San José Police & Fire Department Retirement Plan

Classic Values, Innovative Advice

# 2025 Final Pension Valuation Results

December 4, 2025

Bill Hallmark, ASA, EA, MAAA, FCA
Anne Harper, FSA, EA, MAAA

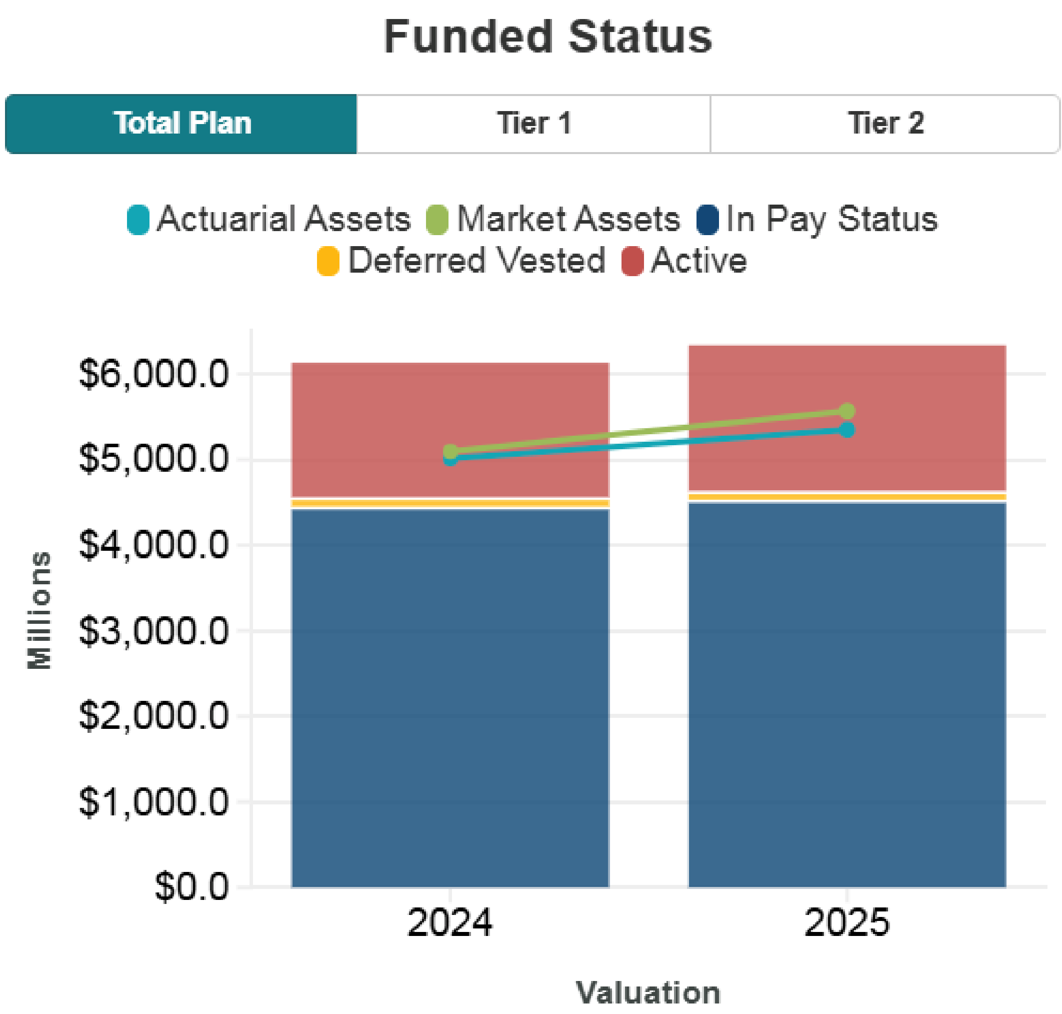
# Agenda

- Schedule
- Summary of Valuation Results
- Baseline Projections
- Plan Maturity and Sensitivity
- Projection Scenarios
- Appendix

# Schedule

- October Board Meeting
  - Pension Economic Assumption Review
- November Board Meeting
  - Preliminary Pension Valuation Results
  - Demographic Experience Study
  - OPEB Assumptions Review
- **December Board Meeting**
  - **Final Pension Valuation Presentation**
  - **Final Pension Valuation Report**
  - **Preliminary OPEB Valuation Results**
- January Board Meeting
  - No Presentation
- February Board Meeting
  - Final OPEB Valuation Presentation
  - Final OPEB Valuation Report

# Funded Status

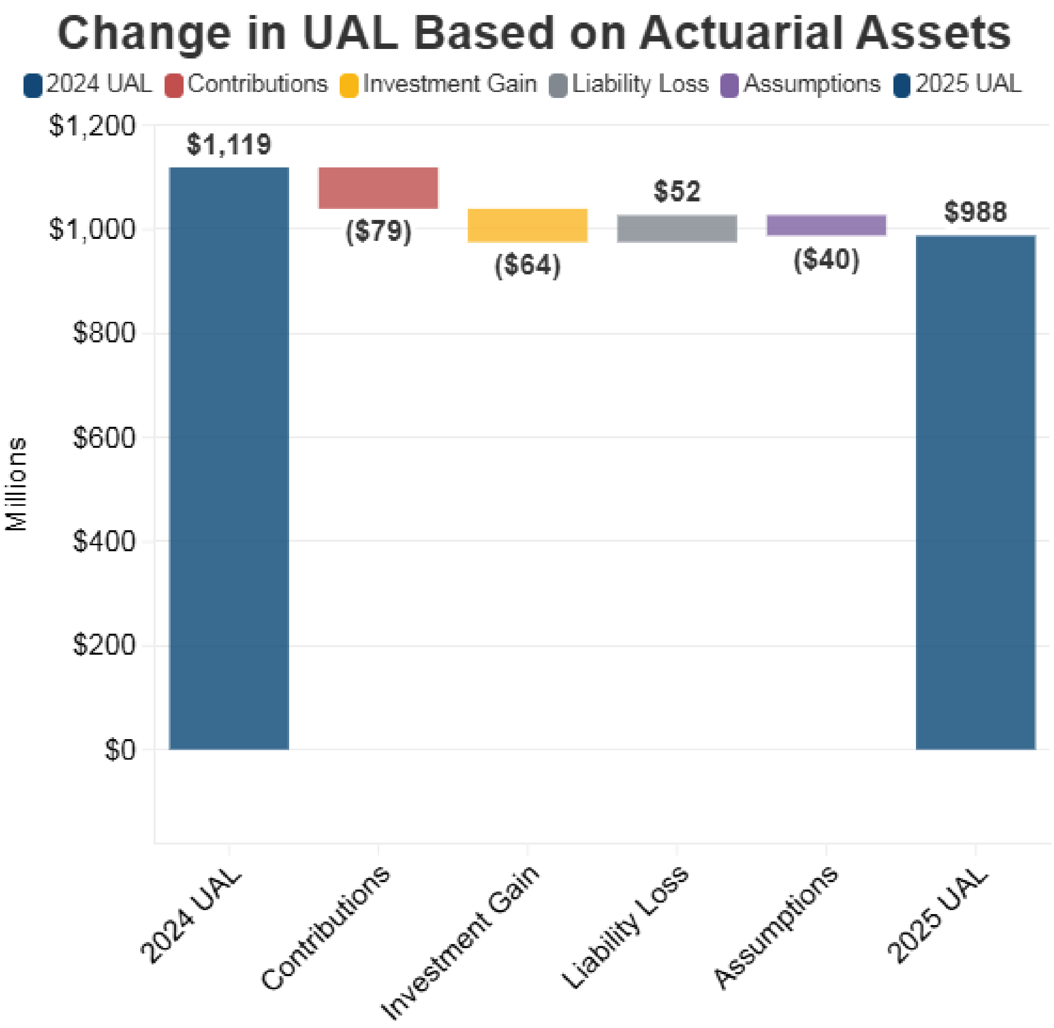


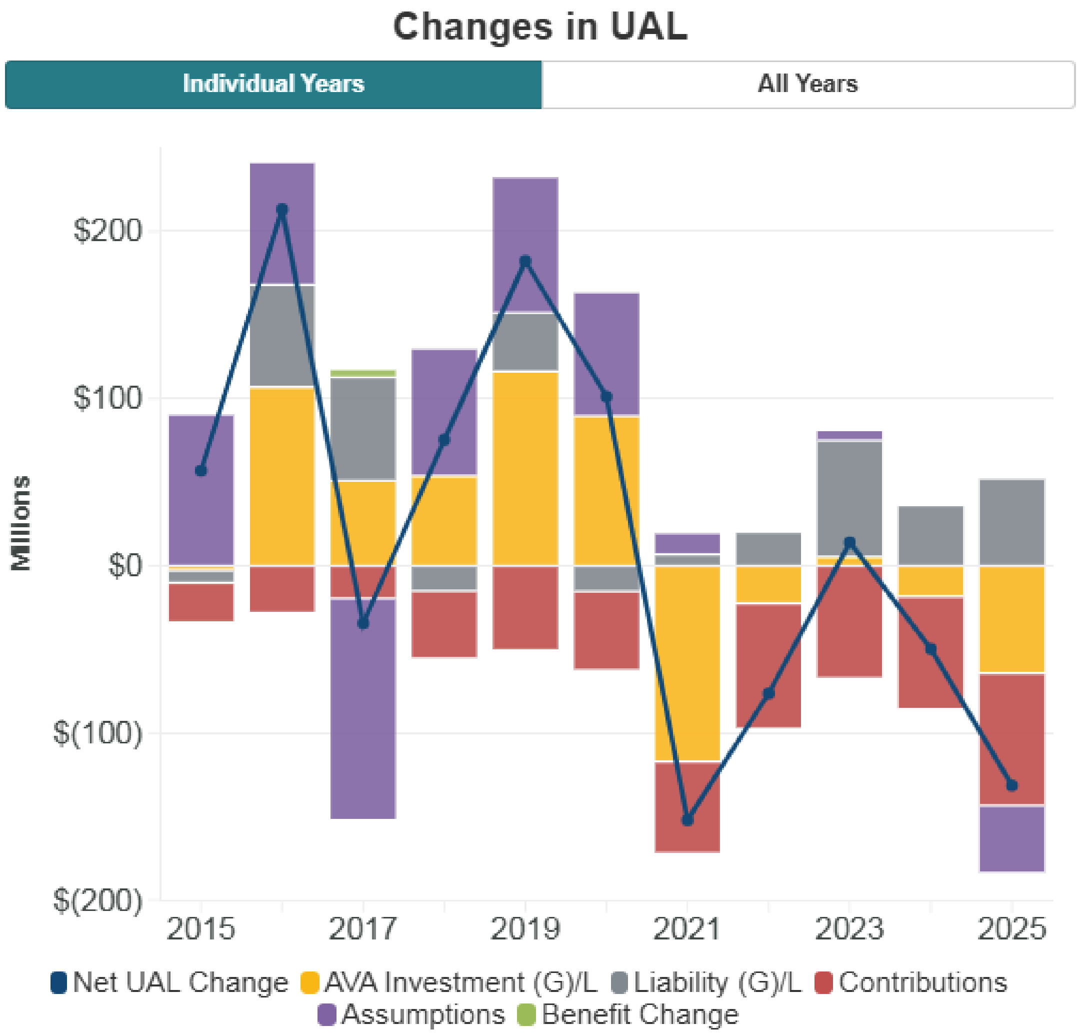

**Funded Status By Tier**

| | | 6/30/2024 | | 6/30/2025 | Change |
|---|---|---|---|---|---|
| **Tier 1** | | | | | |
| Actuarial Liability | $ | 5,954.3 | $ | 6,097.3 | 2.4% |
| AVA | | 4,823.0 | | 5,104.7 | 5.8% |
| UAL-AVA Basis | | 1,131.4 | | 992.5 | -12.3% |
| **AVA Funded Ratio** | | **81.0%** | | **83.7%** | **2.7%** |
| MVA | | 4,903.0 | | 5,316.0 | 8.4% |
| UAL-MVA Basis | | 1,051.3 | | 781.3 | -25.7% |
| **MVA Funded Ratio** | | **82.3%** | | **87.2%** | **4.8%** |
| **Tier 2** | | | | | |
| Actuarial Liability | $ | 178.5 | $ | 239.2 | 34.0% |
| AVA | | 190.7 | | 244.0 | 28.0% |
| UAL-AVA Basis | | (12.2) | | (4.9) | -59.9% |
| **AVA Funded Ratio** | | **106.8%** | | **102.0%** | **-4.8%** |
| MVA | | 193.4 | | 253.0 | 30.8% |
| UAL-MVA Basis | | (14.9) | | (13.8) | -7.5% |
| **MVA Funded Ratio** | | **108.4%** | | **105.8%** | **-2.6%** |

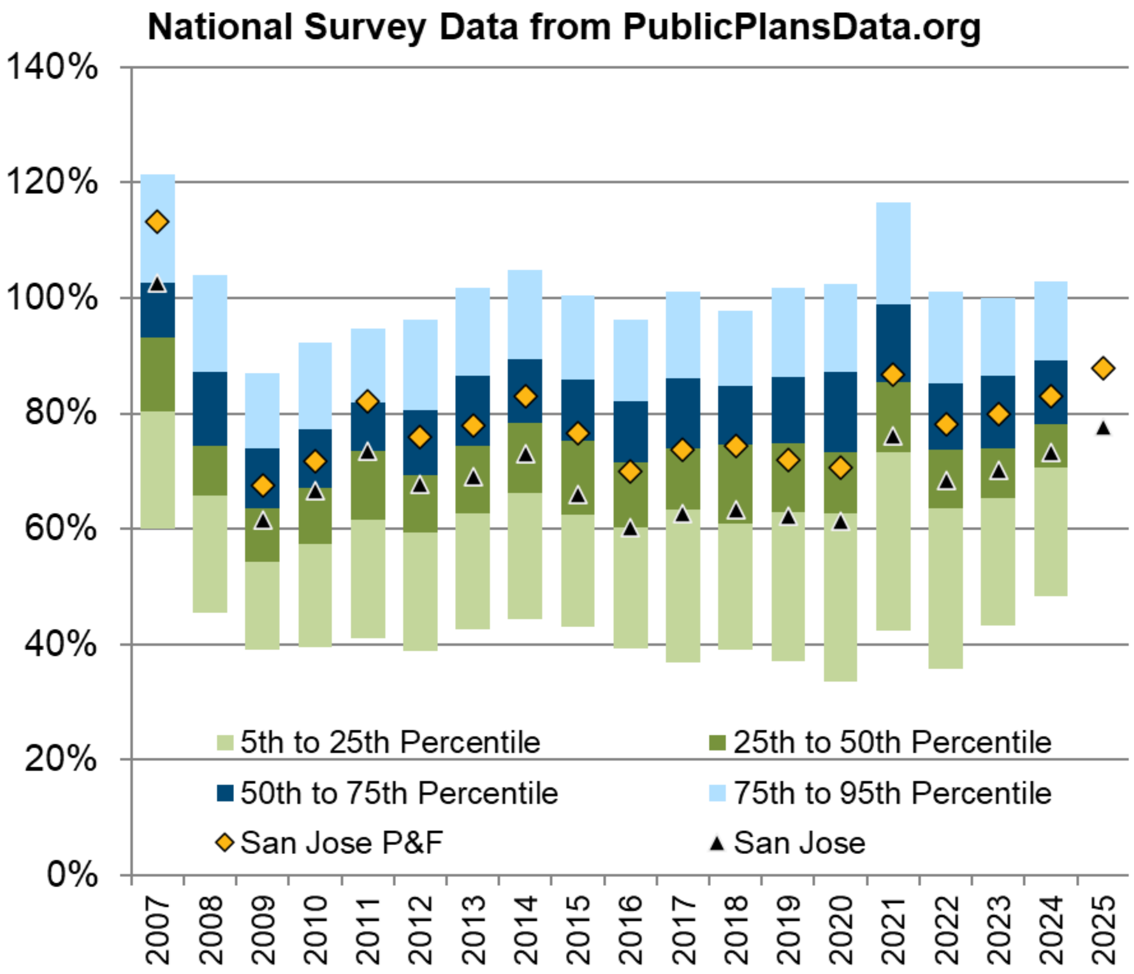
*Amounts in millions*

# Changes in UAL Based on Actuarial Assets

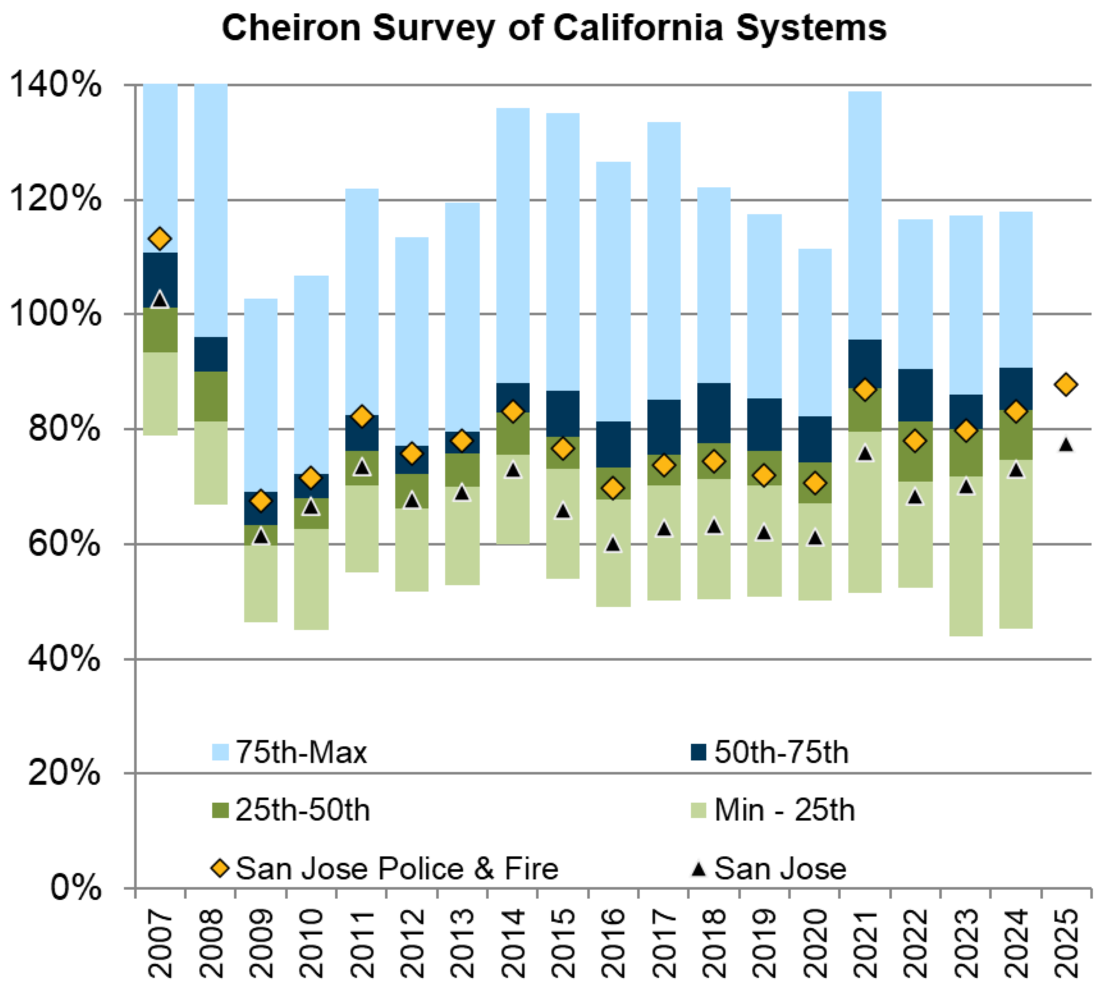


# Comparison of Funded Ratio (Market Value of Assets)

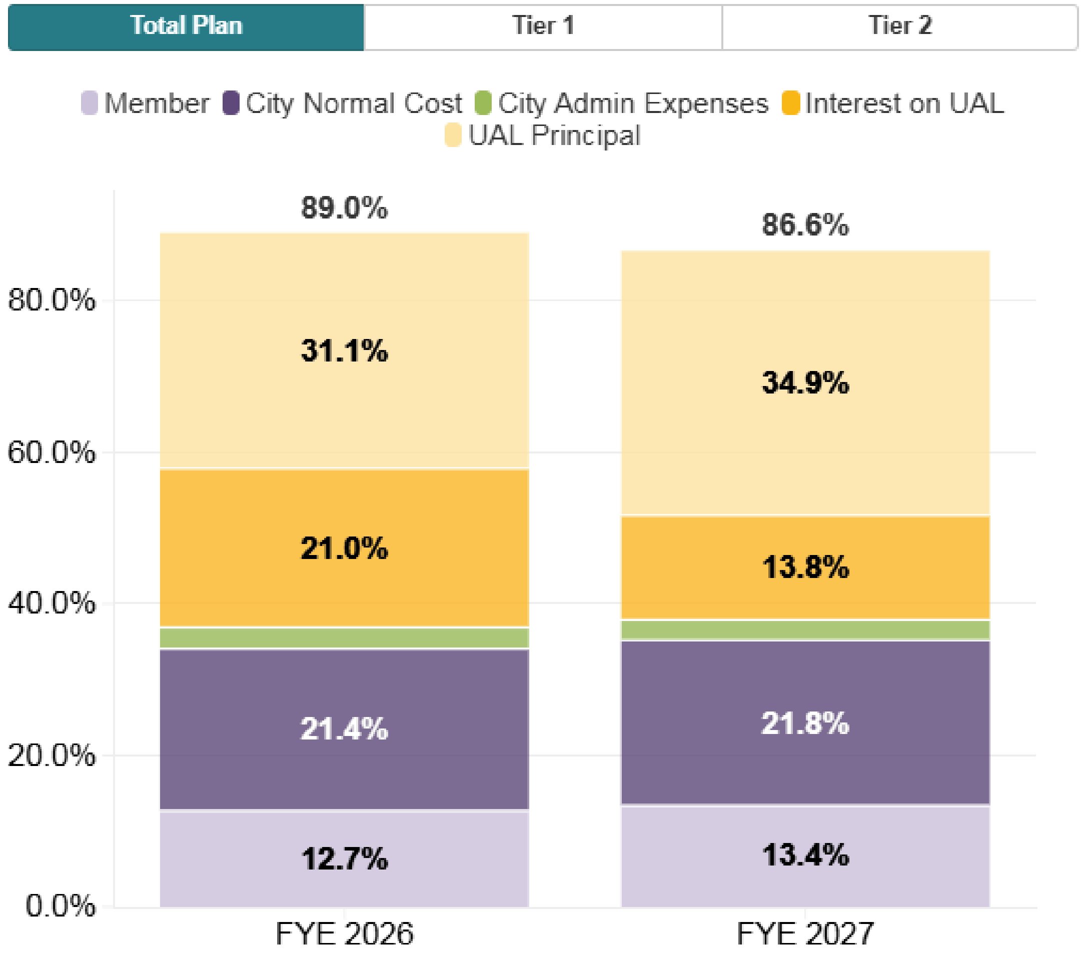



*Survey Data from Public Plans Data as of 7/8/2025*

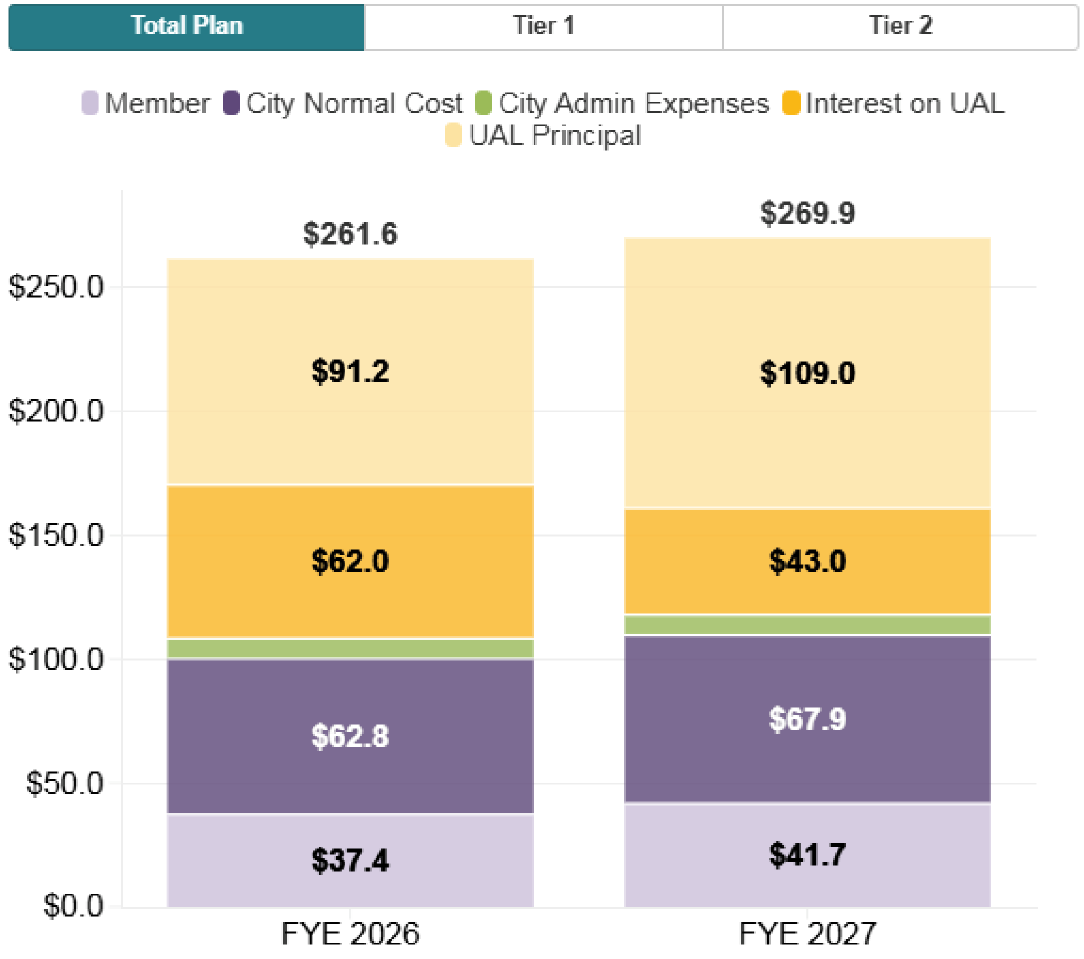


# Final FYE 2027 Contributions

## Contribution Rates




## Contribution Amounts



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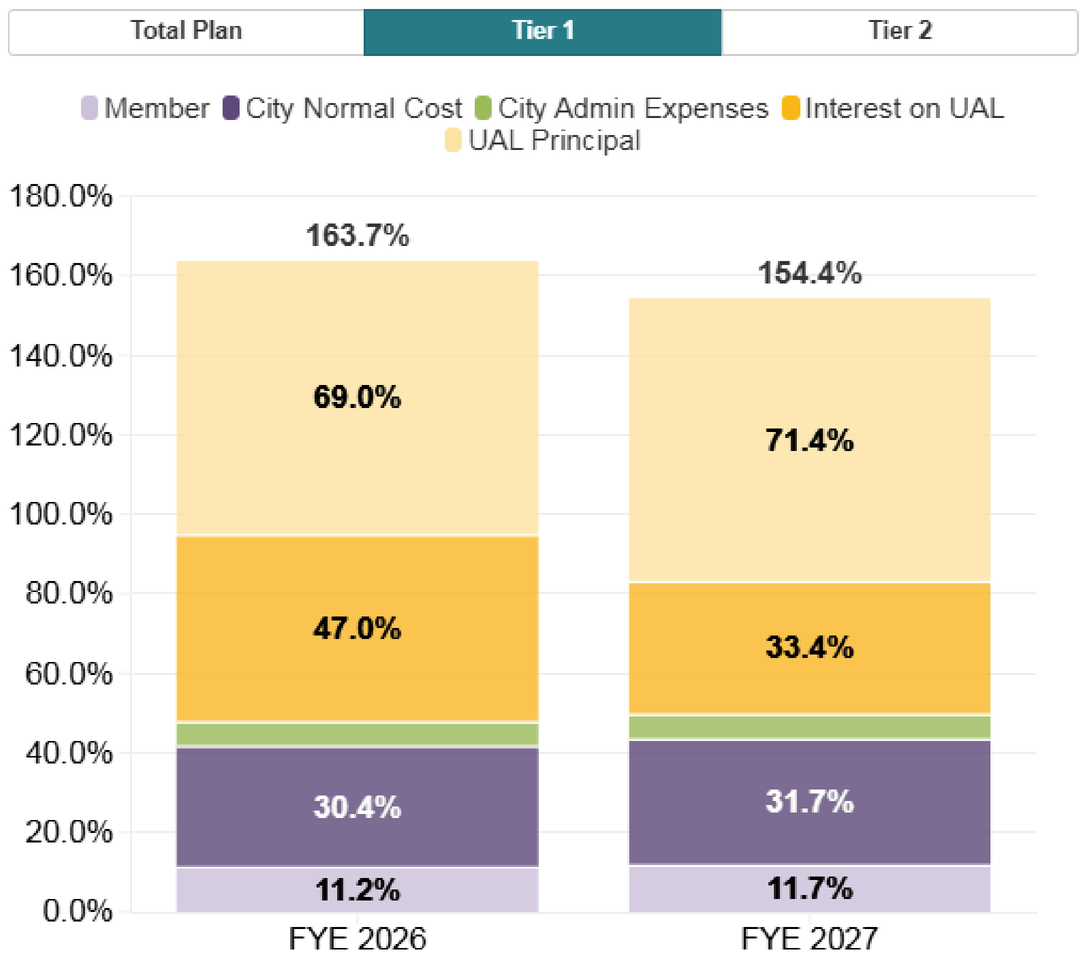


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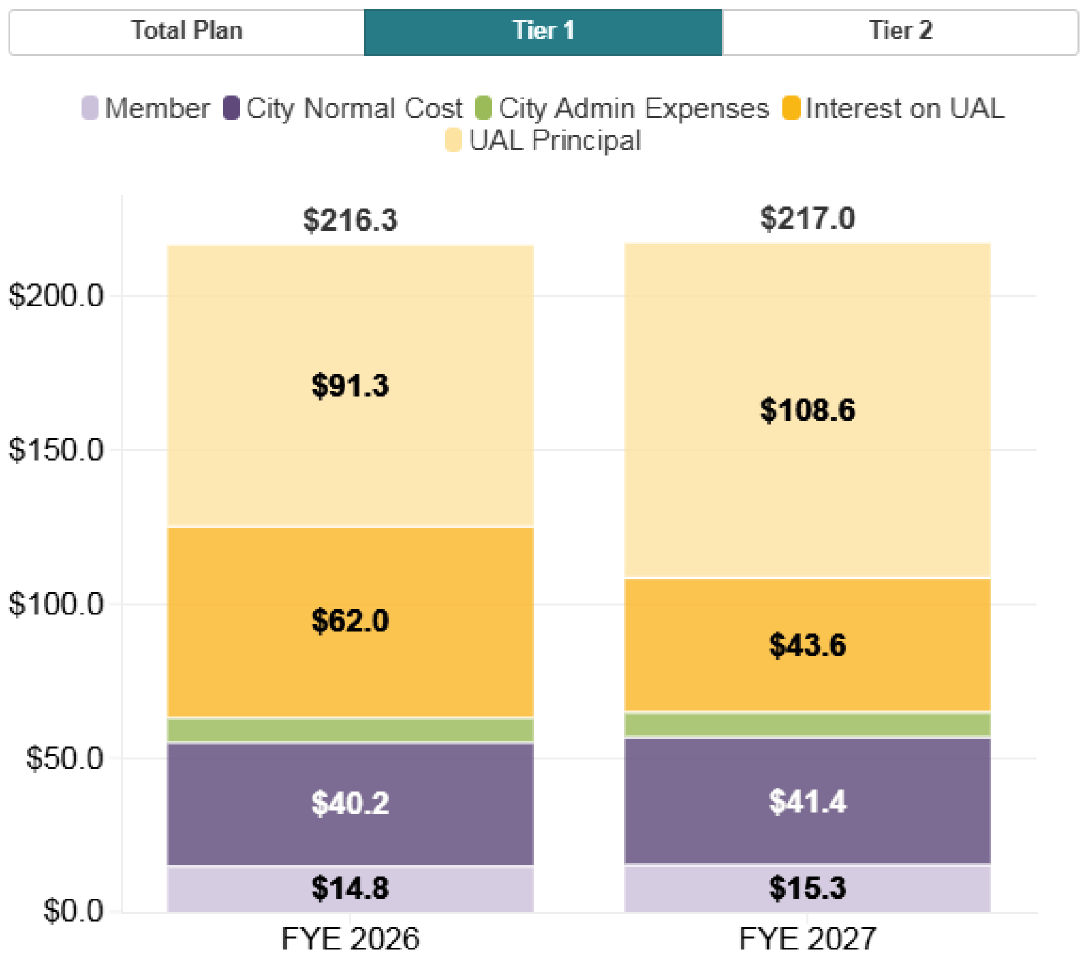

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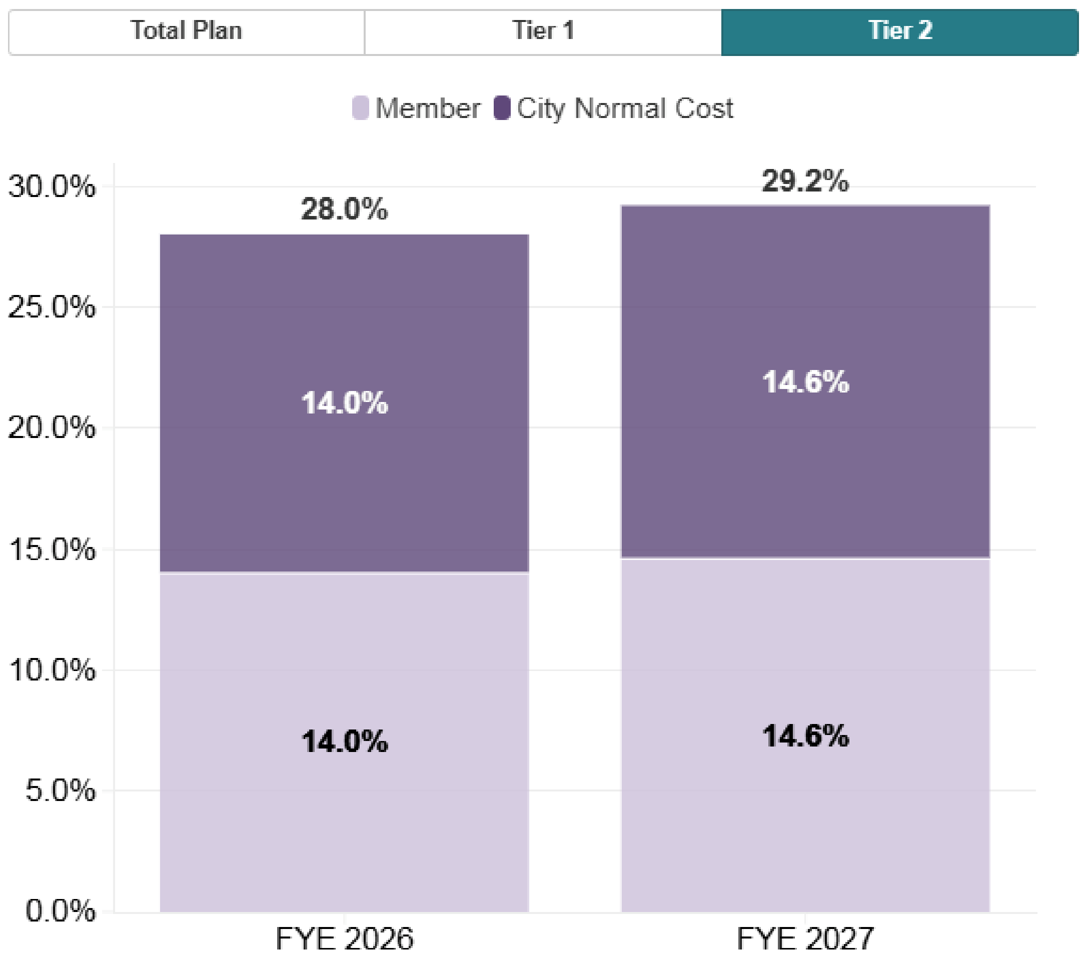


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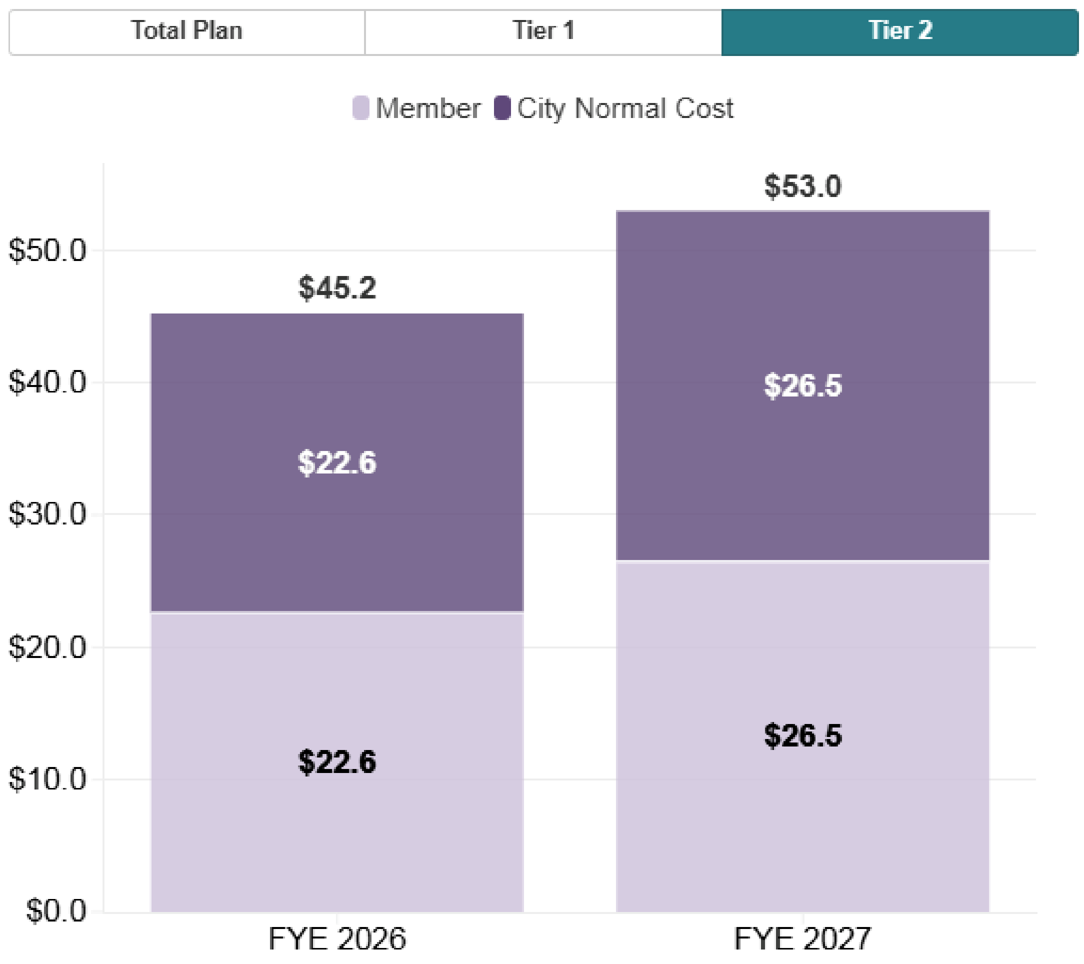
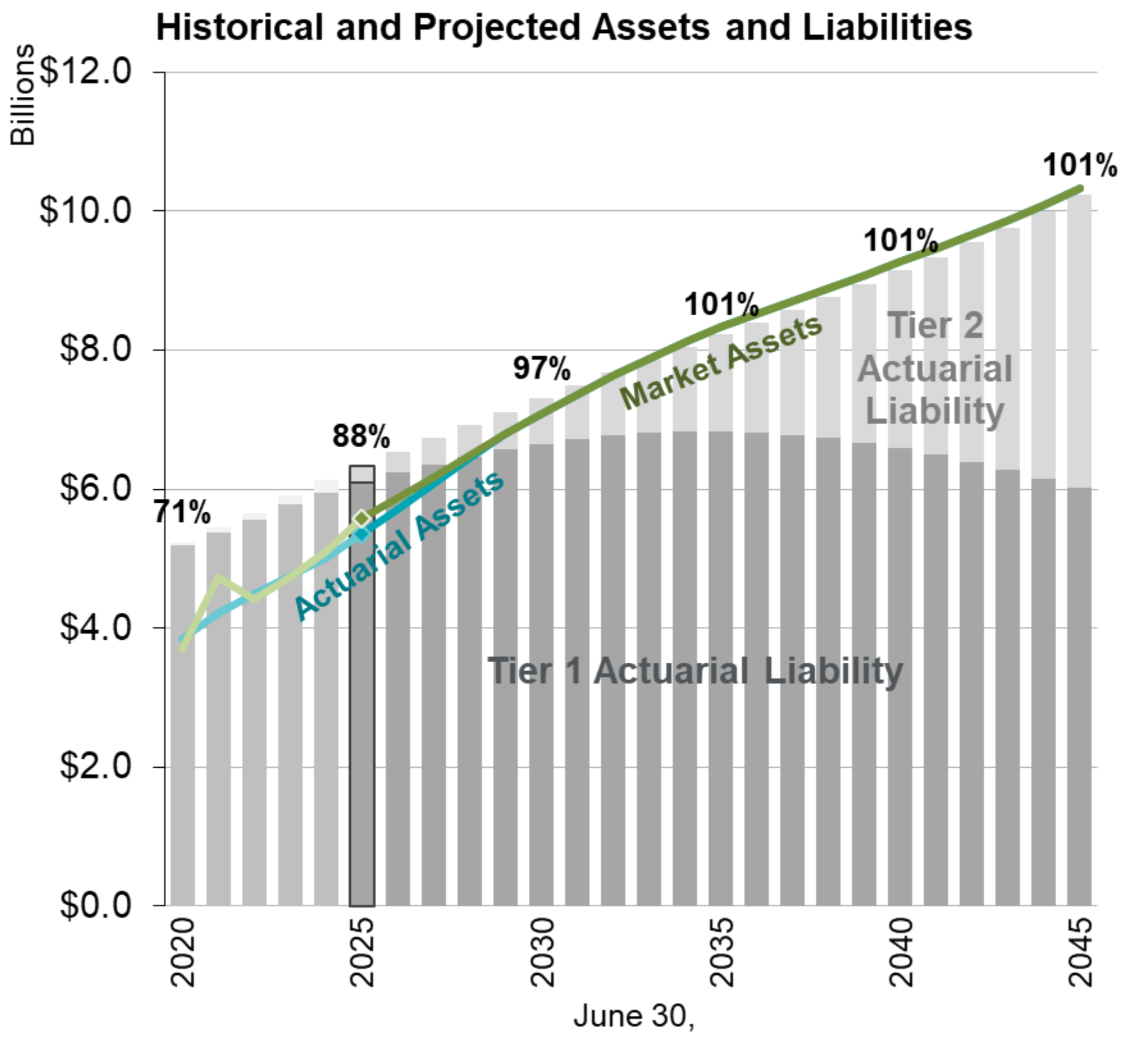
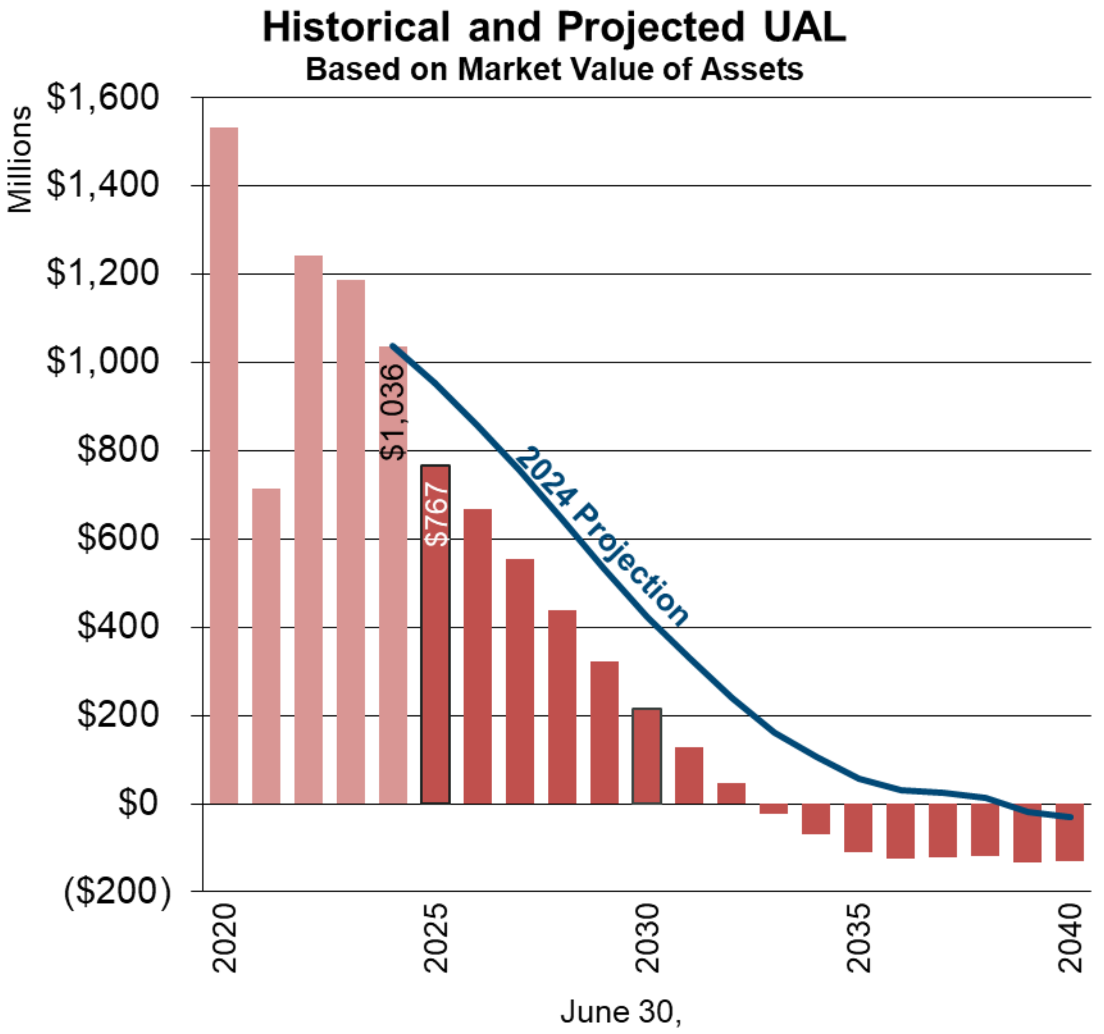
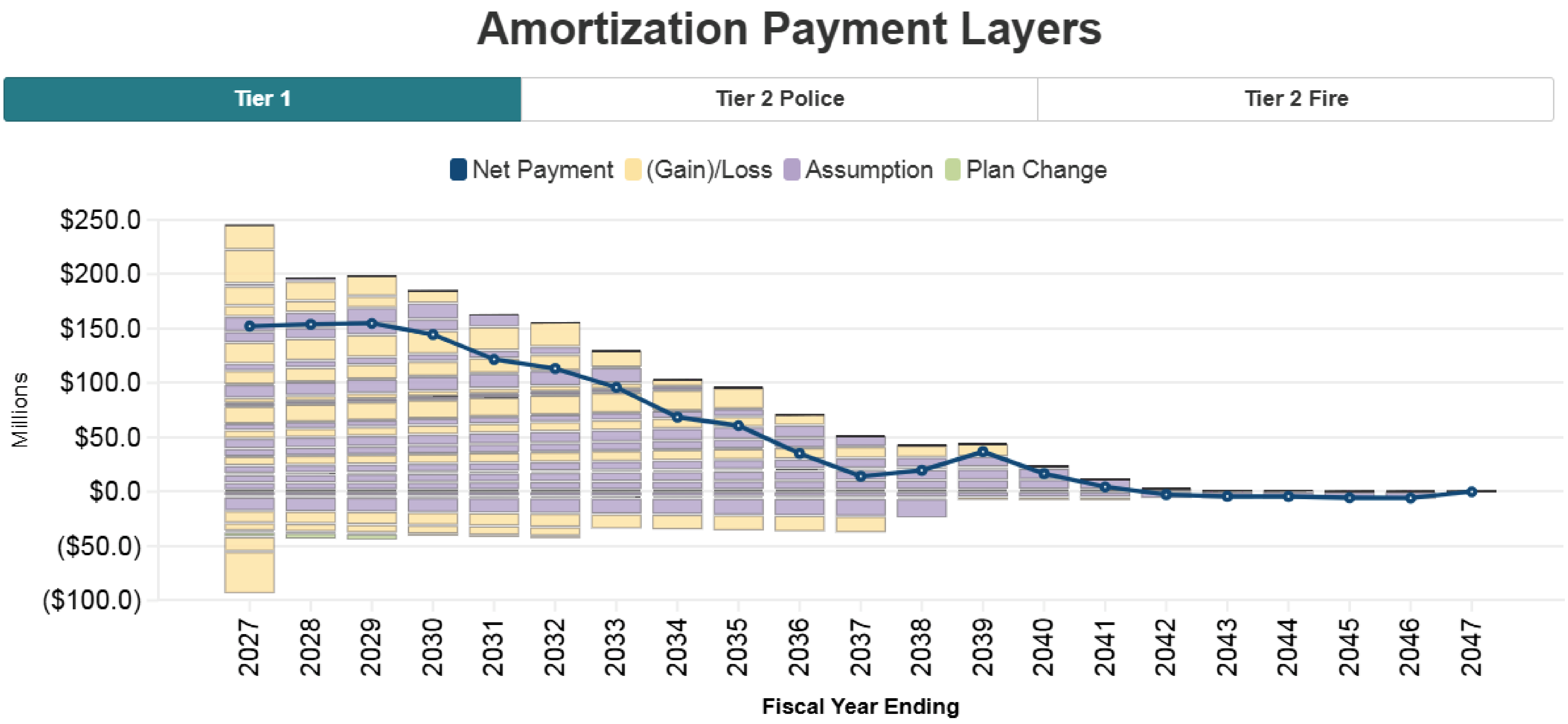


# Baseline Projections – Funded Status and UAL



# Current Tier 1 Amortization Layers



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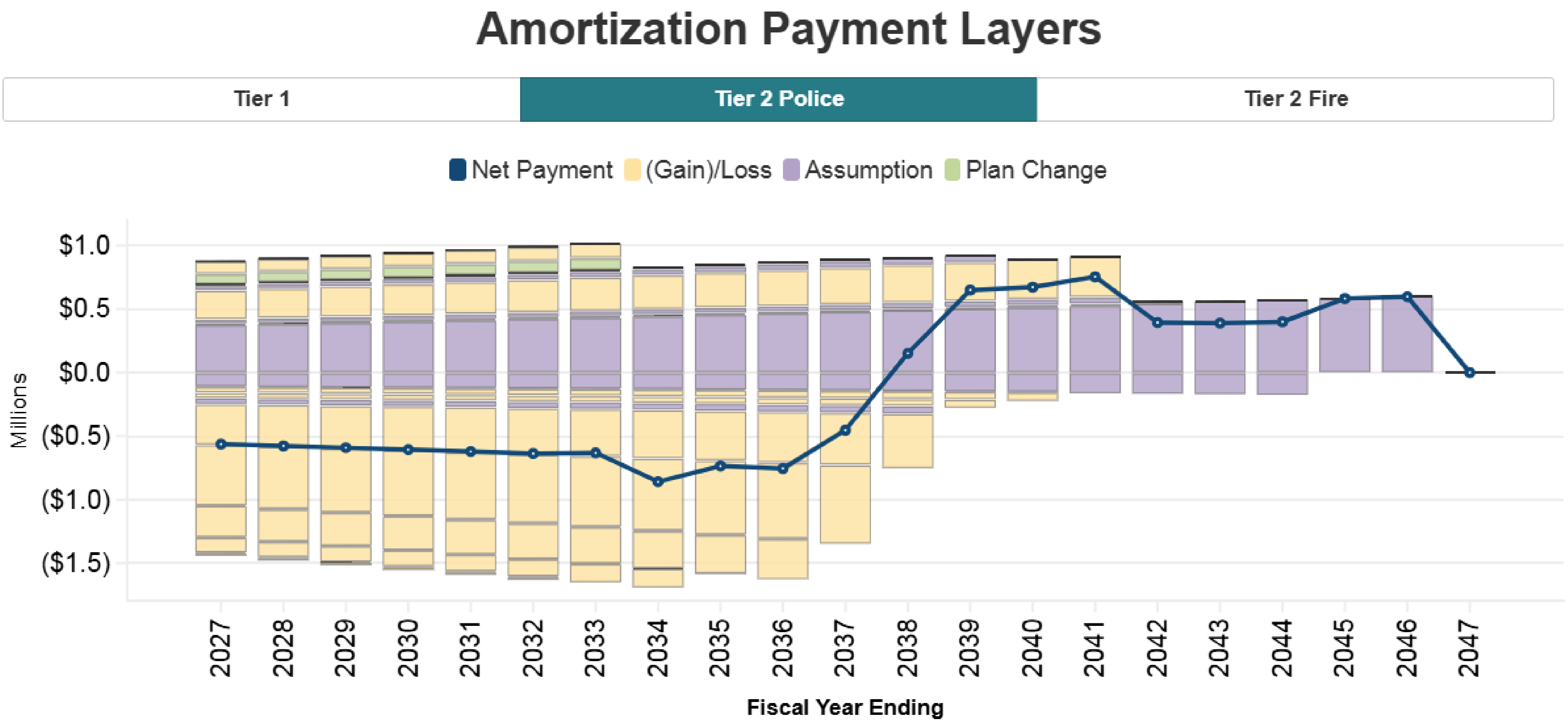

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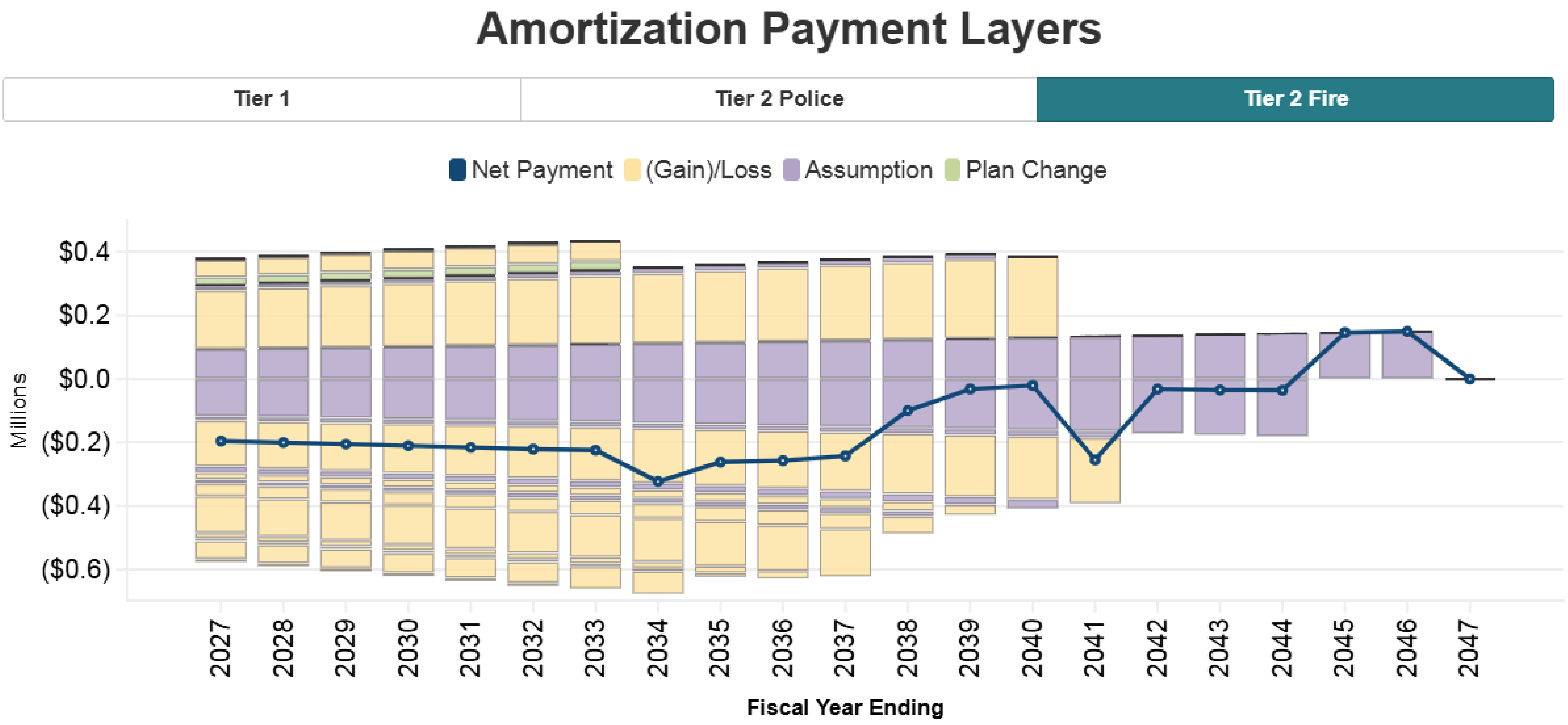
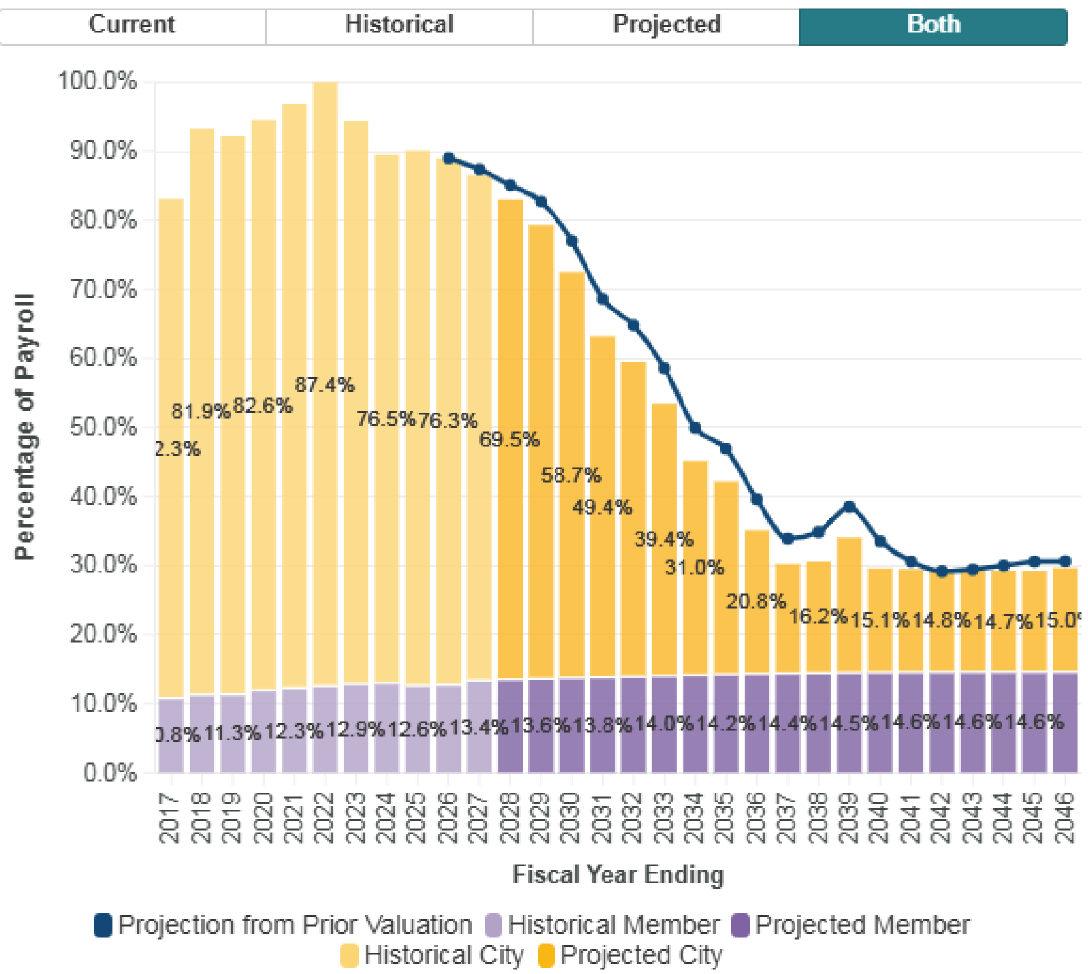
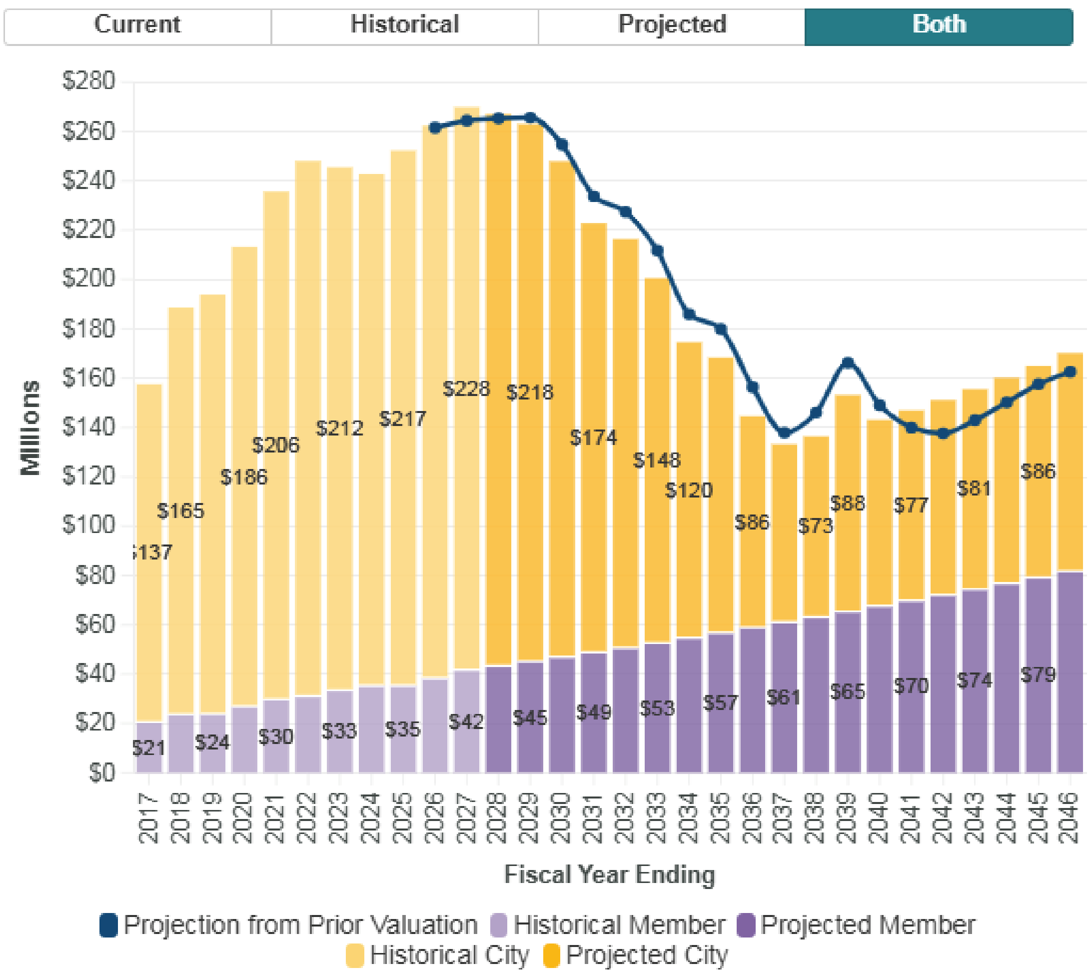


### Historical and Projected Contribution Rates



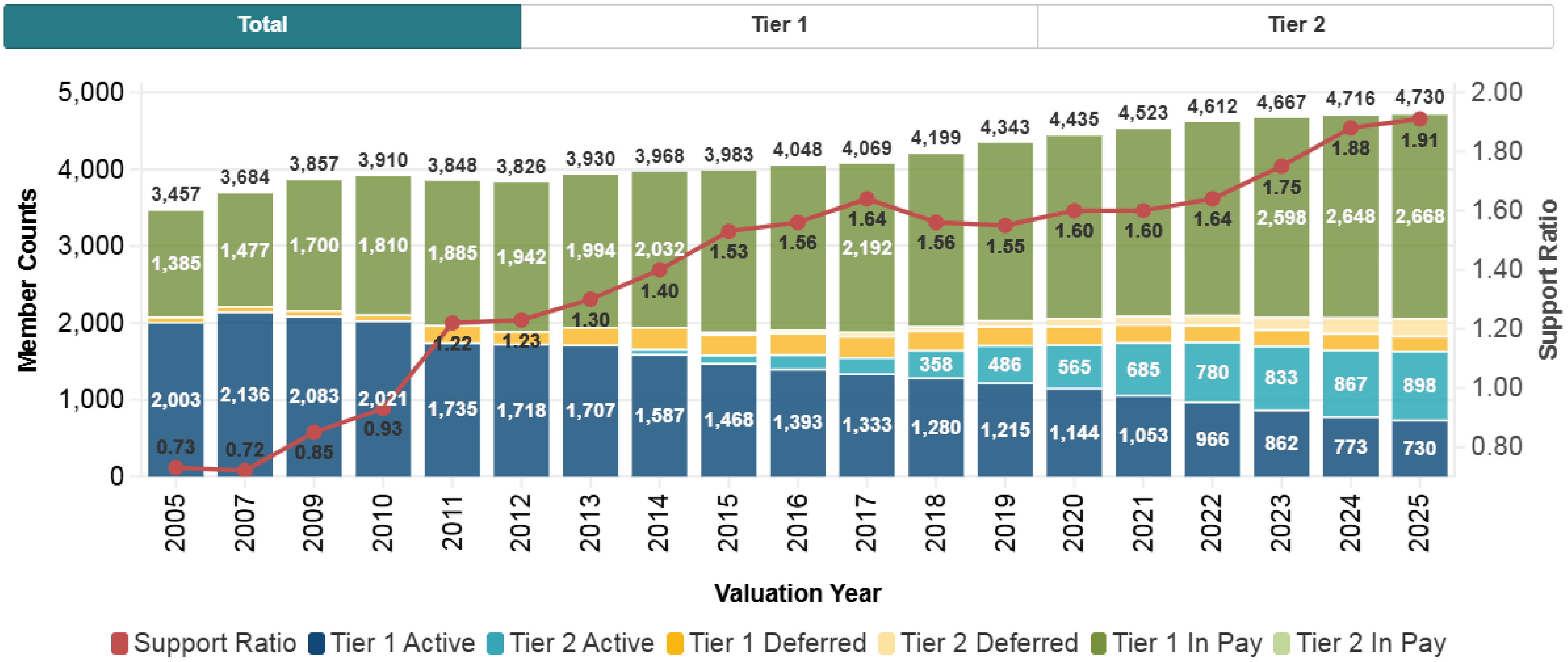

### Historical and Projected Contribution Amounts



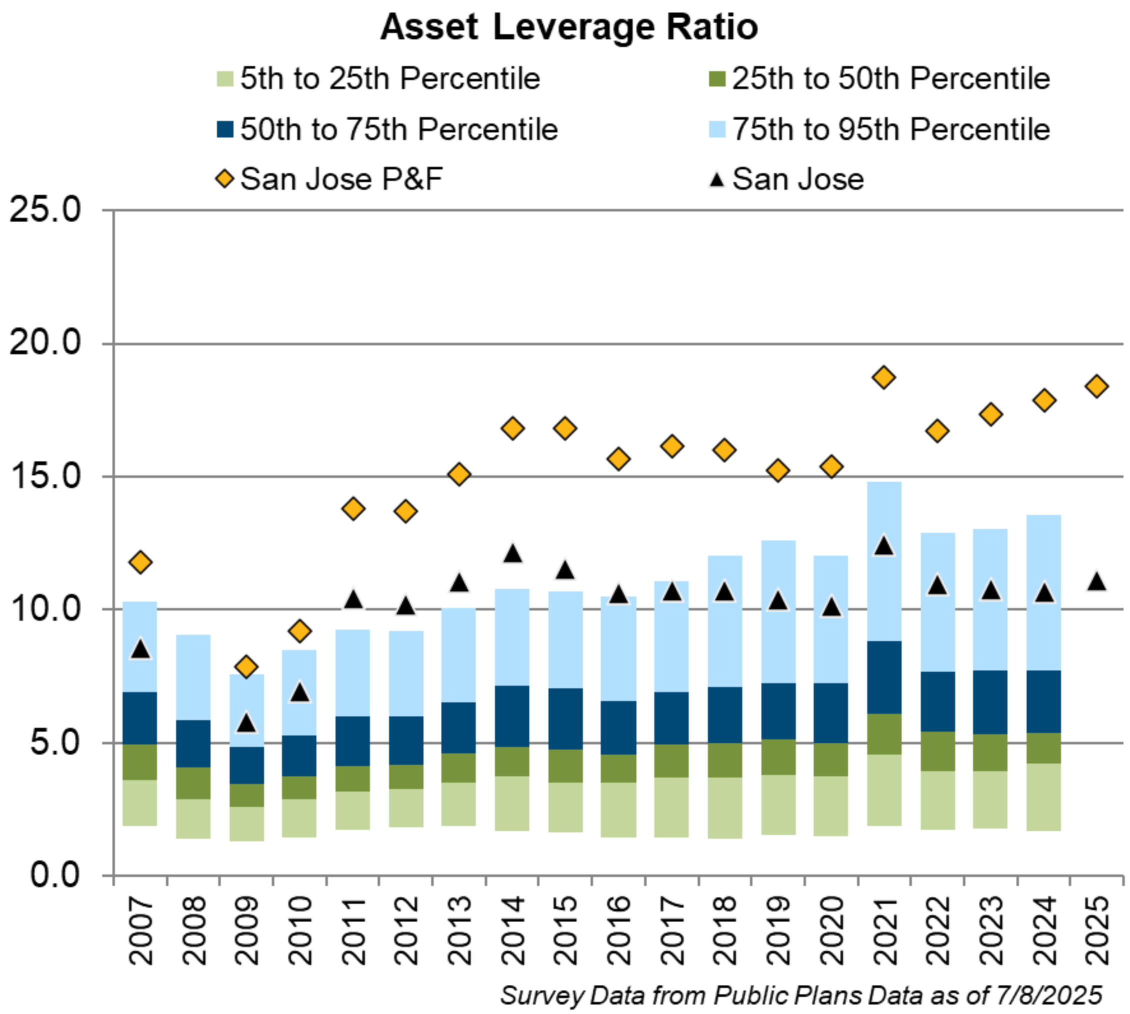
# Mature Pension Plans
# Are More Sensitive to Risk

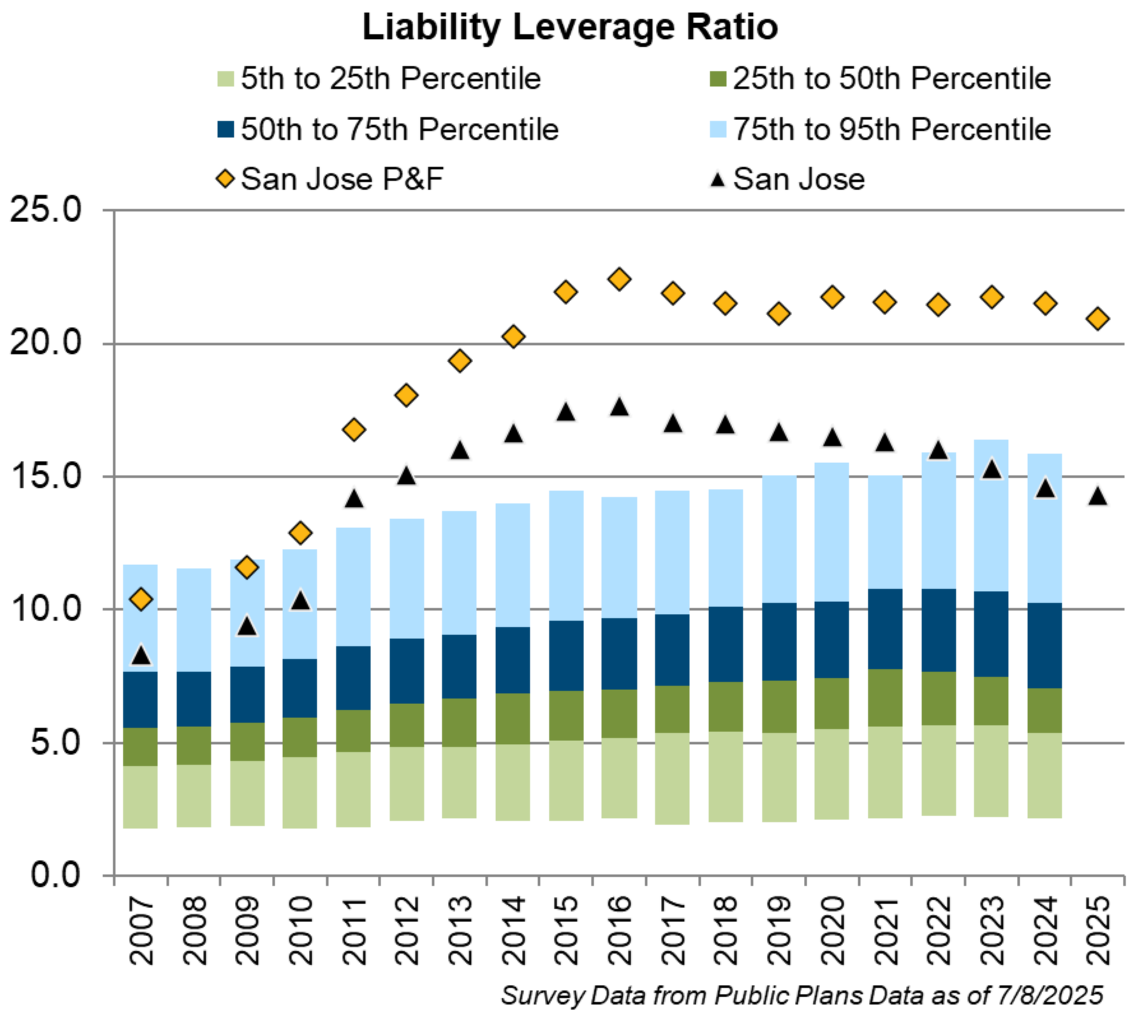
# Membership Trends

## Membership Trends

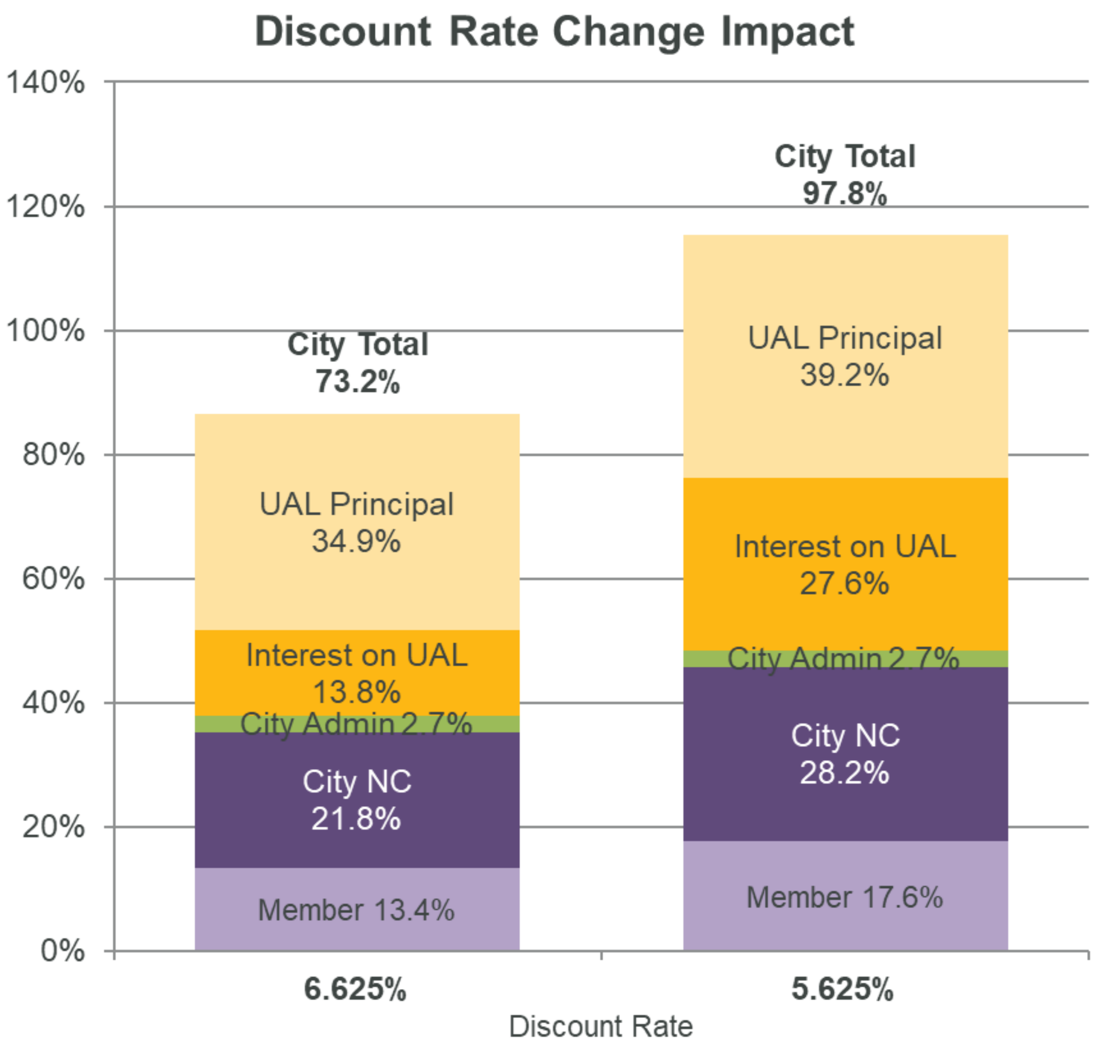


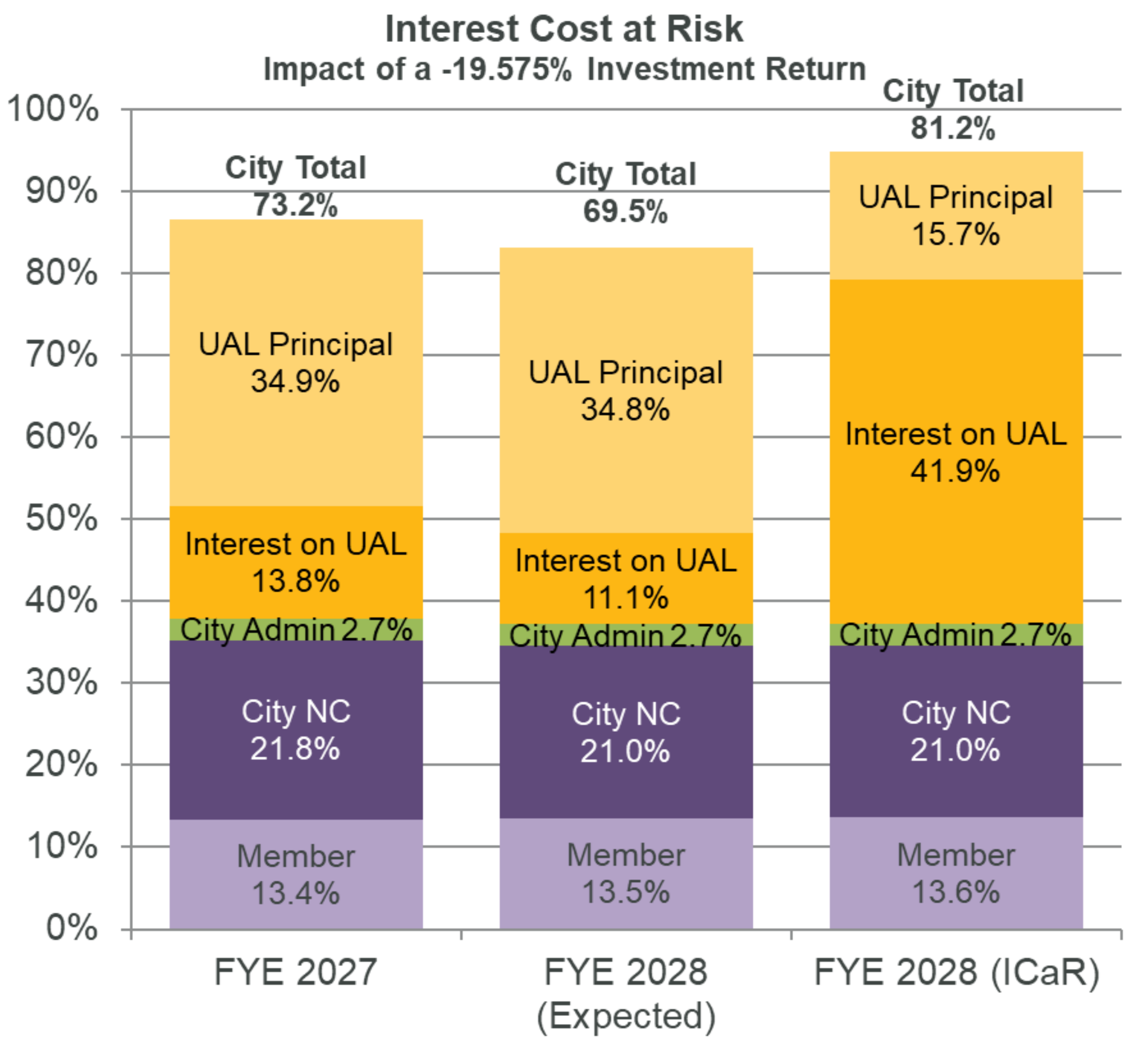
# Leverage Ratios



# Illustration of Sensitivity



# Projection Scenarios

# Stress Testing Scenarios

- Scenarios are intended to illustrate the range of potential contributions
  - Based on Meketa's 10-year capital market assumptions
  - Impact of asset smoothing and amortization
  - Volatility due to plan maturity
- Not intended to be realistic economic scenarios

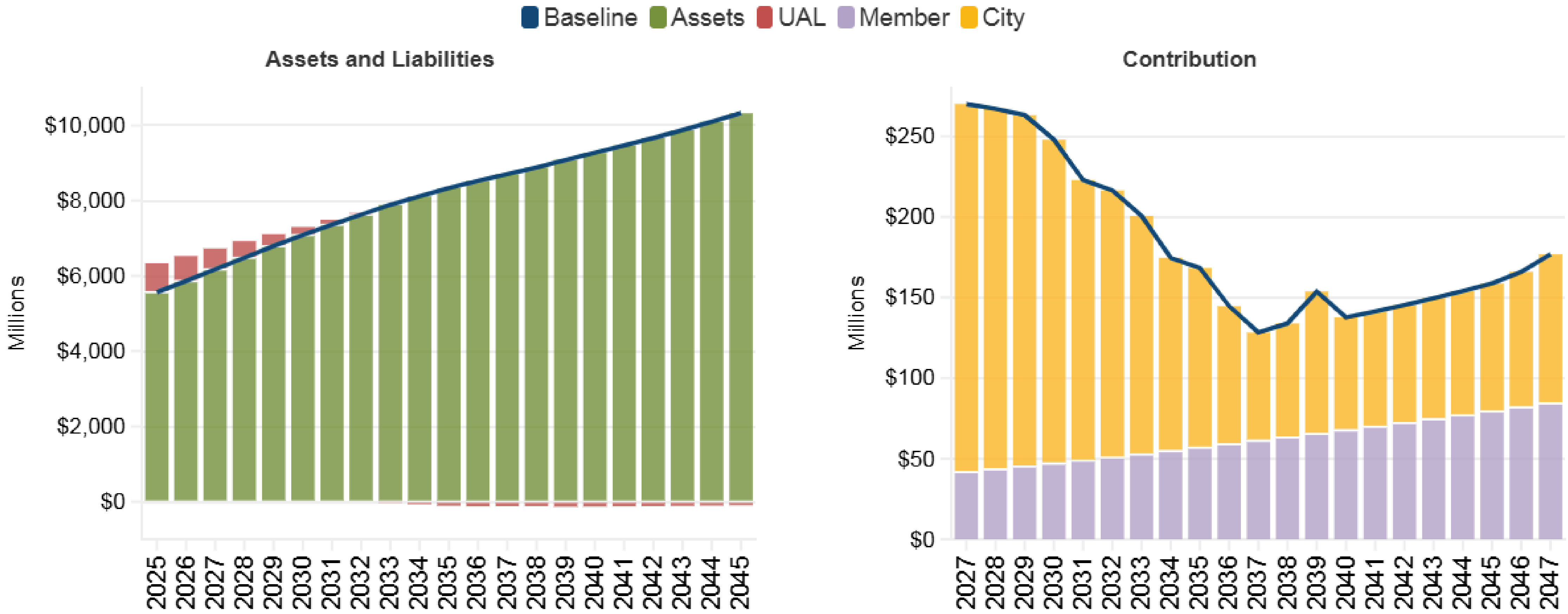
| Annual Average Investment Return | | |
|---|---|---|
| **Percentile** | **1 Year** | **5 Years** |
| 95th | 30.7% | 17.1% |
| 75th | 16.2% | 11.1% |
| 25th | -1.3% | 3.3% |
| 5th | -12.2% | -2.0% |

| Deterministic Scenarios | | | | |
|---|---|---|---|---|
| **FYE** | **1-Year Shock** | | **5-Year Moderate** | |
| 2025 | -12.2% | 30.7% | 3.3% | 11.1% |
| 2026 | 6.625% | 6.625% | 3.3% | 11.1% |
| 2027 | 6.625% | 6.625% | 3.3% | 11.1% |
| 2028 | 6.625% | 6.625% | 3.3% | 11.1% |
| 2029 | 6.625% | 6.625% | 3.3% | 11.1% |
| 2030+ | 6.625% | 6.625% | 6.625% | 6.625% |

# Stress Testing Scenarios

## Deterministic Scenarios

| Scenario | Baseline | 1-Yr Shock Neg | 1-Yr Shock Pos | 5-Yr Moderate Neg | 5-Yr Moderate Pos |
|---|---|---|---|---|---|

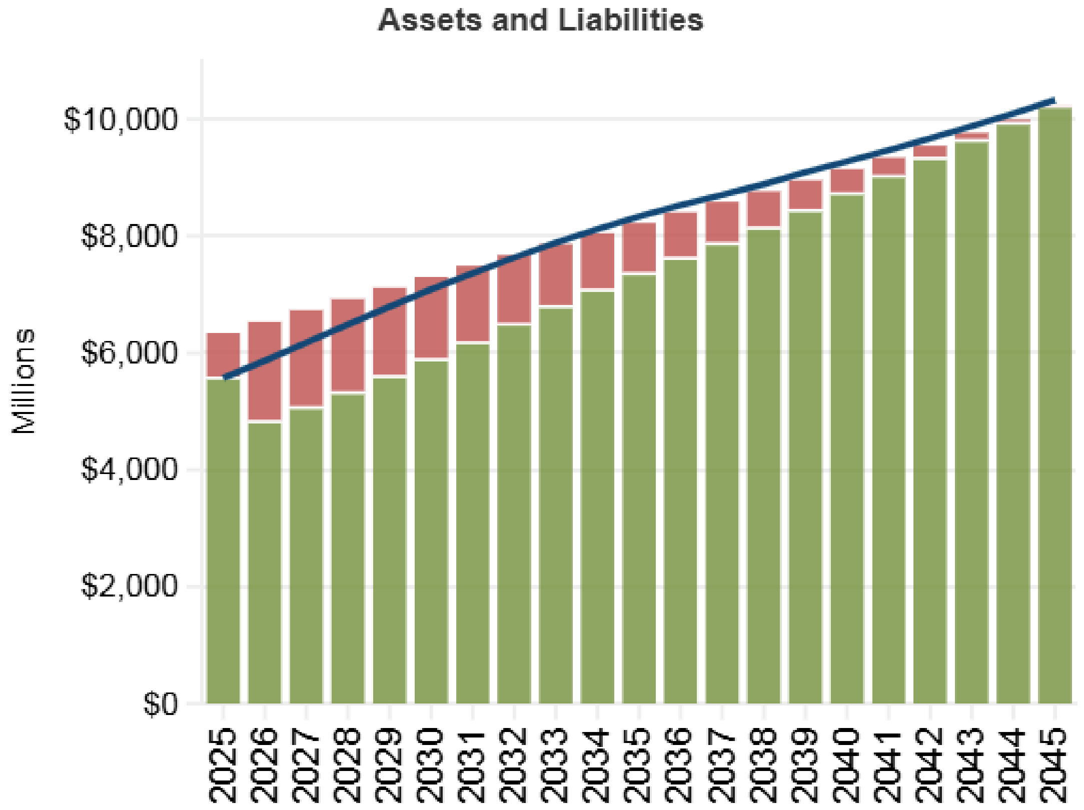


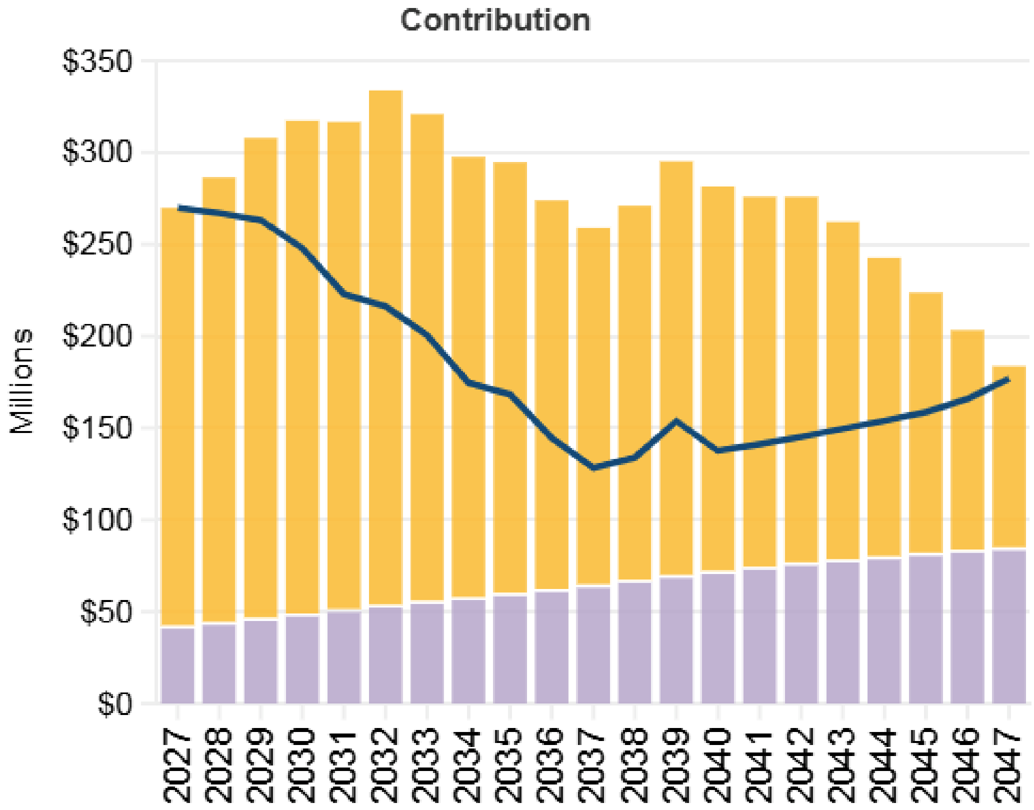
# Stress Testing Scenarios

## Deterministic Scenarios

| Scenario | Baseline | 1-Yr Shock Neg | 1-Yr Shock Pos | 5-Yr Moderate Neg | 5-Yr Moderate Pos |
|---|---|---|---|---|---|

Baseline Assets UAL Member City



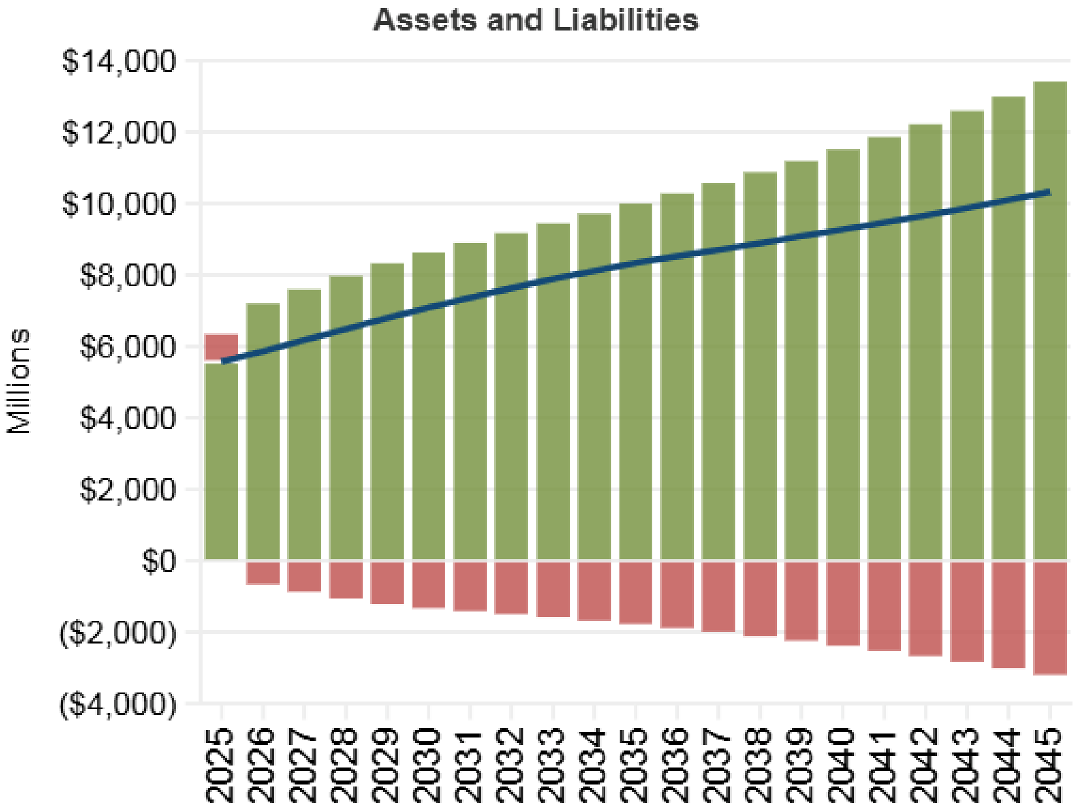



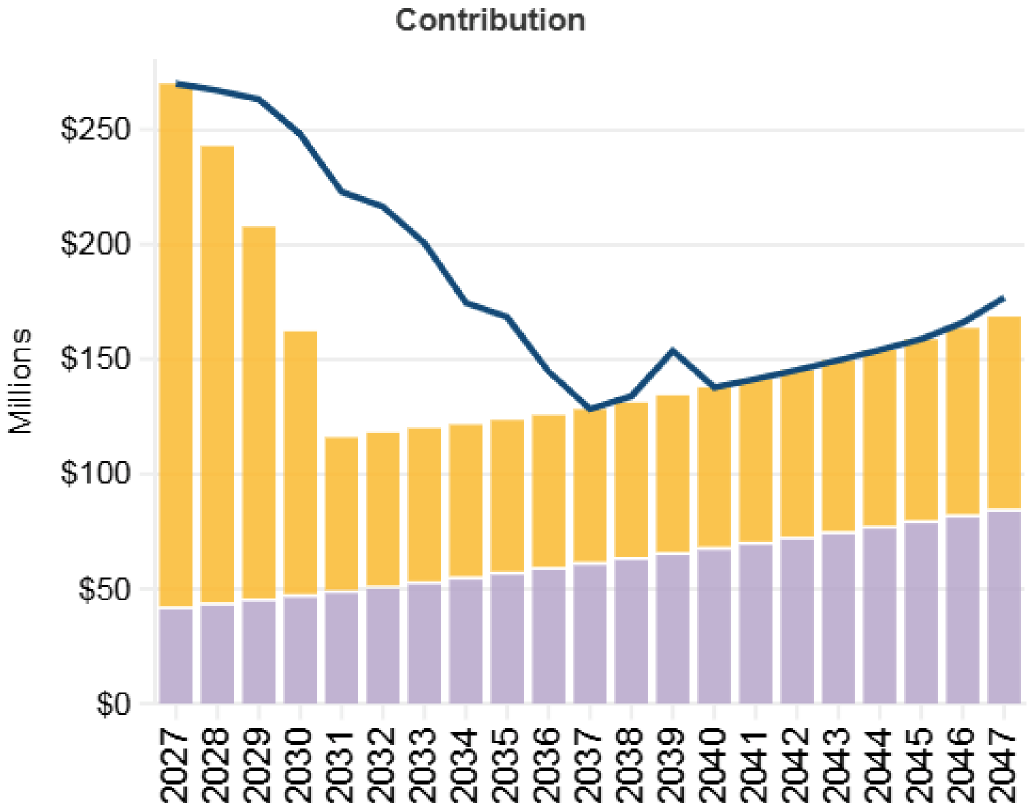
# Stress Testing Scenarios

## Deterministic Scenarios

| Scenario | Baseline | 1-Yr Shock Neg | 1-Yr Shock Pos | 5-Yr Moderate Neg | 5-Yr Moderate Pos |
|---|---|---|---|---|---|

Baseline  Assets  UAL  Member  City



# Stress Testing Scenarios

## Deterministic Scenarios

| Scenario | Baseline | 1-Yr Shock Neg | 1-Yr Shock Pos | 5-Yr Moderate Neg | 5-Yr Moderate Pos |
|---|---|---|---|---|---|

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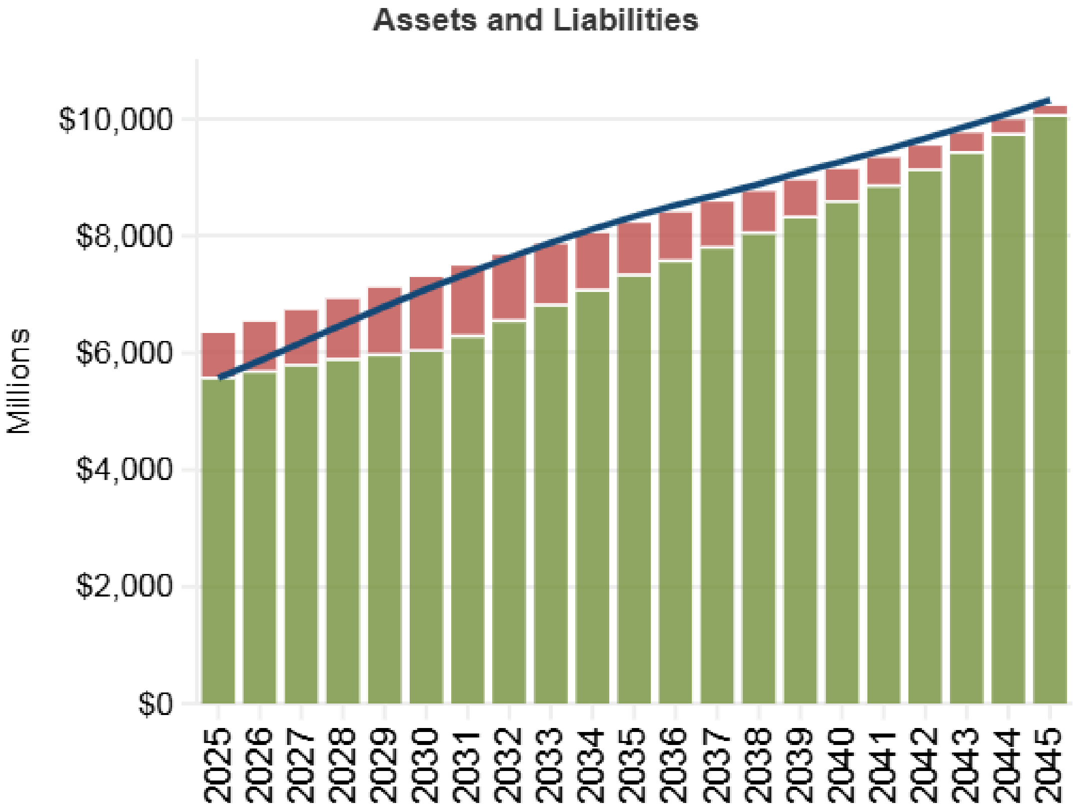
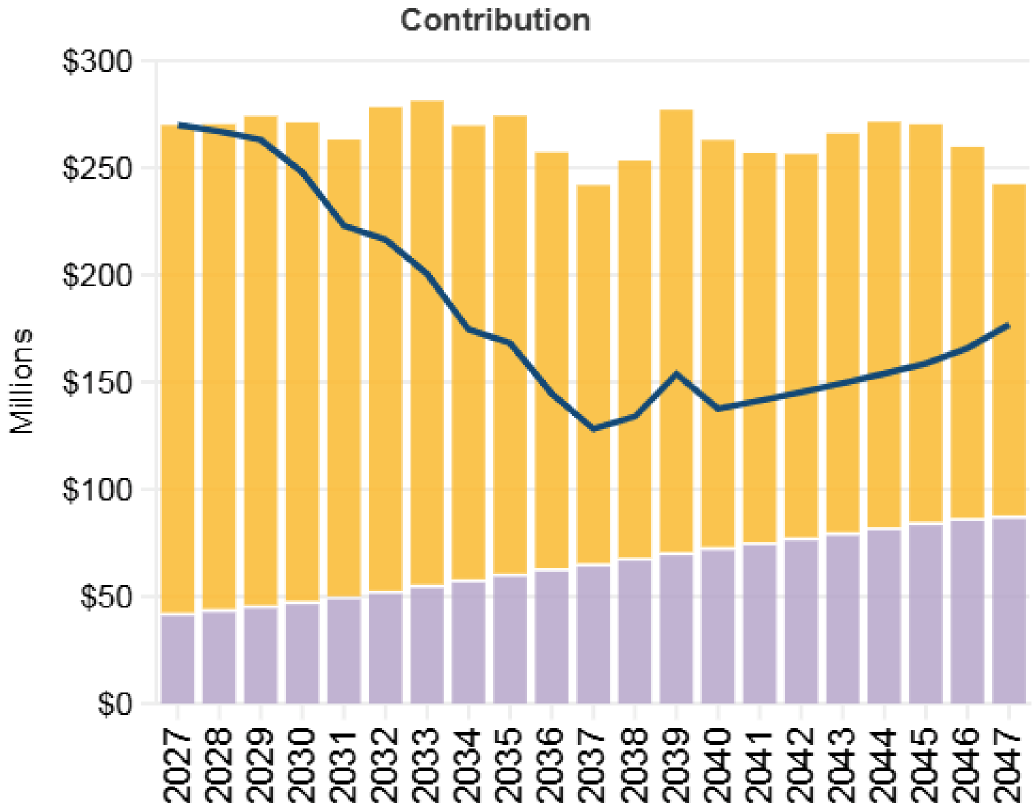
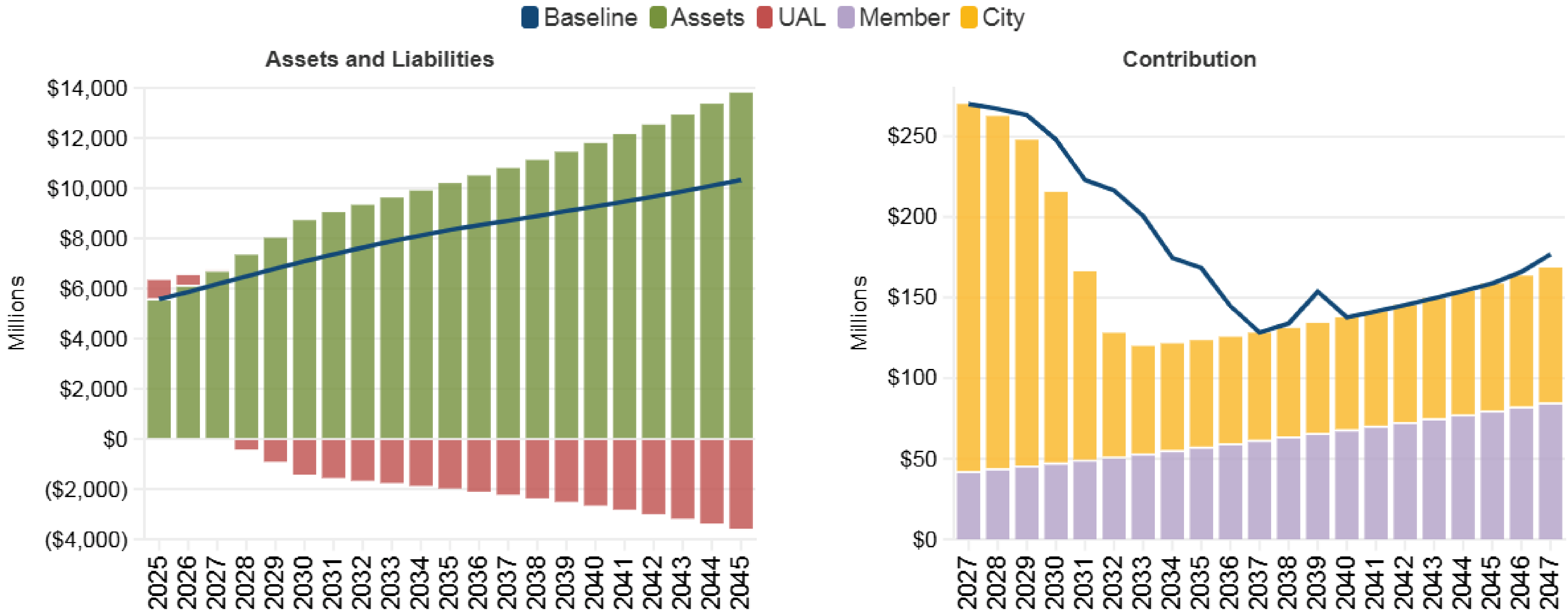


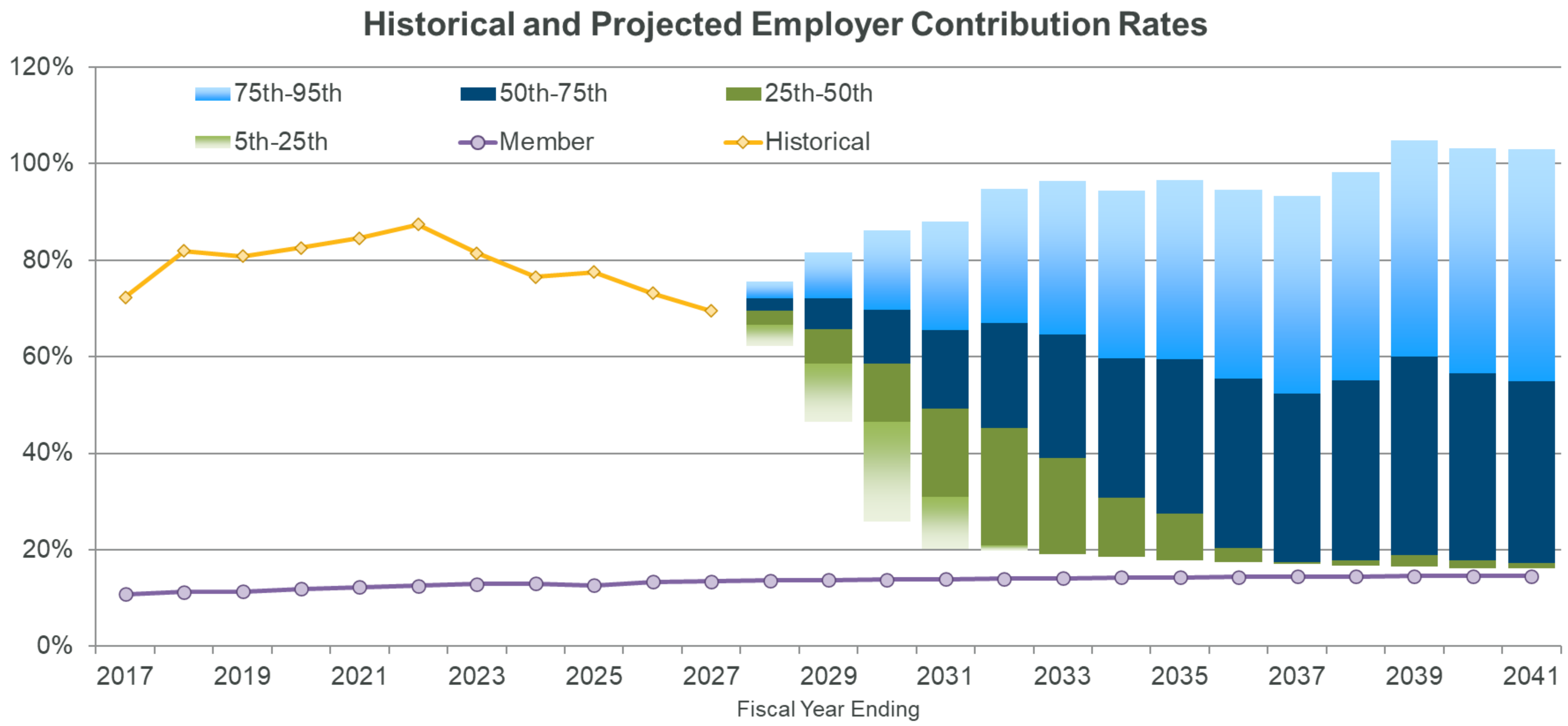
# Stress Testing Scenarios

## Deterministic Scenarios

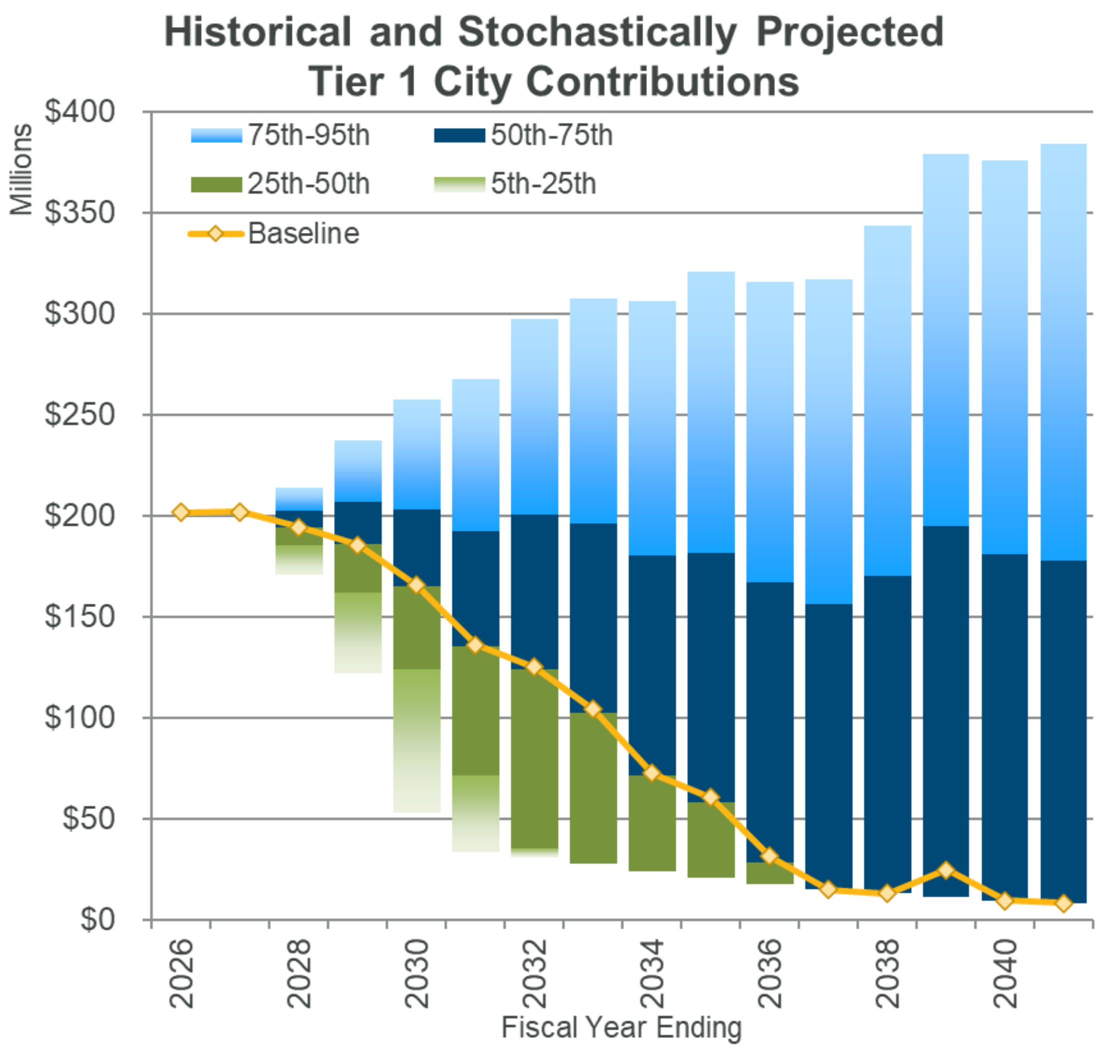
| Scenario | Baseline | 1-Yr Shock Neg | 1-Yr Shock Pos | 5-Yr Moderate Neg | 5-Yr Moderate Pos |
|---|---|---|---|---|---|

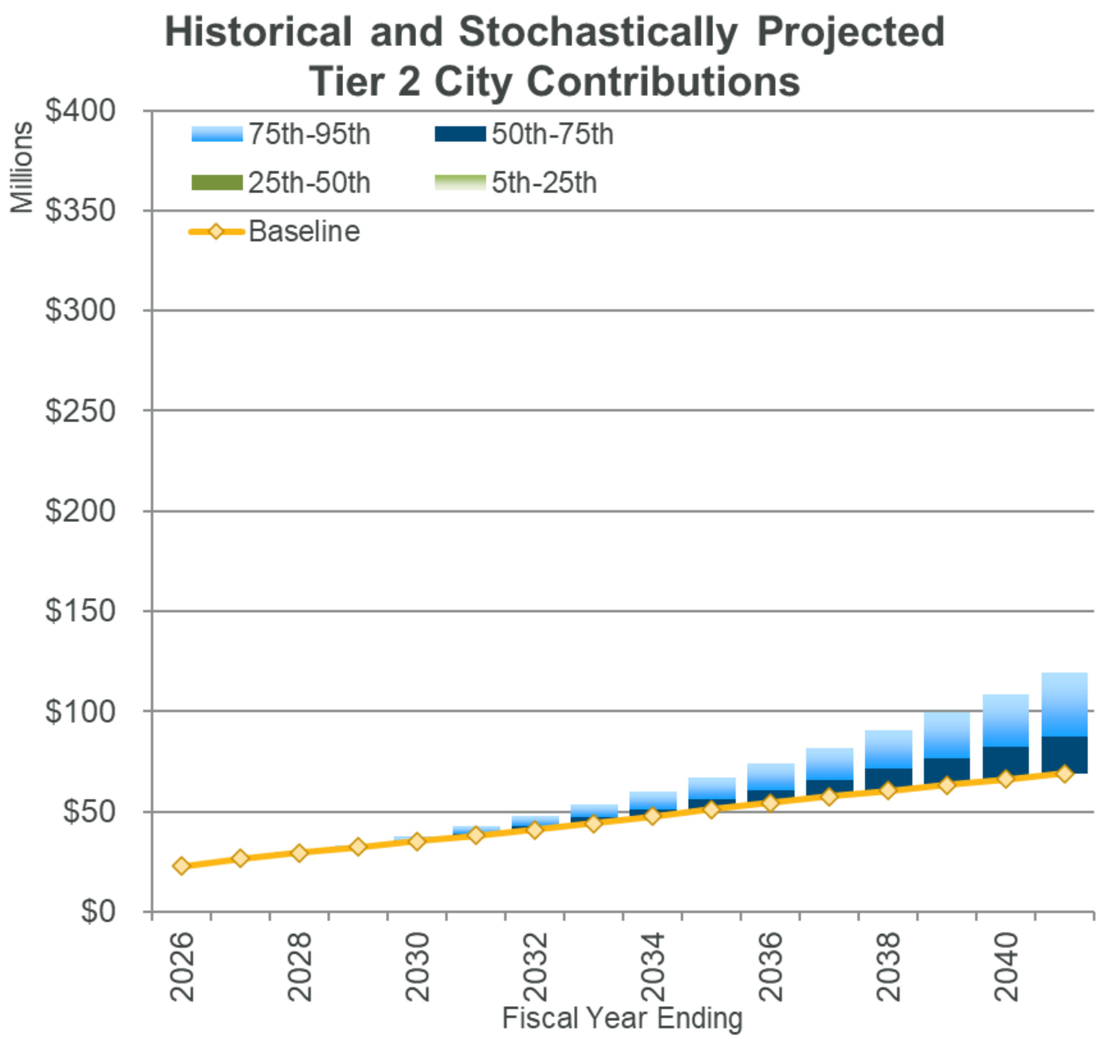


# Stochastic Contributions – Contribution Rates

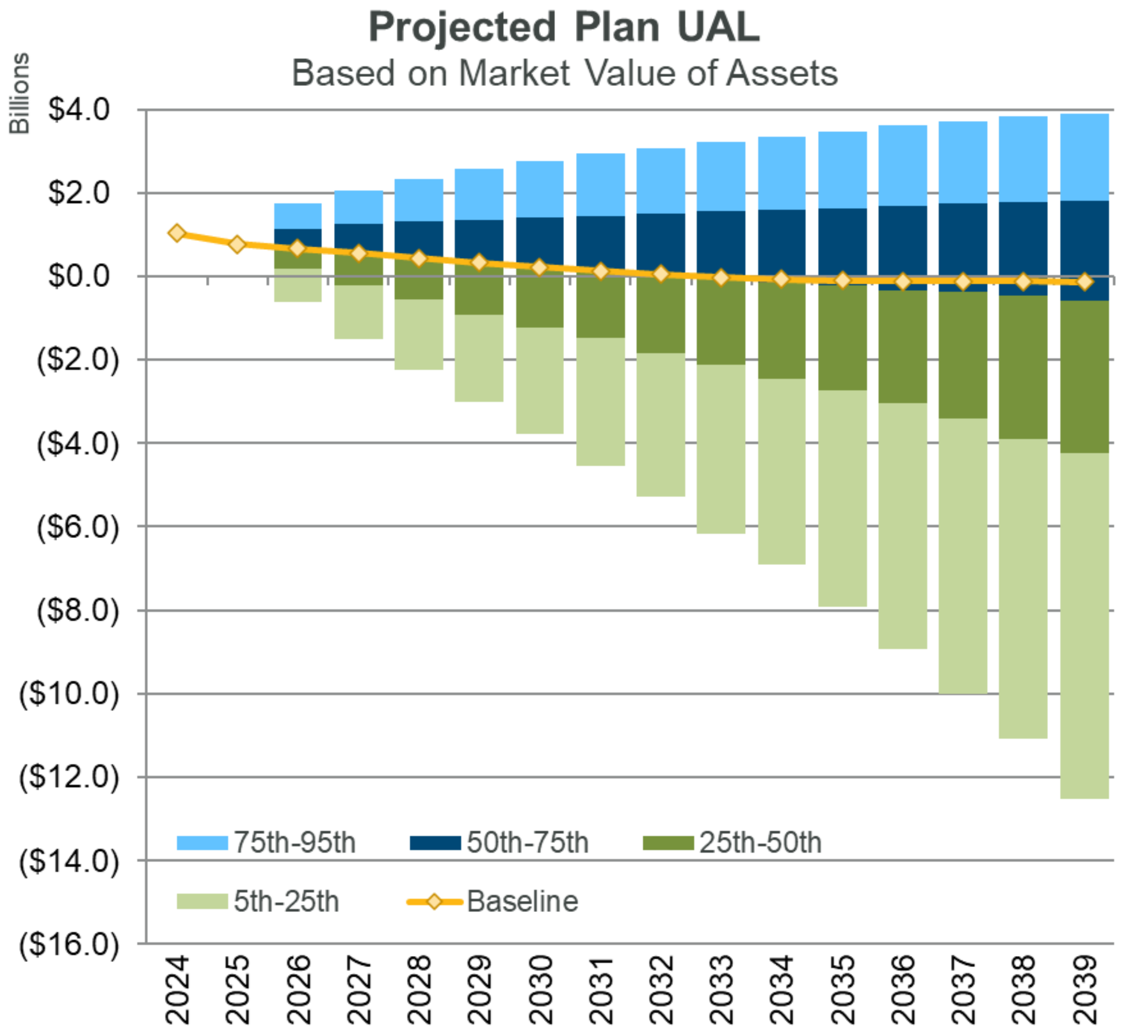


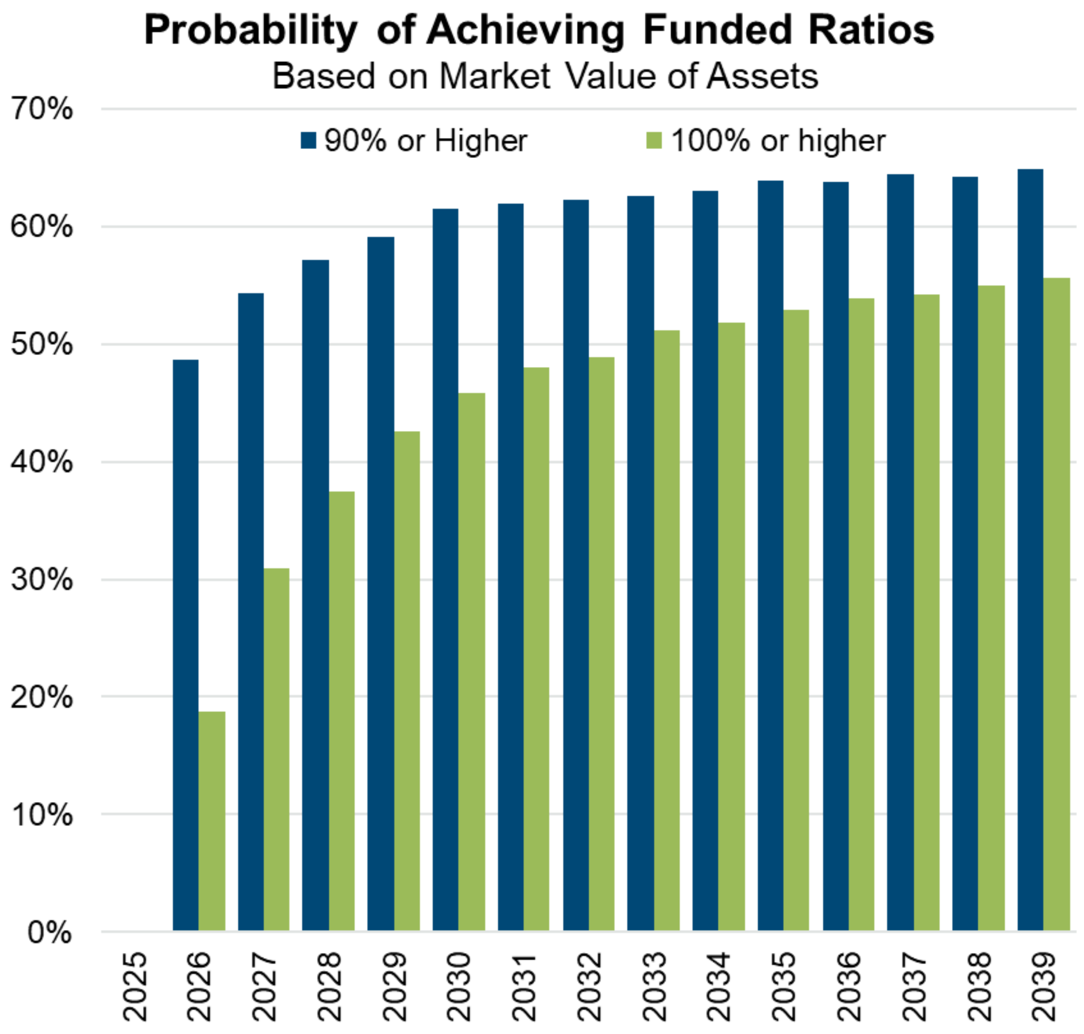
# Stochastic Projections – Contributions by Tier



# Stochastic Projections – UAL and Funded Ratio



# Questions

# Certification

- The purpose of this presentation is to present the results of the June 30, 2025 Actuarial Valuation for the City of San José Police and Fire Department Retirement Plan.
- In preparing our presentation, 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. A summary of the data, assumptions, methods, and plan provisions used to prepare the valuation can be found in the June 30, 2025 actuarial valuation report.
- 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.
- This presentation 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 presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.
- This presentation was prepared exclusively for the City of San José Police and Fire Department Retirement Plan for the purpose described herein. This presentation is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

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

Anne D. Harper, FSA, EA, MAAA
Principal Consulting Actuary

# Appendix: Models

- Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

- Deterministic projections in this valuation report were developed using P-scan, a proprietary tool used to illustrate the impact of changes in assumptions, methods, plan provisions, or actual experience (particularly investment experience) on the future financial status of the System.

- P-scan uses standard roll-forward techniques that implicitly assume a stable active population. Because P-scan does not automatically capture how changes in one variable affect all other variables, some scenarios may not be consistent.

- Stochastic projections in this valuation report were developed using R-scan, our proprietary tool for assessing the probability of different outcomes based on a range of potential investment returns. We relied on Cheiron colleagues for the development of the model. The stochastic projections of investment returns assume that each future year's investment return is independent from all other years and is identically distributed according to a lognormal distribution. The standard deviation used in the stochastic projection of investment returns was provided by the System's investment consultant.

# Appendix – Contribution Detail

| Contribution Rates and Amounts (Throughout the Year) | Fire | | Police | | Total | |
|---|---|---|---|---|---|---|
| | FYE 2026 | FYE 2027 | FYE 2026 | FYE 2027 | FYE 2026 | FYE 2027 |
| **Member Rates** | | | | | | |
| Tier 1 | 12.0% | 11.9% | 10.4% | 11.5% | 11.2% | 11.7% |
| Tier 2 | 15.0% | 14.6% | 13.6% | 14.6% | 14.0% | 14.6% |
| Aggregate | 13.3% | 13.1% | 12.4% | 13.6% | 12.7% | 13.4% |
| **City Contributions** | | | | | | |
| Tier 1 Admin/UAL | $ 13,703 | $ 3,748 | $ 147,652 | $ 156,552 | $ 161,355 | $ 160,300 |
| Tier 1 Normal Cost | $ 20,779 | $ 20,748 | $ 19,408 | $ 20,686 | $ 40,187 | $ 41,434 |
| | 32.2% | 31.9% | 28.7% | 31.5% | 30.4% | 31.7% |
| Tier 2 Contribution | $ 7,104 | $ 7,798 | $ 15,503 | $ 18,682 | $ 22,607 | $ 26,480 |
| | 15.0% | 14.6% | 13.6% | 14.6% | 14.0% | 14.6% |
| Aggregate | $ 41,587 | $ 32,294 | $ 182,562 | $ 195,921 | $ 224,149 | $ 228,215 |
| | 37.2% | 27.2% | 100.3% | 101.3% | 76.3% | 73.2% |

*Numbers may not add due to rounding*

*Dollar amounts in thousands*

# Appendix – 5-Year Contribution Projection

| Contribution Rates and Amounts (Throughout the Year) | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fiscal Year Ending** | **2027** | | | **2028** | | | **2029** | | | **2030** | | | **2031** | | |
| **Member Rates** | | | | | | | | | | | | | | | |
| Police Tier 1 | 11.47% | | | 11.47% | | | 11.46% | | | 11.47% | | | 11.49% | | |
| Police Tier 2 | 14.64% | | | 14.64% | | | 14.64% | | | 14.64% | | | 14.64% | | |
| Fire Tier 1 | 11.88% | | | 11.84% | | | 11.82% | | | 11.80% | | | 11.78% | | |
| Fire Tier 2 | 14.55% | | | 14.55% | | | 14.55% | | | 14.55% | | | 14.55% | | |
| **City Contributions** | | | | | | | | | | | | | | | |
| **Police** | | | | | | | | | | | | | | | |
| Tier 1 UAL | | $ | 152,123 | | $ | 151,490 | | $ | 145,972 | | $ | 129,048 | | $ | 101,981 |
| Tier 1 Admin | | | 4,429 | | | 4,568 | | | 4,710 | | | 4,857 | | | 5,009 |
| Tier 1 Normal Cost | 31.48% | | 20,687 | 31.48% | | 18,887 | 31.44% | | 16,996 | 31.46% | | 15,208 | 31.48% | | 13,709 |
| Tier 2 Contribution | 14.64% | | 18,682 | 14.64% | | 20,401 | 14.64% | | 22,184 | 14.64% | | 23,960 | 14.64% | | 25,632 |
| **Total Police** | **101.35%** | **$** | **195,921** | **97.99%** | **$** | **195,346** | **92.35%** | **$** | **189,862** | **81.64%** | **$** | **173,073** | **66.93%** | **$** | **146,331** |
| **Fire** | | | | | | | | | | | | | | | |
| Tier 1 UAL | | $ | 49 | | $ | (3,814) | | $ | (3,933) | | $ | (4,056) | | $ | (4,183) |
| Tier 1 Admin | | | 3,699 | | | 3,814 | | | 3,933 | | | 4,056 | | | 4,183 |
| Tier 1 Normal Cost | 31.93% | | 20,748 | 31.83% | | 19,223 | 31.77% | | 17,797 | 31.72% | | 16,462 | 31.66% | | 15,313 |
| Tier 2 Contribution | 14.55% | | 7,798 | 14.55% | | 9,004 | 14.55% | | 10,197 | 14.55% | | 11,370 | 14.55% | | 12,475 |
| **Total Fire** | **27.24%** | **$** | **32,294** | **22.25%** | **$** | **28,227** | **22.20%** | **$** | **27,994** | **21.40%** | **$** | **27,832** | **20.72%** | **$** | **27,788** |
| **Aggregate City** | **73.17%** | **$** | **228,215** | **69.51%** | **$** | **223,573** | **65.68%** | **$** | **217,856** | **58.74%** | **$** | **200,905** | **49.36%** | **$** | **174,119** |
| 75th Percentile | 73.17% | | 228,215 | 72.15% | | 232,041 | 72.07% | | 239,054 | 69.78% | | 238,686 | 65.60% | | 231,399 |
| 25th Percentile | 73.17% | | 228,215 | 66.68% | | 214,479 | 58.55% | | 194,187 | 46.43% | | 158,827 | 31.01% | | 109,388 |

*Dollar amounts in thousands*

# Appendix – Tier 1 Beginning of Year Contributions

| Tier 1 City Contribution Amounts (Beginning of Year Assuming Full Discount) | | | | | |
|---|---|---|---|---|---|
| **Fiscal Year Ending** | **2027** | **2028** | **2029** | **2030** | **2031** |
| **Police** | | | | | |
| Tier 1 UAL Payment | $ 147,321 | $ 146,708 | $ 141,364 | $ 124,975 | $ 98,762 |
| Tier 1 Administrative Expenses | 4,289 | 4,424 | 4,561 | 4,704 | 4,851 |
| Tier 1 Normal Cost | 20,034 | 18,291 | 16,460 | 14,728 | 13,276 |
| **Total Police** | **$ 171,644** | **$ 169,423** | **$ 162,385** | **$ 144,407** | **$ 116,889** |
| **Fire** | | | | | |
| Tier 1 UAL Payment | $ 47 | $ (3,694) | $ (3,809) | $ (3,928) | $ (4,051) |
| Tier 1 Administrative Expenses | 3,582 | 3,694 | 3,809 | 3,928 | 4,051 |
| Tier 1 Normal Cost | 20,093 | 18,616 | 17,235 | 15,942 | 14,830 |
| **Total Fire** | **$ 23,722** | **$ 18,616** | **$ 17,235** | **$ 15,942** | **$ 14,830** |
| **Tier 1 Total** | **$ 195,366** | **$ 188,039** | **$ 179,620** | **$ 160,349** | **$ 131,719** |

*Dollar amounts in thousands*