

February 5, 2026

Via Electronic Mail

Board of Administration
City of San José Police and Fire Department Retirement Plan
1737 North 1st Street, Suite 580
San José, CA 95112

Re: 5-Year and 20-Year Budget Projections for Police & Fire Pension and OPEB

Dear Members of the Board:

The purpose of this letter is to provide the estimated future contributions expected to be required of the City of San José to the City of San José Police & Fire Department Retirement Plan (Pension Plan) and the City of San José Police and Fire Department Postemployment Health Care Plan (OPEB Plan) for the next five years for City budgeting purposes. This letter shows the 5-year projection amounts separately for Police and Fire, for Tier 1 and Tier 2, and also provides the projected City pension contributions for Tier 1, separately for normal cost and payments toward the Unfunded Actuarial Liability (UAL) and for administrative expenses. The amounts for Tier 1 are shown both assuming payments are made throughout the year and at the beginning of the year, assuming the Board allows the full discount. We have also included 20-year projections of total contribution amounts and rates, assuming payments are made throughout the year, in the attached exhibit.

The following tables summarize the estimated pension and OPEB contribution amounts and contribution rates as a percentage of payroll, assuming City contributions are made throughout the fiscal year.

| 5-Year City Pension Contribution Projections Payment Throughout Year | | | | | | | | | |
|---|----------|----------|---------|----------|---------|--------|----------|----------|--------|
| FYE | Payroll | Police | | Fire | | | Total | | |
| | | Amount | Rate | Payroll | Amount | Rate | Payroll | Amount | Rate |
| 2027 | \$ 193.3 | \$ 195.9 | 101.35% | \$ 118.6 | \$ 32.3 | 27.24% | \$ 311.9 | \$ 228.2 | 73.17% |
| 2028 | 199.3 | 195.4 | 97.99% | 122.3 | 28.2 | 23.08% | 321.6 | 223.6 | 69.51% |
| 2029 | 205.6 | 189.9 | 92.35% | 126.1 | 28.0 | 22.20% | 331.7 | 217.9 | 65.68% |
| 2030 | 212.0 | 173.1 | 81.64% | 130.0 | 27.8 | 21.40% | 342.0 | 200.9 | 58.74% |
| 2031 | 218.6 | 146.3 | 66.93% | 134.1 | 27.8 | 20.72% | 352.7 | 174.1 | 49.36% |

Dollar amounts in millions

| 5-Year City OPEB Contribution Projections | | | | | | | | | |
|---|----------|---------|--------|----------|---------|--------|----------|---------|--------|
| Payment Throughout Year | | | | | | | | | |
| FYE | Police | | | Fire | | | Total | | |
| | Payroll | Amount | Rate | Payroll | Amount | Rate | Payroll | Amount | Rate |
| 2027 | \$ 193.3 | \$ 21.2 | 10.97% | \$ 118.6 | \$ 13.0 | 10.96% | \$ 311.9 | \$ 34.2 | 10.97% |
| 2028 | 199.3 | 21.5 | 10.79% | 122.3 | 12.9 | 10.55% | 321.6 | 34.4 | 10.70% |
| 2029 | 205.6 | 22.3 | 10.85% | 126.1 | 13.2 | 10.47% | 331.7 | 35.5 | 10.70% |
| 2030 | 212.0 | 23.2 | 10.94% | 130.0 | 13.6 | 10.46% | 342.0 | 36.8 | 10.76% |
| 2031 | 218.6 | 24.0 | 10.98% | 134.1 | 14.1 | 10.51% | 352.7 | 38.1 | 10.80% |

Dollar amounts in millions

Please note that these projections are based on the June 30, 2025 actuarial valuations, and assume that all assumptions were exactly met since June 30, 2025, and are exactly met each and every year into the future. In reality, experience will deviate from the assumptions with the expectation that overall favorable deviations will be offset by unfavorable deviations over time.

The following table illustrates the sensitivity of pension contributions to investment returns over the next five years based on our stochastic projections. The stochastic projections assume a geometric return of 6.625% and a standard deviation of 13.1%. The table shows the 25th and 75th percentiles of the 10,000 trials in the stochastic projections compared to the baseline projections used throughout this letter. Based solely on varying investment returns, City contributions are expected to fall between the 25th and 75th percentiles about half of the time.

| Pension Contribution Sensitivity | | | |
|----------------------------------|------------|------------|------------|
| FYE | 25th | 50th | 75th |
| | Percentile | Percentile | Percentile |
| 2027 | \$ 228.2 | \$ 228.2 | \$ 228.2 |
| 2028 | 214.5 | 223.6 | 232.0 |
| 2029 | 194.2 | 217.9 | 239.1 |
| 2030 | 158.8 | 200.9 | 238.7 |
| 2031 | 109.4 | 174.1 | 231.4 |

Dollar amounts in millions

Finally, except as noted above, we have not adjusted the projections for any events, transactions or experience, including investment experience, after June 30, 2025. If the Board or the City is aware of any significant event since June 30, 2025 that could alter these projections, please let us know. Please refer to the valuation reports for a description of the plan provisions, a summary of the data, a summary of the methods and assumptions used in the valuation, and additional disclosures that also apply to the projections reported in this letter.

5-Year Pension Contribution Projections

The projections of contributions to the pension plan are based on projected payroll for Police and Fire members and for Tier 1 and Tier 2 members, as shown in the table below.

| 5-Year Pension Payroll Projections | | | | | | | |
|------------------------------------|---------|----------|----------|---------|---------|----------|---------------|
| FYE | Police | | | Fire | | | Total Payroll |
| | Tier 1 | Tier 2 | Total | Tier 1 | Tier 2 | Total | |
| 2027 | \$ 65.7 | \$ 127.6 | \$ 193.3 | \$ 65.0 | \$ 53.6 | \$ 118.6 | \$ 311.9 |
| 2028 | 60.0 | 139.3 | 199.3 | 60.4 | 61.9 | 122.3 | 321.6 |
| 2029 | 54.1 | 151.5 | 205.6 | 56.0 | 70.1 | 126.1 | 331.7 |
| 2030 | 48.3 | 163.7 | 212.0 | 51.9 | 78.1 | 130.0 | 342.0 |
| 2031 | 43.5 | 175.1 | 218.6 | 48.4 | 85.7 | 134.1 | 352.7 |

Dollar amounts in millions

Since pension contributions are made separately for Police and Fire members and for Tier 1 and Tier 2 members within each group, the table below and on the following page provide the additional detail that may be needed for budgeting purposes. Amounts are shown separately for the payment on the Tier 1 Unfunded Actuarial Liability (UAL), including administrative expenses, and the Normal Cost (NC).

| 5-Year City Pension Contribution Projections | | | | | | | |
|--|----------|---------|---------|---------|--------|----------|---------|
| Police Pension Only | | | | | | | |
| Payment Throughout Year | | | | | | | |
| FYE | Tier 1 | Tier 1 | | Tier 2 | | Total | |
| | UAL \$ | NC \$ | NC Rate | Amount | Rate | Amount | Rate |
| 2027 | \$ 156.5 | \$ 20.7 | 31.48% | \$ 18.7 | 14.64% | \$ 195.9 | 101.35% |
| 2028 | 156.1 | 18.9 | 31.48% | 20.4 | 14.64% | 195.4 | 97.99% |
| 2029 | 150.7 | 17.0 | 31.44% | 22.2 | 14.64% | 189.9 | 92.35% |
| 2030 | 133.9 | 15.2 | 31.46% | 24.0 | 14.64% | 173.1 | 81.64% |
| 2031 | 107.0 | 13.7 | 31.48% | 25.6 | 14.64% | 146.3 | 66.93% |

Dollar amounts in millions

| 5-Year City Pension Contribution Projections | | | | | | | | |
|--|--------|---------|---------|--------|--------|---------|--------|--|
| Fire Pension Only | | | | | | | | |
| Payment Throughout Year | | | | | | | | |
| FYE | Tier 1 | | Tier 1 | | Tier 2 | | Total | |
| | UAL \$ | NC \$ | NC Rate | Amount | Rate | Amount | Rate | |
| 2027 | \$ 3.8 | \$ 20.7 | 31.93% | \$ 7.8 | 14.55% | \$ 32.3 | 27.24% | |
| 2028 | 0.0 | 19.2 | 31.83% | 9.0 | 14.55% | 28.2 | 23.08% | |
| 2029 | 0.0 | 17.8 | 31.77% | 10.2 | 14.55% | 28.0 | 22.20% | |
| 2030 | (0.1) | 16.5 | 31.72% | 11.4 | 14.55% | 27.8 | 21.40% | |
| 2031 | 0.0 | 15.3 | 31.66% | 12.5 | 14.55% | 27.8 | 20.72% | |

Dollar amounts in millions

The City also has an option to pre-pay its Tier 1 contribution for the year. The table below provides the projected contributions for Tier 1 assuming the contributions are made at the beginning of the year and that the Board elects to discount the contribution amount using the full discount rate of 6.625%.

| 5-Year City Pension Contribution Projections | | | | | | | |
|--|---------------|---------|----------|-------------|---------|---------|--------------|
| Tier 1 Pension Only | | | | | | | |
| Payment at the Beginning of the Year | | | | | | | |
| FYE | Police Tier 1 | | | Fire Tier 1 | | | Total Tier 1 |
| | UAL | NC | Total | UAL | NC | Total | |
| 2027 | \$ 151.6 | \$ 20.0 | \$ 171.6 | \$ 3.6 | \$ 20.1 | \$ 23.7 | \$ 195.3 |
| 2028 | 151.1 | 18.3 | 169.4 | 0.0 | 18.6 | 18.6 | 188.0 |
| 2029 | 145.9 | 16.5 | 162.4 | 0.0 | 17.2 | 17.2 | 179.6 |
| 2030 | 129.7 | 14.7 | 144.4 | 0.0 | 15.9 | 15.9 | 160.3 |
| 2031 | 103.6 | 13.3 | 116.9 | 0.0 | 14.8 | 14.8 | 131.7 |

Dollar amounts in millions

5-Year OPEB Plan Contribution Projections

The table on the following page summarizes the Actuarially Determined Contribution (ADC) amounts compared to the optional City cap on contributions equal to 11% of the projected payroll. It also shows the ADC amounts as of the beginning of the year, assuming the Board elects to discount the contribution amount using the full discount rate of 6.25%.

Unlike the pension contributions, the City contributions for the OPEB Plan are predominantly payments toward the Unfunded Actuarial Liability (UAL). Consequently, there is no separate breakout of normal cost.

| 5-Year OPEB Budget Projections | | | | | | | | | | |
|--------------------------------|--------------|---------|--------------------|-------------------------------------|-------------------|--------|----|--------|----|--------|
| FYE | Payroll | | Estimated City Cap | Actuarially Determined Contribution | | | | | | |
| | Full Benefit | Total | | Throughout Year | Beginning of Year | | | | | |
| Police | | | | | | | | | | |
| 2027 | \$ | 56,574 | \$ | 193,312 | \$ | 21,217 | \$ | 20,583 | | |
| 2028 | | 49,566 | | 199,353 | | 21,534 | | 20,891 | | |
| 2029 | | 43,387 | | 205,583 | | 22,301 | | 21,635 | | |
| 2030 | | 38,221 | | 212,008 | | 23,156 | | 22,465 | | |
| 2031 | | 33,854 | | 218,633 | | 23,984 | | 23,268 | | |
| Fire | | | | | | | | | | |
| 2027 | \$ | 56,389 | \$ | 118,571 | \$ | 13,043 | \$ | 12,981 | \$ | 12,593 |
| 2028 | | 51,380 | | 122,276 | | 13,450 | | 12,907 | | 12,522 |
| 2029 | | 47,064 | | 126,098 | | 13,871 | | 13,175 | | 12,782 |
| 2030 | | 43,326 | | 130,038 | | 14,304 | | 13,643 | | 13,236 |
| 2031 | | 39,846 | | 134,102 | | 14,751 | | 14,120 | | 13,698 |
| Total | | | | | | | | | | |
| 2027 | \$ | 112,963 | \$ | 311,883 | \$ | 34,307 | \$ | 34,198 | \$ | 33,176 |
| 2028 | | 100,946 | | 321,629 | | 35,379 | | 34,441 | | 33,413 |
| 2029 | | 90,451 | | 331,681 | | 36,485 | | 35,476 | | 34,416 |
| 2030 | | 81,547 | | 342,046 | | 37,625 | | 36,799 | | 35,701 |
| 2031 | | 73,700 | | 352,735 | | 38,801 | | 38,104 | | 36,966 |

Dollar Amounts in Thousands

This letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter. 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.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: Plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in Plan provisions or applicable law.

Board of Administration

February 5, 2026

Page 6

This letter was prepared exclusively for the Board of Administration and the City of San José for the purpose described herein. Other users of this letter are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user. If you have any questions or need any additional information, please let us know.

Sincerely,



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



Jacqueline R. King, PSA, EA, MAAA
Principal Consulting Actuary

Attachment

cc: John Flynn
Barbara Hayman
Anne Harper
Tim Doyle
John Colberg

ATTACHMENT

| 20-Year Projections of City Pension Contributions | | | | | | | | | |
|---|--------|---------|--------|--------|---------|--------|------|--------|-------|
| Fiscal Year | Total | | Police | | Fire | | | | |
| | Ending | Amount | Rate | Amount | Rate | Amount | Rate | | |
| 2027 | \$ | 228,215 | 73.2% | \$ | 195,921 | 101.3% | \$ | 32,294 | 27.2% |
| 2028 | | 223,573 | 69.5% | | 195,346 | 98.0% | | 28,227 | 23.1% |
| 2029 | | 217,856 | 65.7% | | 189,862 | 92.4% | | 27,994 | 22.2% |
| 2030 | | 200,905 | 58.7% | | 173,073 | 81.6% | | 27,832 | 21.4% |
| 2031 | | 174,119 | 49.4% | | 146,331 | 66.9% | | 27,788 | 20.7% |
| 2032 | | 165,764 | 45.6% | | 137,987 | 61.2% | | 27,777 | 20.1% |
| 2033 | | 147,929 | 39.4% | | 120,389 | 51.8% | | 27,540 | 19.3% |
| 2034 | | 119,905 | 31.0% | | 92,711 | 38.7% | | 27,194 | 18.5% |
| 2035 | | 111,496 | 28.0% | | 84,656 | 34.2% | | 26,840 | 17.7% |
| 2036 | | 85,668 | 20.8% | | 59,021 | 23.1% | | 26,647 | 17.0% |
| 2037 | | 67,201 | 15.8% | | 40,607 | 15.4% | | 26,594 | 16.5% |
| 2038 | | 70,765 | 16.2% | | 44,123 | 16.3% | | 26,642 | 16.0% |
| 2039 | | 88,348 | 19.6% | | 61,551 | 22.0% | | 26,797 | 15.6% |
| 2040 | | 70,044 | 15.1% | | 43,052 | 14.9% | | 26,992 | 15.3% |
| 2041 | | 71,434 | 14.9% | | 44,073 | 14.8% | | 27,361 | 15.0% |
| 2042 | | 73,129 | 14.8% | | 45,244 | 14.8% | | 27,885 | 14.8% |
| 2043 | | 75,053 | 14.7% | | 46,526 | 14.7% | | 28,527 | 14.7% |
| 2044 | | 77,153 | 14.7% | | 47,881 | 14.7% | | 29,272 | 14.6% |
| 2045 | | 79,408 | 14.6% | | 49,300 | 14.7% | | 30,108 | 14.6% |
| 2046 | | 84,178 | 15.0% | | 53,179 | 15.3% | | 30,999 | 14.6% |

Dollar amounts in thousands