CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

City of San José Federated City Employees' Retirement System

Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2016
and June 30, 2015

Pension Trust and Postemployment Healthcare Trust Funds of the City of San José, California

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Roberto L. Peña
Chief Executive Officer

City of San José Federated City Employees' Retirement System

Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2016 and June 30, 2015

Office of Retirement Services
1737 North First Street, Suite 600
San José, California 95112-4505
Phone 408-794-1000
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www.sjretirement.com

Board Chair Letter

December 15, 2016

The Honorable Mayor and City Council
Members of the Federated City Employees' Retirement System
City of San José
San José, California

Dear Mayor, Council Members, and System Members:

On behalf of the members of the Board of Administration, I present the Federated City Employees' Retirement System's (System) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016.

The System earned a time-weighted gross of investment fees rate of return of (0.3)% and net of investment fees rate of return of (0.7)% on investments for the fiscal year, compared to a 1.3% return for its policy benchmark and a (0.5)% return for the InvestorForce universe gross median of public funds greater than $1 billion. In contrast, the net rate of return assumed by the System's actuary for fiscal year 2015-2016 is 7.0%. Additionally, the System earned a time-weighted gross of investment fees rate of return of 4.2% and 3.4% for the three-year and five-year periods ending June 30, 2016, respectively, while the InvestorForce gross median earned a time-weighted rate of return of 6.0% and 6.0% for the same periods. The System's net position decreased from $2,135,535,000 to $2,084,728,000 (see the Financial Section beginning on page 31. The net decrease in System net position for fiscal year 2015-2016 was $50,807,000.

The System continued to hold its annual General Meeting for all stakeholders in the fall. Feedback from the attendees continue to be positive and help enhance communication with the System's members.

In December 2014, Measure G became effective and modified the Board of Administration's governance structure. The main governance focus of the Board was aligning their authority with their fiduciary duties and working with all stakeholders to communicate their goals and obtain feedback. The Board created an ad-hoc committee for Measure G which continued to review the current structure and operations of the newly constituted Office of Retirement Services and implement the authority granted with the passage of Measure G.

During fiscal year 2015-2016, the Investment Program completed comprehensive reviews of the global fixed income, global equity, real assets, global tactical asset allocation, and absolute return asset classes. These reviews, in conjunction with other portfolio priorities, resulted in the placement of over $230.0 million in system assets.

Board Chair Letter *(Continued)*

Under Board direction, the Investment Program continued to mature and develop over the past year and was recognized as the Chief Investment Officer of the Year by Institutional Investor's Investor Intelligence Awards. This recognition was the direct result of the creative and innovative investment approaches emanating out of our reconstituted investment team in conjunction with our trustees. In addition to being recognized by our peers this year, both Boards have adopted principles to changes in investment governance which will further enhance and leverage the human capital of our Investment Program. These governance changes, in tandem with staff's commitment to continue recommending and implementing operational best practices, will ensure that we continue to build and maintain an institutional quality investment program for our stakeholders.

The Board believes that the professional services rendered by the staff, the auditors, investment consultant, actuary, and counsel have produced a sound fund capable of sustained growth over the long term. The Board of Administration and Retirement Services staff are available to provide additional information as requested.

Sincerely,

Matt Loesch, Chairman
Board of Administration

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Introductory Section

City of San José
Federated City Employees' Retirement System
Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2016
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CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

December 1, 2016

Board of Administration
Federated City Employees' Retirement System
1737 North First Street, Suite 600
San José, CA 95112

Dear Trustees:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Federated City Employees' Retirement System (System) for the fiscal year ended June 30, 2016. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System's management.

This CAFR was prepared to conform to the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB) and the reporting requirements prescribed by the Government Finance Officers' Association of the United States and Canada (GFOA). In fiscal year 2015-2016, the System adopted GASB Statement No. 72, *Fair Value Measurement and Application.* GASB 72 requires the funds to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. GASB 72 also requires additional related note disclosures. There was no material impact on the System's financial statements as a result of the implementation of GASB 72. Transactions of the System are reported on an accrual basis of accounting. For an overview and analysis of the financial activities of the System for the fiscal years ended June 30, 2016 and 2015, please refer to the Management's Discussion and Analysis (MD&A) on page 19.

Grant Thornton LLP, the System's independent auditor, has audited the accompanying financial statements. Because the cost of a control should not exceed the benefits to be derived, management believes internal control is adequate and the accompanying statements, schedules, and tables are fairly presented and free from material misstatement. Sufficient internal controls over financial reporting exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules.

The financial audit provides reasonable assurance that the System's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatement. The System recognizes that even sound and well-designed internal controls have their inherent limitations in that errors may still occur as a result of factors such as carelessness, faulty judgment, communication breakdowns, and/or that internal controls can be circumvented by internal or external collusion. The System continuously reviews internal controls to ensure that the System's operating policies and procedures are being adhered to and that the controls are adequate to ensure accurate and reliable financial reporting and to safeguard the System's assets.

I am proud to report that the GFOA awarded its Certificate of Achievement for Excellence in Financial Reporting to the System for its CAFR for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. Information contained in this report is designed to provide a complete and accurate financial review of the year's operations. This report satisfies both generally accepted accounting principles and applicable legal requirements. We believe our current report continues to conform to the Certificate of Achievement Program Requirements and staff will submit it to the GFOA to determine its eligibility for another certificate for the fiscal year ended June 30, 2016. The System also received the Public Pension Standards Award in recognition of meeting professional standards for plan design and administration by the Public Pension Coordinating Council.

I encourage you to review this report carefully. I trust that you and the members of the System will find this CAFR helpful in understanding the System.

Funding

The System's funding objective for both its defined benefit pension plan and its defined benefit other post-employment benefits (OPEB) healthcare plan is to meet long-term benefit obligations through contributions and investment income. As of the most recent funding valuation dated June 30, 2015, the funding ratio of the defined benefit pension plan was 56% and for the defined benefit OPEB plan was 26% based on the actuarial value of assets.

For the valuation of pension and OPEB benefits, the actuarial assumption for the net rate of return to be earned by the System is currently 7.0% and 6.1%, respectively. The impact of the difference between the actual net rate of return earned by the System and the 7.0% and 6.1% assumptions will result in an investment gain or loss that will be reflected in the pension and OPEB unfunded liabilities in next year's CAFR, respectively. The net decrease in System net position for fiscal year 2015-2016 was $50,807,000. Details of the components of this decrease are included in the Statement of Changes in Plan Net Position on page 33. The defined benefit pension plan's funding progress is presented on page 134 and the defined benefit OPEB plan's funding progress is presented on page 74.

Financial and Economic Summary

The 2016 fiscal year began as a very difficult environment for investors. Global markets were experiencing significant volatility from a variety of factors, including China's currency devaluation, speculation of pending US Federal Reserve interest rate hikes, and significant commodity price declines. As fiscal year 2016 concluded, many of the same macroeconomic themes occurring throughout the year remained at the forefront. Oil prices, despite recent increases, remained low from a historical perspective. Monetary stimulus campaigns persisted as developed market central banks continued asset purchase programs (quantitative easing "QE"), though the US ended their program several years ago. Interest rates remained at record lows, and were even negative in several countries, as international developed and emerging market central banks attempted to stimulate growth.

Domestic equities, as measured by the S&P 500 index, posted an eighth positive fiscal year (ended June) with a 4.0% return. US high quality fixed income investments produced outsized returns as Treasury yields crept toward all-time lows returning 6.0% for the year. International developed market equities underperformed domestic equities by over 14.0% as European and Asian developed-nation currencies devalued as simulative monetary policy sought to bolster those struggling economies. Emerging markets ended the year trailing developed international equities by approximately two percent.

As the Investment Program transitions into fiscal year 2016-2017, we believe there are three primary themes which will guide portfolio positioning and, by extension, guide the program's focus for the coming year. The three main themes are reminiscent of last year's investment views and include: elevated valuations throughout most asset classes, a plethora of global risks, and in light of the aforementioned, an emphasis on capital preservation through prudence and defensive posturing. While we feel capital preservation is paramount in the current macroeconomic environment, we acknowledge that defensive portfolio posturing may forgo the opportunity for potential market returns if asset class valuations continue to rise.

Investment Summary

The Board of Administration has exclusive control of all investments of the System and is responsible for the establishment of investment objectives, strategies, and policies. Members of the Board serve in a fiduciary capacity and must discharge their duties with respect to the System and the investment portfolio solely in the interest of, and for the exclusive purposes of providing benefits to, members of the System and defraying the reasonable cost of administration.

Over the past fiscal year, the System's time-weighted gross of investment fees rate of return was (0.3)% and net of investment fees rate of return was (0.7)%, compared to a 1.3% return for its policy benchmark and a (0.5)% return for the InvestorForce universe gross median of public funds greater than $1 billion. Additionally, the System earned a time-weighted gross of investment fees rate of return of 4.2% and 3.4% for the three-year and five-year periods ending June 30, 2016, respectively, while the InvestorForce universe gross median earned a time-weighted rate of return of 6.0% and 6.0% for the same periods. The net position of the System decreased from $2,135,535,000 to $2,084,728,000 (see the Financial Section beginning on page 15.

Major Initiatives

The System continued to hold its annual stakeholders' meeting for its members in the fall. Feedback from the attendees continue to be positive and help enhance communication with the System's members.

In December 2014, Measure G became effective and modified the Board of Administration's governance structure. The main governance focus of the Board was aligning their authority with their fiduciary duties and working with all stakeholders to communicate their goals and obtain feedback. The board implemented an ad-hoc committee for Measure G to review the current structure and operations of the retirement office and determine what changes to make in order to achieve their goals.

During fiscal year 2015-2016, the Investment Program completed comprehensive reviews of the global fixed income, global equity, real assets, global tactical asset allocation, and absolute return asset classes. These reviews, in conjunction with other portfolio priorities, resulted in the placement of over $230.0 million in system assets.

Under Board direction, the Investment Program continued to mature and develop over the past year and was recognized as the Chief Investment Officer of the Year by Institutional Investor's Investor Intelligence Awards. This recognition was the direct result of the creative and innovative investment approaches emanating out of our reconstituted investment team in conjunction with our trustees. In addition to being recognized by our peers this year, both Boards have adopted principles to changes in investment governance which will further enhance and leverage the human capital of our Investment Program. These governance changes, in tandem with staff's commitment to continue recommending and implementing operational best practices, will ensure that we continue to build and maintain an institutional quality investment program for our stakeholders.

Letter of Transmittal *(Continued)*

The Office of Retirement Services ("ORS") kicked off the upgrade of its pension administration system in March 2015. The implementation process is expected to last approximately 42 months and is estimated at $9 million. ORS has completed the demonstration of software deliverable 1 and is currently in the user acceptance testing phase of it.

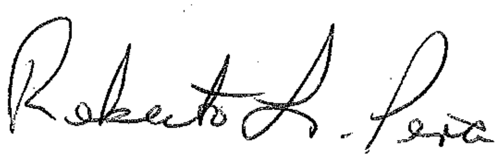
ORS staff, in conjunction with City Administration, participated in the Request For Proposal (RFP) for its independent auditors, resulting in the appointment of Grant Thornton LLP as its independent auditor for the next five years. ORS staff also participated in the RFP for the City's Benefit Consulting and Dental Actuarial Services, as well as an out-of-cycle RFP for the City's medical providers, resulting in replacing Blue Shield HMO plans with the Sutter HMO plans.

Finally, ORS issued an RFP for the Boards' actuary in January 2016 and has selected Cheiron to continue to be its actuary for the next five years, with Segal being appointed as the auditing actuary.

Conclusion

I would like to take this opportunity to thank the members of the System for their confidence in the System management during the past year. I also want to express my gratitude to the Board of Administration for its dedicated effort in supporting the staff through this past year. Finally, I would like to thank the City staff for their support and the consultants and ORS staff for their dedication and commitment to the System and for their diligent work to assure the System's continued successful operation.

Respectfully Submitted,



Roberto L. Peña
Chief Executive Officer
Office of Retirement Services

Certificate of Achievement for Excellence in Financial Reporting

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Jose Federated City Employees' Retirement System California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Jeffrey R. Emer

Executive Director/CEO

Certificate for Meeting Professional Standards in Public Pensions

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2015

Presented to

City of San José Federated City Employees' Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

Board of Administration, Administration, and Outside Consultants

BOARD OF ADMINISTRATION

The Retirement System is administered by a seven-member Board of Administration composed of two City employees elected by members of the System, a Retiree Representative and three public members, who are not connected with the City and have significant banking or investment experience, and another public member selected by the six Board members and approved by the City Council. The Board is appointed by the City Council and serves in accordance with Section 2.08.300 of the San Jose Municipal Code.

As of June 30, 2016, the members of the Board were as follows:

MATT LOESCH, CHAIR
Employee Representative appointed to the Board in December 2007. His current term expires November 30, 2019.

LARA DRUYAN, VICE CHAIR
Public member appointed to the Board in December 2010. Her current term expires November 30, 2018.

BETTINA ROUNDS, TRUSTEE
Public member appointed to the Board in March 2015. Her current term expires November 30, 2016.

MARTIN DIRKS, TRUSTEE
Public member appointed to the Board in March 2011. His current term expires February 28, 2019.

MICHAEL ARMSTRONG, TRUSTEE
Public member appointed to the Board in December 2010. His current term expires November 30, 2018.

EDWARD F. OVERTON, TRUSTEE
Retired System member appointed to the Board in January 2009. His current term expires November 30, 2016.

UDAYA RAJBHANDARI, TRUSTEE
Employee Representative appointed to the Board. Her current term expires November 30, 2017.

OFFICE OF RETIREMENT SERVICES ADMINISTRATION

ROBERTO L. PENA, DIRECTOR CHIEF EXECUTIVE OFFICER

DONNA BUSSE, DEPUTY DIRECTOR CHIEF OPERATIONS OFFICER

ARN ANDREWS, ASSISTANT DIRECTOR CHIEF INVESTMENT OFFICER

STANDING PUBLIC MEETINGS

Board Meetings: Third Thursday of the Month, 8:30 AM

Agendas for all public meetings are posted on the bulletin board at City Hall and on the department's website at http://sjretirement.com/fed/meetings/agendas.asp or they can be obtained from the Retirement Office at 1737 North First Street, Suite 600, San Jose, CA 95112. Meeting times and locations are subject to change; please call our office at (408) 794-1000 for current information.

OUTSIDE CONSULTANTS

ACTUARY
Cheiron, Inc.
Encinitas, CA

AUDIT ACTUARY
Segal Consulting
San Francisco, CA

GENERAL & FIDUCIARY COUNSEL
Reed Smith LLP
San Francisco, CA

INVESTMENT COUNSEL
Hanson Bridgett LLP
San Francisco, CA

Reed Smith LLP
San Francisco, CA

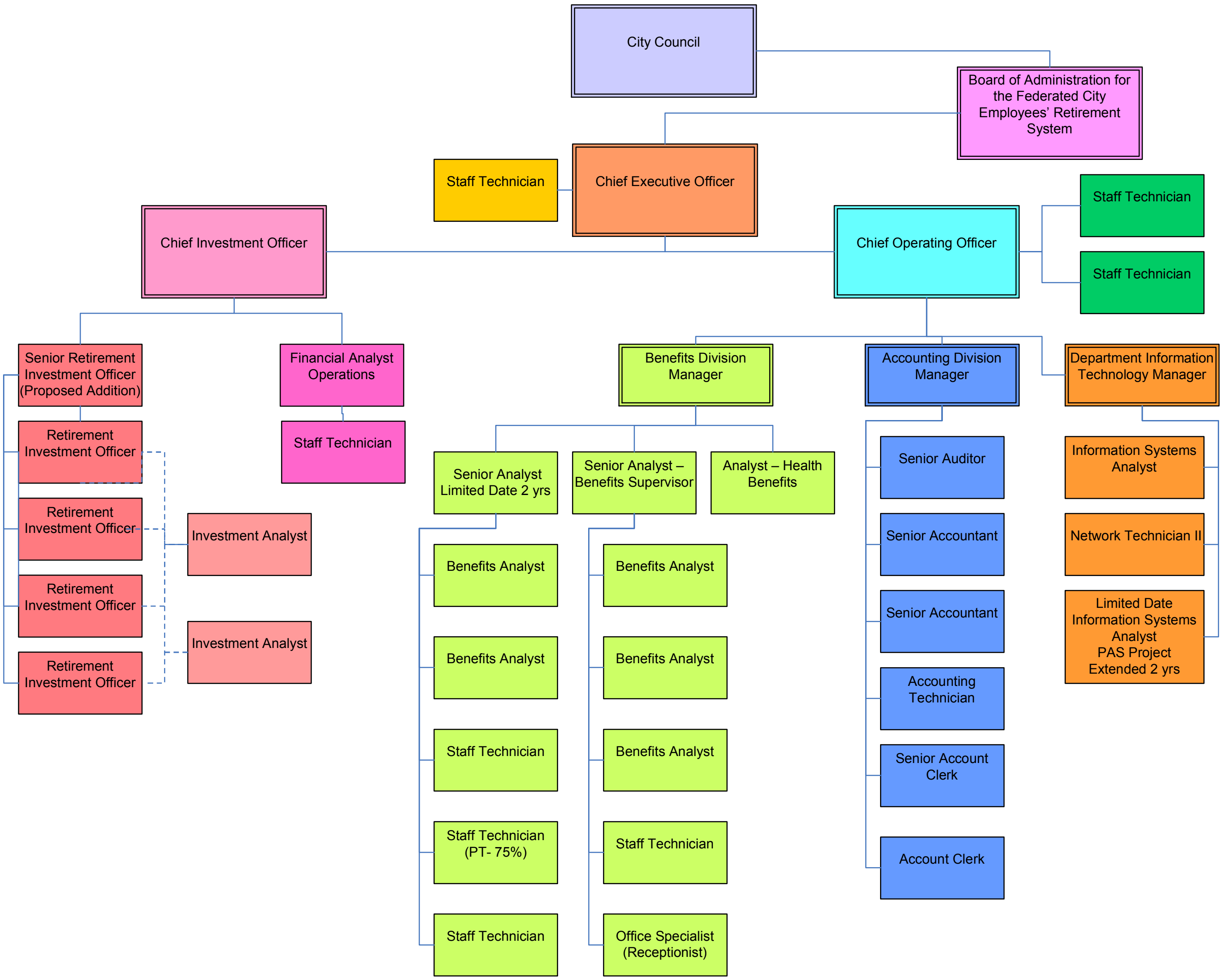
INVESTMENT CONSULTANTS
Albourne America LLC – Absolute Return
San Francisco, CA

Meketa Investments Group, Inc. – General Consultant
Carlsbad, CA

AUDITOR
Grant Thornton LLP
San Francisco, CA

A list of investment professionals begins on page 106 of the Investment Section of this report. The Schedule of Investment Fees and Schedule of Commissions can be found on pages 114 and 115, respectively.

2016 Office of Retirement Services Organizational Chart



Office of Retirement Services
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Financial Section

City of San José
Federated City Employees' Retirement System
Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2016
and June 30, 2015

Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP
150 Almaden Blvd., Suite 600
San Jose, CA 95113

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Board of Administration of the City of San José
Federated Employees' Retirement System
San José, California

Report on the financial statements

We have audited the accompanying financial statements of the City of San José Federated Employees' Retirement System (the "System"), a pension trust fund and postemployment healthcare trust fund of the City of San José, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the System as of June 30, 2016, and the changes in plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

The financial statements of the System as of and for the year ended June 30, 2015 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2015 financial statements in their report dated November 12, 2015.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the employer's net pension liability and related ratios – defined benefit pension plan, schedule of investment returns – defined benefit pension plan, schedule of employer contributions – defined benefit pension plan, notes to schedule, schedule of funding progress – postemployment healthcare plan and schedule of employer contributions – postemployment healthcare plan, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The other supplemental information as of and for the year ended June 30, 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The introductory, investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 16, 2016, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Grant Thornton LLP

San Francisco, California
November 16, 2016

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd

November 16, 2016

Board of Administration
Federated City Employees' Retirement System
1737 North First Street, Suite 600
San José, California 95112-4505

The Office of Retirement Services is pleased to provide this overview and analysis of the financial activities of the Federated City Employees' Retirement System (the System) for the fiscal years ended June 30, 2016 and 2015. The System, consisting of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan, was established to provide retirement benefits for eligible non-sworn employees of the City of San José (City). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which begins on page 6 of this report, and in the financial section which follows this discussion.

Financial Highlights for Fiscal Year 2016

- As of June 30, 2016, the System had $2,084,728,000 in plan net position restricted for pension benefits and postemployment healthcare benefits. Plan net position of $1,858,882,000 restricted for pension benefits is available to meet the System's ongoing obligations to plan participants and their beneficiaries. Plan net position of $225,846,000 restricted for postemployment healthcare benefits is only available for the exclusive use of retiree medical benefits.

- The System's total plan net position restricted for pension benefits and postemployment healthcare benefits decreased during the fiscal year ended June 30, 2016 by $50,807,000 or 2.4% from the prior fiscal year, primarily as a result of the depreciation in the fair value of investments caused by unfavorable investment returns during the fiscal year.

- Additions to plan net position during the fiscal year ended June 30, 2016 were $156,265,000, which includes employer and employee contributions of $159,921,000 and $33,801,000, respectively, and net investment losses of $37,457,000. This represents an increase of $4,853,000 from the prior fiscal year.

- Deductions from plan net position for fiscal year ended June 30, 2016 increased from $198,157,000 to $207,072,000 over the prior fiscal year, or approximately 4.5%, due to an increase in retirement benefit payments and healthcare insurance premiums, which was attributable to an increased number of retired members and beneficiaries.

Overview of the Financial Statements

The System's financial statements, notes to the financial statements, required supplementary and other supplemental information for the year ended June 30, 2016, were prepared in conformity with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB) and the reporting requirements prescribed by the Government Finance Officers' Association of the United States and Canada (GFOA). In fiscal year 2015-2016, the Plan adopted GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 requires the funds to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. GASB 72 also requires additional related note disclosures. There was no material impact on the Plan's financial statements as a result of the implementation of GASB 72. The following discussion and analysis is intended to serve as an introduction to the System's financial statements, which are comprised of these components:

1) Statements of Plan Net Position
2) Statements of Changes in Plan Net Position
3) Notes to the Basic Financial Statements

Please note, however, that this report also contains required supplementary information and other supplemental information in addition to the basic financial statements themselves.

The ***Statements of Plan Net Position*** are a snapshot of account balances at fiscal year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The ***Statements of Changes in Plan Net Position***, on the other hand, provide a view of current year additions to and deductions from the System.

Both statements are in compliance with accounting principles generally accepted in the United States of America (GAAP) as set forth by the GASB. GAAP requires state and local government pension plans and other postemployment benefit plan reports to use the full accrual method of accounting and make certain disclosures. The System complies with all significant requirements of these pronouncements.

The *Statements of Plan Net Position* and the *Statements of Changes in Plan Net Position* report information about the System's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which recognizes contributions as revenue when currently due pursuant to legal requirements, and benefits and refunds of contributions when due and payable under the provisions of the System. All of the fiscal year's additions and deductions are taken into account regardless of when cash is received or paid. All realized gains and losses are reported at the trade date, not the settlement date. In addition, both realized and unrealized gains and losses on investments are reported.

These two statements report the System's net position held in trust for pension benefits and postemployment healthcare benefits (net position)—the difference between assets and liabilities. Over time, increases and decreases in the System's net position are one indicator of whether its financial health is improving or deteriorating. Other factors, such as the net pension liability and the funded status of the other Postemployment Healthcare Plan, should also be considered in measuring the System's overall health.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements (see Notes to Basic Financial Statements beginning on page 35 of this report).

Required Supplementary Information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning employer contributions and the System's progress in funding its obligations to provide pension and other postemployment healthcare benefits to members and beneficiaries (see Required Supplementary Information beginning on page 70 of this report). The *Schedule of Changes in the Employer's Net Pension Liability and Related Ratios of the Defined Benefit Pension Plan* was prepared using the Plan's net position.

Other Supplemental Information. The *Combining Schedules of Defined Benefit Pension Plan Net Position and Changes in Defined Benefit Pension Plan Net Position, Combining Schedules of Other Postemployment Plan Net Position and Changes in Other Postemployment Plan Net Position*, S*chedules of Administrative Expenses and Other, Payments to Consultants, and Investment Expenses* are presented immediately following the *Required Supplementary Information*.

Financial Analysis

As previously noted, plan net position may serve over time as a useful indication of the System's financial position (see Tables 1a and 1c on page 22). At the close of fiscal years 2016 and 2015, the System's total assets exceeded the System's total liabilities. The System's financial statements do not include the total pension liability or the actuarial accrued liability for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively.

The Pension System's net position as a percentage of the total pension liability and the funded status of the other Postemployment Healthcare Plans should also be considered when evaluating the System's financial health. Based on the June 30, 2015 valuation rolled forward to June 30, 2016, the net position of the Defined Benefit Pension Plan was 50.3% of the total pension liability. As of June 30, 2015, the System's most recent valuation, the funded status of the Other Postemployment Healthcare Plan decreased from 27% to 26%. For more information on the results and impact of the June 30, 2015 valuations, please see Notes 4 and 5 to the financial statements beginning on page 61.

NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 1a)
As of June 30, 2016 and 2015 (In Thousands)

	2016	2015	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Receivables	$ 15,114	$ 10,674	$ 4,440	41.6 %
Investments at fair value	1,846,167	1,917,708	(71,541)	(3.7)%
Capital assets	893	61	832	1,363.9 %
Total Assets	**1,862,174**	**1,928,443**	**(66,269)**	**(3.4)%**
Current liabilities	3,292	2,669	623	(23.3)%
Total Liabilities	**3,292**	**2,669**	**623**	**(23.3)%**
Plan Net Position	**$ 1,858,882**	**$ 1,925,774**	**$ (66,892)**	**(3.5)%**

NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 1b)
As of June 30, 2015 and 2014 (In Thousands)

	2015	2014	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Receivables	$ 10,674	$ 5,292	$ 5,382	101.7 %
Investments at fair value	1,917,708	1,985,929	(68,221)	(3.4)%
Capital assets	61	-	61	100.0 %
Total Assets	**1,928,443**	**1,991,221**	**(62,778)**	**(3.2)%**
Current liabilities	2,669	3,984	(1,315)	(33.0)%
Total Liabilities	**2,669**	**3,984**	**(1,315)**	**(33.0)%**
Plan Net Position	**$ 1,925,774**	**$ 1,987,237**	**$ (61,463)**	**(3.1)%**

NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLAN (Table 1c)
As of June 30, 2016 and 2015 (In Thousands)

	2016	2015	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Receivables	$ 4,119	$ 1,036	$ 3,083	297.6 %
Investments at fair value	221,839	209,417	12,422	5.9 %
Capital assets	44	3	41	1,366.7 %
Total Assets	**226,002**	**210,456**	**15,546**	**7.4 %**
Current liabilities	156	695	(539)	(77.6)%
Total Liabilities	**156**	**695**	**(539)**	**(77.6)%**
Plan Net Position	**$ 225,846**	**$ 209,761**	**$ 16,085**	**7.7 %**

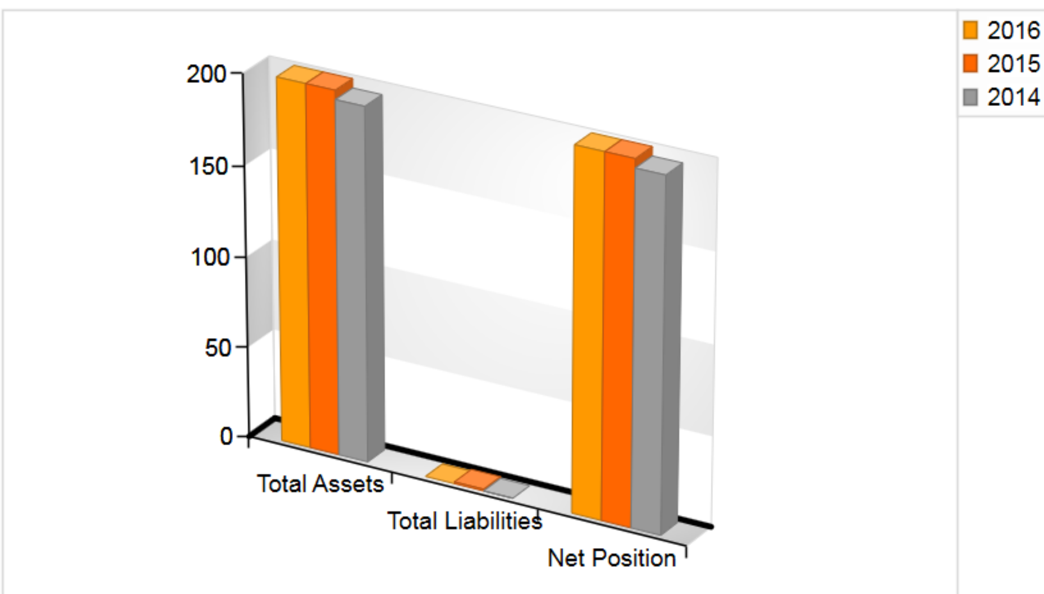
NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLAN (Table 1d)
As of June 30, 2015 and 2014 (In Thousands)

	2015	2014	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Receivables	$ 1,036	$ 1,702	$ (666)	(39.1)%
Investment at fair value	209,417	193,573	15,844	8.2 %
Capital assets	3	-	3	100.0 %
Total Assets	**210,456**	**195,275**	**15,181**	**7.8 %**
Current liabilities	695	232	463	199.6 %
Total Liabilities	**695**	**232**	**463**	**199.6 %**
Plan Net Position	**$ 209,761**	**$ 195,043**	**$ 14,718**	**7.5 %**

Management's Discussion and Analysis **(unaudited)** *(Continued)*

DEFINED BENEFIT PENSION PLAN NET POSITION (Tables 1a and 1b)
As of June 30, 2016, 2015 and 2014
(Dollars in Millions)

POSTEMPLOYMENT HEALTHCARE PLAN NET POSITION (Tables 1c and 1d)
As of June 30, 2016, 2015 and 2014
(Dollars in Millions)



As of June 30, 2016, $1,858,882,000 and $225,846,000, in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1a and 1c on page 22). Plan net position restricted for pension benefits of $1,858,882,000 is available to meet the System's ongoing obligations to pension plan participants and their beneficiaries. Postemployment healthcare plan net position of $225,846,000 is only available for the exclusive use of retiree medical benefits.

As of June 30, 2016, total net position restricted for pension benefits decreased by 3.5% and increased by 7.7% for the postemployment healthcare benefits plan from the prior year, primarily due to the net depreciation in the fair value of investments of $57,268,000 for the Defined Benefit Pension Plan. The depreciation in the fair value of investments was caused by unfavorable investment returns during the fiscal year. The increase in the postemployment healthcare benefits is due to the increase in contributions from the prior fiscal year. The System's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 45.

As of June 30, 2015, $1,925,774,000 and $209,761,000, in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1b and 1d on page 22). Plan net position restricted for pension benefits of $1,925,774,000 was available to meet the System's ongoing obligations to pension plan participants and their beneficiaries. Postemployment healthcare plan net position of $209,761,000 was only available for the exclusive use of retiree medical benefits.

As of June 30, 2015, total net position restricted for pension benefits decreased by (3.1)% primarily due to the net depreciation in the fair value of investments of $30,159,000. The total net position for the postemployment healthcare benefits plans increased by 7.5% from the prior year due to the increase in contributions from the prior fiscal year which offset the investment loss incurred during the fiscal year. The System's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 45.

As of June 30, 2016, receivables increased by $4,440,000 or 41.6% and increased by $3,083,000 or 297.6% in the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively, due to an increase in contributions receivable for both Plans. In the previous year, receivables for the Defined Benefit Pension Plan and Postemployment Healthcare Plan increased by $5,382,000 or 101.7% and decreased by $666,000 or 39.1%, respectively, due to an increase in accrued investment income for the Defined Benefit Pension Plan and a decrease in brokers and other receivables for the Postemployment Healthcare Plan.

As of June 30, 2016, total liabilities for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan increased by $623,000 or 23.3% and decreased by $539,000 or 77.6%, respectively, compared with June 30, 2015, due to changes in payables to brokers and other liabilities primarily as a result of the timing of investment transactions. In the previous year, liabilities decreased by $1,315,000 or 33.0% for the Defined Benefit Pension Plan and increased by $463,000 or 199.6% for the Postemployment Healthcare Plan from the prior year due to changes in payables to brokers and other liabilities primarily as a result of the timing of investment transactions.

FEDERATED SYSTEM ACTIVITIES

In the fiscal year ended June 30, 2016, the System's combined Defined Benefit Pension Plan and Postemployment Healthcare Plans net position decreased by $50,807,000 or 2.4%, primarily due to the unfavorable investment returns experienced in the fiscal year. Key elements of the System's financial activities are described in the sections that follow.

Additions to Plan Net Position

The assets needed to fund retirement benefits are accumulated through the collection of employer and employee contributions along with earnings on investments (net of investment expense). Additions to the Defined Benefit Pension Plan and Postemployment Healthcare Plan for the fiscal year ended June 30, 2016, were $110,366,000 and $45,899,000, respectively (see Tables 2a and 2c on pages 26 - 27).

For the fiscal year ended June 30, 2016, additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plans decreased by $1,364,000 and increased by $6,217,000, or 1.2% and 15.7%, respectively. The primary cause of the decrease from the prior year for the Defined Benefit Pension Plan and Postemployment Healthcare Plans was net investment losses of $35,010,000 and $2,447,000, respectively, compared to investment losses of $16,642,000 and $5,922,000, respectively, in 2015. The net investment losses were primarily a result of the unfavorable investment returns during the fiscal year ended June 30, 2016. The System's time-weighted gross rate of return, as determined by the System's investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2016, was (0.3)% compared to (0.9)% for fiscal year 2015. On a net of manager fee basis, the System's time-weighted rate of return for the fiscal year ended June 30, 2016, was (0.7)% compared to 1.0% for fiscal year 2015. In addition, employer contributions for the Postemployment Healthcare Plan increased by $3,506,000.

For fiscal year ended June 30, 2015, additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plan increased by $268,365,000 and $30,580,000, or 70.6% and 43.5%, respectively. The primary cause of the decrease from the prior year was net investment losses of $16,642,000 and $5,922,000, respectively, compared to net investment income of $263,688,000 and $28,737,000 in 2014. The net investment losses were primarily a result of the decrease in the market performance during the fiscal year ended June 30, 2015. The System's time-weighted gross rate of return, as determined by the System's investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2015, was (0.9)% compared to 14.3% for fiscal year 2014. On a net of manager fee basis, the System's time-weighted rate of return for the fiscal year ended June 30, 2015, was 1.0% compared to 14.2% for fiscal year 2014.

Deductions from Plan Net Position

The System was created to provide a monthly pension allowance, survivor benefits, permanent disability benefits, and postemployment healthcare benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments and healthcare premium payments, as designated by the San José Municipal Code, refunds of contributions to terminated employees, and the cost of administering the System.

Deductions for the fiscal year ended June 30, 2016, totaled $177,258,000 and $29,814,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plan, respectively. Deductions for the Defined Benefit Pension Plan increased 5.2% from the previous year due to an increase in benefit payments (see Table 2a on page 26). The increase in benefit payments are primarily due to continued increases in the number of retirees and beneficiaries with higher final average salaries and added cost of living adjustments. Deductions for the Postemployment Healthcare Plan increased slightly by 0.4% from the previous year due to an increase in the number of retirees and beneficiaries receiving healthcare benefits (see Table 2c on page 27).

Deductions for the fiscal year ended June 30, 2015, totaled $168,460,000 and $29,697,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plan, respectively. Deductions for the Defined Benefit Pension Plan increased 5.9% from the previous year due to an increase in benefit payments (see Table 2b on page 26). The increase in benefit payments are primarily due to continued increases in the number of retirees and beneficiaries with higher final average salaries and added cost of living adjustments. Deductions for the Postemployment Healthcare Plan increased by 5.4% from the previous year due to increases in healthcare insurance premiums for retirees and beneficiaries (see Table 2d on page 27).

CHANGES IN PLAN NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 2a)
For the Fiscal Years Ended June 30, 2016 and 2015 (Dollars in Thousands)

	2016	2015	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Employee contributions	$ 15,920	$ 13,621	$ 2,299	16.9 %
Employer contributions	129,456	114,751	14,705	12.8 %
Net investment loss*	(35,010)	(16,642)	18,368	110.4 %
Total Additions	**110,366**	**111,730**	**(1,364)**	**(1.2)%**
Retirement benefits	160,499	152,119	8,380	5.5 %
Death benefits	11,530	10,724	806	7.5 %
Refund of contributions	1,289	1,719	(430)	(25.0)%
Administrative expenses	3,940	3,898	42	1.1 %
Total Deductions	**177,258**	**168,460**	**8,798**	**5.2 %**
Net Decrease in Plan Net Position	**(66,892)**	**(56,730)**	**(10,162)**	**17.9 %**
Beginning Net Position	**1,925,774**	**1,982,504**	**(56,730)**	**(2.9)%**
Ending Net Position	**$ 1,858,882**	**$ 1,925,774**	**$ (66,892)**	**(3.5)%**

** Net of investment expenses of $11,139 and $9,588 in 2016 and 2015, respectively.*

CHANGES IN PLAN NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 2b)
For the Fiscal Years Ended June 30, 2015 and 2014 (Dollars in Thousands)

	2015	2014	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Employee contributions	$ 13,621	$ 13,596	$ 25	0.2 %
Employer contributions	114,751	102,811	11,940	11.6 %
Net investment (loss) / income*	(16,642)	263,688	(280,330)	(106.3)%
Total Additions	**111,730**	**380,095**	**(268,365)**	**(70.6)%**
Retirement benefits	152,119	143,921	8,198	5.7 %
Death benefits	10,724	9,845	879	8.9 %
Refund of contributions	1,719	2,170	(451)	(20.8)%
Administrative expenses	3,898	3,201	697	21.8 %
Total Deductions	**168,460**	**159,137**	**9,323**	**5.9 %**
Net (Decrease) Increase in Plan Net Position	**(56,730)**	**220,958**	**(277,688)**	**(125.7)%**
Beginning Net Position	**1,982,504**	**1,761,546**	**220,958**	**12.5 %**
Ending Net Position	**$ 1,925,774**	**$ 1,982,504**	**$ (56,730)**	**(2.9)%**

** Net of investment expenses of $9,588 and $9,767 in 2015 and 2014, respectively.*

CHANGES IN PLAN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLAN (Table 2c)
For the Fiscal Years Ended June 30, 2016 and 2015 (Dollars in Thousands)

	2016	2015	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 17,881	$ 18,645	$ (764)	(4.1)%
Employer contributions	30,465	26,959	3,506	13.0 %
Net investment loss*	(2,447)	(5,922)	3,475	(58.7)%
Total Additions	**45,899**	**39,682**	**6,217**	**15.7 %**
Healthcare insurance premiums	29,577	29,443	134	0.5 %
Administrative expenses	237	254	(17)	(6.7)%
Total Deductions	**29,814**	**29,697**	**117**	**0.4 %**
Net Increase in Plan Net Position	**16,085**	**9,985**	**6,100**	**61.1 %**
Beginning Net Position	**209,761**	**199,776**	**9,985**	**5.0 %**
Ending Net Position	**$ 225,846**	**$ 209,761**	**$ 16,085**	**7.7 %**

** Net of investment expenses of $721 and $765 in 2016 and 2015, respectively.*

CHANGES IN PLAN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLAN (Table 2d)
For the Fiscal Years Ended June 30, 2015 and 2014 (Dollars in Thousands)

	2015	2014	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 18,645	$ 17,494	$ 1,151	6.6 %
Employer contributions	26,959	24,031	2,928	12.2 %
Net investment (loss)/income*	(5,922)	28,737	(34,659)	(120.6)%
Total Additions	**39,682**	**70,262**	**(30,580)**	**(43.5)%**
Healthcare insurance premiums	29,443	27,924	1,519	5.4 %
Administrative expenses	254	257	(3)	(1.2)%
Total Deductions	**29,697**	**28,181**	**1,516**	**5.4 %**
Net Increase in Plan Net Position	**9,985**	**42,081**	**(32,096)**	**(76.3)%**
Beginning Net Position	**199,776**	**157,695**	**42,081**	**26.7 %**
Ending Net Position	**$ 209,761**	**$ 199,776**	**$ 9,985**	**5.0 %**

** Net of investment expenses of $765 and $632 in 2015 and 2014, respectively.*

Reserves

The System is required by the City of San José Municipal Code to establish various reserves in the System's net position. The System's net position is allocated between the Defined Benefit Pension Plan (which includes the Retirement Fund and the Cost-of-Living Fund) and the Postemployment Healthcare Plan (which includes the 401(h) and 115 Trust). The Defined Benefit Pension Plan Retirement Fund and the Defined Benefit Pension Plan Cost-of-Living Fund have a General Reserve and Employee Contributions Reserve. The Postemployment Healthcare 401(h) and 115 Funds only have a General Reserve (see table on page 47 for a complete listing and year-end balances of the System's reserves).

The System's reserves are established from employer and employee contributions and the accumulation of investment income, after satisfying investment and administrative expenses. Additionally, the appreciation or depreciation in the fair value of investments is held in the unrealized gain/loss account, a component of each Plan's General Reserve.

The System's Fiduciary Responsibilities

The System's Board of Administration is the fiduciary trustee of the Defined Benefit Pension Plan and Postemployment Healthcare Plan. Under the California Constitution and the San José Municipal Code, System assets may only be used for the exclusive benefit of providing benefits to plan participants and their beneficiaries and defraying reasonable costs of administration.

Economic Factors and Rates Affecting Next Year

The System's actuarial valuations as of June 30, 2015, were used to determine the contribution rates effective June 19, 2016, for fiscal year 2016-2017. The annual determined/required contribution rates and dollar amounts calculated in the June 30, 2015 valuations were adopted by the Board and became effective in fiscal year 2016-2017. The June 30, 2015 actuarial valuations include Board adopted actuarial assumption changes recommended by the System's actuary in the June 30, 2015 Preliminary Valuation Results and Economic Assumption Review presented on November 20, 2015.

Defined Benefit Pension Plan - Funding

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuarial valuation for funding purposes uses a five-year smoothing method for investment gains and losses. This means that the current year's gains or losses compared to the actuarially assumed rate of return, as calculated at year-end, are recognized over five years. The unfunded actuarial accrued liability (UAAL) of $1,565 million, as of June 30, 2015, does not include the impact of approximately $78.7 million of net deferred investment losses yet to be recognized, primarily resulting from unfavorable investment returns during fiscal year 2015. It is anticipated that future actuarial valuations will recognize these remaining deferred net investment losses as described above and the smoothing of any new gains or losses over a five year period.

The System is exposed to general investment market risk. In a pension plan context, this is the risk that the long-term rate of return earned on the pension plan assets could be below the actuarially assumed rate of return, which is 7.0%, net of investment expenses, in the actuarial valuation as of June 30, 2015. With all other actuarial variables being equal, underperforming the assumed rate of return would increase the UAAL and decrease the funded status of the System, thereby increasing required contributions to the System.

In addition to investment market risk, the System is exposed to non-economic or demographic risk. The demographic assumptions, which include rates of termination, retirement, disability and mortality, are often unique to the System's provisions and the specific demographics of the System participants. Deviations from these actuarial assumptions cause the System to experience gains or losses, which in turn can lead to volatility in the contribution rates. To minimize this risk, every three to five years, the System's actuary conducts an experience study to assess whether the experience of the System is conforming to the actuarial assumptions. The next experience study is scheduled for fiscal year ending June 30, 2019. The actuarial assumptions may be adjusted where it is determined that current assumptions will not provide the most accurate expectation of what may happen in the future. The Board approved to amortize payments for the 2015 assumption changes to be phased in over three years.

The June 30, 2015 actuarial valuation contains the Board-adopted 30/20 layered amortization methodology, which includes the level amortization of the unfunded liability as of June 30, 2009 over 30 years from that date, and the amortization of subsequent gains and losses or assumption changes over 20 years from the valuation in which they are first recognized.

Contribution rates for fiscal year 2016-2017, as determined by the June 30, 2015 actuarial valuation included the impact of the continued effect of the layered 20-year closed amortization period and the recognition of smoothed deferred investment gains and losses.

The valuation for June 30, 2012 and beyond will include the impact of only the implemented sections of *The Sustainable Retirement Benefits and Compensation Act* (Pension Act) enacted by the voters of San Jose on June 5, 2012. The Pension Act amended the City Charter to change benefits for current employees, to establish different benefits for new employees and to place other limitations on benefits.

Section 1508-A of the Pension Act applicable to new employees was adopted on August 28, 2012 by San José City Council Ordinance No. 29120 to provide Tier 2 pension benefits for new System members hired on or after September 30, 2012. The new tier includes significant benefit changes from the existing Tier 1 plan including, but not limited to, a decrease in the benefits multiplier from 2.5% per year to 2.0% per year, an increase from 55 years to 65 years of age for retirement eligibility at full benefits, a consumer price index driven cost-of-living increase with a maximum of 1.5% instead of the existing annual fixed 3.0% increase, a decrease in maximum benefit to 65% of final average salary from 75%, a single life annuity compared to a 50% joint survivorship, member to share all costs of Tier 2 equally, including the total normal cost, any accrued unfunded actuarial liability and administrative costs of the System, and final average compensation based on the highest consecutive 3 years of compensation compared to highest 1 year. However, a retiree can elect to receive a lower pension benefit to provide a survivor benefit to a spouse, registered domestic partner, child or children. The survivorship allowance is calculated by the Board's actuary for a 50%, 75% or 100% continuance that is actuarially equivalent to the spouse, registered domestic partner, child or children designated at the time of retirement. Significant portions of the Pension Act applicable to existing employees and effective June 23, 2013 are currently subject to legal challenge by members of the System. On November 23, 2015, the City and the bargaining units reached an Alternative Pension Reform Settlement Framework (Framework) which was approved by the City Council and the bargaining units' memberships. See Note 8 in the *Notes to the Financial Statements* for more details.

Postemployment Healthcare Plan

During the year ended June 30, 2016, the System's GASB Statement No. 43-compliant Other Postemployment Benefits (OPEB) valuation as of June 30, 2015, was prepared by Cheiron, Inc., the System's actuary. A summary of the results is presented in Note 5 to the Financial Statements.

In 2009, the City entered into agreements ("Retiree Healthcare Agreements") with the bargaining units representing the System members to increase the contribution rates for retiree health and dental benefits in order to phase-in to full funding of the GASB Statement No. 43 annual required contributions (ARC) over a five period ending fiscal year 2012-2013. The Retiree Healthcare Agreements also provides that the five year phase-in of the ARC will not have an incremental increase of more than 0.75% of pensionable pay in each fiscal year for the employee or City contributions phase-in; the City and active members' contributions for retiree medical benefits were to pay the ARC for retiree healthcare benefits. Under the Retiree Healthcare Agreements, the ratio of contribution remained unchanged, with the contribution for retiree medical benefits split evenly between the City and the employee and retiree dental benefits split in the ratio of 8 to 3, with the City contributing 8/11 of the total contribution. The year ended June 30, 2013 was supposed to mark the end of the 0.75% cap and per the Retiree Healthcare Agreements, the employees and the City were required to contribute at the GASB Statement No. 43 ARC for fiscal year ended June 30, 2014.

However, the City and the bargaining groups negotiated an extension of the 0.75% cap on increases to medical contributions for 18 months. In October 2014, the City Council approved to extend the cap for an additional six months to June 20, 2015, the last pay period for fiscal year 2014-2015, keeping the contribution rates the same throughout the year. In December 2015, the Board approved to extend the fiscal year 2014-2015 healthcare rates until the implementation of the Framework. See Note 8 regarding the Framework, at which point the contribution rates may change based on further negotiations between the City and the bargaining units.

On August 27, 2013, San Jose City Council adopted Ordinance No. 29283 to exclude Tier 2 members hired on or after September 27, 2013 from retiree medical and dental benefits (herein referred to as "Tier 2B" members), but the City shall bear and pay an amount equal to the additional costs incurred by the System for that portion of the unfunded liability as determined by the actuary for the System that the City and Tier 2B members would have otherwise paid as contributions had those employees been eligible for the retiree healthcare defined benefit.

On June 24, 2011, a new Internal Revenue Code Section 115 trust was established by the San José City Council (Ordinance number 28914) to provide an alternative source of funding from the existing 401(h) account included within the pension fund for retiree healthcare benefits. Employer contributions to the new trust were made starting fiscal year 2012. On August 6, 2013, the City obtained a private letter ruling from the Internal Revenue Service confirming the pre-tax treatment of employee contributions to the 115 Trust. Employee contributions to the new trust were made beginning December 22, 2013.

Requests for Information

This financial report is designed to provide the Board of Administration, Mayor and City Council, our membership, taxpayers, and stakeholders, with a general overview of the System's finances and to account for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Federated City Employees' Retirement System
1737 North First Street, Suite 600
San José, California 95112-4505

Respectfully Submitted,

Roberto L. Peña
Chief Executive Officer
Office of Retirement Services

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Basic Financial Statements

STATEMENTS OF PLAN NET POSITION

June 30, 2016 and 2015 (In Thousands)

	2016		
	Defined Benefit Pension Plan	**Postemployment Healthcare Plan**	**Total**
ASSETS			
Receivables			
Employee contributions	$ 580	$ 607	$ 1,187
Employer contributions	6,205	1,082	7,287
Brokers and others	2,184	2,310	4,494
Accrued investment income	6,145	120	6,265
Total Receivables	**15,114**	**4,119**	**19,233**
Investments, at fair value:			
Securities and other:			
Global equity	721,251	90,090	811,341
Private equity	83,412	3,624	87,036
Global fixed income	387,238	59,557	446,795
Collective short term investments	108,168	25,127	133,295
Private debt	73,977	3,214	77,191
Real assets	229,712	29,696	259,408
International currency contracts, net	94	4	98
Absolute return	242,315	10,527	252,842
Total Investments	**1,846,167**	**221,839**	**2,068,006**
Capital Assets	**893**	**44**	**937**
TOTAL ASSETS	**1,862,174**	**226,002**	**2,088,176**
LIABILITIES			
Payable to brokers	2,056	30	2,086
Other liabilities	1,236	126	1,362
TOTAL LIABILITIES	**3,292**	**156**	**3,448**
PLAN NET POSITION - RESTRICTED FOR:			
Pension benefits	1,858,882	-	1,858,882
Postemployment healthcare benefits	-	225,846	225,846
TOTAL PLAN NET POSITION	**$ 1,858,882**	**$ 225,846**	**$ 2,084,728**

See accompanying notes to basic financial statements. *(Continued)*

STATEMENTS OF PLAN NET POSITION (Continued)
June 30, 2016 and 2015 (In Thousands)

	2015		
	Defined Benefit Pension Plan	**Postemployment Healthcare Plan**	**Total**
ASSETS			
Receivables			
Employee contributions	$ 415	$ 489	$ 904
Employer contributions	89	183	272
Brokers and others	5,540	347	5,887
Accrued investment income	4,630	17	4,647
Total Receivables	**10,674**	**1,036**	**11,710**
Investments, at fair value:			
Securities and other:			
Global equity	808,926	95,314	904,240
Private equity	93,689	4,061	97,750
Global fixed income	348,788	54,339	403,127
Collective short term investments	126,172	17,979	144,151
Private debt	103,831	4,500	108,331
Real assets	234,804	24,490	259,294
International currency contracts, net	319	14	333
Absolute return	201,179	8,720	209,899
Total Investments	**1,917,708**	**209,417**	**2,127,125**
Capital Assets	**61**	**3**	- **64**
TOTAL ASSETS	**1,928,443**	**210,456**	**2,138,899**
LIABILITIES			
Payable to brokers	1,637	375	2,012
Other liabilities	1,032	320	1,352
TOTAL LIABILITIES	**2,669**	**695**	**3,364**
PLAN NET POSITION - RESTRICTED FOR:			
Pension benefits	1,925,774	-	1,925,774
Postemployment healthcare benefits	-	209,761	209,761
TOTAL PLAN NET POSITION	**$ 1,925,774**	**$ 209,761**	**$ 2,135,535**

See accompanying notes to basic financial statements. *(Concluded)*

STATEMENTS OF CHANGES IN PLAN NET POSITION
For the Fiscal Years Ended June 30, 2016 and 2015 (In Thousands)

	2016		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total
ADDITIONS			
Contributions:			
Employee	$ 15,920	$ 17,881	$ 33,801
Employer	129,456	30,465	159,921
Total Contributions	**145,376**	**48,346**	**193,722**
Investment income / (loss)			
Net depreciation in fair value of investments	(57,268)	(6,600)	(63,868)
Interest income	21,199	1,172	22,371
Dividend income	12,198	3,702	15,900
Less: investment expense	(11,139)	(721)	(11,860)
Net Investment Loss	**(35,010)**	**(2,447)**	**(37,457)**
TOTAL ADDITIONS	**110,366**	**45,899**	**156,265**
DEDUCTIONS			
Retirement benefits	160,499	-	160,499
Healthcare insurance premiums	-	29,577	29,577
Death benefits	11,530	-	11,530
Refund of contributions	1,289	-	1,289
Administrative expenses and other	3,940	237	4,177
TOTAL DEDUCTIONS	**177,258**	**29,814**	**207,072**
NET (DECREASE) / INCREASE	**(66,892)**	**16,085**	**(50,807)**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS:			
BEGINNING OF YEAR	**1,925,774**	**209,761**	**2,135,535**
END OF YEAR	**$ 1,858,882**	**$ 225,846**	**$ 2,084,728**

See accompanying notes to basic financial statements. *(Continued)*

STATEMENTS OF CHANGES IN PLAN NET POSITION (Continued)
For the Fiscal Years Ended June 30, 2016 and 2015 (In Thousands)

	2015		
	Defined Benefit Pension Plan	**Postemployment Healthcare Plan**	**Total**
ADDITIONS			
Contributions:			
Employee	$ 13,621	$ 18,645	$ 32,266
Employer	114,751	26,959	141,710
Total Contributions	**128,372**	**45,604**	**173,976**
Investment income / (loss)			
Net depreciation in fair value of investments	(30,159)	(8,068)	(38,227)
Interest income	10,280	661	10,941
Dividend income	12,825	2,250	15,075
Less: investment expense	(9,588)	(765)	(10,353)
Net Investment Loss	**(16,642)**	**(5,922)**	**(22,564)**
TOTAL ADDITIONS	**111,730**	**39,682**	**151,412**
DEDUCTIONS			
Retirement benefits	152,119	-	152,119
Healthcare insurance premiums	-	29,443	29,443
Death benefits	10,724	-	10,724
Refund of contributions	1,719	-	1,719
Administrative expenses and other	3,898	254	4,152
TOTAL DEDUCTIONS	**168,460**	**29,697**	**198,157**
NET (DECREASE) / INCREASE	**(56,730)**	**9,985**	**(46,745)**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS:			
BEGINNING OF YEAR, see Note 2i	**1,982,504**	**199,776**	**2,182,280**
END OF YEAR	**$ 1,925,774**	**$ 209,761**	**$ 2,135,535**

See accompanying notes to basic financial statements. *(Concluded)*

Notes to the Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the City of San José Federated City Employees' Retirement System (System) is provided for financial reporting purposes only. Readers should refer to the City of San José Municipal Code (SJMC) for more complete information.

(a) General

The System was established in 1941 to provide retirement benefits for certain employees of the City of San José (City). The current System consists of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan and includes all provisions of SJMC Chapters 3.28, 3.44, and 3.52.

The Defined Benefit Pension Plan was established pursuant to Internal Revenue Code (IRC) Section 401(a) and is held and administered in the 1975 Federated City Employees' Retirement Plan (Pension Trust) and includes all provisions of SJMC Chapters 3.28.

The Postemployment Healthcare Plan is comprised of an IRC Section 401(h) plan and an IRC Section 115 trust and is held and administered in the 1975 Federated City Employees' Retirement Plan and the Federated City Employees' Healthcare Trust Fund, respectively; it includes all provisions of SJMC Chapters 3.28 and 3.52, respectively.

The Postemployment Healthcare Plan, which was established under IRC Section 401(h), is an account within the Pension Trust for retiree healthcare benefits funding and for the payment of retiree healthcare benefits. As a 401(h) plan, the healthcare plan benefits must be subordinate to the pension plan benefits. The medical benefits are considered subordinate if the cumulative actual contributions for medical benefits are no greater than 25% of actual contributions to both pension and medical benefits, ignoring contributions for past service benefit (normal cost only). The System's actuary performs periodic reviews and projections of the IRC 25% subordination test.

On June 24, 2011, a new IRC Section 115 trust was established by the San José City Council (City Council) under the provisions of SJMC Chapter 3.52 (Ordinance number 28914) to provide an alternative to the existing 401(h) account within the Pension Trust for retiree healthcare benefits funding and for the payment of retiree healthcare benefits. A request for private letter ruling on the tax qualified status of the new trust and the pre-tax treatment of employee contributions to the trust was filed with the IRS on October 17, 2011. On August 6, 2013, the City obtained a private letter ruling from the IRS confirming the pre-tax treatment of employee contributions to the 115 Trust. Effective pay period 1 of 2014, beginning on December 23, 2013, employee contributions made for retiree healthcare are deposited into the 115 Trust.

On August 18, 2012, the System received a favorable tax determination letter from the IRS for the Pension Trust, which includes the Defined Benefit Pension Plan and the 401(h) portion of the Postemployment Healthcare Plan. A new determination letter was received on July 8, 2014, which expires January 31, 2019.

Effective September 30, 2012, pursuant to City of San José Ordinance Number 29120, the System was amended to provide for different retirement benefits for individuals hired, rehired or reinstated by the City on and after that date but before September 27, 2013. Members subject to these new benefit provisions are referred to as Tier 2 members, whereas members hired before September 30, 2012 are referred to as Tier 1 members. Differences in benefits are noted in the appropriate sections below.

Effective February 3, 2013, pursuant to City of San José Ordinance Number 29184, unrepresented executive management and professional employees who are hired directly into a position in Unit 99 on or after that date, may make a one-time irrevocable election to participate in either a newly created Defined Contribution Plan or become a Tier 2 participant in the System. To be eligible, an employee must not have been previously a member of the City of San José Retirement System. The System does not administer or hold the assets of the Defined Contribution Plan.

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(a) General (Continued)

Effective September 27, 2013, pursuant to City of San José Ordinance Number 29283, the System was amended to provide for different retirement benefits for individuals hired or rehired by the City on and after that date. Members subject to these new benefits are referred to as Tier 2B members, having the same benefits as Tier 2 members in the Defined Benefit Pension Plan, except, Tier 2B members do not have Postemployment Healthcare benefits. The ordinance also stated that the City shall bear and pay an amount equal to the additional costs incurred by the Retirement System for that portion of the unfunded liability as determined by the actuary of the Retirement System that the City and the new employees hired on or after September 27, 2013, would have otherwise paid as contributions had those employees been eligible for retiree healthcare. The additional payment by the City shall be for a period of time under the terms and conditions set forth by the City Council.

Tier 2C members are former Tier 1 members who have vested in dental benefits and are re-entering the Plan as Tier 2B members but with dental benefits.

All full-time and eligible part-time employees of the City are required to be members of the System, except unrepresented executive management and professional employees in Unit 99 who are first hired on or after February 3, 2013 and have made an irrevocable election to participate in the Defined Contribution Plan pursuant to SJMC Chapter 3.49, instead of Tier 2 of the Defined Benefit Plan. Also excluded are employees who are members of the City's Police and Fire Department Retirement Plan.

The System is considered to be a part of the City's financial reporting entity and is included in the City's basic financial statements as a pension and postemployment healthcare trust fund. The System is administered by the Chief Executive Officer of the Office of Retirement Services, an employee of the City, who serves at the pleasure of the Federated City Employees' Retirement System Board of Administration (Board of Administration). The seven-member Board of Administration is composed of two City employees elected by members of the System, a retiree representative, and three public members, who are not connected with the City and have significant banking or investment experience, and another public member, who is selected by the six Board members and approved by the City Council. The Board is appointed by the City Council and serves in accordance with Section 2.08.300 of the San José Municipal Code. The contribution and benefit provisions and all other requirements are established by City ordinance. The System is responsible for all direct administrative costs, except for certain support services, which are provided and funded directly by the City. The System is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(a) General (Continued)

The following table summarizes the System members as of June 30, 2016 and 2015, respectively.

As of June 30, 2016	2016				
Defined Benefit Pension Plan:	**Tier 1 Members prior to 9/30/12**	**Tier 2 Members after 9/30/12**	**Tier 2B Members after 9/27/13**	**Tier 2C Members after 9/27/13**	**Total**
Retirees and beneficiaries currently receiving benefits*	4,002	-	-	1	**4,003**
Terminated and/or vested members not yet receiving benefits**	1,038	52	114	2	**1,206**
Active members***	2,162	212	910	13	**3,297**
Total	**7,202**	**264**	**1,024**	**16**	**8,506**
Postemployment Healthcare Plan:					
Retirees and beneficiaries currently receiving benefits****	3,461	-	-	-	**3,461**
Terminated vested members not yet receiving benefits	151	-	-	-	**151**
Active members***	2,162	212	13	-	**2,387**
Total	**5,774**	**212**	**13**	**-**	**5,999**

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(a) General (Continued)

As of June 30, 2015	2015				
Defined Benefit Pension Plan:	**Tier 1 Members prior to 9/30/12**	**Tier 2 Members after 9/30/12**	**Tier 2B Members after 9/27/13**	**Tier 2C Members after 9/27/13**	**Total**
Retirees and beneficiaries currently receiving benefits	3,901	-	-	-	**3,901**
Terminated and/or vested members not yet receiving benefits	1,047	46	52	-	**1,145**
Active members	2,363	233	635	5	**3,236**
Total	**7,311**	**279**	**687**	**5**	**8,282**
Postemployment Healthcare Plan					
Retirees and beneficiaries currently receiving benefits	3,391	-	-	-	**3,391**
Terminated vested members not yet receiving benefits	142	-	-	-	**142**
Active members*****	2,363	233	-	5	**2,601**
Total	**5,896**	**233**	**-**	**5**	**6,134**

** The combined domestic relations orders are not included in the count above as their benefit payment is included in the retiree member count.*

** 1 deferred vested member in Tier 2 have a portion of their benefit under Tier 1*

*** 3 retired members in Tier 2 have a portion of their benefit under Tier1*

**** 35 active members in Tier 2 have a portion of their benefit under Tier 1*

***** Payees that have health and/or dental coverage*

****** 18 active members in Tier 2A and 13 active members in Tier 2C have a portion of their benefit under Tier 1*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(b) Pension, Disability and Healthcare Benefits

Effective December 9, 1994, the System entered into an agreement with the California Public Employees' Retirement System (PERS) that extends reciprocal retirement benefits to members. In certain situations, this agreement may result in improved retirement benefits for members who move from one eligible retirement system to another.

The following table summarizes the pension, disability and healthcare benefits for the members. Please consult the Municipal Code for complete information.

<table>
<tr><th></th><th>Tier 1</th><th>Tier 2</th><th>Tier 2B</th><th>Tier 2C</th></tr>
<tr><td></td><td>Employees hired on or before September 30, 2012</td><td>Employees hired, rehired, or reinstated after September 30, 2012</td><td>Employees hired, rehired, or reinstated after September 27, 2013*</td><td>Employees hired, rehired, or reinstated after September 27, 2013**</td></tr>
<tr><td>Employee Contributions</td><td>15.23% (Pension: 6.47%, Retiree Health: 8.76%) As of 6/19/2016</td><td>14.8% (Pension: 6.04% Retiree Healthcare: 8.76%) As of 6/19/2016</td><td>6.04% as of 6/19/2016</td><td>6.43% (Pension: 6.04%, Retiree Dental: 0.39%) As of 6/19/2016</td></tr>
<tr><td>City Contributions</td><td>87.47% of Base Salary (Pension: 78.06%, Retiree Health: 9.41%) As of 6/19/2016</td><td>15.45% (Pension: 6.04% Retiree Healthcare: 9.41%) As of 6/19/2016</td><td>6.04% as of 6/19/2016</td><td>7.08% (Pension: 6.04%, Retiree Dental: 1.04%) As of 6/19/2016</td></tr>
<tr><td>Minimum Service to Leave Contributions in System</td><td>5 years</td><td colspan="3">5 years Federated City Service</td></tr>
<tr><td>Age/Years of Service</td><td>55 with 5 years service
30 yrs service at any age</td><td colspan="3">65 years with 5 years Federated City Service
May retire on or after 55 years with 5 years Federated City Service with actuarial equivalent reduction</td></tr>
<tr><td>Deferred Vested</td><td>55 with 5 years service (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.)</td><td colspan="3">May commence on or after 55 years with 5 years Federated City Service with actuarial equivalent reduction
(This applies to members who separate from City service before retirement and leave their contributions in the retirement system.)</td></tr>
<tr><td>Benefit Formula</td><td>2.5% x Years of Service x Final Compensation (75% max)

Final Compensation is the average monthly (or biweekly) base pay for the highest year of Federated City Service (year of service = 1739 hours worked)</td><td colspan="3">2.0% x Years of Federated City Service x Final Compensation (65% max)
Final Compensation is the average monthly (or biweekly) base pay for the highest 3 consecutive Years of Federated City Service (year of service = 2080 hours worked)
Excludes premium pay or any other forms of additional compensation</td></tr>
</table>

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(b) Pension, Disability and Healthcare Benefits (Continued)

	Tier 1	Tier 2	Tier 2B	Tier 2C
	Employees hired on or before September 30, 2012	**Employees hired, rehired, or reinstated after September 30, 2012**	**Employees hired, rehired, or reinstated after September 27, 2013***	**Employees hired, rehired, or reinstated after September 27, 2013****
Cost of Living Adjustments	3% per year	CPI up to 1.5% per year		
Final Compensation	Highest one-year average	Highest three-year average		
Disability Retirement (Service Connected)				
Minimum Service	None	None		
Allowance	40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation)	50% of Final Compensation less any deductions for income from service performed for other employers or for non-Federated City Service for member who has not yet attained age 65 if this income exceeds the amount that the member would receive if member had remained an active employee.		
Disability Retirement (Non-Service Connected)				
Minimum Service	5 years	5 Years Federated City Service		

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(b) Pension, Disability and Healthcare Benefits (Continued)

	Tier 1	Tier 2	Tier 2B	Tier 2C
	Employees hired on or before September 30, 2012	**Employees hired, rehired, or reinstated after September 30, 2012**	**Employees hired, rehired, or reinstated after September 27, 2013***	**Employees hired, rehired, or reinstated after September 27, 2013****
Allowance	40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation) If under 55 years old, subtract 0.5% for every year under age 55. **For those entering the System 9/1/98 or later, the calculation is as follows: 20% of Final Compensation for up to 6 years of service. Add 2% for each year of service in excess of 6 years but less than 16 years. Add 2.5% for each year of service in excess of 16 years of service. (Maximum 75% of Final Compensation)	2% x Years of Federated City Service x Final Compensation. (Minimum of 20% and maximum of 50%, less any deductions for income from service performed for other employers or for non-Federated City Service for member who has not yet attained age 65 if this income exceeds the amount that the member would receive if member had remained an active employee.)		
Medical Benefits				
Eligibility	Retired for disability or service with 15 years service or receive allowance that is at least 37.5% of Final Compensation. (Deferred vested members are eligible.)	Retired for disability or service with 15 years service or receive allowance that is at least 37.5% of Final Compensation. (Certain Deferred vested members are also eligible.)	N/A	N/A
Premiums	Retirement System pays 100% of lowest cost plan that is available to active City employees. If retiree does not choose the lowest cost plan, retiree pays the difference between that premium and the premium for the lowest cost plan.***		N/A	N/A

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(b) Pension, Disability and Healthcare Benefits (Continued)

	Tier 1	Tier 2	Tier 2B	Tier 2C
	Employees hired on or before September 30, 2012	**Employees hired, rehired, or reinstated after September 30, 2012**	**Employees hired, rehired, or reinstated after September 27, 2013***	**Employees hired, rehired, or reinstated after September 27, 2013****
Dental Benefits				
Eligibility	Must be enrolled at retirement with 5 years service or receive retirement allowance of at least 37.5% of Final Compensation. (Deferred vested members are not eligible.)	Must be enrolled at retirement with 5 years service or receive retirement allowance of at least 37.5% of Final Compensation. (Deferred vested members are not eligible.)	N/A	Must be enrolled at retirement with 5 years service or receive retirement allowance of at least 37.5% of Final Compensation. ("Deferred vested" members are not eligible.)
Premiums	Fully paid by retirement fund	Fully paid by retirement fund	N/A	Fully paid by retirement fund

** Members who have not met the City's eligibility for either retiree healthcare to September 27, 2013, will NOT be eligible for retiree healthcare benefits. Spouses, domestic partners and dependents will also be ineligible for retiree healthcare benefits.*

*** Members who have not met the City's eligibility for retiree healthcare prior to September 27, 2013, will NOT be eligible for retiree healthcare benefits. Spouses, domestic partners and dependents will also be ineligible for retiree healthcare benefits. Employees who have met the eligibility requirement for retiree dental benefits will receive the retiree dental benefits.*

**** At age 65, members of the System will be required to enroll in Medicare Parts A & B. If a member does not meet this requirement within 6 months of the date member turns 65, health care benefits will cease until such requirements are met.*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(c) Death Benefits

The following table summarizes the survivorship pension and health benefits for Tier 1 members. Please consult the Municipal Code for complete information.

	FED Tier 1
Death Before Retirement	
Non-service-connected death with less than 5 years of service	Return of employee contributions, plus death benefit: 1/12 of compensation in year prior to death x years of service (benefit may not exceed 50% of the salary earned in year prior to death.)
Greater than 5 years of service or service-connected death	To surviving spouse/domestic partner: Years of Service x 2.5% x Final Compensation (40% minimum, 75% maximum, except that "deferred vested" members not eligible for 40% minimum) *If no surviving spouse/domestic partner, to surviving children: 1 Child: 25% of spousal/domestic partnership allowance 2 Children: 50% of spousal/domestic partnership allowance 3 Children: 75% of spousal/domestic partnership allowance If no surviving spouse/domestic partner or surviving children: Return of employee contributions, plus death benefit: 1/12 of compensation in year prior to death x years of service (benefit may not exceed 50% of the salary earned in year prior to death.)
Death After Retirement	
Standard allowance to surviving spouse/domestic partner or children (Minimum 5 years of service)	To surviving spouse/domestic partner: 50% of Retiree's Allowance *If no surviving spouse/domestic partner, to surviving children: 1 Child: 25% of spousal/domestic partnership allowance 2 Children: 50% of spousal/domestic partnership allowance 3 Children: 75% of spousal/domestic partnership allowance If no surviving spouse/domestic partner or surviving children: estate or beneficiary will receive the difference between employee contributions (including interest) and the total paid to member by the retirement system at the time of death.
Optional settlements	Retiree may choose an optional settlement at retirement that reduces the allowance to provide a survivorship allowance to a designated beneficiary or a higher survivorship allowance to their spouse/domestic partner.
Special death benefit	$500 death benefit paid to estate or designated beneficiary in addition to benefits above.

For death before retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death or remarriage. For members who were at least 55 and had at least 20 years of service at the time of death, or 30 years of service regardless of age, the survivorship allowance to surviving spouse/domestic partner lasts until death.

**If there is an allowance payable to a surviving spouse/domestic partner, no allowance will be paid to surviving children. Surviving children receive a monthly survivorship allowance only when there is no surviving spouse/domestic partner.*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(c) Death Benefits (Continued)

The following table summarizes the death benefits for Tier 2 members. Please consult the Municipal Code for complete information.

	Tiers 2, 2B and 2C
Death Before Retirement	
Non-service-connected death not eligible for retirement	Return of employee contributions, plus interest.
Eligible for retirement	To surviving spouse/domestic partner: 2.0% x Years of Federated Service x Final Compensation (65% max) If no surviving spouse/ domestic partner: Member's estate receives employee's contributions, plus interest.
Service-connected death	To surviving spouse/domestic partner: Monthly benefit equivalent to 50% of Final Compensation.
Death After Retirement	
Survivorship allowance to surviving spouse/domestic partner or children that was elected by the member at retirement. (Minimum 5 years of service)	Retiree may choose survivorship allowance at retirement that reduces the retiree's allowance to provide a survivorship allowance determined by the System's actuary for a 50%, 75% or 100% continuance that is actuarially equivalent to the spouse/domestic partner or child(ren) designated at the time of retirement. No additional retirement benefits.

For death before retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death, remarriage, or establishment of a domestic partnership if member was at least 65 with at least 20 years of service (or 55 with actuarial equivalent reduction) at the time of death. For death after retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The financial statements of the System are intended to present only the plan net position and changes in plan net position of the System. They do not purport to, and do not, present fairly the financial position of the City of San José, California, as of June 30, 2016 and 2015, and the changes in its financial position for the years then ended in conformity with U.S. GAAP. The System is reported in a pension and postemployment healthcare trust fund in the City of San José's basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Accounting

The financial statements of the System are prepared on the accrual basis of accounting. Contributions are recognized as revenue when due pursuant to legal requirements. Benefits and refunds of contributions are recognized when currently due and payable under the provisions of the System. Activities of the Defined Benefit Pension Plan and the Postemployment Healthcare Plan are accounted for separately. It is required by the Municipal Code that transactions of the Defined Benefit Pension Plan be accounted for in two funds: a Retirement Fund and a Cost-of-Living Fund.

The preparation of the financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(c) Investments

The City of San José Municipal Code Section 3.28.355 delegates authority to the Board of Administration to invest the monies of the System as provided in Section 3.28.355. The Board has adopted detailed investment guidelines consistent with conditions and limitations set forth in Section 3.28.355.

For the year ended June 30, 2016, there was no change to the Defined Benefit Pension Plan investment policy, which the Board had originally approved on November 25, 2014. The new asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the System's adopted actuarial assumed rate of return as utilized in the June 30, 2015 valuations. The System's investment asset allocation is as follows:

PENSION

	As of June 30, 2016			As of June 30, 2015		
Asset Class	Minimum Allocation	Target Asset Allocation	Maximum Allocation	Minimum Allocation	Target Asset Allocation	Maximum Allocation
Global equity	20%	28%	36%	30%	28%	44%
Private equity	4%	9%	14%	-	9%	-
Global fixed income	9%	19%	29%	14%	19%	34%
Private debt	-	5%	10%	-	5%	10%
Absolute return	6%	11%	16%	6%	11%	16%
Global tactical asset allocation/ Opportunistic	-	5%	7%	-	5%	-
Real assets	15%	23%	30%	15%	23%	30%
Cash	-	-	5%	-	-	5%

The absolute return and global tactical asset allocation/opportunistic asset class includes allocations to global macro and relative value hedge fund strategies and managers with unconstrained global mandates. In addition, during times of significant market dislocations, opportunistic mandates would be allocated to this asset class.

The real assets asset class includes allocations to real estate, commodities, infrastructure and natural resources.

On September 30, 2014, the Board adopted a new asset allocation for the 115 healthcare trust which primarily decreased the allocation to global equity and increased allocations to real assets.

The Postemployment Healthcare Plan investment policy was originally approved on March 21, 2013, and there was no change as well for the year ended June 30, 2016.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investments (Continued)

HEALTHCARE

As of June 30, 2016							
Asset Class	Minimum Allocation	Target Asset Allocation	Maximum Allocation		Minimum Allocation	Target Asset Allocation	Maximum Allocation
Global equity	40%	47%	54%		40%	47%	54%
Fixed income	20%	30%	40%		20%	30%	40%
Real assets	15%	23%	30%		15%	23%	30%

The real assets asset class allocates to commodities, natural resources, infrastructure, and real estate.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates, if applicable. Investments that do not have an established market, such as private equity, commingled real estate funds and certain pooled fund investments, are reported at estimated fair value based on the most recently available investor reports or audited financial statements issued by the manager of those funds. The fund manager provides an estimated unrealized gain/loss of the fund based on the most recently available audited financial statements and other fund information. See Note 3 starting on page 50 for more detailed information on the fair value of investments.

The fair value of derivative investments that are not exchange traded, such as swaps and rights is determined by the System's custodian based on the base market value of similar instruments. Futures contracts are marked-to-market at the end of each trading day, and the settlement of gains or losses occur on the following business day through variation margins. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated based on the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned.

For the years ended June 30, 2016 and 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was (0.79)% and (1.07)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(d) Capital Assets

Capital assets are recorded at cost and comprise of all costs related to the development of a new pension administration system. The development of the new pension administration system is expected to be completed in four years, by the fall of 2018. It will be amortized per GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, over 10 years, once it has been placed into service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Plan Net Position Restricted for Pension and Postemployment Healthcare Benefits

The System is required by the City of San José Municipal Code to establish various reserves in the plan net position. The plan net position is allocated between the Defined Benefit Pension Plan (which includes the Retirement Fund and the Cost-of-Living Fund) and the Postemployment Healthcare Plan (which includes the 401(h) and 115 Trust).

As of June 30, 2016 and 2015, plan net position totaling $2,084,728 and $2,135,535, respectively, is allocated as follows (in thousands):

	Retirement Fund	Cost-of-Living Fund	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Post-employment Healthcare (115)	Post-employment Healthcare Plan	Total
June 30, 2016							
Employee contributions reserve	$ 309,489	$ 47,750	$ 357,239	$ -	$ -	$ -	$ 357,239
General reserve	988,608	513,035	1,501,643	57,241	168,605	225,846	1,727,489
TOTAL	**$1,298,097**	**$560,785**	**$1,858,882**	**$ 57,241**	**$ 168,605**	**$ 225,846**	**$2,084,728**
June 30, 2015							
Employee contributions reserve	$ 289,685	$ 45,114	$ 334,799	$ -	$ -	$ -	$ 334,799
General reserve	1,080,154	510,821	1,590,975	83,869	125,892	209,761	1,800,736
TOTAL	**$1,369,839**	**$555,935**	**$1,925,774**	**$ 83,869**	**$ 125,892**	**$ 209,761**	**$2,135,535**

Employee Contributions Reserve represents the total accumulated employee contributions of current active and deferred members plus credited interest. The reserve is accounted for separately due to the possibility of a return of accumulated employee contributions, plus credited interest, to the member upon separation from City employment. Terminated members' returns of contributions are paid from the Defined Benefit Pension Plan only. No employee contributions are paid out of the healthcare plan.

General Reserve is a reserve that represents net earnings resulting from interest earnings, employer contributions, and realized and unrealized investment gains and losses. It also represents an accumulation of funds necessary to pay all accumulated vested retirement obligations.

Correction of an Error - During 2016, it was determined that pursuant to applicable SJMC sections, employee contributions reserves should only be maintained in the Defined Benefit Pension Plan and not the Postemployment Healthcare Plan. As a result, the amounts reported above for the year ended June 30, 2015 have been corrected to reclassify $68.8 million and $25.6 million of previously reported employee contribution reserves from the 401(h) and 115 Funds, respectively, of the Postemployment Healthcare Plan to the Retirement Fund of the Defined Benefit Pension Plan, and the same amounts were reclassified from the general reserve of the Retirement Fund to the general reserves of the 401(h) and 115 Funds of the Postemployment Healthcare Plan. Previously reported total balances for each plan did not change as a result of these corrections.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Allocation of Investment income

Earnings on investments, excluding unrealized gains and losses, are recorded first in the general reserve category of plan net position. An allocation is made semi-annually from the general reserve category to the employee contributions category of plan net position based on the balance in that account at an annual rate of 3%, as specified by the City of San José Municipal Code.

(g) Implementation of Governmental Accounting Standards Board Statements

The GASB issued Statement No. 72, *Fair Value Measurement and Application.* GASB Statement No. 72 addresses accounting and financial reporting related to fair value measurements of assets and liabilities. Guidance is provided regarding valuation techniques used to measure fair value and extensive disclosures required around the hierarchy of inputs to valuation techniques used to measure fair value. Since the statement generally requires investments to be measured at fair value, the impact to the valuation of investments in the System's financial statements is minimal. The requirements of GASB Statement No. 72 are effective for financial statements with periods beginning after June 15, 2015. The System adopted this standard and has presented the required disclosure in Note 3, Fair Value Measurements section.

The GASB recently issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statement No. 67 and 68*, which addresses financial reporting for assets accumulated for purposes of providing those pensions. This Statement is effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for financial statements for fiscal years beginning after June 15, 2016.

The GASB recently issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which applies to OPEB plans and replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement, which essentially parallels GASB Statement No. 67, addresses accounting and financial reporting requirements for OPEB plans and is effective for financial statements for fiscal years beginning after June 15, 2016.

The GASB recently issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017. This statement, which essentially parallels GASB Statement No. 68, applies to government employers who provide OPEB plans to their employees and replaces GASB Statement No. 45.

The GASB recently issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55*, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of the new statement are effective for reporting periods beginning after June 15, 2015.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Implementation of Governmental Accounting Standards Board Statements (Continued)

The GASB recently issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statements No. 67, No. 68, and No. 73, that are not within the scope of GASB Statement No. 68, and amendments to certain provisions of GASB Statements No. 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

(h) Reclassifications and Presentation

Certain reclassifications of prior year's balances have been made to conform with the current year presentation.

(i) Correction of an Error

In fiscal year 2014, the implicit healthcare subsidy employer contribution in the amount of $4,733,000 was posted incorrectly to the Defined Benefit Pension Plan while the implicit healthcare subsidy expense in the same amount was correctly posted to the Postemployment Healthcare Benefit Plan. This resulted in the Defined Benefit Pension Plan being overstated and the Postemployment Healthcare Benefit Plan being understated by $4,733,000. The effect on the overall total is zero. The beginning balance of fiscal year 2015 is being adjusted for each Plan to correct this error. See table below to show the effect on the financial statements.

Effects on Financial Statements	Defined Benefit Pension Plan	Post-employment Healthcare Plan	Total
Statement of Changes in Net Position			
Beginning Balance - originally stated	$ 1,987,237	$ 195,043	$ 2,182,280
Correction	(4,733)	4,733	-
Beginning Balance - adjusted	**$ 1,982,504**	**$ 199,776**	**$ 2,182,280**
Statement of Plan Net Position			
Global equity - originally stated	$ 813,659	$ 90,581	$ 904,240
Correction	(4,733)	4,733	-
Global equity - adjusted	**$ 808,926**	**$ 95,314**	**$ 904,240**

The effect is to reduce the Defined Benefit Pension Plan fiscal year 2015 beginning balance and to increase the Postemployment Healthcare Plan fiscal year 2015 beginning balance by $4,733,000 in the Statements of Changes in Plan Net Position. The global equity line item of the Investments section in the Statements of Plan Net Position was also reduced and increased, respectively, by $4,733,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plan, as of June 30, 2015.

NOTE 3 - INVESTMENTS

Investments are subject to certain types of risks, including interest rate risk, custodial credit risk, credit quality risk, foreign currency risk and concentration of credit risk. The following describes those risks:

Interest Rate Risk – The fair value of fixed income investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest-sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, and other general interest rate conditions. Certain fixed income investments have call provisions that could result in shorter maturity periods. The System does not have a policy regarding interest rate risk. However, the System does settle on a transaction plus one day basis (T+1), therefore limiting the System's exposure to counterparty risk.

The following tables provide the segmented time distribution for fixed income investments based on expected maturity (in months and years) as of June 30, 2016 and 2015.

INVESTMENT MATURITIES AT FAIR VALUE
As of June 30, 2016 (In Thousands)

	0- 3 Months	3- 6 Months	6 Months - 1 Year	1- 5 Years	5-10 Years	More than 10 Years	Total Fair Value	Cost
Fixed Income								
Global Fixed Income:								
Commingled funds	$ 35,326	$ -	$ -	$ 127,152	$ 88,683	$ 31,141	$ 282,301	$ 270,585
Corporate bonds	-	-	-	2	-	-	2	5
Mortgage-backed securities	-	-	-	-	3,538	41,860	45,398	45,445
Other debt securities	-	-	-	2,081	3,658	2,401	8,140	8,051
U.S. Treasury inflation-protected securities	5,154	-	16,345	89,455	-	-	110,954	111,967
Total Global Fixed Income	**40,480**	**-**	**16,345**	**218,690**	**95,879**	**75,402**	**446,795**	**436,053**
Collective Short Term Investments	**133,295**	**-**	**-**	**-**	**-**	**-**	**133,295**	**135,466**
TOTAL FIXED INCOME	**$ 173,775**	**$ -**	**$ 16,345**	**$ 218,690**	**$ 95,879**	**$ 75,402**	**$ 580,090**	**$ 571,519**

NOTE 3 - INVESTMENTS (Continued)

INVESTMENT MATURITIES AT FAIR VALUE
As of June 30, 2015 (In Thousands)

	0-3 Months	3-6 Months	6 Months -1 year	1- 5 Years	5-10 Years	More than 10 Years	Total Fair Value	Cost
Fixed Income								
Global Fixed Income:								
Commingled funds	$ 34,411	$ -	$ -	$ 196,656	$ 62,713	$ -	$293,780	$293,433
Corporate bonds	-	-	-	2	-	-	2	-
U.S. Treasury inflation protected securities	-	-	11,770	97,575	-	-	109,345	111,142
Total Global Fixed Income	**34,411**	**-**	**11,770**	**294,233**	**62,713**	**-**	**403,127**	**404,575**
Collective Short Term Investments	**144,151**	**-**	**-**	**-**	**-**	**-**	**144,151**	**138,209**
TOTAL FIXED INCOME	**$ 178,562**	**$ -**	**$ 11,770**	**$ 294,233**	**$ 62,713**	**$ -**	**$ 547,278**	**$ 542,784**

Custodial Credit Risk – Custodial credit risk is the risk that the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party, if that outside party fails. The System does not have a policy regarding custodial credit risk. As of June 30, 2016 and 2015, all of the System's investments are held in the System's name and/or not exposed to custodial credit risk.

Credit Quality Risk – The System's investment policy allows for investments in a wide variety of domestic and international debt securities that may carry a high rating, low rating, or be unrated. Investment managers may, as part of their investment strategy, invest in securities where the issuer's ability or willingness to pay is limited. At times, these debt securities may be converted into other debt, equity, or hybrid securities that have different risk and return characteristics than the securities initially purchased. The System may hedge against the possible adverse effects of currency fluctuations on the System's portfolio of international fixed income obligations when it is considered appropriate. This is typically achieved using forward currency contracts. Short-term investments may consist of commercial paper rated at least A1 or P1, repurchase agreements, short-term U.S. securities, and other money market investments. Nationally recognized statistical rating organizations provide ratings of debt securities' quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations.

NOTE 3 - INVESTMENTS (Continued)

The following tables provide information for the portfolio as of June 30, 2016 and 2015 concerning credit risk. These tables reflect only securities held in the System's name.

RATINGS OF FIXED INCOME INVESTMENTS
As of June 30, 2016 and 2015 (Dollars In Thousands)

	2016		2015	
S&P Quality Rating	Fair Value	Fair Value as a % of Total Fixed Income	Fair Value	Fair Value as a % of Total Fixed Income
AAA	$ 479	0.1%	-	-
AA+	114,389	19.7%	$ 109,343	20.0%
A+	1,588	0.3%	-	-
A	462	0.1%	-	-
A-	210	0.0%	-	-
BBB+	1,095	0.2%	-	-
BBB	2,478	0.4%	-	-
BB+	1,316	0.2%	-	-
BB	322	0.1%	-	-
BB-	1,385	0.2%	-	-
B+	2,448	0.4%	-	-
B	2,234	0.4%	-	-
B-	1,592	0.3%	-	-
CCC	3,845	0.7%	-	-
CCC-	1,182	0.2%	-	-
D	9,055	1.6%	-	-
Not Rated	436,010	75.2%	437,935	80.0%
TOTAL	**$ 580,090**	**100%**	**$ 547,278**	**100%**

Foreign Currency Risk – This is the risk that changes in exchange rates will adversely affect the fair value of underlying investments. To mitigate this risk, the System's investment policy permits individual investment managers to mitigate the impact of currency fluctuation on the underlying asset value. The System's investment managers enter into international forward currency contracts, which are commitments to purchase or sell stated amounts of international currency. The System utilizes these contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2016 and 2015, the System's net position in these contracts is recorded at fair value as international currency contract investments. The fair values of international currency contracts are determined by quoted currency prices from national exchanges. The System's commitments relating to international currency contracts are settled on a net basis.

NOTE 3 - INVESTMENTS (Continued)

The following tables provide information as of June 30, 2016 and 2015, concerning the fair value of investments that are subject to foreign currency risk:

FOREIGN CURRENCY RISK ANALYSIS
As of June 30, 2016 (In Thousands)

Currency Name	Cash	Global Equity	International Currency Contracts, Net	Private Equity	Real Assets	Total Exposure
Australian dollar	$ 20	$ 2,158	$ 7	$ -	$ 15,206	$ 17,391
Brazilian real	-	-	-	-	330	330
British pound	(127)	19,271	31	-	31,631	50,806
Canadian dollar	(17)	4,149	29	-	36,339	40,500
Chile peso	-	-	-	-	403	403
China yuan renminbi	-	-	27	-	-	27
Danish krone	-	7,967	-	-	-	7,967
Euro currency	(199)	10,417	(15)	4,370	24,609	39,182
Hong Kong dollar	-	700	-	-	9,025	9,725
Hungarian forint	-	-	-	-	55	55
Indonesian rupiah	-	-	-	-	498	498
Israeli shekel	-	-	-	-	410	410
Japanese yen	(113)	8,887	4	-	3,992	12,770
Korean won	-	6,686	-	-	473	7,159
Malaysian ringgit	-	-	-	-	1,412	1,412
Mexican peso	-	-	-	-	1,135	1,135
New Zealand dollar	-	-	-	-	774	774
Norwegian krone	-	1,560	-	-	1,742	3,302
Philippine peso	-	-	-	-	28	28
Polish zloty	-	-	-	-	370	370
Russian ruble	-	-	-	-	123	123
Singapore dollar	-	-	-	-	1,450	1,450
South African rand	-	-	-	-	1,522	1,522
Swedish krona	(44)	1,335	(27)	-	613	1,877
Swiss franc	-	9,576	42	-	6,587	16,205
Taiwanese new dollar	-	-	-	-	167	167
Thai baht	-	-	-	-	275	275
Turkish lira	-	-	-	-	19	19
TOTAL	**$ (480)**	**$ 72,706**	**$ 98**	**$ 4,370**	**$ 139,188**	**$ 215,882**

Notes to the Basic Financial Statements *(Continued)*

NOTE 3 - INVESTMENTS (Continued)

FOREIGN CURRENCY RISK ANALYSIS
as of June 30, 2015 (In Thousands)

Currency Name	Cash	Global Equity	International Currency Contracts, Net	Private Equity	Real Assets	Total Exposure
Australian dollar	$ (259)	$ 14,149	$ 15	$ -	$ -	$ 13,905
Brazilian real	-	49	-	-	-	49
British pound	(320)	55,969	361	-	-	56,010
Canadian dollar	(164)	38,363	(82)	-	-	38,117
Chile peso	-	247	-	-	-	247
Danish krone	-	7,015	-	-	-	7,015
Euro currency	(391)	29,126	(261)	7,026	-	35,500
Hong Kong dollar	17	10,878	-	-	-	10,895
Hungarian forint	-	62	-	-	-	62
Indonesian rupiah	-	394	-	-	-	394
Israeli shekel	-	636	-	-	-	636
Japanese yen	151	5,130	304	-	-	5,585
Korean won	-	8,024	-	-	-	8,024
Malaysian ringgit	-	1,145	-	-	-	1,145
Mexican peso	-	1,105	-	-	-	1,105
Moroccan dirham	-	9	-	-	-	9
New Zeland dollar	-	541	-	-	-	541
Norwegian krone	-	4,204	-	-	-	4,204
Peruvian sol	-	31	-	-	-	31
Philippine peso	-	32	-	-	-	32
Polish zloty	4	476	-	-	-	480
Russian ruble	-	112	-	-	-	112
Singapore dollar	-	1,446	-	-	-	1,446
South African rand	-	1,181	-	-	-	1,181
Swedish krona	(71)	75	(4)	-	-	-
Swiss franc	-	19,666	-	-	-	19,666
Thai baht	-	296	-	-	-	296
Turkish lira	-	39	-	-	-	39
TOTAL	**$ (1,033)**	**$ 200,400**	**$ 333**	**$ 7,026**	**$ -**	**$ 206,726**

Investment Concentration Risk – The System's investment policy specifies that investments shall be diversified with the intent to minimize the risk of large investment losses. In addition, the total portfolio shall be constructed in a way to provide prudent diversification with regard to the concentration of holdings in individual asset classes, issues, issuers, geographies or industries. In addition, assets will be assigned to a variety of investment managers that employ a range of investment management strategies. No single investment management firm shall be authorized to manage more than 10% of the System's assets without Board approval, with the exception of passive management where the System's assets are not held in the System's name at the System's custody bank. In such cases, the investment management firm can manage no more than 20% of the System's assets without Board approval. As a general rule, System assets placed with an investment manager should not represent more than 10% of the total assets managed by that firm, without prior Board approval. As of June, 30, 2016 and 2015, the System did not hold investments in any one issuer, excluding U.S. government guaranteed investments, that represented five percent or more of the total plan net position or total investments.

NOTE 3 - INVESTMENTS (Continued)

Derivatives – The System's investment policy allows for investments in derivative instruments that comply with the System's objectives of providing a cost effective means of managing portions of a portfolio and to manage risk through hedging activities. The System is currently authorized to use derivative strategies to equitize cash during portfolio transitions until physical securities are in place and to reproduce or replicate a physical holding that corresponds to a Board approved policy benchmark. In addition to the System's internal derivative policies, it is understood that the mandates of certain investment managers retained by the System may use derivatives.

Derivative investments are reported at fair value. Derivative instruments traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates, if applicable. Investments that do not have an established market are reported at estimated fair value based on the most recently available investor reports or audited financial statements issued by the manager of those funds. The fund manager provides an estimated unrealized gain/loss of the fund based on the most recently available audited financial statements and other fund information. Futures contracts are marked-to-market at the end of each trading day, and the settlement of gains or losses occur on the following business day through variation margins. As a result, futures have no fair value as of June 30, 2016 or 2015. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated based on the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

The fair values and notional amounts for derivative instruments outstanding as of June 30, 2016 and 2015, classified by type, and the changes in fair value of such derivative instruments for the years then ended as reported in the 2016 and 2015 financial statements are as follows (amounts in thousands):

	Net Appreciation in Fair Value of Investments through June 30, 2016		Fair Value at June 30, 2016		
Investment Derivative Instruments	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount/Shares**
Foreign currency forwards	Investment income	$ 778	International currency contracts, net	$ 98	$ 61,803
Futures options bought/written	Investment income	2,939	Fixed income - collective short-term investments	-	(25,354)
Rights/warrants	Investment Income	47	Global equity	5	24
Total Derivative Instruments		**$ 3,764**		**$ 103**	

NOTE 3 - INVESTMENTS (Continued)

	Net Appreciation/(Depreciation) in Fair Value of Investments through June 30, 2015		Fair value at June 30, 2015		
Investment Derivative Instruments	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount/Shares**
Foreign currency forwards	Investment income	$ (12,340)	International currency contracts, net	$ 333	$ 76,168
Futures options bought/written	Investment income	8,973	Fixed income - collective short-term investments	-	$ (13,878)
Rights/warrants	Investment income	56	Global equity	-	17
Total Derivative Instruments		**$ (3,311)**		**$ 333**	

Derivative investments are also subject to counterparty credit risk (non-exchange traded). The following describes the risks applicable to the investment derivative instruments that are reported as of June 30, 2016 and 2015.

Counterparty Credit Risk – The System is exposed to credit risk on derivative instruments that are in asset positions and non-exchange traded. The System's investments in forward currency contracts bear counterparty credit risk in that parties to the contracts may fail to perform according to the terms of the contract. As of June 30, 2016, total commitments in forward currency contracts to purchase and sell international currencies were $61,803,000 and $61,803,000 respectively, with fair values of $61,412,000 and $61,314,000, respectively, held by counterparties with S&P rating of A and above. As of June 30, 2015, total commitments in forward currency contracts to purchase and sell international currencies were $76,168,000, with fair values of $76,497,000 and $76,164,000, respectively, held by counterparties with S&P rating of A and above.

Fair Value Measurements – In fiscal year 2016, the System adopted GASB Statement No. 72 ("GASB 72"), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - INVESTMENTS (Continued)

The System has the following recurring fair value measurements as of June 30, 2016 and 2015:

Investments Measured at Fair Value As of June 30, 2016 (In Thousands)	Total	Fair Value Measurements Using Level 1	Level 2	Level 3
Investments by Fair Value Level				
Global equity	$ 462,327	$ 462,327	$ -	$ -
Private equity	15,002	-	-	15,002
Global fixed income	181,872	128,333	52,511	1,028
Collective short term investments	133,295	133,074	-	221
Private debt	15,690	-	-	15,690
International currency contracts, net	98	98	-	-
Total investments by fair value level	**$ 808,284**	**$ 723,832**	**$ 52,511**	**$ 31,941**
Investments Measured at the Net Asset Value (NAV)				
Global equity	$ 349,014			
Private equity	72,034			
Global fixed income	264,923			
Private debt	61,501			
Real assets	259,408			
Absolute return	252,842			
Total investments measured at the NAV	**1,259,722**			
Total investments measured at fair value	**$ 2,068,006**			

Investments at Fair Value As of June 30, 2015 (In Thousands)	Total	Fair Value Measurements Using Level 1	Level 2	Level 3
Investments by Fair Value Level				
Global equity	$ 709,259	$ 709,259	$ -	$ -
Private equity	7,669	-	-	7,669
Global fixed income	300,272	300,270	2	-
Collective short term investments	144,151	143,930	-	221
Private debt	33,438	2,850	-	30,588
Real Assets	10,918	10,918	-	-
International currency contracts, net	333	333	-	-
Total investments by fair value level	**$ 1,206,040**	**$ 1,167,560**	**$ 2**	**$ 38,478**
Investments Measured at the Net Asset Value (NAV)				
Global equity	$ 194,981			
Private equity	90,081			
Global fixed income	102,855			
Private debt	74,893			
Real assets	248,376			
Absolute return	209,899			
Total investments measured at the NAV	**921,085**			
Total investments measured at fair value	**$ 2,127,125**			

NOTE 3 - INVESTMENTS (Continued)

Equity and Fixed Income Securities

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt and equity securities classified in Level 3 are securities whose stated market price is unobservable by the market place. Many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

Alternative Investments

Alternative investments include global equity, private equity, global fixed income, private debt, real assets, and absolute return investments. These are investments for which exchange quotations are not readily available and are valued at estimated fair value, as determined in good faith by the General Partner ("GP"). These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results and other factors deemed relevant by the GP. The assets in our alternative investment program are classified as Level 3 assets or at the NAV Level. A more detailed explanation of the Level 3 and NAV valuation methodologies follows.

Investments in non-public equity securities are valued by the GP using one or more valuation methodologies outlined in GASB 72, depending upon the availability of data required by each methodology. In some cases, the GP may use multiple approaches to estimate a valuation range. For the immediate time period following a transaction, the determination of the fair value for equity securities, in which no liquid trading market exists, can generally be approximated based on the transaction price (absent any significant developments). Thereafter, or in the interim, if significant developments relating to such portfolio company or industry occur which may suggest a material change in value, the GP should value each investment by applying generally accepted valuation methods including: (1) the market approach (such as market transaction and comparable public company multiples, which are based on a measurement of the company's historical and projected financial performance with typical metrics including enterprise value/latest 12 months EBITDA or projected fiscal year EBITDA) or (2) the income or discounted cash flow approach.

The determination of fair value using these methodologies should take into consideration a range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. Because of the subjective nature of estimated fair value of the private investments, such value may differ significantly from the values that would have been used had a ready market existed for these investments. These financial instruments have been classified as Level 3 or NAV in the fair value hierarchy.

NOTE 3 - INVESTMENTS (Continued)

The following tables present the category, fair value, unfunded commitments, redemption frequency and redemption notice period for investments for which fair value is presented using the NAV as of June 30, 2016 and 2015:

Investments Measured at the NAV As of June 30, 2016 (In Thousands)	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global equity	$ 349,014	$ -	Daily, Monthly, Quarterly	1 – 90 Days
Private equity	72,034	14,400	N/A	N/A
Global fixed income	264,923	-	Daily, Quarterly	1 – 65 Days
Private debt	61,501	31,400	N/A	N/A
Real assets	259,408	39,650	Monthly, Quarterly, Annual, N/A (Closed-end funds)	3 – 180 Days, N/A (Closed-end funds)
Absolute return	252,842	-	Weekly, Monthly, Quarterly	14 – 75 days
Total investments measured at the NAV	**$ 1,259,722**	**$ 85,450**		

Investments Measured at the NAV As of June 30, 2015(In Thousands)	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global equity	$ 194,981	$ -	Daily, Monthly, Quarterly	1 – 90 Days
Private equity	90,081	17,100	N/A	N/A
Global fixed income	102,855	-	Daily, Quarterly	1 – 65 Days
Private debt	74,893	38,600	N/A	N/A
Real assets	248,376	15,300	Monthly, Quarterly, Annual, N/A (Closed-end funds)	3 – 180 Days, N/A (Closed-end funds)
Absolute return	209,899	-	Weekly, Monthly, Quarterly	14 – 75 days
Total investments measured at the NAV	**$ 921,085**	**$ 71,000**		

Global equity - This type includes investments in four commingled investment funds and four long/short funds. Public equities are shares of ownership of a firm listed on an exchange; the System holds global public equities in order to benefit from their total return (capital appreciation plus current yield) over a long-term horizon. Two commingled funds offer daily liquidity with one day notice and two are monthly with a one month notice. One long/short fund offers monthly redemptions with quarterly notice. The remaining three long/short funds offer quarterly liquidity with notice periods ranging from one to two months.

Private equity - This type includes investments in six private equity limited partnership funds, which generally invest in privately held companies. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market.

NOTE 3 - INVESTMENTS (Continued)

Global fixed income - This type includes investments in three collective investment funds and two limited partnership funds. These funds typically invest in contractual cash flows of governments and other sovereign entities, corporations, securitizations, and derivatives thereof. All collective investment funds offer daily liquidity with notice periods of one to two days. The two limited partnership funds have a quarterly redemption period with notice periods of sixty and sixty five days.

Private debt - This type includes investments in two private debt limited partnership funds. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market.

Real assets - This type includes seven closed-end real estate funds, three open-end real estate funds, and five commodities funds. Real assets are physical or tangible assets that have value due to their substance and properties. The goal of real assets is to help the portfolio maintain purchasing power through periods of inflation. The seven closed-end real estate funds cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market. The three open-end real estate funds offer quarterly redemptions with notice periods ranging from two weeks to the prior quarter. Three commodities funds offer monthly liquidity with three business days' notice. Two commodities funds offer annual redemptions with 180 days' notice. Both of these funds have a three year soft lock with early redemptions subject to a 5% fee. This restriction will be in effect until December 2018.

Absolute return - This type includes investments in twelve hedge funds that invest both long and short in a wide array of securities, including listed and OTC derivatives, and typically use leverage and hedging to capture directional market movements or relative market mispricing. The redemption frequencies range from one week to one quarter with notice periods of two weeks to one quarter. Two funds have 25% per quarter maximum investor-level redemption gates; one of which can be overcome by a 3% redemption fee. Another fund has a fund-level gate of 8.33%.

NOTE 4 - DEFINED BENEFIT PENSION PLAN: NET PENSION LIABILITY AND CONTRIBUTIONS

The components of the net pension liability (i.e., the total pension liability determined in accordance with GASB Statement No. 67 less the plan net position) as of June 30, 2016 and 2015, were as follows (dollars in thousands):

	2016	2015
Total pension liability	$ 3,692,147	$ 3,341,250
Plan fiduciary net position	$ (1,858,882)	$ (1,925,774)
Net pension liability	$ 1,833,265	$ 1,415,476
Plan fiduciary net position as a percentage of the total pension liability	**50.3 %**	**57.6 %**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and investment return. Experience studies are performed by the Board's actuary to determine appropriate revisions to the actuarial assumptions, as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed in November 2015 and the next experience study is scheduled to be conducted for the fiscal year ending June 30, 2019.

The total pension liability as of June 30, 2016 and 2015 is based on results of an actuarial valuation date of June 30, 2015 and 2014, respectively, and rolled-forward to June 30, 2016 and 2015 using standard roll forward procedures.

A summary of the actuarial assumptions used to determine the total pension liability is shown below.

Actuarial Assumptions	Method/Assumption	
Valuation date	**June 30, 2015**	**June 30, 2014**
Inflation rate	2.50%	2.50%
Discount rate	7.00% per annum	7.00% per annum
Postretirement mortality	For healthy annuitants, the CalPERS 2009 Healthy Annuitant Mortality Table multiplied by 0.952 for males and 0.921 for females and projected from 2009 on a generational basis using scale MP-2015. For disabled annuitants, the CalPERS 2009 Ordinary Disability Table multiplied by 1.051 for males and 1.002 for females and projected from 2009 on a generational basis using scale MP-2015.	For healthy annuitants, the male and female RP-2000 combined employee and annuitant mortality table projected to 2015 and set back two years. For disabled annuitants, the CalPERS ordinary disability table from their 2000-2004 study for miscellaneous employees
Active service, withdrawal, death, disability service retirement	Tables based on current experience	Tables based on current experience
Salary increases	The base wage inflation assumption of 2.85% plus a merit / longevity increase based on years of service ranging from 4.50% at hire to 0.25% for members with 14 or more years of service.	The base wage inflation assumption of 2.85% plus a merit / longevity increase based on years of service ranging from 4.50% at hire to 0.25% for members with 14 or more years of service.
Projected total payroll increases	For the amortization schedule, payroll is assumed to grow 2.85% per year.	For the amortization schedule, payroll is assumed to grow 2.85% per year.
Cost of Living Adjustment	Tier 1- 3% per year; Tier 2 - 1.5% per year	Tier 1- 3% per year; Tier 2 - 1.5% per year

NOTE 4 - DEFINED BENEFIT PENSION PLAN: NET PENSION LIABILITY AND CONTRIBUTIONS (Continued)

The assumption for the long-term expected rate of return on pension plan investments of 7.0% for both the valuation years ending June 30, 2015 and 2014 was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the Board, including nominal expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016 and 2015, (see the discussion of the System's investment policy) are summarized in the following table:

	2016		2015	
Asset Class	**Target Asset Allocation**	**Long-Term Expected Real Rate of Return**	**Target Asset Allocation**	**Long-Term Expected Real Rate of Return**
Global equity	28 %	7.5%	28 %	7.8%
Private equity	9 %	9.4%	9 %	9.6%
Global fixed income	19 %	4.0%	19 %	3.0%
Private debt	5 %	6.9%	5 %	7.0%
Absolute return	11 %	6.0%	11 %	6.5%
Real assets	23 %	6.5%	23 %	6.7%
Global tactical asset allocation/ Opportunistic	5 %	5.0%	5 %	5.1%
Cash	-	2.3%	-	2.2%

The discount rate used to measure the total pension liability was 7.0% for both the valuation years ending June 30, 2015 and 2014. It is assumed that System member contributions and City contributions will be made based on the actuarially determined rates based on the Board's funding policy. Based on those assumptions, the System's net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB Statement No. 67 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the City, as of June 30, 2016 and 2015, respectively, calculated using the discount rate of 7.0% for both years, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.0% lower (6.0%) or 1.0% higher (8.0%) than the current rate (in thousands):

	2016			2015		
	1% Decrease (6.0%)	**Current Discount Rate (7.0%)**	**1% Increase (8.0%)**	**1% Decrease (6.0%)**	**Current Discount Rate (7.0%)**	**1% Increase (8.0%)**
Total pension liability	$4,212,657	$3,692,147	$3,268,777	$3,792,738	$3,341,250	$2,969,798
Plan fiduciary net position	1,858,882	1,858,882	1,858,882	1,925,774	1,925,774	1,925,774
Net pension liability	$2,353,775	$1,833,265	$1,409,895	$1,866,964	$1,415,476	$1,044,024
Plan fiduciary net position as a percentage of the total pension liability	**44.1 %**	**50.3 %**	**56.9 %**	**50.8 %**	**57.6 %**	**64.8 %**

NOTE 4 - DEFINED BENEFIT PENSION PLAN: NET PENSION LIABILITY AND CONTRIBUTIONS (Continued)

Contributions to the Defined Benefit Pension Plan by both the City and the participating employees are based upon an actuarially determined percentage of each employee's pensionable and earnable salary sufficient to provide adequate assets to pay benefits when due. On June 24, 2008, the City Council adopted ordinance No. 28332 amending Chapter 3.28 of Title 3 of the San José Municipal Code to provide the City with the option to make lump sum payments of City required contributions to the System.

In November 2010, the Board adopted a funding policy (referred to as the floor methodology) setting the annual contribution to be the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

The annual contribution for Tier 1 determined in the June 30, 2014 valuation for fiscal year ended June 30, 2016 was the greater of $119,438,000 (if paid at the beginning of the fiscal year) or 66.16% of actual payroll for the fiscal year, if actual payroll exceeds the actuarial payroll. The actual Tier 1 payroll for the fiscal year of $188,343,000 was greater than the actuarial payroll of $186,762,000, resulting in an additional contribution of $1,046,000 as of June 30, 2015, including year end accruals, contributions receivable and prior year contribution adjustments.

The annual contribution for Tier 1 determined in the June 30, 2013 valuation for fiscal year ended June 30, 2015 was the greater of $114,551,000 (if paid at the beginning of the fiscal year) or 60.25% of actual Tier 1 payroll for the fiscal year, if actual payroll exceeds the actuarial payroll. The actual Tier 1 payroll for the fiscal year of $194,333,000 was less than the actuarial payroll of $196,895,000 resulting in a contribution of $114,551,000 as of July 1, 2014, including of year end accruals, contributions receivable and prior year contribution adjustments.

San José City Council Ordinance No. 29120 implemented the terms approved by the City Council on June 12, 2012 for Tier 2 pension benefits for new System members hired on or after September 30, 2012. The new tier includes significant benefit changes from the existing Tier 1 plan as described in Note 1. In addition, the contribution rate for Tier 2 members includes a change in the cost sharing between the City and active Tier 2 members which is a 50/50 split of all costs, including unfunded actuarial accrued liability (UAAL). Currently, Tier 1 members split normal cost with 8/11 paid by the City and 3/11 paid by Tier 1 members. The responsibility for funding the UAAL is generally not shared with the Tier 1 employees.

In September 2014, the Board approved the City's request to exclude Tier 2 from the floor methodology to ensure that the City does not pay more than the actuarially determined contribution and that contributions are based on the annual determined contribution percentages developed by the actuary. Instead, the contribution rate determined by the actuary multiplied by the actual payroll will be used.

The actual payroll for Tier 2 for the fiscal year ending June 30, 2016 was $69,428,000, resulting in a contribution of $3,957,000, excluding year end contributions receivable and prior year contribution adjustments. The contribution rate for Tier 2 for fiscal year ending June 30, 2016 was 5.7%, as determined in the June 30, 2014 valuation. Actual employer contributions for the fiscal year ending June 30, 2016 were $3,968,000, allocated to Tiers 2, 2B and 2C in the amount of $880,000, $3,034,000 and $54,000, respectively, including year end contributions receivable, prior year accruals, and contribution adjustments.

NOTE 4 - DEFINED BENEFIT PENSION PLAN: NET PENSION LIABILITY AND CONTRIBUTIONS (Continued)

The actual payroll for Tier 2 for the fiscal year ending June 30, 2015 was $46,345,000, resulting in a contribution of $2,563,000 excluding year end contributions receivable and prior year contribution adjustments. The contribution rate for Tier 2 for fiscal year ending June 30, 2015 was 5.53%, as determined in the June 30, 2013 valuation. Actual employer contributions for the fiscal year ending June 30, 2015 were $2,559,000, allocated to Tiers 2, 2B and 2C in the amount of $923,000, $1,615,000, $21,000, respectively, including year end accruals, contributions receivable and prior year contribution adjustments.

Contributions to the Defined Benefit Pension Plan for both the City and the participating members are based upon an actuarially determined percentage of each member's covered payroll sufficient to provide adequate assets to pay benefits when due. The contribution rates for fiscal years ended June 30, 2016 and 2015 were based on the actuarial valuations performed as of June 30, 2014 and 2013, respectively, except for the period of June 19 through June 30, 2016, which were based on the June 30, 2015 valuation.

The City and the participating member's contribution rates in effect for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2016 and 2015 were as follows:

Period	City - Board Adopted*		Member	
		City Tier 2*	Employee Tier 1	
06/19/16-06/30/16	78.06%	6.04%	6.47%	6.04%
06/21/15-06/18/16	66.16%	5.70%	6.33%	5.70%
07/01/14-06/20/15	60.25%	5.53%	5.64%	5.53%

** The actual contribution rates paid by the City for fiscal years ended June 30, 2016 and June 30, 2015 differed for Tier 1 due to the City funding the actuarially determined contribution amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.*

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS, FUNDED STATUS, AND FUNDING PROGRESS

Contributions to the Postemployment Healthcare Plan are made by both the City and the participating employees. Contribution rates for fiscal years ended June 30, 2016 and 2015 were based on the actuarial valuations performed as of June 30, 2014 and 2013, respectively. The contribution rates for the majority of fiscal year ended June 30, 2016 (through period ended June 19, 2016) were based on the actuarial valuation performed on June 30, 2014. The System's most recent valuation as of June 30, 2015, was used to determine the contribution rates effective June 19, 2016.

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS, FUNDED STATUS, AND FUNDING PROGRESS (Continued)

Prior to July 1, 2009, annual contributions for the Postemployment Healthcare Plan were based on the cost for funding, as a level-percentage of payroll, based upon a 15-year projection of premiums (Policy method). The contributions were not sufficient to meet the requirements of an annual required contribution (ARC) under GASB Statement No. 43. Effective June 28, 2009, the bargaining units representing the members of the System entered into agreements with the City to increase contribution rates for retiree health and dental benefits in order to phase in, full funding of the GASB Statement No. 43 annual required contributions over a five year period ending in fiscal year 2012-2013. The agreements also provided that the five year phase-in of the ARC will not have an incremental increase of more than 0.75% of pensionable pay in each fiscal year for the employee or City contributions. Notwithstanding these limitations on incremental increases, the agreements further provided that by the end of the five-year phase-in, the City and the employees shall be contributing the full ARC in the ratio currently provided in the relevant sections of the San José Municipal Code.

Effective June 18, 2013, the bargaining units representing the System's members entered into an amendment to the agreements on retiree healthcare that extended the incremental increase limitation of not more than 0.75% of pensionable pay for the fiscal year ending June 30, 2014. The 0.75% limitation was initially extended to December 20, 2014, and then to December 2015. In December 2015, the Board approved to extend the fiscal year 2014-2015 healthcare rates until the implementation of the Alternative Pension Reform Framework Settlement Agreement (Framework). See Note 8 regarding the Framework, at which point the contribution rates may change based on further negotiations between the City and the bargaining units.

In November 2010, the Board approved the establishment of a funding policy (referred to as the floor methodology) setting the annual contribution to be the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

The annual contribution for Tier 1 determined in the June 30, 2014 valuation for fiscal year ending June 30, 2016 was the greater of $16,990,000 (if paid at the beginning of the fiscal year) or 9.41% of actual payroll for the fiscal year, if actual payroll exceeds the actuarial payroll. The actual Tier 1 payroll for the fiscal year of $188,343,000 was greater than the actuarial payroll of $186,762,000 resulting in an additional annual contribution of $149,000 as of June 30, 2016, excluding the implicit subsidy and prior year contribution adjustments.

The annual contribution for Tier 1 determined in the June 30, 2013 valuation for fiscal year ending June 30, 2015 was the greater of $17,891,000 (if paid at the beginning of the fiscal year) or 9.41% of actual payroll for the fiscal year, if actual payroll exceeds the actuarial payroll. The actual Tier 1 payroll for the fiscal year of $194,333,000 was less than the actuarial payroll of $196,896,000 resulting in an annual contribution of $17,891,000 as of July 1, 2014, excluding the implicit subsidy and other year end accruals, contributions receivable and prior year contribution adjustments.

On August 27, 2013, San Jose City Council adopted Ordinance No. 29283 to exclude Tier 2 members hired on or after September 27, 2013 from retiree medical and dental benefits (referred to as Tier 2B members) but the City shall bear and pay an amount equal to the additional costs incurred by the System for that portion of the unfunded liability as determined by the actuary for the System that the City and Tier 2B members would have otherwise paid as contributions had those employees been eligible for the retiree healthcare defined benefit.

During the fiscal year ended June 30, 2015, Tier 2C members were introduced into the System. Tier 2C members are former Tier 1 members who have vested in dental benefits and are re-entering the Plan as Tier 2B members with dental benefits.

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS, FUNDED STATUS, AND FUNDING PROGRESS (Continued)

In September 2014, the Board approved the City's request to exclude all forms of Tier 2 from the floor methodology to ensure that the City does not pay more than the ARC and that contributions are based on the annual required contribution percentages developed by the actuary. Instead, the contribution rate determined by the actuary multiplied by the actual payroll is what will be used.

The actual payroll for Tier 2 for the fiscal year ending June 30, 2016 was $69,428,000, allocated to Tiers 2, 2B and 2C in the amount of, $15,392,000, $53,093,000, and $906,000 respectively. The contribution rate for Tiers 2, 2B and 2C for fiscal year ending June 30, 2016 was 9.41%, 12.66%, and 12.86%, respectively, as determined in the June 30, 2014 valuation. Actual employer contributions for the fiscal year ending June 30, 2016 were $8,293,000, allocated to Tiers 2, 2B and 2C in the amount of $1,450,000, $6,722,000 and $121,000, respectively, including year end accruals, contributions receivable and prior year contribution adjustments.

The actual payroll for Tier 2 for fiscal year ending June 30, 2015 was $46,345,000, allocated to Tiers 2, 2B and 2C in the amount of, $16,728,000, $29,234,000 and $383,000 respectively. The contribution rate for Tiers 2, 2B and 2C for fiscal year ending June 30, 2015 was 9.41%, 12.66%, and 12.86%, respectively, as determined in the June 30, 2013 valuation. Actual employer contributions for the fiscal year ending June 30, 2016 were $5,336,000, allocated to Tiers 2, 2B and 2C in the amount of $1,577,000, $3,710,000 and $49,000, respectively, including year end accruals, contributions receivable and prior year contribution adjustments.

The City and the participating member's contribution rates in effect during the fiscal years ended June 30, 2016 and 2015 for the Postemployment Healthcare Plan were as follows:

Period	City* (Tier 1 and Tier 2 effective 9/30/12)	City* (Tier 2B effective 9/30/13)	City* (Tier 2C effective 9/30/13)	Employee (Tier 2 effective 9/30/12)	Employee (Tier 2C effective 9/30/13)
06/19/16 - 06/30/16	9.41%	12.66%	12.86%	8.76%	0.39%
06/21/15 - 06/18/16	9.41%	12.66%	12.86%	8.76%	0.39%
07/01/14 - 06/20/15	9.41%	12.66%	12.86%	8.76%	0.39%

** The actual contribution rates paid by the City for fiscal years ended June 30, 2016 and 2015 differed for Tier 1 due to the City funding the annual required contribution amount based on the greater of the dollar amounts reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.*

The June 30, 2014 and 2013 valuations established for the fiscal years ended June 30, 2016 and 2015, respectively, the City's ARC rate as a percentage of pay on a GASB valuation basis to be 15.19% and 23.16%, respectively, compared to the contribution rates listed above on a phase-in funded basis.

The funded status of the Postemployment Healthcare Plan as of June 30, 2015, the most recent actuarial valuation date, is as follows (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
06/30/15	$ 209,761	$ 817,673	$ 607,912	26%	$ 251,430	242%

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS, FUNDED STATUS, AND FUNDING PROGRESS (Continued)

As of June 30, 2015, the System's most recent valuation, the System's UAAL increased by $78 million primarily due to changes in the pension and health assumptions, the change in discount rate and asset experience. Change in pension assumptions refers to the change in demographic assumptions used in both the pension and postemployment healthcare plan valuations. These assumptions are based on the results of the experience study covering plan experience during the period from July 1, 2010 through June 30, 2015 and were adopted at the November 19, 2015 Board meeting. Change in health assumptions refers to the change in expected current and future healthcare claims and expense costs based on the 2015 and 2016 medical premium experience. This item also includes the effect of updating the claims cost trend assumptions, and plan and tier election percentages for future retirees. The OPEB discount rate decreased from 6.30% used in the June 30, 2014 OPEB valuation to 6.10% used in the June 30, 2015 OPEB valuation. The Plan's OPEB discount rate is based on a blended rate that ranges between the expected return on the City's unrestricted assets (3.0%) and the expected return on the Plan's invested assets (7.0%) resulting in a blended discount rate of 6.10%. Asset experience refers to the lower-than-expected investment returns.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The contribution rates for the years ended June 30, 2016 and 2015, were initially based on the actuarial valuations performed for the fiscal years ended June 30, 2014 and 2013, respectively, except for the period June 19 through June 30, 2016, which were based on the June 30, 2015 valuation. As described above, the contributions rates were modified based on collective bargaining discussions.

The significant actuarial methods and assumptions used to compute the actuarially determined annual required contributions and the funded status are as follows:

Description	Method/Assumption		
Valuation date	**June 30, 2015**	**June 30, 2014**	**June 30, 2013**
Actuarial cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method
Amortization method	Level dollar	Level dollar	Level dollar
Remaining amortization period	20-year layered closed, with the 6/30/2009 UAAL amortized over a closed 30-year period	20-year layered closed, with the 6/30/2009 UAAL amortized over a closed 30-year period	20-year layered closed, with the 6/30/2009 UAAL amortized over a closed 30-year period
Actuarial asset valuation method	Market value	Market value	Market value
ACTUARIAL ASSUMPTIONS			
Assumed rate of return on investments (net)	7.00% per annum	7.00% per annum	7.25% per annum
Discount rate (net)	6.10%†	6.30%†	5.30%†

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS, FUNDED STATUS, AND FUNDING PROGRESS (Continued)

Description	Method/Assumption		
Wage inflation rate	2.85%	2.85%	2.0% for five years and 2.85% thereafter
Salary increases	The wage inflation assumption of 2.85% plus a rate increase for merit/longevity increase based on years of service ranging from 4.50% at hire to 0.25% for members with 14 or more years of service.	The wage inflation assumption of 2.85% plus a rate increase for merit/longevity increase based on years of service ranging from 4.50% at hire to 0.25% for members with 14 or more years of service.	The base annual rate of salary increase is 2.0% wage inflation rate for the first five years and 2.85% thereafter plus a rate increase for merit/longevity for years 0 to 15+ ranging from 4.50% to 0.25% at the 15th year of service.
Projected total payroll increases	N/A	N/A	N/A
HEALTH CARE COST TREND RATE			
Medical	The valuation assumes that future medical inflation will be at a rate of 8.5% to 4.25% per annum graded down over a 15 year period for medical pre-age 65 and 6.5% to 4.25% per annum graded down over a 14 year period for medical post-age 65.	The valuation assumes that future medical inflation will be at a rate of 8.5% to 4.25% per annum graded down over a 15 year period for medical pre-age 65 and 6.5% to 4.25% per annum graded down over a 14 year period for medical post-age 65.	The valuation assumes that future medical inflation will be at a rate of 8.5% to 4.25% per annum graded down over a 15 year period for medical pre-age 65 and 6.5% to 4.25% per annum graded down over a 14 year period for medical post-age 65.
Dental	Dental inflation is assumed to be 4%	Dental inflation is assumed to be 4%	Dental inflation is assumed to be 4%

† Determined as a blended rate of the expected long-term investment returns on plan assets and on the City's investments, based on the funded level of the plan at the valuation date.

The schedules presented as Required Supplementary Information following the Notes to the Financial Statements, present multiyear trend information. The Schedule of Funding Progress for the Postemployment Healthcare Plan presents information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Schedule of Employer Contributions for the Postemployment Healthcare Plan presents trend information about the amounts contributed to the plan by the City in comparison to the ARC determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTE 6 - COMMITMENTS

As of June 30, 2016 and 2015, the System had unfunded commitments to contribute capital for private market fund investments in the amount of $85,450,000 and $71,000,000, respectively.

NOTE 7 - LITIGATION

The System handles various claims and legal actions in the ordinary course of its business. In the opinion of management and independent legal counsel, the ultimate disposition of these matters is not likely to have a material adverse effect on the System's financial position as a whole.

NOTE 8 - SUBSEQUENT EVENTS

Measure B Litigations - The City and the bargaining units engaged in settlement discussions concerning litigation arising out of a voter-approved ballot measure, known as Measure B. On November 23, 2015, the City and the bargaining units reached an Alternative Pension Reform Settlement Framework (Framework) which was approved by the City Council and the bargaining units' memberships. A ballot measure (Measure F) was presented to the public for voting in the November 2016 election, which will determine whether or not the terms of the Framework will be implemented. Measure F passed but there are no implications to the financial statements for fiscal year 2016.

415 Overpayment - On July 1, 2016, a portion of the UAAL totaling $882,007.08 became due and payable from the City. The City failed to make timely payment of this amount, and has not paid this required contribution to date. This portion of the UAAL represents amounts of monthly benefit payments, plus interest, which were erroneously paid to certain retired members over two decades, in excess of limits established under Section 415b of the Internal Revenue Code. The City's Department of Retirement Services committed the errors in calculations, and corrected the errors in affected members' benefit payments going forward as of July 1, 2015. The correction and required contribution from the City were determined by the Board pursuant to its authority under the City Municipal Code and Internal Revenue Service Revenue Procedure 2015-27. This amount is not reflected in the financial statements for the fiscal year.

Required Supplementary Information

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS - DEFINED BENEFIT PENSION PLAN (unaudited)
(Dollars in Thousands)

Total Pension Liability	**2016**	**2015**	**2014**
Service cost (middle of year)	$ 49,011	$ 46,795	$ 43,334
Interest (includes interest on service cost)	229,609	221,690	214,487
Differences between expected and actual experience	39,720	13,005	-
Changes of assumptions	205,875	108,674	-
Benefit payments, including refunds of member contributions	(173,318)	(164,562)	(155,936)
Net Change in Total Pension Liability	**350,897**	**225,602**	**101,885**
Total Pension Liability - Beginning	**3,341,250**	**3,115,648**	**3,013,763**
Total Pension Liability - Ending	**$ 3,692,147**	**$ 3,341,250**	**$ 3,115,648**
Plan Fiduciary Net Position			
Contributions - employer	$ 124,724	$ 114,751	$ 107,544
Contributions - employee	15,920	13,621	13,596
Net investment income	(35,010)	(16,642)	263,688
Benefit payments, including refunds of member contributions	(173,318)	(164,562)	(155,936)
Administrative expense	(3,941)	(3,898)	(3,201)
Net Change in Plan Fiduciary Net Position	**$ (71,625)**	**$ (56,730)**	**$ 225,691**
Plan Fiduciary Net Position - Beginning	**1,930,507**	**1,987,237**	**1,761,546**
Plan Fiduciary Net Position - Ending	**$ 1,858,882**	**$ 1,930,507**	**$ 1,987,237**
Net Pension Liability - Ending	**$ 1,833,265**	**$ 1,410,743**	**$ 1,128,411**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**50.35%**	**57.78%**	**63.78%**
Covered Employee Payroll	**$ 257,771**	**$ 240,678**	**$ 219,434**
Net Pension Liability as a Percentage of Covered Employee Payroll	**711.20%**	**586.15%**	**514.24%**

Notes to Schedule:

Changes in assumption. In 2015, amounts reported as changes in assumptions resulted primarily from a reduction of the expected long-term return on assets from 7.25% to 7.00%.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF INVESTMENT RETURNS - DEFINED BENEFIT PENSION PLAN (unaudited)

	2016	**2015**	**2014**
Annual money-weighted rate of return, net of investment expense	(0.79)%	(1.07)%	*7.49%*

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN (unaudited)
(Dollars in Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contributions	$129,456	$114,751	$102,811	$103,109	$87,082	$ 59,180	$ 54,566	$ 57,020	$ 54,958	$51,004
Contributions in relation to actuarially determined contributions	124,723	114,751	107,544	103,109	87,082	59,180	54,566	57,020	54,958	51,004
Contribution deficiency (excess)	$ 4,733	$ -	$ (4,733)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$257,771	$240,678	$219,434	$217,375	$223,158	$275,869	$ 308,684	$320,993	$302,414	-
Contributions as a percentage of covered employee payroll	48.39 %	47.68 %	49.01 %	47.43 %	39.02 %	21.45 %	17.68 %	17.76 %	18.17 %	- %

Because an Actuarially Determined Contribution (ADC) has been calculated historically, the full 10 years of information in the above schedule is required. Contributions reported for FYE 2014 included $4.7 million that should have been credited to the OPEB plan. This amount was corrected in FYE 2016.

NOTES TO SCHEDULE

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Fiscal Year	2016	2015	2014	2013	2012	2011	2010-09	2008-07
Valuation date	**June 30, 2014**	**June 30, 2013**	**June 30, 2012**	**June 30, 2011**	**June 30, 2010**	**June 30, 2009**	**June 30, 2007**	**June 30, 2005**
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Discount rate	7.00%	7.25%	7.50%	7.50%	7.95%	7.75%	8.25%	8.25%

NOTES TO SCHEDULE (Continued)

Fiscal Year	2016	2015	2014	2013	2012	2011	2010-09	2008-07
Valuation date	**June 30, 2014**	**June 30, 2013**	**June 30, 2012**	**June 30, 2011**	**June 30, 2010**	**June 30, 2009**	**June 30, 2007**	**June 30, 2005**
Salary increases	2.85% plus merit component based on employee classification and years of service	2.0% for five years and 2.85% thereafter plus merit component based on employee classification and years of service	The base annual rate of salary increase is 3.25% wage inflation rate plus a rate increase for merit/ longevity for years 0 to 15+ ranging from 4.50% to 0.25% at the 14th year of service	The base annual rate of salary increase is 3.25% wage inflation rate plus a rate increase for merit/ longevity for years 0 to 15+ ranging from 4.50% to 0.25% at the 14th year of service	The base annual rate of salary increase is 3.90% wage inflation rate plus a rate increase for merit/ longevity for the first 5 years of service ranging from 5.75% to 0.25% at the 5th year of service	The base annual rate of salary increase is comprised of a 3.67% inflation rate plus 0.41% for wage inflation for a total rate of 4.08%. This is added to a rate increase for merit/ longevity for the first 5 years of service ranging from 5.50% to 0.75% at the 5th year of service	The rate of annual salary increase for all members with at least 5 years of service is equal to 4.25% plus an added merit component for those with 0-4 years of service	The rate of annual salary increase for all members with at least 5 years of service is equal to 4.25% plus an added merit component for those with 0-4 years of service
Amortization payment growth rate	2.85%	2.43%	3.25%	3.25%	3.90%	3.83%	4.25%	4.25%
COLA	Tier 1: 3% Tier 2: CPI, cap of 1.5%	Tier 1: 3% Tier 2: CPI, cap of 1.5%	Tier 1: 3% Tier 2: CPI, cap of 1.5%	Tier 1: 3%	Tier 1: 3%	Tier 1: 3%	Tier 1: 3%	Tier 1: 3%

NOTES TO SCHEDULE (Continued)

Fiscal Year	2016	2015	2014	2013	2012	2011	2010-09	2008-07
Valuation date	**June 30, 2014**	**June 30, 2013**	**June 30, 2012**	**June 30, 2011**	**June 30, 2010**	**June 30, 2009**	**June 30, 2007**	**June 30, 2005**
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years	For healthy annuitants, the male and female RP-2000 combined employee and annuitant mortality tables projected to 2015 and set back two years. For disabled annuitants, the CalPERS ordinary disability table from their 2000-2004 study for mis-cellaneous employees	For healthy annuitants, the male and female RP-2000 combined employee and annuitant mortality tables projected to 2015 and set back two years. For disabled annuitants, the CalPERS ordinary disability table from their 2000-2004 study for mis-cellaneous employees	The 1994 group annuity mortality table set back three years for males and one year for females was used for healthy retirees and beneficiar-ies. The disabled mortality table used was the 1981 disability mortality table	The 1994 group annuity mortality table set back three years for males and one year for females was used for healthy retirees and beneficiar-ies. The disabled mortality table used was the 1981 disability mortality table	The 1994 Group Annuity Mortality Table was used for healthy retirees and beneficiar-ies. The disabled mortality table used was the 1981 Disability Mortality Table	The 1994 Group Annuity Mortality Table was used for healthy retirees and beneficiar-ies. The disabled mortality table used was the 1981 Disability Mortality Table

*** Actuarial valuations were performed biennially through June 30, 2007. Effective June 30, 2009, the System transitioned to annual actuarial valuations.*

SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTHCARE PLAN (unaudited)
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll[1]	UAAL as a percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
06/30/2015	$ 209,761	$ 817,673	$ 607,912	26%	$ 251,430	242%
06/30/2014	199,776	729,406	529,630	27%	234,677	226%
06/30/2013	157,695	870,872	713,177	18%	226,098	315%
06/30/2012	137,798	1,096,620	958,822	13%	225,859	425%
06/30/2011	135,454	1,145,359	1,009,905	12%	228,936	441%
06/30/2010	108,011	926,371	818,360	12%	300,069	273%
06/30/2009	85,564	796,448	710,884	11%	308,697	230%

[1] Annual covered payroll represents the actuarial estimate of annual covered payroll for the subsequent year for the June 30, 2011 through 2015 valuations. The amount presented for the June 30, 2009 and 2010 valuations represents actual annual covered payroll. Actuarial valuations were performed biennially through June 30, 2009; effective June 30, 2010 the Plan transitioned to annual valuations.

As of June 30, 2015, the System's most recent valuation, the System's UAAL increased by $78 million primarily due to changes in the pension and health assumptions, the change in discount rate and asset experience. Change in pension assumptions refers to the change in demographic assumptions used in both the pension and postemployment healthcare plan valuations. These assumptions are based on the results of the experience study covering plan experience during the period from July 1, 2010 through June 30, 2015 and were adopted at the November 19, 2015 Board meeting. Change in health assumptions refers to the change in expected current and future healthcare claims and expense costs based on the 2015 and 2016 medical premium experience. This item also includes the effect of updating the claims cost trend assumptions, and plan and tier election percentages for future retirees. The OPEB discount rate decreased from 6.30% used in the June 30, 2014 OPEB valuation to 6.10% used in the June 30, 2015 OPEB valuation. The Plan's OPEB discount rate is based on a blended rate that ranges between the expected return on the City's unrestricted assets (3.0%) and the expected return on the Plan's invested assets (7.0%) resulting in a blended discount rate of 6.10%. Asset experience refers to the lower-than-expected investment returns.

The June 30, 2015 valuation contains the Board adopted 30/20 layered amortization methodology which includes the amortization of the unfunded liability as of June 30, 2009 over 30 years from that date, and the amortization of subsequent gains and losses or assumption changes amortized over 20 years from the valuation in which they are first recognized. The equivalent single amortization period for the June 30, 2015 valuation is 28.7 years compared to 29.0 years for the June 30, 2014 valuation.

As of June 30, 2014, the System's UAAL decreased by $184 million primarily due to changes in the discount rate, demographic experience, and change in health assumptions. The OPEB discount rate increased from 5.3% used in the June 30, 2013 OPEB valuation to 6.3% used in the June 30, 2014 OPEB valuation. The Plan's OPEB discount rate is based on a blended rate that ranges between the expected return on the City's unrestricted assets (3.0%) and the expected return on the Plan's invested assets (7.0%) resulting in a blended discount rate of 6.3%. Demographic experience refers to the change in actual data and elections from June 30, 2013 to June 30, 2014 as compared to the changes expected in the prior valuation. Change in health assumptions refers to the change in expected current and future healthcare claims and expense costs based on the 2014 and 2015 medical premium experience and the additional data on the coverage of children. The June 30, 2014 valuation contains the Board adopted 30/20 layered amortization methodology which includes the amortization of the unfunded liability as of June 30, 2009 over 30 years from that date, and the amortization of subsequent gains and losses or assumption changes amortized over 20 years from the valuation in which they are first recognized. The equivalent single amortization period for the June 30, 2014 valuation is 29.0 years compared to 26.4 years for the June 30, 2013 valuation.

As of June 30, 2013, the System’s UAAL decreased from $958.8 million to $713.2 million. The System’s UAAL decreased by approximately $245.6 million primarily due to changes in claims cost assumptions, the change to a four-tier rate structure effective January 1, 2014, and the increase in the discount rate. The System’s discount rate is based on a blended rate that ranges between the expected return on the City’s unrestricted assets (2.50%) and the expected return on the System’s invested assets (7.25%) resulting in a blended discount rate of 5.30%. This resulted in an increase in the blended financial reporting discount rate from 4.80% to 5.30%. Changes in claims cost assumptions refer to the change in unexpected current and future healthcare claims and expense costs based on the 2013 and 2014 medical premium experience. This also includes the effect of updating the claims cost trend assumption. The June 30, 2013 valuation contains the Board adopted 30/20 layered amortization methodology which includes the amortization of the unfunded liability as of June 30, 2009 over 30 years from that date, and the amortization of subsequent gains and losses or assumption changes amortized over 20 years from the valuation in which they are first recognized. The equivalent single amortization period for the June 30, 2013 valuation is 26.4 years compared to 24.8 years for the June 30, 2012 valuation.

As of June 30, 2012, the System’s UAAL decreased from $1,009.9 million to $958.8 million. The System’s UAAL decreased by approximately $51.1 million primarily due to changes in the health plans offered and assumptions as recommended by the Board’s actuary. The Board also approved a change in methodology in developing the blended discount rate to eliminate the one-year lag between when changes are reflected in the valuation by using the ARC based on the current valuation rather than the prior valuation. The System’s discount rate is based on a blended rate that ranges between the expected return on the City’s unrestricted assets (3.30%) and the expected return on the System’s invested assets (7.50%) resulting in a blended discount rate of 4.80%. This resulted in a decrease in the blended GASB discount rate from 6.10% to 4.80%. The June 30, 2012 valuation included a reduction in the expected return on the City assets from 4.0% to 3.30%, medical plan changes effective January 1, 2012 eliminating the $10 co-pay plans, as well as the change to $25 co-pays for the Kaiser Medicare plans. In addition, medical plan changes effective January 1, 2013 included a new Kaiser $1500 Deductible HMO, which became the lowest cost plan available to actives and therefore the basis for the retiree premium subsidy. Other lower cost medical plans became available to non-Medicare eligible members. These medical plan changes greatly affected the medical plan election assumption used by the actuary as more retirees selected the lower cost medical plans.

As of June 30, 2011, the System's UAAL increased from $818.4 million to $1,009.9 million. The System's UAAL increased by approximately $191.5 million due to the decrease in the blended GASB discount rate from 6.71% to 6.10% and changes in actuarial assumptions as recommend by the Board's actuary in the June 30, 2010 experience study. The System's discount rate is based on a blended rate that ranged between the expected return on the City's unrestricted assets (4.0%) and the expected return on the System's invested assets (7.50%) resulting in a blended discount rate of 6.10%. The June 30, 2011 valuation included a reduction in the expected return on the City assets from 4.5% to 4.0% and in the System's expected return from 7.95% to 7.50%. Actuarial assumption changes in the June 30, 2011 valuation also included changes in the wage inflation, salary merit increases, family composition, termination rate, disability rate, retirement rate, healthy and disabled mortality, and refund rates assumptions. In addition, the Board approved the actuary's recommendation to explicitly include administrative expenses valued at 0.70% of payroll as an addition to normal cost in the June 30, 2011 valuation. The expected rate of return of 7.50% is now only net of investment manager fees. In addition, the June 30, 2011 OPEB valuation included retirees paying the difference between the actual premium for the elected plan and the $25 co-pay plans offered for the first time by the City.

As of the June 30, 2010 valuation, the System's UAAL increased from $710.9 million as of June 30, 2009 to $818.4 million as of June 30, 2010. Changes to the UAAL were primarily the result of interest on the UAAL and changes in the actuarial assumptions including the following: increases in claims costs, the extension of the select period for healthcare trends from 9 years to 15 years, and the increase in the payroll wage inflation assumption from 3.83% to 3.90%. The System's OPEB discount rate was based on the blended rate between the expected return on City assets (4.5%) and the expected return on the System's assets (7.95%) resulting in a blended discount rate of 6.71% in the June 30, 2010 valuation. The lengthening of the healthcare trend assumption select period was recommended by the Board's actuary due to the System's current retiree experience and the actuary's expectation for the future.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - POSTEMPLOYMENT HEALTHCARE PLAN (unaudited)
(Dollars in Thousands)

Fiscal Year Ended	Annual Required Contributions (ARC)*	Actual Contributions*	Percentage Contributed
06/30/2016	$ 42,684	$ 30,465	71%
06/30/2015	$ 35,644	$ 26,959	76%
06/30/2014	$ 52,364	$ 19,298	37%
06/30/2013	$ 57,331	$ 21,251	37%
06/30/2012	$ 67,583	$ 25,834	38%
06/30/2011	$ 47,593	$ 17,146	36%
06/30/2010	$ 38,599	$ 17,027	44%

**The ARC provided above are based on the Board adopted ARC rates adjusted for the timing of actual contributions and include the actuarially determined implicit subsidy amounts of $4.0 million for 2010, $3.9 million for 2011, $4.4 million for 2012, $3.1 million for 2013, $4.7 million for 2014 and $4.1 million for 2015 . The actual contributions include year-end contributions receivable and prior year contribution adjustments as well as the implicit subsidy amounts for years 2012 through 2016 but not for years 2010-2011.*

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COMBINING SCHEDULE OF DEFINED BENEFIT PENSION PLAN NET POSITION

As of June 30, 2016 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ASSETS			
Receivables			
Employee contributions	$ 451	$ 129	$ 580
Employer contributions	3,432	2,773	6,205
Brokers and others	1,782	402	2,184
Accrued investment income	4,569	1,576	6,145
Total Receivables	**10,234**	**4,880**	**15,114**
Investments, at fair value			
Securities and other:			
Global equity	488,860	232,391	721,251
Private equity	59,392	24,020	83,412
Global fixed income	275,723	111,515	387,238
Collective short term investments	77,019	31,149	108,168
Private debt	52,673	21,304	73,977
Real assets	163,561	66,151	229,712
International currency contracts, net	67	27	94
Absolute return	172,534	69,781	242,315
Total Investments	**1,289,829**	**556,338**	**1,846,167**
Capital Assets	641	252	893
TOTAL ASSETS	**1,300,704**	**561,470**	**1,862,174**
LIABILITIES			
Payable to brokers	1,732	324	2,056
Other liabilities	875	361	1,236
TOTAL LIABILITIES	**2,607**	**685**	**3,292**
PLAN NET POSITION - RESTRICTED FOR:			
Pension benefits	**1,298,097**	**560,785**	**1,858,882**
TOTAL PLAN NET POSITION	**$ 1,298,097**	**$ 560,785**	**$ 1,858,882**

COMBINING SCHEDULE OF CHANGES IN DEFINED BENEFIT PENSION PLAN NET POSITION
For Fiscal Year Ended June 30, 2016 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ADDITIONS			
Contributions			
Employee	$ 12,406	$ 3,514	$ 15,920
Employer	72,671	56,785	129,456
Total Contributions	**85,077**	**60,299**	**145,376**
Investment income / (loss)			
Net depreciation in fair value of investments	(40,485)	(16,783)	(57,268)
Interest income	15,059	6,140	21,199
Dividend income	8,676	3,522	12,198
Less: investment expense	(7,930)	(3,209)	(11,139)
Net Investment Loss	**(24,680)**	**(10,330)**	**(35,010)**
TOTAL ADDITIONS	**60,397**	**49,969**	**110,366**
DEDUCTIONS			
Retirement benefits	121,415	39,084	160,499
Death benefits	6,834	4,696	11,530
Refund of contributions	1,083	206	1,289
Administrative expenses and other	2,807	1,133	3,940
TOTAL DEDUCTIONS	**132,139**	**45,119**	177,258
NET (DECREASE) / INCREASE	**(71,742)**	**4,850**	**(66,892)**
PLAN NET POSITION - RESTRICTED FOR PENSION BENEFITS			
BEGINNING OF YEAR	**1,369,839**	**555,935**	**1,925,774**
END OF YEAR	**$ 1,298,097**	**$ 560,785**	**$ 1,858,882**

COMBINING SCHEDULE OF OTHER POSTEMPLOYMENT PLAN NET POSITION
As of June 30, 2016 (In Thousands)

	Postemployment Healthcare 401(h)	Postemployment Healthcare (115)	Total
ASSETS			
Receivables			
Employee contributions	$ -	$ 607	$ 607
Employer contributions	-	1,082	1,082
Brokers and others	2,310	-	2,310
Accrued investment income	51	69	120
Total Receivables	**2,361**	**1,758**	**4,119**
Investments, at fair value			
Securities and other:			
Global equity	6,019	84,071	90,090
Private equity	3,624	-	3,624
Global fixed income	16,823	42,734	59,557
Collective short term investments	4,699	20,428	25,127
Private debt	3,214	-	3,214
Real assets	9,980	19,716	29,696
International currency contracts, net	4	-	4
Absolute return	10,527	-	10,527
Total Investments	**54,890**	**166,949**	**221,839**
Capital Assets	44	-	44
TOTAL ASSETS	**57,295**	**168,707**	**226,002**
LIABILITIES			
Payable to brokers	-	30	30
Other liabilities	54	72	126
TOTAL LIABILITIES	**54**	**102**	**156**
PLAN NET POSITION - RESTRICTED FOR:			
Postemployment healthcare benefits	**57,241**	**168,605**	225,846
TOTAL PLAN NET POSITION	**$ 57,241**	**$ 168,605**	**$ 225,846**

COMBINING SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT PLAN NET POSITION

For Fiscal Year Ended June 30, 2016 (In Thousands)

	Postemployment Healthcare 401(h)	Postemployment Healthcare (115)	Total
ADDITIONS			
Contributions			
Employee	$ -	$ 17,881	$ 17,881
Employer	4,430	26,035	30,465
Total Contributions	**4,430**	**43,916**	**48,346**
Investment income / (loss)			
Net depreciation in fair value of investments	(2,264)	(4,336)	(6,600)
Interest income	922	250	1,172
Dividend income	531	3,171	3,702
Less: investment expense	(494)	(227)	(721)
Net Investment Loss	**(1,305)**	**(1,142)**	**(2,447)**
TOTAL ADDITIONS	**3,125**	**42,774**	**45,899**
DEDUCTIONS			
Healthcare insurance premiums	29,577	-	29,577
Administrative expenses and other	176	61	237
TOTAL DEDUCTIONS	**29,753**	**61**	**29,814**
NET (DECREASE)/INCREASE	**(26,628)**	**42,713**	**16,085**
PLAN NET POSITION - RESTRICTED FOR POSTEMPLOYMENT HEALTHCARE			
BEGINNING OF YEAR	**83,869**	**125,892**	**209,761**
END OF YEAR	**$ 57,241**	**$ 168,605**	**$ 225,846**

SCHEDULES OF ADMINISTRATIVE EXPENSES AND OTHER
For the Fiscal Years Ended June 30, 2016 and 2015

	2016			2015
	Original Budget	Actual	(Over) Under Budget	Actual
Personnel services	$ 3,172,353	$ 2,930,849	$ 241,504	$ 2,683,129
Non-personnel/equipment	1,235,700	656,984	578,716	722,381
Professional services	1,308,150	590,654	717,496	747,501
TOTAL ADMINISTRATIVE EXPENSES & OTHER	**$ 5,716,203**	**$ 4,178,487**	**$ 1,537,716**	**$ 4,153,011**

SCHEDULES OF PAYMENTS TO CONSULTANTS
For the Fiscal Years Ended June 30, 2016 and 2015

Firm	Nature of Service	2016	2015
Alliance Resource Consulting LLP	Executive recruitment	$ -	$ 8,850
Cheiron Inc	Actuarial consultant	166,425	204,610
Cortex Applied Research, Inc	Governance consultant	12,860	37,759
Financial Knowledge/Peter Sepsis	Educational services	-	5,845
Hemming Morse LLP	Audit services	-	60,344
Ice Miller	Legal tax counsel	11,842	24,169
Levi, Ray, & Shoup	Web development and maintenance	16,213	14,648
Levi, Ray, & Shoup	Programming changes and business continuance services	11,424	17,722
Macias Gini & O'Connell LLP	External auditors	47,743	52,366
Medical Director/Other Medical	Medical consultants	18,480	86,829
Pension Benefit Information	Reports on deceased benefit recipients	1,469	2,869
Reed Smith LLC	Fiduciary and general counsel	174,773	141,712
Saltzman & Johnson	Legal counsel	15,591	24,912
Trendtec Inc	Temporary staff	112,341	56,362
Other Consultants	Miscellaneous professional services	1,493	8,504
TOTAL		**$ 590,654**	**$ 747,501**

SCHEDULES OF INVESTMENT EXPENSES

For the Fiscal Years Ended June 30, 2016 and 2015

Investment Managers' Fees	2016	2015
Global equity	$ 2,366,951	$ 2,962,549
Private equity	938,076	698,065
Fixed income	1,399,286	1,157,285
Private debt	1,270,431	1,178,738
Real estate	2,074,799	1,610,056
Real assets	587,497	242,864
Absolute return	1,882,589	1,427,377
Total investment managers' fees	**10,519,629**	**9,276,934**
Other Investment Fees		
Custodian bank	479,486	273,231
Investment consultants	599,687	651,062
Investment legal fees	118,221	59,561
Other investment fees	130,181	66,386
Proxy voting	12,500	24,998
Total other investment fees	**1,340,075**	**1,075,238**
TOTAL INVESTMENT EXPENSES	**$ 11,859,704**	**$ 10,352,172**

Investment Section

City of San José
Federated City Employees' Retirement System
Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2016
and June 30, 2015

M E K E T A I N V E S T M E N T G R O U P

BOSTON MA
CHICAGO IL
MIAMI FL
PORTLAND OR
SAN DIEGO CA
LONDON UK

September 8, 2016

Mr. Roberto L. Peña
Director
San Jose Federated City Employees' Retirement System
1737 North First Street, Suite 600
San Jose, CA 95112-4505

Dear Mr. Peña:

Fiscal 2016 Recap

The 2016 fiscal year began as a very difficult environment for investors. Global markets were experiencing significant volatility from a variety of factors, including China's currency devaluation, speculation of a September Federal Reserve interest rate hike, and a commodity price decline. When the third calendar quarter of 2015 ended, only one public market asset class (high quality fixed income) had positive returns. Global growth was slowing and the International Monetary Fund ("IMF") lowered their 2015 global growth projections to 3.1%, which was a 0.2% decrease. Within the U.S., unemployment continued to decline (5.1% as of September 2015), consumer spending was strong, and 12-month trailing real GDP was +2.1%. However, U.S. corporate earnings growth had slowed, impacted by declining earnings in the energy sector and a strengthening U.S. dollar. Alternatively, inflation continued to remain a non-factor, as CPI was 0.0% over the trailing 12 months.

Global macroeconomic issues continued to weigh on markets as the 2015 calendar year came to an end and 2016 began. In December 2015, in what was considered a signal of a coming Yuan devaluation, China removed the Yuan's peg to the U.S. dollar, instead choosing to use a "reference basket" of global currencies. While the U.S. dollar was the largest component in the basket (roughly 26%), each of the other components had declined significantly versus the dollar over the previous 18 months. Also in December, the Federal Reserve approved a 0.25% interest rate increase, the first increase in nearly a decade, and commodity prices continued their downward spiral, ending the calendar year down 24.7%. 2016 began with one of the worst calendar year starts for domestic equity markets in history. During the first ten trading days of 2016, the S&P 500 had declined more than 1% during six individual days and lost over 2% three times. Global equity markets declined 8% to 11% over the first half of January. However, markets reversed course and rallied throughout February and March. By the end of the first calendar quarter of 2016, year-to-date returns for domestic equities were slightly positive, emerging markets were up nearly 6%, and international developed markets were down only 3%.

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The final three months of the 2016 fiscal year were rather uneventful, with one notable exception. On June 23rd, British citizens voted to leave the European Union ("Brexit") by a 51.9% to 48.1% margin. Global capital markets, which had steadily been pricing in a victory for the "remain" camp in the days leading up to the referendum, experienced a jarring reversal. On the day following the vote, the British Pound collapsed to 30-year lows and global equity markets fell anywhere from -2% to -8%. Within just a few short weeks after the Brexit vote, global equity markets would recover their losses; the British Pound, however, would continue to depreciate.

As fiscal year 2016 concluded, many of the same macroeconomic themes occurring throughout the year remained at the forefront. Oil prices, despite recent increases, remained low from a historical perspective. Monetary stimulus campaigns persisted as developed market central banks continued asset purchase programs (quantitative easing), though the U.S. ended their program several years ago. Interest rates remained at record lows, and were even negative in several countries, as developed and emerging market central banks attempted to stimulate growth. In the U.S., the Federal Reserve had yet to raise rates since December 2015, despite an improving unemployment rate (4.9% as of June 2016) and relatively stable prices.

Fiscal 2016 Market Returns

Over the full fiscal year, U.S. equities had moderately positive returns, which were in stark contrast to the negative double digit returns from international equities. The Russell 3000 returned +2.1% for the fiscal year, while the MSCI EAFE and MSCI ACWI (ex. U.S.) each returned -10.2%, and MSCI Emerging Markets returned -12.1%. Fixed income was mostly positive for the year, with Barclays Aggregate returning +6.0%, Barclays U.S. TIPS returning +4.4%, Barclays High Yield returning +1.6%, Barclays Global Aggregate returning +8.9%, and JPM GBI-EM Global Diversified (unhedged emerging market bonds) returning +2.0%.

Alternative asset classes, boosted by improving commodity prices during the second half of the fiscal year, recovered significantly from their poor first half. For the full fiscal year, the Bloomberg Commodity Index returned -13.3% (-23.5% during first half), Dow Jones Brookfield Global Infrastructure returned +3.2% (-11.2% during first half), and S&P Global Natural Resources returned -8.9% (-22.1% during first half). Real estate and private equity continued to provide strong returns as the National Council of Real Estate Fiduciaries ("NCREIF") Property Index returned +10.6%, and the Cambridge Associates Private Equity Composite returned +6.9% for the fiscal year[1].

[1] Returns for real estate and private equity benchmarks are lagged one quarter due to the availability of data.

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Fiscal 2017 Outlook

Looking forward, Meketa Investment Group continues to believe that four key issues are of primary concern, several of which have remained unchanged over the last few years: 1) declining growth in China, along with uncertain fiscal and monetary policies; 2) continued economic sluggishness in Europe, and risks related to the U.K.'s approved referendum to exit the European Union; 3) weakening economic activity in the U.S.; 4) divergent growth in emerging economies.

China's recent policies to support its equity markets, and then to devalue its currency, created heightened volatility in global markets. The process of transitioning from a growth model based on fixed asset investment by the government to a model of consumer-based growth will be difficult. Similar government intervention responses to slowing growth or to support stock prices could prove disruptive and decrease confidence in China's government. China's abandonment of its support of the Yuan, and a resulting major devaluation of the currency, could prove particularly disruptive to global markets and trade.

The recent decision by the U.K. to leave the European Union further weighs on the fragile recovery in Europe. Going forward, the U.K.'s negotiation of trade deals will be a key issue with a wide range of potential outcomes. Uncertainty related to the outcome of negotiations should weigh on foreign investment and consumption. Any additional moves to leave the European Union or the Eurozone could be disruptive to markets and growth.

Slowing growth globally and the eventual increase of interest rates could weigh on economic activity in the U.S. Corporate profits remain vulnerable after a period where companies increased margins by cost cutting and share repurchases. The dollar strengthened recently after the "Brexit" vote. Continued dollar strength should particularly weigh on multinational companies and domestic exporters.

Growth in emerging market economies is likely to remain uneven, with commodity export-dependent economies particularly hurt by a sustained slowdown in global growth and prices. Emerging markets also faces a potential flight of capital, should the U.S. Federal Reserve decide to increase interest rates further. Despite varied headwinds, there are bright spots within emerging markets, including India, where the economic growth rate has surpassed China's.

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Plan Investment Results and Asset Allocation for the Pension Trust

The San Jose Federated City Employees' Retirement System had $1.9 billion in assets at the end of the 2016 fiscal year. For the fiscal year, the Retirement System returned -0.7% net of fees, underperforming the Policy and Custom Benchmark returns of +1.3% and +0.7%, respectively. The Retirement System's return did not exceed the 7.0% assumed actuarial rate of return, though the Retirement System has exceeded that rate in four of the past seven fiscal years.

Key factors for the Retirement System's relative performance for the fiscal year:

- *Allocation Differences*: The Retirement System's investment manager roster continued to expand throughout the fiscal year as new commitments were made in various asset classes. However, allocating assets requires a significant amount of time and due diligence, resulting in the actual allocation and composition of the Retirement System differing from Policy targets. For example, the Retirement System has targeted a 9% allocation target to Private Equity, but the actual allocation stands at less than half of the target.

- *Hedge Funds*: The majority of the Retirement System's active investment managers outperformed their respective benchmarks over the fiscal year. However, there were some notable exceptions, including terminated fixed income hedge fund Claren Road, as well as several Absolute Return funds. The Absolute Return portfolio was flat for the fiscal year, relative to the HFRI Macro Index return of +1.9%.

- *Global Fixed Income:* The Retirement System's fixed income allocation returned +2.2% for the fiscal year, underperforming the custom benchmark's return of +7.9% over the same period. Fixed income became more diversified during the fiscal year and is now inclusive of government bonds, short duration TIPS, securitized credit, long-short credit, and emerging markets debt. However, lack of exposure to lower quality fixed income (e.g. high yield), and some relative investment manager underperformance, resulted in lower returns for the asset class. Any fixed income benchmark that returns +7.9% in a single year will be very difficult to beat, regardless of the underlying allocation, and the fixed income composite has outperformed its custom benchmark since inception in January 2012.

- *Private Real Estate:* Private real estate had strong returns for the fiscal year, returning +21.7% on a time-weighted basis, outperforming the NCREIF Property benchmark's return of +10.6%. Each private real estate investment manager invested for the full fiscal year produced a positive double-digit return.

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Plan Investment Results and Asset Allocation for the Health Care Trust

The San Jose Federated Retiree Health Care Trust had $159.6 million in assets at the end of the 2016 fiscal year, up from $120.1 million at the end of the previous year. Assets for the Trust have increased substantially over the last several years, allowing the Trust to invest in a similar fashion to that of the Retirement System. As such, the manager roster continued to evolve during the fiscal year, with three new investment managers added to the Trust.

For the 2016 fiscal year, the Health Care Trust returned -2.7% net of fees, underperforming the Policy and Custom Benchmark returns of +0.7% and -0.7%, respectively. The Trust's underperformance was primarily driven by asset allocation variance from Policy targets. The Trust was generally underweight most asset class targets due to a 10% overweight to cash. Additionally, the composition differences within asset classes relative to their benchmarks detracted from returns.

Summary

Performance for the San Jose Federated City Employees' Retirement System over the 2016 fiscal year did not meet the actuarial rate of return, and underperformed the Policy and Custom benchmarks. However, we believe that the Retirement System's portfolio is well diversified and has a high probability of achieving the actuarial rate over the long-term, while exhibiting lower volatility than peers. We are looking forward to continuing our work with Staff and the Board of Administration to progress further toward the targeted asset allocation so that the Retirement System can continue to meet its obligations to participants.

Sincerely,

Laura Wirick

Laura Wirick, CFA, CAIA
Principal

Stephen P. McCourt, CFA
Managing Principal

Larry Witt, CFA
Consultant

LBW/PO/nca

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Statement of Investment Policy

PENSION – INCLUDES THE 401(H) INVESTMENTS

1) This investment policy statement governs investments for the City of San José Federated City Employees' Retirement System. The System is a defined benefit retirement program for certain employees of the City of San José in the State of California. The terms of the System are described in the San José Municipal Code Chapter 3.28.1975 Federated Employees' Retirement System.

2) The System's fund (the "Fund") will be managed as an ongoing concern with a long-term investment time horizon, consistent with the demographic profile of the System's members and beneficiaries.

INVESTMENT OBJECTIVES

3) The primary objective of the investment portfolio is to satisfy the System's obligations to pay benefits to members of the System and their beneficiaries. To do so, the Fund will seek to achieve long-term net returns in excess of the actuarial investment return assumption while maintaining a reasonable level of investment risk.

4) The investment portfolio also seeks to achieve a long-term rate of return that exceeds the return of a composite benchmark of the respective long-term asset allocation targets.

5) A range of risks will be managed in connection with the Fund, with an emphasis on the following:

   a) The impact of the investment program on the funded status of the System and the resulting volatility of contributions.

   b) Risk of loss of System assets.

6) In developing the investment policies of the System, various factors will be considered including, but not limited to:

   a) The structure and duration of the System's liabilities.

   b) Modern Portfolio Theory.

   c) The liquidity needs of the System.

FIDUCIARY STANDARDS

7) The Board of Administration is subject to the following duties under law:

   a) The assets of the Retirement System are trust funds and shall be held for the exclusive purposes of providing benefits to members of the System and their beneficiaries and defraying reasonable expenses of administering the System.

   b) The Board shall discharge its duties with respect to the System solely in the interest of, and for the exclusive purposes of providing benefits to, members of the System and their beneficiaries, maintaining the actuarial soundness of the System, and defraying reasonable expenses of administering the System. The Board's duty to the members and their beneficiaries shall take

PENSION - INCLUDES THE 401(H) INVESTMENTS (Continued)

precedence over any other duty.

c) The Board shall discharge its duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims.

8) Investment staff, investment consultants, investment managers, custodians and all other parties charged with handling the System's assets shall utilize the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims, and shall comply with all applicable laws, rules and regulations.

FUND GOVERNANCE

9) The governance structure of the Fund is described in the City Charter and in various governance policies established by the Board of Administration, including but not limited to:

a) Policy on the Role of the Board of Administration

b) Policy on the Role of the Investment Committee

c) Policy on the Role of the Director of Retirement Services

d) Policy on the Role of the Chief Investment Officer

e) Policy on Roles in Vendor Selection

ASSET ALLOCATION

10) The long-term asset allocation of the Fund will be determined based on the results of an asset allocation study.

11) The current long-term asset allocation of the Fund (at fair value) is set out below:

Broad Asset Class	Minimum	Target	Maximum
Global equity	20 %	28 %	36 %
Private equity	4 %	9 %	14 %
Global fixed income	9 %	19 %	29 %
Private debt	- %	5 %	10 %
Real assets	15 %	23 %	30 %
Absolute return	6 %	11 %	16 %
GTAA/ Opportunistic	- %	5 %	7 %
Cash	-	-	5 %
Total		**100%**	

12) The Board is committed to implementing and maintaining the above long-term asset allocation policy, but also recognizes that circumstances may arise where it is not possible or practical to

PENSION - INCLUDES THE 401(H) INVESTMENTS (Continued)

timely implement or maintain the policy, particularly with respect to illiquid asset classes such as private real estate, private equity, private real assets, and private debt. In such circumstance, the Board will monitor the status of the long-term asset allocation and seek to comply with the policy when it is possible and prudent to do so. In addition, the Board may review the current asset allocation targets at any time in light of market conditions, and make changes as it deems necessary.

13) The long-term asset allocation of the Fund will be reviewed at a minimum every five years based on the results of an asset liability study. However since projected liability and risk/return expectations may change such studies may also be performed on an interim basis, as necessary.

14) The Board will also approve an Investment Structure, which provides additional detail as to the allocation of assets to categories of investment within the broad asset classes that comprise the long-term asset allocation. The Investment Structure and any changes thereto do not require that an asset allocation study be performed.

REBALANCING

15) The asset allocation of the Fund will be monitored on a monthly basis and the assets of the Fund are to be rebalanced to within the target ranges when fluctuations in market values cause the portfolio to fall outside the guideline ranges set out above. Such re-balancing shall occur as soon as practical unless the approval of the Investment Committee is obtained.

16) When re-balancing, funds will generally be taken from accounts that are most significantly above their approved ranges and will be transferred to accounts that are most significantly below their approved ranges until allocation is within the guideline ranges, also taking into account market conditions, liquidity, transaction costs, as well as any other relevant factors. The Retirement System will be rebalanced to tactical rather than long-term target allocations in circumstances where the Board of Trustees have approved a tactical allocation. An asset allocation overlay service may be engaged to monitor allocation and to initiate rebalancing actions to maintain the portfolio in accordance with these guidelines.

DIVERSIFICATION

17) Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual asset classes, issues, issuers, or industries. Furthermore, assets will be assigned to a variety of investment managers that employ a range of investment management strategies.

18) Consistent with paragraph 17 above:

a) No single investment management firm shall be authorized to manage more than 10% of the System's assets without Board approval

    i. with the exception of passive management where the System's assets are not held in the System's name at the System's custody bank

PENSION - INCLUDES THE 401(H) INVESTMENTS (Continued)

ii. in which cases can manage no more than 20% of the Plan's assets without Board approval.

b) As a general rule, System assets placed with an investment manager should not represent more than 10% of the total assets managed by that firm, without Board approval.

LIQUIDITY MANAGEMENT

19) The projected cash flow needs of the System are to be reviewed at least quarterly, and the custodian and investment managers of the Fund are to be informed in writing in a timely manner of the liquidity needs of the Fund. If necessary, cash flow needs will be coordinated through the System's rebalancing provisions contained herein.

PROXY VOTING

20) The Board recognizes that the voting of proxies is important to the overall performance of the System. The Board has delegated the responsibility of voting all proxies to the investment managers or a third party service provider. The Board expects that the proxy voting service will execute all proxies in a timely fashion and in the best interest of plan members and beneficiaries. Also, the Board expects the managers to provide a full accounting of all proxy votes, and upon request, a written explanation of individual voting decisions.

21) As of the date of this Policy, the Board has delegated its proxy voting authority on all domestic securities to a dedicated proxy voting advisor. Investment managers for international securities are responsible for voting the proxies on international securities, as are hedge fund managers.

HIRING & TERMINATING INVESTMENT MANAGERS

22) Investment managers should meet the following criteria in order to be considered to manage the assets of the System.

a) Be capable of providing adequate and satisfactory information on the history of the firm, key personnel, key clients, fee schedules, and support personnel. Such information must demonstrate acceptable financial and staff stability and longevity.

b) Be able to clearly articulate the investment strategy that will be followed and demonstrate that the strategy has been successfully adhered to over time.

c) Have no past or outstanding legal judgments against them, which reflect negatively upon the firm or call into question the ability of the firm to serve as a fiduciary of the System.

PENSION - INCLUDES THE 401(H) INVESTMENTS (Continued)

23) Staff-level procedures shall be prepared detailing the additional criteria and processes to be used in conducting investment manager due diligence and in arriving at recommendations to select or terminate an investment manager. Such procedures shall be reviewed with the Investment Committee and the Board from time to time.

24) The procedures noted in paragraph 23 above shall require at a minimum that recommendations to appoint or terminate an investment manager shall be accompanied by a report, prepared by an external investment advisor and/or investment staff, containing investment staff's and/or the investment advisor's recommendations and summary analysis.

25) In addition to the aforementioned the Board has delegated authority to the Investment Committee to terminate any manager with System assets of less than $50 million with a unanimous vote of the Investment Committee.

MONITORING INVESTMENT MANAGERS

26) The System's investment managers will be monitored on an ongoing basis and may be terminated by the System at any time due to performance or other developments that call into question the manager's ability to continue to effectively manage assets of the System.

27) Quarterly performance of investment managers will be measured and evaluated relative to appropriate long-term performance benchmark and objectives, though it is understood that investment managers will, from time to time, underperform their benchmarks and objectives. Persistent underperformance by an investment manager, however, will be viewed as the basis for an extraordinary review of that manager and the manager's potential termination.

28) Certain other events may also trigger an extraordinary review, and possible termination, of an investment manager. These include, but are not limited to:

a) Failure to adhere to the terms of the contract between the manager and the System.

b) Loss of an investment professional(s) directly responsible for managing the System's assets, or who is/are so significant to the firm's overall investment process as to call into question the future efficacy of that process.

c) The sale of the investment management firm to another entity, or other change in ownership.

d) The purchase of another entity by the investment management firm.

e) Significant account losses and/or extraordinary addition of new accounts.

f) Regulatory actions against the firm, particularly any that represent violations of securities laws and regulations.

g) Any other event which may impair the manager's ability to perform in a satisfactory manner or puts the System's assets at undue risk of loss.

PENSION - INCLUDES THE 401(H) INVESTMENTS (Continued)

DERIVATIVE SECURITIES

29) Derivative securities are financial instruments that "derive" their value from an underlying commodity, index or security. Examples include futures, options and forward contracts. Derivatives can provide a cost-effective means of managing portions of a portfolio and to manage risk through hedging activities. Examples of such uses include:

a) Equitizing cash during portfolio transitions until "physical" securities are in place.

b) Managing asset allocation.

c) Hedging foreign currency risk, subject to approved limits.

30) In general, the use of derivatives for the purposes noted above, and similar risk management purposes, is supported by the Investment Committee and the Board. Speculative positions in derivatives however are not authorized under any circumstances.

31) Additional derivatives strategies must be authorized by this Investment Policy Statement prior to being utilized within the Fund.

32) Given the nature of many investment managers' mandates, it is recognized and understood that investment managers retained by the Fund use derivatives that are contrary to paragraphs 28 and 29 above.

INVESTMENT RESTRICTIONS

33) Investment management agreements will be established for each investment manager retained by the System. Such agreements shall specify any policies, risk controls, portfolio characteristics, reporting requirements, and other requirements or restrictions that may be applicable to the manager.

INVESTMENT COSTS

34) The Board intends to monitor and control investment costs at every level of the System.

a) Professional fees will be negotiated whenever possible.

b) Where appropriate, passive portfolios will be used to minimize management fees and portfolio turnover.

c) If possible, assets will be transferred in-kind during manager transitions and Fund restructurings to eliminate unnecessary turnover expenses.

d) Managers will be instructed to minimize brokerage and execution costs.

35) The Board will be provided reports on investment costs of the Fund at least annually.

PENSION - INCLUDES THE 401(H) INVESTMENTS (Continued)

VALUATION OF INVESTMENTS

36) The Fund's investments shall be valued using market values or other suitable methods of valuation. The frequency of valuation shall be dependent upon the nature of the asset.

37) Where a public market price is not available for an investment, a suitable method of valuation shall be used including the use of: discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. Independent, qualified appraisers may be used to provide valuations or verify the reasonableness of internal valuations.

OTHER

38) Appendix A contains additional policy guidelines concerning hedge funds.

39) Appendix B contains the long-term Policy Benchmark.

40) Appendix C contains language on private real estate.

41) Exceptions to this Investment Policy Statement must be approved by the Board.

POLICY REVIEW & HISTORY

42) This policy will be reviewed at least annually.

PENSION - INCLUDES THE 401(H) INVESTMENTS (Continued)

Appendix A ABSOLUTE RETURN PORTFOLIO

(For purposes of this Appendix, the "Absolute Return" portfolio refers to the hedge fund strategies allocation within the Absolute Return asset class.)

Objectives

1) The absolute return portfolio will be managed to achieve the following long-term portfolio objectives:

   a) Return: To earn an annualized return that exceeds the annualized rate of return of the three-month LIBOR by 5%

   b) Risk: To exhibit a forecast and realized annualized volatility between 4% and 8%;

   c) Beta: To achieve an absolute value Beta to the MSCI World <= 0.20

2) The policy benchmark of the absolute return portfolio is the Hedge Fund Research, Inc. All Macro Index

Portfolio Characteristics

3) The portfolio will be structured:

   a) To be a diversified, global portfolio with superior risk return characteristics;

   b) To include multiple absolute return strategies;

   c) To exclude direct allocations to equity and credit strategy classified funds, and target limited exposure on a look through basis;

   d) To have low correlation to traditional market indices, lowering overall portfolio risk; and

   e) To reduce downside participation in severe bear markets.

Target Allocation

Strategy	Targeted Exposures
Relative value	25 - 50%
Macro / directional	35 - 75%
	Residual Exposures via Multi-Strategy Funds
Event driven	0 - 15%
Equity long/short	0 - 10%

PENSION - INCLUDES THE 401(H) INVESTMENTS (Continued)

Portfolio Constraints

4) The absolute return portfolio will be subject to the following constraints:

   a) No aggregate investment with any single investment manager should represent more than 15% of the absolute return portfolio

   b) No initial investment with any single investment manager should represent more than 2.5% of the total plan

   c) No investment with any single manager should exceed 10% of the manager's total assets under management

   d) No single fund should contribute more than 20% to the expected risk of the absolute return portfolio, as measured by the fund's contribution to the 3 year standard deviation of the Current Systematic series as generated by Albourne, and illustrated in their monthly risk reports. The Current Systematic Series represents "forecast risk" and is a return series constructed from the portfolio's aggregate systematic exposures at the end of the month held static while the factor performance is varied going back in time.

5) Any breach of paragraph 3 above requires notification to the Investment Committee to discuss appropriate action.

Definition and Use of Leverage

Leverage is a condition where the net potential monetary exposure of an obligation exceeds the value of the underlying assets, which support the obligation.

The underlying funds in the absolute return portfolio shall use leverage in a prudent manner that is consistent with leverage applied in similar hedge fund strategies.

Staff and absolute return consultant will monitor leverage levels at both the fund and total portfolio level.

Statement of Investment Policy *(Continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS (Continued)

Appendix B

LONG-TERM POLICY BENCHMARK

Asset Class	Benchmark	Target(%)
Global equity	MSCI ACWI IMI	28%
Private equity	Cambridge Associates Private Equity Composite	9%
Global fixed income	80% Barclays Global Aggregate 5% BAML Global High Yield 5% S&P Global Leveraged Loan Index 5% JP Morgan GBI-EM Global Diversified Index 5% JP Morgan EMBI Global Diversified Index	19%
Private debt	S&P Global Leveraged Loan Index + 2%	5%
Real assets	30% NCREIF Property Index 26% Bloomberg Commodity Index 22% S&P Global Natural Resources 22% Dow Jones Brookfield Global Infrastructure Index	23%
Absolute Return	HFRI Macro Index	11%
GTAA/ Opportunistic	60% MSCI ACWI IMI/40% Barclays Global Aggregate	5%

Appendix C PRIVATE REAL ESTATE

Definitions

Private Real Estate Funds are defined as interests in real estate funds or fund of funds that invest in real estate assets ("Real Estate Funds"). Real estate assets are properties, including land and/or structures, designed for commercial or residential use.

Core real estate investments include both private and public investments. Private core real estate funds can be either open-ended or closed-ended, with the former being more common and typically providing additional liquidity options to investors.

Non-Core strategies generally encompass greater risk, whether through increased use of leverage, greater reliance on renovation or development, a focus on secondary markets, or a number of other factors. In return for taking on greater risk, investors in non-core real estate strategies expect to be compensated via higher returns. Non-core allocations can include strategies such as value-added, opportunistic, or real estate debt.

Investment Types

1) Examples of real estate assets in which private real estate funds may invest include, but are not limited to, the following types of properties:

   a) Apartment/multi-family

   b) Industrial

   c) Office

   d) Retail

   e) Residential

   f) Hotel

Direct Real Estate Investments

The San José Federated Employees' Retirement System previously maintained a separate set of Real Estate guidelines which were intended to govern direct investments in real estate assets. The Retirement System does not currently hold any direct real estate investments, so the prior guidelines are not applicable to the current portfolio. Should the Retirement System evaluate a direct real estate investment in the future, the prior guidelines will be updated.

Statement of Investment Policy

HEALTHCARE

1) This investment policy statement governs investments for the City of San José Federated City Employees' Retiree Health Care Trust Fund ("the Fund"). The Fund is an Internal Revenue Code Section 115 trust which was established on June 24, 2011. The Fund is outside of the Federated City Employees' Retirement System ("System") for the payment of retiree healthcare benefits in order to provide an alternative to the existing 401(h) account, which is within the System.

2) Fund will be managed as an ongoing concern with a long-term investment time horizon, consistent with the demographic profile of the members and beneficiaries of the System.

INVESTMENT OBJECTIVES

3) The primary objective of the investment portfolio is to provide a funding source for the subsidizing of postretirement healthcare benefits to members of the San José Federated City Employees' Retirement System and their beneficiaries.

   a) A range of risks will be monitored in connection with the Fund, with an emphasis on the risk of loss of Fund assets.

4) In developing the investment policies of the Fund, various factors will be considered including, but not limited to:

   a) The structure and duration of the Fund's liabilities.

   b) Modern Portfolio Theory.

   c) The portfolio management practices followed by other institutional investors.

   d) The liquidity needs of the Fund.

FIDUCIARY STANDARDS

5) The Trustees are subject to the following duties under law:

   a) The assets of the Fund are trust funds and shall be held for the exclusive purposes of providing benefits to members of the System and their beneficiaries and defraying reasonable expenses of administering the Fund.

   b) The Trustees shall discharge their duties with respect to the Fund solely in the interest of, and for the exclusive purposes of providing benefits to, members of the System and their beneficiaries, maintaining the actuarial soundness of the System, and defraying reasonable expenses of administering the Fund. The Trustees' duties to the members and their beneficiaries shall take precedence over any other duty.

   c) The Trustees shall discharge their duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims.

   d) The Trustees shall diversify the investments of the Fund so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

HEALTHCARE (Continued)

6) Investment staff, investment consultants, investment managers, custodians and all other parties charged with handling the Fund's assets shall utilize the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims, and shall comply with all applicable laws, rules and regulations.

FUND GOVERNANCE

7) The governance structure of the Fund is described in the City Charter and in various governance policies established by the Board of Administration, including but not limited to:

   a) Policy on the Role of the Board of Administration

   b) Policy on the Role of the Investment Committee

   c) Policy on the Role of the Director of Retirement Services

   d) Policy on the Role of the Chief Investment Officer

   e) Policy on Roles in Vendor Selection

ASSET ALLOCATION

8) The current asset allocation policy of the Fund (at market value) as of 1/1/2015 is set out below:

Broad Asset Class	Minimum	Target	Maximum
Global equity	40 %	46.7%	54%
Fixed income	20 %	30.3%	40%
Real assets	15 %	23 %	30%
Total		**100 %**	

9) The Trustees are committed to implementing and maintaining the above asset allocation policy, but also recognizes that circumstances may arise where it is not possible or practical to timely implement or maintain the policy. In such circumstance, the Trustees will monitor the status of the asset allocation policy and seek to comply with the policy when it is possible and prudent to do so.

10) The asset allocation policy of the Fund will be reviewed at a minimum every five years.

11) The Trustees will also approve an Investment Structure, which provides additional detail as to the allocation of assets to categories of investment within the broad asset classes that comprise the asset allocation policy.

HEALTHCARE (Continued)

REBALANCING

12) The asset allocation of the Fund will be monitored on a monthly basis and the assets of the Fund are to be rebalanced, by Staff, to within the target ranges when fluctuations in market values cause the portfolio to fall outside the guideline ranges set out above. Such re-balancing shall occur as soon as practical unless the approval of the Investment Committee is obtained.

13) When re-balancing, funds will generally be taken from accounts that are most significantly above their approved ranges and will be transferred to accounts that are most significantly below their approved ranges until allocation is within the guideline ranges, also taking into account liquidity and transactional cost considerations. An asset allocation overlay service may be engaged to monitor allocation and to initiate rebalancing actions to maintain the portfolio in accordance with these guidelines. The Fund will be rebalanced to tactical rather than long-term target allocations in circumstances where the Trustees have approved a tactical allocation.

DIVERSIFICATION

14) Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, issuers, or industries. Furthermore, assets will be assigned to a variety of investment managers that employ a range of investment management strategies.

LIQUIDITY MANAGEMENT

15) The projected cash flow needs of the Fund are to be reviewed at least quarterly and the custodian and investment managers of the Fund are to be informed in writing in a timely manner of the liquidity needs of the Fund. If necessary, cash flow needs will be coordinated through the Fund's rebalancing provisions contained herein.

PROXY VOTING

16) The Trustees recognize that the voting of proxies is important to the overall performance of the System. The Trustees have delegated the responsibility of voting all proxies to the investment managers or a third party service provider. The Trustees expect that the proxy voting service will execute all proxies in a timely fashion and in the best interest of plan members and beneficiaries. Also, the Trustees expect the managers to provide a full accounting of all proxy votes, and upon request, a written explanation of individual voting decisions. The Trustees intend to review the managers' proxy voting on at least an annual basis.

HIRING & TERMINATING INVESTMENT MANAGERS

17) Investment managers should meet the following criteria in order to be considered to manage the assets of the Fund.

HEALTHCARE (Continued)

a) Be capable of providing adequate and satisfactory information on the history of the firm, key personnel, key clients, fee schedules, and support personnel. Such information must demonstrate acceptable financial and staff stability and longevity.

b) Be able to clearly articulate the investment strategy that will be followed and demonstrate that the strategy has been successfully adhered to over time.

c) Have no past or outstanding legal judgments against them, which reflect negatively upon the firm or call into question the ability of the firm to serve as a fiduciary of the System.

18) As a general rule, Fund assets placed with an investment manager should not represent more than 10% of the total assets managed by that firm. Exceptions to this rule shall require the approval of the Trustees.

MONITORING INVESTMENT MANAGERS

19) The Fund's investment managers will be monitored on an ongoing basis and may be terminated by the Fund at any time due to performance or other developments that call into question the manager's ability to continue to effectively manage assets of the Fund.

20) The majority of the Fund's assets are currently passively managed, in which case the manager should be expected to produce long-term returns that are reasonably close to those of the relevant benchmark. For any active investment managers, quarterly performance will be measured and evaluated relative to appropriate long-term performance benchmark and objectives, though it is understood that investment managers will, from time to time, underperform their benchmarks and objectives. Persistent underperformance by an investment manager, however, will be viewed as the basis for an extraordinary review of that manager and the manager's potential termination.

21) Certain other events may also trigger an extraordinary review, and possible termination, of an investment manager. These include, but are not limited to:

a) Failure to adhere to the terms of a contract between the manager and the Fund.

b) Loss of an investment professional(s) directly responsible for managing the Fund's assets, or who is/are so significant to the firm's overall investment process as to call into question the future efficacy of that process.

c) The sale of the investment management firm to another entity, or other change in ownership.

d) The purchase of another entity by the investment management firm.

e) Significant account losses and/or extraordinary addition of new accounts.

f) Regulatory actions against the firm, particularly any that represent violations of securities laws and regulations.

HEALTHCARE (Continued)

g) Any other event which may impair the manager's ability to perform in a satisfactory manner or puts the Fund's assets at undue risk of loss.

DERIVATIVE SECURITIES

22) Derivative securities are financial instruments that "derive" their value from an underlying commodity, index, or security. Examples include futures, options and forward contracts. Derivatives can provide a cost-effective means of managing portions of a portfolio and to manage risk through hedging activities. Examples of such uses include:

a) Equitizing cash during portfolio transitions until "physical" securities are in place.

b) Managing asset allocation on a temporary basis.

c) Hedging foreign currency risk, subject to approved limits.

23) In general, the use of derivatives for the purposes noted above, and similar risk management purposes, is supported by the Investment Committee and the Trustees. Speculative positions in derivatives however are not authorized under any circumstances.

24) The Fund is currently authorized to use derivatives strategies to equitize cash during portfolio transitions until physical securities are in place, and to reproduce or replicate a physical holding that corresponds to a Board-approved policy benchmark. Additional derivatives strategies must similarly be authorized by this Investment Policy Statement prior to being utilized within the Fund.

25) Given the nature of many commodity manager mandates, it is recognized and understood that commodity managers retained by the Fund may use derivatives that are contrary to paragraphs 23 and 24 above.

INVESTMENT RESTRICTIONS

26) Fund assets are currently invested primarily in mutual fund investment vehicles, given the current asset size of the Fund. The type of investment vehicles utilized by the Fund will be revisited as the asset size of the Fund increases. In instances when the Fund invests through a commingled fund or separate account, investment management agreements will be established for each investment manager retained by the Fund. Such agreements shall specify any policies, risk controls, portfolio characteristics, reporting requirements, and other requirements or restrictions that may be applicable to the manager.

INVESTMENT COSTS

27) The Trustees intend to monitor and control investment costs at every level of the Fund.

a) Professional fees will be negotiated whenever possible.

Statement of Investment Policy *(Continued)*

HEALTHCARE (Continued)

b) Where appropriate, passive portfolios will be used to minimize management fees and portfolio turnover.

c) If possible, assets will be transferred in-kind during manager transitions and Fund restructurings to eliminate unnecessary turnover expenses.

d) Managers will be instructed to minimize brokerage and execution costs.

VALUATION OF INVESTMENTS

28) The Fund's investments shall be valued using market values or other suitable methods of valuation. The frequency of valuation shall be dependent upon the nature of the asset.

29) Where a public market price is not available for an investment, a suitable method of valuation shall be used including the use of: discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. Independent, qualified appraisers may be used to provide valuations or verify the reasonableness of internal valuations.

OTHER

30) Appendix A contains the long-term Policy Benchmark.

31) Exceptions to this Investment Policy Statement must be approved by the Trustees.

POLICY REVIEW & HISTORY

32) This policy will be reviewed at least annually.

Appendix A

LONG-TERM POLICY BENCHMARK

Asset Class	Benchmark	Target (%)
Global Equity		
	MSCI ACWI IMI	46.7%
Global Fixed Income		
	Barclays Global Aggregate	30.3%
Real Assets		
Real Estate	NCREIF ODCE Equal Weighted	7.0%
Commodities	Bloomberg Commodity Index	6.0%
Infrastructure	DJ Brookfield Global Infrastructure Index	5.0%
Natural Resources	S&P Global Natural Resources	5.0%

Investment Professionals

As of June 30, 2016

GLOBAL EQUITY		
Aberdeen Asset Management Artisan Partners Cove Street Capital Horizon Portfolio Limited	Marshall Wace LLC Northern Trust Oberweis Asset Management Russell Investments	Sandler Capital Management Senator Investment Group Vanguard Group
PRIVATE EQUITY		
Great Hill Partners Pantheon Ventures	Partners Group	Pathway Capital Management
GLOBAL FIXED INCOME		
BlackRock BlueBay Asset Management Claren Road Asset Management	Davidson Kempner Capital Management LLC Northern Trust	Vanguard Group Voya Investment Management
PRIVATE DEBT		
GSO Capital Partners White Oak Global Advisors	Medley Capital	White Oak Global Advisors
REAL ASSETS		
American Realty Advisors Credit Suisse DRA Advisors LLC	First Quadrant Long Wharf Real Estate Partners LLC Pinnacle Asset Management, L.P.	Prudential Real Estate Investors RhumbLine Advisers Tristan Capital Partners
ABSOLUTE RETURN		
AHL Partners LLP Arrowgrass Capital Partners LLP Brevan Howard Capital Management, LP D.E. Shaw & Co, LP	Dymon Asia Capital, Ltd Hudson Bay Capital Management LP Kepos Capital LP MKP Capital Management, LLC Pharo Management LLC	Pine River Capital Management LP Systematica Investments, Ltd Wadhwani Asset Management LLP
CONSULTANTS		
Albourne America LLC (Absolute Return Advisors)	Meketa Investment Group (General Consultant)	
CUSTODIAN		
State Street Bank & Trust Company		
PORTFOLIO OVERLAY SERVICES		
Russell Investments		
PROXY VOTING		
Glass Lewis & Co. LLC		

Schedule of Investment Results for Pension Trust

GROSS AND NET PERFORMANCE SUMMARY BY ASSET CLASS

For Period Ended June 30, 2016

	One Year	Three Years	Five Years	Ten Years
Total Fund (gross of fees)	**-0.3%**	**4.2%**	**3.4%**	**4.2%**
Total Fund (net of manager fees)	**-0.7%**	**3.9%**	**3.2%**	**4.0%**
Total Fund Without Overlay (gross of fees)	**-0.5%**	**4.1%**	**3.3%**	**4.1%**
Total Fund Without Overlay (net of manager fees)	**-1.1%**	**3.8%**	**3.1%**	**3.9%**
Policy Benchmark	1.3%	4.4%	3.8%	4.6%
Public Funds > $1 Billion (Median)	-0.5%	6.0%	6.0%	5.3%
Global Equity	**-4.3%**	**5.8%**	**5.3%**	**N/A**
MSCI ACWI IMI	-3.9%	6.1%	5.4%	N/A
Private Equity	**2.4%**	**11.5%**	**10.8%**	**7.0%**
Cambridge Associates Private Equity Composite	6.9%	10.6%	10.9%	9.8%
Absolute Return	**0.0%**	**3.3%**	**N/A**	**N/A**
HFRI Macro (Total) Index	1.9%	2.5%	N/A	N/A
Real Assets	**-1.9%**	**1.6%**	**-3.4%**	**N/A**
S&P Global Natural Resources	-8.9%	-2.9%	-6.2%	N/A
Dow Jones Brookfield Global Infrastructure Index	3.2%	8.5%	9.6%	N/A
Bloomberg Commodity Index	-13.3%	-10.6%	-10.8%	N/A
Global Fixed Income	**2.2%**	**2.0%**	**N/A**	**N/A**
Fixed Income Custom Benchmark	9.4%	2.9%	N/A	N/A
Private Debt	**3.6%**	**5.9%**	**7.7%**	**N/A**
3-month LIBOR + 5%	5.5%	5.3%	5.4%	N/A

Basis of Calculation: Time-Weighted Rate of Return

Source: Meketa Investment Group's Fund Evaluation Report Analysis dated June 30, 2016

Schedule of Investment Results for Healthcare Trust

NET PERFORMANCE SUMMARY BY ASSET CLASS

For Period Ended June 30, 2016

	2Q2016	Calendar YTD	One Year	Three Years	Since Inception
Total Fund (net of manager fees)	**1.6%**	**2.9%**	**-2.7%**	**3.2%**	**3.8%**
Policy Benchmark	3.0%	6.1%	0.7%	4.3%	3.9%
Global Equity	**0.0%**	**-0.2%**	**-5.5%**	**5.8%**	**9.0%**
MSCI ACWI IMI	1.1%	1.4%	-3.9%	6.1%	8.9%
Global Fixed Income	**1.6%**	**4.2%**	**4.3%**	**3.1%**	**2.2%**
Barclays Global Aggregate	2.9%	9.0%	8.9%	2.8%	1.8%
Real Assets	**5.6%**	**10.0%**	**-6.7%**	**-6.1%**	**-8.9%**
Bloomberg Commodity Index	12.8%	13.3%	-13.3%	-10.6%	-11.5%
S&P Global Natural Resources	7.0%	16.9%	-8.9%	-2.9%	-6.1%
Dow Jones Brookfield Global Infrastructure Index	7.4%	16.2%	3.2%	8.5%	10.1%
NCREIF ODCE Weighted (net)	2.0%	4.2%	11.2%	12.1%	11.9%

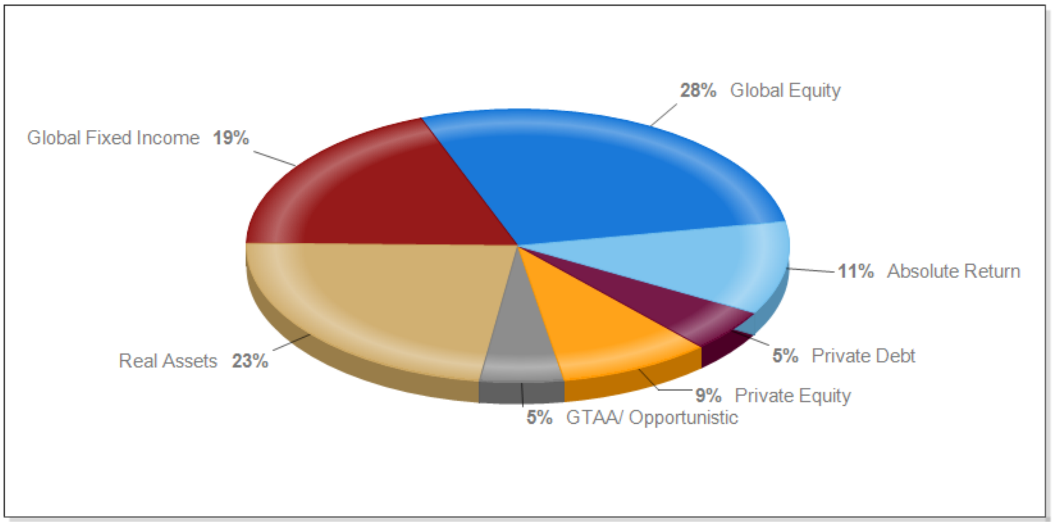
Basis of Calculation: Time-Weighted Rate of Return

Source: Meketa Investment Group's Fund Evaluation Report Analysis dated June 30, 2016

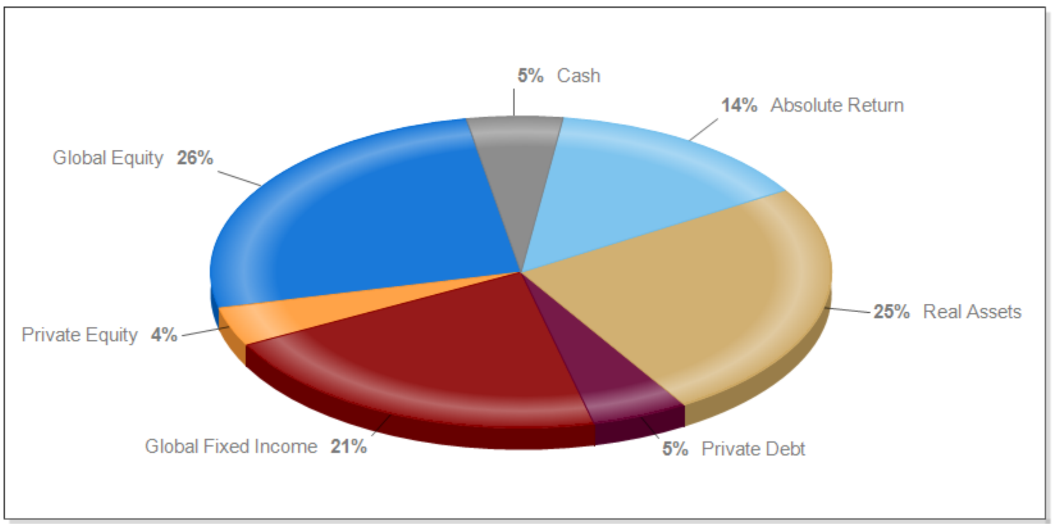
Pension Investment Review

INCLUDES THE 401(H) INVESTMENTS

TARGET ASSET ALLOCATION *As of June 30, 2016*



ACTUAL ASSET ALLOCATION *As of June 30, 2016*
Non-GAAP Basis

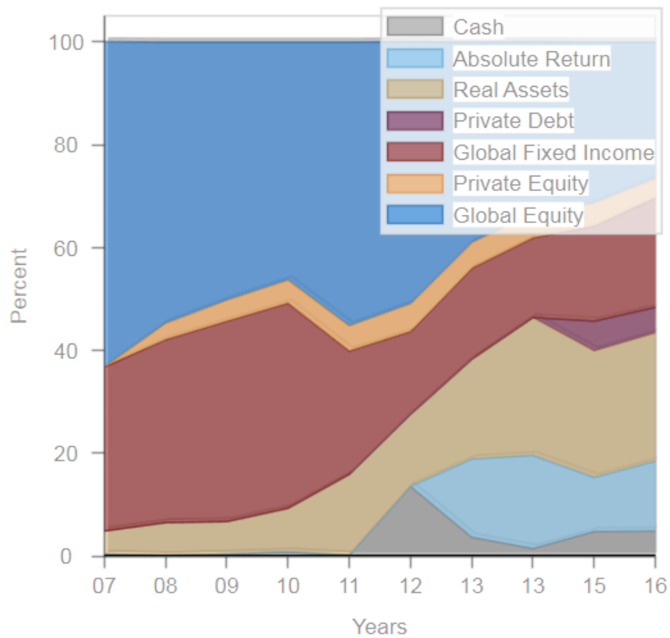


Asset Class	$ In Millions
Global Equity	$ 508.70
Private Equity	$ 72.03
Global Fixed Income	$ 407.44
Private Debt	$ 95.47
Real Assets	$ 478.02
Absolute Return	$ 261.24
Cash	$ 93.83
TOTAL	**$1,916.73**

INCLUDES THE 401(H) INVESTMENTS (Continued)

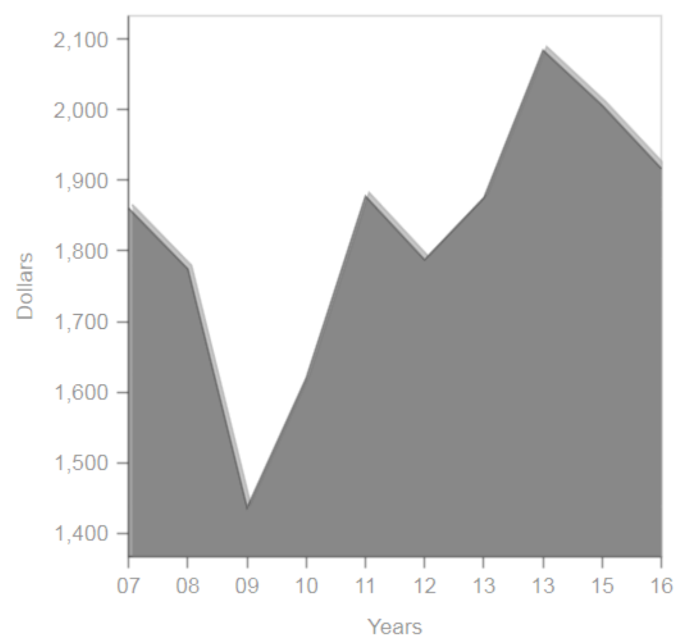
HISTORICAL ASSET ALLOCATION (Actual)

As of June 30, 2007- June 30, 2016



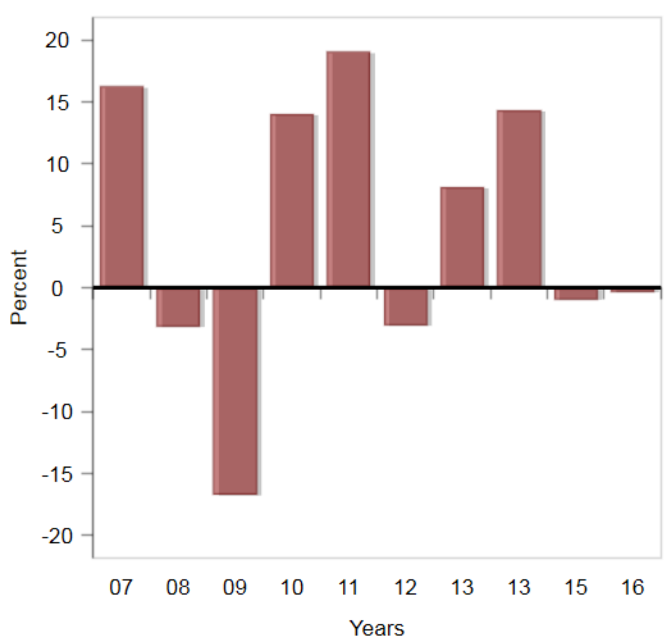
MARKET VALUE GROWTH OF PLAN ASSETS

For Ten Years Ended June 30, 2016
(Dollars in Millions)



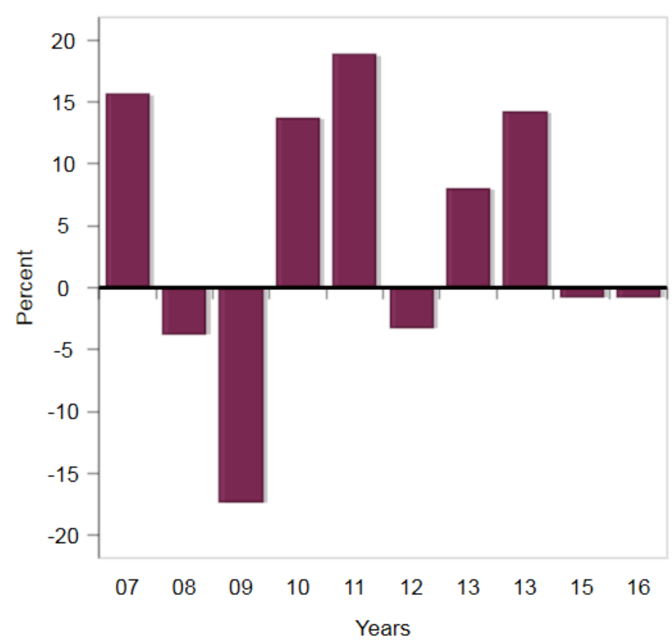
HISTORY OF GROSS PERFORMANCE

For Fiscal Years 2007 - 2016
(Based on Fair Value)



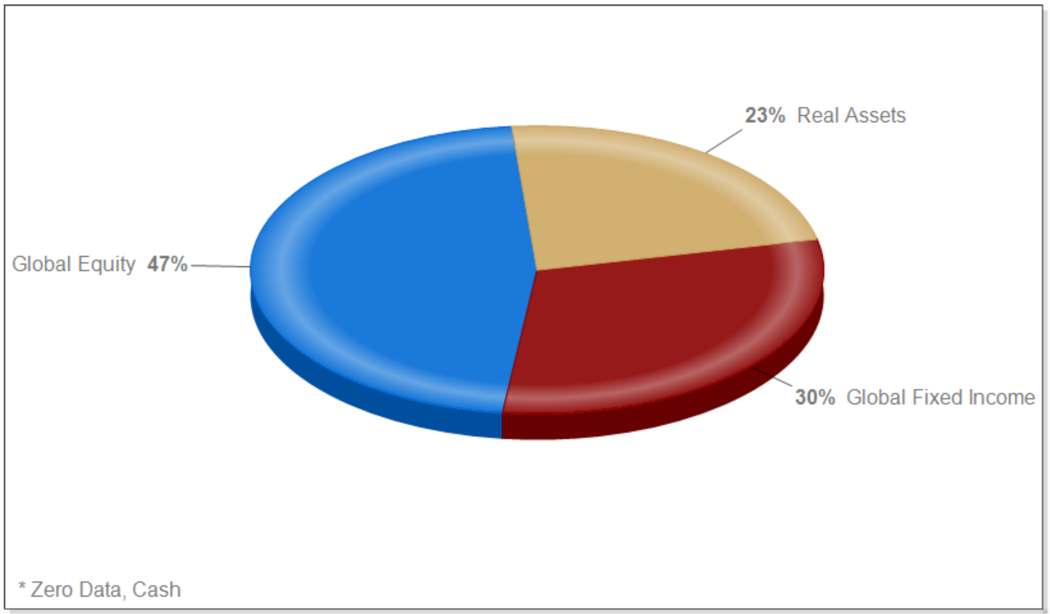
HISTORY OF NET PERFORMANCE

For Fiscal Years 2007 - 2016
(Based on Fair Value)

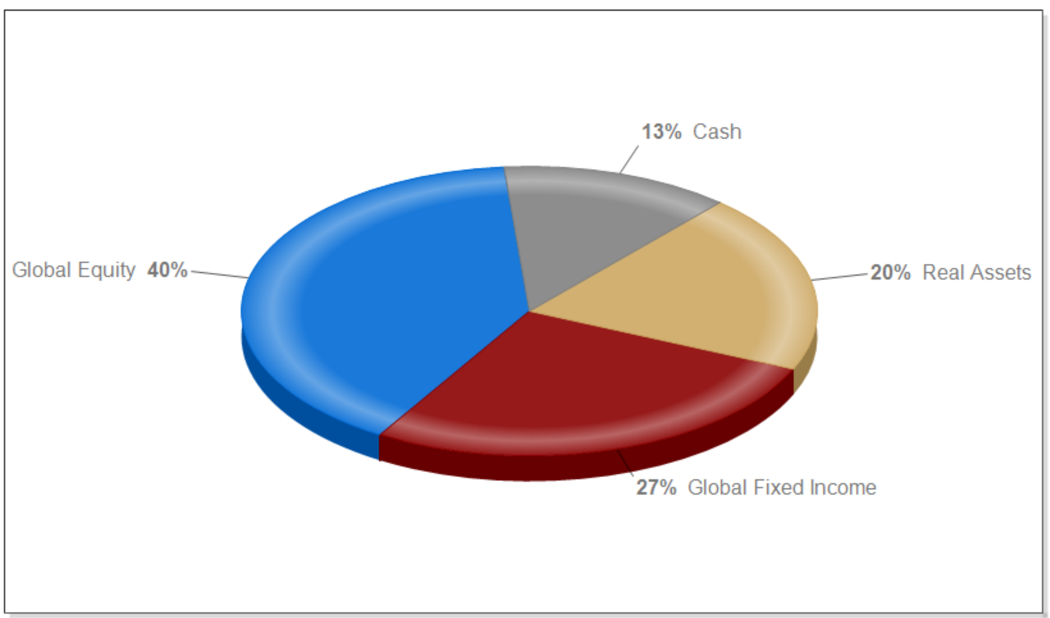


HEALTHCARE

TARGET ASSET ALLOCATION *As of June 30, 2016*



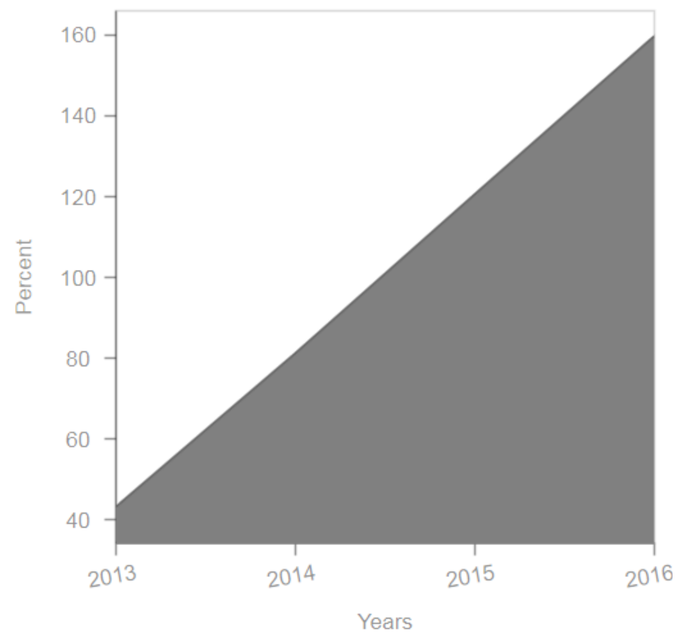
ACTUAL ASSET ALLOCATION *As of June 30, 2016*
Non-GAAP Basis



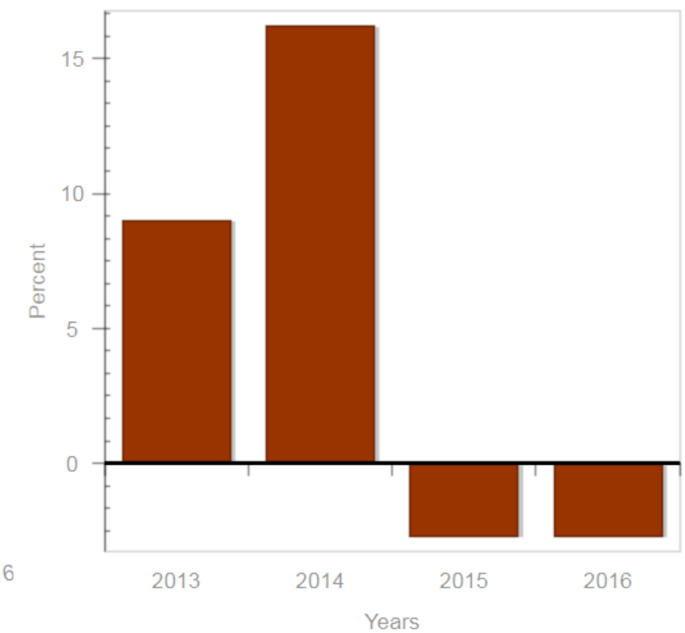
Asset Class	$ In Millions
Global Equity	$64.43
Global Fixed Income	$42.68
Real Assets	$32.14
Cash	$20.35
TOTAL	**$159.60**

HEALTHCARE (Continued)

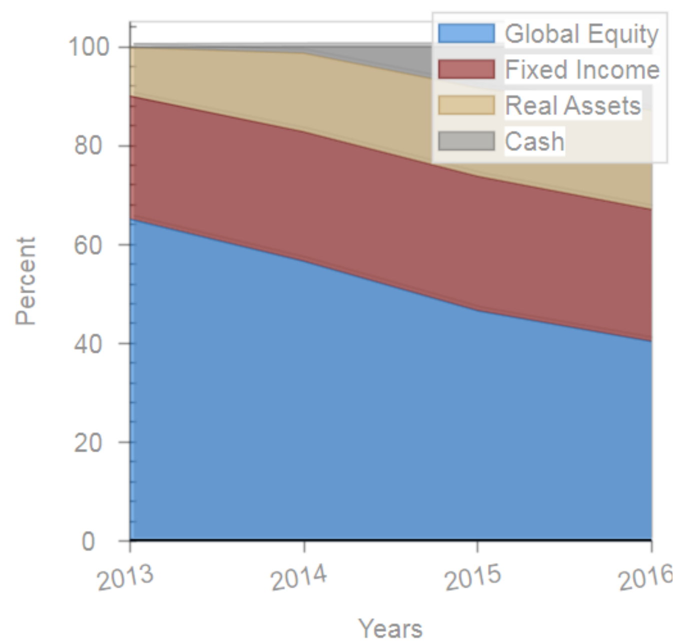
MARKET VALUE GROWTH OF PLAN ASSETS
For Four Years Ended June 30, 2016 (Dollars in Millions)



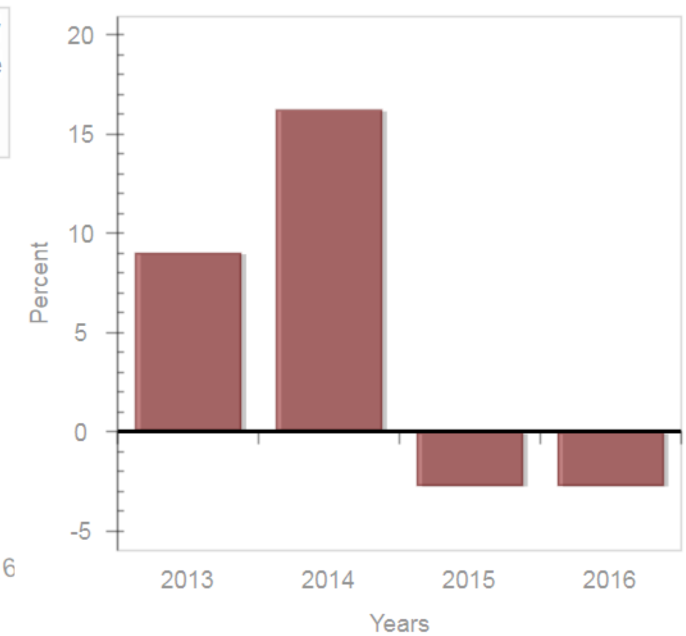
HISTORY OF NET PERFORMANCE
For Fiscal Years 2013 - 2016
(Based on Fair Value)



HISTORICAL ASSET ALLOCATION (Actual)
As of June 30, 2013 - June 30, 2016



HISTORY OF GROSS PERFORMANCE
For Fiscal Years 2013 - 2016
(Based on Fair Value)



List of Largest Assets Held

LARGEST DISCLOSABLE STOCK HOLDINGS (By Fair Value) For Pension
As of June 30, 2016

Description	Country	Shares	Fair Value ($US)
NATIONAL GRID PLC	United Kingdom	697,825	$ 10,224,064
AMERICAN TOWER CORP	United States	75,562	$ 8,584,599
MONSANTO CO	United States	74,138	$ 7,666,611
EXXON MOBIL CORP	United States	78,076	$ 7,318,844
ENBRIDGE INC	Canada	166,284	$ 7,007,564
ORACLE CORP	United States	166,236	$ 6,804,039
KINDER MORGAN INC	United States	325,770	$ 6,098,414
CROWN CASTLE INTL CORP	United States	60,123	$ 6,098,276
SYNGENTA AG REG	Switzerland	15,539	$ 5,967,091
TRANSCANADA CORP	Canada	126,040	$ 5,673,595

A complete list of portfolio holdings is available upon request.

LARGEST DISCLOSABLE BOND HOLDINGS (By Fair Value) For Pension
As of June 30, 2016

Security Name	Country	Maturity Date	Interest Rate	Shares	Fair Value ($US)
TSY INFL IX N/B	United States	04/15/2018	0.13%	13,251,638	$ 13,448,293
TSY INFL IX N/B	United States	04/15/2020	0.13%	13,136,876	$ 13,438,236
TSY INFL IX N/B	United States	04/15/2019	0.13%	13,129,160	$ 13,406,579
TSY INFL IX N/B	United States	04/15/2017	0.13%	11,949,008	$ 12,023,331
TSY INFL IX N/B	United States	01/15/2021	1.13%	9,000,163	$ 9,626,215
TSY INFL IX N/B	United States	07/15/2020	1.25%	7,864,988	$ 8,451,402
TSY INFL IX N/B	United States	01/15/2020	1.38%	5,121,984	$ 5,468,742
TSY INFL IX N/B	United States	07/15/2016	2.50%	5,111,376	$ 5,122,979
TSY INFL IX N/B	United States	07/15/2019	1.88%	4,431,142	$ 4,794,408
TSY INFL IX N/B	United States	01/15/2018	1.63%	4,276,416	$ 4,438,192

A complete list of portfolio holdings is available upon request.

Schedule of Investment Fees

For Fiscal Year Ended June 30, 2016

Includes the 401(h) and 115 Trust

	Assets Under Management at Fair Value*	Fees	Basis Points
Investment Managers' Fees			
Global equity	$ 508,697,477	$ 2,366,951	47
Private equity	72,034,084	938,076	130
Global fixed income	407,439,216	1,399,286	34
Opportunistic/ Private debt	95,472,198	1,270,431	133
Real assets	478,019,217	2,662,296	56
Absolute return	261,237,307	1,882,589	72
Cash	93,831,422	-	-
TOTAL INVESTMENT MANAGERS' FEES	**$ 1,916,730,921**	**$ 10,519,629**	**55**

** Includes cash in managers' accounts; non-GAAP basis*

	Fees
Other Investment Fees	
Investment consultants	$ 599,687
Custodian bank	479,486
Proxy voting	12,500
Investment legal fees	118,221
Other investment fees	130,181
TOTAL OTHER INVESTMENT FEES	**$ 1,340,075**

Schedule of Commissions - Pension

For the Fiscal Year Ended June 30, 2016

Brokerage Firm	Shares/Par	Base Commissions	Base Comm Cost/Share
B			
B. RILEY & CO., LLC	800.000	$ 24.00	$ 0.0300
BAADER BANK AG	245,412.580	356.81	0.0015
BANK OF NEW YORK	1,340,574,363.080	63.24	0.0000
BARCLAYS CAPITAL LE	539,632.200	1,286.67	0.0024
BARCLAYS CAPITAL INC. LE	11,710.000	585.50	0.0500
BARRINGTON RESEARCH ASSOCIATES INC.	17,400.000	522.00	0.0300
BLOOMBERG TRADEBOOK LLC	20,300.000	406.00	0.0200
BMO CAPITAL MARKETS CORP	724.000	14.48	0.0200
BNP PARIBAS PRIME BROKERAGE INC	128,249.600	741.25	0.0058
BNP PARIBAS SECURITIES SERVICES	1,156,122.860	663.32	0.0006
BNP PARIBAS SECURITIES SERVICES SA	6,536,868.000	47.68	0.0000
C			
CANACCORD ADAMS INC	527,560.310	674.14	0.0013
CANACCORD GENUITY INC	3,200.000	64.00	0.0200
CANTOR CLEARING SERVICES	1,200.000	24.00	0.0200
CANTOR FITZGERALD + CO.	128,582.000	3,857.46	0.0300
CANTOR FITZGERALD EUROPE	31,864.000	637.28	0.0200
CARNEGIE BANK A.S.	6,182,249.900	2,102.63	0.0003
CARNEGIE SECURITIES FINLAND	184,738.570	368.99	0.0020
CIBC WORLD MKTS INC	3,013,874.450	1,273.73	0.0004
CITIGROUPGLOBAL MARKETS INC	1,036,054.000	1,430.15	0.0014
CITIGROUPGLOBAL MARKETS LIMITED	-4,314.370	125.25	-0.0290
CLSA SINGAPORE PTE LTD.	15,118,929.000	173.34	0.0000
CREDIT AGRICOLE SECURITIES (USA) INC	16,880.000	602.83	0.0357
CREDIT LYONNAIS SECURITIES (USA) INC	2,068.000	103.40	0.0500
CREDIT LYONNAIS SECURITIES(ASIA)	2,908,999.710	806.10	0.0003
CREDIT SUISSE FIRST BOSTON (EUROPE)	187,781,220.000	364.26	0.0000
CREDIT SUISSE SECURITIES (EUROPE) LTD	1,726,984.720	1,338.38	0.0008
CREDIT SUISSE SECURITIES (USA) LLC	391,885,354.430	14,213.63	0.0000
D			
D CARNEGIE AG	2,624,938.220	800.81	0.0003
DAIWA SECURITIES AMERICA INC	483,658,719.880	11,927.95	0.0000
DANSKE BANK AS	6,370,578.740	1,537.41	0.0002
DEUTSCHE BANK SECURITIES INC	42,296,316.700	1,488.25	0.0000
DOWLING SECURITIES LLC	23,022.000	1,151.10	0.0500
E			
ESN NORTHAMERICA, INC.	368,863.420	818.32	0.0022
G			
GABELLI & COMPANY	6,000.000	$ 180.00	$ 0.0300
GMP SECURITIES LTD.	277,232.340	79.03	0.0003

Schedule of Commissions - Pension *(Continued)*

For the Fiscal Year Ended June 30, 2016

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost/Share
GOLDMAN SACHS + CO	212,724,828.500	6,928.22	0.0000
GOLDMAN SACHS EQUITY SECURITIES (UK) LTD	897,715.120	508.58	0.0006
GOLDMAN SACHS INTERNATIONAL	79,094.340	60.84	0.0008
H			
HSBC BANK PLC	21,063,486.600	13,001.80	0.0006
HSBC SECURITIES (USA) INC.	6,100,614.170	303.65	0.0000
I			
ICAP DO BRASIL DTVM LTDA	823,887.990	154.46	0.0002
ICHIYOSHI SECURITIES CO.,LTD.	219,750,522.000	4,588.62	0.0000
INDUSTRIAL AND COMMERCIAL BANK	3,400.000	20.00	0.0059
INDUSTRIAL AND COMMERCIAL BANK OF CHINA	16,829.000	336.58	0.0200
ING BANK N V	288,074.180	334.75	0.0012
INSTINET	1,859,970.000	20,684.11	0.0111
INSTINET AUSTRALIA CLEARING SRVC PTY LTD	2,049,120.560	644.18	0.0003
INSTINET LLC	287,132.930	89.54	0.0003
INSTINET PACIFIC LIMITED	355,460,432.350	825.88	0.0000
INSTINET SINGAPORE SERVICES PT	453,600.780	65.06	0.0001
INSTINET U.K. LTD	492,449,241.320	10,670.71	0.0000
INVESTMENT TECHNOLOGY GROUP LTD	3,422,576.930	3,881.30	0.0011
ITG INC	18,446.000	353.41	0.0192
J			
J.P. MORGAN SECURITIES INC	24,634,185.000	389.31	0.0000
J.P. MORGAN CLEARING CORP.	41,904,550.010	6,239.67	0.0001
J.P. MORGAN SECURITIES PLC	11,959,799.350	26,313.87	0.0022
JEFFERIES INTERNATIONAL INC	255,403,461.780	11,622.01	0.0000
JEFFERIES INTERNATIONAL INC	175,540.040	203.67	0.0012
JOH BERENBERG GOSSLER AND CO	914,948.780	1,548.90	0.0017
JONES & ASSOCIATES INC	2,636,804.530	1,756.88	0.0007
JONESTRADING INSTITUTIONAL SERVICES LLC	126,660.000	3,795.80	0.0300
K			
KEPLER EQUITIES PARIS	537,867.370	1,261.14	0.0023
KNIGHT EQUITY MARKETS L.P.	12,400.000	372.00	0.0300
KOREA INVESTMENT AND SECURITIES CO LTD	248,837,082.000	481.80	0.0000
L			
LEERINK PARTNERS LLC	164.000	3.28	0.0200
LEK SECURITIES CORP	1,232.000	24.64	0.0200

Schedule of Commissions - Pension *(Continued)*
For the Fiscal Year Ended June 30, 2016

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost/Share
LIQUIDNET CANADA INC	373,440.670	238.72	0.0006
LIQUIDNET INC	147,853.000	2,735.43	0.0185
M			
MACQUARIE BANK LIMITED	2,109,414.650	$ 3,028.71	$ 0.0014
MACQUARIE CAPITAL (EUROPE) LTD	97,654.390	135.93	0.0014
MACQUARIE SEC NZ LTD	404,690.460	343.08	0.0008
MACQUARIE SECURITIES (USA) INC	46,000.000	1,380.00	0.0300
MERRILL LYNCH INTERNATIONAL	4,741,539.000	5,209.60	0.0011
MERILL LYNCH PIERCE FENNER + SMITH INC	262,997,899.610	79,287.38	0.0003
MIZUHO SECURITIES USA INC	440,375,365.310	6,260.54	0.0000
MORGAN STANLEY CO INCORPORATED	552,361,804.480	10,481.21	0.0000
N			
NATIXIS SECURITIES	75,601.900	64.92	0.0009
NEWEDGE USA LLC	1,678.000	3,425.85	2.0416
NOMURA INTERNATIONAL PLC	511,018.950	335.92	0.0007
NOMURA SECURITIES CO LTD	4,989,191.700	119.50	0.0000
NUMIS SECURITIES INC	942,062.140	3,159.14	0.0034
P			
PAREL	539,800.970	1,255.06	0.0023
PERSHING LLC	556.000	27.80	0.0500
PERSHING SECURITIES LIMITED	71,167.460	53.21	0.0007
PIPER JAFFRAY & HOPWOOD	3,026.000	151.30	0.0500
R			
RAYMOND JAMES AND ASSOCIATES LLC	99,584.010	257.87	0.0026
RBC CAPITAL MARKETS LLC	2,902.000	116.08	0.0400
REDBURN PARTNERS LLP	379,537.830	552.78	0.0015
ROBERT W BAIRD CO INCORPORATE	11,300.000	339.00	0.0300
S			
SANFORD C. BERNSTEIN LTD	322,472.440	490.06	0.0015
SANFORD C BERNSTEIN CO LLC	34,539.000	1,036.17	0.0300
SANTANDER SECURITIES SERVICES, S.A	858,671.110	1,179.48	0.0014
SCOTIA CAPITAL (USA) INC	22,049.000	808.07	0.0366
SIDOTI + COMPANY LLC	72,400.000	2,172.00	0.0300
SKANDINAVISKA ENSKILDA BANKEN	19,069,095.600	4,835.14	0.0003
SKANDINAVISKA ENSKILDA BANKEN LONDON	21,712,446.300	7,877.61	0.0004
SOCIETE GENERALE LONDON BRANCH	5,355,468.870	2,693.87	0.0005
SPEAR, LEEDS AND KELLOGG	1,333.000	23.99	0.0180
STATE STREET GLOBAL MARKETS LLC	100.000	1.00	0.0100
STIFEL NICOLAUS + CO INC	22,036.000	1,101.80	0.0500
SVENSKA HANDELSBANKEN	185,002.470	186.82	0.0010
T			

Schedule of Commissions - Pension *(Continued)*

For the Fiscal Year Ended June 30, 2016

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost/Share
TDWATERHOUSE CDA	605,905.230	358.28	0.0006
THE HONGKONG AND SHANGHAI BANK	1,804,567,770.000	617.41	0.0000
U			
UBS LIMITED	200,001.440	791.21	0.0040
W			
WELLS FARGO SECURITIES LLC	7,084,559.000	285.00	0.0000
TOTAL	**7,531,693,303.960**	**$ 311,734.99**	**$ 24,160.5644**

Schedule of Commissions - Healthcare Trust

For the Fiscal Year Ended June 30, 2016

Brokerage Firm	Shares/Par	Base Commissions	Base Comm Cost/Share
B			
BARRINGTON RESEARCH ASSOCIATES INC.	200.000	6.00	0.0300
C			
CANTOR FITZGERALD + CO.	6,800.000	204.00	0.0300
CIBC WORLD MKTS INC	705,606.300	268.66	0.0004
CONCORDIA SA CVMCC	7,460.590	1.57	0.0002
G			
GABELLI &COMPANY	300.000	9.00	0.0300
GOLDMAN SACHS + CO	8,082,024.270	661.50	0.0001
GOLDMAN SACHS EQUITY SECURITIES (UK) LTD	247,111.630	166.11	0.0007
I			
ICAP DO BRASIL DTVM LTDA	71,854.870	13.49	0.0002
INSTINET	126,926.000	1,511.08	0.0119
INSTINET AUSTRALIA CLEARING SRVC PTY LTD	338,301.160	110.81	0.0003
INSTINET LLC	14,962,778.530	40.99	0.0000
INSTINET PACIFIC LIMITED	333,875,922.800	146.42	0.0000
INSTINET SINGAPORE SERVICES PT	99,746.400	18.83	0.0002
INSTINET U.K. LTD	8,732,752.200	703.95	0.0001
J			
J.P. MORGAN SECURITIES INC.	800.000	24.00	0.0300
JEFFERIES + COMPANY INC	2,119,240.000	343.48	0.0002
JONESTRADING INSTITUTIONAL SERVICES LLC	6,750.000	202.50	0.0300
K			
KNIGHT EQUITY MARKETS L.P.	700.000	$ 21.00	$ 0.0300
L			
LIQUIDNET INC	3,620.000	72.40	0.0200
M			
MACQUARIE SECURITIES (USA) INC	1,800.000	54.00	0.0300
R			
ROBERT W.BAIRD CO.INCORPORATE	600.000	18.00	0.0300
S			
SANFORD CBERNSTEIN CO LLC	800.000	24.00	0.0300
SIDOTI + COMPANY LLC	700.000	21.00	0.0300
W			
WELLS FARGO SECURITIES, LLC	600.000	18.00	0.0300
TOTAL	**369,393,394.750**	**$ 4,660.79**	**$ 79,255.5328**

Investment Summary

PENSION - INCLUDES THE 401(H) INVESTMENTS

As of June 30, 2016 (Dollars in Thousands)

Type of Investments	Fair Value		% of Portfolio
Global equity	$	508,697	26.50 %
Private equity	$	72,034	3.80 %
Global fixed income	$	407,439	21.30 %
Real assets	$	478,019	24.90 %
Private debt	$	95,472	5.00 %
Absolute return	$	261,237	13.60 %
Collective short-term investments*	$	93,831	4.90 %
TOTAL FAIR VALUE	**$**	**1,916,729**	**100.00 %**

The amounts presented above may vary from the amounts presented in the financial statements due to the investment summary presenting amounts at the manager level and the financial statements presenting amounts at the security level.

** Includes cash to support synthetic exposure.*

HEALTHCARE - 115 TRUST

As of June 30, 2016 (Dollars in Thousands)

Type of Investments	Fair Value		% of Portfolio
Global equity	$	64,431	40.50 %
Global fixed income	$	42,677	26.70 %
Real assets	$	32,140	20.10 %
Collective short-term investments	$	20,347	12.70 %
TOTAL FAIR VALUE	**$**	**159,595**	**100.00 %**

The amounts presented above may vary from the amounts presented in the financial statements due to the investment summary presenting amounts at the manager level and the financial statements presenting amounts at the security level.

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Actuarial Section

City of San José
Federated City Employees' Retirement System
Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2016
and June 30, 2015

CHEIRON

Classic Values, Innovative Advice

November 8, 2016

Board of Administration
City of San José Federated City Employees' Retirement System
1737 North 1st Street, Suite 580
San José, CA 95112

Dear Members of the Board:

The purpose of this letter is to provide the certification for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the City of San José Federated City Employees' Retirement System (System) with respect to pension benefits.

Actuarial Valuation Used for Funding Purposes

Actuarial valuations are performed annually, but prior to June 30, 2009, actuarial valuations were performed every other year. The most recent actuarial valuation was performed as of June 30, 2015. Please refer to that report for additional information related to the funding of the System.

We prepared the following schedules for inclusion in the Actuarial Section of the CAFR based on the June 30, 2015 actuarial valuation. All historical information prior to the June 30, 2010 actuarial valuation shown in these schedules is based on information reported by the prior actuary, Gabriel, Roeder, Smith and Company.

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Analysis of Financial Experience
- Solvency Test
- Schedule of Funding Progress
- Summary of Plan Provisions

The funding ratios shown in the solvency test and the schedule of funding progress are ratios compared to the funding target and are for the purpose of evaluating funding progress in a budgeting context. These ratios are not appropriate for measuring or assessing the solvency of the System or the sufficiency of System assets to cover the estimated cost of settling the System's benefit obligations.

The Board of Administration is responsible for establishing and maintaining the contribution policy for the System. The actuarial methods and assumptions used in the actuarial valuation are adopted by the Board of Administration with advice from the actuary. The actuarial cost method and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes.

Board of Administration
November 8, 2016
Page 2

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2015 actuarial valuation updated to the measurement date of June 30, 2016. There were no significant events between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

Please refer to our GASB 67/68 report as of June 30, 2016 for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the CAFR based on the June 30, 2016, GASB 67/68 report.

- Change in Net Pension Liability
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Net Pension Liability and Related Ratios
- Notes to the Schedule of Employer Contributions

Reliance on the Information Provided by the System and Compliance with ASOPs and GAAP

In preparing our valuations and the schedules for the CAFR, we relied on information (some oral and some written) supplied by the City of San José Department of Retirement Services. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements for funding and financial reporting purposes may differ significantly from the current measurements presented in this CAFR due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and, changes in plan provisions or applicable law.

To the best of our knowledge, this letter and the schedules named above have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. The schedules provided for financial reporting purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter and these exhibits. This letter does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This letter and the schedules named above were prepared for the System for the purposes described herein. Other users of this information are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

CHEIRON

Board of Administration
November 8, 2016
Page 3

Sincerely,
Cheiron

Gene Kalwarski, FSA, EA, FCA, MAAA
Principal Consulting Actuary

William R. Hallmark, ASA, EA, FCA, MAAA
Consulting Actuary

Actuarial Assumptions and Methods

Actuarial Assumptions

All assumptions were adopted at the November 19, 2015 Board meeting based on recommendations from our experience study covering plan experience during the period from July 1, 2010 through June 30, 2015.

1) Discount Rate

7.00% per year. The Board expects a long-term rate of return of 7.40% based on Meketa's 20-year capital market assumptions and the System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.

2) Wage Inflation and Payroll Growth

2.85%, compounded annually.

3) Price Inflation

2.50%, compounded annually

4) Administrative Expenses

1.0% of payroll is added to the normal cost of the system for expected administrative expenses.

5) Salary Increase Rate

In addition to the wage inflation component of 2.85% shown above, the following merit component is added based on an individual member's years of service:

Table B-1			
Salary Merit Increases			
Years of Service	Merit/ Longevity	Years of Service	Merit/ Longevity
0	4.50 %	8	0.60 %
1	3.50	9	0.50
2	2.50	10	0.45
3	1.85	11	0.40
4	1.40	12	0.35
5	1.15	13	0.30
6	0.95	14	0.25
7	0.75	15 +	0.25

6) Family Composition

Percentage married is shown in the following Table B-2. Male retirees are assumed to be three years older than their partner, and female retirees are assumed to be two years younger than their partner.

Table B-2	
Percentage Married	
Gender	**Percentage**
Male	80%
Female	60%

7) Rates of Termination

Sample rates of termination are shown in the following Table B-3.

Table B-3			
Rates of Termination			
Age	**0 Years of Service**	**1-4 Years of Service**	**5 or more Years of Service**
20	18 %	17.50 %	9.00 %
25	18	15.50	9.00
30	18	13.50	7.00
35	18	11.50	5.50
40	18	9.50	4.50
45	18	8.00	3.50
50	18	7.00	3.00
55	18	6.00	3.00
60	18	5.00	0.00
65	0	0.00	0.00

** Withdrawal/termination rates do not apply once a member is eligible for retirement*

25% of terminating employees are assumed to subsequently work for a reciprocal employer and receive 2.85% pay increases per year.

8) Rates of Refund

<u>Tier 1:</u>

Sample rates of vested terminated employees electing a refund of contributions are shown in the following Table B-4.

Table B-4	
Rates of Refund	
Age	**Refund**
20	40.0 %
25	40.0
30	27.5
35	17.0
40	8.0
45	3.0
50	1.0
55	0.0

<u>Tier 2:</u>

Vested terminated employees are expected to take a refund if it exceeds the actuarial present value of their deferred benefit payment.

9) Rates of Disability

Sample disability rates of active members are provided in Table B-5.

Table B-5	
Rates of Disability at Selected Ages	
Age	**Disability**
20	0.014%
25	0.014
30	0.021
35	0.063
40	0.136
45	0.201
50	0.218
55	0.200
60	0.181
65	0.167
70	0.149

40% of disabilities are assumed to be duty-related, and 60% are assumed to be non-duty.

10) Rates of Mortality

Mortality rates for actives, retirees, beneficiaries, terminated vested and reciprocals are based on the sex-distinct employee and annuitant CalPERS mortality tables as described below. The CalPERS tables are from their 2014 experience study with a central experience year of 2009 and prior to the 20-year projection of those rates using Scale BB. Future mortality improvements are reflected by applying the SOA MP-2015 projection scale on a generational basis from the base year of 2009.

Base Mortality Tables		
Category	**Male**	**Female**
Healthy Annuitant	0.952 times the CalPERS 2009 Healthy Annuitant Mortality Table (Male)	0.921 times the CalPERS 2009 Healthy Annuitant Mortality Table (Female)
Healthy Non-Annuitant	0.919 times the CalPERS 2009 Employee Mortality Table (Male)	0.918 times the CalPERS 2009 Employee Mortality Table (Female)
Disabled Annuitant	1.051 times the CalPERS 2009 Ordinary Disability Mortality Table (Male)	1.002 times the CalPERS 2009 Ordinary Disability Mortality Table (Female)

100% of Tier 1 active member deaths and 99% of Tier 2 active member deaths are assumed to be service connected.

11) Rates of Retirement

Rates of retirement for Tier 1 members are based on age according to the following Table B-6 – Tier 1.

Table B-6 Tier 1 Rates of Retirement by Age and Service			
Age	**Less than 15 Years of Service**	**15 or more Years of Service and less than 30 years of Service**	**30 or more Years of Service**
50	0.0%	0.0%	70.0%
51	0.0	0.0	70.0
52	0.0	0.0	70.0
53	0.0	0.0	70.0
54	0.0	0.0	70.0
55	8.0	35.0	50.0
56	8.0	22.5	50.0
57	8.0	22.5	50.0
58	8.0	22.5	50.0
59	8.0	22.5	50.0
60	8.0	22.5	45.0
61	8.0	30.0	45.0
62	9.0	30.0	45.0
63	10.0	30.0	45.0
64	15.0	35.0	45.0
65	20.0	40.0	45.0
66	20.0	40.0	45.0
67	20.0	40.0	45.0
68	20.0	40.0	45.0
69	20.0	40.0	45.0
70 & over	100.0	100.0	100.0

Rates of retirement for Tier 2 members are based on age according to the following Table B-6 – Tier 2.

Table B-6 Tier 2 Rates of Retirement by Age and Service		
Age	Less than 32.5 Years of Service	32.5 or more Years of Service
55	4.0%	7.0%
56	3.0	6.0
57	3.0	6.0
58	3.0	6.0
59	5.0	10.0
60	7.5	15.0
61	10.0	25.0
62	10.0	25.0
63	10.0	25.0
64	10.0	25.0
65	40.0	70.0
66	25.0	50.0
67	25.0	50.0
68	25.0	50.0
69	25.0	50.0
70 & over	100.0	100.0

12) Deferred Member Benefit

The benefit was estimated based on information provided by the Office of Retirement Services. The data used to value the estimated deferred benefit were credited service, date of termination, and last pay rate. Based on the data provided, the highest average salary was estimated.

Tier 1 terminated vested members are assumed to retire at age 57 and Tier 2 terminated vested members are assumed to retire at age 65.

13) Changes Since Last Valuation

All demographic assumptions were updated based on the most recent experience study covering the period from July 1, 2010 through June 30, 2015. Please refer to the full experience study report for detail on the specific changes.

Contribution Allocation Procedure

The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below. All components of the contribution allocation procedure were established prior to the June 30, 2010 actuarial valuation except as specifically noted below.

Actuarial Assumptions and Methods *(Continued)*

1) Actuarial Cost Method

The Entry Age actuarial cost method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and assumed retirement. The actuarial liability is the difference between the present value of future benefits and the present value of future normal costs. Or, equivalently, it is the accumulation of normal costs for all periods prior to the valuation date. The normal cost and actuarial liability are calculated on an individual basis. The sum of the individual amounts is the normal cost and actuarial liability for the System. The actuarial liability for the System represents the target amount of assets the System should have as of the valuation date according to the actuarial cost method.

2) Asset Valuation Method

For the purpose of determining contribution rates and amounts, an actuarial value of assets is used that dampens the volatility in the market value of assets, resulting in a smoother pattern of contribution rates.

The actuarial value of assets is calculated by recognizing 20% of the difference in each of the prior four years of actual investment returns compared to the expected return on the market value of assets.

3) Amortization Method

The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets. The unfunded actuarial liability as of June 30, 2009 is amortized as a level percentage of Tier 1 pay over a closed 30-year period commencing June 30, 2009. Actuarial gains and losses, assumption changes, and plan changes are amortized as a level percentage of Tier 1 and Tier 2 pay over 20-year periods beginning with the valuation date in which they first arise. The amortization payment for the 2015 assumption changes is phased in over a 3-year period. The phase-in is calculated by multiplying the first year amortization payment by one third. For the second year, the amortization schedule is recalculated reflecting the one-third payment in the first year and the remaining 19-year period, and the calculated amortization payment is then multiplied by two-thirds. For the third year, the amortization schedule is again recalculated reflecting the prior payments and the remaining 18-year period. To remain a level percentage of expected future payroll, each annual amortization payment increases by 2.85%.

4) Contributions

At its November 2010 meeting, the Board adopted a policy setting the City's contribution to be the greater of the dollar amount reported in the actuarial valuation (adjusted for interest based on the time of the contribution) and the dollar amount determined by applying the percent of payroll reported in the actuarial valuation to the actual payroll for the fiscal year. The City and Member contributions determined by a valuation become effective for the fiscal year commencing one year after the valuation date. For Tier 1, City contributions are normally made on the first day of the fiscal year. All other contributions are made on a payroll-by-payroll basis.

The total contribution rate is the sum of the normal cost rate (including assumed administrative expenses) and the UAL rate. The normal cost rate is determined by dividing the total normal cost determined under the actuarial cost method by the payroll expected for members active on the valuation date. The UAL payments are adjusted for interest from the valuation date to the date of expected payment in the following fiscal year. The UAL rate is determined by dividing the UAL payments by the total expected payroll for the year (including members active on the valuation date and new entrants expected to replace active members who are expected to leave employment).

Actuarial Assumptions and Methods *(Continued)*

For Tier 1, members contribute 3/11ths of the normal cost rate (including administrative expenses, but excluding reciprocity), and the City pays the remainder of the total contribution rate. For Tier 2, the members and the City each pay half of the total contribution rate.

5) Changes Since Last Valuation

The amortization payments for the 2015 assumption changes will be phased in over 3 years.

Member Valuation Data

SCHEDULE OF ACTIVE MEMBER DATA				
Valuation Date	**Active Count**	**Annual Payroll**	**Average Annual Pay**	**Percent Change in Average Pay**
2015	3,236	$ 251,429,722	$ 77,698	3.3%
2014	3,121	234,677,131	75,193	3.0%
2013	3,094	225,779,216	72,973	-0.6%
2012	3,076	225,859,144	73,426	5.0%
2011	3,274	228,936,398	69,926	-11.2%
2010	3,818	300,811,165	78,788	-0.5%
2009	4,079	323,020,387	79,191	7.1%
2007	3,942	291,404,606	73,923	7.0%
2005	4,148	286,445,861	69,056	5.6%
2003	4,479	292,961,371	65,408	15.6%
2001	4,466	252,696,000	56,582	7.9%
1999	3,694	193,650,000	52,423	8.3%
1997	3,642	176,284,000	48,403	6.8%
1995	3,397	153,918,000	45,310	4.4%

Years prior to 2009 are increases over a two-year period, not an annual increase.

Changes in Retirees and Beneficiaries

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS										
	Beginning of Period		Added to Rolls		Removed from Rolls		End of Period			
Period	Count	Annual Allowances	Count	Annual Allowances	Count	Annual Allowances	Count	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
2014-2015	3,800	$ 159,124,000	200	$ 8,266,000	99	$ 3,122,000	3,901	$ 168,917,000	6.2 %	$ 43,301
2013-2014	3,711	150,934,000	194	7,274,000	105	3,405,000	3,800	159,124,000	5.4 %	41,875
2012-2013	3,602	142,063,000	198	7,036,000	89	2,360,000	3,711	150,934,000	6.2 %	40,672
2011-2012	3,428	129,869,000	250	14,158,000	76	1,964,000	3,602	142,063,000	9.4 %	39,440
2010-2011	3,111	112,660,000	398	19,615,000	81	2,406,000	3,428	129,869,000	15.3 %	37,885
2009-2010	2,930	101,194,000	206	10,700,373	79	2,203,960	3,111	112,660,000	11.3 %	36,213
2007-2009	2,691	84,723,000	376	14,890,021	137	3,450,015	2,930	101,194,000	19.4 %	34,537
2005-2007	2,426	69,466,000	389	13,818,131	124	2,721,303	2,691	84,723,000	22.0 %	31,484
2003-2005	2,172	54,687,000	398	16,679,642	144	2,070,047	2,426	69,466,000	27.0 %	28,634
2001-2003	2,030	45,208,000	313	10,151,748	171	503,802	2,172	54,587,000	21.0 %	25,178
1999-2001	1,824	37,137,000	230	6,655,000	24	268,000	2,030	45,208,000	21.7 %	22,270
1997-1999	1,745	32,630,000	202	4,642,000	123	1,514,000	1,824	37,137,000	13.8 %	20,360

Years prior to 2009-2010 are increases over a two-year period, not an annual increase.

Actuarial Analysis of Financial Experience

ANALYSIS OF FINANCIAL EXPERIENCE Gain (or Loss) for Year Ending on Valuation Date Due To:						
Type of Activity	2015	2014	2013	2012	2011	2010
Investment Income	$ (3,641)	$ 39,675	$ (76,502)	$ (119,331)	$ (82,166)	$ (124,137)
Combined Liability Experience	(45,998)	(13,600)	2,899	2,023	83,403	45,785
Total Financial Experience	$ (49,639)	$ 26,075	$ (73,603)	$ (117,308)	$ 1,237	$ (78,352)
Non-Recurring Items	(191,527)	(103,404)	(63,668)	43,109	(187,548)	(18,467)
Total Experience	**$ (241,166)**	**$ (77,329)**	**$ (137,271)**	**$ (74,199)**	**$ (186,311)**	**$ (96,819)**

In Thousands

Actuarial Analysis of Financial Experience *(Continued)*

ALTERNATE ANALYSIS OF FINANCIAL EXPERIENCE TIER 1 For Plan Year Ended June 30, 2016			
Type of Activity	**Change in Employee Rate %**	**Change in Employer Rate %**	**Total Change in Contribution Rate %**
Investment Performance	0.00%	1.54%	1.54%
Liability Experience	-0.09%	1.77%	1.68%
Change in Assumptions	0.23%	6.12%	6.35%
Change in Benefit Provisions	0.00%	0.00%	0.00%
TOTAL	**0.14%**	**9.43%**	**9.57%**

ALTERNATE ANALYSIS OF FINANCIAL EXPERIENCE TIER 2 For Plan Year Ended June 30, 2015			
Type of Activity	**Change in Employee Rate %**	**Change in Employer Rate %**	**Total Change in Contribution Rate %**
Investment Performance	0.01%	0.01%	0.02%
Liability Experience	0.18%	0.18%	0.36%
Change in Assumptions	0.14%	0.14%	0.28%
Change in Benefit Provisions	0.00%	0.00%	0.00%
TOTAL	**0.33%**	**0.33%**	**0.66%**

Solvency Test

GASB SOLVENCY TEST Actuarial Liability for:							
Valuation Date	**Active Member Contributions**	**Retirees, Beneficiaries and Other Inactives**	**Remaining Active Members' Liabilities**	**Reported Assets***	**Portion of Actuarial Liability Covered by Reported Assets**		
June 30, **	(A)	(B)	(C)		(A)	(B)	(C)
2015	$ 243,828	$ 2,553,892	$ 772,178	$ 2,004,481	100%	69%	0%
2014	233,289	2,331,656	670,120	1,911,773	100%	72%	0%
2013	234,217	2,164,253	615,393	1,782,629	100%	72%	0%
2012	234,619	2,001,498	604,883	1,762,973	100%	76%	0%
2011	234,574	1,848,254	687,400	1,788,660	100%	84%	0%
2010	242,944	1,504,698	762,716	1,729,414	100%	99%	0%
2009	228,967	1,393,114	864,074	1,756,588	100%	100%	16%
2007	214,527	1,003,001	743,415	1,622,851	100%	100%	55%
2005	230,027	824,043	657,300	1,384,454	100%	100%	50%
2003	224,875	635,092	451,724	1,280,719	100%	100%	93%

** Actuarial value of assets* *Amounts in thousands*

*** Results prior to June 30, 2010 were calculated by the prior actuary*

Schedule of Funding Progress

The funding ratios shown in the Schedule of Funding Progress are ratios compared to the actuarial liability that is intended to be a funding target and are for the purpose of evaluating funding progress in a budgeting context. These ratios are not appropriate for measuring or assessing the solvency of the System or the sufficiency of System assets to cover the estimated cost of settling the System's benefit obligations.

SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	**Actuarial Value of Assets**	**Actuarial Liability (AL)**	**Unfunded AL (UAL)**	**Funded Ratio**	**Covered Payroll**	**UAL as a % of Covered Payroll**
June 30, 2015[8]	$ 2,004,481	$ 3,569,898	$ 1,565,417	56%	$ 251,430	623%
June 30, 2014[7]	$ 1,911,773	$ 3,235,065	$ 1,323,292	59%	$ 234,677	564%
June 30, 2013[6]	$ 1,783,270	$ 3,013,763	$ 1,230,493	59%	$ 225,779	545%
June 30, 2012[5]	$ 1,762,973	$ 2,841,000	$ 1,078,027	62%	$ 225,859	477%
June 30, 2011[4]	$ 1,788,660	$ 2,770,227	$ 981,567	65%	$ 228,936	429%
June 30, 2010[3]	$ 1,729,414	$ 2,510,358	$ 780,944	69%	$ 300,811	260%
June 30, 2009[2]	$ 1,756,588	$ 2,486,155	$ 729,567	71%	$ 323,020	226%
June 30, 2007	$ 1,622,851	$ 1,960,943	$ 338,092	83%	$ 291,405	116%
June 30, 2005[1]	$ 1,384,454	$ 1,711,370	$ 326,916	81%	$ 286,446	114%
June 30, 2003	$ 1,280,719	$ 1,311,691	$ 30,972	98%	$ 292,961	11%
June 30, 2001	$ 1,060,144	$ 1,072,333	$ 12,189	99%	$ 252,696	5%

Amounts prior to June 30, 2010 were calculated by the prior actuary *Amounts in thousands*

[1] *Demographic assumption changes increased AL by $83 million.*

[2] *Demographic and economic assumption changes, including reducing the investment return assumption from 8.25% to 7.75% increased the AL by $229 Million.*

[3] *Increasing the investment return assumption from 7.75% to 7.95% decreased the AL by $59 million.*

[4] *Demographic and economic assumption changes, including reducing the investment return assumption from 7.95% to 7.5% increased the AL by $188 million.*

[5] *Elimination of the SRBR reduced the AL by $43 million.*

[6] *Reducing the discount rate from 7.5% to 7.25% and wage inflation to 2% for 5 years and 2.85% thereafter increased the AL by $64 million.*

[7] *Reducing the discount rate from 7.25% to 7.0% and eliminating the temporary 2% wage inflation increased the AL by $103 million.*

[8] *Demographic and economic assumption changes decreased the AL by $192 million.*

Summary of Pension Plan Provisions - Tier 1

1) Membership Requirement

Participation in the System is immediate upon the first day of full-time employment for members hired before September 30, 2012.

2) Final Compensation

Members who separated from city service prior to June 30, 2001

The highest average annual compensation earnable during any period of three consecutive years.

Members who separated from city service on or after June 30, 2001

The highest average annual compensation earnable during any period of twelve consecutive months.

3) Credited Service

One year of service credit is given for 1,739 or more hours of Federated City service rendered in any calendar year. A partial year (fraction with the numerator equal to the hours worked, and the denominator equal to 1,739) is given for each calendar year with less than 1,739 hours worked.

4) Member Contributions

Member:

The amount needed to fund 3/11ths of benefits accruing for the current year. These contributions are credited with interest at 3.0% per year, compounded annually.

Employer:

The Employer contributes the remaining amounts necessary to maintain the soundness of the Retirement System.

5) Service Retirement

Eligibility:

Age 55 with five years of service, or any age with 30 years of service.

Benefit – Member:

2.5% of Final Compensation for each year of credited service, subject to a maximum of 75% of Final Compensation.

Benefit - Survivor:

50% of the service retirement benefit paid to a qualified survivor.

Summary of Pension Plan Provisions - Tier 1 *(Continued)*

6) Service-Connected Disability Retirement

Eligibility:

No age or service requirement.

Benefit - Member:

2.5% of Final Compensation for each year of credited service, subject to a minimum of 40% and a maximum of 75% of Final Compensation. Workers' Compensation benefits are generally offset from the service-connected benefits under this system.

Benefit - Survivor:

50% of the disability retirement benefit paid to a qualified survivor.

7) Non-Service Connected Disability Retirement

Eligibility:

Five years of service.

Benefit - Member:

Members who were hired prior to September 1, 1998:

The amount of the service-connected benefit reduced by 0.5% for each year that the disability age preceded 55.

Members who were hired on or after September 1, 1998:

20% of Final Compensation, plus 2% of Final Compensation for each year of credited service between six and 16 years, plus 2.5% of Final Compensation for each year of credited service in excess of 16 years, subject to a maximum of 75% of Final Compensation.

Benefit - Survivor:

50% of the disability retirement benefit paid to a qualified survivor.

Summary of Pension Plan Provisions - Tier 1 *(Continued)*

8) Death While an Active Employee

Less than five years of service, or no qualified survivor:

Lump sum benefit equal to the accumulated refund of all employee contributions with interest, plus one month of salary for each year of service, up to a maximum of six years.

Five or more years of service:

2.5% of Final Compensation for each year of credited service, subject to a minimum of 40% and a maximum of 75% of Final Compensation. The benefit is payable until the spouse or registered domestic partner marries or establishes a domestic partnership. If the member was age 55 with 20 years of service at death, the benefit is payable for the lifetime of the member's spouse or registered domestic partner.

9) Withdrawal Benefits

Less than five years of service:

Lump sum benefit equal to the accumulated employee contributions with interest.

Five or more years of credited service:

The amount of the service retirement benefit, payable at age 55.

10) Additional Post-retirement Death Benefit

A death benefit payable as a lump sum equal to $500 will be paid to a qualified survivor upon the member's death.

11) Post-retirement Cost-of-Living Benefit

Benefits are increased every April 1 by 3.0%, regardless of actual inflation.

12) Changes Since the Last Valuation

None.

Summary of Pension Plan Provisions - Tier 2

1) Membership Requirement

Any person who is hired, rehired or reinstated by the City on or after September 30, 2012.

2) Final Compensation

The average annual compensation earnable during the highest three consecutive years of service. Final compensation only includes base pay, excluding premium pay and any other additional compensation.

3) Credited Service

One year of service credit is given for 2,080 or more hours of Federated City service rendered in any calendar year. A partial year (fraction with the numerator equal to the hours worked, and the denominator equal to 2,080) is given for each calendar year with less than 2,080 hours worked.

4) Member Contributions

50% of total Tier 2 contributions to the pension plan, including, but not limited to administrative expenses, normal cost and unfunded actuarial liability.

5) Unreduced Service Retirement

Eligibility:

Age 65 with five years of service.

Benefit – Member:

2.0% of Final Compensation for each year of credited service attributable to Tier 2 and 2.5% of Final Compensation for each year of credited service attributable to Tier 1, subject to a maximum of 65% of Final Compensation.

Benefit - Survivor:

Single life annuity.

6) Early Service Retirement

Eligibility:

Age 55 with five years of service.

Benefit - Member:

Reduced benefit actuarially equivalent to the unreduced service retirement benefits commencing at age 65. The early retirement reduction is applied to the benefit after the application of the maximum of 65% of final compensation.

7) Service-Connected Disability Retirement

Eligibility:

No age or service requirement.

Summary of Pension Plan Provisions - Tier 2 *(Continued)*

Benefit - Member:

Monthly benefit equivalent to 50% of Final Compensation less the amounts specified in Section 3.28.1330 and Section 3.28.1340.

8) Non-Service Connected Disability Retirement

Eligibility:

Five years of service.

Benefit - Member:

2.0% of Final Compensation for each year of credited service attributable to Tier 2 and 2.5% of Final Compensation for each year of credited service attributable to Tier 1, subject to a minimum of 20% of Final Compensation and a maximum of 50% of Final Compensation less the amounts specified in Section 3.28.1330 and Section 3.28.1340.

9) Death Before Retirement

If death occurs before retirement eligibility is reached:

Lump sum benefit equal to the accumulated refund of all employee contributions with interest.

If death occurs after retirement eligibility is reached:

Benefit equivalent to what the employee would have received if retired at the time of death.

Employees killed in the line of duty:

Monthly benefit equivalent to 50% of Final Compensation.

10) Withdrawal Benefits

Less than five years of service:

Lump sum benefit equal to the accumulated employee contributions with interest.

Five or more years of credited service:

The amount of the service retirement benefit, actuarially reduced for early retirement, and payable when retirement eligibility is reached.

11) Benefit Forms

Annuity benefits are paid in the form of a life annuity or an actuarially equivalent annuity with 50%, 75% or 100% continuance to a survivor.

12) Post-retirement Cost-of-Living Benefit

Benefits are increased every April 1 by the change in the December CPI-U for San José-San Francisco-Oakland, subject to a cap of 1.5%. The first COLA after retirement shall be prorated based on the number of months retired.

Classic Values, Innovative Advice

November 8, 2016

Board of Administration
City of San José Federated City Employees' Retirement System
1737 North 1st Street, Suite 580
San Jose, CA 95112

Dear Members of the Board:

The purpose of this letter is to provide the certification for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the City of San José Federated City Employees' Retirement System (System) with respect to Other Postemployment Benefits (OPEB) provided through the City of San José Federated Postemployment Healthcare Plan ("Plan").

Actuarial valuations are performed annually, but prior to June 30, 2009, actuarial valuations were performed every other year. The most recent actuarial valuation was performed as of June 30, 2015. Please refer to that report for additional information related to the funding of the Plan.

Funding Objectives and Progress

The actuarial cost method adopted in the collective bargaining agreement and reflected in the valuation is designed to spread the cost of benefits over each employee's working career as a level percentage of pay. The funding ratio indicates the percentage of assets in the Plan compared to the amount targeted by the actuarial cost method as of the valuation date. Because the effort to pre-fund the Plan was started relatively recently with the entire Unfunded Actuarial Liability as of June 30, 2009 being amortized over 30 years and actual contribution rates lower than the full Annual Required Contribution (ARC), the current funded status is relatively low.

Employees hired on or after September 1, 2013 are not eligible to enter the Plan. As a result, the payments to amortize the UAL for purposes of calculating the ARC are now level dollar amounts instead of a level percent of payroll.

A summary of the key results from the June 30, 2015 actuarial valuation are as follows:

- *Assets:* The assets of the Plan increased approximately $10 million since the prior valuation due to $45 million in contributions less $6 million in investment losses and $29 million in benefit payments.

- *Actuarial Liability:* On a funding basis, the Actuarial Liability increased approximately $57 million from $665 million to $722 million. The increase was primarily due to claims experience and assumption changes. On a financial reporting basis, the Actuarial Liability increased approximately $89 million from $729 million to $818 million due to claims experience, assumption changes, and a decrease in the discount rate.

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Members of the Board
November 8, 2016
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- *Unfunded Actuarial Liability (UAL)/Surplus:* On a funding basis, the UAL increased approximately $47 million from $465 million to $512 million. On a financial reporting basis, the UAL increased approximately $78 million from $530 million to $608 million.

- *Funding Ratio:* On a funding basis, the ratio of assets to the Actuarial Liability decreased from 30% to 29% since the last valuation. On a financial reporting basis, the ratio of assets to the Actuarial Liability decreased from 27% to 26% since the last valuation. These funding ratios are ratios compared to the funding target and are for the purpose of evaluating funding progress in a budgeting context and a financial reporting context respectively. These ratios are not appropriate for measuring or assessing the solvency of the Plan or the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations.

- *Member Contribution Rate:* The City negotiated contracts with its labor unions that require both employee and City contributions to fund the Plan. The contributions for retiree medical benefits are split evenly between employees and the City, and the contributions for retiree dental benefits are split in the ratio of eight to three with the City contributing 8/11ths of the total contribution. In addition, the City contributes the Unfunded Actuarial Liability (UAL) rate on payroll for employees hired after September 2013, who are not eligible to participate in the plan. For employees who are rehired after September 2013, who have a vested right to dental benefits, the City contributes the full UAL rate for medical benefits in addition to the 8/11ths of the total dental contribution rate. The amended agreements call for contributing the full Annual Required Contribution (ARC) under GASB 43 and 45 beginning on June 21, 2015, with contribution rate increases limited to 0.75% of payroll for the members and the City for each fiscal year until that date. However, we understand that subsequent agreements extended the contribution rates for FYE 2015 to the end of FYE 2016. As a result, the member contribution rate for FYE 2016 was 8.76%.

- *City Contribution Rate:* As a result of the negotiations described above, the City contribution rate for the year ending June 30, 2016 is 9.41% of payroll. In addition, the City contribution rate for employees hired on or after September 1, 2013 for the fiscal year ending June 30, 2016 is 12.66% of payroll and is 12.86% of payroll for employees rehired after September 1, 2013, who have a vested right to dental benefits.

More details on the plan experience for the past year, including the changes listed above and their impact on the June 30, 2015 valuation results can be found in our full report.

Schedules Prepared by Actuary

We have prepared the following information for inclusion in the Actuarial Section of this Comprehensive Annual Financial Report (CAFR) based on the June 30, 2015 actuarial valuation:

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Solvency Test

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Members of the Board
November 8, 2016
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- Analysis of Financial Experience
- Summary of Key Substantive Plan Provisions

In addition, we have prepared the following information for inclusion in the Financial Section of this CAFR.

- Notes to Required Supplementary Information
- Schedule of Funding Progress
- Schedule of Employer Contributions

All historical information prior to the June 30, 2010 actuarial valuation shown in these exhibits is based on information reported by the prior actuary, Gabriel, Roeder, Smith and Company.

Reliance on the Information Provided by the System and Compliance with GAAP

In preparing our valuations and the schedules for the CAFR, we relied on information (some oral and some written) supplied by the City of San José Department of Retirement Services. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements for funding and financial reporting purposes may differ significantly from the current measurements presented in this CAFR due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and, changes in plan provisions or applicable law.

To the best of our knowledge, this letter and the schedules named above have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter and these exhibits. This letter does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This letter and the schedules named above were prepared for the Plan for the purposes described herein. Other users of this information are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

This letter and the exhibits named above do not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.

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Members of the Board
November 8, 2016
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Sincerely,
Cheiron

William R. Hallmark, ASA, EA, FCA, MAAA	Michael W. Schionning, FSA, MAAA
Consulting Actuary	Principal Consulting Actuary

Actuarial Assumptions and Methods

POSTEMPLOYMENT HEALTHCARE

Economic Assumptions:

The expected return on plan assets, expected return on employer assets, and per person cost trend assumptions shown below were adopted by the Board of Administration with our input at the December 17, 2015 Board meeting.

1) Expected Return on Plan Assets:

7.00% per year. The Board expects a long-term rate of return of 7.40% for the 401(h) account and 7.31% for the 115 trust based on Meketa's capital market assumptions and investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.

2) Expected Return on Employer Assets: 3.00% per year.

3) Blended Discount Rate: 6.10% per year.

4) Per Person Cost Trends:

	Annual Increase		
To Calendar Year	**Pre-Medicare**	**Medicare Eligible**	**Dental**
2017	8.50%	6.50%	4.00%
2018	8.20	6.34	4.00
2019	7.89	6.18	4.00
2020	7.59	6.02	4.00
2021	7.29	5.86	4.00
2022	6.98	5.70	4.00
2023	6.68	5.54	4.00
2024	6.38	5.38	4.00
2025	6.07	5.21	4.00
2026	5.77	5.05	4.00
2027	5.46	4.89	4.00
2028	5.16	4.73	4.00
2029	4.86	4.57	4.00
2030	4.55	4.41	4.00
2031+	4.25	4.25	4.00

Actual premium increases for 2016 were reflected in the valuation, with the above rates applying thereafter. Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum (where applicable) are assumed to increase at the above trend rates.

POSTEMPLOYMENT HEALTHCARE

Demographic Assumptions:

The plan election assumptions were adopted by the Board of Administration at the December 17, 2015 Board meeting based upon our recommendations. The other demographic assumptions shown below were adopted by the Board of Administration at the November 19, 2015 Board meeting based on recommendations from our experience study covering plan experience during the period from July 1, 2010 through June 30, 2015.

1) Retirement Rates:

Rates of retirement for Tier 1 members are based on age according to the following table.

Rates of Retirement by Age and Service			
TIER 1			
Age	Less than 15 Years of Service	15 or more Years of Service and less than 30 years of Service	30 or More Years of Service
50	0.0%	0.0%	70.0%
51	0.0	0.0	70.0
52	0.0	0.0	70.0
53	0.0	0.0	70.0
54	0.0	0.0	70.0
55	8.0	35.0	50.0
56	8.0	22.5	50.0
57	8.0	22.5	50.0
58	8.0	22.5	50.0
59	8.0	22.5	50.0
60	8.0	22.5	45.0
61	8.0	30.0	45.0
62	9.0	30.0	45.0
63	10.0	30.0	45.0
64	15.0	35.0	45.0
65	20.0	40.0	45.0
66	20.0	40.0	45.0
67	20.0	40.0	45.0
68	20.0	40.0	45.0
69	20.0	40.0	45.0
70 & over	100.0	100.0	100.0

POSTEMPLOYMENT HEALTHCARE

Rates of retirement for Tier 2 members are based on age according to the following table.

Rates of Retirements by Age and Service		
TIER 2		
Age	Less than 32.5 Years of Service	32.5 or More Years of Service
55	4.0%	7.0%
56	3.0	6.0
57	3.0	6.0
58	3.0	6.0
59	5.0	10.0
60	7.5	15.0
61	10.0	25.0
62	10.0	25.0
63	10.0	25.0
64	10.0	25.0
65	40.0	70.0
66	25.0	50.0
67	25.0	50.0
68	25.0	50.0
69	25.0	50.0
70 & over	100.0	100.0

Tier 1 terminated vested members are assumed to retire at age 57 and Tier 2 terminated vested members are assumed to retire at age 65.

2) Rates of Termination :

Sample rates of refund/termination are shown in the following tables.

Rates of Termination			
Age	0 Years of Service	1-4 Years of Service	5 or More Years of Service
20	18.00%	17.50%	9.00%
25	18.00	15.50	9.00
30	18.00	13.50	7.00
35	18.00	11.50	5.50
40	18.00	9.50	4.50
45	18.00	8.00	3.50
50	18.00	7.00	3.00
55	18.00	6.00	3.00
60	18.00	5.00	0.00
65	0.00	0.00	0.00

**Withdrawal/termination rates do not apply once a member is eligible for retirement.*

POSTEMPLOYMENT HEALTHCARE

3) Rates of Refund :

Tier 1:

Sample rates of vested terminated employees electing a refund of contributions are shown in the following Table.

Rates of Refund	
Age	**Refund**
20	40.00 %
25	40.00
30	27.50
35	17.00
40	8.00
45	3.00
50	1.00
55	0.00

Tier 2:

Vested terminated employees are expected to take a refund it if exceeds the actuarial present value of their deferred benefit payment.

4) Rate of Mortality:

Mortality rates for actives, retirees, beneficiaries, terminated vested, and reciprocals are based on the sex-distinct employee and annuitant CalPERS mortality tables as described below. The CalPERS tables are from their 2014 experience study with a central experience year of 2009 and prior to the 20-year projection of those rates using Scale BB. Future mortality improvements are reflected by applying the SOA MP-2015 projection scale on a generational basis from the base year of 2009.

Base Mortality Tables		
Category	**Male**	**Female**
Healthy Annuitant	0.952 times the CalPERS 2009 Healthy Annuitant Mortality Table (Male)	0.921 times the CalPERS 2009 Healthy Annuitant Mortality Table (Female)
Healthy Non-Annuitant	0.919 times the CalPERS 2009 Employee Mortality Table (Male)	0.918 times the CalPERS 2009 Employee Mortality Table (Female)
Disabled Annuitant	1.051 times the CalPERS 2009 Ordinary Disability Mortality Table (Male)	1.002 times the CalPERS 2009 Ordinary Disability Mortality Table (Female)

POSTEMPLOYMENT HEALTHCARE

5) Disability Rates:

Sample rates of disability are shown in the following table.

Rates of Disability at Selected Ages	
Age	**Disability**
20	0.014%
25	0.014
30	0.021
35	0.063
40	0.136
45	0.201
50	0.218
55	0.200
60	0.181
65	0.167
70	0.149

40% of disabilities are assumed to be duty related, and 60% are assumed to be non-duty.

6) Salary Increase Rate:

Wage inflation component: 2.85%

In addition, the following merit component is added based on an individual member's years of service.

Salary Merit Increases	
Years of Service	**Merit/Longevity**
0	4.50%
1	3.50
2	2.50
3	1.85
4	1.40
5	1.15
6	0.95
7	0.75
8	0.60
9	0.50
10	0.45
11	0.40
12	0.35
13	0.30
14	0.25
15+	0.25

POSTEMPLOYMENT HEALTHCARE

7) Percent of Retirees Electing Coverage

100% of active members are assumed to elect coverage at retirement. 60% of term vested members are assumed to elect coverage at retirement. Retirees are assumed to continue in their 2015 plan. The PPO/ POS $30 Co-pay and POS $25 Co-pay plans will discontinue as of 1/1/2016; all current participants are assumed to transition to the HMO $45 plan. Save-Net network plans for both HMO $45 and HMO $25 will be offered as of 1/1/2016; 70% of the current enrollees of the HMO $45 and HMO $25 plans are expected to transition the corresponding Save-Net plans. Retirees who are not yet age 65 are assumed to be eligible for Medicare when they reach age 65 and are assumed to enroll in the Medicare-eligible plan corresponding to their current Pre-Medicare plan election. Future retirees are assumed to elect plans in the proportion shown in the table below.

ASSUMED PLAN ELECTIONS FOR FUTURE RETIREES	
Plan	**% Electing**
Pre-Medicare Medical Plans	
Kaiser DHMO	17%
Kaiser $25 Co-pay	55%
HMO $45 Co-pay	1%
HMO $45 SaveNet	3%
HMO $25 Co-pay	4%
HMO $25 SaveNet	10%
PPO / POS $25 Co-pay	10%
Medicare-Eligible Medical Plans	
Kaiser Senior Advantage	53%
BS Medicare HMO	12%
BS Medicare PPO	35%
Dental Plans (All Retirees)	
Delta Dental PPO	97%
DeltaCare HMO	3%

8) Family Composition:

85% of married males and 70% of married females will elect spouse coverage in a medical plan at retirement. 100% of employees with a spouse will elect spouse coverage in a dental plan at retirement. Pre-Medicare, 35% of males and 22% of females will cover children.

9) Dependent Age:

For current retirees, actual spouse date of birth was used when available. For future retirees, male retirees are assumed to be three years older than their partner, and female retirees are assumed to be two years younger than their partner.

POSTEMPLOYMENT HEALTHCARE

10) Married Percentage:

Percentage Married	
Gender	**Percentage**
Male	80%
Female	60%

11) Administrative Expenses:

Included in the average monthly premiums

Changes Since Last Valuation

Demographic assumptions were updated based on the 2015 experience study. Plan enrollment assumptions were updated based on recent experience and the expected impact of added and dropped plans. The blended discount rate decreased from 6.3 percent to 6.1 percent.

Claim and Expense Assumptions:

The claim and expense assumptions shown below were adopted by the Board of Administration at the December 17, 2015 Board meeting based upon our recommendations.

The claims costs are based on the fully insured premiums charged to the City for the active and retiree population in 2015 and 2016. For non-Medicare adults, the premiums for each coverage tier (retiree only, retiree plus spouse, retiree plus child(ren) and retiree plus family) were blended based on enrollment data for the 2015 calendar year. The same process was used for Medicare adults, except only Medicare-eligible retirees were included. Individuals on the PPO / POS $30 and POS $25 plans were assumed to transition to the HMO $45 Plan as of 1/1/2016. Individuals on the HMO $30 plans were assumed to transition to the Save-Net alternative plans at a rate of 70%. The resulting per person per month (PPPM) cost was then adjusted using age curves. The pre-Medicare adult claims curves were then loaded for the cost of children; the load for children decreased by retiree age since older retirees have fewer children. The impact of children on Medicare costs was assumed to be de minimis. All claims costs are developed jointly for the Federated and Police and Fire Postemployment Healthcare Plans of the City of San José.

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

1) Average Annual Claims and Expense Assumptions:

The following claim and expense assumptions were developed as of July 1, 2015 based on the premiums for 2015 and 2016. The explicit subsidy amount (100% of the premium for the lowest cost health plan available to active City employees) is assumed to grow based on the Pre-Medicare cost trend rates.

POSTEMPLOYMENT HEALTHCARE

The following tables show the claims costs for each medical plan as of the valuation date:

SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE						
	Kaiser DHMO		Kaiser $25 Co-Pay		HMO $45 Co-Pay	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
40	$ 4,995	$ 6,849	$ 6,935	$ 9,542	$ 7,896	$ 10,718
45	5,070	6,571	7,059	9,170	7,951	10,236
50	5,512	6,878	7,699	9,621	8,565	10,645
55	6,227	7,371	8,724	10,334	9,595	11,338
60	7,257	8,073	10,192	11,340	11,106	12,347
64	8,384	8,765	11,792	12,329	12,774	13,355

SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE						
	HMO $25 Co-Pay		PPO / POS $30 Co-Pay		PPO / POS $25 Co-Pay	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
40	$ 9,407	$ 12,769	$ 7,339	$ 10,322	$ 7,722	$ 11,087
45	9,473	12,195	7,601	10,016	8,129	10,854
50	10,204	12,683	8,453	10,653	9,203	11,683
55	11,431	13,507	9,746	11,588	10,772	12,850
60	13,230	14,710	11,546	12,859	12,914	14,395
64	15,218	15,910	13,472	14,086	15,176	15,869

SAMPLE CLAIMS COSTS - MEDICARE ELIGIBLE						
	Kaiser Senior Adv		BS Med HMO		BS Med PPO / POS	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
65	$ 2,770	$ 2,955	$ 6,336	$ 6,758	$ 6,600	$ 7,039
70	3,253	3,263	7,440	7,462	7,750	7,773
75	3,637	3,518	8,320	8,046	8,666	8,381
80	3,864	3,631	8,839	8,306	9,207	8,651
85	3,916	3,594	8,958	8,220	9,331	8,562

SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE				
	Savnet $45 Co-pay		Savnet $25 Co-pay	
Age	**Male**	**Female**	**Male**	**Female**
40	$ 6,869	$ 9,324	$ 8,184	$ 11,109
45	6,917	8,905	8,241	10,609
50	7,452	9,262	8,878	11,034
55	8,348	9,864	9,945	11,751
60	9,662	10,742	11,511	12,798
64	11,113	11,618	13,239	13,841

POSTEMPLOYMENT HEALTHCARE

SAMPLE CLAIMS COSTS - DENTAL				
	Delta Dental PPO		DeltaCare HMO	
Age	**Male**	**Female**	**Male**	**Female**
All	$ 693	$ 693	$ 317	$ 317

2) Medicare Part D Subsidy:

Per GASB guidance, the Part D Subsidy has not been reflected in this valuation.

3) Medicare Part B:

Assumed that Medicare eligible retirees participate in Medicare Part B.

4) Medicare Eligibility:

All retirees who turn age 65 are assumed to be eligible for Medicare.

5) Annual Limits:

Assumed to increase at the same rate as trend.

6) Lifetime Maximums:

Are not assumed to have any financial impact.

7) Geography:

Implicitly assumed to remain the same as current retirees.

8) Retiree Contributions:

Retirees pay the difference between the actual premium for the elected medical plan and the lowest cost medical plan available to active members, if the retiree is eligible to receive the explicit subsidy. No retiree contributions are required for dental.

Actuarial Assumptions and Methods *(Continued)*

POSTEMPLOYMENT HEALTHCARE

Changes Since Last Valuation:

There was no change to the claims costs process.

Contribution Allocation Procedure

The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below.

1) Actuarial Cost Method

The Entry Age actuarial cost method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and assumed retirement. The actuarial liability is the difference between the present value of future benefits and the present value of future normal costs. Or, equivalently, it is the accumulation of normal costs for all periods prior to the valuation date. The normal cost and actuarial liability are calculated on an individual basis. The sum of the individual amounts is the normal cost and actuarial liability for the Plan. The actuarial liability for the Plan represents the target amount of assets the Plan should have as of the valuation date according to the actuarial cost method.

2) Asset Valuation Method

The actuarial value of assets equals the market value of assets.

3) Amortization Method

The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets. The unfunded actuarial liability as of June 30, 2009 is amortized as a level dollar amount over a closed 30-year period commencing June 30, 2009. Actuarial gains and losses, assumption changes, and plan changes are amortized as a level dollar amount over a closed 30-year period commencing June 30, 2009. Actuarial gains and losses, assumption changes, and plan changes are amortized as a level dollar amount over 20-year periods beginning with the valuation date in which they first arise. The single equivalent amortization period cannot be greater than 30 years.

4) Contributions

The City negotiates contracts with its labor unions that require both employee and City contributions to fund the Plan.

The contributions for retiree medical benefits are split evenly between employees and the City, and the contributions for retiree dental benefits are split in the ratio of 8 to 3 with the City contributing 8/11ths of the total contribution. In addition, the City will contribute the unfunded actuarial liability (UAL) rate on payroll for employees hired after September 2013 who are not eligible to participate in the plan. For employees who are rehired after September 2013, who have vested right to dental benefits, the City contributes the full UAL rate for medical benefits in addition to the 8/11ths of the total dental contribution rate.

Changes Since Last Valuation:

None.

POSTEMPLOYMENT HEALTHCARE

DATA SCHEDULES

SCHEDULE OF ACTIVE MEMBER DATA						
	Active Member Counts					
As of June 30, Valuation Date	Under Age 65	Age 65+	Total	Annual Payroll	Average Annual Pay	Percentage Change in Average Pay
2015 *	2,527	74	2,601	$208,957,370	$ 80,337	5.9%
2014*	2,800	64	2,864	217,167,654	75,827	3.7%
2013	3,028	65	3,093	226,097,882	73,100	-0.4%
2012	3,017	59	3,076	225,859,144	73,426	5.0%
2011	3,201	73	3,274	228,936,398	69,926	-11.2%
2010	3,721	97	3,818	300,811,165	78,788	-0.5%
2009	3,988	91	4,079	323,020,387	79,191	N/A
2007	3,853	66	3,919	N/A	N/A	N/A
2006	3,734	75	3,809	N/A	N/A	N/A

** Does not include Tier 2B active employees.*

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS										
	Beginning of Period		Added to Rolls	Removed from Rolls	End of Period		Net Change		% Change	Average
Period	Count	Annual Subsidy	Count	Count	Count	Annual Subsidy	Count	Annual Subsidy	Annual Subsidy	Annual Subsidy
Medical										
2014-15	2,737	$ 21,940,885	152	120	2,769	$ 21,341,423	32	$ (599,462)	-2.7%	$ 7,707
2013-14	2,718	22,656,997	151	132	2,737	21,940,885	19	(716,112)	-3.2%	8,016
2012-13	2,680	25,223,474	158	120	2,718	22,656,997	38	(2,566,477)	-10.2%	8,336
2011-12	2,557	25,518,761	203	80	2,680	25,223,474	123	(295,287)	-1.2%	9,412
2010-11	2,245	20,520,530	429	117	2,557	25,518,761	312	4,998,231	24.4%	9,980
2009-10	2,078	17,710,949	243	76	2,245	20,520,530	167	2,809,581	15.9%	9,141
2007-09	1,976	14,970,264	N/A	N/A	2,078	17,710,949	102	2,740,685	18.3%	8,523
2006-07	1,891	10,864,081	N/A	N/A	1,976	14,970,264	85	4,106,183	37.8%	7,576
Dental										
2015-16	3,133	$ 3,130,058	$ 160	$ 87	$ 3,206	$ 3,212,072	$ 73	$ 82,014	2.6%	$ 1,002
2013-14	3,103	3,742,351	138	108	3,133	3,130,058	30	(612,293)	-16.4%	999
2012-13	3,044	3,924,332	144	85	3,103	3,742,351	59	3,739,307	-4.6%	1,206
2011-12	2,906	3,744,833	203	65	3,044	3,924,332	138	3,921,426	4.8%	1,289
2010-11	2,588	3,017,473	413	95	2,906	3,744,833	318	3,742,245	24.1%	1,289
2009-10	2,375	2,410,561	291	78	2,588	3,017,473	213	3,015,098	25.2%	1,166
2007-09	2,248	2,346,934	N/A	N/A	2,375	2,410,561	127	2,408,313	2.7%	1,015
2006-07	2,220	1,955,377	N/A	N/A	2,248	2,346,934	28	2,344,714	20.0%	1,044

**Annual subsidies are explicit amounts*

Actuarial Assumptions and Methods *(Continued)*

POSTEMPLOYMENT HEALTHCARE

SOLVENCY TEST					
	Actuarial Liability				
Actuarial Valuation Date	Retirees, Beneficiaries and Other Inactives	Active Members	Reported Assets	Portion of Actuarial Liability Covered by Reported Assets	
June 30,	(A)	(B)		(A)	(B)
2015	$ 469,903	$ 347,770	$ 209,761	45%	0%
2014	435,826	293,580	199,776	46%	0%
2013	495,967	374,905	157,695	32%	0%
2012	611,267	485,353	137,798	23%	0%
2011	652,157	493,203	135,454	21%	0%
2010	515,284	411,087	108,011	21%	0%
2009	421,367	375,081	85,564	20%	0%
2007	335,798	280,951	96,601	29%	0%
2006	370,886	332,052	81,288	22%	0%

Amounts in thousands

ANALYSIS OF FINANCIAL EXPERIENCE						
	Gain (or Loss) for Year Ending on Valuation Date Due to:					
Type of Activity	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Investment income	$ (19,264)	$ 19,767	$ 6,847	$ (14,897)	$ 10,131	$ 6,705
Liability experience	6,948	31,177	5,834	(27,919)	(35,166)	(43,746)
Total Financial Experience	(12,316)	50,944	12,681	(42,816)	(25,035)	(37,041)
Non-recurring items	(64,155)	148,417	114,786	136,154	(131,557)	(36,785)
Total Experience	**$ (76,471)**	**$ 199,361**	**$ 127,467**	**$ 93,338**	**$ (156,592)**	**$ (73,826)**

Amounts in thousands

Summary of Key Substantive Plan Provisions

POSTEMPLOYMENT HEALTHCARE

Eligibility (for employees hired before September 2013):

Medical:

Employees who retire (include deferred vested members) with at least 15 years of service with the City ("OPEB benefit service"), or with a monthly pension equal to at least 37.5% of final compensation, are eligible to elect medical coverage upon retirement. Tier 1 employees (hired before September 30, 2012) are eligible for retirement at age 55 with five years of service or at any age with 30 years of service. Tier 2 employees (hired on or after September 30, 2012) are eligible for unreduced service retirement at age 65 with five years of service or reduced service retirement at age 55 with five years of service. Service credited through reciprocity agreements counts towards an employee's required service to retire, but only service with the City counts towards the required years of service to receive OPEB benefits. Employees who retire with less than 15 years of service can elect coverage, but receive no explicit subsidy.

Employees who become disabled with at least 15 years of service or have a monthly pension equal to at least 37.5% of final compensation are eligible to elect medical coverage upon retirement.

Spouses or domestic partners of retired members are allowed to participate if they were enrolled in the City's medical plan at the time of the member's retirement. Dependent children are eligible to receive coverage until the age of 26.

Surviving spouses / domestic partners / children of deceased members are eligible for coverage if the following conditions are met:

1) The employee had 15 years of service at time of death or is entitled to a monthly pension of at least 37.5% of final compensation and;

2) Both the member and the survivors were enrolled in the active medical plan immediately before death; and,

3) The survivor will receive a monthly pension benefit

Dental:

Employees who retire or become disabled directly from City service with at least five years of service or with a monthly pension equal to at least 37.5% of final compensation, and are enrolled in a City dental plan at retirement, are eligible to elect dental coverage upon retirement. Spouses, domestic partners, or children of retired members are allowed to participate if they were enrolled in the City's dental plan at the time of the member's retirement.

Surviving spouses / domestic partners / children of deceased members are eligible for coverage if the following conditions are met.

1) The employee has five years of service at time of death or is entitled to a monthly pension of at least 37.5% of final compensation; and,

2) Both the member and the survivors were enrolled in the active dental plan immediately before death; and,

3) The survivor will receive a monthly pension benefit

Summary of Key Substantive Plan Provisions *(Continued)*

POSTEMPLOYMENT HEALTHCARE

Benefits for Retirees:

Medical:

The Plan, through either the 401(h) account or 115 trust, pays 100% of the premium for the lowest cost health plan available to active City employees. The member pays the difference, if another plan is elected.

Dental:

The Plan, through either the 401(h) account or 115 trust, pays 100% of the dental insurance premiums.

Premiums:

Monthly premiums before adjustments for 2015 and 2016 are as follows.

2015 MONTHLY PREMIUMS			
Plan	**Single**	**Empoyee / Spouse**	**Employee / Child**
Non-Medicare Monthly Rates			
Kaiser DHMO	$ 449.00	$ 899.00	$ 787.00
Kaiser $25 Co-pay	549.00	1,098.00	961.00
Blue Shield HMO $45 Co-pay	611.00	1,223.00	1,070.00
Blue Shield HMO $25 Co-pay	687.00	1,375.00	1,203.00
Blue Shield PPO or POS $30 Co-pay	723.00	1,446.00	1,266.00
Blue Shield PPO or POS $25 Co-pay	884.00	1,769.00	1,548.00
Medicare-Eligible Monthly Rates			
Kaiser Senior Advantage	$ 284.00	$ 569.00	$ 569.00
Blue Shield Medicare HMO	570.00	1,141.00	1,141.00
Blue Shield Medicare PPO / POS	661.00	1,323.00	1,323.00
Dental			
Delta Dental PPO	$ 48.00	$ 107.00	$ 117.00
DeltaCareHMO	27.00	54.00	47.00

Blue Shield Medicare family rates assume the children are on the Non-Medicare $25 Co-pay HMO or PPO

2016 MONTHLY PREMIUMS			
Plan	**Single**	**Employee / Spouse**	**Employee / Child**
Non-Medicare Monthly Rates			
Kaiser DHMO	$ 466.00	$ 933.00	$ 817.00
Kaiser $25 Co-pay	570.00	1,140.00	997.00
Blue Shield HMO $45 Co-pay	722.00	1,444.00	1,263.00
Blue Shield HMO $45 SaveNet	628.00	1,256.00	1,099.00
Blue Shield HMO $25 Co-pay	811.00	1,622.00	1,420.00
Blue Shield HMO $25 SaveNet	706.00	1,412.00	1,235.00
Blue Shield PPO $25 Co-pay	945.00	1,890.00	1,654.00
Medicare-Eligible Monthly Rates			
Kaiser Senior Advantage	$ 272.00	$ 544.00	$ 544.00
Blue Shield Medicare HMO	673.00	1,346.00	1,346.00
Blue Shield Medicare PPO or POS	707.00	1,414.00	1,414.00
Dental			
Delta Dental PPO	$ 48.00	$ 107.00	$ 117.00
DeltaCare HMO	24.00	48.00	42.00

Blue Shield Medicare family rates assume the children are on the Non-Medicare $25 Co-pay HMP or PPO

POSTEMPLOYMENT HEALTHCARE

SUMMARY OF 2016 BENEFIT PLANS					
Non-Medicare Plans:	**Kaiser $25 Co-Pay**	**Kaiser DHMO**	**BS HMO $25 Co-Pay and $25 Co-Pay SaveNet**	**BS HMO $45 Co-Pay and $25 Co-Pay SaveNet**	**BS PPO $25 Co-Pay**
Annual out-of-pocket maximum	$1,500/$3,000	$4,000/$8,000	$1,000/$2,000	$,3,500/$7,000	$2,000/$4,000
Annual deductible	None	$1,500/$3,000	None	None	$100/$200
Office visit co-pay	$25	$40	$25	$45	$25
Emergency room co-pay	$100	30%*	$100	$200	$100
Hospital care co-pay	$100	30%*	$100	50%	$100
Prescription Drug (30-day supply):					
Generic	$10	$10	$10	$15	$10
Brand	$25	$30	$25	$30*	$25
Non-formulary	N/A	N/A	$40	50%* *250 deductible	$40

**After deductible is paid.*

Medicare-Eligible Plans:	**Kaiser**	**BS HMO**	**BS PPO**
Annual out-of-pocket maximum	$1,500/$3,000	$1,000/$2,000	$2,000/$4,000
Annual deductible	None	None	$100/$200
Office visit co-pay	$25	$25	$25
Emergency room co-pay	$50	$100	$100
Hospital care co-pay	$250	$100	$100 + 10%
Prescription Drug Retail (30-day supply)			
Generic Brand	$10 $10	$10 $25	$10 $25
Non-formulary	N/A	$40	$40

Cost Sharing Provisions:

It is assumed for the purpose of this valuation that the City of San José will in the future maintain a consistent level of cost sharing for benefits with the retirees. This may be achieved by adjusting benefit provisions, contributions or both.

Statistical Section

The Statistical Section provides additional historical perspective, context, and detail in order to provide a more comprehensive understanding of this fiscal year's financial statements, note disclosures, and supplementary information, which cover Pension Plan, and Postemployment Healthcare Plans, including 401 (h) and 115. This section also provides a multi-year trend of financial and operating information to facilitate comprehensive understanding of how the organization's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for the System's net assets, benefits, refunds, contribution rates, and different types of retirement benefits. The financial and operating trend information is located on the following pages.

City of San José
Federated City Employees' Retirement System
Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2016
and June 30, 2015

Statistical Review

CHANGES IN PLAN NET POSITION FOR FISCAL YEARS 2007-2016 *(In Thousands)*

PENSION BENEFITS (Schedule 1a)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Additions										
Employee contributions	$ 15,920	$ 13,621	$ 13,596	$ 12,652	$ 10,555	$ 24,602	$ 13,396	$ 13,848	$ 13,366	$ 12,370
Employer contributions	129,456	114,751	107,544	103,109	87,082	59,180	54,566	57,020	54,958	51,004
Investment income/(loss)*	(35,010)	(16,642)	263,688	146,367	(68,903)	287,179	197,755	(295,773)	(60,101)	244,210
Total additions to plan net position	**110,366**	**111,730**	**384,828**	**262,128**	**28,734**	**370,961**	**265,717**	**(224,905)**	**8,223**	**307,584**
Deductions										
Benefit payments	160,499	152,119	143,921	136,075	126,001	110,415	98,110	89,767	83,291	75,135
Death benefits	11,530	10,724	9,845	9,187	8,601	7,883	7,583	6,923	6,263	5,867
Refunds	1,289	1,719	2,170	1,545	2,195	1,980	1,219	1,395	972	1,008
Administrative expenses and other	3,940	3,898	3,201	3,024	3,306	2,867	2,641	2,108	2,358	1,845
Total deductions from plan net position	**177,258**	**168,460**	**159,137**	**149,831**	**140,103**	**123,145**	**109,553**	**100,193**	**92,884**	**83,855**
Changes in Plan Net Position	**$ (66,892)**	**$ (56,730)**	**$ 225,691**	**$ 112,297**	**$ (111,369)**	**$ 247,816**	**$ 156,164**	**$ (325,098)**	**$ (84,661)**	**$ 223,729**

**Net of expenses*

Source: Pension Administration System

Statistical Review *(Continued)*

CHANGES IN PLAN NET POSITION FOR FISCAL YEARS 2007-2016 *(In Thousands)*

POSTEMPLOYMENT HEALTHCARE BENEFITS (Schedule 1b)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Additions										
Employee contributions	$ 17,881	$ 18,645	$ 17,494	$ 15,979	$ 14,995	$ 16,041	$ 15,815	$ 15,076	$ 10,403	$ 9,612
Employer contributions	30,465	26,959	19,298	21,251	25,834	17,146	17,027	16,368	11,560	10,728
Investment income/(loss)*	(2,447)	(5,922)	28,737	13,817	(5,140)	21,842	13,852	(18,485)	(3,715)	13,343
Total additions to plan net position	**45,899**	**39,682**	**65,529**	**51,047**	**35,689**	**55,029**	**46,694**	**12,959**	**18,248**	**33,683**
Deductions										
Healthcare insurance premiums	29,577	29,443	27,924	30,943	33,077	27,370	24,066	21,725	20,195	18,265
Administrative expenses and other	237	254	257	207	268	216	181	132	134	105
Total deductions from plan net position	**29,814**	**29,697**	**28,181**	**31,150**	**33,345**	**27,586**	**24,247**	**21,857**	**20,329**	**18,370**
Changes in Plan Net Position	**$ 16,085**	**$ 9,985**	**$ 37,348**	**$ 19,897**	**$ 2,344**	**$ 27,443**	**$ 22,447**	**$ (8,898)**	**$ (2,081)**	**$ 15,313**

**Net of expenses*

Source: Pension Administration System

Statistical Review *(Continued)*

BENEFIT AND REFUND DEDUCTIONS FROM PLAN NET POSITION BY TYPE *(In Thousands)*

PENSION BENEFITS (Schedule 2a)

Type of Benefit	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Age and Service Benefits										
Retirees - service	$137,392	$130,512	$124,399	$ 118,178	$109,662	$ 95,562	$ 84,606	$ 77,444	$ 71,849	$ 64,978
Retirees - deferred vested	14,961	13,507	12,017	10,692	9,261	8,047	6,996	6,219	5,730	4,860
Survivors - service	6,697	6,079	5,376	5,089	4,791	4,425	4,207	3,867	3,561	3,320
Survivors - deferred vested	287	279	272	232	161	130	138	126	122	108
Deaths in Service Benefits	2,776	2,702	2,610	2,413	2,349	2,202	2,161	2,032	1,815	1,722
Disability Benefits										
Retirees - duty	4,017	3,980	3,624	3,505	3,609	3,493	3,498	3,256	3,102	2,920
Retirees - non-duty	2,258	2,336	2,278	2,164	2,011	2,039	1,899	1,884	1,835	1,737
Survivors - duty	456	444	448	437	402	356	338	263	218	197
Survivors - non-duty	1,132	1,072	945	903	827	770	739	635	547	519
Ex-Spouse Benefits	2,053	1,932	1,797	1,649	1,529	1,274	1,111	964	775	640
Total Benefits	**$172,029**	**$162,843**	**$153,766**	**$ 145,262**	**$134,602**	**$ 118,298**	**$105,693**	**$ 96,690**	**$ 89,554**	**$ 81,001**
Type of Refund										
Separation	$ 1,289	$ 1,719	$ 2,170	$ 1,545	$ 2,195	$ 1,980	$ 1,219	$ 1,395	$ 972	$ 1,008
Total Refunds	**$ 1,289**	**$ 1,719**	**$ 2,170**	**$ 1,545**	**$ 2,195**	**$ 1,980**	**$ 1,219**	**$ 1,395**	**$ 972**	**$ 1,008**

Source: Pension Administration System

BENEFIT AND REFUND DEDUCTIONS FROM PLAN NET POSITION BY TYPE *(In Thousands)*

POSTEMPLOYMENT HEALTHCARE BENEFITS (Schedule 2b)

Type of Benefit	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Age and Service Benefits										
Retirees - Service										
Medical	$ 17,734	$ 18,061	$16,002	$ 19,493	$ 20,262	$ 18,971	$16,344	$ 14,772	$13,524	$ 12,029
Dental	2,799	2,521	2,850	3,089	3,083	2,840	2,474	2,150	2,148	2,022
Retirees - Deferred Vested										
Medical	1,477	1,455	1,243	1,436	1,418	1,241	1,180	1,063	949	767
Dental	10	12	18	21	23	24	27	26	29	35
Survivors - Service										
Medical	890	921	737	874	954	1,024	938	862	800	730
Dental	167	148	227	333	339	329	308	268	269	251
Survivors - Deferred Vested*										
Medical	33	31	28	32	24	18	16	11	10	9
Dental	2	2	3	5	2	-	-	1	-	-
Death in Service Benefits										
Medical	272	302	281	361	389	412	366	335	327	313
Dental	45	38	59	78	78	79	74	67	69	72
Disability Benefits										
Retirees - Duty										
Medical	938	981	920	1,133	1,217	1,253	1,241	1,166	1,113	1,098
Dental	115	109	130	146	157	162	161	142	143	145
Retirees - Non-Duty										
Medical	281	340	321	413	462	530	513	510	483	478
Dental	59	58	77	89	87	92	84	79	81	78
Survivors - Duty										
Medical	100	111	97	124	125	125	100	80	75	69
Dental	16	15	22	33	32	30	27	20	19	18
Survivors - Non-Duty										
Medical	179	177	142	178	192	195	171	139	123	119
Dental	26	23	32	44	45	45	42	34	33	32
Ex-Spouse Benefits										
Medical	3	3	3	3	4	-	-	-	-	-
Dental	1	1	1	1	1	-	-	-	-	-
Implicit Subsidy Medical										
Tier 1	4,430	3,811	4,165	3,057	4,383	-	-	-	-	-
Tier 2	-	323	415	-	-	-	-	-	-	-
Tier 2B	-	-	151	-	-	-	-	-	-	-
Total Benefits	$ 29,577	$ 29,443	$27,924	$ 30,943	$33,277 *	$ 27,370	$24,066	$ 21,725	$20,195	$ 18,265

** Total corrected in current year, prior year amount shown was $33,077, which was incorrect.*

EMPLOYER AND EMPLOYEE CONTRIBUTION RATES FOR FISCAL YEARS 2007-2016 (Schedule 3)

	Fed Tier 1		Fed Tier 2		Fed Tier 2B	
Fiscal Year	Employee Rate	Employer Rate	Employee Rate	Employer Rate	Employee Rate	Employer Rate
	%	%	%	%	%	%
2016	15.09	75.57	14.46	15.11	5.70	18.36
2015	14.40	69.66	14.29	14.94	5.53	18.19
2014	13.98	59.51	14.69	15.34	6.68	17.27
2013	13.00	52.36	13.94	14.59	N/A	N/A
2012	11.20	35.50	N/A	N/A	N/A	N/A
2011	10.30*	29.59**	N/A	N/A	N/A	N/A
2010	9.35	24.01	N/A	N/A	N/A	N/A
2009	8.93	23.56	N/A	N/A	N/A	N/A
2008	7.58	21.98	N/A	N/A	N/A	N/A
2007	7.58	21.98	N/A	N/A	N/A	N/A

* *Some bargaining units negotiated temporary higher rates.*

** *Some bargaining units negotiated temporary higher member contribution rates, which directly offset the City's contribution rate.*

Retired Members by Type of Benefit

PENSION BENEFITS

As of June 30, 2016

		Type of Retirement*							Option Selected **			
Monthly Benefit Amount	Number of Retirees & Beneficiaries	1	2	3	4	5	6	7	A	B	C	Total
$1-500	116	18	1	0	2	27	43	25	64	18	34	116
$501-1,000	252	68	5	3	1	60	94	21	156	25	71	252
$1,001-1,500	373	122	5	8	10	92	106	30	227	42	104	373
$1,501-$2,000	366	137	12	22	14	84	82	15	228	51	87	366
$2,001-$2,500	367	210	7	22	11	48	54	15	200	46	121	367
$2,501-$3,000	354	222	13	23	11	42	34	9	204	38	112	354
$3,001-$4,000	340	235	2	19	15	31	35	3	195	35	110	340
$3,501-$4,000	339	277	7	12	4	7	29	3	191	41	107	339
$4,001-$4,500	286	242	4	5	3	8	23	1	154	41	91	286
$4,501-$5,000	282	239	4	3	1	8	25	2	174	24	84	282
$5,001-$5,500	219	198	3	2	1	4	11	0	133	30	56	219
$5,501-$6,000	186	167	2	1	1	2	13	0	119	20	47	186
$6,001-$6,500	168	159	1	0	0	2	6	0	95	22	51	168
$6,501-$7,000	137	127	1	2	0	1	6	0	95	12	30	137
Over $7,000	315	301	0	0	0	1	13	0	221	24	70	315
TOTAL	**4,100**	**2,722**	**67**	**122**	**74**	**417**	**574**	**124**	**2,456**	**469**	**1,175**	**4,100**

*** Retirement Codes**

1. Service
2. Survivor (survivor of active employee)
3. Service Connected Disability
4. Non-Service Connected Disability
5. Continuance (survivor of retired employee)
6. Deferred Vested
7. Ex-Spouse

**** Option Descriptions**

A. Unmodified - 50% Continuance
B. Option 1: 100% Continuance/reduced pension
C. No Survivor - No Continuance

POSTEMPLOYMENT HEALTHCARE BENEFITS

As of June 30, 2016

	Type of Subsidy	
Amount Monthly Benefit	Health	Dental
Ineligible/Deferred	1,312	836
$1 - 60	0	1,539
$61 - 250	0	1,725
$251 - 500	1,388	0
$501 - 750	344	0
$751 - 1000	797	0
Over $1,000	259	0
TOTAL	**4,100**	**4,100**

Source: Pension Administration System

Average Benefit Payment Amounts

PENSION BENEFITS

As of June 30, 2016

	Years of Service Credit						
Time Periods	**0-5**	**6-10**	**11-15**	**16-20**	**21-25**	**26-30**	**31+**
As of June 30, 2016							
Average monthly benefit*	$ 1,031	$ 1,544	$ 2,534	$ 3,393	$ 4,725	$ 5,966	$ 6,630
Average final average salary	$ 6,009	$ 5,602	$ 5,714	$ 5,617	$ 6,313	$ 6,243	$ 6,329
Number of retired members**	154	459	525	667	637	914	136
As of June 30, 2015							
Average monthly benefit*	$ 1,005	$ 1,506	$ 2,459	$ 3,291	$ 4,591	$ 5,801	$ 6,464
Average final average salary	$ 5,609	$ 5,492	$ 5,583	$ 5,497	$ 6,253	$ 6,134	$ 6,378
Number of retired members**	153	443	503	664	631	878	136
As of June 30, 2014							
Average monthly benefit*	$ 965	$ 1,444	$ 2,379	$ 3,202	$ 4,459	$ 5,649	$ 6,284
Average final average salary	$ 5,464	$ 5,313	$ 5,438	$ 5,394	$ 6,171	$ 6,011	$ 6,346
Number of retired members**	146	435	499	639	615	844	136
As of June 30, 2013							
Average monthly benefit*	$ 948	$ 1,366	$ 2,232	$ 3,070	$ 4,213	$ 5,420	$ 5,895
Average final average salary	$ 3,724	$ 5,000	$ 5,189	$ 5,343	$ 6,127	$ 6,019	$ 6,638
Number of retired members**	117	413	454	629	608	854	159
Period 7/1/2011 to 6/30/2012							
Average monthly benefit*	$ 914	$ 1,329	$ 2,140	$ 2,982	$ 4,080	$ 5,255	$ 5,722
Average final average salary	$ 3,516	$ 4,803	$ 4,975	$ 5,280	$ 5,975	$ 5,920	$ 6,513
Number of retired members**	113	402	433	619	586	831	159
Period 7/1/2010 to 6/30/2011							
Average monthly benefit	$ 842	$ 1,267	$ 2,036	$ 2,835	$ 3,851	$ 5,036	$ 5,577
Average final average salary	$ 4,303	$ 4,570	$ 4,580	$ 4,991	$ 5,360	$ 5,544	$ 6,056
Number of retired members**	131	371	388	566	465	726	139
Period 7/1/2009 to 6/30/2010							
Average monthly benefit*	$ 838	$ 1,179	$ 1,980	$ 2,700	$ 3,714	$ 4,852	$ 5,410
Average final average salary	$ 4,203	$ 4,221	$ 4,393	$ 4,778	$ 5,129	$ 5,311	$ 5,929
Number of retired members**	124	343	367	537	417	664	130
Period 7/1/2008 to 6/30/2009							
Average monthly benefit*	$ 778	$ 1,139	$ 1,899	$ 2,585	$ 3,545	$ 4,671	$ 5,281
Average final average salary	$ 3,898	$ 4,045	$ 4,201	$ 4,629	$ 4,898	$ 5,151	$ 5,807
Number of retired members**	120	329	359	529	392	624	123
Period 7/1/2007 to 6/30/2008							
Average monthly benefit*	$ 765	$ 1,133	$ 1,856	$ 2,550	$ 3,470	$ 4,600	$ 5,231

Source: Pension Administration System

Average Benefit Payment Amounts *(Continued)*

PENSION BENEFITS

As of June 30, 2016

	Years of Service Credit						
Time Periods	**0-5**	**6-10**	**11-15**	**16-20**	**21-25**	**26-30**	**31+**
Average final average salary	$ 3,828	$ 3,963	$ 4,144	$ 4,585	$ 4,796	$ 5,099	$ 5,761
Number of retired members**	119	325	355	524	382	611	120
Period 7/1/2006 to 6/30/2007							
Average monthly benefit*	$ 732	$ 1,049	$ 1,728	$ 2,398	$ 3,129	$ 4,253	$ 4,947
Average final average salary	$ 732	$ 1,049	$ 1,728	$ 2,398	$ 3,129	$ 4,253	$ 4,947
Number of retired members**	115	307	344	476	342	564	105

** Includes cost of living increases*

*** Does not include survivors and ex-spouses*

Source: Pension Administration System

Average Benefit Payment Amounts *(Continued)*

POSTEMPLOYMENT HEALTHCARE BENEFITS

As of June 30, 2016

	Years of Service Credit						
Time Periods	**0-5**	**6-10**	**11-15**	**16-20**	**21-25**	**26-30**	**31+**
As of June 30, 2016							
Average health subsidy	$ 605	$ 354	$ 589	$ 629	$ 707	$ 741	$ 593
Number of health participants*	24	44	260	595	594	874	130
Average dental subsidy	$ 79	$ 80	$ 84	$ 86	$ 89	$ 90	$ 83
Number of dental participants*	64	250	390	572	576	877	137
As of June 30, 2015							
Average health subsidy	$ 587	$ 337	$ 586	$ 635	$ 719	$ 725	$ 616
Number of health participants*	26	50	241	594	584	839	133
Average dental subsidy	$ 82	$ 84	$ 87	$ 86	$ 91	$ 90	$ 84
Number of dental participants	66	249	375	569	571	845	137
As of June 30, 2014							
Average health subsidy	$ 614	$ 338	$ 592	$ 666	$ 755	$ 760	$ 635
Number of health participants*	24	55	247	587	580	807	130
Average dental subsidy	$ 85	$ 84	$ 86	$ 86	$ 91	$ 90	$ 83
Number of dental participants	63	244	372	548	565	811	135
Period 7/1/2012 to 6/30/2013							
Average health subsidy	$ 582	$ 380	$ 589	$ 712	$ 778	$ 790	$ 680
Number of health participants*	27	64	226	576	562	817	148
Average dental subsidy	$ 100	$ 101	$ 101	$ 102	$ 100	$ 101	$ 100
Number of dental participants	65	243	341	544	558	818	151
Period 7/1/2011 to 6/30/2012							
Average health subsidy	$ 698	$ 426	$ 645	$ 797	$ 873	$ 902	$ 768
Number of health participants*	27	66	218	580	547	800	150
Average dental subsidy	$ 107	$ 107	$ 107	$ 108	$ 107	$ 107	$ 106
Number of dental participants*	63	245	325	540	542	800	151
Period 7/1/2010 to 6/30/2011							
Average health subsidy	$ 866	$ 773	$ 764	$ 855	$ 898	$ 928	$ 848
Number of health participants*	21	39	191	544	448	711	138
Average dental subsidy	$ 108	$ 110	$ 109	$ 110	$ 110	$ 109	$ 108
Number of dental participants*	64	233	300	500	430	708	139
Period 7/1/2009 to 6/30/2010							
Average health subsidy	$ 587	$ 461	$ 650	$ 797	$ 828	$ 867	$ 816
Number of health subsidy*	28	65	212	515	402	649	128
Average dental subsidy	$ 103	$ 104	$ 103	$ 103	$ 103	$ 103	$ 103
Number of dental participants*	61	218	289	474	384	646	130
Period 7/1/2008 to 6/30/2009							
Average health subsidy	$ 596	$ 449	$ 636	$ 757	$ 779	$ 817	$ 764
Number of health subsidy*	26	65	209	505	377	608	121
Average dental subsidy	$ 94	$ 93	$ 93	$ 94	$ 93	$ 93	$ 93
Number of dental participants*	61	212	286	467	360	608	122
Period 7/1/2007 to 6/30/2008							
Average health subsidy	$ 761	$ 674	$ 681	$ 727	$ 738	$ 785	$ 738
Number of health participants*	20	42	192	492	356	582	114
Average dental subsidy	$ 98	$ 98	$ 98	$ 98	$ 98	$ 98	$ 98
Number of dental participants*	59	206	286	456	339	580	115

** Does not include survivors and ex-spouses*

Source: Pension Administration System

Retirements During Fiscal Year 2015-2016

SERVICE RETIREMENTS

ACOSTA, RICHARD
ALTAMIRANO, JUANITA
AMISTOSO, GERALYN
AMARILLA, JUAN
ANING, REGINA
ARCHDEACON, KEN
ATCHISON, AUDIE
BAUTISTA, EDGAR
BEAUDRY, EILEEN
BERNARD, JAMES
BIMROSE, SCOTT
BJURMAN, BRADLEY
BRAGER, TIMOTHY
BRUGGE, THOMAS
BUA, PHILIP
CARDONA, RICHARD
CASTILLO, LEILANI
CASTRO, AMPARO
CASTRO, DENNIS
CATBAGAN, ATURO
CHANG, SANDY
CHAPPUIS, GERRY
COHEN, WAYNE
CORDELL, LADORIS
DARIANO, MARY
DAVIS, EARL
DE ANDA, JOSEPH
DEIGNAN, PATRICIA
DELLAMONICA, DENNIS
DINES, MICHAEL
DIPPELL, STEVEN
FEINHALS, GURO
FERRARA, MARY LU
FERRELL, ROBIN
FLORES, RODOLFO
FUNG, SUZIE
GARCIA, ALBERT
GARCIA, THERESA
GARZA, TINA
GAUSE, DEIRDRE
GILBERT, LAUREN
GOOD, CHERI
GRIMALDO, LINDA
GROGAN, DALE
GUINNANE, GERARD
HAMILTON-BUIKEMA, JEAN
HANDSHY, BRADLEY
HARGRAVE, DOREEN
HARMON, MELANIE
HEBERT, RICHARD
HERNANDEZ, RAYMUNDO
HIXSON, VIRGINIA
HO, DON
IKEGAMI, DIANE
JAMIESON, ROBERT
JERGENTZ, MARK
JONES, LORI
JUDKINS, JOHN
KADOMOTO, DAN
KAYLOR, ELIZABETH
KIM, JONATHAN
KIM, YOUNG KYU
KOETITZ, EDWARD
LAMA, HEMANT
LANEY, TAMMY
LILLARD, DONALD
LOVEDAY, LANCE
LUKE, KEYE
MAAS, CAROL ANN
MACHENS, HENRY
MACY, TERESA
MALDONADO, STEVEN
MALDONADO, JESSE
MELEEN, DAVIS
MENDOZA, FLORENTINO
MERAZ, ANDREW
MOUDERRES, BADAOUI
NAIK, SHASHIKANT
NATIONS, CHRIS
NAVARRETE, FLAVIO
NEWMAN, DERRICK
NICHOLS, ALLEN
OAK, LORETTA
OBERLE, SANDRA
ONG, SHERMAN
ORILLANEDA, JOCELYN
PALACIOS, CARMEN
PAMINTUAN, JANETTE
PETERSON, JON
PRYOR, MARGARET
PULU, ANAU
QUINONEZ, MANUEL
RAAYMAKERS, JOHN
RAMILO, ELENO
REBHAN, CINDY
RIDGEWAY, MORRIS
ROBERTS, GARY
RODERICK, PAULA
RODRIGUEZ, JOHN
ROUVELL, MARCIA
RUIZ, HIPOLITO
SALCIDO, GEORGE
SALVANO, RAYMOND
SARHAD, MICHAEL
SCHAFER, PETER
SCHULZ, CHARLES
SOHN, KYLE
SOUSA, HELIA
STAGI, MARCUS
SUPAN, WILLIAM
SWIKART, CYNTHIA
SYLVIE, PATRICIA
TERRITO, PATRICIA
TORRES, CORA
TREVIAS, CORSINA
TRINIDAD, DOMINGO
VAN OSDOL, JOHN
VILLAFUERTE, RALPH
VIRAY, ILDEFONSO
VONG, LUKE
WATTS, JOANNE
WONG, JIM
WORMUTH, MARTIN
YOUNG, JOAN

Retirements During Fiscal Year 2015-2016 *(Continued)*

DEFERRED VESTED RETIREMENTS

ADAMS, CAROLYN	ELROD, DIANA	PADILLA, CRISTINA
ADVANI, SHASHI	FREDRICKSON, CAROL	PEREZ, RICHARD
ALBRECHT, BRYAN	GARCIA, ROBIN	RENEAU, RICHARD
ARESCO, JOSEPHINE	GIORGI, MARK	ROMANDIA, RAMONA
BELL, LANETTE	HADDOCK, DALD	ROSENBLUM, LISA
BENNER, CHARNEL	HERNANDEZ, FRANK	RUBY, THOMAS
BENNER, TABITHA	HERNANDEZ, LOUIE	SAN JUAN, GABRIEL
BOJORQUEZ, CYNTHIA	HUERTA, RICHARD	SANCHEZ, MARY
BRENNEN, RICHARD	ILAOA, NERISA	SANTOS, FELICITAS
BRUNNER, CHRISTOPHER	KERNAN, KIMBERLY	SCHLACHTER, JOANNE
BULYGO, MARY	KHO, MANVEN	VU, KHANH
CAMPBELL, MICHAEL	KITCHINER, MONICA	WARE, JAMES
CANDELARIA, MARY JANE	KOJIMA, TINA	WARNER, KAYLEEN
CARRICO, JOAN	MOJICA, ROGUE	WHITE, GARY
CHAND, PREM	NIJIM, FUAD	YOSHIMOTO, MASARU
	O'BRIEN, MATTHEW	YOUSEFI, BEHNAM
	OGAZ, MICHAEL	

SERVICE CONNECTED DISABILITY RETIREMENTS

NONE

NON-SERVICE CONNECTED DISABILITY RETIREMENTS

NONE

Deaths During Fiscal Year 2015-2016

DEATHS AFTER RETIREMENT

ACEBEDO, ADRIAN
ANNINO, VINCENT
ARIAS, LEILA
AVALOS, RUBEN
AVILA, JOSEPH
BALGA, ROBERT
BEESON, MARY
BENAVIDES, REYNALDO
BLACKBURN, RICHARD
BLOUIN, LENORA
BOUCREE, JAMES
BREWER, DANIEL
BRIGHTER, GERALDINE
BUDER, ARLYNN
BUSSE, RICHARD
CHESSMAN, ROBERT
COLEMAN, SHIRLEY
COLEMAN, WILLIAM
CONRAD, J
CROTHERS, DAVID
CUNNINGHAM, RICHARD
CUNNINGHAM, JOYCE
DARE, RONALD
DELGADO, CECILIA
DENLINGER, MARY
DEWELL, DAVID
DIXON, EUGENE
ECK, M ANNE
EYRL, EDWARD
FERGUSON, BETTY
FILES, DOUGLAS
FRANCO, PEDRO
FUJIMOTO, TSUGIO
GARCIA, MARIO
GEORGE, BARBARA
GILBERT, ROBERT
GREER, ARTHUR
HARPER, JACK
HARVEY, JOHN
HAZEL-JONES, JUANITA
HEATH, ROY
HENDERSON, DARLYNE
HO, ANITA
HOMEN, JOE
HORWEDEL, JOSEPH
HUTCHINSON, GEORGE
ICHIKAWA, JAMES
INTRAVIA, ANTHONY
JOHNSON, GREGORY
KENNEDY, JAMES
KLIKUN, JUDITH
LASKIN, FRANKLIN
LICKWAR, FRANCIS
LUDWIG, CHARLOTTE
MARGHERITA, ERNESTINE
MARTIN, ANN
MATEO, PETER
MCLEOD, WILLIAM
MIGUELGORRY, DONNA
MOORE, CATHERINE
MYERS, CHERYL
NIELSEN, DOROTHY
NOLAN, ALICE
PISTELLO, ANTONIO
QUINN, THOMAS
REYNOLDS, CLIFTON
RICCOBONO, HARRY
ROLDAN, GONZALO
RYALL, WILFRED
SAPPINGTON, ROBERT
SILVA, RAYMOND
SISTO, DANIEL
SIUDZINSKI, JOHN
STAHR, CARL
SZYMANSKI, LORRAINE
TARAZON, CARMEN
TURTURICI, ANTHONY
VARGAS, CARLOS
VARGAS, ALFRED
VILLARRUZ, FRANKIE
WATSON, BETTYE
WENZ, KARL
WHITTLE, KENNETH
WILSON, SAMPSON
WITKOVSKI, MICHAEL

DEATHS BEFORE RETIREMENT

BEHER, MANJUSHA
HARRIS, BILLY
NOBLE, JENNIFER
ROHRIG, ROBERT
SILVA, ROGER
SZUCS, ZOLTAN

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