

# CITY OF SAN JOSÉ

## POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

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



## POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



## THE BOARD



Vincent Sunzeri  
Chair



Andrew Gardanier  
Vice Chair



Nick Muyo, Trustee



Franco Vado, Trustee



Andrew Lanza, Trustee



Richard Santos, Trustee



Vikas Oswal, Trustee



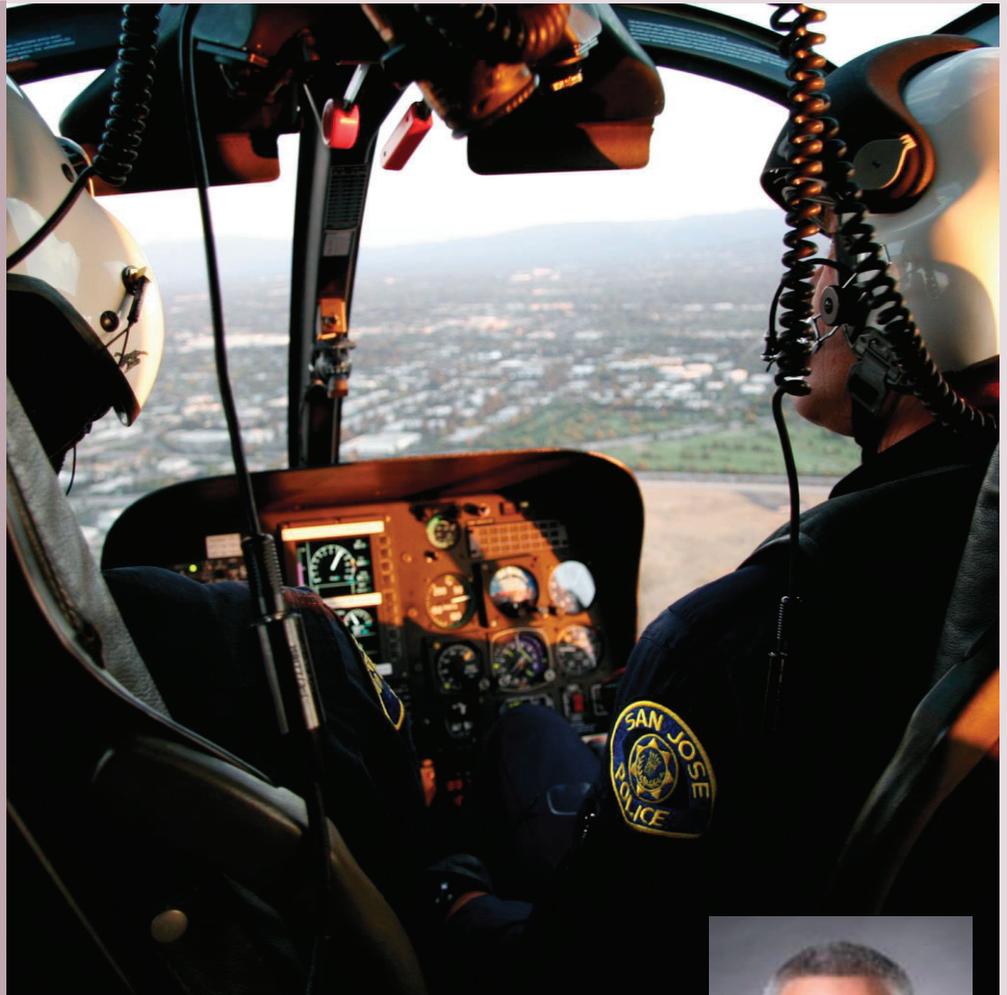
Ghia Griarte, Trustee



Eswar Menon, Trustee



Pam Foley,  
City Council Liaison



**Roberto Peña,**  
**Director**

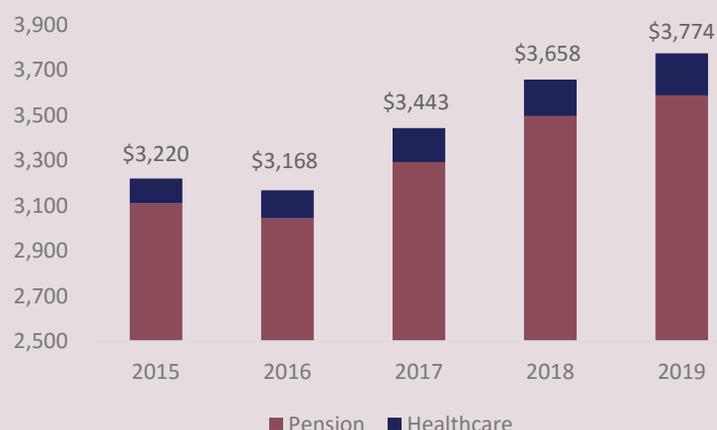
**Chief Executive  
Officer**

The Police and Fire Department Retirement Plan (Plan) is pleased to present the Popular Annual Financial Report (PAFR) which summarizes the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. The financial data presented in the PAFR is derived from the CAFR and is consistent with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP). The PAFR provides a concise summary of the Plan's financial position, investment performance and key accomplishments throughout the fiscal year. The Plan consists of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan.

This report is not intended to replace the CAFR, which provides a more complete overview of the Plan's financial position and operating results. For more in-depth information, we encourage you to read the CAFR by visiting [www.sjretirement.com](http://www.sjretirement.com) and clicking on the Reports tab.

# FINANCIALS

**Total Net Position**  
In Millions



In Thousands	Net Position for the Defined Benefit Plan		Net Position for the Postemployment Healthcare Plans	
	2019	2018	2019	2018
<b>As of June 30,</b>				
Receivables	46,864	9,900	4,775	18,295
Investments at fair value	3,544,827	3,491,602	182,307	152,091
Capital assets, net	3,031	1,726	46	29
<b>Total Assets</b>	<b>\$ 3,594,722</b>	<b>\$ 3,503,228</b>	<b>\$ 187,128</b>	<b>\$ 170,415</b>
Current liabilities	6,300	7,037	1,171	7,895
<b>Total Liabilities</b>	<b>\$ 6,300</b>	<b>\$ 7,037</b>	<b>\$ 1,171</b>	<b>\$ 7,895</b>
<b>Plan Net Position</b>	<b>\$ 3,588,422</b>	<b>\$ 3,496,191</b>	<b>\$ 185,957</b>	<b>\$ 162,520</b>

In Thousands	Changes in Plan Net Position for the Defined Benefit Plan		Changes in Plan Net Position for the Postemployment Healthcare Plans	
	2019	2018	2019	2018
<b>For the Period Ended June 30,</b>				
Employee contributions	24,811	23,841	13,315	16,127
Employer contributions	176,618	157,712	28,744	25,382
Net investment income	114,179	233,475	7,907	7,071
<b>Total Additions</b>	<b>315,608</b>	<b>415,028</b>	<b>49,966</b>	<b>48,580</b>
Retirement benefits	204,652	194,139		
Death benefits	13,162	12,102		
Refund of contributions	194	389		
Administrative expenses	5,369	5,464	126	159
Healthcare insurance premiums			26,403	27,686
VEBA transfer				7,897
<b>Total Deductions</b>	<b>223,377</b>	<b>212,094</b>	<b>26,529</b>	<b>35,742</b>
Net Increase in Plan Net Position	92,231	202,934	23,437	12,838
<b>Beginning Net Position</b>	<b>\$ 3,496,191</b>	<b>\$ 3,293,257</b>	<b>\$ 162,520</b>	<b>\$ 149,682</b>
<b>Ending Net Position</b>	<b>\$ 3,588,422</b>	<b>\$ 3,496,191</b>	<b>\$ 185,957</b>	<b>\$ 162,520</b>

## Membership

As of June 30, 2019

## Membership

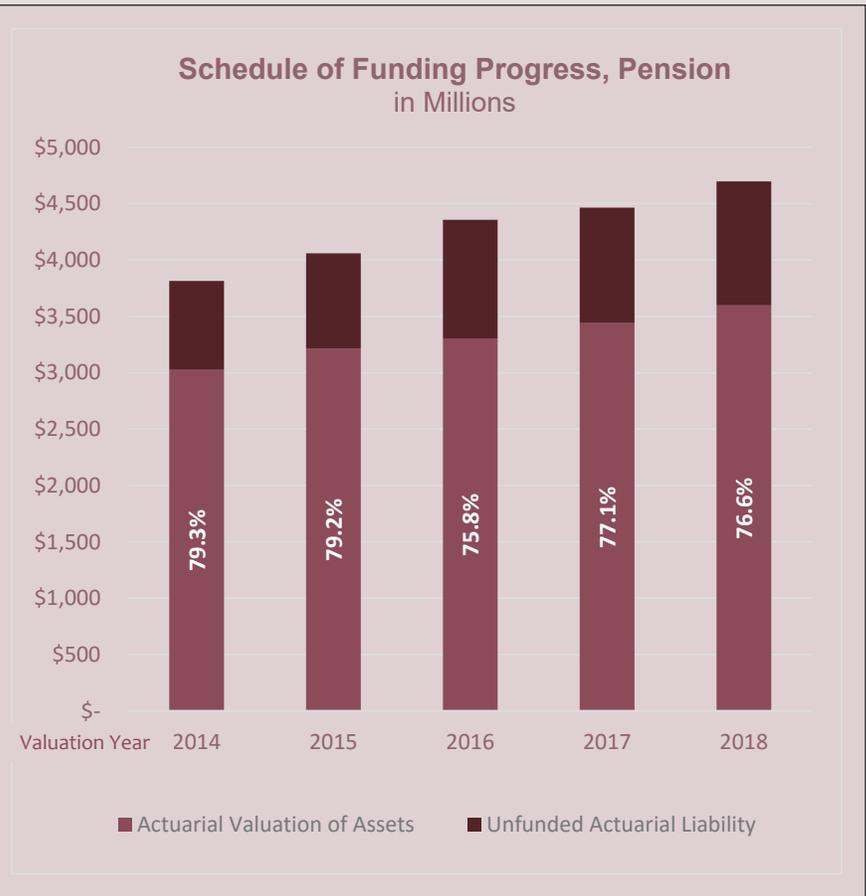
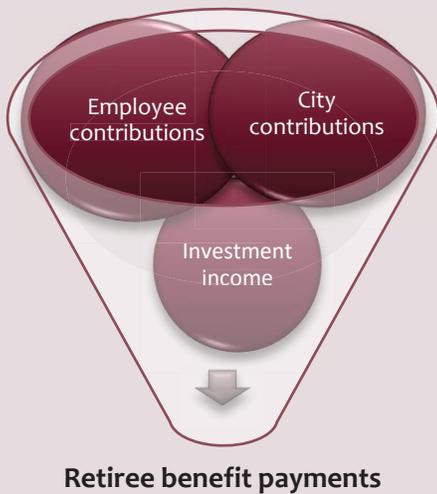
As of June 30, 2018

Police							
Retirees		Deferred		Active		Total	
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2		
1,432		214	74	671	367	2,758	
Fire							
Retirees		Deferred		Active		Total	
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2		
886		40	5	541	121	1,593	

Police							
Retirees		Deferred		Active		Total	
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2		
1,373		227	53	717	258	2,628	
Fire							
Retirees		Deferred		Active		Total	
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2		
877		39	4	561	103	1,584	

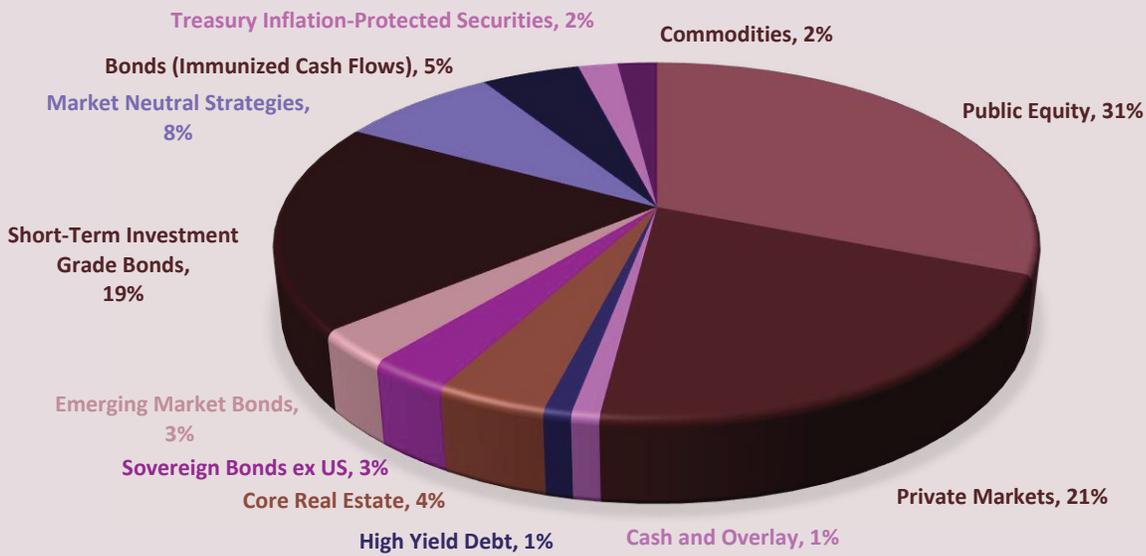
Years of Credited Service	Average Monthly Final Average Salary	Average Monthly Benefit
0 - 5	\$ 7,038	\$ 2,268
6 - 10	\$ 5,624	\$ 3,922
11 - 15	\$ 7,384	\$ 4,587
16 - 20	\$ 8,987	\$ 5,922
21 - 25	\$ 9,499	\$ 8,193
26 - 30	\$ 9,428	\$ 10,502
31+	\$ 8,657	\$ 11,396

The Average Benefit Payment chart is a broad representation of average benefits paid to retirees and survivors. All tiers are combined in the calculation. The chart includes all members who have retired through June 30, 2019.

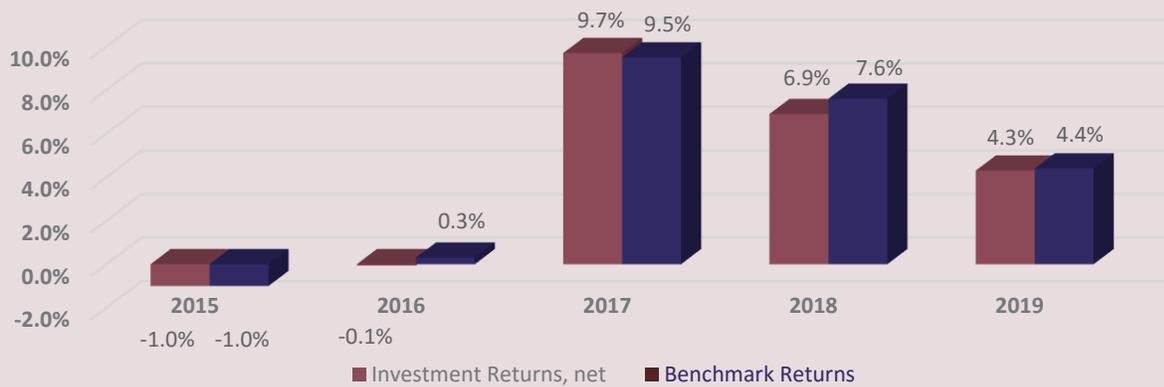


# PENSION - ASSET ALLOCATION

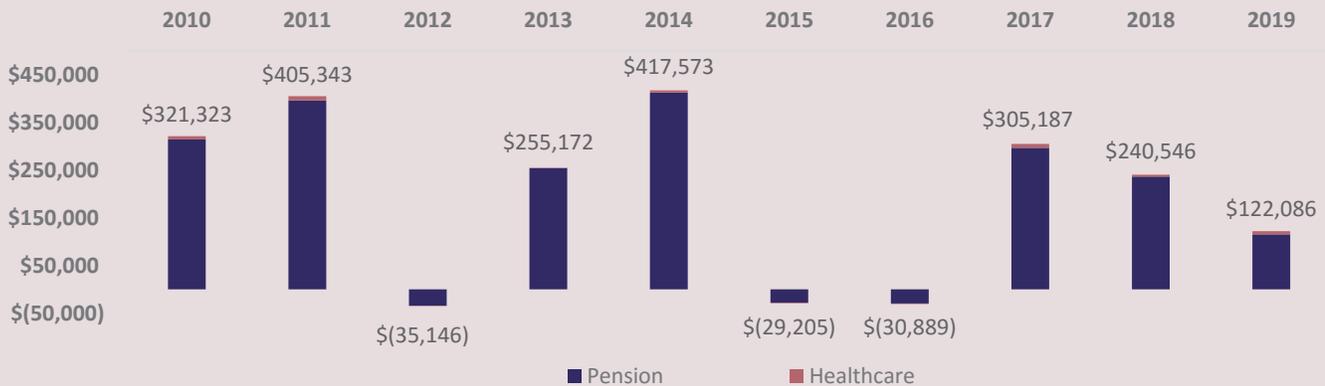
AS OF JUNE 30, 2019



## Investment Returns Compared to Benchmark



## Investment Income, Net In Thousands

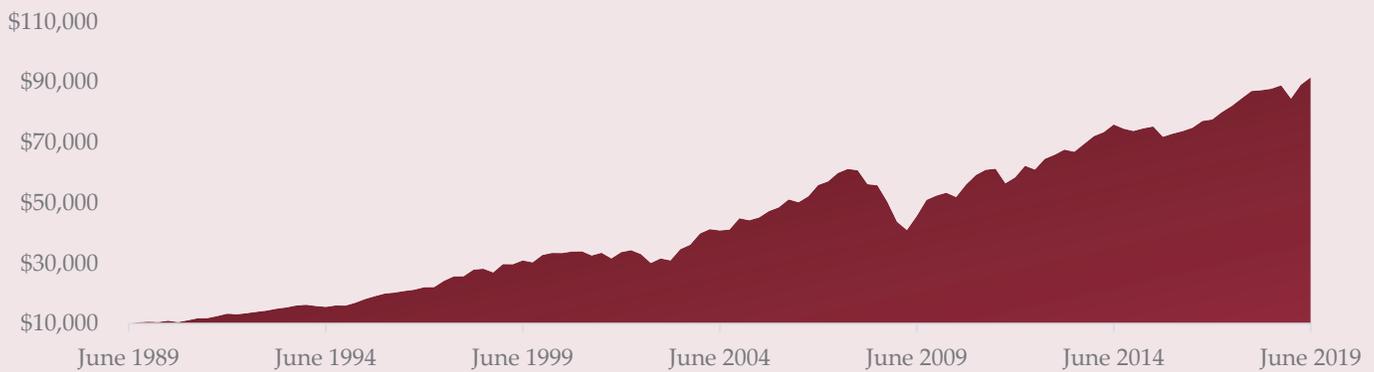




## INVESTMENTS

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

### Growth of \$10,000, 30 Years



### Growth of \$10,000, 20 Years



### Growth of \$10,000, 10 Years

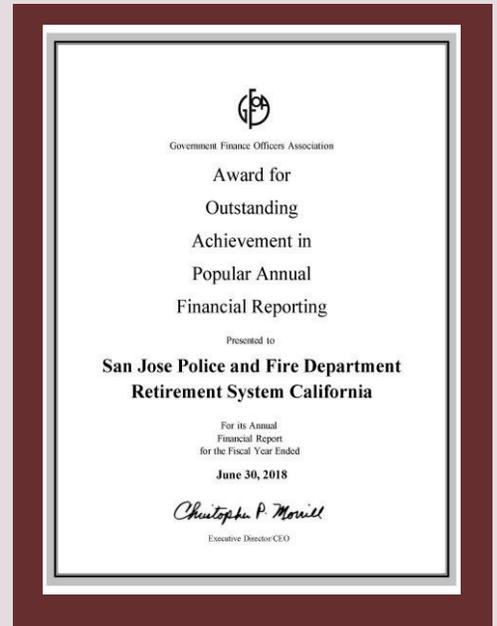


# Noteworthy Accomplishments

Government Finance Officers Association of the United States and Canada (GFOA) has given an award for Outstanding Achievement in Popular Annual Financial Reporting to the Plan for its Popular Annual Financial Reporting for the fiscal year ended June 30, 2018. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

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

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The Plan has received a Popular Award for the third year for the fiscal year ended June 30, 2018. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.



The Office of Retirement Services (ORS) implemented a new pension administration system that went live in February 2019; the implementation of the system started in March 2015. The implementation process spanned approximately 44 months and cost approximately \$9 million. The project completion was extended to the fall of 2019 to allow for the implementation of Measure F-related calculations in the Plan.

ORS launched the new member portal, MemberDirect, in the fall of 2019. <https://memberdirect.sjretirement.com>



Donna Busse

In March 2019, the Chief Operations Officer/ Deputy Director, Donna Busse, retired. ORS conducted a recruitment for the position and subsequently, Barbara Hayman, was promoted to Chief Operations/ Deputy Director effective May 2019.



Barbara Hayman

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

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