

# CITY OF SAN JOSÉ

## FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

### POPULAR ANNUAL FINANCIAL REPORT

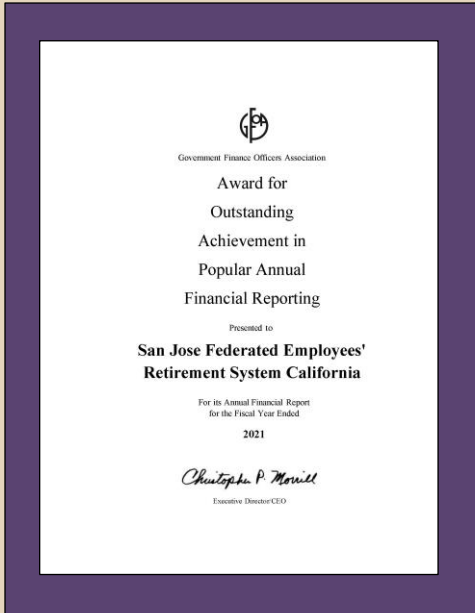


PENSION TRUST &  
POSTEMPLOYMENT HEALTHCARE TRUST FUNDS  
OF THE  
CITY OF SAN JOSÉ, CALIFORNIA

**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 Federated City Employees' Retirement System (System) 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 financial reporting.

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 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.

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

Office of Retirement Services  
1737 North First Street, Suite 600  
San José, CA 95112 - 4505  
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# BOARD OF ADMINISTRATION



Spencer Horowitz  
Chair



Julie Jennings  
Vice Chair



Anurag Chandra  
Trustee



Elaine Orr  
Trustee



Mark Keleher  
Trustee



Prachi Avasthy  
Trustee



Mark Linder  
Trustee



Devora "Dev" Davis  
City Council Liaison



Roberto L. Peña,  
Director

Chief Executive  
Officer

The 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, 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 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.

The System's Annual Comprehensive Financial Report for the year ended 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 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.

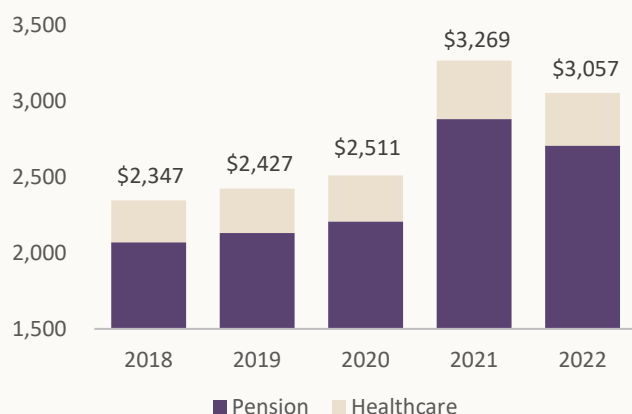
A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

This report is not intended to replace the ACFR, which provides a more complete overview of the 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>

# FINANCIAL RESULTS

## TOTAL NET POSITION IN MILLIONS



## Net Position

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



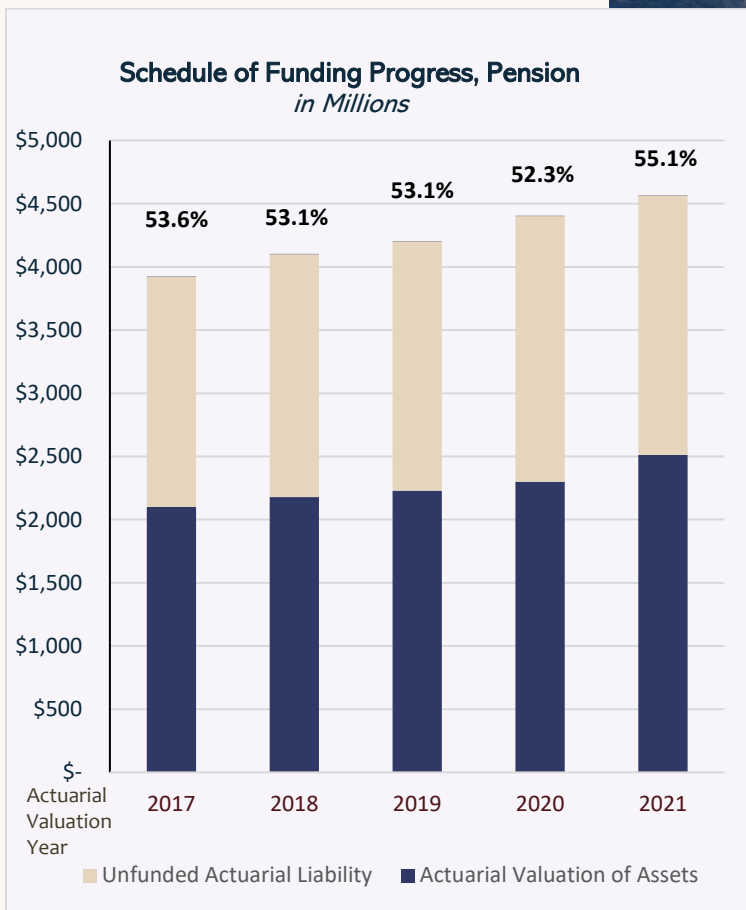
In Thousands As of June 30,	Net Position for the Defined Benefit Plan			Net Position for the Postemployment Healthcare Plans		
	2020	2021	2022	2020	2021	2022
Receivables	72,657	75,363	61,929	11,476	76,743	14,738
Investments at fair value	2,150,627	2,835,604	2,671,917	299,491	379,979	337,262
Other assets, net	3,348	3,682	3,186	197	243	176
<b>Total Assets</b>	<b>\$ 2,226,632</b>	<b>\$ 2,914,649</b>	<b>\$ 2,737,032</b>	<b>\$ 311,164</b>	<b>\$ 456,965</b>	<b>\$ 352,176</b>
Current liabilities	18,615	30,304	29,005	7,854	72,357	3,055
<b>Total Liabilities</b>	<b>\$ 18,615</b>	<b>\$ 30,304</b>	<b>\$ 29,005</b>	<b>\$ 7,854</b>	<b>\$ 72,357</b>	<b>\$ 3,055</b>
<b>Plan Net Position</b>	<b>\$ 2,208,017</b>	<b>\$ 2,884,345</b>	<b>\$ 2,708,027</b>	<b>\$ 303,310</b>	<b>\$ 384,608</b>	<b>\$ 349,121</b>

In Thousands 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		
	2020	2021	2022	2020	2021	2022
Employee contributions	25,082	25,724	27,464	10,692	10,275	9,865
Employer contributions	181,327	183,964	207,598	26,533	26,236	24,787
Net investment income / (loss)	90,909	698,608	(169,129)	3,075	77,360	(38,286)
<b>Total Additions</b>	<b>297,318</b>	<b>908,296</b>	<b>65,933</b>	<b>40,300</b>	<b>113,871</b>	<b>(3,634)</b>
Retirement benefits	201,474	210,351	219,497			
Death benefits	14,389	15,641	16,373			
Refund of contributions	865	1,214	1,403			
Administrative expenses	4,725	4,762	4,978	686	697	765
Healthcare insurance premiums				30,779	31,871	31,088
VEBA transfer				13	5	-
<b>Total Deductions</b>	<b>221,453</b>	<b>231,968</b>	<b>242,251</b>	<b>31,478</b>	<b>32,573</b>	<b>31,853</b>
Net Increase / (Decrease) in Plan Net Position	75,865	676,328	(176,318)	8,822	81,298	(35,487)
<b>Beginning Net Position</b>	<b>\$ 2,132,152</b>	<b>\$ 2,208,017</b>	<b>\$ 2,884,345</b>	<b>\$ 294,488</b>	<b>\$ 303,310</b>	<b>\$ 384,608</b>
<b>Ending Net Position</b>	<b>\$ 2,208,017</b>	<b>\$ 2,884,345</b>	<b>\$ 2,708,027</b>	<b>\$ 303,310</b>	<b>\$ 384,608</b>	<b>\$ 349,121</b>

# BENEFIT PAYMENTS AND FUNDING PROGRESS

Credited Service	Average Monthly Final Average Salary	Average Monthly Benefit
0 - 5	\$ 7,567	\$ 1,125
6 - 10	\$ 6,404	\$ 1,832
11 - 15	\$ 6,346	\$ 2,991
16 - 20	\$ 6,546	\$ 4,115
21 - 25	\$ 7,131	\$ 5,630
26 - 30	\$ 6,871	\$ 6,861
31+	\$ 7,167	\$ 7,719

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.

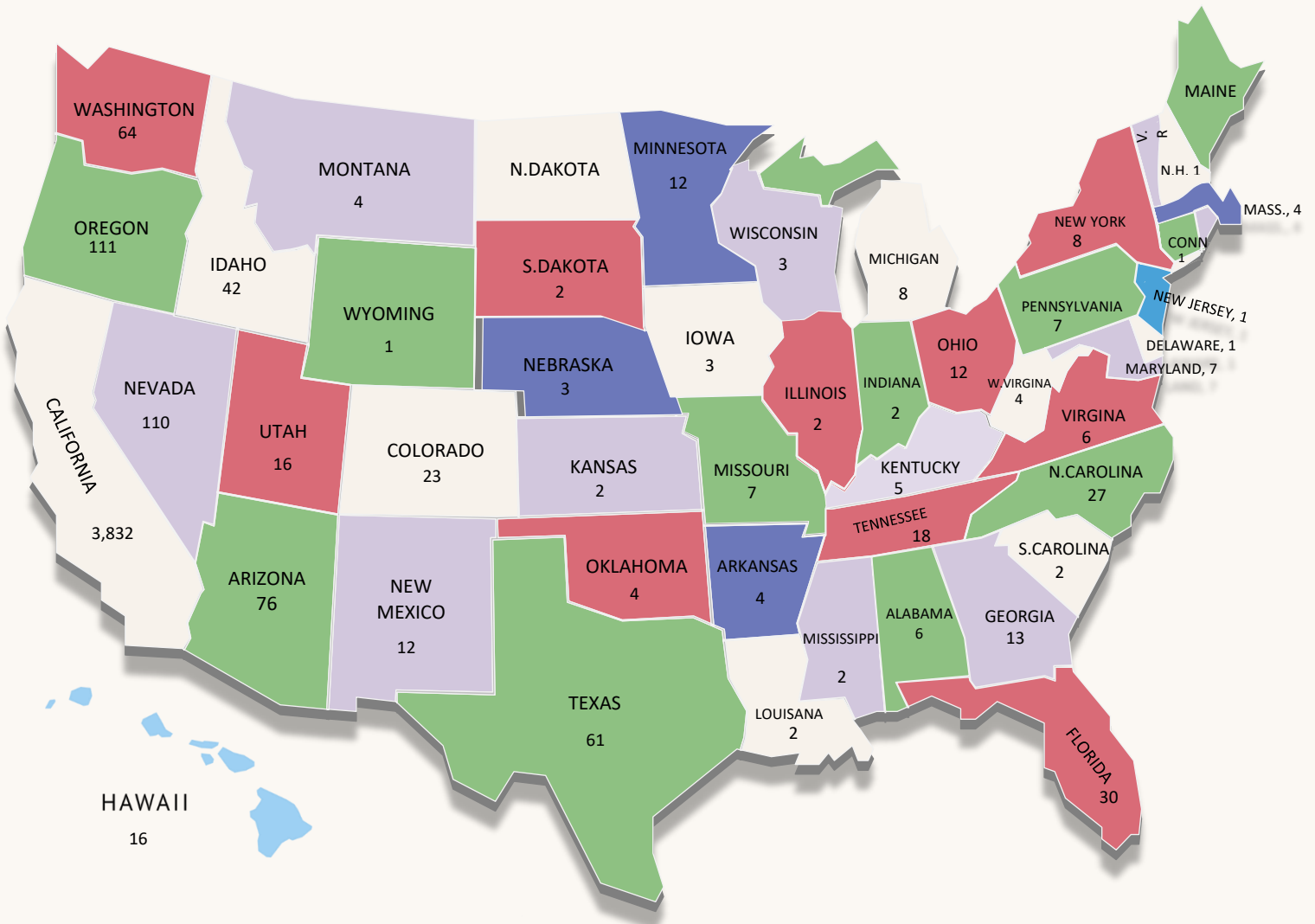


# MEMBERSHIP

*As of June 30, 2022*

*As of June 30, 2021*

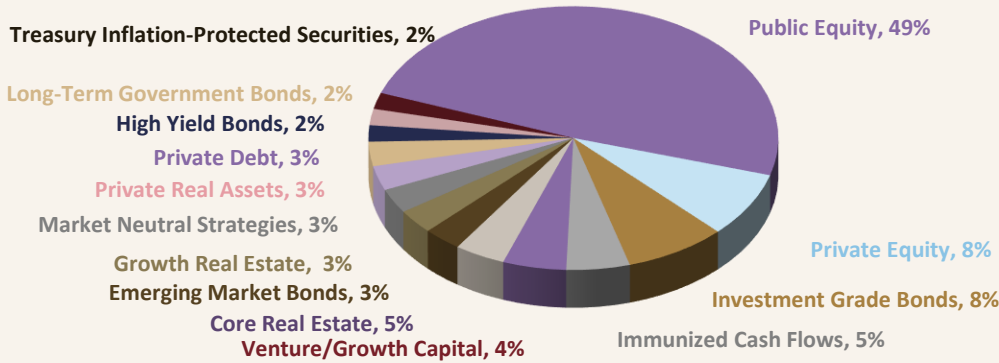
Retirees		Deferred		Active		Total	Retirees		Deferred		Active		Total
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2		Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	
4,530	27	928	962	1,292	2,500	10,239	4,493	18	934	729	1,413	2,362	9,949



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.

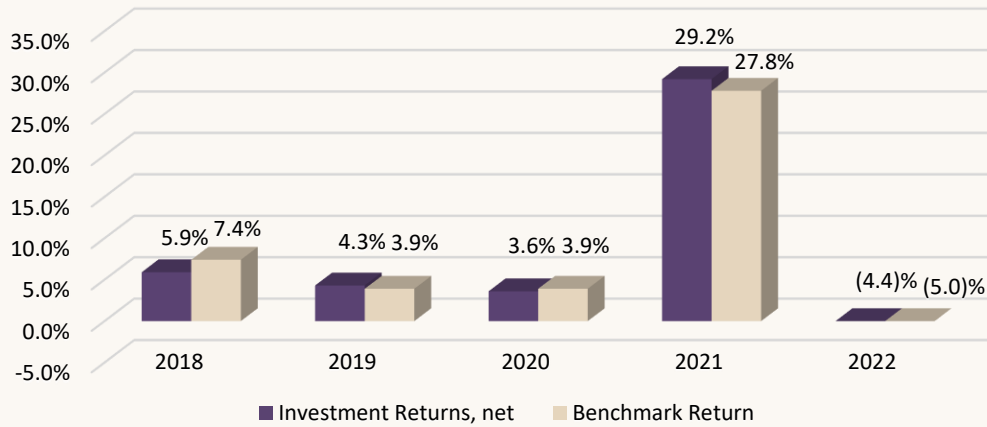
# PENSION - TARGET ASSET ALLOCATION

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
- 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:

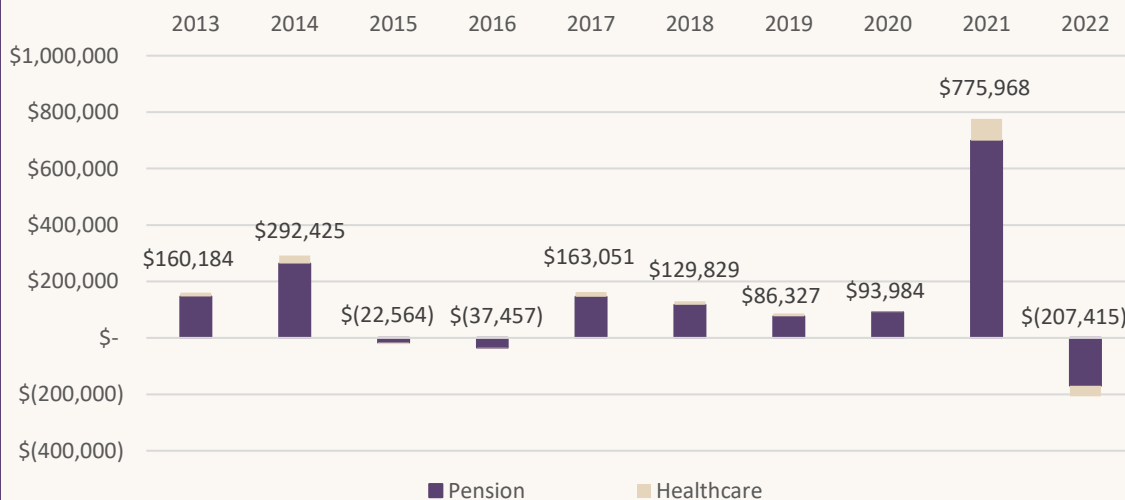
Custom IG Bonds Benchmark

BBg US TIPS 0-5 Years

Core Real Estate Benchmark

Bloomberg US Treasury Long TR

## Investment Income, Net in Thousands

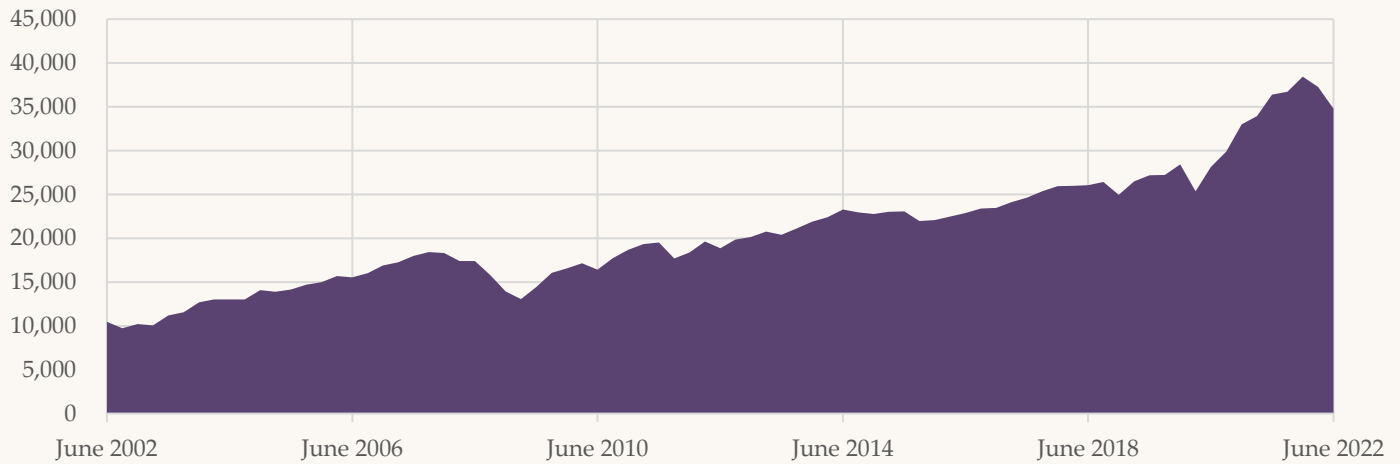




## GROWTH OF \$10,000 IN THE LONG-TERM

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

