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

<u>Premiums:</u>

Monthly premiums for calendar years 2021 and 2022 are as follows.

FIRE DEPARTMENT - 2021 MONTHLY PREMIUMS				
Medical	Single	Employee / Spouse	Employee / Child	Family
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 610.44	$ 1,220.88	$ 1,068.28	$ 1,831.32
Kaiser $25 co-pay	745.52	1,491.04	1,304.64	2,236.56
Kaiser HDHP	514.34	1,028.68	900.10	1,543.02
Anthem HMO $20 co-pay	724.82	1,594.58	1,304.68	2,246.90
Anthem DHMO	558.80	1,229.40	1,005.86	1,732.34
Anthem HDHP	977.80	2,151.16	1,760.04	3,031.20
Anthem Select PPO	1,587.22	3,491.90	2,857.00	4,920.42
Anthem Classic PPO	1,697.56	3,734.68	3,055.62	5,262.48
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 262.90	$ 525.80	$ 525.80	$ 788.70
Anthem Medicare PPO	480.04	960.08	960.08	1,440.12
Anthem Medicare HMO	425.71	851.42	851.42	1,277.13
Dental				
Delta Dental PPO	$ 50.88	$ 111.92	$ 122.12	$ 157.72
DeltaCare HMO	24.44	48.86	42.74	73.30

FIRE DEPARTMENT - 2022 MONTHLY PREMIUMS				
Medical	Single	Employee / Spouse	Employee / Child	Family
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 607.66	$ 1,215.32	$ 1,063.40	$ 1,822.98
Kaiser $25 co-pay	742.12	1,484.24	1,298.70	2,226.36
Kaiser HDHP	511.98	1,023.96	895.96	1,535.94
Antherm HMO Select $20 co-pay	661.56	1,455.40	1,190.80	2,050.78
Anthem HMO Traditional $20 co-pay	760.52	1,673.12	1,368.94	2,357.58
Anthem DHMO	510.02	1,234.30	1,122.10	1,581.14
Anthem HDHP	1,163.58	2,559.88	2,094.44	3,607.12
Anthem Selelct PPO	1,888.78	4,155.36	3,399.82	5,855.30
Anthem Classic PPO	2,020.10	4,444.26	3,636.18	6,262.34
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 260.92	$ 521.84	$ 521.84	$ 782.76
Anthem Medicare PPO	465.06	930.12	930.12	1,395.18
Anthem Medicare HMO	423.76	847.52	847.52	1,271.28
Dental				
Delta Dental PPO	$ 42.24	$ 92.90	$ 101.36	$ 130.90
DeltaCare HMO	24.44	48.86	42.74	73.30

Anthem HMO Medicare family rates assume the children are on the Non-Medicare $20 co-pay Anthem HMO.

Summary of Key Substantive Plan Provisions *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

FIRE DEPARTMENT - SUMMARY OF 2022 BENEFIT PLANS								
Non-Medicare Plans	Kaiser High Deductible	Kaiser DHMO	Kaiser $25 Co-Pay	Anthem $20 Co-pay HMO	Anthem DHMO	Anthem Select PPO (In-Network)	Anthem Classic PPO (In-Network)	Anthem High Deductible (In-Network)
Annual out-of-pocket maximum (single / family)	$5,950 / $11,900	$4,000 / $8,000	$1,500 / $3,000	$1,500 / $3,000	$4,000 / $8,000	$2,100 / $4,200	$2,100 / $4,200	$4,000 / $8,000
Annual deductible (single / family)	$3,000 / $6,000	$1,500 / $3,000	None	None	$1,500 / $3,000	$100 / $200	$100 / $200	$2,500 / $5,000
Office visit co-pay	30%[1]	$40	$25	$20	$20	$25	$25	20%[1]
Emergency room co-pay	30%[1]	30%[1]	$100	$100	30%[1]	$100	$100	20%[1]
Hospital care co-pay	30%[1]	30%[1]	$100	$100	30%[1]	10%[1]	10%[1]	20%[1]
Prescription Drug retail co-pay (30-day supply)								
Generic	$10	$10	$10	$10	$10	$10	$10	$10
Brand	$30	$30	$25	$30	$30	$25	$25	$30
Non-formulary	N/A	N/A	N/A	$60	$60	$40	$40	$60

[1] *After deductible is paid*

Medicare-Eligible Plans	Kaiser	Anthem HMO	Anthem PPO
Annual out-of-pocket maximum (single / family)	$1,500 / $3,000	$1,000 per member	$0
Annual deductible	None	None	None
Office visit co-pay	$25	$25	$0
Emergency room co-pay	$50	$100	$0
Hospital care co-pay	$250	$100	$0
Prescription Drug retail co-pay (30-day supply)			
Generic	$10	$10	$10
Brand	$10	$25	$25
Non-formulary	N/A	$40	$40

Summary of Key Substantive Plan Provisions *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

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	5.0%
Tier 2	4.0%

Medical: VEBA funds can be used to reimburse members for eligible healthcare expenses.

VEBA members on service-connected disability receive single coverage benefits from the Postemployment Healthcare Plan up to age 65 once VEBA funds 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, 2022 and June 30, 2021

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.

Statistical Review

CHANGES IN PLAN NET POSITION FOR FISCAL YEARS 2013 - 2022 *(Dollars in thousands)*

DEFINED BENEFIT PENSION PLAN (Schedule 1a)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Additions										
Employee contributions	$ 31,660	$ 29,033	$ 27,645	$ 24,811	$ 23,841	$ 20,580	$ 21,508	$ 20,747	$ 21,115	$ 20,227
Employer contributions	212,046	201,370	188,481	176,618	157,712	136,957	132,480	129,279	123,583	105,234
Investment income / (loss) [1]	(294,549)	1,044,290	134,085	114,179	233,475	292,734	(29,206)	(27,690)	404,978	248,725
Total additions to plan net position	**(50,843)**	**1,274,693**	**350,211**	**315,608**	**415,028**	**450,271**	**124,782**	**122,336**	**549,676**	**374,186**
Deductions										
Benefit payments	241,564	228,491	216,206	204,652	194,139	184,596	176,029	166,331	157,635	150,811
Death benefits	16,938	15,152	14,238	13,162	12,102	11,072	10,083	9,220	8,738	8,005
Refunds	1,374	667	564	194	389	364	828	702	1,024	886
Administrative expenses and other	6,051	5,764	5,605	5,369	5,464	4,635	4,254	4,191	3,631	3,423
Total deductions from plan net position	**265,927**	**250,074**	**236,613**	**223,377**	**212,094**	**200,667**	**191,194**	**180,444**	**171,028**	**163,125**
Changes in plan net position	**$ (316,770)**	**$1,024,619**	**$ 113,598**	**$ 92,231**	**$ 202,934**	**$ 249,604**	**$ (66,412)**	**$ (58,108)**	**$ 378,648**	**$ 211,061**

[1] *Net of expenses*

CHANGES IN PLAN NET POSITION FOR FISCAL YEARS 2013 - 2022 *(Dollars in thousands)*

POST EMPLOYMENT HEALTHCARE PLANS (Schedule 1b)

	2022			2021			2020			2019			2018		
	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	$ 12,109	$ -	$ -	$ 12,475	$ -	$ -	$ 13,135	$ -	$ -	$ 13,315	$ -	$ -	$ 16,127	$ -	$ -
Employer contributions	3,261	16,735	10,767	3,105	15,320	10,062	3,347	14,595	9,408	5,716	14,086	8,942	5,716	11,265	8,401
Investment income / (loss) [1]	(1,732)	(15,906)	(9,663)	6,838	28,448	17,708	1,220	3,722	2,301	1,288	4,099	2,520	3,058	2,511	1,502
Total additions	**13,638**	**829**	**1,104**	**22,328**	**43,768**	**27,770**	**17,702**	**18,317**	**11,709**	**20,319**	**18,185**	**11,462**	**24,901**	**13,776**	**9,903**
Deductions															
Healthcare insurance premiums	23,066	-	3,392	25,974	-	-	25,031	-	-	26,403	-	-	27,686	-	-
Administrative expenses and other	44	68	42	57	33	20	72	31	19	80	28	18	75	55	29
VEBA transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	5,276	2,621
Total deductions	**23,110**	**68**	**3,434**	**26,031**	**33**	**20**	**25,103**	**31**	**19**	**26,483**	28	**18**	**27,761**	**5,331**	**2,650**
Change in plan net position	**$ (9,472)**	**$ 761**	**$ (2,330)**	**$ (3,703)**	**$ 43,735**	**$ 27,750**	**$ (7,401)**	**$ 18,286**	**$ 11,690**	**$ (6,164)**	**$ 18,157**	**$ 11,444**	**$ (2,860)**	**$ 8,445**	**$ 7,253**

CHANGES IN PLAN NET POSITION FOR FISCAL YEARS 2013 - 2022 *(Dollars in thousands) (continued)*

POST EMPLOYMENT HEALTHCARE PLANS (Schedule 1b) *(continued)*

	2017			2016			2015			2014			2013		
	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	$ 18,116	$ -	$ -	$ 18,007	$ -	$ -	$ 17,017	$ -	$ -	$ 15,674	$ -	$ -	$ 13,498	$ -	$ -
Employer contributions	1,599	10,905	8,163	1,389	11,576	8,100	-	13,073	7,837	-	11,712	5,555	-	11,074	4,734
Investment income / (loss) [1]	4,278	5,220	2,955	(465)	(798)	(420)	(499)	(753)	(363)	7,942	3,210	1443	5,613	588	246
Total additions	**23,993**	**16,125**	**11,118**	**18,931**	**10,778**	**7,680**	**16,518**	**12,320**	**7,474**	**23,616**	**14,922**	**6,998**	**19,111**	**11,662**	**4,980**
Deductions															
Healthcare insurance Premiums	24,799	-	-	23,449	-	-	24,205	-	-	22,510	-	-	23,934	-	-
Administrative expenses and other	69	71	42	74	44	21	82	24	17	73	15	15	78	-	-
Total deductions	**24,868**	**71**	**42**	**23,523**	**44**	**21**	**24,287**	**24**	**17**	**22,583**	**15**	**15**	**24,012**	**-**	**-**
Change in plan net position	**$ (875)**	**$ 16,054**	**$ 11,076**	**$ (4,592)**	**$ 10,734**	**$ 7,659**	**$ (7,769)**	**$ 12,296**	**$ 7,457**	**$ 1,033**	**$ 14,907**	**$ 6,983**	**$ (4,901)**	**$ 11,662**	**$ 4,980**

[1] *Net of expenses*

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

PENSION BENEFITS (Schedule 2a)

Type of Benefit	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Age and Service Benefits										
Retirees - service	$ 137,711	$ 128,532	$ 119,030	$ 109,078	$ 101,338	$ 96,317	$ 90,944	$ 86,672	$ 83,664	$ 80,902
Retirees - deferred vested	7,950	7,072	6,171	5,499	4,983	4,352	3,730	3,056	2,873	2,522
Survivors - service	5,492	4,975	4,556	3,870	3,321	2,815	2,537	2,201	1,826	1,566
Survivors - deferred vested	303	218	201	99	110	105	97	78	62	60
Death in service benefits	**1,817**	**1,744**	**1,772**	**1,721**	**1,722**	**1,713**	**1,606**	**1,493**	**1,396**	**1,502**
Disability Benefits										
Retirees - duty	88,699	87,769	86,198	84,239	81,874	78,801	76,440	71,980	66,865	63,410
Retirees - non-duty	1,780	1,859	1,607	1,876	1,130	973	928	903	903	748
Survivors - duty	8,956	7,852	7,355	7,072	6,567	6,076	5,532	5,135	5,022	4,587
Survivors - non-duty	344	334	323	318	312	266	230	235	274	265
Ex-spouse benefits	5,450	3,288	3,231	4,042	4,884	4,249	4,068	3,798	3,488	3,254
Total benefits	**258,502**	**243,643**	**230,444**	**217,814**	**206,241**	**195,667**	**186,112**	**175,551**	**166,373**	**158,816**
Type of Refund										
Separation	1,374	667	564	194	389	364	828	1,024	886	1,926
Total refunds	**$ 1,374**	**$ 667**	**$ 564**	**$ 194**	**$ 389**	**$ 364**	**$ 828**	**$ 1,024**	**$ 886**	**$ 1,926**

Source*:* Pension Administration System

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

POSTEMPLOYMENT HEALTHCARE BENEFITS (Schedule 2b)

Type of Benefit	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Age and Service Benefits										
Retirees - service										
Medical	$ 11,069	$ 10,402	$ 9,430	$ 8,703	$ 9,300	$ 9,892	$ 9,258	$ 9,450	$ 8,318	$ 10,090
Dental	1,200	1,371	1,313	1,251	1,215	1,162	1,099	988	1,005	1,013
Retirees - deferred vested [1]										
Medical	363	314	271	261	319	369	315	275	245	264
Dental	46	53	50	49	49	45	39	30	31	29
Survivors - service										
Medical	419	361	324	266	289	268	235	238	205	231
Dental	44	48	45	38	35	30	27	24	33	44
Survivors - deferred vested [1]										
Medical	20	20	20	54	16	17	16	13	9	11
Dental	3	3	3	2	2	2	2	1	2	2
Death in service benefits										
Medical	112	119	133	139	165	184	176	185	170	243
Dental	18	22	23	23	25	25	24	22	28	41
Disability Benefits										
Retirees - duty										
Medical	7,842	8,009	7,921	7,757	8,402	9,033	8,809	8,985	7,794	9,673
Dental	887	1,094	1,116	1,137	1,151	1,128	1,116	992	993	1,038
Retirees - non-duty										
Medical	219	233	194	199	183	228	202	210	192	206
Dental	29	40	31	30	25	25	24	23	22	23
Survivors - duty										
Medical	812	746	685	654	668	679	615	623	560	650
Dental	85	93	94	92	89	83	78	69	105	152
Survivors - non-duty										
Medical	27	26	26	27	32	26	21	23	31	41
Dental	2	5	5	5	5	5	4	4	8	11
Implicit Subsidy										
Medical	3,261	3,015	3,347	5,716	5,716	1,598	1,389	2,050	2,759	172
Total benefits	**$ 26,458**	**$ 25,974**	**$ 25,031**	**$ 26,403**	**$ 27,686**	**$ 24,799**	**$ 23,449**	**$ 24,205**	**$ 22,510**	**$ 23,934**

[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 2013-2022 (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 %
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 $
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
2014	21.15	75.63	20.49	21.29	19.07	74.75	N/A	N/A
2013	19.39	65.53	N/A	N/A	17.32	65.05	N/A	N/A

Retired Members by Type of Benefit

PENSION BENEFITS

As of June 30, 2022

		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	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$501 - 1,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$1,001 - 1,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$1,501 - 2,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$2,001 - 2,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$2,501 - 3,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$3,001 - 3,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$3,501 - 4,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$4,001 - 4,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$4,501 - 5,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$5,001 - 5,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$5,501 - 6,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$6,001 - 6,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$6,501 - 7,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$7,001 - 7,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$7,501 - 8,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$8,001 - 8,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$8,501 - 9,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$9,001 - 9,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$9,501 - 10,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$10,001 - 10,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$10,501 - 11,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
Over $11,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

[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, person goes back to original pension calculation)

POSTEMPLOYMENT HEALTHCARE BENEFITS

As of June 30, 2022

	Type of Subsidy	
Average Monthly Benefit	Health	Dental
Ineligible / Deferred	$ -	$ -
$1 - 60	-	-
$61 - 250	-	-
$251 - 500	-	-
$501 - 1,000	-	-
Over $1,000	-	-
Total	**$ -**	**$ -**

Source : Pension Administration System

Retired Members by Type of Benefit *(continued)*

PENSION BENEFITS BY FAMILY UNIT

As of June 30, 2022

		Type of Retirement[1]							
Monthly Benefit Amount	Number of Retirees & Beneficiaries	1	2	3	4	5	6	7	8
$0 - 999	33	0	0	4	0	0	2	5	22
$1,000 - 1,999	76	0	0	2	0	3	4	15	52
$2,000 - 2,999	105	5	0	3	1	3	31	16	46
$3,000 - 3,999	128	19	0	1	2	7	57	14	28
$4,000 - 4,999	167	37	2	3	13	6	77	11	18
$5,000 - 5,999	166	82	7	6	22	3	32	10	4
$6,000 - 6,999	237	132	7	4	50	1	29	8	6
$7,000 - 7,999	198	88	4	3	79	2	17	4	1
$8,000 - 8,999	295	94	3	1	182	3	6	4	2
$9,000 - 9,999	268	86	5	1	170	2	2	2	0
$10,000 - 10,999	232	70	2	0	150	1	3	6	0
$11,000 - 11,999	201	61	0	0	134	0	2	4	0
$12,000 - 12,999	181	77	0	0	96	0	3	5	0
$13,000 - 13,999	129	44	0	0	75	0	3	7	0
$14,000 - 14,999	67	17	1	0	47	0	1	1	0
$15,000 - 15,999	43	15	2	0	23	0	0	3	0
$16,000 - 16,999	21	5	0	0	16	0	0	0	0
$17,000 - 17,999	14	4	0	0	10	0	0	0	0
$18,000 - 18,999	21	2	0	0	17	0	0	2	0
$19,000 - 19,999	9	1	0	0	8	0	0	0	0
$20,000 - 20,999	5	0	0	0	5	0	0	0	0
$21,000 - 23,999	6	1	0	0	5	0	0	0	0
$24,000 +	2	0	0	0	2	0	0	0	0
Total	**2,604**	**840**	**33**	**28**	**1,107**	**31**	**269**	**117**	**179**

[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, 2022

	Years of Service Credit						
Time Periods	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
As of June 30, 2022							
Average monthly benefit [1]	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Average final average salary [2]	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of retired members [3]	-	-	-	-	-	-	-
Average monthly benefit (No FAS) [1]	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of retired members [2]	-	-	-	-	-	-	-
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 numbers [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
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

Average Benefit Payment Amounts *(continued)*

PENSION BENEFITS

As of June 30, 2022

	Years of Service Credit						
Time Periods	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
As of June 30, 2016							
Average monthly benefit [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
As of June 30, 2014							
Average monthly benefit [1]	$ 4,060	$ 3,383	$ 3,904	$ 4,897	$ 6,763	$ 8,671	$ 9,392
Average final average salary [2]	$ 4,166	$ 4,097	$ 6,123	$ 7,384	$ 7,846	$ 7,637	$ 7,151
Number of retired members [3]	23	47	103	132	365	755	145
Average monthly benefit (No FAS) [1]	$ 2,852	$ 3,187	$ 3,706	$ 4,725	$ 6,511	$ 8,399	$ 9,011
Number of retired members [2]	1	3	4	9	32	115	25
As of June 30, 2013							
Average monthly benefit [1]	$ 2,852	$ 3,187	$ 3,706	$ 4,725	$ 6,511	$ 8,399	$ 9,011
Average final average salary [2]	$ 3,993	$ 3,758	$ 5,746	$ 6,988	$ 7,620	$ 7,552	$ 7,006
Number of retired members [3]	11	47	98	125	344	755	150
Average monthly benefit (No FAS) [1]	$ -	$ 1,822	$ 1,321	$ 3,233	$ 4,197	$ 6,486	$ 7,398
Number of retired members [2]	-	3	5	11	32	117	27

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

Average Benefit Payment Amounts *(continued)*

POSTEMPLOYMENT HEALTHCARE BENEFITS
As of June 30, 2022

	Years of Service Credit						
Time Periods	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
As of June 30, 2022							
Average health subsidy	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of health participants [1]	-	-	-	-	-	-	-
Average dental subsidy	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of dental participants [1]	-	-	-	-	-	-	-
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
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

Average Benefit Payment Amounts *(continued)*

POSTEMPLOYMENT HEALTHCARE BENEFITS
As of June 30, 2022

	Years of Service Credit						
Time Periods	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
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
As of June 30, 2014							
Average health subsidy	$ 549	$ 779	$ 845	$ 779	$ 896	$ 879	$ 746
Number of health participants [1]	19	44	87	121	384	843	166
Average dental subsidy	$ 67	$ 97	$ 96	$ 97	$ 106	$ 106	$ 99
Number of dental participants [1]	21	47	91	128	396	865	169
As of June 30, 2013							
Average health subsidy	$ 519	$ 783	$ 769	$ 785	$ 924	$ 932	$ 844
Number of health participants[1]	8	44	81	118	366	855	174
Average dental subsidy	$ 84	$ 96	$ 85	$ 92	$ 101	$ 101	$ 102
Number of dental participants [1]	9	47	86	124	375	872	177

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

Source: *Pension Administration System*

Retirements During Fiscal Year 2021-2022

SERVICE RETIREMENTS			
POLICE DEPARTMENT		FIRE DEPARTMENT	
Acosta, Adolfo S.	Lonac, Todd M.	Alameda, Gregory W.	Jacobs, Angela J.
Acosta, Sheryl C.	Marinelli, Norene	Augustine, Karren M.	Laird, Gerry B.
Ardizzone, Joseph S.	Martinez, Jose A., Sr	Bacon, Robert L. Jr	Leglu, Edward S.
Boren, John	Mason, James	Barnett, David R.	Malandrino, David N.
Bravo, Richard R.	McDonald, Brian P.	Burke, Scott L.	Marshall, Paul T.
Bueno, Amador G.	McFadden, Stanley C.	Campbell, Scott A.	Mayorga, Raul
Dorsey, Edward A.	Odama, Tak M.	Caponio, Peter	Nelson, Steven P.
Farias, Sergio L.	Oki, Kyle T.	Carranza, Adolph	Parmer, Derek
Ferrante, Jill	Pham, Kelvin H.	Coats, Soren M.	Peuler, Christopher
Garcia, Phillip D.	Rodriquez, Manuel A.	Cowan, James E.	Ragsac, Robert V., Jr
Gutierrez, Jorge A.	Taylor, Marc L.	Davis, Russell V.	Silva, Jeffrey A.
Herr, Jason P.	Tindall, David J.	Del Bando, Michael R.	Stamm, Paul W.
Hickey, Paul L.	Todd, Vernon L., II	Dellinger, Johnny D.	Suarez, Jason A.
Hoggard, Kenneth B.	Torres, Barry	Doan, Hien Q.	Thornton, William G.
Kahaku, Anson G.	Trang, Nathan N.	Ehlers, Barry A.	Ureta, John A.
Kelly, Paul J.	Vela, Jim M.	Endicott, Brian D.	Westcott, Erik C.
LaCap, Christina M.	Waara, Michael P.	Ennes, David	Woeste, Keith W.
Lawrence, Lee G.	Williams, Bryan B.	Flores, Saul	
Le, James T.	Womack, Mark T.	Harmount, Chris T.	
EARLY RETIREMENTS			
POLICE DEPARTMENT		FIRE DEPARTMENT	
Elischer, Cassady D.		None	None
DEFERRED VESTED			
POLICE DEPARTMENT		FIRE DEPARTMENT	
Baughn, Kevin A.	Morales, Julio C.	Estrada, Hector R.	Lillie, Michael
Benitez, Richard J.	Morasci, Scott D.		
Corbin, Stephen J.	Scott, Jeffrey O.		
Duong, Nhon N.	Ta, Jason H.		
Jesser, Jarrod M.	Wharton, Michael D.		
Mancini, Phillip J.	Wilkes, Gregory S.		
SERVICE-CONNECTED DISABILITY RETIREMENTS			
POLICE DEPARTMENT		FIRE DEPARTMENT	
Alfonzo, Leeann	Fontanilla, Angel John P.	None	None
Campagna, Joe L.	Martinez, Erwin R.		
Clear, Jennifer A.	Shinn, Kevin C.		
Fontaine, Paul			
NON SERVICE-CONNECTED DISABILITY RETIREMENTS			
POLICE DEPARTMENT		FIRE DEPARTMENT	
None	None	None	None

Deaths During Fiscal Year 2021-2022

DEATHS AFTER RETIREMENT			
POLICE DEPARTMENT		FIRE DEPARTMENT	
Confer, Richard A.	Porter, John H.	Adams, William H.	Jameson, Neil A.
Davis, Richard R.	Reyes, Juan M.	Alvarado, Steven F.	Jones, Stanley M.
Garino, Kenneth J.	Schmidt, Paul E.	Bartosiewicz, William S.	Medina, Eduardo E.
Gonzales, Gilbert S.	Siegel, Kenneth J.	Bibby, Richard A.	Moseley, David D.
Heck, Steven G.	Terry, Glenn	Burdine, Bobby G.	Petersen, Leland A.
Hollars, Robert D.	Thompson, Gary R.	Busalacchi, Mario P.	Schneickert, Edward T., Jr
Johst, Brian M.	Tonry, Donna M.	Cabigas, Ruby J.	Schneickert, Gary L.
Jueal, Roy H.	Trussler, John	Carabal, Robert W.	Torkelson, Larry D.
Leroy, James A.	Weir, Lawrence E.	Chapp, Wayne A.	Vermillion, Robert
Mc Guire, Patrick A.	Woodall, Jack O.	Cutter, Edward J.	Williams, David
Mc Lean III, William C.	Yarbrough, Orville	Henry, Clyde L.	
Messimer, Dwight R.	Yuhas, Richard J.	Hernandez, Virgilio	
Nishita, Kevin		Holmes, Danny R.	
DEATHS BEFORE RETIREMENT			
POLICE DEPARTMENT		FIRE DEPARTMENT	
Packer, DeJon	Ubarre, Melecio	Huseman, Pamela R.	

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