

# CITY OF SAN JOSÉ

## FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

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**

# BOARD OF ADMINISTRATION



Matt Loesch, Chair



Jay Castellano, Trustee



Qianyu Su, Trustee



Anurag Chandra, Trustee



Elaine Orr, Trustee



Devora "Dev" Davis,  
City Council Liaison

There are two vacant trustee positions as of June 30, 2019.



The Federated City Employees' Retirement System (System) 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 System's financial position, investment performance and key accomplishments throughout the fiscal year. The System consists of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan.

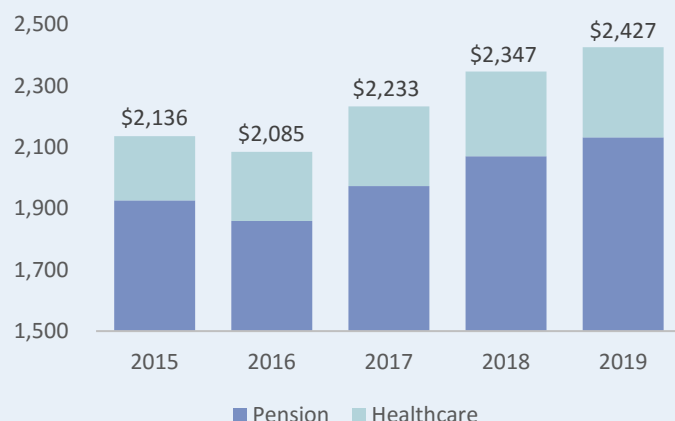
This report is not intended to replace the CAFR, which provides a more complete overview of the System's financial position and operating results. For more in-depth information, we encourage you to read the CAFR by visiting [www.sjretirement.com](http://www.sjretirement.com) and clicking on the Reports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



**Roberto Peña,**  
**Director**  
**Chief Executive**  
**Officer**

# FINANCIALS

## TOTAL NET POSITION IN MILLIONS



<i>In Thousands</i> As of June 30,	Net Position for the Defined Benefit Plan		Net Position for the Postemployment Healthcare Plans	
	2019	2018	2019	2018
Receivables	17,753	12,416	4,109	4,211
Investments at fair value	2,115,800	2,062,101	290,963	273,442
Capital assets, net	2,937	1,684	55	70
<b>Total Assets</b>	<b>\$ 2,136,490</b>	<b>\$ 2,076,201</b>	<b>\$ 295,127</b>	<b>\$ 277,723</b>
Current liabilities	4,338	6,868	639	466
<b>Total Liabilities</b>	<b>\$ 4,338</b>	<b>\$ 6,868</b>	<b>\$ 639</b>	<b>\$ 466</b>
<b>Plan Net Position</b>	<b>\$ 2,132,152</b>	<b>\$ 2,069,333</b>	<b>\$ 294,488</b>	<b>\$ 277,257</b>

<i>In Thousands</i> For the Period Ended June 30,	Changes in Plan Net Position for the Defined Benefit Plan		Changes in Plan Net Position for the Postemployment Healthcare Plans	
	2019	2018	2019	2018
Employee contributions	22,606	20,501	10,578	15,545
Employer contributions	173,006	156,770	26,410	32,397
Net investment income	76,855	117,493	9,472	12,336
<b>Total Additions</b>	<b>272,467</b>	<b>294,764</b>	<b>46,460</b>	<b>60,278</b>
Retirement benefits	190,228	179,366		
Death benefits	13,719	12,970		
Refund of contributions	1,119	1,064		
Administrative expenses	4,582	4,823	384	170
Healthcare insurance premiums			28,826	29,724
VEBA transfer			19	13,497
<b>Total Deductions</b>	<b>209,648</b>	<b>198,223</b>	<b>29,229</b>	<b>43,391</b>
Net Increase in Plan Net Position	62,819	96,541	17,231	16,887
<b>Beginning Net Position</b>	<b>\$ 2,069,333</b>	<b>\$ 1,972,792</b>	<b>\$ 277,257</b>	<b>\$ 260,370</b>
<b>Ending Net Position</b>	<b>\$ 2,132,152</b>	<b>\$ 2,069,333</b>	<b>\$ 294,488</b>	<b>\$ 277,257</b>



## Membership

As of June 30, 2019

## Membership

As of June 30, 2018

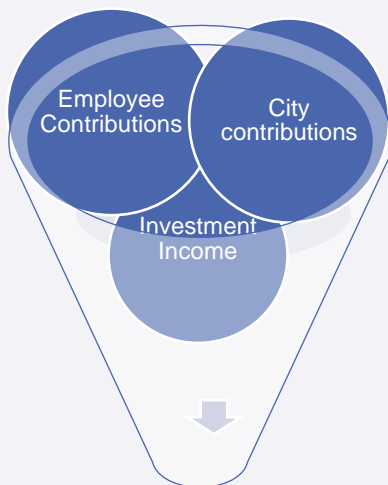
Retirees		Deferred		Active		Total	Retirees		Deferred		Active		Total
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2		Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	
4,351	8	1,005	530	1,669	1,948	9,511	4,222	3	1,022	412	1,855	1,699	9,213



Years of Credited Service	Average Monthly Final Average Salary	Average Monthly Benefit
0 - 5	\$ 6,726	\$ 1,042
6 - 10	\$ 5,947	\$ 1,679
11 - 15	\$ 6,057	\$ 2,752
16 - 20	\$ 6,178	\$ 3,743
21 - 25	\$ 6,652	\$ 5,175
26 - 30	\$ 6,574	\$ 6,327
31+	\$ 6,527	\$ 7,023

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.

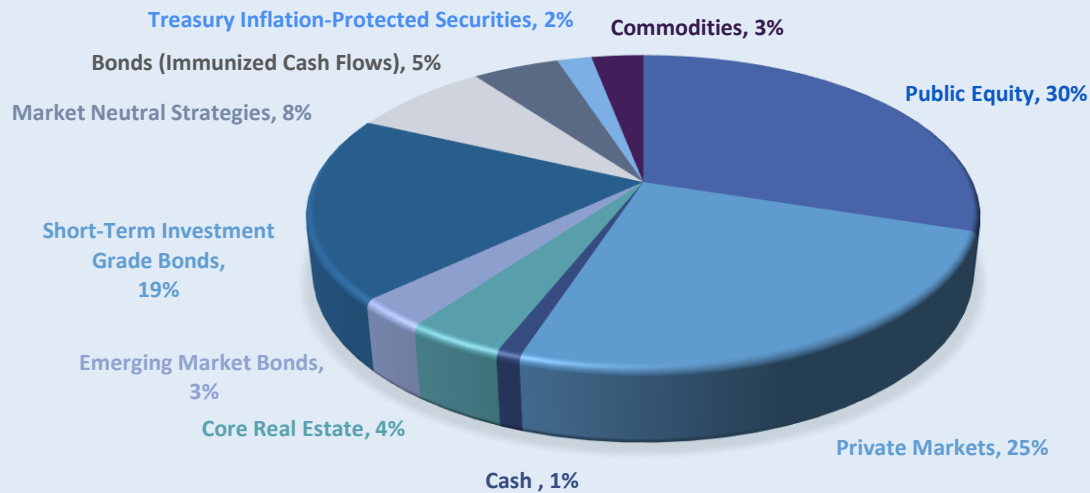
### Schedule of Funding Progress, Pension *in Millions*



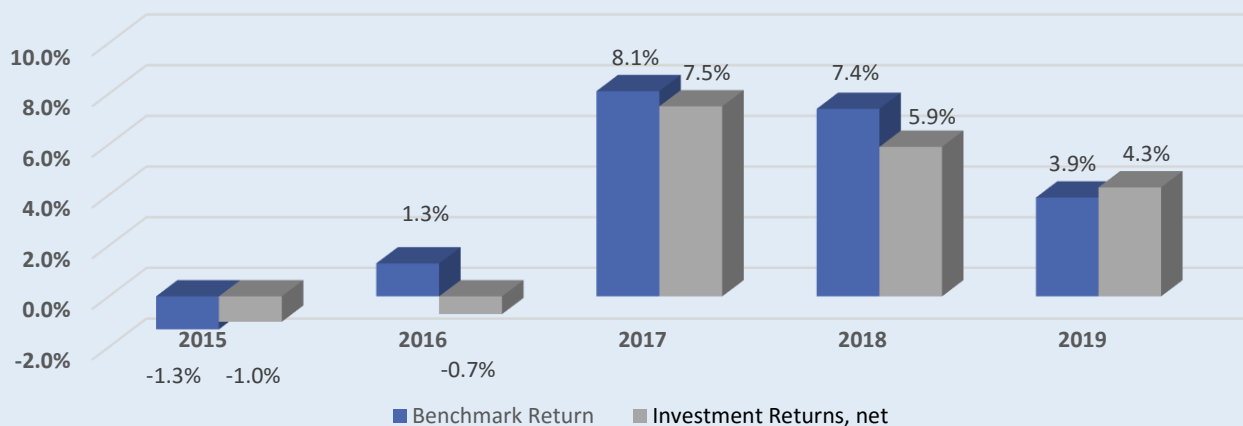
Retiree Benefit Payments

## PENSION - ASSET ALLOCATION

AS OF JUNE 30, 2019

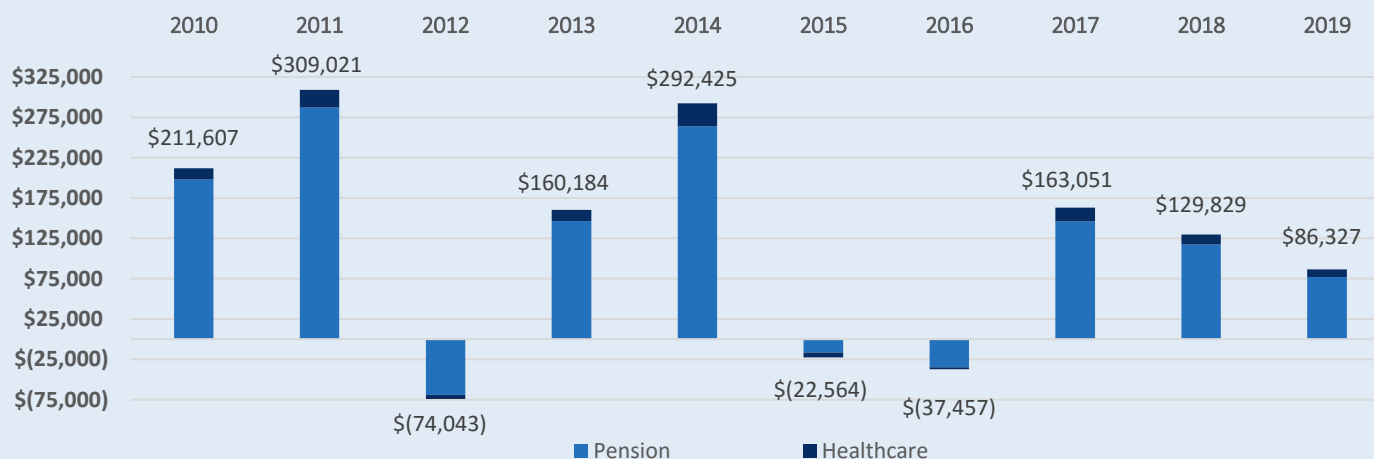


## Investment Returns Compared to Benchmark



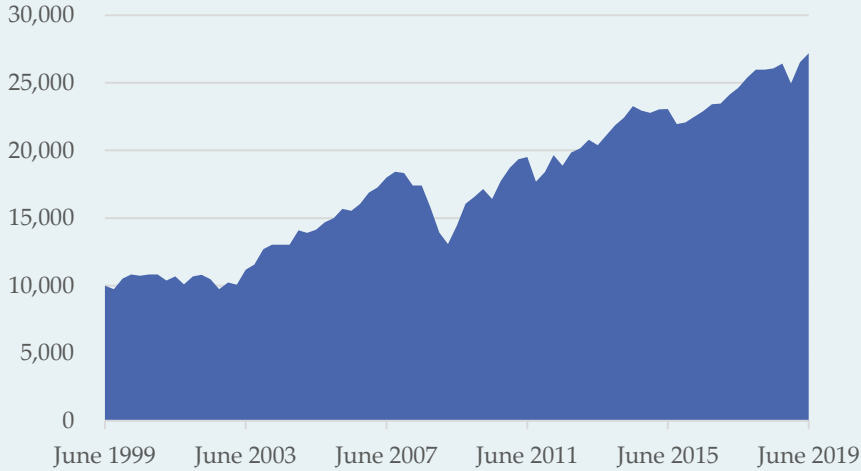
## Investment Income, Net

in Thousands





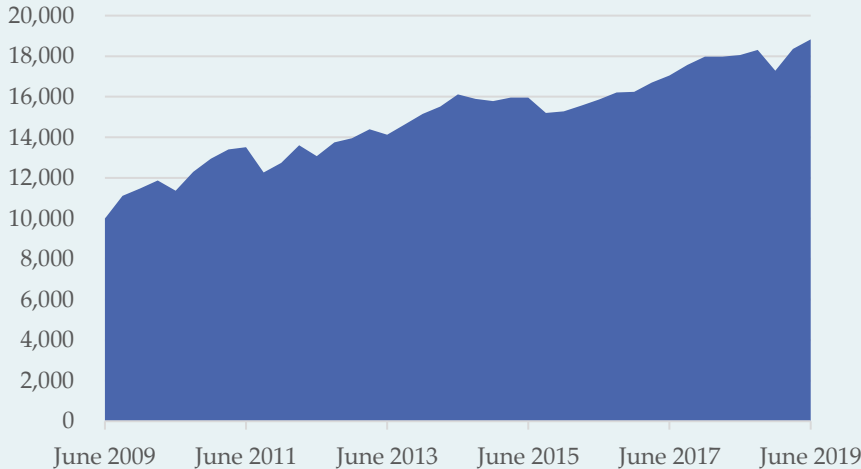
Growth of \$10,000, 20 Years



INVESTMENTS

These are graphic trends to show how much an initial investment of \$10,000 would be worth in the Retirement System’s pension portfolio after 10 and 20 years. There is not enough date available to show 30 years.

Growth of \$10,000, 10 Years

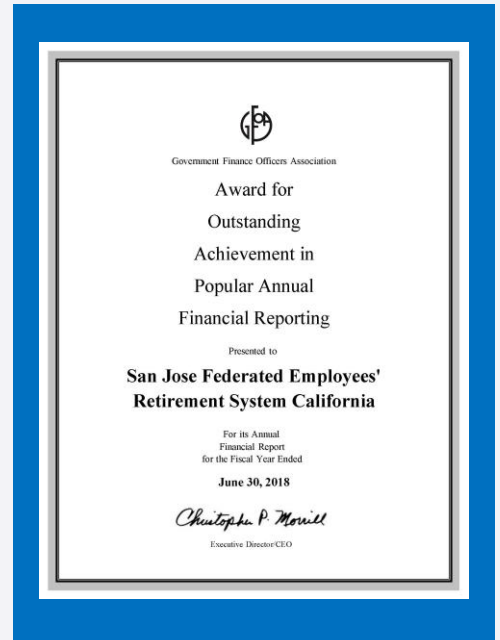


# Noteworthy Accomplishments

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 System 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 System 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.



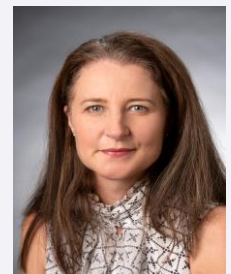
The Office of Retirement Services (ORS) implemented a new pension administration system that went live in February 2019; the implementation of the system started in March 2015. The implementation process spanned approximately 44 months and cost approximately \$9 million. The project completion was extended 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/>

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

