

# CITY OF SAN JOSÉ

## POLICE AND FIRE DEPARTMENT RETIREMENT PLAN



## POPULAR ANNUAL FINANCIAL REPORT

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



FOR THE FISCAL YEAR  
ENDED JUNE 30, 2022

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Government Finance Officers Association of the United States and Canada (GFOA) has given an award for Outstanding Achievement in Popular Annual Financial Reporting to the Police and Fire Department Retirement Plan (Plan) for its Popular Annual Financial Report for the fiscal year ended June 30, 2021. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

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

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The Plan has received this award for the sixth year for the fiscal year ended June 30, 2021. 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.



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<https://www.sjretirement.com/>  
City of San José

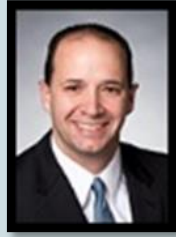
Office of Retirement Services  
1737 North First Street, Suite 600  
San José, CA 95112-4505  
Phone: 408 794-1000 or 800-732-6477  
Fax: 408 392-6732

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# Board of Administration



Andrew Lanza  
Chair



Andrew Gardanier  
Vice Chair



David Kwan  
Trustee



Dave Wilson  
Trustee



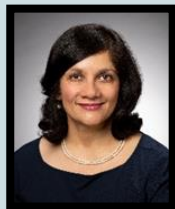
Howard Lee  
Trustee



Richard Santos  
Trustee



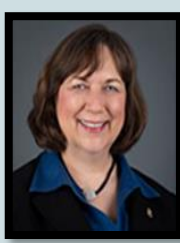
Eswar Menon  
Trustee



Sunita Ganapati  
Trustee



Franco Vado  
Trustee



Pam Foley, City  
Council Liaison



Roberto L. Peña,  
Director  
Chief Executive  
Officer

The Plan is pleased to present the Popular Annual Financial Report (PAFR) which summarizes the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. The financial data presented in the PAFR is derived from the ACFR and is consistent with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP). The PAFR provides a concise summary of the Plan's financial position, investment performance and key accomplishments throughout the fiscal year. The Plan consists of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan.

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

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

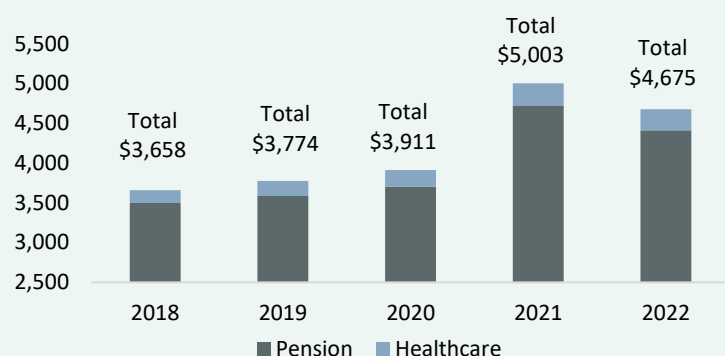
A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

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

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

# FINANCIAL RESULTS

## Total Net Position In Millions



## Net Position

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



In Thousands	Net Position for the Defined Benefit Plan			Net Position for the Postemployment Healthcare Plans		
	2020	2021	2022	2020	2021	2022
<i>As of June 30,</i>						
Receivables	127,537	83,889	95,164	9,450	7,015	14,680
Investments at fair value	3,587,886	4,668,833	4,357,958	201,764	271,009	259,144
Other assets, net	3,494	3,871	3,311	51	54	51
<b>Total Assets</b>	<b>\$ 3,718,917</b>	<b>\$ 4,756,593</b>	<b>\$ 4,456,433</b>	<b>\$ 211,265</b>	<b>\$ 278,078</b>	<b>\$ 273,875</b>
Current liabilities	16,897	29,954	46,564	2,733	1,764	8,602
<b>Total Liabilities</b>	<b>\$ 16,897</b>	<b>\$ 29,954</b>	<b>\$ 46,564</b>	<b>\$ 2,733</b>	<b>\$ 1,764</b>	<b>\$ 8,602</b>
<b>Plan Net Position</b>	<b>\$ 3,702,020</b>	<b>\$ 4,726,639</b>	<b>\$ 4,409,869</b>	<b>\$ 208,532</b>	<b>\$ 276,314</b>	<b>\$ 265,273</b>

In Thousands	Changes in Plan Net Position for the Defined Benefit Plan			Changes in Plan Net Position for the Postemployment Healthcare Plans		
	2020	2021	2022	2020	2021	2022
<i>For the Period Ended June 30,</i>						
Employee contributions	27,645	29,033	31,660	13,135	12,475	12,109
Employer contributions	188,481	201,370	212,046	27,350	28,397	30,763
Net investment income / (loss)	134,085	1,044,290	(294,549)	7,243	52,994	(27,301)
<b>Total Additions</b>	<b>\$ 350,211</b>	<b>\$ 1,274,693</b>	<b>\$ (50,843)</b>	<b>\$ 47,728</b>	<b>\$ 93,866</b>	<b>\$ 15,571</b>
Retirement benefits	216,206	228,491	241,564			
Death benefits	14,238	15,152	16,938			
Refund of contributions	564	667	1,374			
Administrative expenses	5,605	5,764	6,051	122	110	154
Healthcare insurance premiums				25,031	25,974	26,458
<b>Total Deductions</b>	<b>\$ 236,613</b>	<b>\$ 250,074</b>	<b>\$ 265,927</b>	<b>\$ 25,153</b>	<b>\$ 26,084</b>	<b>\$ 26,612</b>
Net Increase / (Decrease) in Plan Net Position	113,598	1,024,619	(316,770)	22,575	67,782	(11,041)
<b>Beginning Net Position</b>	<b>\$ 3,588,422</b>	<b>\$ 3,702,020</b>	<b>\$ 4,726,639</b>	<b>\$ 185,957</b>	<b>\$ 208,532</b>	<b>\$ 276,314</b>
<b>Ending Net Position</b>	<b>\$ 3,702,020</b>	<b>\$ 4,726,639</b>	<b>\$ 4,409,869</b>	<b>\$ 208,532</b>	<b>\$ 276,314</b>	<b>\$ 265,273</b>

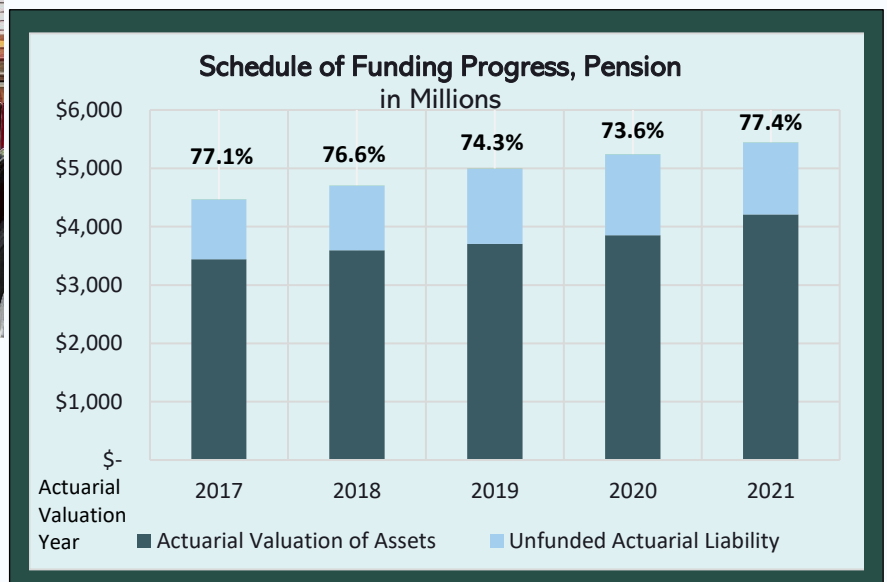
# BENEFIT PAYMENTS AND FUNDING PROGRESS

The Average Benefit Payment chart is a broad representation of average benefits paid to retirees and survivors. The Average Benefit Payment includes annual cost-of-living increases. All tiers are combined in the calculation. The chart includes all members who have retired through June 30, 2022.



The Funding progress ratio is the actuarial value of assets available to pay retirement benefits divided by the present value of anticipated future retirement benefit payments. The ratio of funding progress is not yet finalized for the actuarial valuation year 2022.

Years of Credited Service	Average Monthly Final Average Salary	Average Monthly Benefit
0 - 5	\$ 9,085	\$ 2,124
6 - 10	\$ 6,803	\$ 4,113
11 - 15	\$ 8,117	\$ 5,137
16 - 20	\$ 9,952	\$ 6,647
21 - 25	\$ 10,657	\$ 9,149
26 - 30	\$ 11,131	\$ 11,830
31+	\$ 10,620	\$ 13,182



# MEMBERSHIP

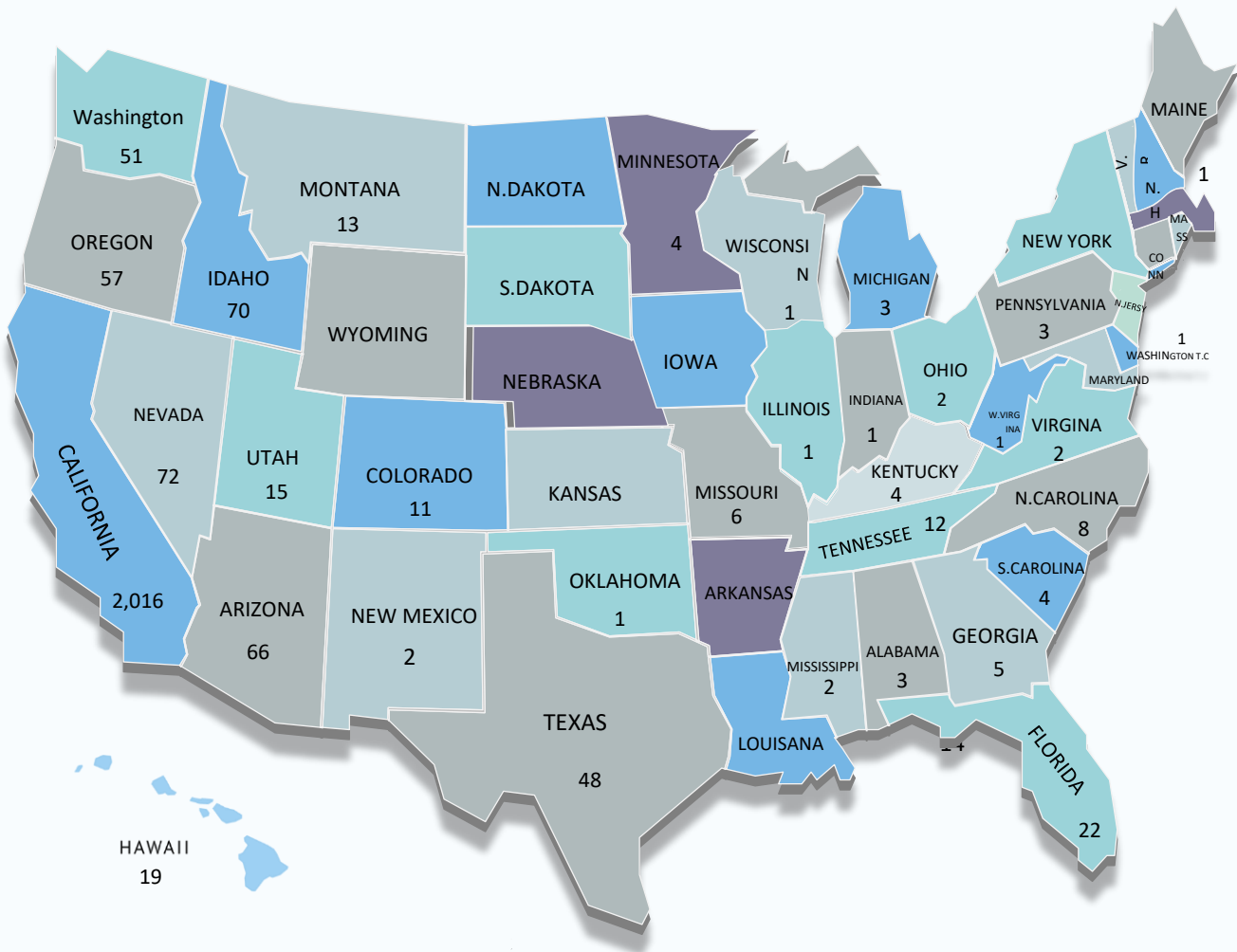
As of June 30, 2022

As of June 30, 2021

Police							Police						
Retirees		Deferred		Active		Total	Retirees		Deferred		Active		Total
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2		Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	
1,595		165	124	508	585	2,977	1,540		185	105	554	527	2,911

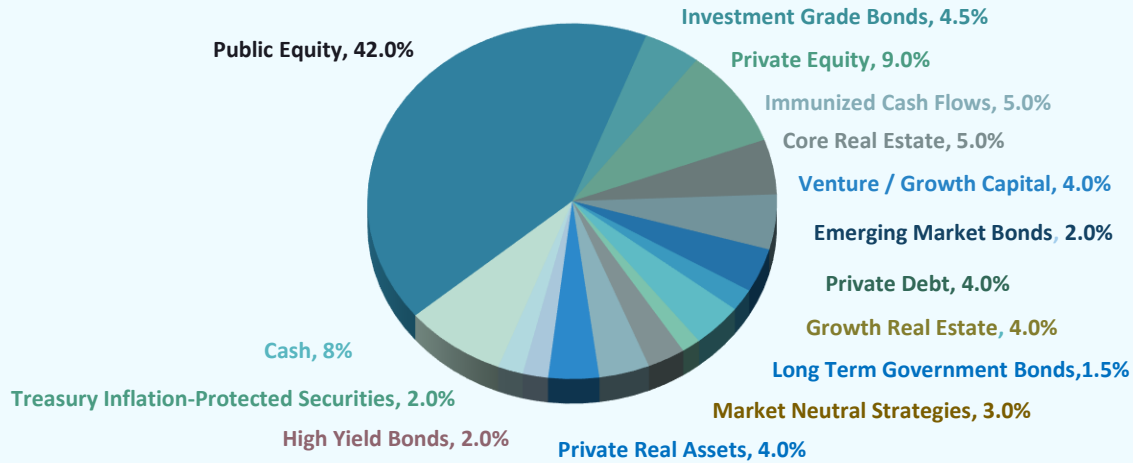
Fire							Fire						
Retirees		Deferred		Active		Total	Retirees		Deferred		Active		Total
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2		Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	
923		39	8	458	195	1,623	903		36	6	499	158	1,602



As of June 30, 2022, the map above is an approximate representation of where all the retirees reside within the U.S. There are several retirees living abroad; and no retirees living in Alaska.

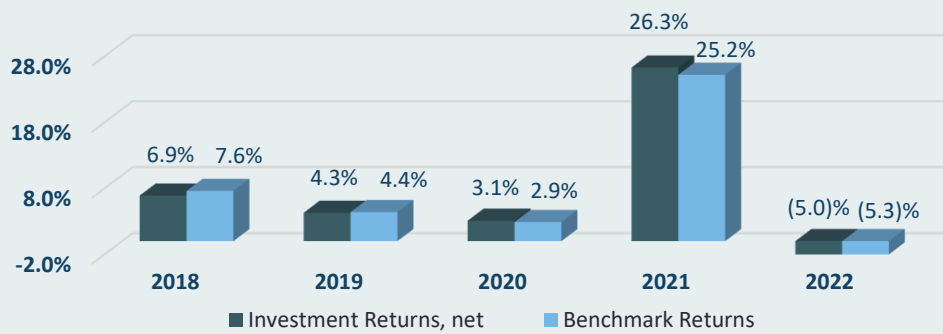
# PENSION - TARGET ASSET ALLOCATION

AS OF JUNE 30, 2022



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

## Investment Returns Compared to Benchmark



## BENCHMARK INDICES

### Growth:

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

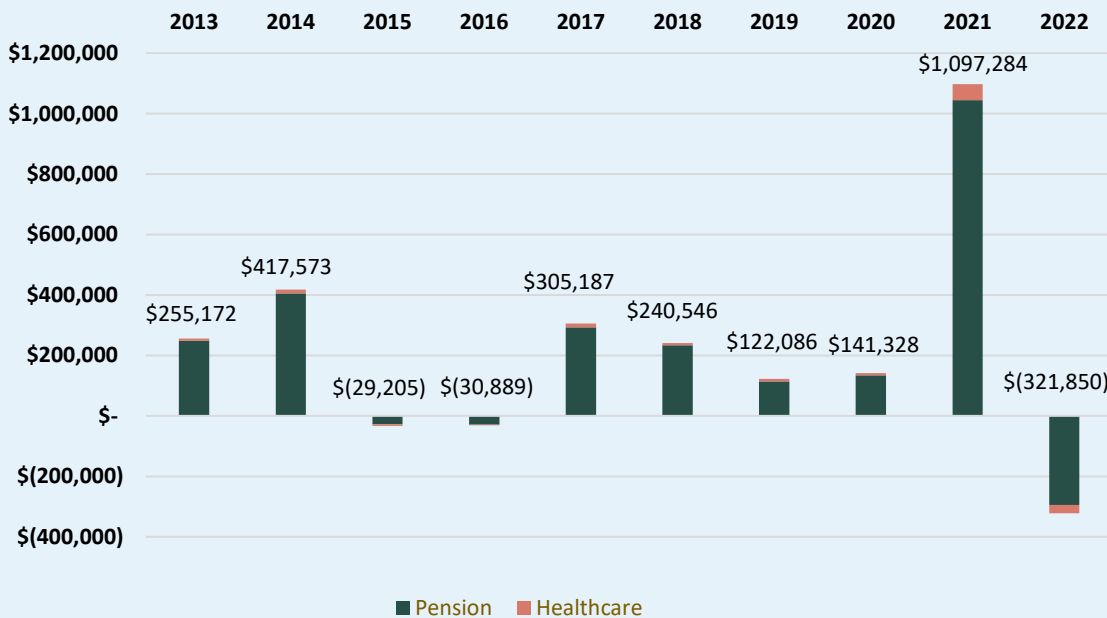
### Low Beta:

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

### Other:

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

## Investment Income, Net In Thousands



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

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

