

# San José Federated City Employees' Retirement System



6d(2)

## 2025 Final Pension Valuation Results

December 18, 2025

Bill Hallmark, ASA, EA, MAAA, FCA  
Steven Hastings, FSA, EA, MAAA, FCA  
Jacqui King, FSA, EA, MAAA

# Agenda



Schedule

Summary of Valuation Results

Baseline Projections

Plan Maturity and Sensitivity

Projection Scenarios

Appendix



- October Board Meeting
  - ASOP 4 Updates
  - Pension Economic Assumption Review
- November Board Meeting
  - Preliminary Pension Valuation Results
  - OPEB Assumptions Review
- **December Board Meeting**
  - **Final Pension Valuation Presentation**
  - **Final Pension Valuation Report**
  - **Preliminary OPEB Valuation Results**
- January Board Meeting
  - Final OPEB Valuation Presentation
  - Final OPEB Valuation Report

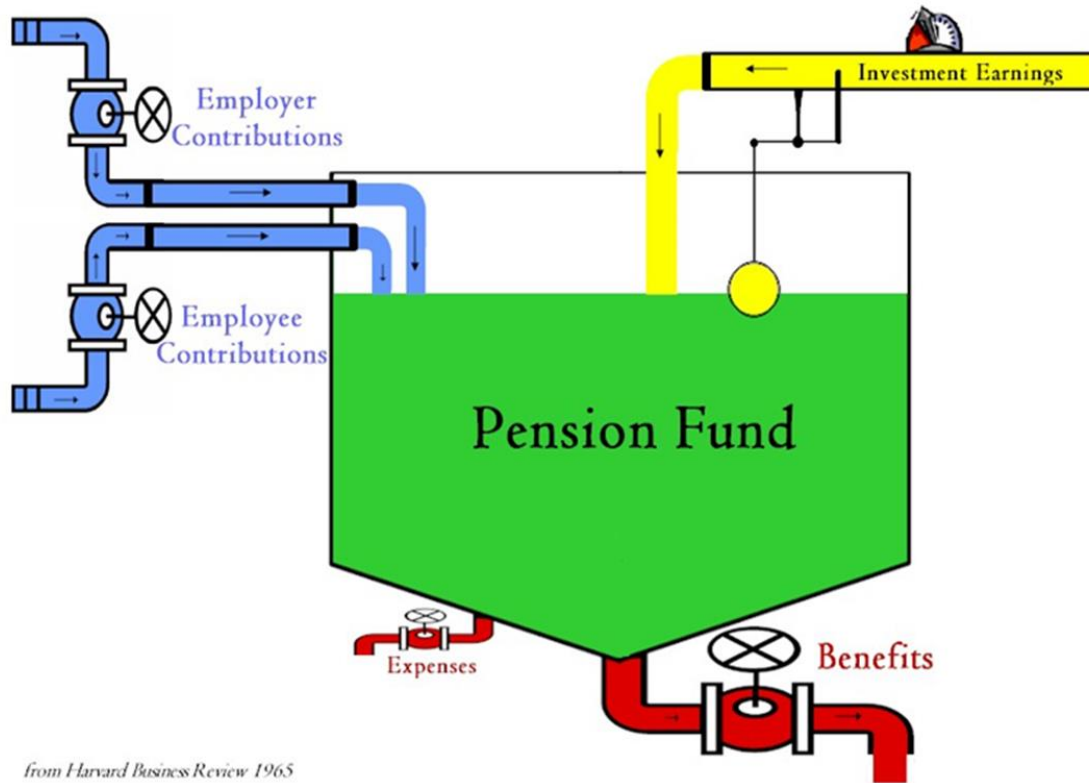
# Final Results



# A Dynamic System



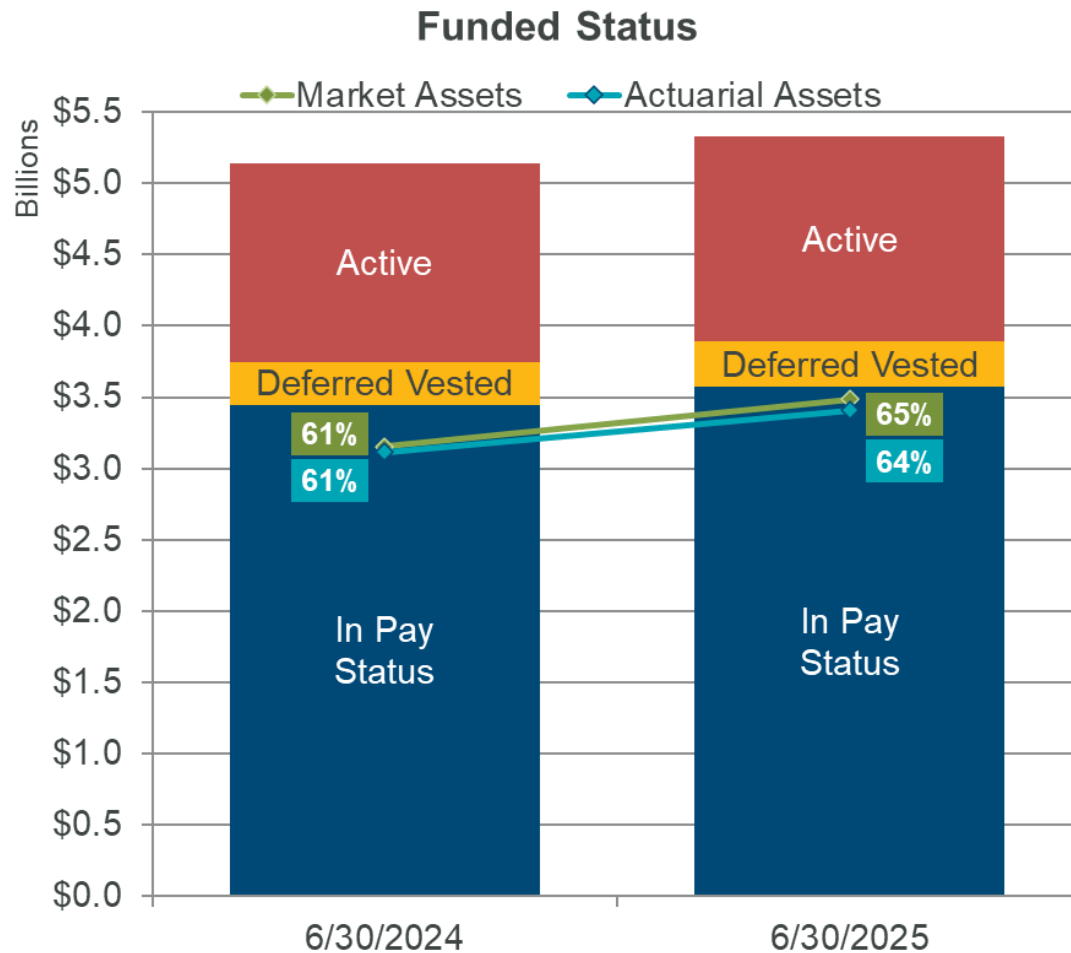
Contributions + Investments =



Expenses + Benefits

- Primary purpose of valuation is to set member and City contributions
  - 2025 valuation develops contributions for FYE 2027
- Project future benefit payments
  - Plan provisions, census data, and actuarial assumptions
- Determine funding target
  - Actuarial cost method and assumptions
- Set member and City contributions
  - Plan provisions, actuarial methods, and discount rate

# Funded Status



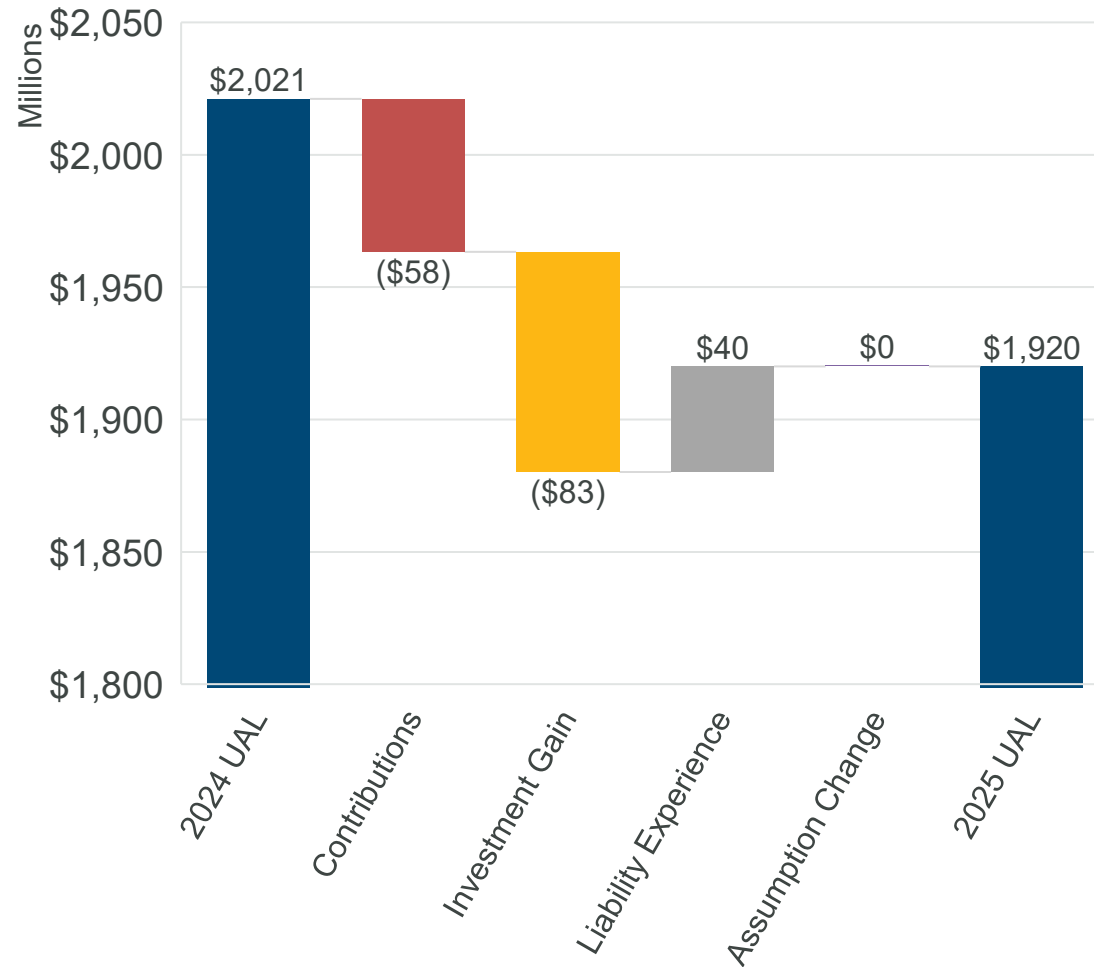
Funded Status By Tier			
	6/30/2024	6/30/2025	Change
<b>Tier 1</b>			
Actuarial Liability	\$ 4,797.6	\$ 4,910.1	2.3%
AVA	2,813.5	3,023.7	7.5%
UAL-AVA Basis	1,984.1	1,886.4	-4.9%
AVA Funded Ratio	58.6%	61.6%	2.9%
MVA	2,847.6	3,089.6	8.5%
UAL-MVA Basis	1,950.0	1,820.5	-6.6%
MVA Funded Ratio	59.4%	62.9%	3.6%
<b>Tier 2</b>			
Actuarial Liability	\$ 340.3	\$ 419.9	23.4%
AVA	303.3	386.2	27.3%
UAL-AVA Basis	37.0	33.7	-8.9%
AVA Funded Ratio	89.1%	92.0%	2.8%
MVA	306.8	396.7	29.3%
UAL-MVA Basis	33.5	23.2	-30.9%
MVA Funded Ratio	90.2%	94.5%	4.3%

Amounts in millions

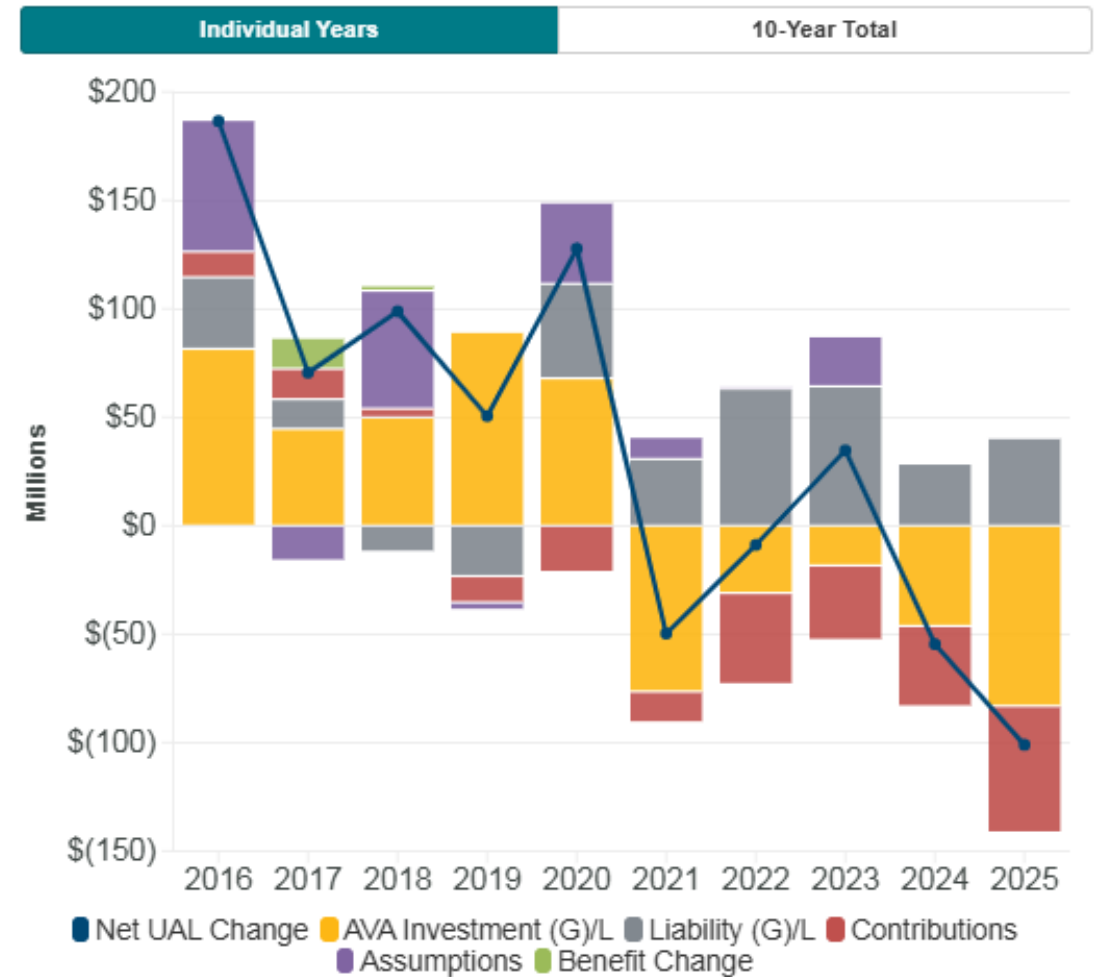
# Current and Historical Changes in UAL



## Change in UAL Based on Actuarial Assets



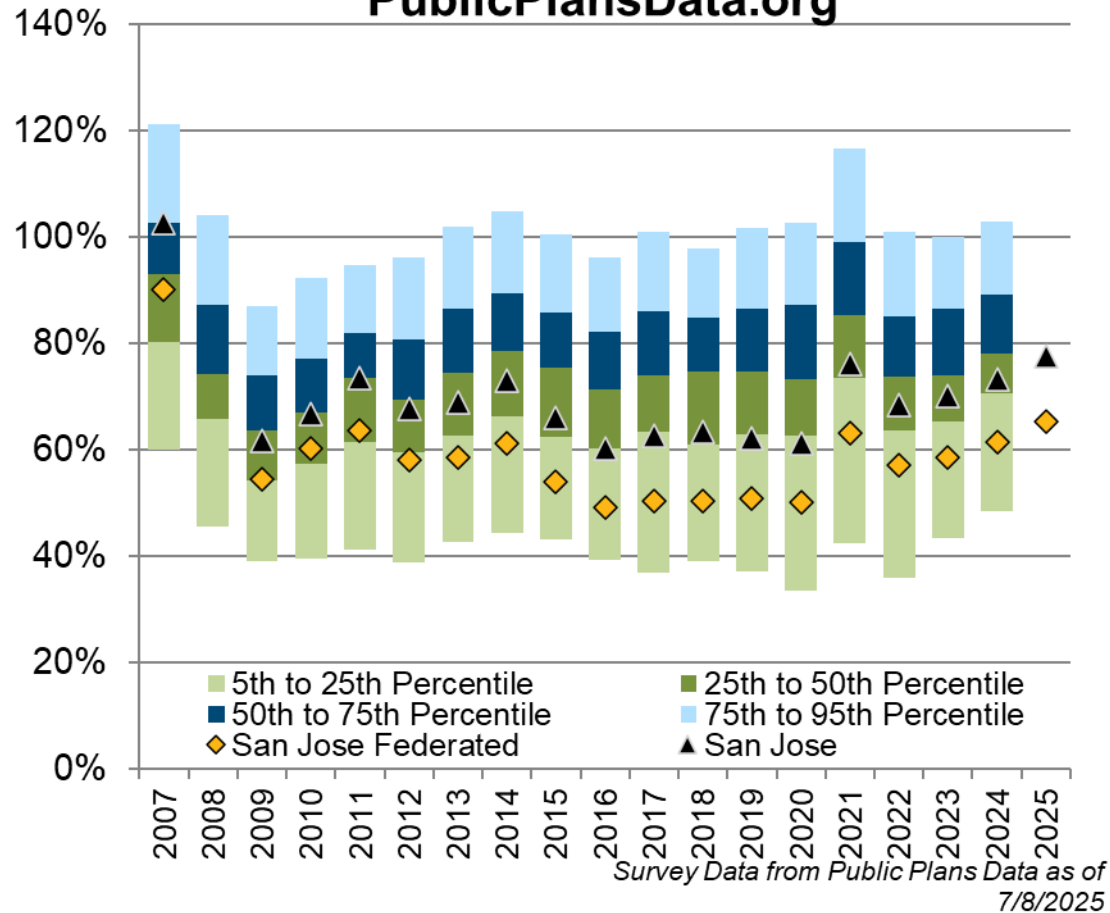
## Changes in UAL



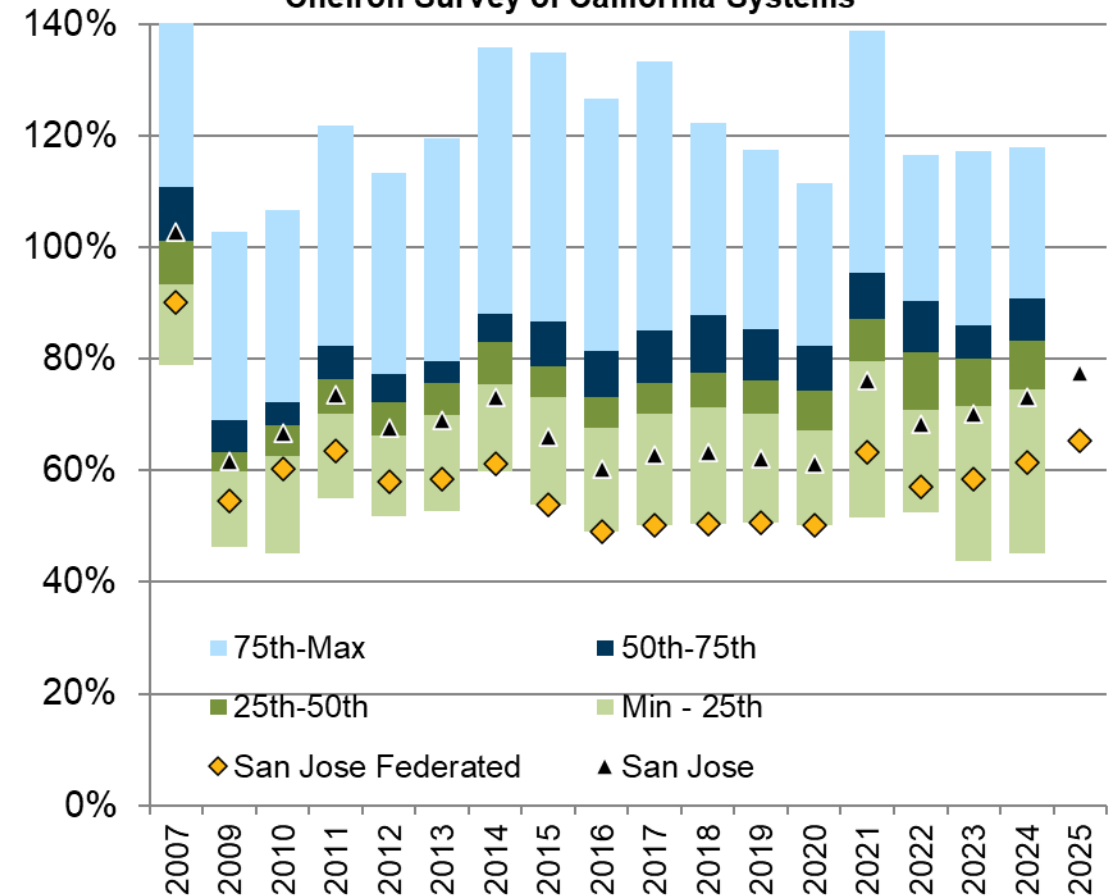
# Comparison of Funded Ratio (Market Value of Assets)



**National Survey Data from PublicPlansData.org**



**Funded Status - Market Value of Assets**  
Cheiron Survey of California Systems

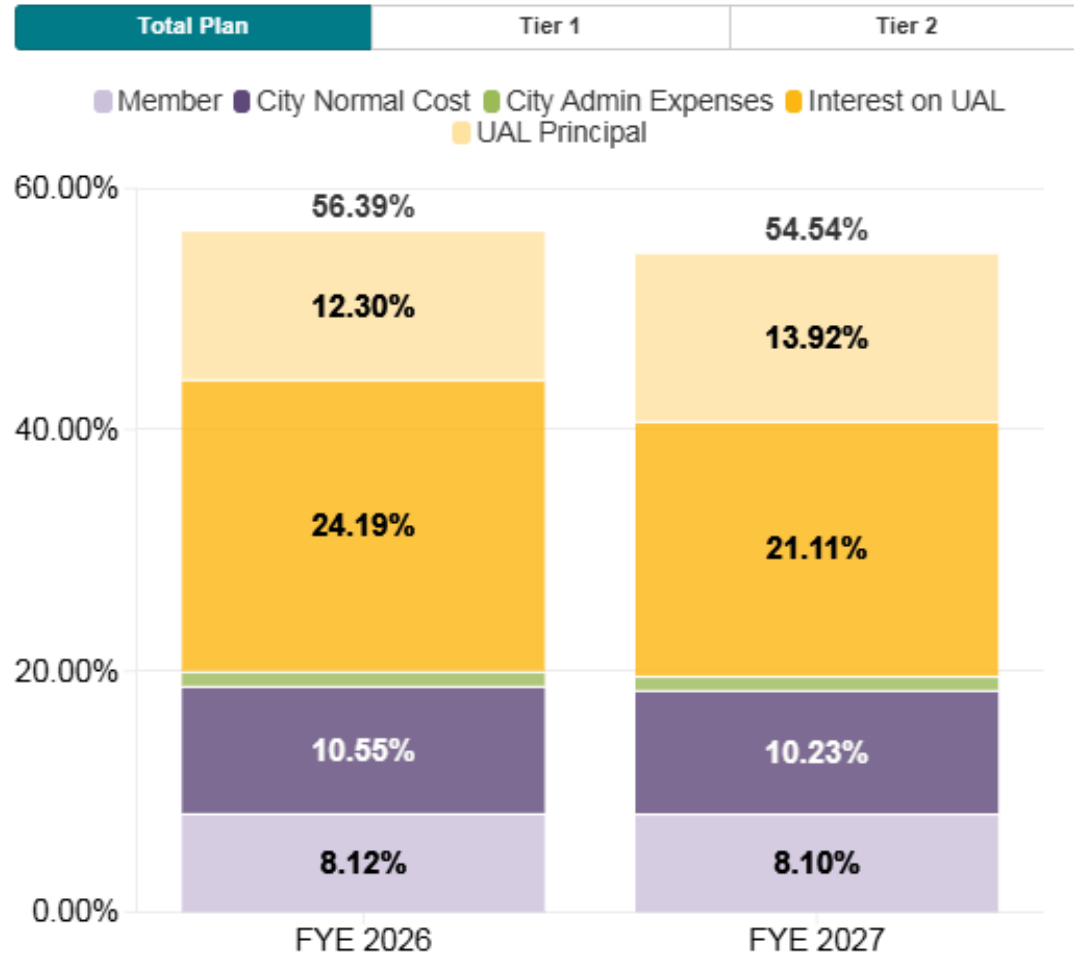




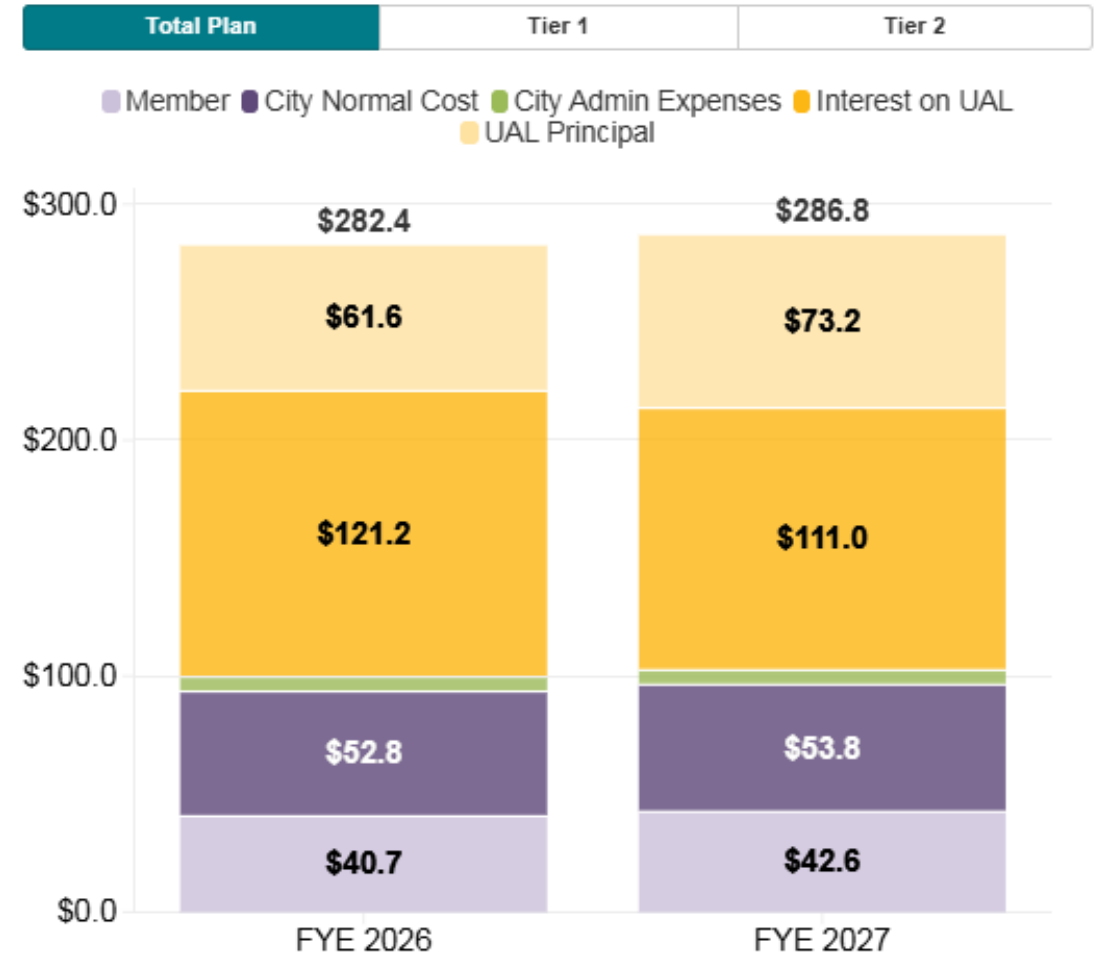
# Final FYE 2027 Contributions



## Contribution Rates



## Contribution Amounts



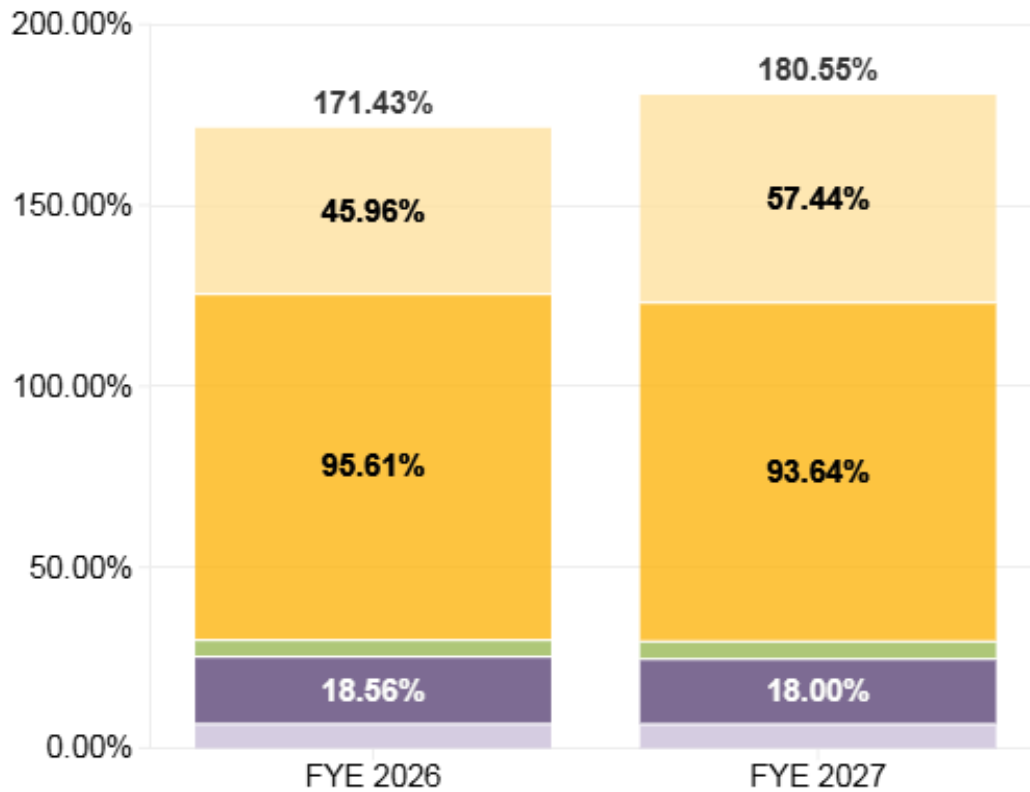
# Final FYE 2027 Contributions



## Contribution Rates



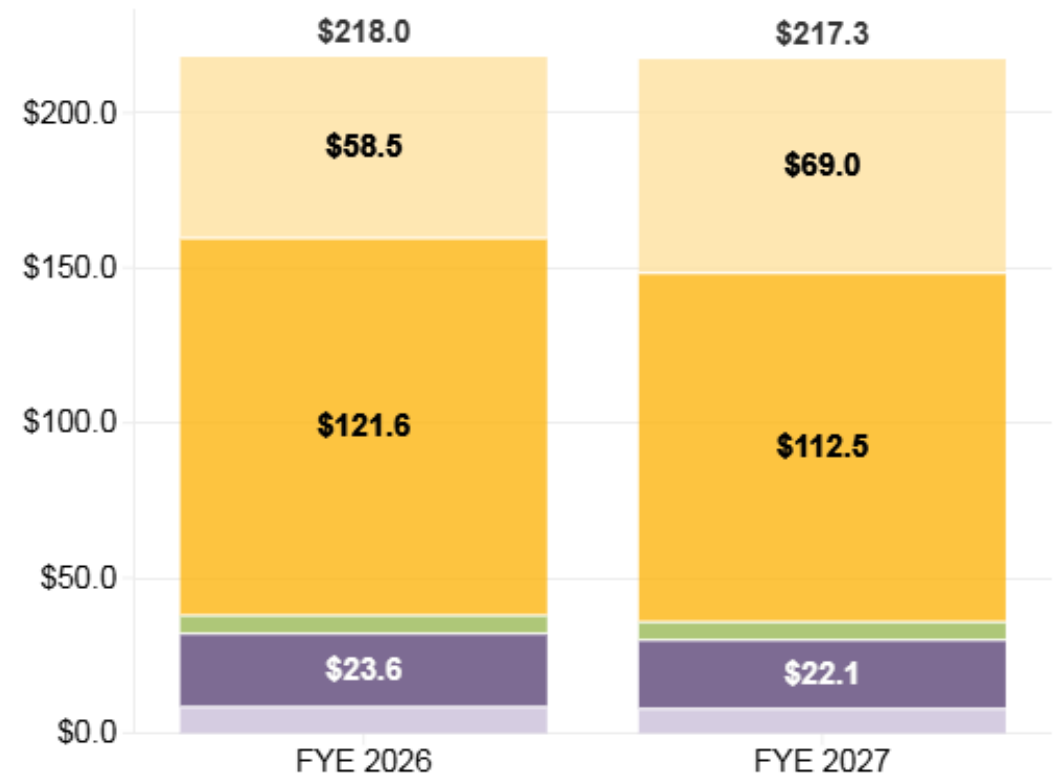
■ Member 
 ■ City Normal Cost 
 ■ City Admin Expenses 
 ■ Interest on UAL 
 ■ UAL Principal



## Contribution Amounts



■ Member 
 ■ City Normal Cost 
 ■ City Admin Expenses 
 ■ Interest on UAL 
 ■ UAL Principal



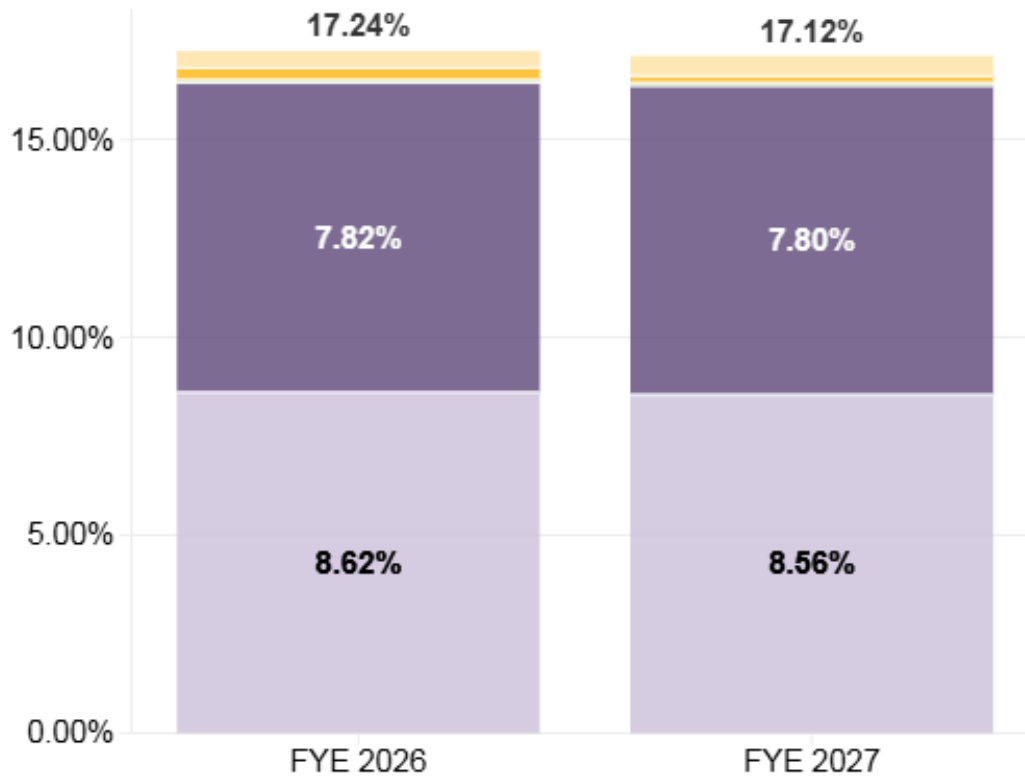
# Final FYE 2027 Contributions



## Contribution Rates

Total Plan	Tier 1	Tier 2
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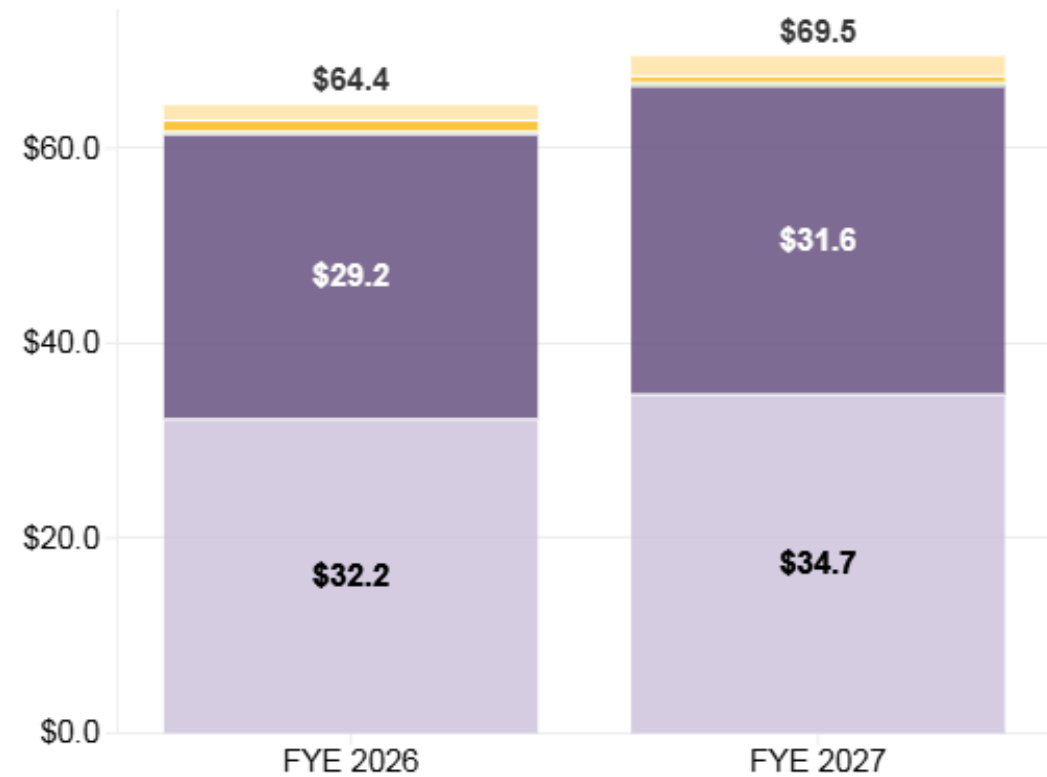
Member City Normal Cost City Admin Expenses Interest on UAL  
UAL Principal



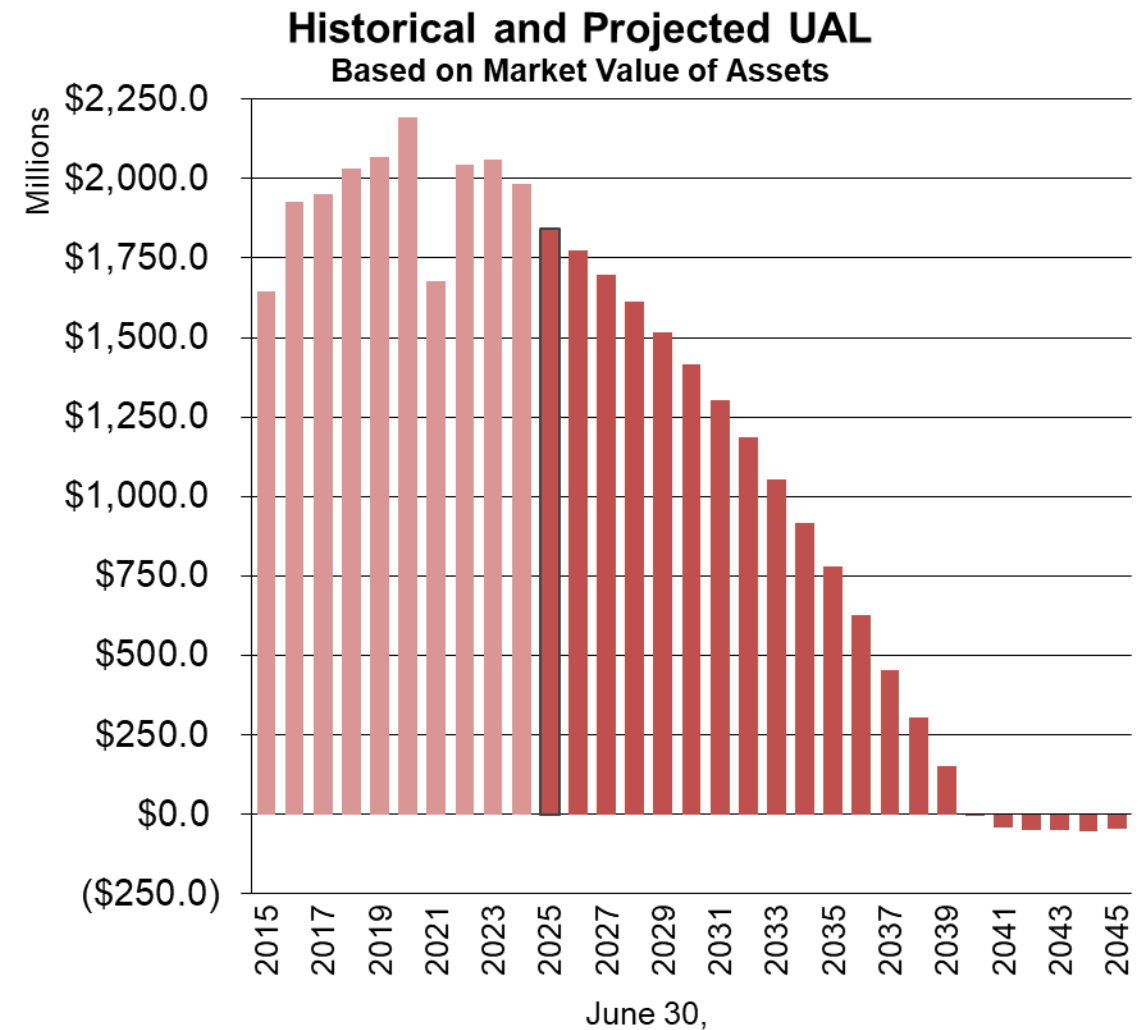
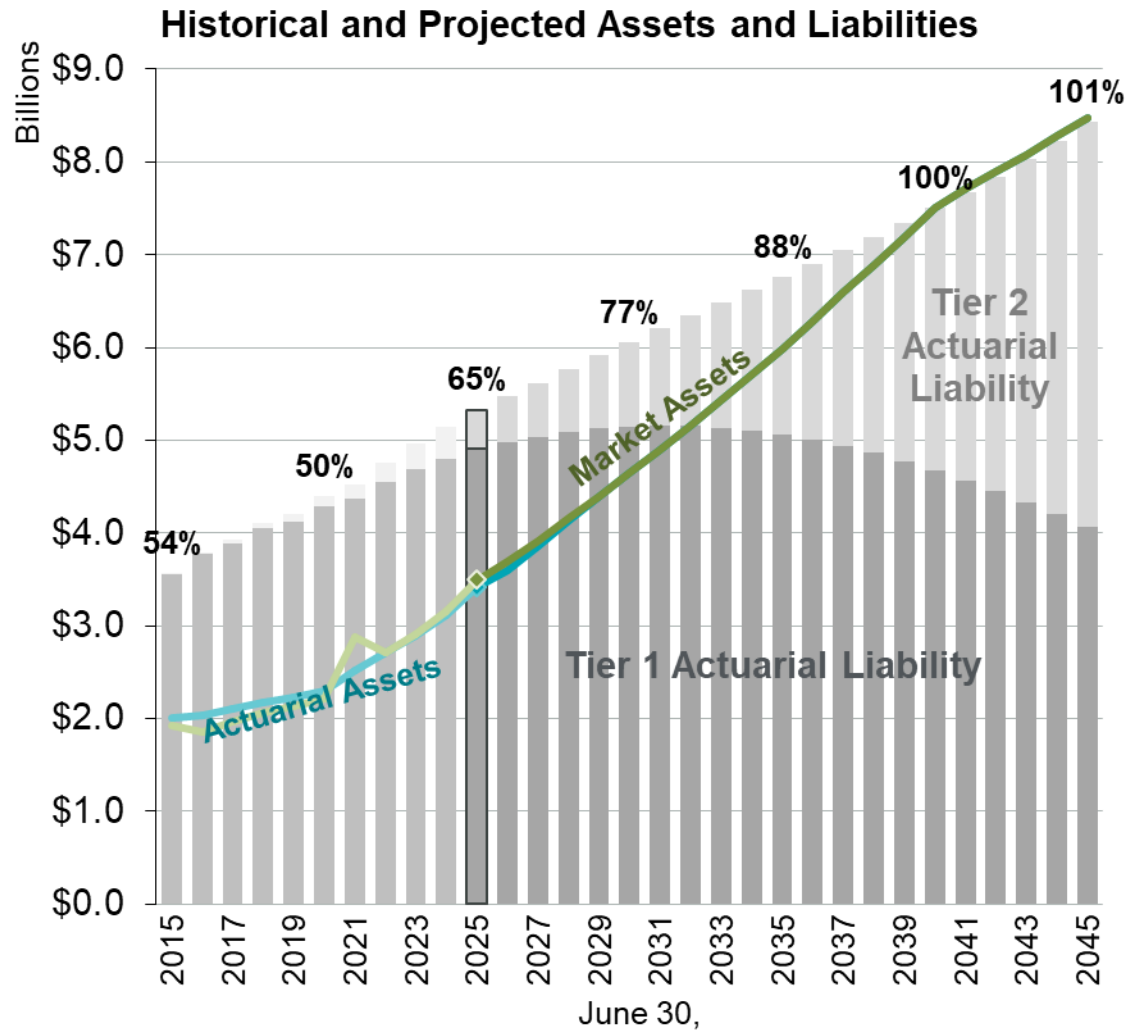
## Contribution Amounts

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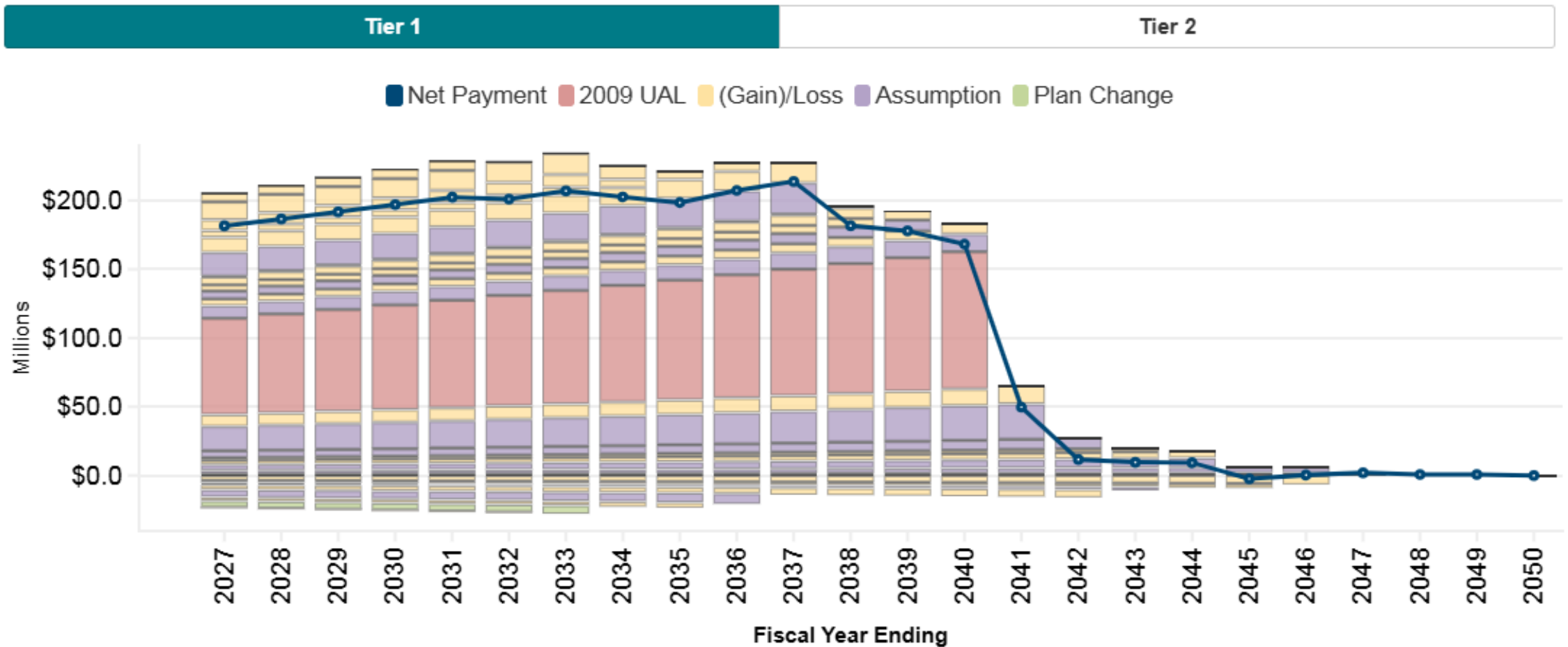
# Baseline Projections – Funded Status and UAL



# Schedule of Tier 1 Amortization Payments



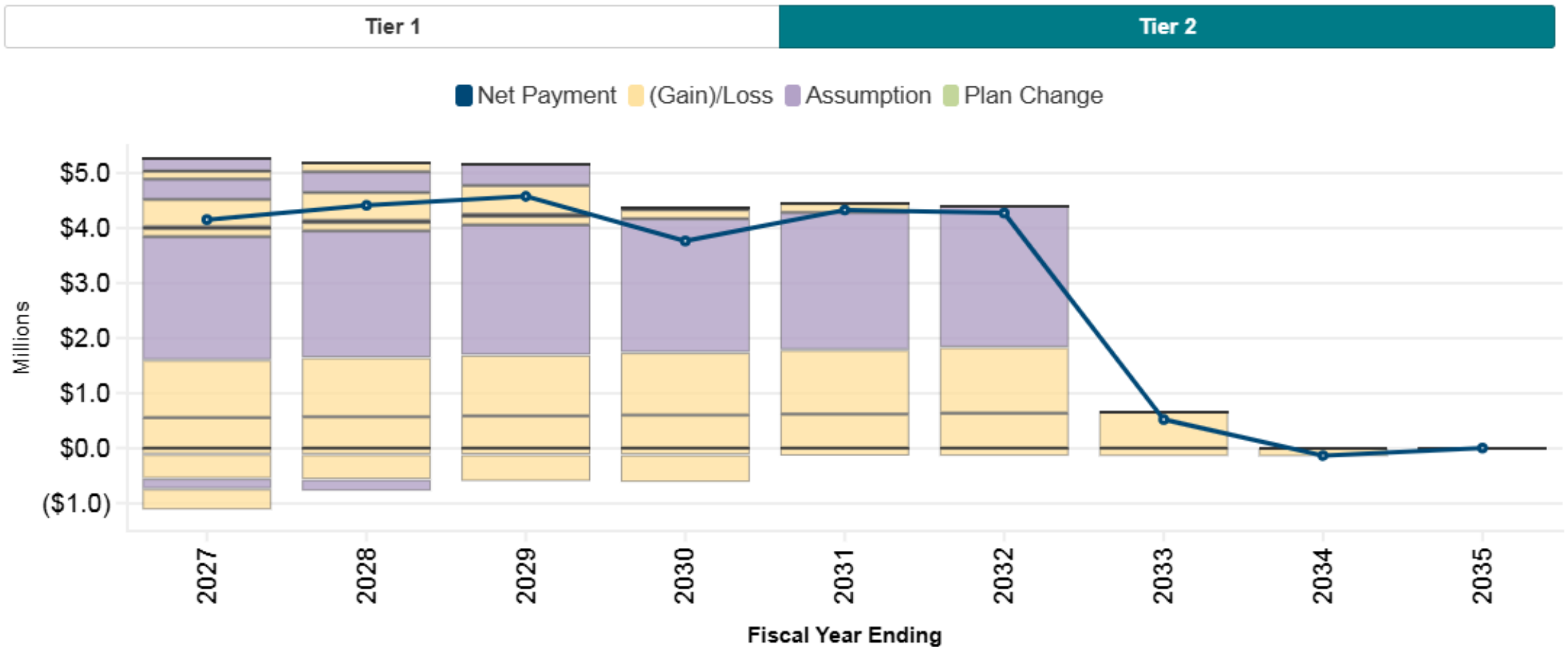
## Amortization Payment Layers



# Schedule of Tier 1 Amortization Payments



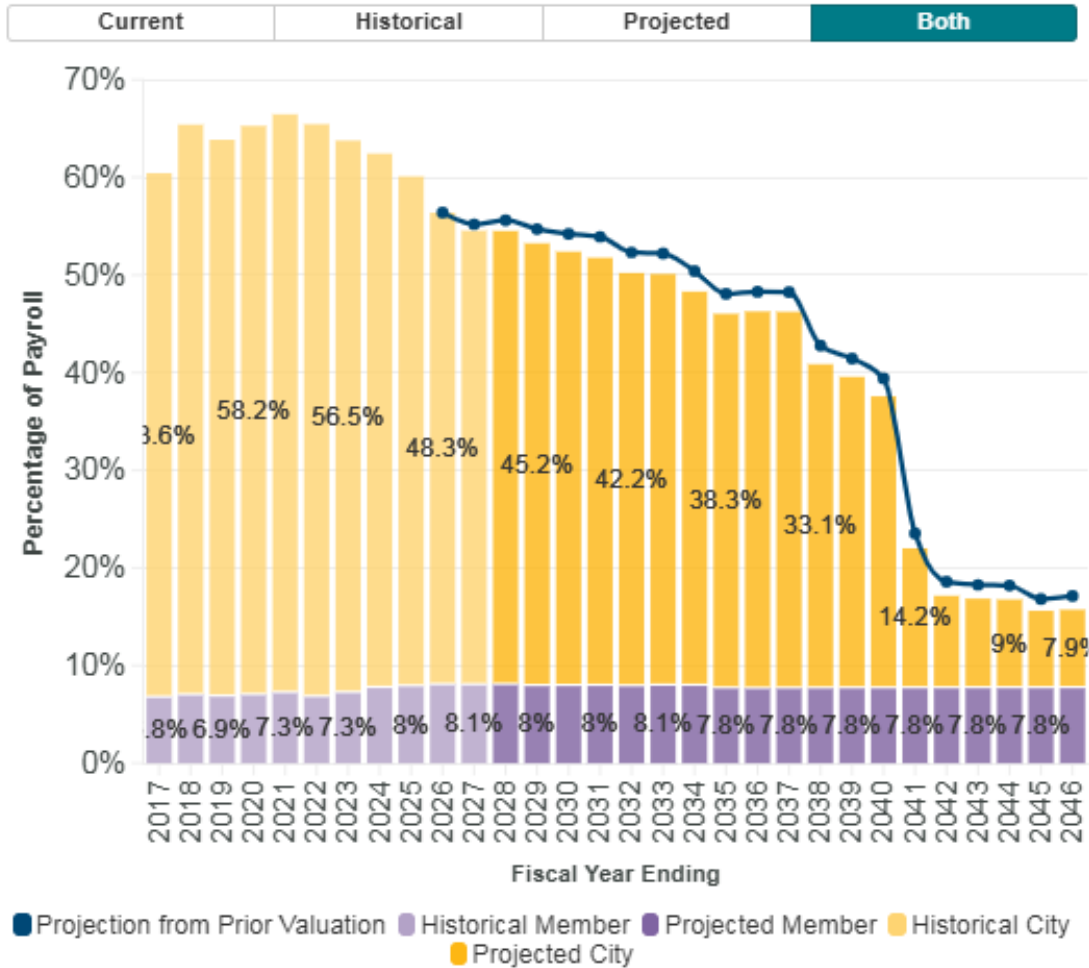
## Amortization Payment Layers



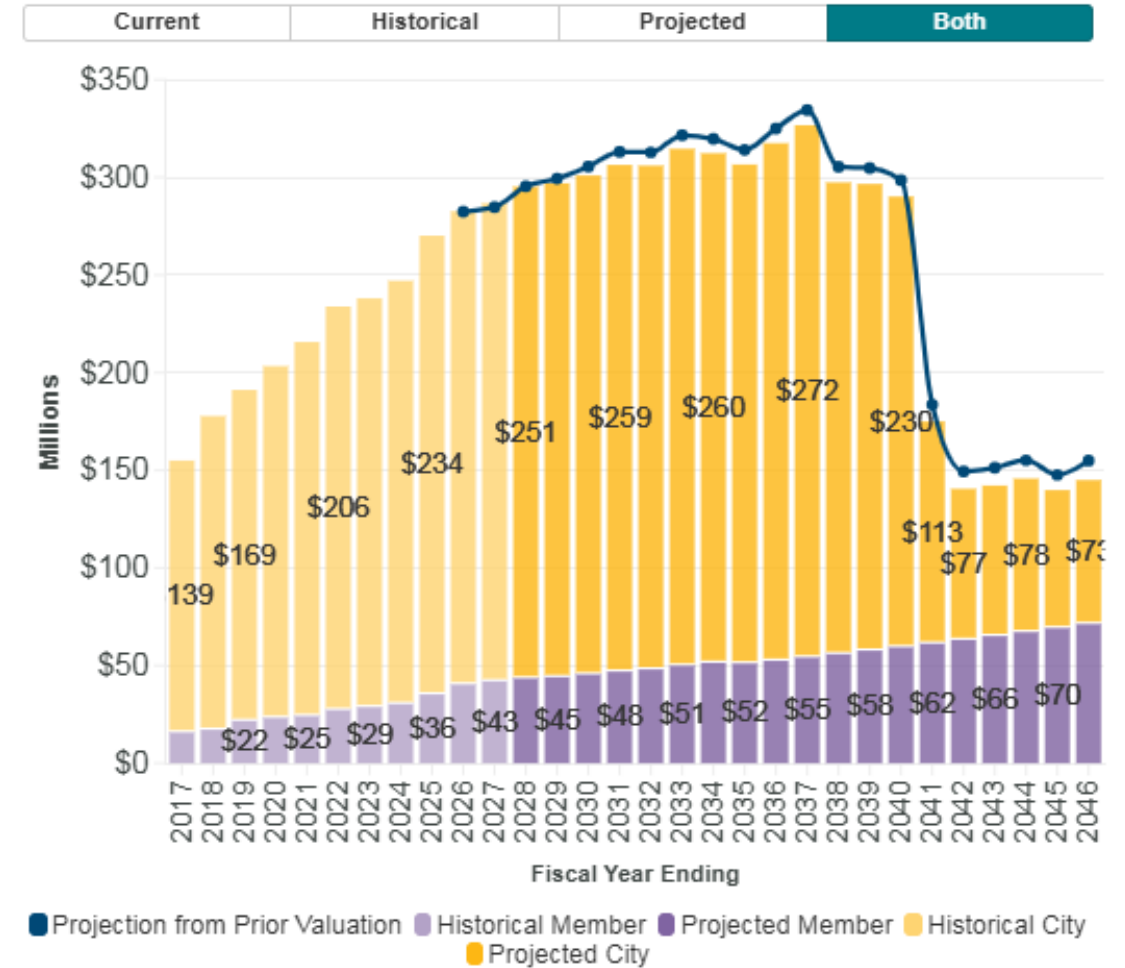
# Baseline Projections – Contributions



## Historical and Projected Contribution Rates



## Historical and Projected Contribution Amounts





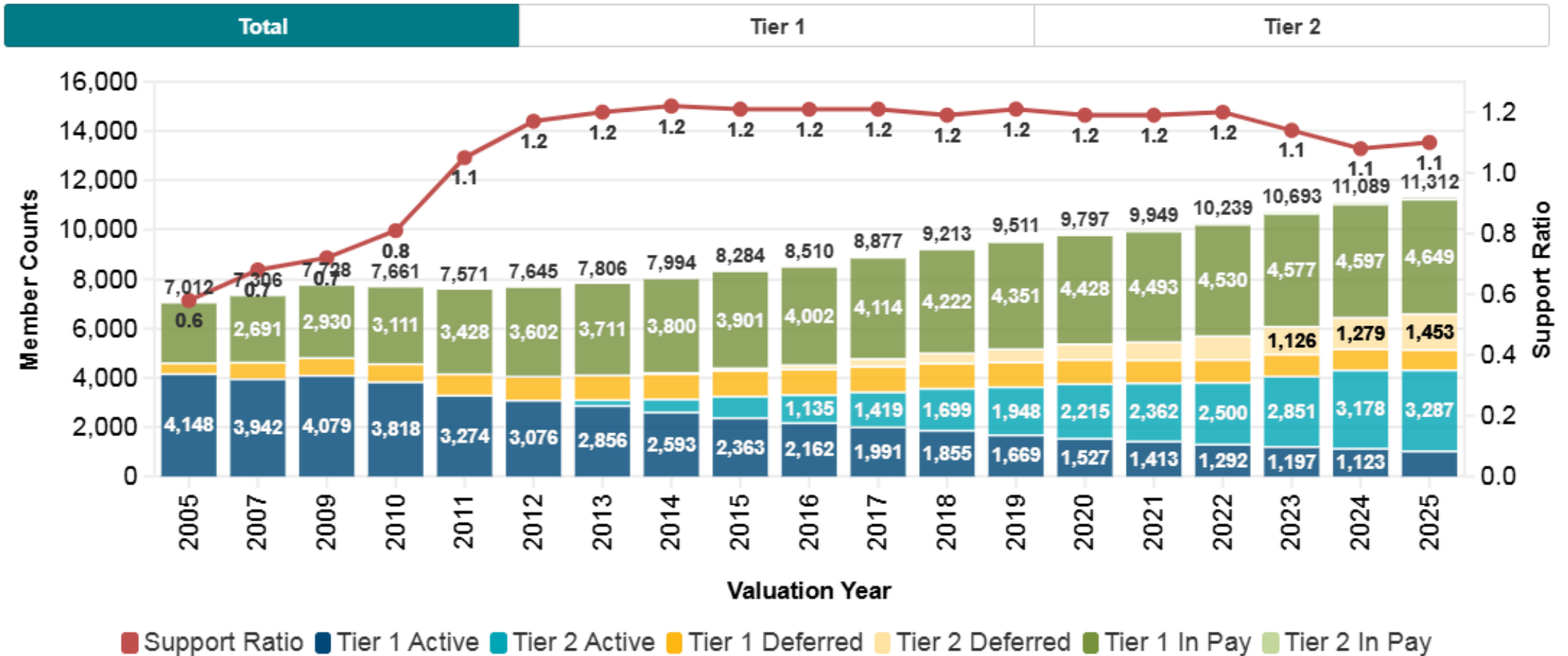
# Mature Pension Plans Are More Sensitive to Risk



# Membership Trends



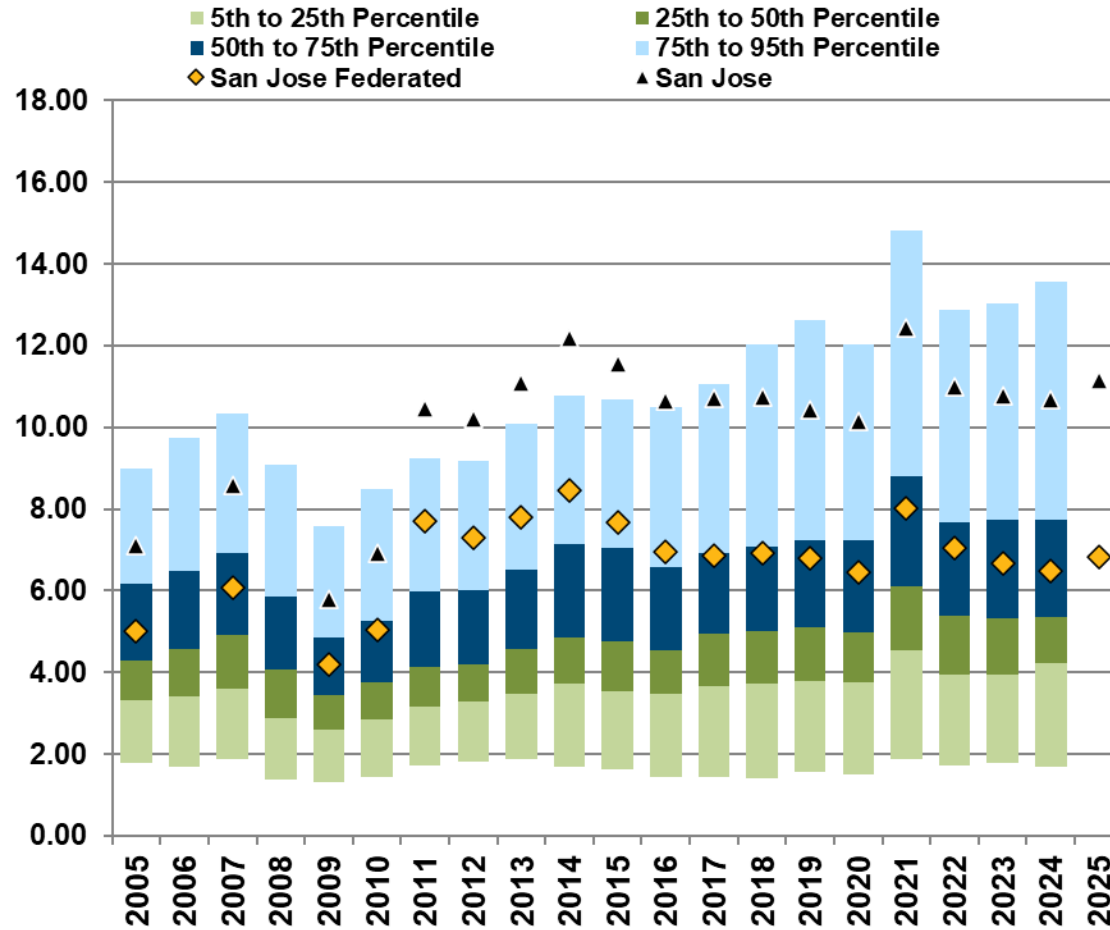
## Membership Trends



# Leverage Ratios

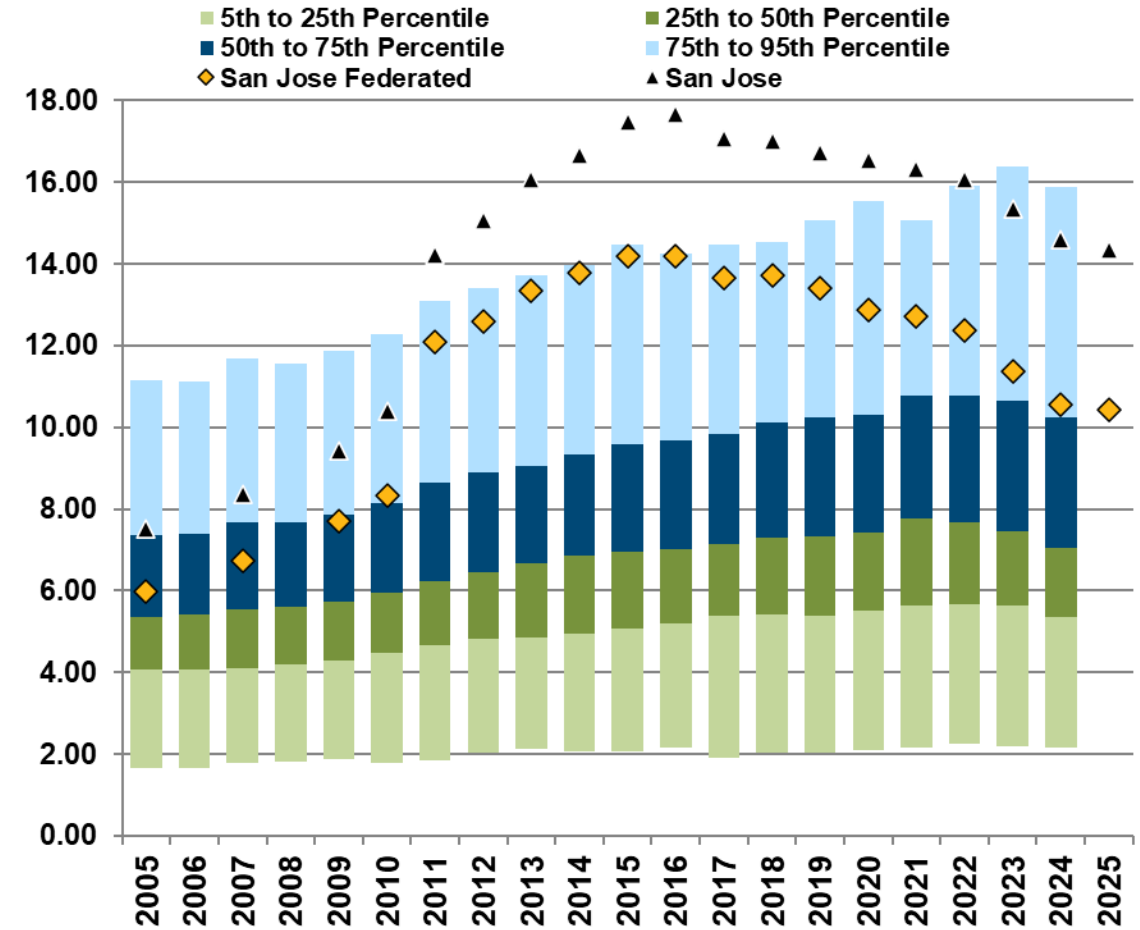


## Asset Leverage Ratio



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

## Liability Leverage Ratio

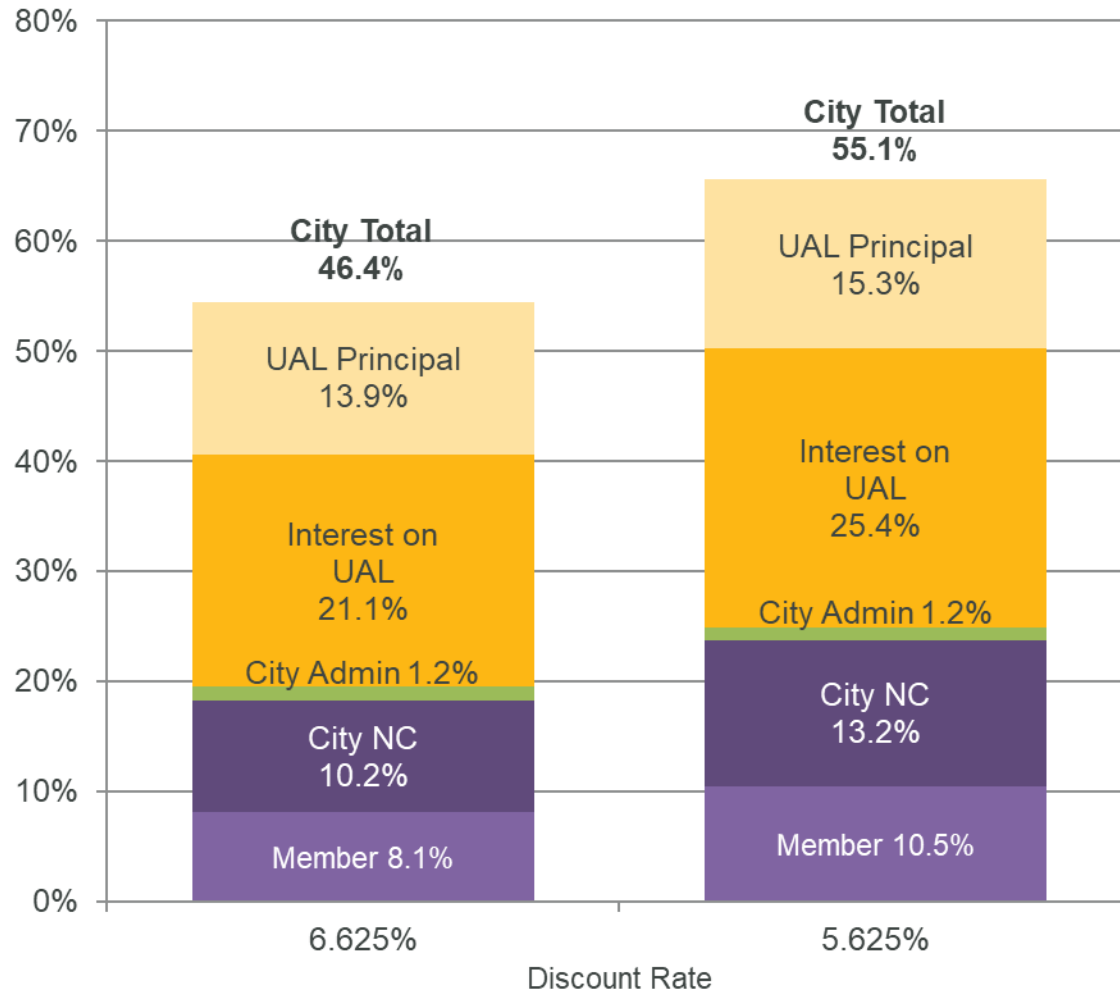


Survey Data from Public Plans Data as of 7/8/2025

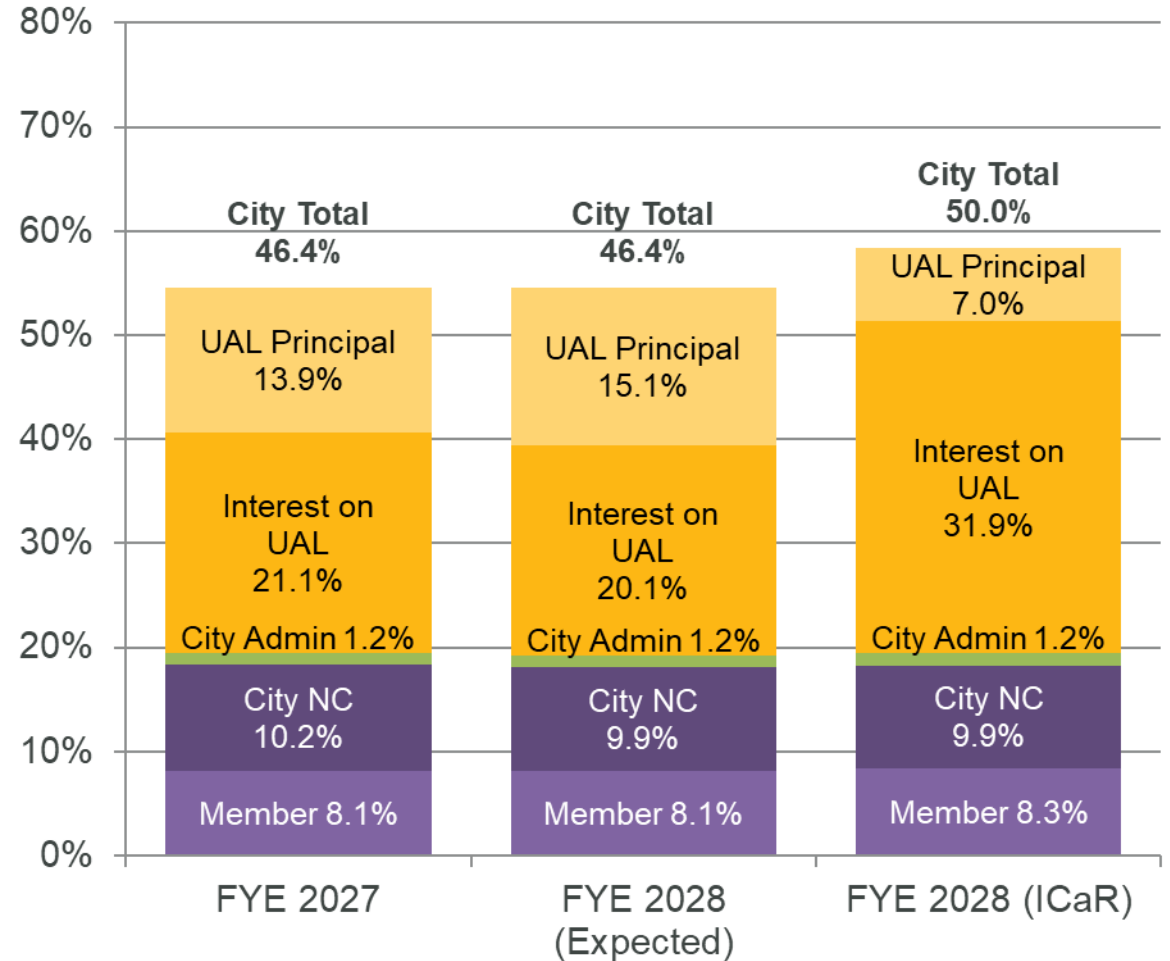
# Illustration of Sensitivity



## Discount Rate Change Impact



## Interest Cost at Risk Impact of a -20.075% Investment Return



# Projection Scenarios



# Deterministic 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
95 <sup>th</sup>	31.2%	17.3%
75 <sup>th</sup>	16.4%	11.2%
25 <sup>th</sup>	-1.4%	3.2%
5 <sup>th</sup>	-12.5%	-2.2%

## Deterministic Scenarios

FYE	1-Year Shock		5-Year Moderate	
2026	-12.5%	31.2%	3.2%	11.2%
2027	6.625%	6.625%	3.2%	11.2%
2028	6.625%	6.625%	3.2%	11.2%
2029	6.625%	6.625%	3.2%	11.2%
2030	6.625%	6.625%	3.2%	11.2%
2031+	6.625%	6.625%	6.625%	6.625%

# Deterministic Projections

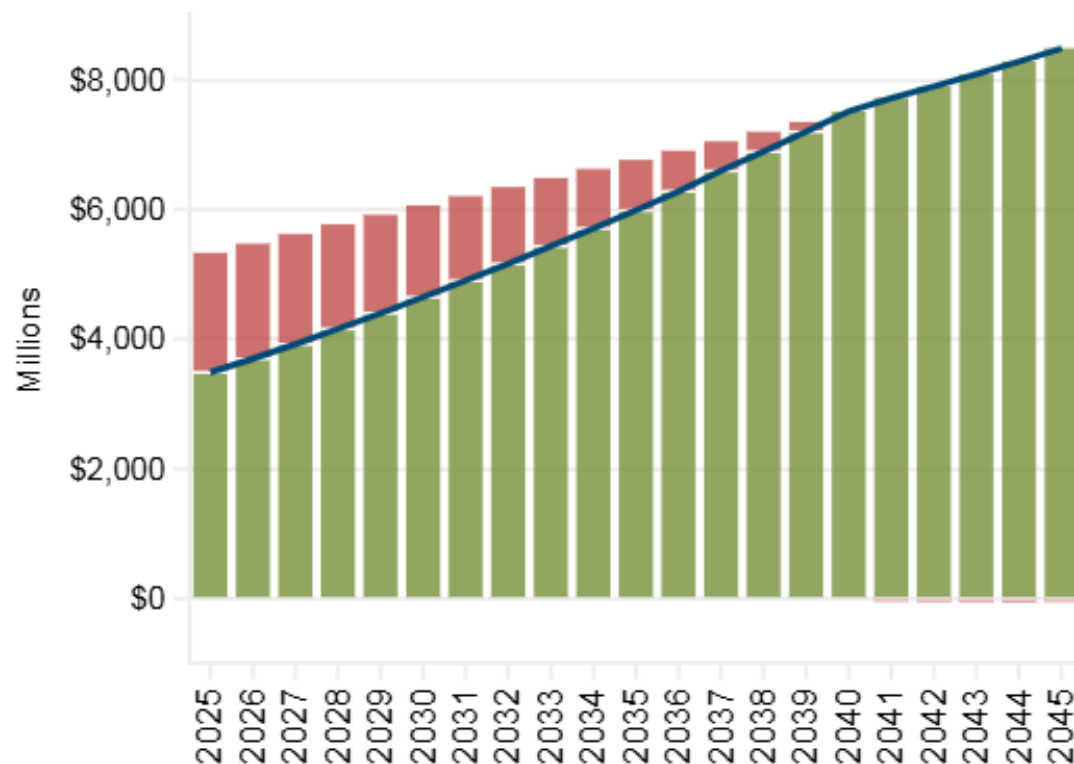


## Deterministic Scenarios

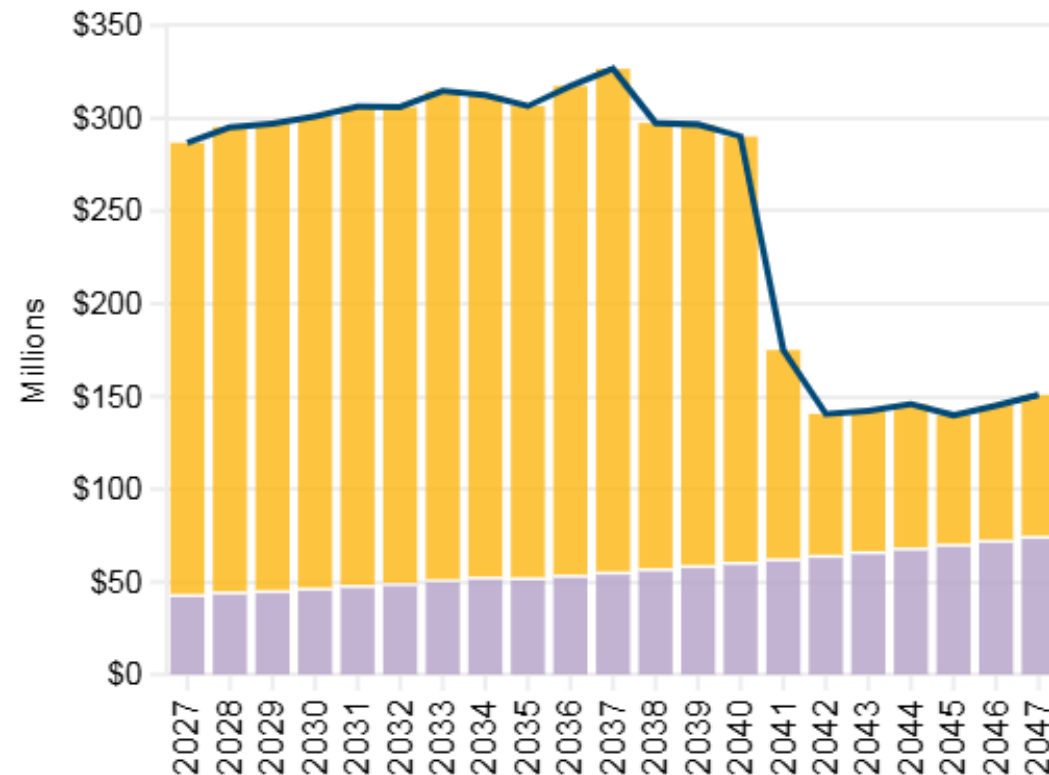
Scenario	Baseline	1-Yr Shock Neg	1-Yr Shock Pos	5-Yr Moderate Neg	5-Yr Moderate Pos
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■ Baseline ■ Assets ■ UAL ■ Member ■ City

Assets and Liabilities



Contribution



# Deterministic Projections

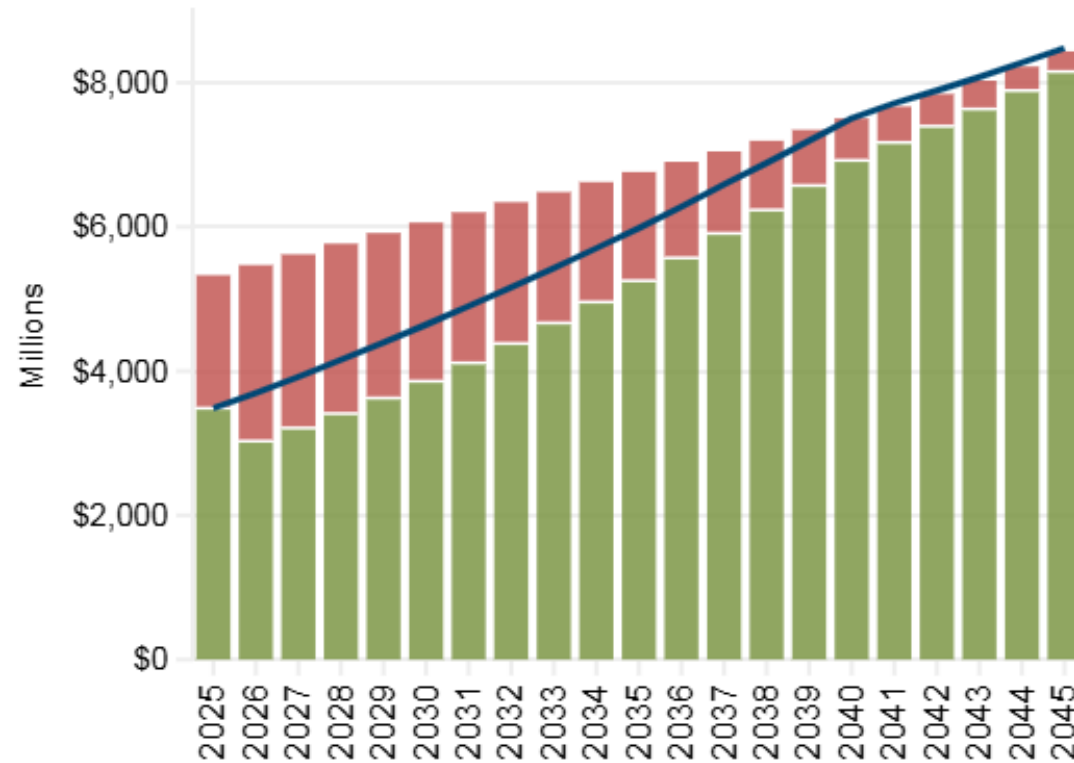


## Deterministic Scenarios

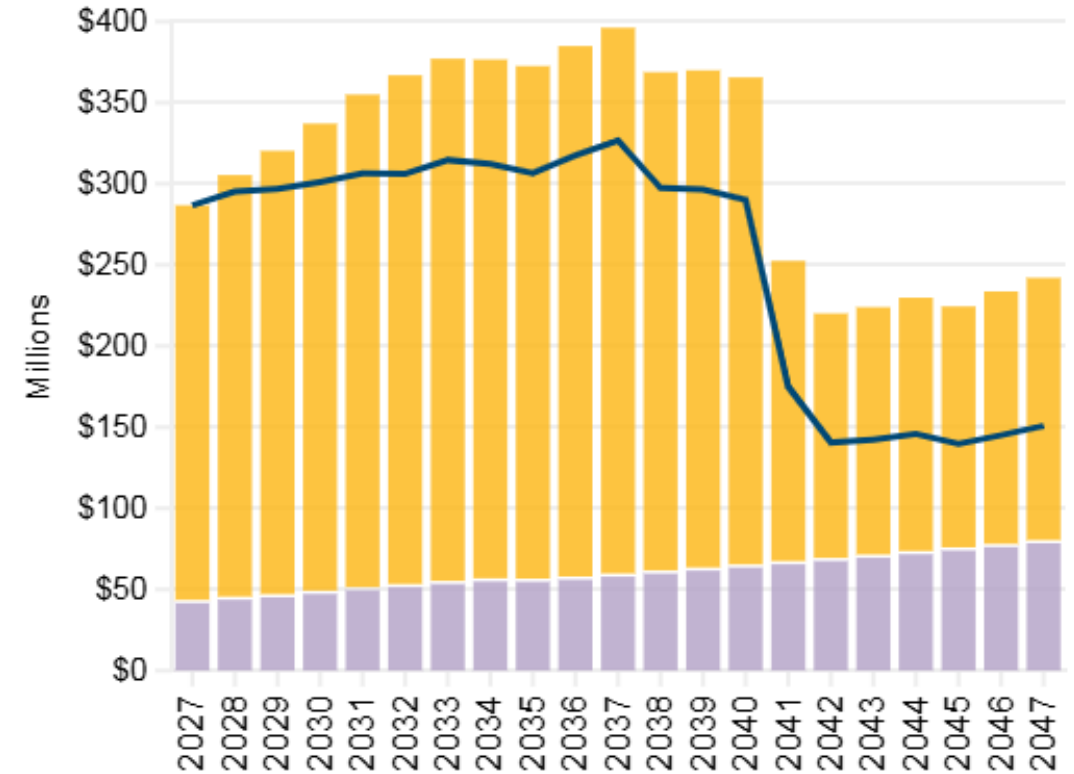
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■ Baseline ■ Assets ■ UAL ■ Member ■ City

### Assets and Liabilities



### Contribution





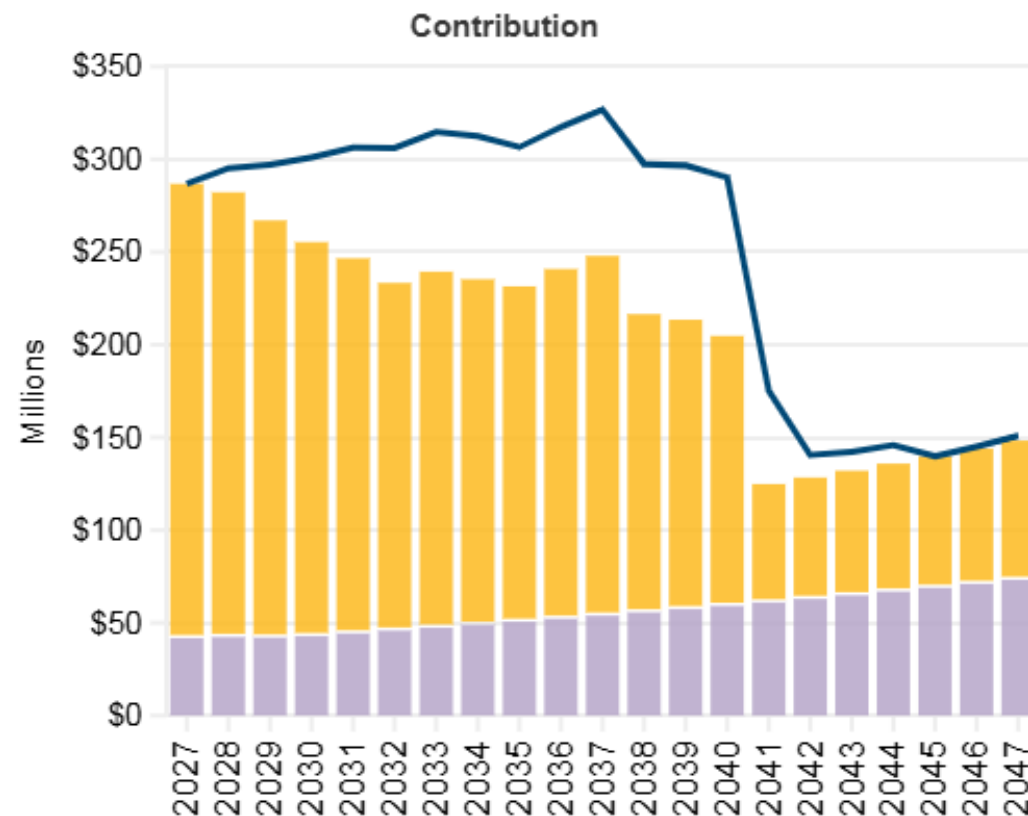
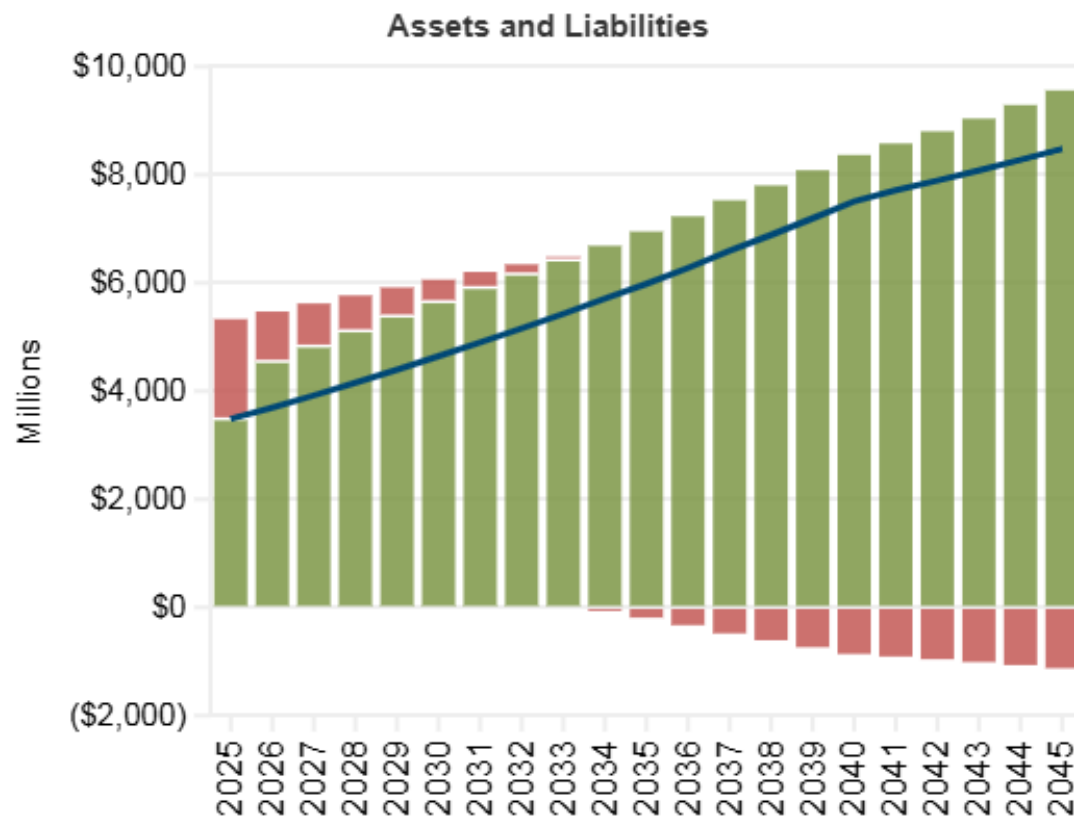
# Deterministic Projections



## Deterministic Scenarios

Scenario	Baseline	1-Yr Shock Neg	1-Yr Shock Pos	5-Yr Moderate Neg	5-Yr Moderate Pos
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■ Baseline ■ Assets ■ UAL ■ Member ■ City





# Deterministic Projections

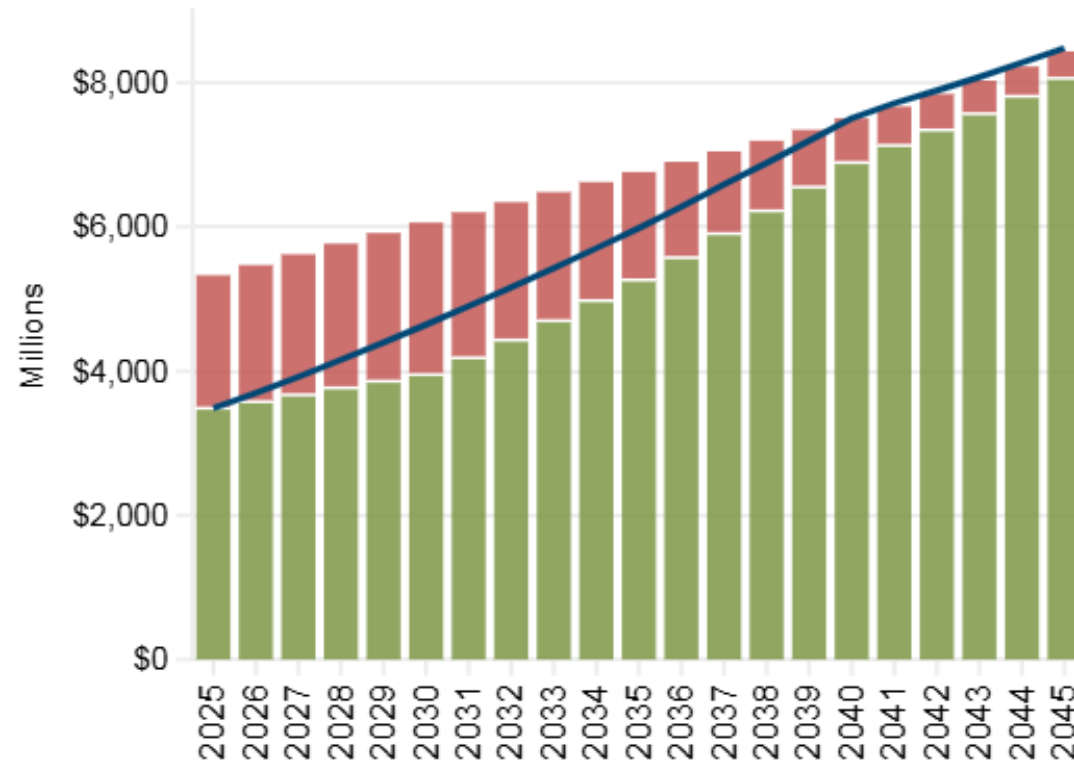


## Deterministic Scenarios

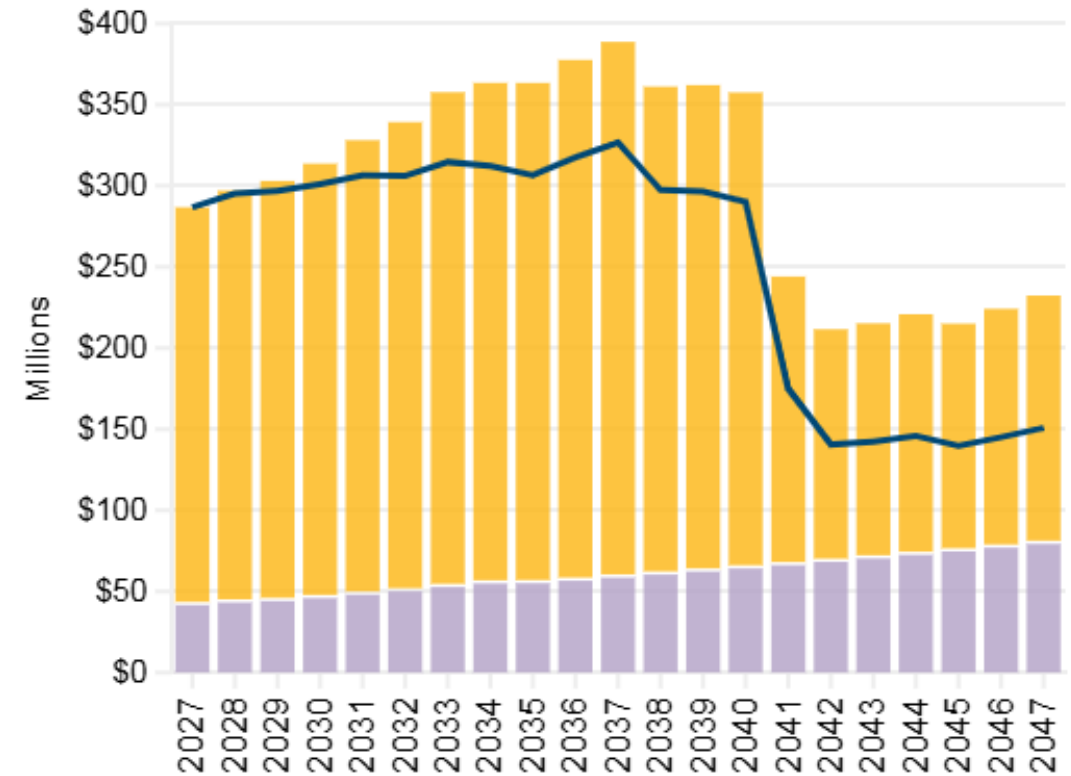
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Assets and Liabilities



Contribution



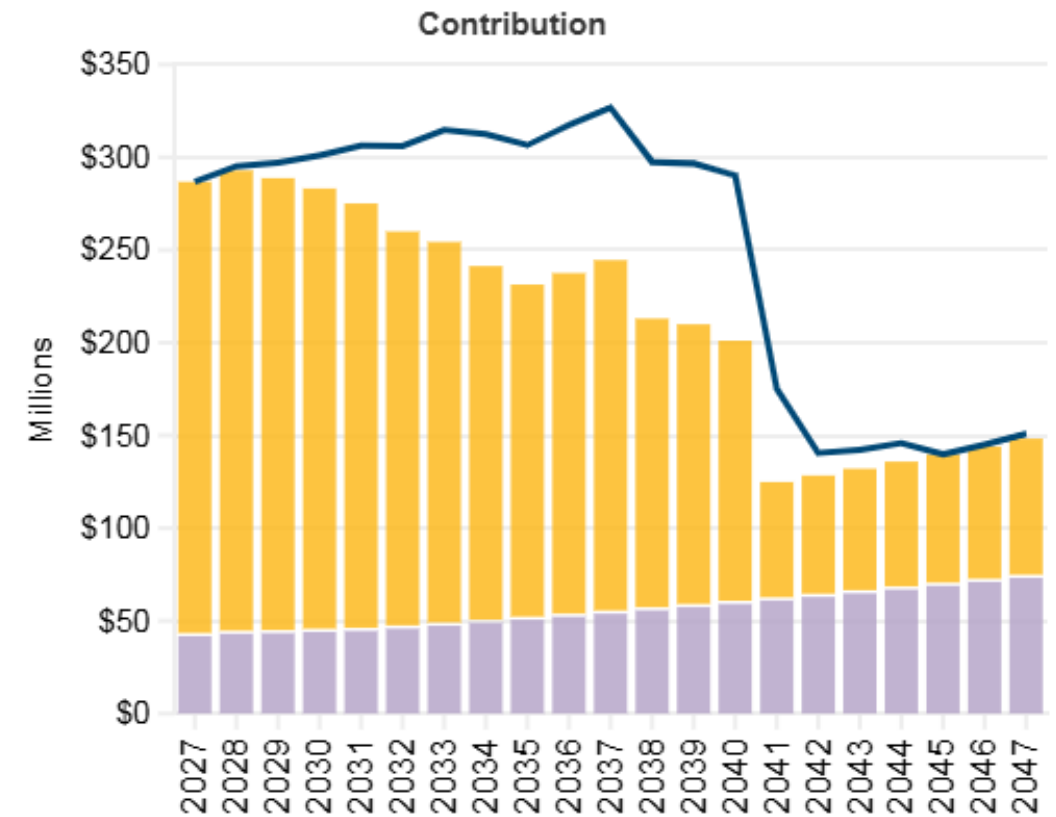
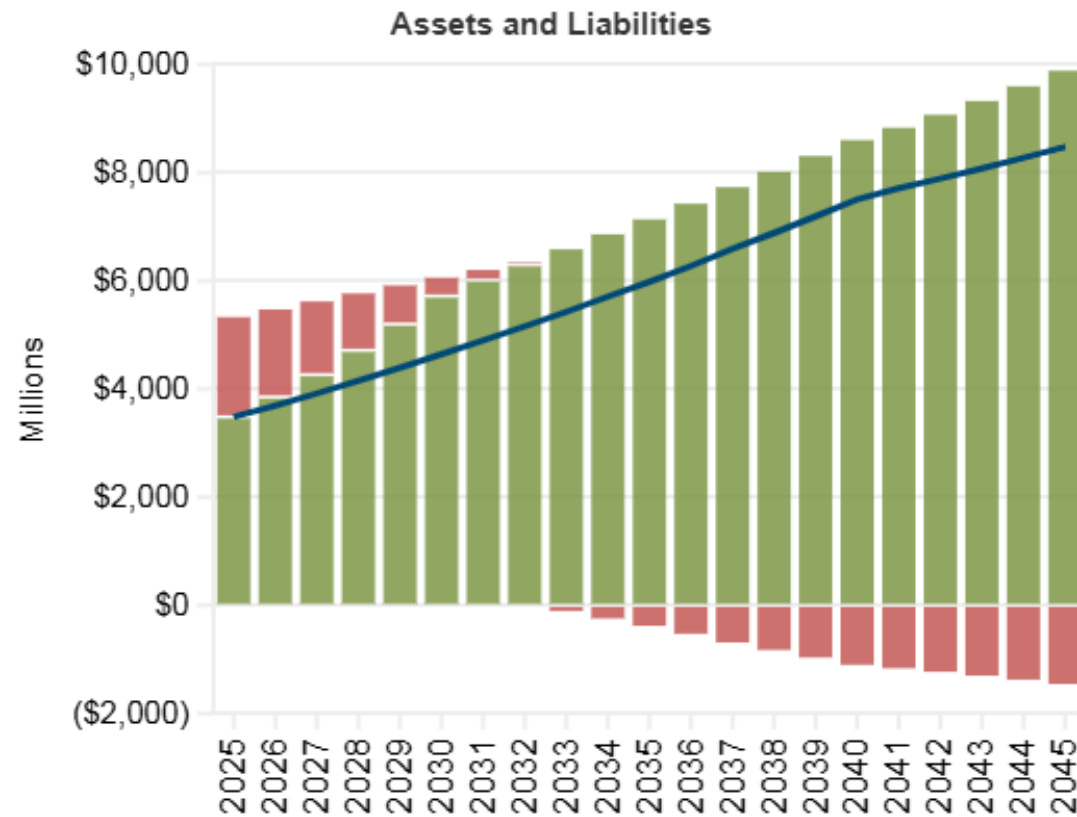
# Deterministic Projections



## Deterministic Scenarios

Scenario	Baseline	1-Yr Shock Neg	1-Yr Shock Pos	5-Yr Moderate Neg	5-Yr Moderate Pos
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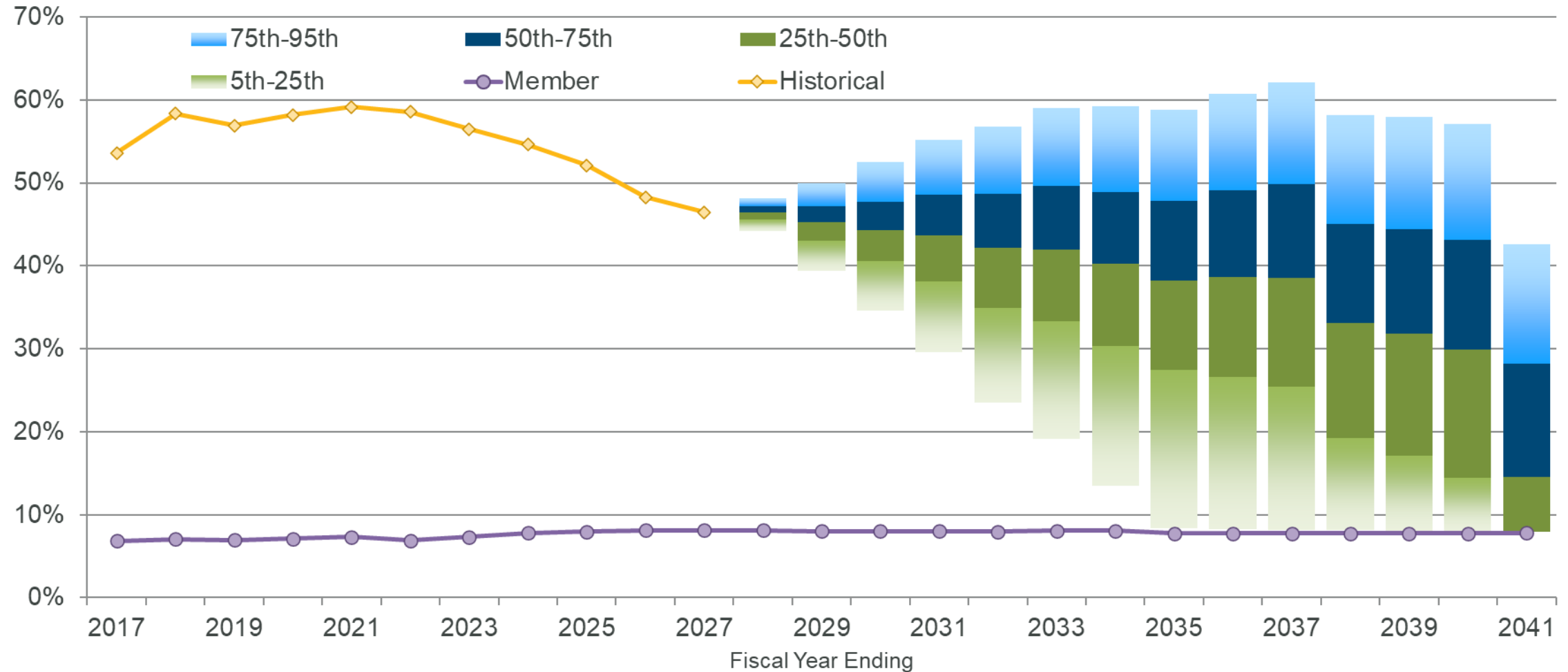
■ Baseline ■ Assets ■ UAL ■ Member ■ City



# Stochastic Contributions – Contribution Rates



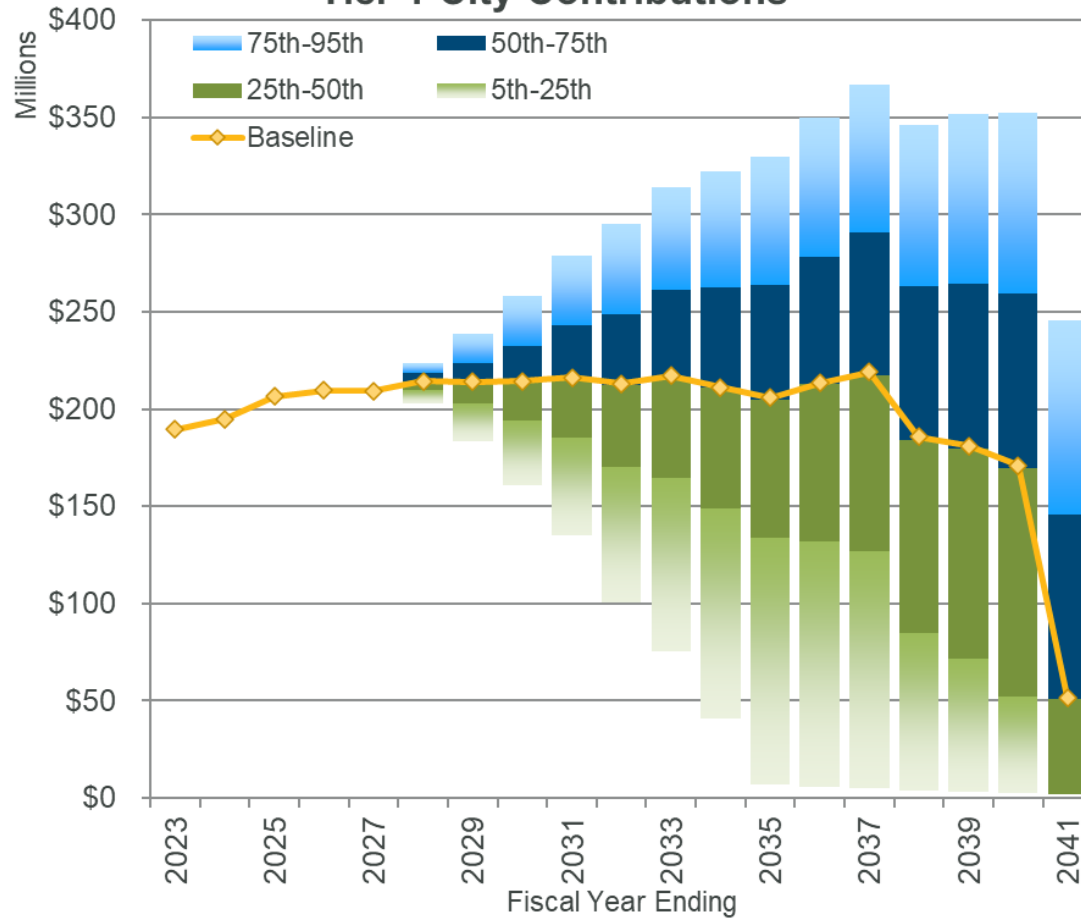
## Historical and Projected Employer Contribution Rates



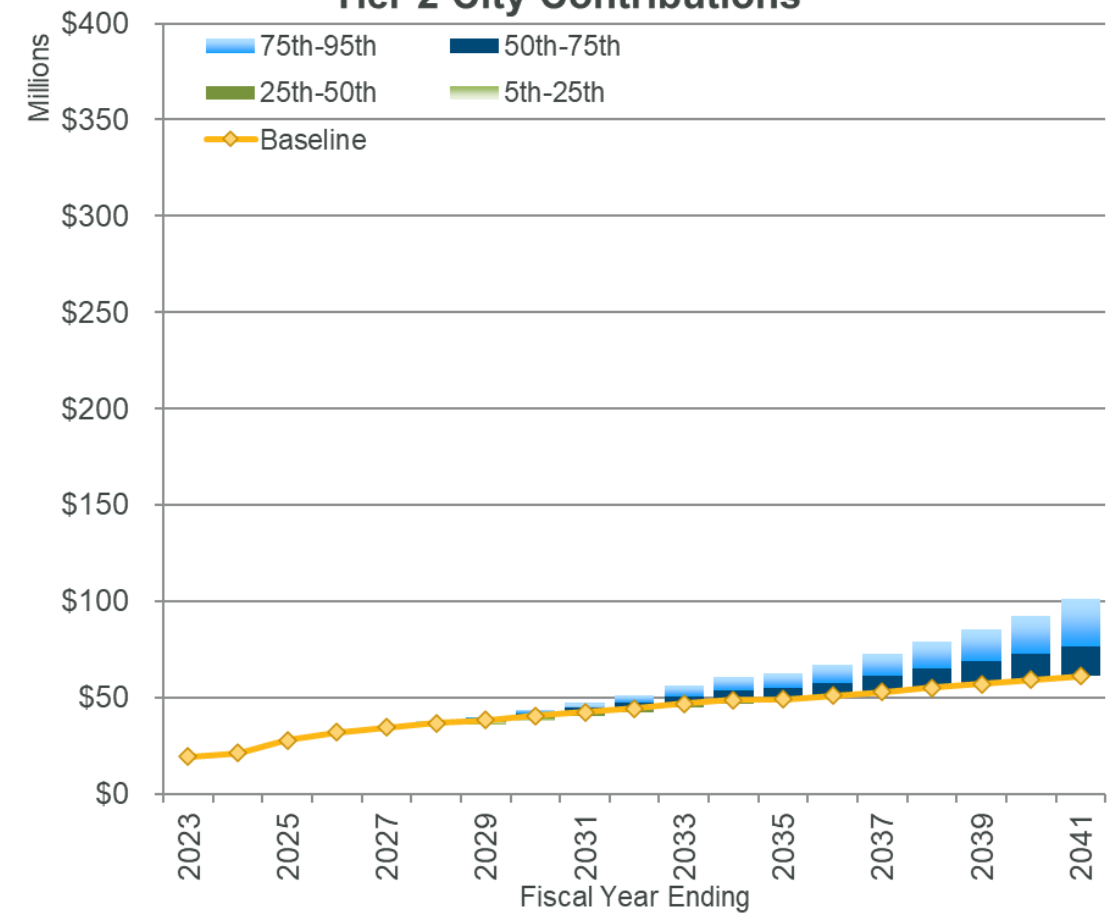
# Stochastic Projections – Contributions by Tier



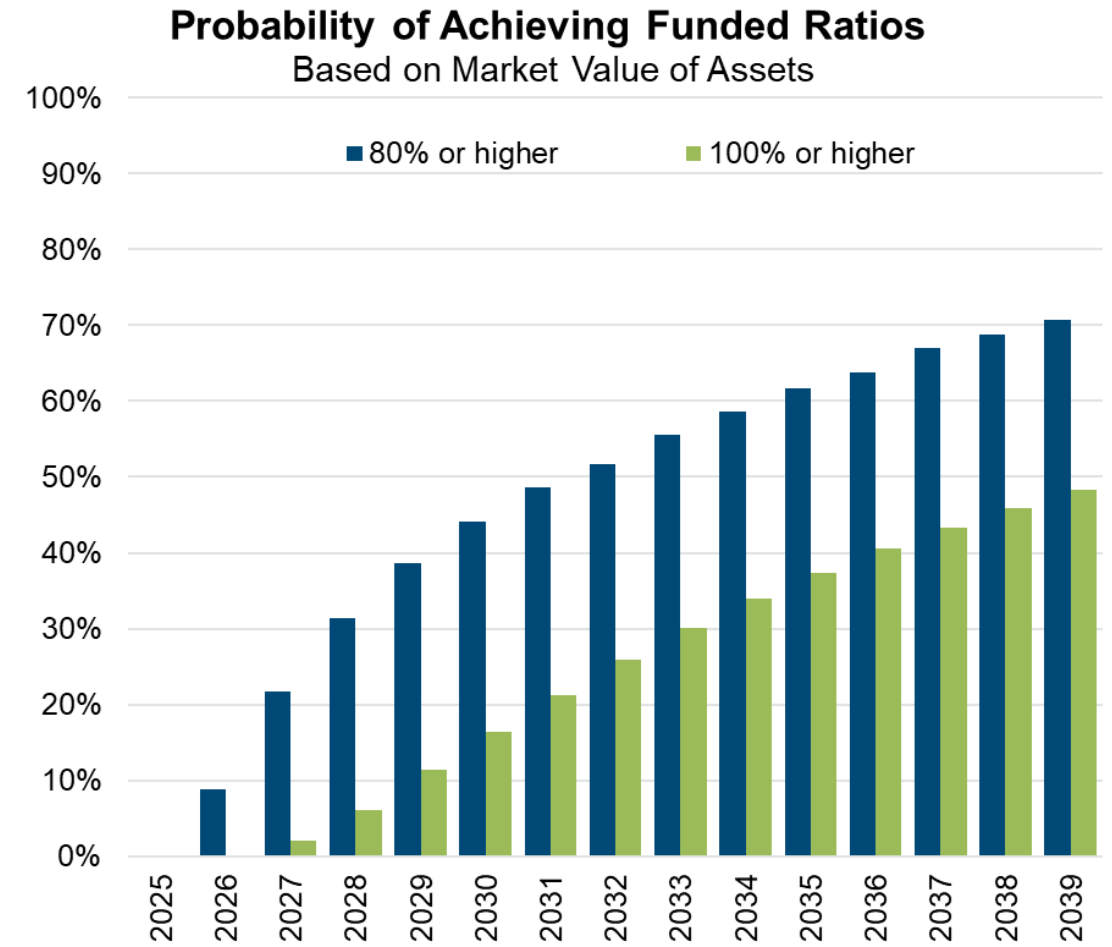
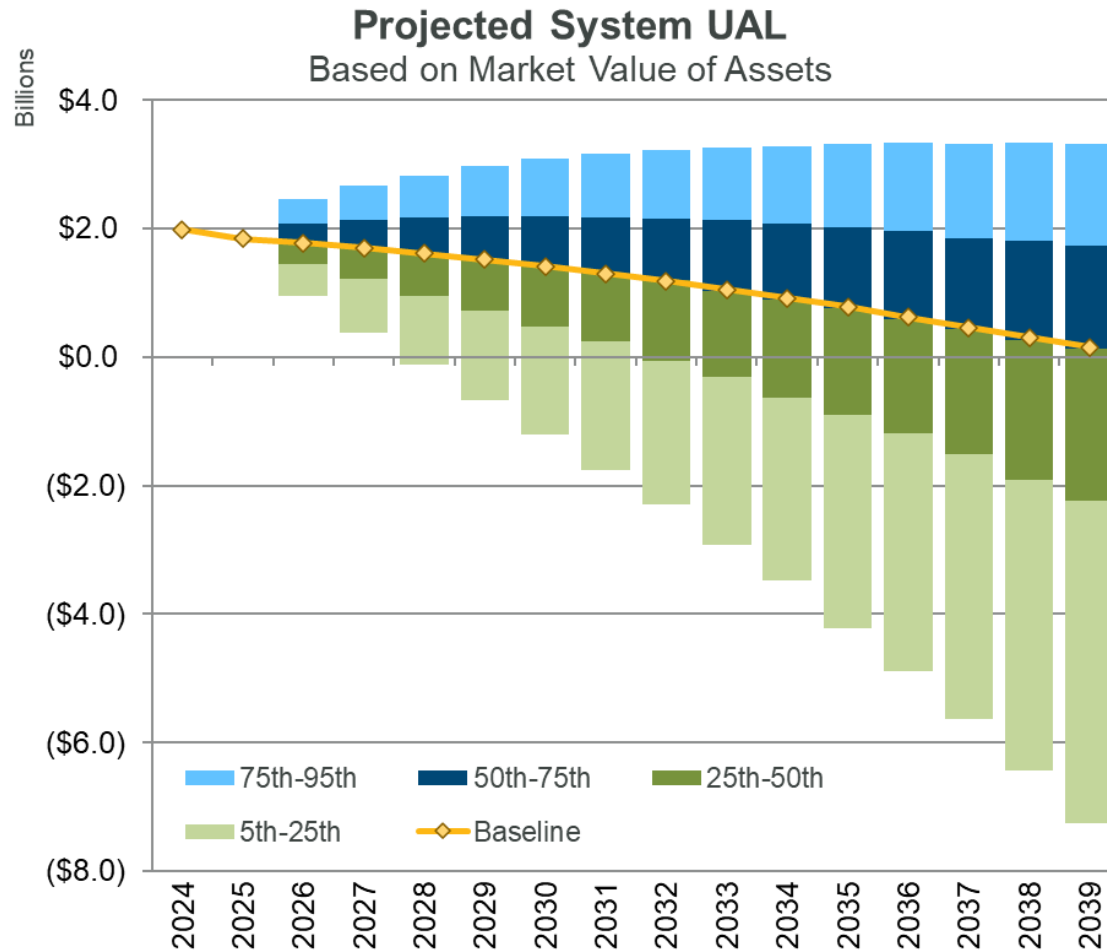
## Historical and Stochastically Projected Tier 1 City Contributions



## Historical and Stochastically Projected Tier 2 City Contributions



# Stochastic Projections – UAL and Funded Ratio





- The purpose of this presentation is to present the results of the June 30, 2025 Actuarial Valuation for the City of San José Federated City Employees' Retirement System.
- 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 Federated City Employees' Retirement System 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

Steven M. Hastings, FSA, EA, MAAA, FCA  
Consulting Actuary

Jacqueline R. King, FSA, EA, MAAA  
Consulting Actuary



- 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 – 5-Year Contribution Projection



Contribution Rates and Amounts (Throughout the Year)																				
Fiscal Year Ending																				
2026			2027			2028			2029			2030			2031					
Member Rates (including reclassification rates)																				
Tier 1			6.68%			6.61%			6.60%			6.59%			6.59%			6.60%		
Tier 2			8.62%			8.56%			8.53%			8.33%			8.29%			8.26%		
City Rates and Amounts																				
Tier 1 UAL Payment		\$	180,067		\$	181,464		\$	188,327		\$	189,951		\$	192,348		\$	195,889		
Tier 1 Administrative Expenses		\$	5,877		\$	5,840		\$	6,015		\$	6,196		\$	6,381		\$	6,573		
Tier 1 Normal Cost		\$	23,608		\$	22,136		\$	19,958		\$	17,770		\$	15,666		\$	13,717		
			18.56%			18.43%			18.34%			18.28%			18.26%			18.27%		
Tier 2 Contribution		\$	32,205		\$	34,729		\$	36,916		\$	38,371		\$	40,521		\$	42,683		
			8.62%			8.56%			8.53%			8.33%			8.29%			8.26%		
Aggregate City Contribution		\$	241,757		\$	244,169		\$	251,216		\$	252,288		\$	254,916		\$	258,862		
			48.27%			46.44%			46.38%			45.23%			44.37%			43.74%		

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											
	2026		2027		2028		2029		2030		2031
Tier 1 UAL Payment	\$	174,384	\$	175,736	\$	182,382	\$	183,955	\$	186,277	\$ 189,706
Tier 1 Administrative Expenses		5,691		5,656		5,825		6,000		6,180	6,366
Tier 1 Normal Cost		22,862		21,437		19,329		17,210		15,171	13,283
<b>Tier 1 Total</b>	<b>\$</b>	<b>202,937</b>	<b>\$</b>	<b>202,829</b>	<b>\$</b>	<b>207,536</b>	<b>\$</b>	<b>207,165</b>	<b>\$</b>	<b>207,628</b>	<b>\$ 209,355</b>

*Dollar amounts in thousands*