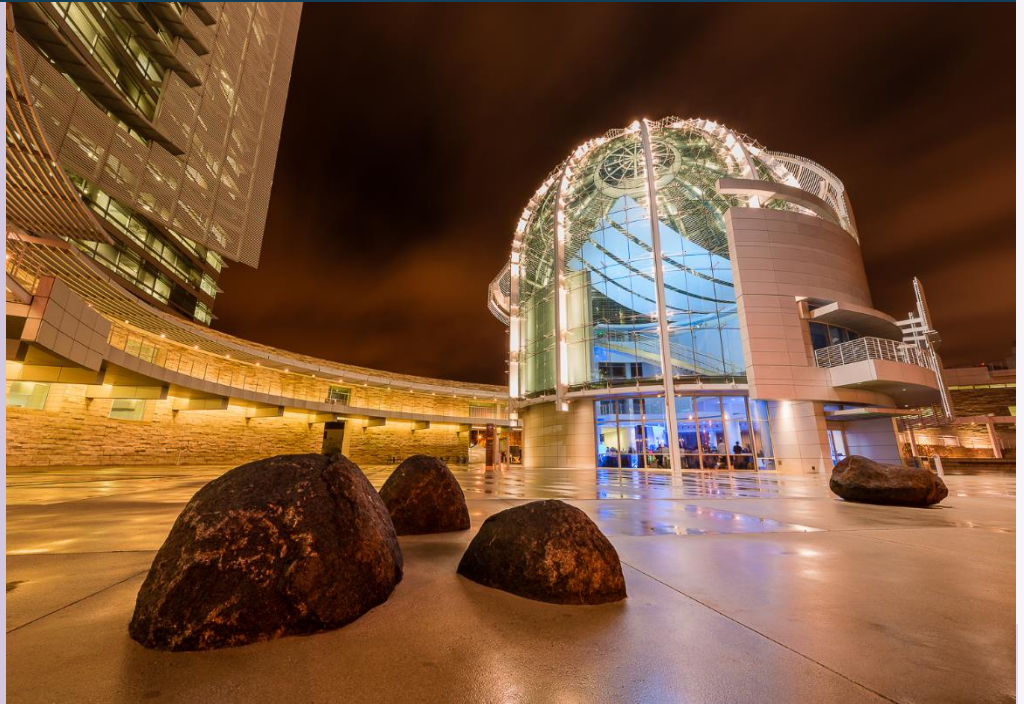


# CITY OF SAN JOSÉ

## 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, 2021

# TABLE OF CONTENTS

- 3 The Board
- 4 Financial Results
- 5 Membership & Funding
- 6 Investments
- 7 Growth of \$10,000



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 Report for the fiscal year ended June 30, 2020. 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 System has received this award for the fifth year for the fiscal year ended June 30, 2020. 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.



<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

# BOARD OF ADMINISTRATION



Spencer Horowitz  
Chair



Julie Jennings  
Vice Chair



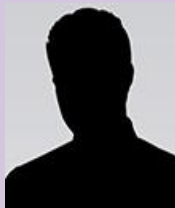
Anurag Chandra  
Trustee



Elaine Orr  
Trustee



Mark Keleher  
Trustee



Vacant  
Trustee



Vacant  
Trustee



Devora "Dev" Davis  
City Council Liaison



The Federated City Employees' Retirement System (System) 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, 2021. 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 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 ACFR, 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 ACFR by visiting:

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



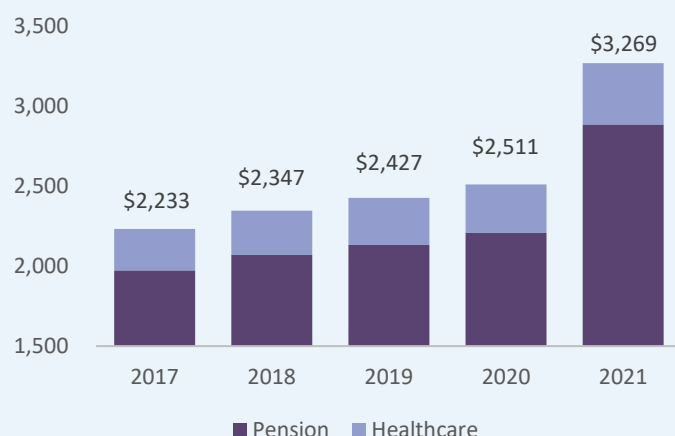
**Roberto Peña,  
Director**

**Chief Executive  
Officer**



# FINANCIAL RESULTS

## TOTAL NET POSITION IN MILLIONS



### Net Position

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



<i>In Thousands</i> As of June 30,	Net Position for the Defined Benefit Plan			Net Position for the Postemployment Healthcare Plans		
	2021	2020	2019	2021	2020	2019
Receivables	75,363	72,657	17,753	76,743	11,476	4,109
Investments at fair value	2,835,604	2,150,627	2,115,800	379,979	299,491	290,963
Other assets, net	3,682	3,348	2,937	243	197	55
<b>Total Assets</b>	<b>\$ 2,914,649</b>	<b>\$ 2,226,632</b>	<b>\$ 2,136,490</b>	<b>\$ 456,965</b>	<b>\$ 311,164</b>	<b>\$ 295,127</b>
Current liabilities	30,304	18,615	4,338	72,357	7,854	639
<b>Total Liabilities</b>	<b>\$ 30,304</b>	<b>\$ 18,615</b>	<b>\$ 4,338</b>	<b>\$ 72,357</b>	<b>\$ 7,854</b>	<b>\$ 639</b>
<b>Plan Net Position</b>	<b>\$ 2,884,345</b>	<b>\$ 2,208,017</b>	<b>\$ 2,132,152</b>	<b>\$ 384,608</b>	<b>\$ 303,310</b>	<b>\$ 294,488</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		
	2021	2020	2019	2021	2020	2019
Employee contributions	25,724	25,082	22,606	10,275	10,692	10,578
Employer contributions	183,964	181,327	173,006	26,236	26,533	26,410
Net investment income	698,608	90,909	76,855	77,360	3,075	9,472
<b>Total Additions</b>	<b>908,296</b>	<b>297,318</b>	<b>272,467</b>	<b>113,871</b>	<b>40,300</b>	<b>46,460</b>
Retirement benefits	210,351	201,474	190,228			
Death benefits	15,641	14,389	13,719			
Refund of contributions	1,214	865	1,119			
Administrative expenses	4,762	4,725	4,582	697	686	384
Healthcare insurance premiums				31,871	30,779	28,826
VEBA transfer				5	13	19
<b>Total Deductions</b>	<b>231,968</b>	<b>221,453</b>	<b>209,648</b>	<b>32,573</b>	<b>31,478</b>	<b>29,229</b>
Net Increase in Plan Net Position	676,328	75,865	62,819	81,298	8,822	17,231
<b>Beginning Net Position</b>	<b>\$ 2,208,017</b>	<b>\$ 2,132,152</b>	<b>\$ 2,069,333</b>	<b>\$ 303,310</b>	<b>\$ 294,488</b>	<b>\$ 277,257</b>
<b>Ending Net Position</b>	<b>\$ 2,884,345</b>	<b>\$ 2,208,017</b>	<b>\$ 2,132,152</b>	<b>\$ 384,608</b>	<b>\$ 303,310</b>	<b>\$ 294,488</b>

## Membership

As of June 30, 2021

## Membership

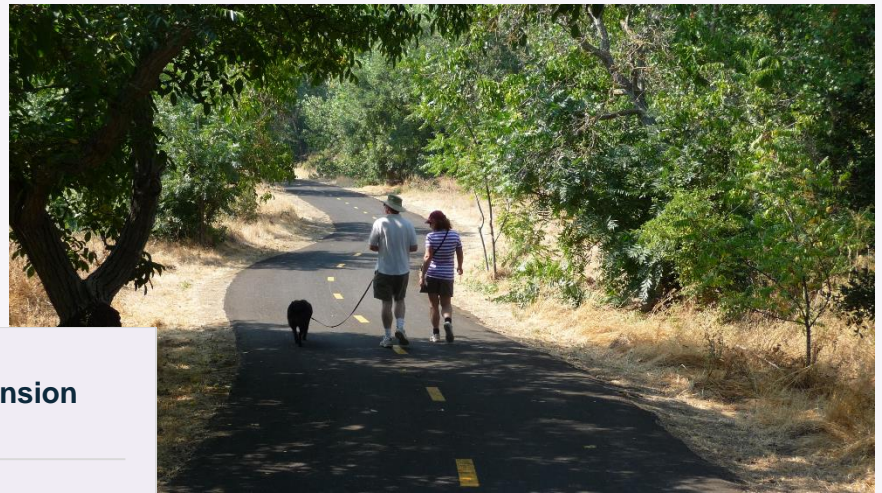
As of June 30, 2020

Retirees		Deferred		Active		Total
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	
4,493	18	934	729	1,413	2,362	9,949

Retirees		Deferred		Active		Total
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	
4,428	13	979	635	1,527	2,215	9,797

Years of Credited Service	Average Monthly Final Average Salary	Average Monthly Benefit
0 - 5	\$ 7,444	\$ 1,096
6 - 10	\$ 6,248	\$ 1,784
11 - 15	\$ 6,265	\$ 2,905
16 - 20	\$ 6,409	\$ 3,991
21 - 25	\$ 6,969	\$ 5,476
26 - 30	\$ 6,784	\$ 6,705
31+	\$ 6,984	\$ 7,455

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, 2021.



Schedule of Funding Progress, Pension  
in Millions

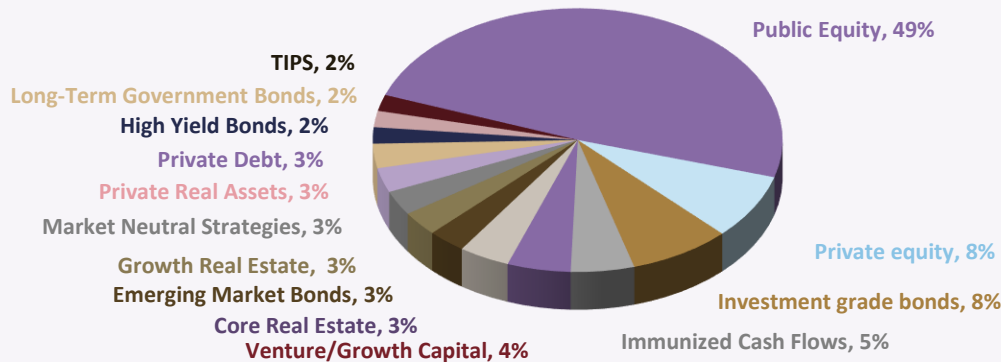


The Funding progress ratio is the ratio of the actuarial value of assets available to pay retirement benefits divided by the present value of anticipated future retirement benefit payments. The ratio of funding progress is not yet finalized for the actuarial valuation year 2021.



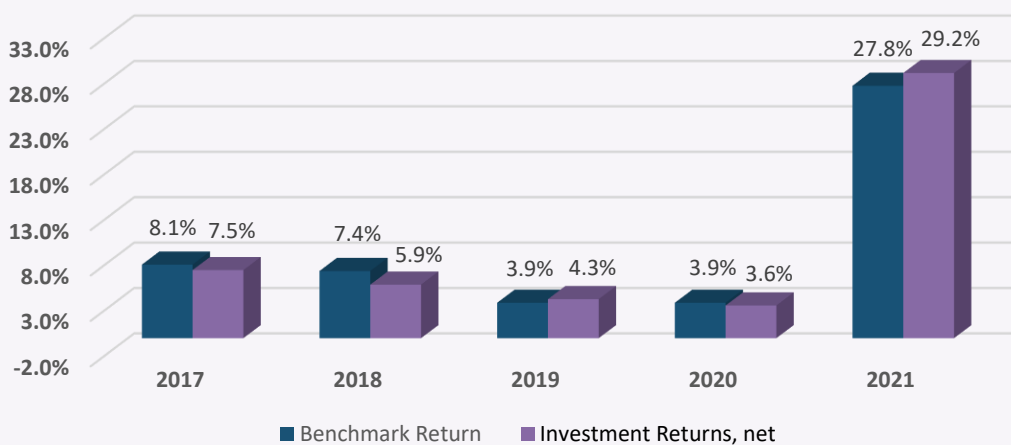
# PENSION - TARGET ASSET ALLOCATION

AS OF JUNE 30, 2021



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
- San Jose Custom Private Equity Benchmark
- S&P Global Leveraged Loan Index +2%
- NCREIF Property Index
- 50% JPM EMBI GD/ 50% JPM GBI-EM

Bloomberg US Corporate High Yield TR

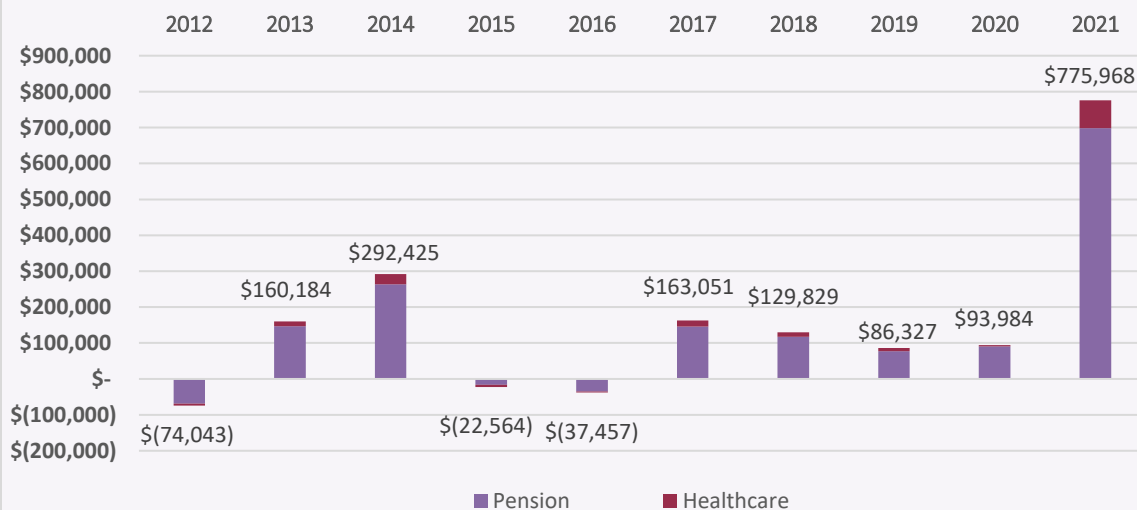
#### Low Beta:

- Bloomberg US Govt/Credit 1-3 Year TR
- Market Neutral Strategies Benchmark

#### Other:

- Custom IG Bonds Benchmark
- BBg US TIPS 0-5 Years
- Core Real Estate Benchmark
- Bloomberg US Treasury Long TR

## Investment Income, Net in Thousands

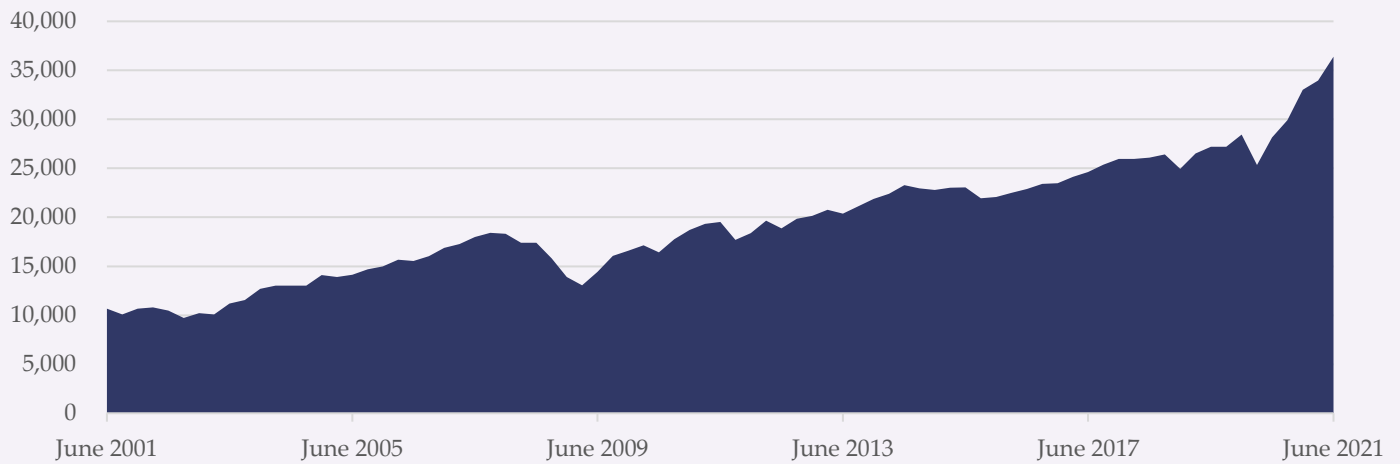




## Growth of \$10,000 in the Long-term

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

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



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

