

CITY OF SAN JOSE

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

2025

Annual Comprehensive Financial Report



For the Fiscal Years Ended June 30, 2025, and June 30, 2024

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

A fiduciary component unit of the City of San José, CA



2025

City of San José

Federated City Employees' Retirement System

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2025

City of San José

Federated City Employees' Retirement System
John Flynn – Chief Executive Officer

*Annual Comprehensive Financial Report for the Fiscal Years
Ended June 30, 2025 and June 30, 2024
Pension Trust and Postemployment Healthcare
Trust Funds of the City of San José, California
A fiduciary component unit of the City of San José, CA*

*Office of Retirement Services
1737 North First Street, Suite 600
San José, California 95112-4505
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Board Chair Letter



Office of Retirement Services

Federated City Employees' Retirement System

October 31, 2025

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 Board of Administration, I present the Federated City Employees' Retirement System's (the System) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025.

Over the past fiscal year, the System's time-weighted rate of return, net of investment fees, was 9.6%, compared to a 10.4% return for its policy benchmark and a 10.3% return for the Investment Metrics universe of public funds greater than \$1 billion. Additionally, the System earned a time-weighted annualized rate of return, net of investment fees, of 8.9% and 9.8% for the three-year and five-year periods ending June 30, 2025, respectively. The Investment Metrics universe net median earned a time weighted rate of return, net of investment fees, of 9.2% and 8.9% for the same periods. The System's five-year rate of return compares favorably with the System's long-term actuarial assumed rate of return (the "discount rate") of 6.625%.

The Healthcare Plan's time-weighted net of investment fees rate of return was 11.0% for the fiscal year, compared to a 11.2% return for its policy benchmark. In addition, the Healthcare Plan earned a time-weighted net of investment fees rate of return of 9.5% and 8.0% for the three-year and five-year periods ending June 30, 2025, respectively. The Healthcare Plan's five-year rate of return compares favorably with the Plan's long-term actuarial assumed rate of return (the "discount rate") of 6.0%.

The System's net position increased from \$3,567,779,000 to \$3,947,899,000 (see the Financial Section beginning on page 14). The net increase in the System's net position for fiscal year 2024-2025 was \$380,120,000.

The Board believes that the professional services rendered by the staff, 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,

Spencer Horowitz
Spencer Horowitz, Chair
Board of Administration

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Introductory Section



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

City of San José, CA
Federated City Employees' Retirement System
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2025 and June 30, 2024

Letter of Transmittal



Office of Retirement Services

Federated City Employees' Retirement System

October 31, 2025

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

Dear Trustees and Members of the System:

I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the Federated City Employees' Retirement System (the System) for the fiscal year ended June 30, 2025. 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.

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

System History, Participants, and Services. Our mission is to continue providing quality services in delivering pension and related benefits and maintain financially sound pension plans.

Established in 1941, the System is a public retirement system that has provided service retirement, disability, death, and survivor benefits to its members for 85 years, administered in accordance with the City of San José (the City) Municipal Code and the charter. The current System consists of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan. All regular, full-time City employees are eligible for System benefits.

The System is administered by the Chief Executive Officer (CEO) of the Office of Retirement Services (ORS), and a seven-member Board of Administration. The Board is appointed by the City Council and serves in accordance with the San José Municipal Code.

See Note 1 to the basic financial statements for further information on the description of the System.

Funding Status and Progress. 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 actuarial valuation dated June 30, 2024, the funded ratios of the defined benefit pension plan and the defined benefit OPEB plan were 60.7% and 57.4%, respectively, 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 6.625% and 6.0% respectively. The impact of the difference between the actual net rate of return earned by the System and the assumption rates will result in an investment gain or loss that will be reflected in the pension and OPEB unfunded liabilities in next year's ACFR. The net increase in the System's net position for the fiscal year 2024-2025 was \$379,918,000. Details of the components of this increase are included in the Statement of Changes in Plan Net Position on page 30. The defined benefit pension plan's funding progress is presented on page 141, and the defined benefit OPEB plan's funding progress is presented on page 158.

Letter of Transmittal *(continued)*

Investment Summary. The Board of Administration has exclusive control of all investments of the System and is responsible for establishing 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.

The absolute performance of the System over the fiscal year was positive due to a strong performance in equities. Over the past fiscal year, the System's time-weighted rate of return, net of investment fees, was 9.6% for the fiscal year, compared to a 10.4% return for its policy benchmark and a 10.3% return for the Investment Metrics universe net median of public funds greater than \$1 billion. Additionally, the System earned a time-weighted rate of return, net of investment fees, of 8.9% and 9.8% for the three-year and five-year periods ending June 30, 2025, respectively, while the Investment Metrics universe net median earned a time weighted rate of return, net of investment fees of 9.2% and 8.9% for the same periods.

The Pension System outperformed the actuarially assumed rate of return of 6.625%, achieving a 9.6% time-weighted rate of return, net of investment fee. Fiscal year 2024-2025 saw a continued strong performance in the stock market. Both public equity and private real assets experienced double-digit returns. The System captured this positive performance effectively, ultimately slightly underperforming compared to the policy benchmark return by 0.8%.

The System's 0.8% underperformance relative to the policy benchmark was attributable to a combination of allocation and selection effects for the fiscal year. The System's slight underweight in public equity contributed to a large proportion of the relative underperformance to the benchmark.

The Healthcare Plan's time-weighted net of investment fees rate of return was 11.0% on investments for the fiscal year, compared to a 11.2% return for its policy benchmark. In addition, the Healthcare Plan earned a time-weighted net of investment fees rate of return of 9.5% and 8.0% for the three-year and five-year periods ending June 30, 2025, respectively.

The net position of the System increased from \$3,567,779,000 to \$3,947,899,000 (see the Financial Section beginning on page 15).

The Investment Policy Statement for the System was revised on June 26, 2025, effective July 1, 2025. Notable changes include the major investment governance project undertaken in 2018 by the System's governance consultant, investment consultant, risk consultant, multiple Trustees from both the Police and Fire Pension Plan and the System's Boards, and internal staff.

The Investment Program continued to manage portfolio investments and move initiatives forward during the fiscal year. The continuity of the Investment Program is a testament to the human capital and infrastructure in place.

Major Initiatives. The fiscal year began with the ORS nearly fully staffed, with only two vacancies among the 45 budgeted positions. In August 2024, a new CEO was appointed, marking an important leadership transition. Over the course of the year, ORS experienced normal levels of staff turnover, including one retirement, but demonstrated strong resilience and continuity. Thanks to sustained and proactive recruitment efforts, staffing levels were maintained, and the year ended with the same number of vacant positions.

In April 2024, the City Auditor issued report 24-03, Retirement Services: *The Office Has Not Consistently Followed City Procurement Policies and Standard Practices*. The report was published with one finding which is covered in three different recommendations. ORS has worked diligently to address these recommendations. By year-end, all but one part of a single recommendation had been fully implemented; the remaining portion was delayed due to circumstances beyond ORS's control. The Board developed and adopted a new policy "*Policy Regarding the Procurement and Contracting of Goods and Services*" to establish guidelines by which the Board and ORS staff will procure and contract for goods and services necessary for the Boards' administration of the retirement systems.

Letter of Transmittal *(continued)*

In preparation for the 2025 plan year, ORS processed 833 Open Enrollment requests—including 503 through MemberDirect—and 530 In-Lieu renewals, along with numerous carrier change requests effective January 1, 2025. The November 2024 Health Fair drew approximately 200 attendees, featuring a new Social Security representative to support Medicare transition questions and well-attended Medicare workshops co-hosted with Kaiser. ORS processed 992 Medicare Part B reimbursement requests from eligible Police & Fire retirees and completed an audit of New York Life AD&D enrollments, resulting in corrections and premium reimbursements. System enhancements in PensionGold resolved recurring electronic enrollment errors with Anthem and Delta, eliminating monthly monitoring and correction by staff. Additionally, administration of Long Term Care insurance transitioned to Prudential, with ORS supporting communications and outreach to ensure a smooth handoff.

Financial Reporting. This ACFR 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). 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, 2025 and 2024, please refer to the Management's Discussion and Analysis (MD&A) on page 18.

Macias Gini & O'Connell LLP, the System's independent auditor, has audited the accompanying financial statements. 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.

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.

Awards and Recognition. I am proud to report that the GFOA awarded its Certificate of Achievement for Excellence in Financial Reporting to the System for its ACFR for the fiscal year ended June 30, 2024. This was the 25th consecutive year the System has achieved this prestigious award. To be awarded a Certificate of Achievement, the System must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine eligibility for another certificate.

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.

Letter of Transmittal *(continued)*

Acknowledgements. I want to take this opportunity to thank the members of the System for their confidence in the ORS staff, whose dedication, commitment to the System, and diligent work helped to ensure the System's continued success 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 and consultants for their exceptional support.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "John Flynn". The signature is fluid and cursive, with the first name "John" and last name "Flynn" clearly distinguishable.

John Flynn
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 José Federated City
Employees' Retirement System
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrell

Executive Director/CEO

Certificate for Meeting Professional Standards in Public Pensions



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2024***

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)

A handwritten signature in cursive script, reading 'Alan H. Winkle'.

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 seven 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.

As of June 30, 2025, the members of the Board were as follows:



**SPENCER HOROWITZ,
CHAIR**

Public member appointed to the Board August 2019. His current term expires November 2028.



**ANURAG CHANDRA,
VICE CHAIR**

Public member appointed to the Board December 2016. His current term expires November 2026.



**NATHAN NAKAGAWA,
TRUSTEE**

Federated active employee appointed to the Board April 2025. His current term expires November 2027.



**DEBORAH ABBOTT,
TRUSTEE**

Public member appointed to the Board May 2023. Her current term expires November 2026.



**MATTHEW FAULKNER,
TRUSTEE**

Public member appointed to the Board June 2023. His current term expires November 2027.



**MARK LINDER,
TRUSTEE**

Federated retiree representative appointed to the Board January 2022. His current term expires November 2028.



**PRACHI AVASTHY,
TRUSTEE**

Employee representative appointed to the Board April 2022. Her current term expires November 2025.



**PAM FOLEY
CITY COUNCIL LIAISON
TO THE BOARD**

Non-voting member appointed to the Board January 2025.

OFFICE OF RETIREMENT SERVICES ADMINISTRATION



**JOHN FLYNN,
DIRECTOR
CHIEF EXECUTIVE
OFFICER**



**BARBARA HAYMAN,
DEPUTY DIRECTOR
CHIEF OPERATIONS
OFFICER**



**PRABHU PALANI,
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 <https://www.sjretirement.com> or they can be obtained from the Retirement Office at 1737 North First Street, Suite 600, San José, CA 95112. Meeting times and locations are subject to change; please call our office at (408) 794-1000 for current information.

Board of Administration, Administration, and Outside Consultants *(continued)*

OUTSIDE CONSULTANTS

ACTUARY

Cheiron, Inc.
Encinitas, CA

AUDITOR

Macias Gini & O'Connell LLP
Walnut Creek, CA

DOMESTIC RELATIONS ORDER AND DISABILITY COUNSEL

Saltzman & Johnson Law Corporation
Alameda, CA

GENERAL & FIDUCIARY COUNSEL

Reed Smith LLP
San Francisco, CA

INVESTMENT COUNSEL

Hanson Bridgett LLP	Reed Smith LLP
San Francisco, CA	San Francisco, CA

INVESTMENT CONSULTANTS

Albourne America LLC – Absolute Return
San Francisco, CA

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

Verus Advisory Inc. – Risk Advisory
Seattle, WA

TAX COUNSEL

Ice Miller LLP
Indianapolis, IN

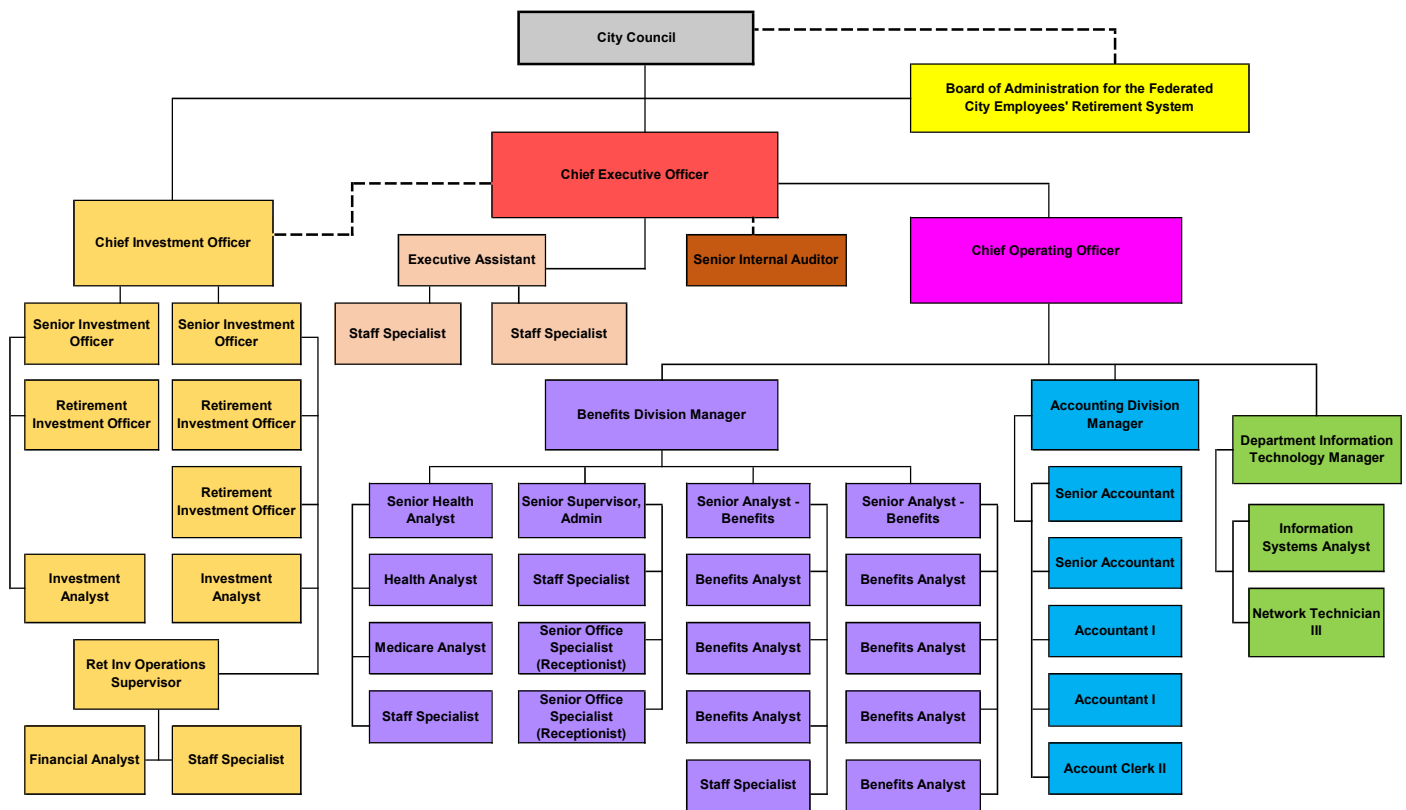
2025 Office of Retirement Services Organizational Chart

Office of Retirement Services

1737 North First Street Suite 600, San José, CA 95112

(408) 794-1000 (800) 732-6477 (408) 392-6732 Fax

www.sjretirement.com



A list of investment professionals who provide services for the pension and healthcare trusts can be found on page 116 of the Investment Section of this report. The Schedule of Investment Fees and Schedule of Commissions can be found on pages 126 and 127 - 129, respectively.

Financial Section



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

City of San José, CA
Federated City Employees' Retirement System
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2025 and June 30, 2024

Independent Auditor's Report



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the City of San José Federated City Employees' Retirement System (System), a pension trust fund and postemployment healthcare fund of the City of San José, California, as of and for the years ended June 30, 2025, and 2024, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2025, and 2024, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report *(continued)*

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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, schedule of changes in employer's net OPEB liability and related ratios – postemployment healthcare plan, schedule of investment returns – postemployment healthcare plan, schedule of employer contributions – postemployment healthcare plan, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with

Independent Auditor's Report *(continued)*

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 combining schedule of defined benefit pension plan net position, combining schedule of changes in defined benefit pension plan net position, schedules of administrative expenses and other, schedules of payments to consultants, and schedules of investment expenses (other supplemental information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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, including comparing and reconciling such 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, actuarial, and statistical sections of the Annual Comprehensive Financial Report but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2025, 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 solely 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 the System's 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.



Walnut Creek, California
October 31, 2025

Management's Discussion and Analysis (unaudited)



October 31, 2025

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, 2025 and 2024. 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 5 of this report, and in the financial section which follows this discussion.

Financial Highlights for Fiscal Year 2025

- As of June 30, 2025, the System had \$3,947,899,000 in plan net position restricted for pension benefits and postemployment healthcare benefits. Plan net position of \$3,486,313,000 restricted for pension benefits is available to meet the System's ongoing obligations to plan participants and their beneficiaries. The Postemployment Healthcare Plan's net position of \$461,586,000 is available for the exclusive use of retiree medical benefits.
- The System's total plan net position held in trust for pension benefits and postemployment healthcare benefits increased during the fiscal year ended June 30, 2025 by \$380,120,000 or 10.7% from the prior fiscal year, primarily as a result of the appreciation in the fair value of investments caused by the strong returns in public equity and private real assets.
- Additions to plan net position during the fiscal year ended June 30, 2025 were \$688,534,000, which includes employer and employee contributions of \$265,840,000 and \$47,695,000, respectively, and net investment income of \$374,999,000. This represents an increase of \$106,308,000 or 18.3% of total additions from the prior fiscal year amount of \$582,226,000.
- Deductions from plan net position for fiscal year ended June 30, 2025 increased by \$12,221,000 from \$296,193,000 to \$308,414,000 over the prior fiscal year, or approximately 4.1%, due to an increase in retirement benefit payments. The increase in retirement benefit payments was attributable to an increased number of retired members and beneficiaries as well as cost-of-living adjustments.

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, 2025, 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

Management's Discussion and Analysis (unaudited) (continued)

Officers' Association of the United States and Canada (GFOA). The following discussion and analysis are 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 restricted 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 net OPEB liability, 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 32 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 66 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 System'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*, *Schedules of Administrative Expenses and Other*, *Payments to Consultants*, and *Investment Expenses* are presented immediately following the *Required Supplementary Information*.

Financial Analysis

The following analysis is based on the financial statements for the fiscal years ended June 30, 2025 and 2024. Please note that the financial statements for the fiscal year ended June 30, 2024 have been restated for the retroactive implementation of GASB Statement No. 101, *Compensated Absences*. This change in accounting principle resulted in a restatement of previously reported liabilities, expenses, and

Management's Discussion and Analysis (unaudited) (continued)

plan net position. For a detailed explanation of this change, please refer to Note 2(h) on page 47.

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 21). At the close of fiscal years 2025 and 2024, 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 total OPEB 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 Postemployment Healthcare Plan's total OPEB liability should also be considered when evaluating the System's financial health. Based on the June 30, 2024 actuarial valuation rolled forward to June 30, 2025, the net position of the Defined Benefit Pension Plan was 65.8% of the total pension liability, and the net position of the Other Postemployment Employee Benefit Plan was 62.8% of the total OPEB liability. For more information on the results and impact of the June 30, 2024 actuarial valuations, please see Notes 4 and 5 to the financial statements beginning on page 56.

As of June 30, 2025, \$3,486,313,000 and \$461,586,000, in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1a and 1c on page 21). Plan net position restricted for pension benefits of \$3,486,313,000 is available to meet the System's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of \$461,586,000 is available for the exclusive use of retiree medical benefits.

As of June 30, 2025, total net position restricted for pension benefits and for the postemployment healthcare benefits increased by 10.5% and 11.6% from the prior year, primarily due to the net appreciation in the fair value of investments of \$295,965,000 and \$37,453,000 for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively. The appreciation in the fair value of investments was due to the strong returns in public equities and private real assets during the fiscal year. The System's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 42.

As of June 30, 2024, \$3,154,264,000 and \$413,515,000, in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1b and 1d on pages 21). Plan net position restricted for pension benefits of \$3,154,264,000 was available to meet the System's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of \$413,515,000 was available for the exclusive use of retiree medical benefits.

As of June 30, 2024, total net position restricted for pension benefits and for the postemployment healthcare benefits increased by 8.5% and 10.4% from the prior year, primarily due to the net appreciation in the fair value of investments of \$227,585,000 and \$29,509,000 for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively. The appreciation in the fair value of investments was due to the strong returns in public equities and high-yield bonds during the fiscal year. The System's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 41.

As of June 30, 2025, receivables increased by \$7,907,000 or 48.3% and by \$14,988,000 or 506.4% in the Defined Benefit Pension Plan and Postemployment Healthcare Plan, respectively. Receivables in the Defined Benefit Pension Plan and Postemployment Healthcare Plan increased mainly due to pending investment trades at year end, causing an increase in receivables from brokers and other. In the previous year, receivables decreased by \$1,872,000 or 10.3% and by \$11,000 or 0.4% for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively, due to a decrease in employer contributions receivables.

As of June 30, 2025, liabilities increased by \$14,236,000 or 65.0% for the Defined Benefit Pension Plan and increased \$15,084,000 or 521.0% for the Postemployment Healthcare Plan, due to the timing of trades. In the previous year, liabilities decreased by \$11,844,000 or 35.1% for the Defined Benefit Pension Plan and increased \$178,000 or 6.6% for the Postemployment Healthcare Plan, respectively, due to the timing of trades.

Management's Discussion and Analysis (unaudited) (continued)

NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 1a)

As of June 30, 2025 and 2024 (Dollars in thousands)

	2025	2024	Increase Amount	Increase Percent
Receivables	\$ 24,268	\$ 16,361	\$ 7,907	48.3%
Investments at fair value	3,495,567	3,157,626	337,941	10.7%
Other assets, net	2,617	2,180	437	20.0%
Total Assets	3,522,452	3,176,167	346,285	10.9%
Current liabilities	36,139	21,903*	14,236	65.0%
Total Liabilities	36,139	21,903	14,236	65.0%
Plan Net Position	\$ 3,486,313	\$ 3,154,264*	\$ 332,049	10.5%

* 2024 amount is restated to implement GASB 101. See Note 2(h) for further information.

NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 1b)

As of June 30, 2024 and 2023 (Dollars in thousands)

	2024	2023	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	\$ 16,361	\$ 18,233	\$ (1,872)	(10.3)%
Investments at fair value	3,157,626	2,920,184	237,442	8.1%
Other assets, net	2,180	2,645	(465)	(17.6)%
Total Assets	3,176,167	2,941,062	235,105	8.0%
Current liabilities	21,903*	33,747	(11,844)	(35.1)%
Total Liabilities	21,903	33,747	(11,844)	(35.1)%
Plan Net Position	\$ 3,154,264*	\$ 2,907,315	\$ 246,949	8.5%

* 2024 amount is restated to implement GASB 101. 2023 amount is not restated and is presented as originally reported. See Note 2(h) for further information.

NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLAN (Table 1c)

As of June 30, 2025 and 2024 (Dollars in thousands)

	2025	2024	Increase Amount	Increase Percent
Receivables	\$ 17,948	\$ 2,960	\$ 14,988	506.4%
Investments at fair value	461,512	413,405	48,107	11.6%
Other assets, net	105	45	60	133.3%
Total Assets	479,565	416,410	63,155	15.2%
Current liabilities	17,979	2,895*	15,084	521.0%
Total Liabilities	17,979	2,895	15,084	521.0%
Plan Net Position	\$ 461,586	\$ 413,515*	\$ 48,071	11.6%

* 2024 amount is restated to implement GASB 101. See Note 2(h) for further information.

NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLAN (Table 1d)

As of June 30, 2024 and 2023 (Dollars in thousands)

	2024	2023	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	\$ 2,960	\$ 2,971	\$ (11)	(0.4)%
Investment at fair value	413,405	374,248	39,157	10.5%
Other assets, net	45	106	(61)	(57.5)%
Total Assets	416,410	377,325	39,085	10.4%
Current liabilities	2,895*	2,717	178	6.6%
Total Liabilities	2,895	2,717	178	6.6%
Plan Net Position	\$ 413,515*	\$ 374,608	\$ 38,907	10.4%

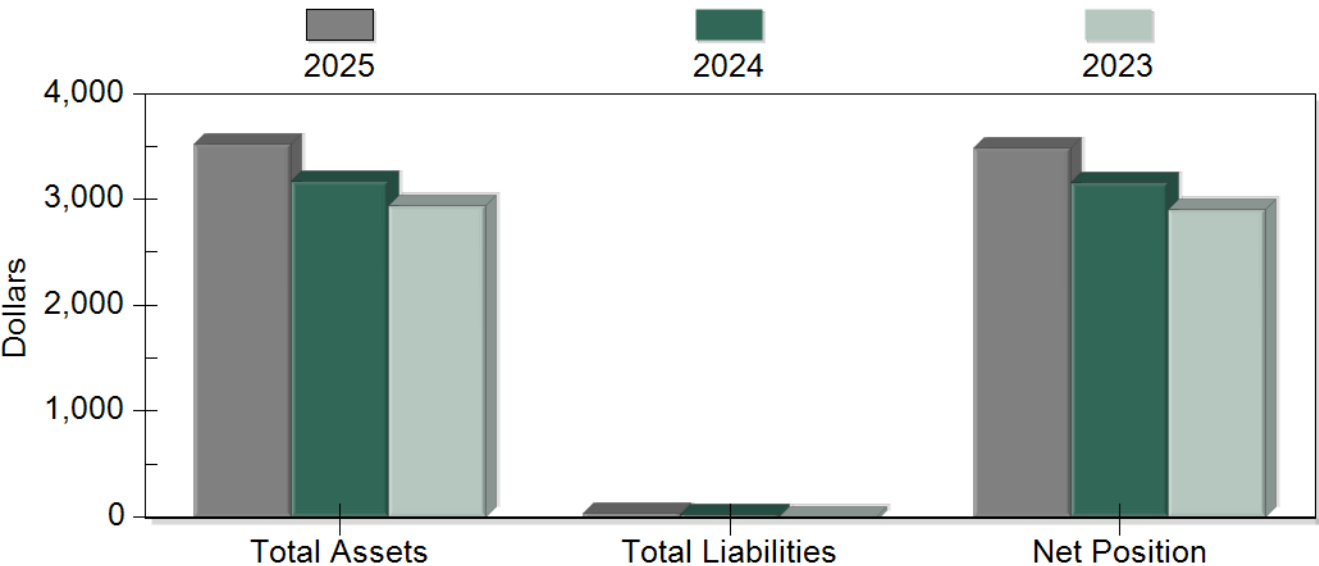
* 2024 amount is restated to implement GASB 101. 2023 amount is not restated and is presented as originally reported. See Note 2(h) for further information.

Management's Discussion and Analysis (unaudited) (continued)

DEFINED BENEFIT PENSION PLAN NET POSITION (Tables 1a and 1b)

As of June 30, 2025, 2024 and 2023

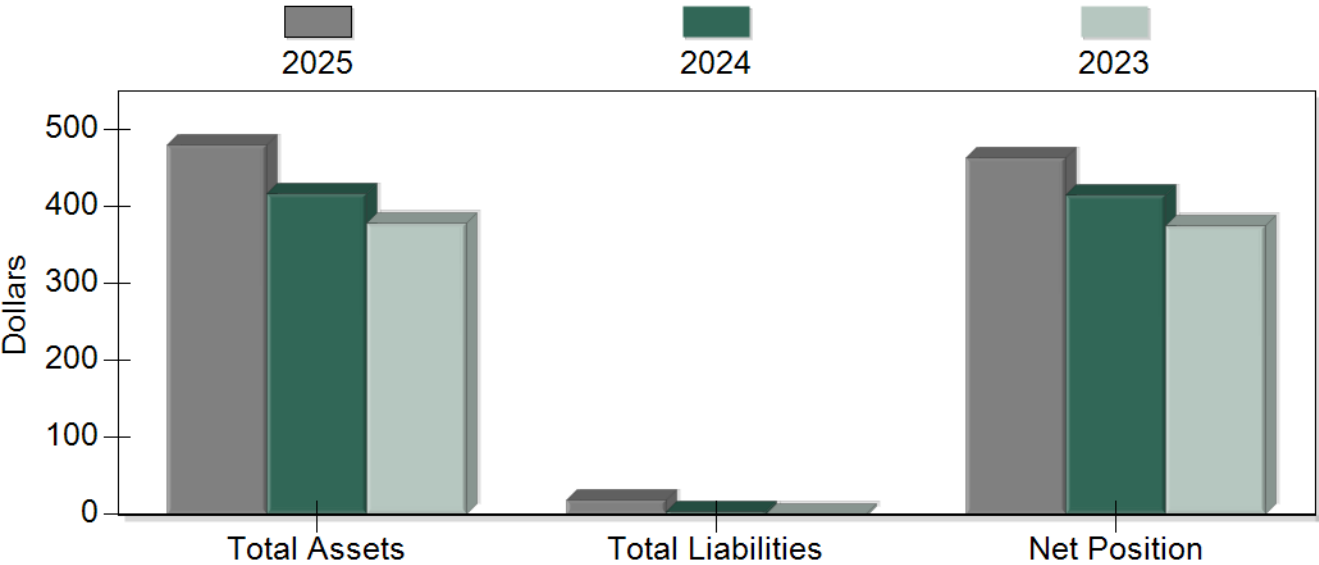
(Dollars in millions)



POSTEMPLOYMENT HEALTHCARE PLAN NET POSITION (Tables 1c and 1d)

As of June 30, 2025, 2024 and 2023

(Dollars in millions)



FEDERATED SYSTEM ACTIVITIES

In the fiscal year ended June 30, 2025, the System's combined Defined Benefit Pension Plan and Postemployment Healthcare Plan net position increased by \$380,120,000 or 10.7%, primarily due to the strong returns in public equity and private real assets during the fiscal year which led to the System earning significant investment gains. Key elements of the System's financial activities are described in the sections that follow.

Management's Discussion and Analysis (unaudited) (continued)

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). Total Additions to the Defined Benefit Pension Plan and Postemployment Healthcare Plan for the fiscal year ended June 30, 2025, were \$604,679,000 and \$83,855,000, respectively (see Tables 2a and 2c on pages 24 - 25).

For the fiscal year ended June 30, 2025, total additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plan increased by \$94,850,000 or 18.6% and \$11,458,000 or 15.8%, respectively. The primary cause of the increase from the prior year in the Defined Benefit Pension Plan and the Postemployment Healthcare Plan was due to the increase in net investment income of \$70,933,000 and \$9,334,000, respectively, due to the strong returns from public equity and private real assets during the fiscal year.

The System's time-weighted rate of return, net of investment fee, as determined by the System's investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2025 for the Defined Benefit Pension Plan, was 9.6% compared to 9.7% for fiscal year 2024.

For the fiscal year ended June 30, 2024, total additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plan increased by \$57,727,000 or 12.8%, and \$15,291,000, or 26.8%, respectively. The primary cause of the increase from the prior year in the Defined Benefit Pension Plan and the Postemployment Healthcare Plan was due to the increase in net investment income of \$35,482,000 and \$12,881,000, respectively, due to the strong returns from public equity and high-yield bonds during the fiscal year.

The System's time-weighted rate of return, net of investment fee, as determined by the System's investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2024 for the Defined Benefit Pension Plan, was 9.7% compared to 7.4% for fiscal year 2023.

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, 2025, totaled \$272,630,000 and \$35,784,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plan, respectively. Deductions for the Defined Benefit Pension Plan increased by \$9,907,000 or 3.8% from the previous year due to an increase in benefit payments (see Table 2a on page 24). The increase in benefit payments is 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 \$2,314,000 or 6.9% from the previous year primarily due to the increase in healthcare insurance premiums (see Table 2c on page 25).

Deductions for the fiscal year ended June 30, 2024, totaled \$262,723,000 and \$33,470,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plan, respectively. Deductions for the Defined Benefit Pension Plan increased by \$9,909,000 or 3.9% from the previous year due to an increase in benefit payments. The increase in benefit payments is primarily due to continued increases in the number of retirees and beneficiaries with higher final average salaries and added cost of living adjustments (see Table 2b on page 24). Deductions for the Postemployment Healthcare Plan increased by \$1,851,000 or 5.9% from the previous year primarily due to the increase in healthcare insurance premiums (see Table 2d on page 25).

Management's Discussion and Analysis (unaudited) (continued)

CHANGES IN PLAN NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 2a)

For the Fiscal Years Ended June 30, 2025 and 2024 (Dollars in thousands)

	2025	2024	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	\$ 37,968	\$ 33,933	\$ 4,035	11.9%
Employer contributions	238,195	218,313	19,882	9.1%
Net investment income ¹	328,516	257,583	70,933	27.5%
Total Additions	604,679	509,829	94,850	18.6%
Retirement benefits	246,064	236,880	9,184	3.9%
Death benefits	19,176	18,352	824	4.5%
Refund of contributions	1,357	1,333	24	1.8%
Administrative expenses	6,033	6,158*	(125)	(2.0)%
Total Deductions	272,630	262,723	9,907	3.8%
Net Increase in Plan Net Position	332,049	247,106	84,943	34.4%
Beginning Net Position	3,154,264	2,907,158	247,106	8.5%
Ending Net Position ²	\$ 3,486,313	\$ 3,154,264*	\$ 332,049	10.5%

¹ Net of investment expenses of \$13,083 and \$12,221 in 2025 and 2024, respectively.

* 2024 amount is restated to implement GASB 101. See Note 2(h) for further information.

CHANGES IN PLAN NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 2b)

For the Fiscal Years Ended June 30, 2024 and 2023 (Dollars in thousands)

	2024	2023	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	\$ 33,933	\$ 30,561	\$ 3,372	11.0%
Employer contributions	218,313	199,440	18,873	9.5%
Net investment income ¹	257,583	222,101	35,482	16.0%
Total Additions	509,829	452,102	57,727	12.8%
Retirement benefits	236,880	228,530	8,350	3.7%
Death benefits	18,352	17,213	1,139	6.6%
Refund of contributions	1,333	1,613	(280)	(17.4)%
Administrative expenses	6,158*	5,458	700	12.8%
Total Deductions	262,723	252,814	9,909	3.9%
Net Increase in Plan Net Position	247,106	199,288	47,818	24.0%
Beginning Net Position	2,907,158	2,708,027	199,131	7.4%
Ending Net Position ²	\$ 3,154,264*	\$ 2,907,315	\$ 246,949	8.5%

¹ Net of investment expenses of \$12,221 and \$11,454 in 2024 and 2023, respectively.

* 2024 amount is restated to implement GASB 101. 2023 amount is not restated and is presented as originally reported. See Note 2(h) for further information.

Management's Discussion and Analysis (unaudited) (continued)

CHANGES IN PLAN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLAN (Table 2c)

For the Fiscal Years Ended June 30, 2025 and 2024 (Dollars in thousands)

	2025	2024	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	\$ 9,727	\$ 9,891	\$ (164)	(1.7)%
Employer contributions	27,645	25,357	2,288	9.0%
Net investment income ¹	46,483	37,149	9,334	25.1%
Total Additions	83,855	72,397	11,458	15.8%
Healthcare insurance premiums	34,938	32,635	2,303	7.1%
Administrative expenses	846	835*	11	1.3%
Total Deductions	35,784	33,470	2,314	6.9%
Net Increase in Plan Net Position	48,071	38,927	9,144	23.5%
Beginning Net Position	413,515	374,588*	38,927	10.4%
Ending Net Position	\$ 461,586	\$ 413,515*	\$ 48,071	11.6%

¹ Net of investment expenses of \$422 and \$381 in 2025 and 2024, respectively.

* 2024 amount is restated to implement GASB 101. See Note 2(h) for further information.

CHANGES IN PLAN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLAN (Table 2d)

For the Fiscal Years Ended June 30, 2024 and 2023 (Dollars in thousands)

	2024	2023	Increase Amount	Increase Percent
Employee contributions	\$ 9,891	\$ 9,841	\$ 50	0.5%
Employer contributions	25,357	22,997	2,360	10.3%
Net investment income ¹	37,149	24,268	12,881	53.1%
Total Additions	72,397	57,106	15,291	26.8%
Healthcare insurance premiums	32,635	30,869	1,766	5.7%
Administrative expenses	835*	750	85	11.3%
Total Deductions	33,470	31,619	1,851	5.9%
Net Increase in Plan Net Position	38,927	25,487	13,440	52.7%
Beginning Net Position	374,588*	349,121	25,467	7.3%
Ending Net Position	\$ 413,515*	\$ 374,608	\$ 38,907	10.4%

¹ Net of investment expenses of \$381 and \$365 in 2024 and 2023, respectively.

* 2024 amount is restated to implement GASB 101. 2023 amount is not restated and is presented as originally reported. See Note 2(h) for further information.

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 consists of the 115 Trust). The Defined Benefit Pension Plan Retirement Fund and the Defined Benefit Pension Plan Cost-of-Living Fund both have a General Reserve and an Employee Contributions Reserve. The Postemployment Healthcare 115 Funds have a General Reserve only (see table on page 45 for a complete listing and year-end balances of the System's reserves). The 401(h) reserves were depleted as of November 2019.

Management's Discussion and Analysis (unaudited) (continued)

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 System's General Reserve.

With the implementation of Measure F in 2017, a medical in-lieu component of the General Reserves was created to account for those members who elected to be in the medical-in-lieu credit program. These members are retirees who are eligible for medical insurance and / or dental insurance but who opt not to take it and instead elect to be in the in-lieu credit program. These members are given credits worth 25% of the lowest cost plan, which can be used in future years if the retiree opts to enroll in a City medical or dental plan. See Note 2 of the financial statements for additional information.

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, 2024, were used to determine the contribution rates and dollar amounts effective June 22, 2025 for fiscal year 2025-2026. The annual determined contribution rates and dollar amounts were adopted by the Board in April 2025. The June 30, 2024 actuarial valuations include Board-adopted actuarial assumption changes recommended by the System's actuary in the June 30, 2024 Preliminary Valuation Results Review presented in November and December 2024.

The Investment Policy Statement for the System was revised on June 26, 2025, effective July 1, 2025. Notable changes include the major investment governance project undertaken in 2018 by the System's governance consultant, investment consultant, risk consultant, multiple Trustees from both the Police and Fire Pension Plan and the System's Boards, and internal staff.

Defined Benefit Pension Plan

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 liability (UAL) of \$2.0 billion, as of June 30, 2024, does not include the impact of approximately \$3.5 million of net deferred investment gains yet to be recognized, primarily resulting from favorable investment returns during fiscal years 2021 and 2024. It is anticipated that future actuarial valuations will recognize these remaining deferred net investment gains 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 6.625%, net of investment expenses, in the actuarial valuation as of June 30, 2024. With all other actuarial variables being equal, underperforming the assumed rate of return would increase the UAL and decrease the funded status of the System, thereby increasing required contributions to the System. Conversely, with all other actuarial variables being equal, overperforming the assumed rate of return would decrease the UAL and increase the funded status of the System, thereby decreasing 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.

Management's Discussion and Analysis (unaudited) (continued)

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 two 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 last experience study was performed in November 2023, and the next experience study is scheduled for November 2027.

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. There were no changes to the assumptions and methods since the last valuation.

Contribution rates for fiscal year 2025-2026, as determined by the June 30, 2024 actuarial valuation, includes the impact of the items stated above and the recognition of smoothed deferred investment gains and losses.

Postemployment Healthcare Plan

Under Measure F, member contributions were fixed at 7.50% of pay; the City's contributions toward the explicit subsidy (or premium subsidy) are actuarially determined; and the City also pays the implicit subsidy (difference between the expected claims cost for a retiree or spouse and the total (retiree plus City) premium) on a pay-as-you-go basis as part of active health premiums. In addition, the City has an option to limit its contribution for the explicit subsidy to 14% of payroll.

In March 2018, the Board approved the contribution policy that sets the City health care contributions for Tier 1 members as a flat dollar amount, beginning with fiscal year 2019.

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,



John Flynn
Chief Executive Officer
Office of Retirement Services

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Basic Financial Statements

STATEMENTS OF PLAN NET POSITION

As of June 30, 2025 and 2024 (In Thousands)

	2025		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total
ASSETS			
Receivables			
Employee contributions	\$ 937	\$ 228	\$ 1,165
Employer contributions	1,508	148	1,656
Brokers and others	17,462	16,904	34,366
Accrued investment income	4,361	668	5,029
Total Receivables	24,268	17,948	42,216
Investments, at fair value			
Securities and other:			
Public equity	1,690,119	279,690	1,969,809
Private equity	416,956	-	416,956
Investment grade bonds	221,093	59,588	280,681
Core real estate	171,428	55,873	227,301
Growth real estate	136,614	-	136,614
Long-term government bonds	100,417	20,209	120,626
Cash and cash equivalents	107,127	9,707	116,834
Emerging market bonds	104,290	-	104,290
Market neutral strategies	94,252	-	94,252
Private debt	91,728	-	91,728
Private real assets	90,126	-	90,126
Immunized cash flows	87,728	-	87,728
High yield bonds	69,517	-	69,517
Treasury inflation-protected securities	63,851	-	63,851
Venture / Growth capital	50,321	-	50,321
Commodities	-	21,906	21,906
Short-term investment grade bonds	-	14,539	14,539
Total Investments	3,495,567	461,512	3,957,079
Other assets, net	2,617	105	2,722
TOTAL ASSETS	3,522,452	479,565	4,002,017
LIABILITIES			
Payable to brokers	32,840	15,173	48,013
Other liabilities	3,299	2,806	6,105
TOTAL LIABILITIES	36,139	17,979	54,118
PLAN NET POSITION - RESTRICTED FOR			
Pension benefits	3,486,313	-	3,486,313
Postemployment healthcare benefits	-	461,586	461,586
TOTAL PLAN NET POSITION	\$ 3,486,313	\$ 461,586	\$ 3,947,899

See accompanying notes to basic financial statements.

(continued)

Basic Financial Statements *(continued)*

STATEMENTS OF PLAN NET POSITION *(continued)*

As of June 30, 2025 and 2024 *(In Thousands)*

	2024		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total
ASSETS			
Receivables			
Employee contributions	\$ 766	\$ 212	\$ 978
Employer contributions	1,206	139	1,345
Brokers and others	9,801	2,249	12,050
Accrued investment income	4,588	360	4,948
Total Receivables	16,361	2,960	19,321
Investments, at fair value			
Securities and other:			
Public equity	1,497,838	250,854	1,748,692
Private equity	406,491	-	406,491
Investment grade bonds	154,428	56,183	210,611
Core real estate	137,613	42,133	179,746
Cash and cash equivalents	161,428	9,815	171,243
Growth real estate	120,875	-	120,875
Private debt	114,577	-	114,577
Immunized cash flows	107,116	-	107,116
Market neutral strategies	92,390	-	92,390
Emerging market bonds	90,474	-	90,474
Long-term government bonds	53,368	19,897	73,265
Private real assets	72,187	-	72,187
High yield bonds	62,174	-	62,174
Treasury inflation-protected securities	59,962	-	59,962
Venture / Growth capital	26,705	-	26,705
Commodities	-	20,700	20,700
Short-term investment grade bonds	-	13,823	13,823
Total Investments	3,157,626	413,405	3,571,031
Other assets, net	2,180	45	2,225
TOTAL ASSETS	3,176,167	416,410	3,592,577
LIABILITIES			
Payable to brokers	19,916	357	20,273
Other liabilities, as restated *	1,987	2,538	4,525
TOTAL LIABILITIES	21,903	2,895	24,798
PLAN NET POSITION - RESTRICTED FOR			
Pension benefits, as restated *	3,154,264	-	3,154,264
Postemployment healthcare benefits, as restated *	-	413,515	413,515
TOTAL PLAN NET POSITION	\$ 3,154,264	\$ 413,515	\$ 3,567,779

* See Note 2(h) for further information

See accompanying notes to basic financial statements.

(concluded)

Basic Financial Statements *(continued)*

STATEMENTS OF CHANGES IN PLAN NET POSITION

For the Fiscal Years Ended June 30, 2025 and 2024 (In Thousands)

	2025		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total
ADDITIONS			
Contributions:			
Employee	\$ 37,968	\$ 9,727	\$ 47,695
Employer	238,195	27,645	265,840
Total Contributions	276,163	37,372	313,535
Investment income			
Net appreciation in fair value of investments	295,965	37,453	333,418
Interest income	36,517	2,272	38,789
Dividend income	9,117	7,180	16,297
Less: investment expense	(13,083)	(422)	(13,505)
Net Investment Income	328,516	46,483	374,999
TOTAL ADDITIONS	604,679	83,855	688,534
DEDUCTIONS			
Retirement benefits	246,064	-	246,064
Healthcare insurance premiums	-	34,938	34,938
Death benefits	19,176	-	19,176
Refund of contributions	1,357	-	1,357
Administrative expenses and other	6,033	846	6,879
TOTAL DEDUCTIONS	272,630	35,784	308,414
NET INCREASE	332,049	48,071	380,120
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS			
BEGINNING OF YEAR	3,154,264	413,515	3,567,779
END OF YEAR	\$ 3,486,313	\$ 461,586	\$ 3,947,899

See accompanying notes to basic financial statements.

(continued)

Basic Financial Statements *(continued)*

STATEMENTS OF CHANGES IN PLAN NET POSITION *(continued)*

For the Fiscal Years Ended June 30, 2025 and 2024 *(In Thousands)*

	2024		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total
ADDITIONS			
Contributions:			
Employee	\$ 33,933	\$ 9,891	\$ 43,824
Employer	218,313	25,357	243,670
Total Contributions	252,246	35,248	287,494
Investment income			
Net appreciation in fair value of investments	227,585	29,509	257,094
Interest income	34,790	1,876	36,666
Dividend income	7,429	6,145	13,574
Less: investment expense	(12,221)	(381)	(12,602)
Net Investment Income	257,583	37,149	294,732
TOTAL ADDITIONS	509,829	72,397	582,226
DEDUCTIONS			
Retirement benefits	236,880	-	236,880
Healthcare insurance premiums	-	32,635	32,635
Death benefits	18,352	-	18,352
Refund of contributions	1,333	-	1,333
Administrative expenses and other, as restated*	6,158	835	6,993
TOTAL DEDUCTIONS	262,723	33,470	296,193
NET INCREASE	247,106	38,927	286,033
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS			
BEGINNING OF YEAR, as previously presented	2,907,315	374,608	3,281,923
Restatement for GASB 101 *	(157)	(20)	(177)
BEGINNING OF YEAR, as restated	2,907,158	374,588	3,281,746
END OF YEAR	\$ 3,154,264	\$ 413,515	\$ 3,567,779

* See Note 2(h) for further information

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 (the 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

Overview of the System

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 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.

IRS Determination Letters

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

Defined Benefit Pension Plan

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

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.

Postemployment Healthcare Plan

The System's retiree healthcare benefits are comprised of the following:

- **The Postemployment Healthcare 401(h) Plan:** The Postemployment Healthcare Plan was established under the now depleted IRC Section 401(h), an account within the Pension Trust, for retiree healthcare benefits funding and for the payment of retiree healthcare benefits. The 401(h) plan was depleted as of November 2019 and all post-employment healthcare benefit payments are now made from the IRC 115 trust account.
- **The Postemployment Healthcare 115 Trust:** The Postemployment Healthcare Plan is now fully comprised of the IRC Section 115 trust and is held and administered in the Federated City Employees' Healthcare Trust Fund. The IRC Section 115 trust established June 24, 2011 by the San José City Council (City Council) under the provisions of SJMC Chapter 3.52 (Ordinance number 28914) provides an alternative to the depleted 401(h) account 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. Beginning on December 23, 2013, employee contributions made for retiree healthcare are deposited into the 115 Trust.

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(a) General (Continued)

Plan Governance and Administration

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 Board of Administration consists of seven members:

- Two City employees elected by members of the System
- One retiree representative elected by the retiree associations
- Three public members, who are not connected with the City and have significant banking or investment experience
- One 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.

Pension Reforms and Tier Structure

Measure B: Following the passage of a voter-approved ballot measure known as Measure B in 2012, the City engaged in settlement discussions with the bargaining units for Federated members concerning related litigation. On December 15, 2015, and January 12, 2016, the City and the bargaining units representing employees in Federated reached a settlement agreement on the *Federated Alternative Pension Reform Settlement Framework* (Federated Framework). The terms of the Federated Framework also applied to unrepresented employees, including unrepresented management and executive employees in Unit 99. The Federated Framework included an agreement that a ballot measure would be placed on the November 8, 2016 election for the voters to replace Measure B.

Measure F: On November 8, 2016, voters approved Measure F, the *Alternative Pension Reform Act* to replace Measure B. On May 16, 2017, the City Council approved Ordinance Number 29879 which amends the San José Municipal Code to reflect the terms of Measure F and the Federated Framework, effective June 18, 2017.

Tier Structure: The System is structured into membership tiers primarily based on hire dates, with certain provisions modified by Measure F.

- **Tier 1:** Applies to employees hired before September 30, 2012. Tier 1 "Classic" was established under Measure F framework and includes employees who previously worked for a CalPERS (California Public Employees' Retirement System) or other reciprocal agency and hired by the City of San Jose on or after June 18, 2017. Tier 1 "Rehires" includes employees with prior Tier 1 City service who were in Tier 2 and became part of the Tier 1 membership Defined Benefit Pension Plan effective June 18, 2017. Employees in Tier 2 who have "Classic" membership with CalPERS were moved to Tier 1 subject to the identification of these employees and confirmation of "Classic" membership with CalPERS. Rehires in the Tier 1 membership is broken down into the type of coverage the member had in the Postemployment Healthcare Plan prior to the passage of Measure F.

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

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(a) General (Continued)

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. Members subject to these new benefit provisions are referred to as Tier 2 members.

- **Tier 2:** Applies to employees hired, rehired, or reinstated on or after September 30, 2012, but before September 27, 2013.
- **Tier 2B:** Applies to employees hired on or after September 27, 2013. As of the effective date, pursuant to City of San José Ordinance Number 29283, the System created Tier 2B which provides different retirement benefits for individuals hired or rehired by the City on and after that date. Tier 2B members have 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 requires the City to pay additional contributions equal to the additional costs incurred by the System to cover the unfunded liability determined by the actuary 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.
- **Defined Contribution Plan (Tier 3):** Effective February 3, 2013, pursuant to City of San José Ordinance Number 29184, unrepresented executive management and professional employees, who were hired directly into a position in Unit 99 on or after that date, can make a one-time irrevocable election to participate in either a newly created Defined Contribution Plan or become a Tier 2 member in the System. Eligible employees must not have been previously a member of the System. The System does not administer or hold the assets of the Defined Contribution Plan.

Other Key Provisions of the Reforms: The implemented provisions from Measure F and the Alternative Pension Reform Act also include:

- Prohibiting any enhancements to defined retirement benefits without voter approval
- Codifying Tier 2 pension benefits
- Closing the defined benefit retiree healthcare plan
- Prohibiting retroactive defined retirement benefit enhancements
- Defining the qualifications for members of the independent medical panel
- Creating a Guaranteed Purchasing Power benefit for Tier 1 retirees
- Authorizing the creation of a defined contribution Voluntary Employee Beneficiary Association (VEBA) for retiree healthcare (medical and dental)
- Establishing a one-time irrevocable election for eligible employees to opt in to the defined contribution VEBA

The VEBA: The VEBA was established under the Measure F adopted framework for retiree healthcare. The VEBA opt-in election period was October 18, 2017 through December 15, 2017, and the Internal Revenue Service issued a favorable private letter ruling to the Section 115 Trust on February 7, 2018. The IRS ruled that allowing the contributions to the VEBA to be made from the Sections 115 Trust is consistent with Code Section 115(1) and will not compromise the Section 115 Trust's status under Code Section 115. The contributions for the members who opted in to the VEBA and opted out of the defined benefit healthcare plan were transferred in March 2018 for the initial opt-in period. The IRS approved allowing eligible employees who are rehired into the City from calendar years 2018 through 2022 to opt in to the VEBA if they were not employed during the initial opt-in period. All Tier 1 employees (except those who enter the Plan after June 18, 2017 with "Classic" membership in CalPERS) and Tier 2

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(a) General (Continued)

employees who were previously making contributions into the defined benefit retiree healthcare plan, were eligible to opt in to the VEBA, while all Tier 2 employees (except unrepresented employees) were required to move in to the defined contribution VEBA. The VEBA is being administered by the City, not the Office of Retirement Services, and therefore it is also not under the jurisdiction of the Retirement Board.

The following table summarizes the System members as of June 30, 2025 and 2024, respectively.

As of June 30, 2025					
Defined Benefit Pension Plan:	Tier 1 Pension only ³	Tier 1 Pension & Medical ⁴	Tier 2 Pension only ³	Tier 2 Pension & Medical ⁴	Total
Retirees and beneficiaries currently receiving benefits ¹	880	3,769	85	1	4,735
Terminated members ²	679	141	1,453	-	2,273
Active members	111	906	3,222	65	4,304
Total	1,670	4,816	4,760	66	11,312
Postemployment Healthcare Plan:	Tier 1 ⁴		Tier 2A ⁴		Total
Retirees and beneficiaries currently receiving benefits ⁵		3,769		1	3,770
Terminated members - Deferred vested		141		-	141
Active members		906		65	971
Total		4,816		66	4,882

As of June 30, 2024					
Defined Benefit Pension Plan:	Tier 1 Pension only ³	Tier 1 Pension & Medical ⁴	Tier 2 Pension only ³	Tier 2 Pension & Medical ⁴	Total
Retirees and beneficiaries currently receiving benefits ¹	847	3,750	59	1	4,657
Terminated members ²	710	142	1,279	-	2,131
Active members	115	1,008	3,109	69	4,301
Total	1,672	4,900	4,447	70	11,089
Postemployment Healthcare Plan:	Tier 1 ⁴		Tier 2A ⁴		Total
Retirees and beneficiaries currently receiving benefits ⁵		3,750		1	3,751
Terminated members - Deferred vested		142		-	142
Active members		1,008		69	1,077
Total		4,900		70	4,970

¹ The combined domestic relations orders are not included in the count above as their benefit payment is included in the retiree member count

² Includes vested members entitled to future benefits and non-vested members that are due a refund of their contributions

³ Includes members that are eligible for catastrophic disability medical benefits only (VEBA) from the Postemployment Healthcare plan

⁴ Members are eligible for full retiree medical benefits

⁵ Payees that have health and / or dental coverage

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(b) Pension, Disability and Healthcare Benefits

Effective December 9, 1994, the System entered into an agreement with CalPERS 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.

Tier 1 ¹					Tier 1 Classic ⁴	Tier 2 ⁵	Tier 2B ⁶		
Contributions									
Employee		14.11% of base salary (Pension: 6.61% ² , Retiree Healthcare: 7.50%) as of 6/23/2024		9.64% of base salary (7.64% Pension, 2.00% VEBA ³) as of 6/23/2024		15.99% (Pension: 8.49%, Retiree Healthcare: 7.50% ³) as of 6/23/2024		10.49% (8.49% Pension, 2% VEBA ⁷) as of 6/23/2024	
City		Pension: 22.81% (Normal Cost) + Flat dollar amount (UAL); Retiree Healthcare: Flat dollar amount as of 6/23/2024		Pension: 22.81% (Normal Cost) + Flat dollar amount (UAL) as of 6/23/2024		Pension: 8.73%; Retiree Healthcare: dollar amount, not rate of pay as of 6/23/2024		Pension: 8.73% as of 6/23/2024	
Service required to leave contributions in retirement system		5 years				5 years Federated City Service (Year of Service = 2080 hours worked in the applicable 12-month period)			
Service Retirement									
Age / years of service		55 with 5 years service 30 years service at any age				62 years with 5 years Federated City Service May retire on or after 55 years with 5 years Federated City Service. A reduction factor of 5% per year for each year between age 55 and the Tier 2 member's age at retirement before age 62, prorated to the closest month.			
Deferred vested retirement		55 with 5 years service (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.)				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.) Can begin at age 55 with reduction factor of 5% per year for each year between age 55 and the Tier 2 member's age at retirement before age 62, prorated to the closest month.			
Allowance		2.5% x Years of Service x Final Compensation (75% max) Final Compensation is the highest average monthly earnable pensionable salary during 12 consecutive months, capped at 108% of the second highest 12 consecutive months. Tier 1: If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months Tier 1 Classic: If separation takes place on or after July 1, 2001, Final Compensation is highest average monthly salary during 12 consecutive months. If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months				2.0% x Years of Federated City Service x Final Compensation (70% max) Final Compensation is the average monthly (or biweekly) base pay for the highest 3 consecutive years of Federated City Service. Excludes premium pay or any other forms of additional compensation			

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

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

Tier 1 ¹		Tier 1 Classic ⁴	Tier 2 ⁵	Tier 2B ⁶
Disability Retirement (Service-Connected)				
Minimum service	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)		2% x Years of Federated City Service x Final Compensation (Minimum of 40%, maximum of 70% of Final Compensation)	
Disability Retirement (Non-Service-Connected)				
Minimum service	5 years Federated City Service			
Allowance	Tier 1: 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). For those who entered the System on 8/31/1998 or before, the calculation is as follows: 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 Tier 1 Classic: 40% of Final Compensation plus 2.5% 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 on 9/1/1998 or later, the calculation is as follows: 20% of Final Compensation for up to 6 year 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%, maximum of 70% of Final Compensation)	

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

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

	Tier 1 ¹	Tier 1 Classic ⁴	Tier 2 ⁵	Tier 2B ⁶
Medical Benefits ³				
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)	N/A - All Federated Tier 1 Classic employees are mandated to contribute 2.00% of base salary to the VEBA ⁷	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 - All Federated Tier 2B employees are mandated to contribute 2.00% of base salary to the VEBA ⁷
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 - All Federated Tier 1 Classic employees are mandated to contribute 2.00% of base salary to the VEBA ⁷	Retirement System pays 100% of lowest cost single or family premium 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 - All Federated Tier 2B employees are mandated to contribute 2.00% of base salary to the VEBA ⁷
Medicare eligibility	At age 65, members of FCERS will be required to enroll in Medicare Parts A & B. If a member does not meet this requirement within 3 months of the date member turns 65, health care benefits will cease until such requirements are met	N/A - All Federated Tier 1 Classic employees are mandated to contribute 2.00% of base salary to the VEBA ⁷	At age 65, members of FCERS will be required to enroll in Medicare Parts A & B. If a member does not meet this requirement within 3 months of the date member turns 65, health care benefits will cease until such requirements are met	N/A - All Federated Tier 2B employees are mandated to contribute 2.00% of base salary to the VEBA ⁷
Dental Benefits ³				
Eligibility	Must be enrolled at retirement with 5 years service or receive retirement allowance of at least 37.5% of Final Compensation. In addition, the employee must retire directly from City service. ("Deferred Vested" members are not eligible)	N/A - All Federated Tier 1 Classic employees are mandated to contribute 2.00% of base salary to the VEBA ⁷	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 - All Federated Tier 2B employees are mandated to contribute 2.00% of base salary to the VEBA ⁷
Premiums	Fully paid by retirement fund	N/A - All Federated Tier 1 Classic employees are mandated to contribute 2.00% of base salary to the VEBA ⁷	Fully paid by retirement fund	N/A - All Federated Tier 2B employees are mandated to contribute 2.00% of base salary to the VEBA ⁷

Notes to the Basic Financial Statements (continued)

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

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

Tier 1 ¹		Tier 1 Classic ⁴	Tier 2 ⁵	Tier 2B ⁶
Reciprocity				
Reciprocity	As of December 9, 1994, the City of San José Federated City Employees’ Retirement System adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between this retirement system and CalPERS or certain other public agency retirement systems that also have reciprocal agreements with CalPERS. Please call the Office of Retirement Services or CalPERS for more information. Final eligibility for reciprocity is determined at the time of retirement			
Cost-of-Living Adjustments (COLA)				
COLA	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each April. There is no prorating of COLA		Retirees are eligible for annual cost-of-living adjustment (COLA) limited to the lesser of the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), or a back-loaded 2% COLA per fiscal year. The back-loaded COLA shall be calculated as follows: i. Service at retirement of 1-10 years: 1.25% per year ii. Service at retirement of 1-10 years and hired before June 16, 2017: 1.5% iii. Service at retirement of 11-20 years: 1.5% per year iv. Service at retirement of 21-25 years: 1.75% per year v. Service at retirement of 26 years and above: 2.0% per year COLAs are applied annually on April 1st. The first COLA will be prorated based on the number of months retired prior to April 1st. Partial months are not included in the proration.	

¹ Federated Tier 1 applies to employees hired before September 30, 2012.

² Federated Rehires (hired between September 30, 2012 and June 18, 2017) will have an additional contribution rate (3.00% for FY 24-25) for the cost of the retroactive benefit.

³ Federated Tier 1 and Tier 2 employees who opted in to the VEBA are not eligible for the Defined Benefit Retiree Healthcare Plan (Medical or Dental Benefits). For more information about the VEBA, visit www.sanjoséca.gov/VEBA or email veba@sanjoséca.gov.

⁴ Employees with "Classic" membership from a CalPERS or reciprocal agency hired by the City of San José on or after June 18, 2017. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013, 2. AND is hired by the City of San José after a break in service of less than six months, 3. AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity Election Form must be submitted within thirty (30) days of the first day of employment with the City. **Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.**

⁵ Tier 2 applies to employees hired on September 30, 2012 through September 27, 2013.

⁶ Tier 2B are employees who were newly hired on or after September 27, 2013.

⁷ Unit 99 employees are not eligible to contribute to the VEBA.

Notes to the Basic Financial Statements *(continued)*

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.

Tier 1 / Tier 1 Classic	
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	
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	
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. However, it will last until death if member was at least 55 with at least 20 years of service at the time of death, or 30 years of service regardless of age. For death after retirement, 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.

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

Tier 2 and 2B	
Death Before Retirement	
Non-service-connected death not eligible for retirement	Return of employee contributions, plus interest.

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(c) Death Benefits (Continued)

Tier 2 and 2B	
Eligible for retirement or service-connected death	To surviving spouse / domestic partner: 2.0% x Years of Federated Service x Final Compensation (70% max), 40% minimum, 70% maximum, except that "Deferred Vested" members not eligible for 40% minimum If no surviving spouse / domestic partner, to surviving children until age 18: 1 Child: 25% of spousal / domestic partnership allowance 2 Children: 50% of spousal / domestic partnership allowance 3 Children: 75% of spousal / domestic partnership allowance 4 or More Children: Split equal share of 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	
Survivorship allowance to surviving spouse / domestic partner or children that was elected by the member at retirement. (Minimum 5 years of service)	To surviving spouse / domestic partner: 50% of Retiree's Allowance If no surviving spouse / domestic partner, to surviving children until age 18: 1 Child: 25% of spousal / domestic partnership allowance 2 Children: 50% of spousal / domestic partnership allowance 3 Children: 75% of spousal / domestic partnership allowance Tier 2B only: 4 or More Children: Split equal share of 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	
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

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 62 with at least 20 years of service (or 55 with a reduction factor of 5%) 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 accompanying financial statements present only the financial activities of the System in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). 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, as of June 30, 2025 and 2024, 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.

(b) Basis of Accounting

The financial statements of the System are prepared on the accrual basis of accounting. Contributions are recognized 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

Notes to the Basic Financial Statements *(continued)*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Accounting (Continued)

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.

The Defined Benefit Pension Plan investment policy was updated and approved by the Board on September 21, 2023, and the asset allocation was updated and approved on April 18, 2024. The 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, 2024 and June 30, 2023 valuations, respectively.

The System's investment asset allocation is as follows:

PENSION			As of June 30,		
	2025	2024		2025	2024
Asset Class	Target Asset Allocation		Asset Class	Target Asset Allocation	
Public equity	49%	49%	Emerging market bonds	3%	3%
Private equity	8%	8%	Growth real estate	3%	3%
Investment grade bonds	6%	6%	Market neutral strategies	3%	3%
Core real estate	5%	5%	Private debt	3%	3%
Immunized cash flows	5%	5%	Private real assets	3%	3%
Venture / Growth capital	4%	4%	High yield bonds	2%	2%
Long-term government bonds	4%	4%	Treasury inflation-protected securities	2%	2%

The Postemployment Healthcare Plan investment policy and asset allocation was updated and approved by the Board on January 20, 2022 and April 21, 2022, respectively. There were no changes to the investment policy for the fiscal year ended June 30, 2025. The 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, 2024 and June 30, 2023 valuations, respectively.

The System's investment asset allocation is as follows:

HEALTHCARE			As of June 30,		
	2025	2024		2025	2024
Asset Class	Target Asset Allocation		Asset Class	Target Asset Allocation	
Public equity	58%	58%	Short-term investment grade bonds	6%	6%
Investment grade bonds	14%	14%	Commodities	5%	5%
Core real estate	12%	12%	Long-term investment grade bonds	5%	5%

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

Notes to the Basic Financial Statements *(continued)*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investments (Continued)

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 for more detailed information on the fair value of investments.

The fair value of derivative instrument investments that are not exchange traded, such as swaps and rights is determined by the System's custodian bank based on the base fair 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.

Investment expenses presented within the accompanying financial statements consist of management and performance fees and other investment-related fees. Other investment-related fees include expenses for shared investment-related administration, consultants, custody, and legal services. These fees are disclosed within the Investment Expenses in the *Statement of Changes in Plan Net Position* and detailed in the *Schedules of Investment Expenses* in the Other Supplemental Information section.

The investment expenses do not include the commissions and fees paid to transact public securities. Partnership management fees paid for the private equity program are drawn from the committed capital and reported as an increase in the cost basis. These fees and costs are included within the net asset value (NAV) or public securities cost. These fees are reported as part of the net appreciation / (depreciation) in the investments fair value on the financial statements.

For the fiscal years ended June 30, 2025 and 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 9.57% and 9.75%, respectively. For the fiscal years ended June 30, 2025 and 2024, the annual money-weighted rate of return on healthcare plan investments, net of healthcare plan investment expenses, was 11.08% and 8.23%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(d) Other Assets

Capital assets are recorded at cost and comprise of half of all costs related to the development of a new pension administration system. Total costs are allocated to both the System and the Police and Fire Department Retirement Plan. The capital asset went into production on February 1, 2019 and is being amortized using the straight line method of amortization over a 10-year period ending in 2029. It is being amortized per GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

The System applies GASB Statement No. 87, *Leases*, to its leased assets. GASB Statement No. 87 establishes a single model for lease accounting based on the principle that leases are a form of financing that create a long-term obligation. Leases are recorded as an intangible capital asset for the right to use the underlying asset (leased asset). The value of the right to use asset and the corresponding liability are initially measured using the present value of the payments expected to be made over the lease term. The right to use asset is then amortized over the lease term and the liability is reduced by payments made pursuant to the lease. The lease for the System's principal asset, its office space in San José, California, has been extended to June 30, 2030, from its original expiration date of March 31, 2025. Lease expense is not significant to the System.

The System applies GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, to its subscription assets. GASB Statement No. 96 establishes a SBITA as a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability for government end users. Subscription assets are recorded as a liability for future lease payments and an

Notes to the Basic Financial Statements *(continued)*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Other Assets (Continued)

intangible capital asset for the right to use the underlying asset (subscription asset). The subscription liability is the present value of payments expected to be made during the lease term. The right to use asset is then amortized over the lease term and the liability is reduced by payments made pursuant to the lease. The System's subscription leased assets are composed of numerous investment related subscriptions, the terms of which expire through June 30, 2026. The subscription lease expense is not significant to the System.

For fiscal years ended 2025 and 2024, the amortization expense was \$705,641 and \$630,628, respectively.

<i>(Dollars in thousands)</i>	As of June 30, 2024	Additions	Deletions	As of June 30, 2025
Capital assets				
Pension administration system	\$ 4,276	\$ 78	\$ -	\$ 4,354
Leased assets				
Building	755	1,103	(755)	1,103
Equipment	1	7	-	8
Subscription assets	69	13	(3)	79
Total capital assets	5,101	1,201	(758)	5,544
Less accumulated amortization				
Pension administration system	(2,247)	(459)	-	(2,706)
Leased assets				
Building	(604)	(203)	755	(52)
Equipment	(1)	-	-	(1)
Subscription assets	(24)	(43)	4	(63)
Total accumulated amortization	(2,876)	(705)	759	(2,822)
Capital assets, net of accumulated amortization	\$ 2,225	\$ 496	\$ 1	\$ 2,722

<i>(Dollars in thousands)</i>	As of June 30, 2023	Additions	Deletions	As of June 30, 2024
Other depreciable assets and amortization				
Pension administration system	\$ 4,201	\$ 75	\$ -	\$ 4,276
Leased assets				
Building	755	-	-	755
Equipment	3	1	(3)	1
Subscription assets	145	69	(145)	69
Total capital assets	5,104	145	(148)	5,101
Less accumulated amortization				
Pension administration system	(1,807)	(440)	-	(2,247)
Leased assets				
Building	(435)	(169)	-	(604)
Equipment	(2)	(1)	2	(1)
Subscription assets	(109)	(21)	106	(24)
Total accumulated amortization	(2,353)	(631)	108	(2,876)
Capital assets, net of accumulated amortization	\$ 2,751	\$ (486)	\$ (40)	\$ 2,225

Notes to the Basic Financial Statements *(continued)*

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 115 Trust).

As of June 30, 2025 and 2024, plan net position totaling \$3,947,899,000 and \$3,567,779,000, respectively, is allocated as follows (in thousands):

	Retirement Fund	Cost-of-Living Fund	Total Defined Benefit Pension Plan	Postemployment Healthcare (115)	Grand Total
June 30, 2025					
Employee contributions reserve	\$ 456,746	\$ 69,106	\$ 525,852	\$ -	\$ 525,852
General reserve	1,676,682	1,283,779	2,960,461	457,706	3,418,167
Retiree healthcare in-lieu premium credit	-	-	-	3,880	3,880
Total	\$ 2,133,428	\$ 1,352,885	\$ 3,486,313	\$ 461,586	\$ 3,947,899
June 30, 2024					
Employee contributions reserve	\$ 429,973	\$ 65,607	\$ 495,580	\$ -	\$ 495,580
General reserve	1,514,239*	1,144,445*	2,658,684	410,404*	3,069,088
Retiree healthcare in-lieu premium credit	-	-	-	3,111	3,111
Total	\$ 1,944,212	\$ 1,210,052	\$ 3,154,264	\$ 413,515	\$ 3,567,779

* 2024 amounts are restated to implement GASB 101. See Note 2(h) for further information.

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 into or out of the healthcare plan's reserves.

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.

Retiree Healthcare In-lieu Premium Credit - With the implementation of Measure F, a medical in-lieu component of the General Reserve was created to account for those members who elected to be in the medical in-lieu credit program. These members are retirees who are eligible for medical insurance and / or dental insurance but who opt not to take it and instead elect to be in the in-lieu credit program. These members are given credits worth 25% of the lowest cost plan, which can be used in future years if the retiree opts to enroll in a City medical or dental plan.

(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.

Notes to the Basic Financial Statements *(continued)*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that a liability for certain types of compensated absences including parental leave, military leave, and jury duty leave not be recognized until the leave commences. The System has adopted the provisions of Statement No. 101 for the fiscal year beginning with July 1, 2024. The implementation of GASB Statement No. 101 resulted in the recognition of compensated absences liabilities totaling \$200,000 as of June 30, 2024, which decreased the beginning net position. Prior year amounts have been restated to ensure comparability. See Note 2(h) for impact on impact on financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued in December 2023. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. A primary source of revenue is contributions received from the City. Their funding is considered stable and does not present a significant risk to the System. Please refer to Note 4 for more information. The System has adopted the provisions of Statement No. 102 for the fiscal year beginning with July 1, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. The System has adopted the provisions of Statement No. 103 for the fiscal year beginning with July 1, 2024.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued in September 2024. The purpose of this statement is to provide users of governmental financial statements with essential information about certain types of capital assets. It requires certain types of capital assets to be disclosed separately within the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis - for State and Local Governments*. These include lease assets recognized under Statement No. 87 (*Leases*), intangible right-to-use assets recognized under Statement No. 94 (*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*), and subscription assets recognized under Statement No. 96 (*Subscription-*

Notes to the Basic Financial Statements *(continued)*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Based Information Technology Arrangements). These assets must be disclosed separately by major class of underlying asset in the capital assets note disclosures. In addition, intangible assets other than those three types must also be disclosed separately by major class. The statement further requires additional disclosures for capital assets that are held for sale. The System has adopted the provisions of Statement No. 104 for the fiscal year beginning with July 1, 2024.

(h) Change in Accounting Principle

During the fiscal year 2025, the System implemented GASB No. 101, *Compensated Absences*. This change in accounting principle was applied retroactively by restating the financial statements for fiscal year 2024, in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. The effects of this restatement are presented in the following table.

DEFINED BENEFIT PENSION PLAN	2024 As previously presented	GASB 101 Implementation	2024 As restated
STATEMENT OF PLAN NET POSITION			
Other liabilities	\$ 1,808	\$ 179	\$ 1,987
Plan Net Position - Restricted for Pension benefits	3,154,443	(179)	3,154,264
STATEMENT OF CHANGES IN PLAN NET POSITION			
Administrative expenses and other	6,136	22	6,158
Beginning of year	2,907,315	(157)	2,907,158
End of year	\$ 3,154,443	(179)	\$ 3,154,264

POSTEMPLOYMENT HEALTHCARE PLAN	2024 As previously presented	GASB 101 Implementation	2024 As restated
STATEMENT OF PLAN NET POSITION			
Other liabilities	\$ 2,515	\$ 23	\$ 2,538
Plan Net Position - Restricted for Postemployment healthcare benefits	413,538	(23)	413,515
STATEMENT OF CHANGES IN PLAN NET POSITION			
Administrative expenses and other	832	3	835
Beginning of year	374,608	(20)	374,588
End of year	\$ 413,538	(23)	\$ 413,515

GENERAL RESERVE	2024 As previously presented	GASB 101 Implementation	2024 As restated
General reserve - Defined Benefit Plan Position	2,658,863	(179)	2,658,684
General reserve - Postemployment Healthcare	410,427	(23)	410,404
Total	\$ 3,069,290	(202)	\$ 3,069,088

NOTE 3 - INVESTMENTS

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

Market Risk – General market risk factors exist that could cause depreciation or appreciation of the System's investment portfolio. These risks include general, economic, political and regulatory risks. The System's investments may be impacted by changes caused by global and domestic market conditions and industry-specific economic and regulatory conditions.

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS (Continued)

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. Additionally, most other types of investments are also sensitive to changes in interest rates, generally to a lesser extent. The System's asset allocation details how much of the System's investments are fixed income, as well as other types of investments. The System does not have a policy regarding interest rate 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, 2025 and 2024. The 2024 data has been reclassified to be consistent with the 2025 presentation. The reclassification consists of excluding distressed debts and correcting certain investment maturities reported in the prior year.

INVESTMENT MATURITIES AT FAIR VALUE

As of June 30, 2025 (Dollars 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								
Investment grade bonds ¹	\$ -	\$ 313	\$ 2,751	\$ 91,259	\$ 86,672	\$ 97,695	\$ 278,690	\$ 279,120
Long-term government bonds	-	-	-	-	-	120,626	120,626	152,297
Immunized cash flows	5,853	5,973	17,528	58,374	-	-	87,728	83,277
High yield bonds	16	45	806	42,929	25,060	661	69,517	67,726
Treasury inflation-protected securities	3,170	2,807	6,057	51,817	-	-	63,851	65,087
Emerging market bonds ²	-	-	-	-	62,612	-	62,612	54,816
Short-term investment grade bonds	14,539	-	-	-	-	-	14,539	14,543
Total Fixed Income	\$ 23,578	\$ 9,138	\$ 27,142	\$ 244,379	\$ 174,344	\$ 218,982	\$ 697,563	\$ 716,866

INVESTMENT MATURITIES AT FAIR VALUE

As of June 30, 2024 (Dollars 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								
Investment grade bonds ¹	\$ 1,569	\$ -	\$ 1,698	\$ 33,343	\$ 82,897	\$ 90,125	\$ 209,632	\$ 215,760
Immunized cash flows	4,988	6,690	11,586	83,852	-	-	107,116	106,299
Long-term government bonds	-	-	-	-	-	73,265	73,265	102,330
High yield bonds	242	48	955	37,158	23,719	52	62,174	63,434
Treasury inflation-protected securities	2,989	2,643	6,653	47,677	-	-	59,962	63,605
Emerging market bonds ²	-	-	-	-	50,942	-	50,942	49,816
Short-term Investment grade bonds	13,823	-	-	-	-	-	13,823	13,823
Total Fixed Income	\$ 23,611	\$ 9,381	\$ 20,892	\$ 202,030	\$ 157,558	\$ 163,442	\$ 576,914	\$ 615,067

¹ Investment grade bonds accounts consists of fixed income securities and futures. Futures are not included in this table.

² Emerging market bonds allocated accounts consist of fixed income securities and a limited partnership. The limited partnership is excluded from this table.

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.

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS (Continued)

Generally credit risk is managed through establishing investment guidelines for every investment manager. 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.

The following tables provide information for the portfolio as of June 30, 2025 and 2024 concerning credit risk. These tables reflect only securities held in the System's name. US Treasuries, which are exempt from disclosure per GASB Statement No. 40, are included for informational purposes. The 2024 data has been reclassified to be consistent with the 2025 presentation.

RATINGS OF FIXED INCOME INVESTMENTS

As of June 30, 2025 and 2024 (Dollars in thousands)

S&P Quality Rating	2025		2024	
	Fair Value	Fair Value as a % of Total Fixed Income	Fair Value	Fair Value as a % of Total Fixed Income
AAA	\$ 12,975	1.85%	\$ 16,807	2.90%
AA+	158,618	22.62	110,581	19.08
AA	113,673	16.21	59,867	10.33
AA-	1,737	0.25	2,266	0.39
A+	1,989	0.28	2,681	0.46
A	8,899	1.27	8,207	1.42
A-	11,070	1.58	8,648	1.49
BBB+	8,913	1.27	8,109	1.40
BBB	10,911	1.56	9,720	1.68
BBB-	70,794	10.10	62,534	10.79
BB+	8,986	1.28	6,867	1.18
BB	11,021	1.57	12,492	2.15
BB-	13,471	1.92	10,688	1.84
B+	13,476	1.92	12,436	2.15
B	9,133	1.30	7,884	1.36
B-	6,449	0.92	6,356	1.10
CCC+	4,300	0.61	4,154	0.72
CCC	2,034	0.29	1,520	0.26
CCC-	229	0.03	244	0.04
D	388	0.06	-	-
Not Rated	31,474	4.49	17,096	2.95
Exempt - US Treasuries	200,697	28.62	210,543	36.31
Total	\$ 701,237	100.00%	\$ 579,700	100.00%

The total includes \$3,674 in Private Debt for 2025 and \$2,786 for 2024. These distressed debts are excluded from the investment maturities tables as their risk is credit quality risk, not interest rate risk.

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

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS (Continued)

contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2025 and 2024, 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.

The following tables provide information as of June 30, 2025 and 2024, concerning the fair value of investments that are subject to foreign currency risk:

FOREIGN CURRENCY RISK ANALYSIS

As of June 30, 2025 (Dollars in thousands)

Currency Name	Cash	Public Equity	Private Equity	Growth Real Estate	Total Exposure
Australian dollar	\$ -	\$ 3,197	\$ -	\$ -	\$ 3,197
Canadian dollar	1	7,892	-	-	7,893
Danish krone	-	3,498	-	-	3,498
Euro currency	224	52,614	25	21,483	74,346
Hong Kong dollar	-	1,221	-	-	1,221
Japanese yen	7	12,774	-	-	12,781
Norwegian krone	-	3,663	-	-	3,663
Swedish krona	-	3,792	-	-	3,792
Swiss franc	47	15,125	-	-	15,172
Taiwanese new dollar	27	-	-	-	27
United Kingdom pound	89	27,330	-	-	27,419
Total	\$ 395	\$ 131,106	\$ 25	\$ 21,483	\$ 153,009

FOREIGN CURRENCY RISK ANALYSIS

As of June 30, 2024 (Dollars in thousands)

Currency Name	Cash	Public Equity	Private Equity	Growth Real Estate	Total Exposure
Australian dollar	-	1,815	-	-	1,815
Canadian dollar	1	5,343	-	-	5,344
Danish krone	-	4,099	-	-	4,099
Euro currency	242	49,123	243	19,314	68,922
Hong Kong dollar	-	3,787	-	-	3,787
Japanese yen	41	10,555	-	-	10,596
Norwegian krone	-	2,924	-	-	2,924
Swedish krona	-	2,804	-	-	2,804
Swiss franc	6	17,034	-	-	17,040
Taiwanese new dollar	24	-	-	-	24
United Kingdom pound	277	30,985	-	-	31,262
Total	\$ 591	\$ 128,469	\$ 243	\$ 19,314	\$ 148,617

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. 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 15% 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 custodian bank. In such cases, there is no concentration limit. As of June 30, 2025 and 2024, the System did not hold investments in any one issuer, excluding U.S. government guaranteed investments, that represented 5% or more of the total plan net position or total investments.

Notes to the Basic Financial Statements *(continued)*

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. 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, 2025 or 2024. 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, 2025 and 2024, classified by type, and the changes in fair value of such derivative instruments for the years then ended as reported in the 2025 and 2024 financial statements are as follows (amounts in thousands):

Net Appreciation / (Depreciation) in Fair Value of Investments through June 30, 2025			Fair Value at June 30, 2025		
Investment Derivative Instruments	Classification	Amount	Classification	Amount	Notional Amount/ Shares
FX forwards	Investment income	\$ (13)	FX forwards	\$ -	\$ 5,537
Fixed income futures long	Investment income	1,077	Futures	-	93,717
Fixed income futures short	Investment income	-	Futures	-	(872)
Index futures long	Investment income	10	Futures	-	3,888
Index futures short	Investment income	(73)	Futures	-	(9,657)
Total Derivative Instruments		\$ 1,001		\$ -	

Net Appreciation / (Depreciation) in Fair Value of Investments through June 30, 2024			Fair value at June 30, 2024		
Investment Derivative Instruments	Classification	Amount	Classification	Amount	Notional Amount/ Shares
FX forwards	Investment income	\$ (2)	FX forwards	\$ -	\$ 351
Fixed income futures long	Investment income	1,564	Futures	-	147,597
Fixed income futures short	Investment income	(16)	Futures	-	(1,279)
Index futures long	Investment income	19	Futures	-	11,247
Index futures short	Investment income	205	Futures	-	(31,672)
Total Derivative Instruments		\$ 1,770		\$ -	

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, 2025 and 2024.

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, 2025, total commitments in forward currency contracts to purchase and sell

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS (Continued)

international currencies were \$(5,537,000) and \$5,537,000, with fair values of \$(5,582,000) and \$5,569,000, respectively, held by counterparties with S&P rating of at least A. As of June 30, 2024, total commitments in forward currency contracts to purchase and sell international currencies were \$(351,000) and \$351,000, with fair values of \$(351,000) and \$351,000, respectively, held by counterparties with S&P rating of at least AA+ and above.

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, 2025 and 2024 all of the System's investments are held in the System's name and / or not exposed to custodial credit risk.

Fair Value Measurements – The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; 3) inputs other than quoted prices that are observable for the asset or liability; and 4) market-corroborated inputs.

Level 3 inputs are unobservable inputs for an asset or liability where there are little market activities. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimation.

The System has the following recurring fair value measurements as of June 30, 2025 and 2024:

Investments Measured at Fair Value As of June 30, 2025		Fair Value Measurements Using			
<i>(Dollars in thousands)</i>	Total	Level 1	Level 2	Level 3	Net Asset Value (NAV)
Investments by Fair Value Level					
Public equity	\$ 1,969,809	\$ 291,105	\$ -	\$ -	\$ 1,678,704
Private equity	416,956	-	-	24,028	392,928
Investment grade bonds	280,681	39,568	130,045	-	111,068
Core real estate	227,301	-	-	-	227,301
Growth real estate	136,614	-	-	-	136,614
Long-term government bonds	120,626	-	-	-	120,626
Cash and cash equivalents	116,834	116,834	-	-	-
Emerging market bonds	104,290	-	-	-	104,290
Market neutral strategies	94,252	-	-	-	94,252
Private debt	91,728	-	-	3,673	88,055
Private real assets	90,126	-	-	-	90,126
Immunized cash flows	87,728	81,177	6,551	-	-
High yield bonds	69,517	-	63,004	-	6,513
Treasury inflation-protected securities	63,851	63,851	-	-	-
Venture / Growth capital	50,321	-	-	-	50,321
Commodities	21,906	-	-	-	21,906
Short-term investment grade bonds	14,539	14,539	-	-	-
Total Investments Measured at Fair Value	\$ 3,957,079	\$ 607,074	\$ 199,600	\$ 27,701	\$ 3,122,704

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS (Continued)

Investments Measured at Fair Value As of June 30, 2024		Fair Value Measurements Using			
<i>(Dollars in thousands)</i>	Total	Level 1	Level 2	Level 3	Net Asset Value (NAV)
Investments by Fair Value Level					
Public equity	\$ 1,748,692	\$ 288,453	\$ -	\$ -	\$ 1,460,239
Private equity	406,491	-	-	25,218	381,273
Investment grade bonds	210,611	38,368	116,060	-	56,183
Core real estate	179,746	-	-	-	179,746
Cash and cash equivalents	171,243	171,243	-	-	-
Growth real estate	120,875	-	-	-	120,875
Private debt	114,577	-	-	2,786	111,791
Immunized cash flows	107,116	95,196	11,920	-	-
Market neutral strategies	92,390	-	-	-	92,390
Emerging market bonds	90,474	-	-	-	90,474
Long-term government bonds	73,265	-	-	-	73,265
Private real assets	72,187	-	-	45	72,142
High yield bonds	62,174	-	56,267	-	5,907
Treasury inflation-protected securities	59,962	59,962	-	-	-
Venture / Growth capital	26,705	-	-	-	26,705
Commodities	20,700	-	-	-	20,700
Short-term investment grade bonds	13,823	13,823	-	-	-
Total Investments Measured at Fair Value	\$ 3,571,031	\$ 667,045	\$ 184,247	\$ 28,049	\$ 2,691,690

Equity and Fixed Income Securities

Debt and 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 for similar securities that are observable in the market place. Debt and equity securities classified in Level 3 are securities whose inputs to valuation techniques are 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 public equity, private equity, core real estate, investment grade bonds, growth real estate, private debt, market neutral strategies, emerging market bonds, private real assets, high yield bonds, long-term government bonds, venture / growth capital, and commodities. 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) of each investment firm retained by the System. 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 the alternative investment program are classified as Level 3 assets or at the NAV. 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 Statement No. 72, *Fair Value Measurement and Application*, 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

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS (Continued)

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 divided by the latest 12 months earnings before interest, taxes, depreciation, and amortization (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, provided that the NAV is calculated and used as a practical expedient method to estimate fair value in accordance with GAAP requirements. These investments are not categorized within the fair value hierarchy.

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, 2025 and 2024:

Investments Measured at the NAV				
As of June 30, 2025				
(Dollars in thousands)	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Public equity	\$ 1,678,704	\$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	392,928	96,151	Daily, N/A	1 Day, N/A
Core real estate	227,301	-	Quarterly	45 - 90 Days
Growth real estate	136,614	63,649	N/A	N/A
Long-term government bonds	120,626	-	Daily	2 Days
Investment grade bonds	111,068	-	Daily	1 - 3 Days
Emerging market bonds	104,290	-	Daily, Quarterly	1 - 45 Days
Market neutral strategies	94,252	-	Monthly, Quarterly	7 - 75 Days
Private real assets	90,126	66,018	N/A	N/A
Private debt	88,055	70,026	N/A	N/A
Venture / Growth capital	50,321	57,873	N/A	N/A
Commodities	21,906	-	Daily	3 Days
High yield bonds	6,513	-	Daily	2 - 3 Days
Total Investments Measured at NAV	\$ 3,122,704	\$ 353,717		

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS (Continued)

Investments Measured at the NAV As of June 30, 2024 (Dollars in thousands)				
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Public equity	\$ 1,460,239	\$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	381,273	101,582	Daily, N/A	1 Day, N/A
Core real estate	179,746	-	Quarterly	45 - 90 Days
Growth real estate	120,875	44,323	N/A	N/A
Long-term government bonds	73,265	-	Daily	3 Days
Investment grade bonds	56,183	-	Daily	1 - 3 Days
Emerging market bonds	90,474	-	Daily, Quarterly	1 - 45 Days
Market neutral strategies	92,390	-	Monthly, Bi-Annual	45 - 60 Days
Private real assets	72,142	54,551	N/A	N/A
Private debt	111,791	48,912	N/A	N/A
Venture / Growth capital	26,705	50,552	N/A	N/A
Commodities	20,700	-	Daily	3 Days
High yield bonds	5,907	-	Daily	3 Days
Total Investments Measured at NAV	\$ 2,691,690	\$ 299,920		

Public equity - Public equities are shares of ownership of a firm listed on an exchange; the System holds global public equities to benefit from their total return (capital appreciation plus current yield) over a long-term horizon.

Private equity - This type generally invests 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.

Core real estate - This type includes investments in open-ended real estate commingled funds. Core real estate funds typically invest in physical properties. The goal of core real estate is to produce price appreciation and income while maintaining a low correlation to stocks and bonds held by the System.

Growth real estate - The goal of growth real estate is to produce price appreciation and income while maintaining a low correlation to stocks and bonds. The only way to exit these funds is through a sale in a secondary market.

Long-term government bonds - The purpose of long-term government bonds is to provide a positive return in highly stressed market environments, with a low correlation to equity risk.

Investment grade bonds - The purpose of investment grade bonds is to produce returns and income for the System by providing exposure to rates and credit risk.

Emerging market bonds - Emerging market bonds funds typically invest in contractual cash flows of governments and other sovereign entities, corporations, securitizations, and derivatives thereof in emerging market countries with a sovereign rating less than BBB-.

Market neutral strategies - This type includes investments in limited partnership 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.

Private real assets - Private 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 only way to exit these funds is through a sale in a secondary market.

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS (Continued)

Private debt - This type includes investments in 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.

Venture / Growth capital - This type includes investments in venture capital limited partnership funds, which generally invest in early stage 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.

Commodities - Commodities are physical or tangible assets that have value due to their substance and properties. The goal of commodities is to help the portfolio maintain purchasing power through periods of inflation.

High yield bonds - The primary purpose of high yield bonds is to provide the System with exposure to high yielding corporate debt.

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

Net Pension Liability. The components of the net pension liability (i.e., the total pension liability determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, less the plan net position) as of June 30, 2025 and 2024, were as follows (dollars in thousands):

	2025	2024
Total pension liability	\$ 5,294,989	\$ 5,113,959
Plan fiduciary net position	3,486,313	3,154,264*
Net pension liability	\$ 1,808,676	\$ 1,959,695
Plan fiduciary net position as a percentage of the total pension liability	65.8%	61.7%

* 2024 amount is restated to implement GASB 101. See Note 2(h) for further information.

Actuarial Assumptions. 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 2023, and the next experience study is scheduled for November 2027.

The total pension liability as of June 30, 2025 and 2024 is based on results of an actuarial valuation date of June 30, 2024 and 2023, respectively, and rolled-forward to June 30, 2025 and 2024 using standard roll forward procedures. A summary of the actuarial assumptions used to determine the total pension liability is shown below.

Actuarial Assumptions		
Valuation date	June 30, 2024	June 30, 2023
Measurement date	June 30, 2025	June 30, 2024
Inflation rate	2.50%	2.50%

Notes to the Basic Financial Statements *(continued)*

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

Actuarial Assumptions		
Discount rate	6.625% (net of investment expenses). The Board expects a long-term rate of return of 8.5% based on Meketa's 2024 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.	6.625% (net of investment expenses). The Board expects a long-term rate of return of 8.8% based on Meketa's 2023 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.
Active, withdrawal, death, disability service retirement	Tables based on current experience	Tables based on current experience
Rates of mortality	<i>Healthy retirees and beneficiaries:</i> 0.995 for males, and 1.020 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees <i>Healthy non-annuitant:</i> 0.992 for males, and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy employees <i>Disabled retirees:</i> 0.990 for males, and 0.920 for females, times the 2010 Public General Mortality Table (PubG-2010) for disabled retirees Mortality is projected on a generational basis using the MP-2021 projection scale.	<i>Healthy retirees and beneficiaries:</i> 0.995 for males, and 1.020 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees <i>Healthy non-annuitant:</i> 0.992 for males, and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy employees <i>Disabled retirees:</i> 0.990 for males, and 0.920 for females, times the 2010 Public General Mortality Table (PubG-2010) for disabled retirees Mortality is projected on a generational basis using the MP-2021 projection scale.
Salary increases	<i>Wage inflation:</i> Reflect currently bargained increases for FYE 2025, 3.5% effective July 1, 2025, and 3.00% thereafter. These increases approximate the bargained increases for the largest bargaining groups. <i>Merit increase:</i> Merit component is added based on an individual member's years of service ranging from 3.25% at hire to 0.25% for members with 18 or more years of service.	<i>Wage inflation:</i> Reflect currently bargained increases for FYE 2024, 4.5% effective July 1, 2024, 3.5% effective July 1, 2025, and 3.00% thereafter. These increases approximate the bargained increases for the largest bargaining groups. <i>Merit increase:</i> Merit component is added based on an individual member's years of service ranging from 3.25% at hire to 0.25% for members with 18 or more years of service.
Cost-of-Living Adjustment	Tier 1 - 3% per year; Tier 2 - 1.25% to 2.00% depending on years of service	Tier 1 - 3% per year; Tier 2 - 1.25% to 2.00% depending on years of service

The assumption for the long-term expected rate of return on pension plan investments of 6.625% for both the valuation years ended June 30, 2024 and 2023, was selected by estimating the median real rate of return based on long-term capital market assumptions adopted by the Board, including real 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.

Notes to the Basic Financial Statements *(continued)*

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

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2025 and 2024, (see the discussion of the System's investment policy) are summarized in the following table:

Asset Class	2025		2024	
	Target Asset Allocation	Long-Term Expected Real Rate of Return	Target Asset Allocation	Long-Term Expected Real Rate of Return *
Public equity	49%	5.7%	49%	5.7%
Private equity	8%	8.2%	8%	8.0%
Investment grade bonds	6%	2.6%	6%	2.0%
Core real estate	5%	4.7%	5%	4.1%
Immunized cash flows	5%	0.4%	5%	(0.3)%
Long-term government bonds	4%	3.0%	4%	2.2%
Venture / Growth capital	4%	9.2%	4%	9.2%
Emerging market bonds	3%	4.4%	3%	4.0%
Growth real estate	3%	6.9%	3%	6.2%
Market neutral strategies	3%	3.3%	3%	3.0%
Private debt	3%	6.4%	3%	6.4%
Private real assets	3%	6.5%	3%	6.5%
High yield bonds	2%	4.4%	2%	4.0%
Treasury inflation-protected securities	2%	2.3%	2%	1.9%
Cash and cash equivalents	N/A	0.4%	N/A	(0.3)%

* The 2024 long-term expected real rate of return has been restated from nominal to real rates for consistency with 2025.

Discount Rate. The discount rate used to measure the total pension liability was 6.625% for both measurement years ended June 30, 2025 and 2024. 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.

Sensitivity of the Net Pension Liability to Changes in Discount Rate. 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, 2025 and 2024, calculated using the discount rate of 6.625%, 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 or 1.0% higher than the current rate (in thousands):

	2025			2024		
	1% Decrease (5.625%)	Discount Rate (6.625%)	1% Increase (7.625%)	1% Decrease (5.625%)	Discount Rate (6.625%)	1% Increase (7.625%)
Total pension liability (TPL)	\$ 6,008,178	\$ 5,294,989	\$ 4,712,142	\$ 5,804,479	\$ 5,113,959	\$ 4,549,547
Plan fiduciary net position	3,486,313	3,486,313	3,486,313	3,154,264*	3,154,264*	3,154,264*
Net pension liability	\$ 2,521,865	\$ 1,808,676	\$ 1,225,829	\$ 2,650,215	\$ 1,959,695	\$ 1,395,283
Plan fiduciary net position as a percentage of the TPL	58.0%	65.8%	74.0%	54.3%	61.7%	69.3%

* 2024 amount is restated to implement GASB 101. See Note 2(h) for further information.

Contributions. The System receives a significant portion of its contributions from one employer, the City of San José. During the fiscal year ended June 30, 2025, contributions from the City accounted for

Notes to the Basic Financial Statements *(continued)*

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

approximately 86% of the total contributions received by the System. Management has assessed the risk associated with this concentration and does not currently anticipate any substantial impact or events that would materially affect the City's ability or willingness to continue making contributions to the System. The System's financial position and operations are not expected to be adversely affected as a result of this concentration within the next twelve months. In accordance with GASB Statement No. 102, the pension plan has disclosed this concentration to provide transparency regarding potential risks associated with reliance on a single employer for a substantial portion of contribution revenues.

Prefunding and Contribution Methodologies

The following timeline outlines key milestones and adjustments in the City's funding policies and contribution methodologies.

June 24, 2008: The City Council adopted Ordinance No. 28332, amending the Municipal Code to allow the City to make lump sum prefunding payments toward its required pension contributions.

November 2010: The Board adopted the "floor methodology", requiring the City's contribution to be the greater of:

- The dollar amount stated in the actuarial valuation; or
- The percentage rate from the valuation applied to actual payroll, if higher than actuarial payroll.

February 2016: The Board approved the City's request to apply the floor methodology only to the Tier 1 Normal Cost (including administrative expenses). The Unfunded Actuarial Liability (UAL) contribution is based solely on the dollar amount recommended by the actuary and adopted by the Board, effective FY 2017.

Adjustments to Prefunding Incentives

October 2014: The Board approved an incremental reduction approach for calculating "actuarial equivalence" of prefunding during strong economic conditions, defined as:

- Economic expansions exceeding 58 months, and/or
- S&P 500 returns exceeding 130%. This reduces the discount rate by 15% annually, up to 45%, to limit over-incentivizing prefunding.

March 2022: The Board added market valuations as a third criterion for triggering prefunding discount rate reductions.

Tier 2 Pension Plan Implementation

June 12, 2012: The City Council approved Ordinance No. 29120, creating Tier 2 pension benefits for employees hired on or after September 30, 2012. Key differences include:

- Substantial benefit reductions from Tier 1
- 50/50 cost sharing between the City and Tier 2 members, including UAL
- Tier 1 Normal Cost split: 8/11 (City) and 3/11 (members); Tier 1 UAL is generally not shared

September 2014: Tier 2 was excluded from the floor methodology to prevent the City from paying more than the actuarially determined contribution (ADC). Contributions are based on actual payroll multiplied by the actuarial rate.

Service Credit and Contribution Policy Change

June 29, 2021: The City introduced an ordinance to cease required contributions from Tier 1 members with 30 or more years of service, applicable to:

- Unrepresented employees or
- Employees in bargaining units that accepted the change and were approved by the City Council.
- As of June 30, 2025, Unit 99, Association of Legal Professionals, Association of Building, Mechanical, and Electrical Inspectors have all agreed.

Notes to the Basic Financial Statements *(continued)*

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

August 3, 2021: Ordinance No. 30633 was adopted and became effective on September 2, 2021. This ordinance was to encourage retention by increasing take-home pay.

June 14, 2022: The City Council approved Ordinance No. 30785, stating that the City shall continue to make all contributions that would otherwise be required without regard to this provision.

The City decided not to prefund contributions for fiscal years ended June 30, 2025 and June 30, 2024. The City's contributions for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2025 and 2024 were as follows.

Fiscal year	2025		
Actuarial valuation year	2023		
(Dollars in thousands)	Tier 1	Tier 2	Total
Actual payroll	\$ 140,581	\$ 335,641	\$ 476,222
City normal cost rate for pension and COLA	22.81%	8.73% ¹	N/A
Regular contributions paid throughout the year	32,067	29,302	61,369
UAL amounts	176,757	-	176,757
Adjustments and accruals	18	51	69
Total contributions for the fiscal year	\$ 208,842	\$ 29,353	\$ 238,195

Fiscal year	2024		
Actuarial valuation year	2022		
(Dollars in thousands)	Tier 1	Tier 2	Total
Actual payroll	\$ 143,232	\$ 290,942	\$ 434,174
City normal cost rate for pension and COLA	20.16%	8.01% ¹	N/A
Regular contributions paid throughout the year	28,876	23,304	52,180
UAL amounts	168,762	-	168,762
Adjustments and accruals	(2,630)	1	(2,629)
Total contributions for the fiscal year	\$ 195,008	\$ 23,305	\$ 218,313

¹ Tier 2 Contribution rate includes UAL percentage of 0.85% and 0.28% for fiscal years ended June 30, 2025 and 2024, respectively.

Contributions to the Defined Benefit Pension Plan are actuarially determined to provide adequate assets to pay benefits when due. The City's Tier 1 UAL contribution is actuarially determined as a minimum dollar amount. All other contributions are an actuarially determined percentage of each member's covered payroll. The contribution rates and amounts for fiscal years ended June 30, 2025 and 2024 were based on the actuarial valuations performed as of June 30, 2023 and 2022, respectively.

The City and the participating member's contribution rates in effect for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2025 and 2024 were as follows:

Period	City-Board Adopted			Member	
	City Tier 1	Tier 1 UAL Dollar Amount ²	City Tier 2	Employee Tier 1 ¹	Employee Tier 2
6/22/25 - 6/30/25	23.18%		8.62%	6.55%	8.62%
6/23/24 - 6/21/25	22.81%	\$176,757,000	8.73%	6.61%	8.49%
7/01/23 - 6/22/24	20.16%	\$168,762,000	8.01%	7.34%	8.01%

¹ Under Measure F, certain Tier 2 members who had previous Tier 1 service or prior service with a reciprocal employer were reclassified to Tier 1. Ordinance No. 30183, which became effective January 4, 2019, amended the Municipal Code to reflect these changes. Reclassified Tier 1 members paid an additional 3.00% in contributions for fiscal years ended June 30, 2025 and 2024. Classic Tier 1 members paid an additional 1.03% and 1.02% in contributions for fiscal years ended June 30, 2025 and 2024, respectively.

² Contributions are structured as a normal cost, plus a payment on the Unfunded Actuarial Liability (UAL). Tier 1 City contributions are administered as a normal cost contribution rate based on payroll plus a dollar amount payment on the UAL.

Notes to the Basic Financial Statements *(continued)*

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: NET OPEB LIABILITY AND CONTRIBUTIONS

Net OPEB Liability. The components of the net Other Postemployment Benefit (OPEB) liability of the System (i.e., the System's liability determined in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, less the plan fiduciary net position) as of June 30, 2025 and 2024, were as follows (dollars in thousands):

	2025	2024
Total OPEB liability	\$ 734,942	\$ 729,703
Plan fiduciary net position	461,586	413,515*
Net OPEB liability	\$ 273,356	\$ 316,188
Plan fiduciary net position as a percentage of the total OPEB liability	62.8%	56.7%

* 2024 amount is restated to implement GASB 101. See Note 2(h) for further information.

Actuarial Assumptions. 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 2023, and the next experience study is scheduled for November 2027.

The total OPEB liability as of June 30, 2025 and 2024 is based on results of an actuarial valuation date of June 30, 2024 and 2023, and rolled-forward to June 30, 2025 and 2024 using generally accepted actuarial procedures. A summary of the actuarial assumptions used to determine the total OPEB liability is shown below.

Actuarial Assumptions		
Valuation date	June 30, 2024	June 30, 2023
Measurement date	June 30, 2025	June 30, 2024
Actuarial cost method	Entry age normal, level of % of pay	Entry age normal, level of % of pay
Inflation rate	2.50%	2.50%
Discount rate (net)	6.00% per year. The Board expects a long-term rate of return of 6.5% based on Meketa's 10-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.	6.00% per year. The Board expects a long-term rate of return of 8.0% 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.
Projected payroll increases	<i>Wage inflation rate:</i> Reflect currently bargained increases for FYE 2025, 3.5% effective July 1, 2025, and 3.00% thereafter. These increases approximate the bargained increases for the largest bargaining groups. <i>Merit increase:</i> Merit component added based on an individual's years of service ranging from 3.25% at hire to 0.25% for members with 18 or more years of service.	<i>Wage inflation rate:</i> Reflect currently bargained increases for FYE 2024, 4.5% effective July 1, 2024, and 3.00% thereafter. These increases approximate the bargained increases for the largest bargaining groups. <i>Merit increase:</i> Merit component added based on an individual's years of service ranging from 3.25% at hire to 0.25% for members with 18 or more years of service.

Notes to the Basic Financial Statements *(continued)*

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: NET OPEB LIABILITY AND CONTRIBUTIONS (Continued)

Actuarial Assumptions		
Rates of mortality	<i>Healthy retirees and beneficiaries:</i> 0.995 for males and 1.020 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees <i>Healthy non-annuitants:</i> 0.992 for males and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy employees <i>Disabled retirees:</i> 0.990 for males and 0.920 for females, times the 2010 Public General Mortality Table (PubG-2010) for disabled retirees Mortality is projected on a generational basis using the MP-2021 scale.	<i>Healthy retirees and beneficiaries:</i> 0.995 for males and 1.020 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees <i>Healthy non-annuitants:</i> 0.992 for males and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy employees <i>Disabled retirees:</i> 0.990 for males and 0.920 for females, times the 2010 Public General Mortality Table (PubG-2010) for disabled retirees Mortality is projected on a generational basis using the MP-2021 scale.
Healthcare Cost Trend Rates		
Medical	The valuation assumes that future medical inflation will be at a rate of 6.85% to 3.94% per annum graded down over a 50 year period for medical pre-age 65 and 5.60% to 3.94% per annum for medical post-age 65. For fiscal year beginning 2025, actual calendar year 2025 premiums are combined with a trend assumption for calendar year 2026.	The valuation assumes that future medical inflation will be at a rate of 8.60% to 3.94% per annum graded down over a 51 year period for medical pre-age 65 and 5.72% to 3.94% per annum for medical post-age 65. For fiscal year beginning 2024, actual calendar year 2024 premiums are combined with a trend assumption for calendar year 2025.
Dental	Dental inflation is assumed to be 3.50%	Dental inflation is assumed to be 3.50%

The assumption for the long-term expected rate of return on OPEB plan investments of 6.00% for the valuation years ended June 30, 2024 and June 30, 2023, respectively, was selected by estimating the median real rate of return based on long-term capital market assumptions adopted by the Board, including real 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 geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2025 and 2024, (see the discussion of the System's investment policy) are summarized in the following table. The assets are invested in a 115 trust.

Asset Class	2025		2024	
	Target Asset Allocation	Long-Term Expected Real Rate of Return	Target Asset Allocation	Long-Term Expected Real Rate of Return *
Public equity	58.0%	5.7%	58.0%	5.7%
Investment grade bonds	14.0%	2.6%	14.0%	2.0%
Core real estate	12.0%	4.7%	12.0%	4.1%
Short-term investment grade bonds	6.0%	1.6%	6.0%	0.9%
Commodities	5.0%	3.2%	5.0%	2.5%
Long-term government bonds	5.0%	3.0%	5.0%	2.2%

* The 2024 long-term expected real rate of return has been restated from nominal to real rates for consistency with 2025.

Discount Rate. The discount rate used to measure the total OPEB liability was 6.00% for the measurement years ended June 30, 2025 and 2024, respectively and is based on the long-term

Notes to the Basic Financial Statements *(continued)*

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: NET OPEB LIABILITY AND CONTRIBUTIONS (Continued)

expected rate of return on investments. It is assumed that plan member contributions remain fixed at 7.5% of pay for employees eligible to participate in the postemployment healthcare plan and the City contributes the actuarially determined contribution toward the explicit subsidy up to a maximum of 14% of total payroll. In addition, the City pays the implicit subsidy on a pay-as-you-go basis.

Based on those assumptions, the System's fiduciary 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in Discount Rate. In accordance with GASB No. 74 regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following presents the net OPEB liability of the City, as of June 30, 2025 and 2024, calculated using the discount rate of 6.00% for both years, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate (dollar amounts in thousands):

	2025			2024		
	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$ 831,121	\$ 734,942	\$ 655,998	\$ 826,703	\$ 729,703	\$ 650,188
Plan fiduciary net position	461,586	461,586	461,586	413,515*	413,515*	413,515*
Net OPEB liability	\$ 369,535	\$ 273,356	\$ 194,412	\$ 413,188	\$ 316,188	\$ 236,673
Plan fiduciary net position as a percentage of the total OPEB liability	55.5%	62.8%	70.4%	50.0%	56.7%	63.6%

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1.0% lower, 5.85% decreasing to 2.94%, or 1.0% higher, 7.85% increasing to 4.94%, than the current healthcare cost trend rates (dollar amounts in thousands):

	2025			2024		
	1% Decrease	Health Care Cost Trend	1% Increase	1% Decrease	Health Care Cost Trend	1% Increase
Total OPEB liability	\$ 647,707	\$ 734,942	\$ 841,174	\$ 641,895	\$ 729,703	\$ 836,867
Plan fiduciary net position	461,586	461,586	461,586	413,515*	413,515*	413,515*
Net OPEB liability	\$ 186,121	\$ 273,356	\$ 379,588	\$ 228,380	\$ 316,188	\$ 423,352
Plan fiduciary net position as a percentage of the total OPEB liability	71.3%	62.8%	54.9%	64.4%	56.7%	49.4%

* 2024 amount is restated to implement GASB 101. See Note 2(h) for further information.

The Postemployment Healthcare Plan is an IRC Section 115 Trust. The 401(h) plan was depleted as of November 2019 leaving only the 115 Trust in the Healthcare Plan beginning with the end of the fiscal year ended June 30, 2020.

Prefunding and Contribution Methodologies

The following timeline outlines key milestones and adjustments in the City's funding policies and contribution methodologies.

June 24, 2008: The City Council adopted Ordinance No. 28332, amending the Municipal Code to allow the City to make lump sum prefunding payments toward its required pension contributions.

Notes to the Basic Financial Statements *(continued)*

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: NET OPEB LIABILITY AND CONTRIBUTIONS (Continued)

November 2010: The Board adopted the "floor methodology", requiring the City's contribution to be the greater of:

- The dollar amount stated in the actuarial valuation; or
- The percentage rate from the valuation applied to actual payroll, if higher than actuarial payroll.

In February 2018, the Board approved the contribution policy that sets the City healthcare contributions as a flat dollar amount, beginning with fiscal year 2019.

Adjustments to Prefunding Incentives

October 2014: The Board approved an incremental reduction approach for calculating "actuarial equivalence" of prefunding during strong economic conditions, defined as:

- Economic expansions exceeding 58 months, and/or
- S&P 500 returns exceeding 130%. This reduces the discount rate by 15% annually, up to 45%, to limit over-incentivizing prefunding.

March 2022: The Board added market valuations as a third criterion for triggering prefunding discount rate reductions.

Healthcare Plan Changes (Measure F and VEBA)

August 27, 2013: Ordinance No. 29283 excluded Tier 2B employees (hired on/after Sep 27, 2013) from retiree medical/dental benefits. However, the City still pays the equivalent costs they would've contributed. Historically, contributions were set via collective bargaining, not actuarially determined.

June 16, 2017: With the passage of Measure F, the VEBA (Voluntary Employee Beneficiary Association) was established.

Tier 1 and some Tier 2 employees could opt-out of the defined benefit healthcare plan. VEBA contributions moved to a defined contribution model in 2018. The VEBA is administered by the City, not the Retirement Board.

Post-Measure F:

- Member contributions fixed at 7.5% of pay.
- City contributions actuarially determined starting FY 2019.
- City pays both an explicit subsidy (premium cost up to the lowest active plan) and an implicit subsidy (difference between expected retiree costs and premiums).

The City's contribution for the Postemployment Healthcare Plan during the fiscal year ended June 30, 2025 was \$27,645,000, 20,352,000 in regular contributions, \$7,285,000 in implicit subsidy, and \$8,000 in adjustments and accruals. The City's contribution for the Postemployment Healthcare Plan during the fiscal year ended June 30, 2024 was \$25,357,000, \$19,095,000 in regular contributions, \$6,406,000 in implicit subsidy, and \$(144,000) in adjustments and accruals.

The City and the participating member's contribution amounts and rates in effect for the Postemployment Healthcare Plan during the fiscal years ended June 30, 2025 and 2024 were as follows on the next page:

Period	City - Board Adopted ¹	Members with Healthcare
	City Tier 1 and City Tier 2	Tier 1 and Tier 2
07/01/24 - 06/30/25	\$20,352,000	7.50%
07/01/23 - 06/30/24	\$19,095,000	7.50%

¹ Explicit subsidy amounts as shown excludes accruals, adjustments, and implicit subsidy.

Notes to the Basic Financial Statements *(continued)*

NOTE 6 - COMMITMENTS

As of June 30, 2025 and 2024, the System had unfunded commitments to contribute capital for investments in the amount of \$353,717,000 and \$229,920,000, 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.

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 (TPL)										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Service cost (Middle of Year)	\$ 89,047	\$ 81,586	\$ 70,247	\$ 67,581	\$ 65,711	\$ 61,014	\$ 61,808	\$ 59,628	\$ 51,887	\$ 49,011
Interest	333,013	319,257	304,936	295,014	283,610	280,131	272,787	264,250	249,388	229,610
Changes of benefit terms	-	-	-	-	-	-	-	1,781	12,132	-
Differences between expected and actual experience	25,567	64,615	64,726	27,568	44,382	(27,723)	(11,662)	17,460	40,853	39,720
Changes of assumptions	-	22,572	518	9,684	36,981	(2,937)	54,398	(15,582)	60,233	205,875
Benefit payments, including refunds	(266,597)	(256,565)	(247,356)	(237,273)	(227,206)	(216,728)	(205,065)	(193,400)	(183,430)	(173,318)
Net Change in TPL	181,030	231,465	193,071	162,574	203,478	93,757	172,266	134,137	231,063	350,898
TPL - Beginning	5,113,959	4,882,494	4,689,423	4,526,849	4,323,371	4,229,614	4,057,348	3,923,211	3,692,148	3,341,250
TPL - Ending	\$5,294,989	\$5,113,959	\$4,882,494	\$4,689,423	\$4,526,849	\$4,323,371	\$4,229,614	\$4,057,348	\$3,923,211	\$3,692,148
Plan Fiduciary Net Position										
Contributions - employer	\$ 238,195	\$ 218,313	\$ 199,440	\$ 207,598	\$ 183,964	\$ 181,327	\$ 173,006	\$ 156,770	\$ 138,483	\$ 124,723
Contributions - employee	37,968	33,933	30,561	27,464	25,724	25,081	22,606	20,501	17,227	15,920
Net investment income	328,516	257,583	222,101	(169,129)	698,608	90,910	76,855	117,493	146,011	(35,011)
Benefit payments, including refunds	(266,597)	(256,565)	(247,356)	(237,273)	(227,206)	(216,728)	(205,065)	(193,400)	(183,430)	(173,318)
Administrative expense*	(6,033)	(6,158)	(5,458)	(4,978)	(4,762)	(4,725)	(4,582)	(4,823)	(4,380)	(3,941)
Net Change in Plan Fiduciary Net Position	\$ 332,049	\$ 247,106	\$ 199,288	\$ (176,318)	\$ 676,328	\$ 75,865	\$ 62,820	\$ 96,541	\$ 113,911	\$ (71,627)
Plan Fiduciary Net Position - Beginning*	3,154,264	2,907,158	2,708,027	2,884,345	2,208,017	2,132,152	2,069,332	1,972,791	1,858,880	1,930,507
Plan Fiduciary Net Position - Ending*	\$3,486,313	\$3,154,264	\$2,907,315	\$2,708,027	\$2,884,345	\$2,208,017	\$2,132,152	\$2,069,332	\$1,972,791	\$1,858,880
Net Pension Liability - Ending	\$1,808,676	\$1,959,695	\$1,975,179	\$1,981,396	\$1,642,504	\$2,115,354	\$2,097,462	\$1,988,016	\$1,950,420	\$1,833,268
Plan Fiduciary Net Position as a Percentage of TPL	65.84%	61.68%	59.55%	57.75%	63.72%	51.07%	50.41%	51.00%	50.29%	50.35%
Covered Payroll	\$ 476,222	\$ 434,174	\$ 386,315	\$ 348,307	\$ 335,421	\$ 319,980	\$ 298,824	\$ 290,504	\$ 271,153	\$ 257,771
Net Pension Liability as a Percentage of Covered Payroll	379.80%	451.36%	511.29%	568.86%	489.68%	661.09%	701.91%	684.33%	719.31%	711.20%

* Note: In fiscal year 2025, the System adopted GASB Statement No. 101, Compensated Absences, a new accounting principle. The 2024 column has been restated to reflect this change. Information for fiscal years 2023 and prior has not been restated and is presented as originally reported.

Required Supplementary Information *(continued)*

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money - weighted rate of return, net of investment expense	9.57%	9.75%	7.31%	(4.19)%	29.43%	3.79%	4.17%	6.03%	7.53%	(0.79)%

The rate shown above is based on the Defined Benefit and does not include the 115 Trust.

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

(Dollars in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contributions	\$ 238,195	\$ 218,313	\$ 199,440	\$ 207,598	\$ 183,964	\$ 181,327	\$ 173,006	\$ 156,770	\$ 138,483	\$ 129,456
Contributions in relation to actuarially determined contributions	238,195	218,313	199,440	207,598	183,964	181,327	173,006	156,770	138,483	124,723
Contribution deficiency / (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,733
Covered payroll	\$ 476,222	\$ 434,174	\$ 386,315	\$ 348,307	\$ 335,421	\$ 319,980	\$ 298,824	\$ 290,504	\$ 271,153	\$ 257,771
Contributions as a percentage of covered payroll	50.02%	50.28%	51.63%	59.60%	54.85%	56.67%	57.90%	53.96%	51.07%	48.39%

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	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Valuation date	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Mortality	Adjusted 2010 Public General (healthy and disabled) mortality tables projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General (healthy and disabled) mortality tables projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General (healthy and disabled) mortality tables projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General (healthy and disabled) mortality tables projected on a generational basis with the SOA MP-2020 projection scale	Adjusted 2010 Public General (healthy and disabled) mortality tables projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years
Actuarial cost method	Entry age	Entry age	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	5-year smoothed market	5-year smoothed market
Discount rate	6.625%	6.625%	6.625%	6.625%	6.750%	6.750%	6.875%	6.875%	7.00%	7.00%
Amortization growth rate	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%	2.85%	2.85%	2.85%

Required Supplementary Information *(continued)*

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

(Dollars in thousands)

Fiscal Year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Valuation date	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Salary increases	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service	2.85% plus merit component based on years of service	2.85% plus merit component based on years of service	2.85% plus merit component based on years of service
Amortization method	Unfunded actuarial liability as of June 30, 2009 is amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. For Tier 2, the Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. For Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. For Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. For Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. For Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. For Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. For Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	As of June 30, 2009, the unfunded actuarial liability was amortized over a closed 30-year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20-year periods as a level percentage of pay. The amortization payment for the 2015 assumption changes is phased-in over 3 years	As of June 30, 2009, the unfunded actuarial liability was amortized over a closed 30-year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20-year periods as a level percentage of pay. The amortization payment for the 2015 assumption changes is phased-in over 3 years	As of June 30, 2009, the unfunded actuarial liability was amortized over a closed 30-year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20-year periods as a level percentage of pay.

A complete description of the methods and assumptions used to determine the contribution rates for the year ending June 30, 2025 can be found in the June 30, 2023 actuarial valuation report.

Required Supplementary Information *(continued)*

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS - POSTEMPLOYMENT HEALTHCARE PLAN (unaudited)

(Dollars in thousands)

Total OPEB Liability	2025	2024	2023	2022	2021	2020	2019	2018	2017
Service cost (Middle of Year)	\$ 7,095	\$ 7,322	\$ 6,972	\$ 7,539	\$ 7,018	\$ 7,040	\$ 7,723	\$ 7,889	\$ 11,109
Interest	42,400	42,031	38,334	39,076	39,886	41,855	43,182	42,669	49,978
Changes of benefit terms	-	-	-	-	-	-	-	(57,623)	-
Differences between expected and actual experience	(386)	44,483	(36,989)	(24,961)	(33,945)	(25,639)	(10,418)	(994)	-
Changes of assumptions	(8,932)	3,395	9,273	22,369	34,496	(14,804)	9,310	(77,795)	-
Benefit payments, including refunds of member contributions	(34,938)	(32,635)	(30,869)	(31,088)	(31,871)	(30,779)	(28,826)	(29,724)	(31,007)
Net Change in Total OPEB Liability	5,239	64,596	(13,279)	12,935	15,584	(22,327)	20,971	115,578	30,080
Total OPEB Liability - Beginning	729,703	665,107	678,386	665,451	649,867	672,194	651,223	766,801	736,721
Total OPEB Liability - Ending	\$734,942	\$729,703	\$665,107	\$678,386	\$665,451	\$649,867	\$672,194	\$651,223	\$766,801
Plan Fiduciary Net Position									
Contributions - employer	\$ 27,645	\$ 25,357	\$ 22,997	\$ 24,787	\$ 26,236	\$ 26,533	\$ 26,410	\$ 32,397	\$ 31,905
Contributions - employee	9,727	9,891	9,841	9,865	10,275	10,692	10,578	15,545	16,827
Net investment income	46,483	37,149	24,268	(38,286)	77,360	3,075	9,472	12,336	17,041
Benefit payments, including refunds of member contributions	(34,938)	(32,635)	(30,869)	(31,088)	(31,871)	(30,779)	(28,826)	(29,724)	(31,007)
Administrative expense*	(846)	(835)	(750)	(765)	(697)	(686)	(384)	(170)	(242)
VEBA transfer	-	-	-	-	(5)	(13)	(19)	(13,497)	-
Net Change in Plan Fiduciary Net Position	\$ 48,071	\$ 38,927	\$ 25,487	\$ (35,487)	\$ 81,298	\$ 8,822	\$ 17,231	\$ 16,887	\$ 34,524
Plan Fiduciary Net Position - Beginning*	413,515	374,588	349,121	384,608	303,310	294,488	277,257	260,370	225,846
Plan Fiduciary Net Position - Ending*	\$461,586	\$413,515	\$374,608	\$349,121	\$384,608	\$303,310	\$294,488	\$277,257	\$260,370
Net OPEB Liability - Ending	\$273,356	\$316,188	\$290,499	\$329,265	\$280,843	\$346,557	\$377,706	\$373,966	\$506,431
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	62.81%	56.67%	56.32%	51.46%	57.80%	46.67%	43.81%	42.57%	33.96%
Covered Payroll	\$476,222	\$434,174	\$386,315	\$348,307	\$335,421	\$319,980	\$298,824	\$290,504	\$271,153
Net OPEB Liability as a Percentage of Covered Payroll	57.40%	72.83%	75.20%	94.53%	83.73%	108.31%	126.40%	128.73%	186.77%

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

* Note: In fiscal year 2025, the System adopted GASB Statement No. 101, Compensated Absences, a new accounting principle. The 2024 column has been restated to reflect this change. Information for fiscal years 2023 and prior has not been restated and is presented as originally reported.

SCHEDULE OF INVESTMENT RETURNS - POSTEMPLOYMENT HEALTHCARE PLAN (unaudited)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	11.08%	8.23%	8.21%	(9.91)%	24.92%	0.53%	4.33%	4.55%	7.20%

The rate shown above is based on the 115 trust only and does not include the 401(h).

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

Required Supplementary Information *(continued)*

SCHEDULE OF EMPLOYER CONTRIBUTIONS - POSTEMPLOYMENT HEALTHCARE PLAN (unaudited)

Beginning with the fiscal year ended June 30, 2010, actual contributions were intended to gradually phase in to the full Annual Required Contribution (ARC) as defined in the bargaining agreements. However, contribution rates were capped before reaching the full ARC.

With the adoption of GASB Statement No. 74, the reporting standard shifted from ARC to the Actuarially Determined Contributions (ADC). No actuarial determination has been made to fully fund the plan under GASB 74, and the schedule of employer contributions was not provided in prior years.

With the implementation of Measure F, the fiscal year ended June 30, 2019 was the first year for which the ADC was determined.

	2025	2024	2023	2022	2021	2020	2019
Actuarially determined contributions	\$ 27,645	\$ 25,357	\$ 22,997	\$ 24,787	\$ 26,236	\$ 26,533	\$ 26,410
Contributions in relation to actuarially determined contributions	27,645	25,357	22,997	24,787	26,236	26,533	26,410
Contribution deficiency / (excess) relative to actuarially determined contributions	-	-	-	-	-	-	-
Covered - employee payroll	\$ 476,222	\$ 434,174	\$ 386,315	\$ 348,307	\$ 335,421	\$ 319,980	\$ 298,824
Actual contributions as % of covered payroll	5.81%	5.84%	5.95%	7.12%	7.82%	8.29%	8.84%

(Dollars in thousands)

NOTES TO SCHEDULE

Fiscal Year	2025	2024	2023	2022	2021	2020	2019
Valuation date	2023	2022	2021	2020	2019	2018	2017
Timing	Actuarially determined contributions are calculated based on the valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the valuation one year prior to the beginning of the plan year	Actuarially determined contributions are calculated based on the valuation one year prior to the beginning of the fiscal year
Key methods and assumptions used to determine contributions rates:							
Actuarial cost method	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age
Amortization method	20-year layered amortizations as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortizations as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortizations as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortizations as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortizations as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortizations as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortizations as a level dollar amount with 3-year phase-in and phase-out
Asset valuation method	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets
Amortization growth rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Discount rate	6.00%	6.00%	6.00%	6.25%	6.75%	6.75%	6.875%
Ultimate rate of medical inflation	3.94%	3.94%	3.78%	3.78%	3.94%	4.25%	4.25%
Salary increases	3.00% plus merit component based on years of service.	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service

Required Supplementary Information *(continued)*

Mortality	Adjusted 2010 Public General Mortality tables for healthy and disabled members projected on a generational basis using the SOA MP-2021 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and for disabled members projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2020 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale
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A complete description of the methods and assumptions used to determine contributions for the year ending June 30, 2025 can be found in the June 30, 2023 actuarial valuation report.

Other Supplemental Information

COMBINING SCHEDULE OF DEFINED BENEFIT PENSION PLAN NET POSITION

As of June 30, 2025 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ASSETS			
Receivables			
Employee contributions	\$ 770	\$ 167	\$ 937
Employer contributions	1,148	360	1,508
Brokers and others	17,081	381	17,462
Accrued investment income	3,881	480	4,361
Total Receivables	22,880	1,388	24,268
Investments, at fair value			
Securities and other:			
Public equity	1,033,637	656,482	1,690,119
Private equity	255,000	161,956	416,956
Investment grade bonds	135,215	85,878	221,093
Core real estate	104,841	66,587	171,428
Growth real estate	83,549	53,065	136,614
Long-term government bonds	61,412	39,005	100,417
Cash and cash equivalents	65,516	41,611	107,127
Emerging market bonds	63,781	40,509	104,290
Market neutral strategies	57,642	36,610	94,252
Private debt	56,099	35,629	91,728
Private real assets	55,118	35,008	90,126
Immunized cash flows	53,652	34,076	87,728
High yield bonds	42,515	27,002	69,517
Treasury inflation-protected securities	39,049	24,802	63,851
Venture / Growth capital	30,775	19,546	50,321
Total Investments	2,137,801	1,357,766	3,495,567
Other assets, net	1,860	757	2,617
TOTAL ASSETS	2,162,541	1,359,911	3,522,452
LIABILITIES			
Payable to brokers	26,881	5,959	32,840
Other liabilities	2,232	1,067	3,299
TOTAL LIABILITIES	29,113	7,026	36,139
PLAN NET POSITION - RESTRICTED FOR			
Pension benefits	2,133,428	1,352,885	3,486,313
TOTAL PLAN NET POSITION	\$ 2,133,428	\$ 1,352,885	\$ 3,486,313

Other Supplemental Information *(continued)*

COMBINING SCHEDULE OF CHANGES IN DEFINED BENEFIT PENSION PLAN NET POSITION

For the Fiscal Year Ended June 30, 2025 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ADDITIONS			
Contributions			
Employee	\$ 31,148	\$ 6,820	\$ 37,968
Employer	140,332	97,863	238,195
Total Contributions	171,480	104,683	276,163
Investment income			
Net appreciation in fair value of investments	181,657	114,308	295,965
Interest income	22,510	14,007	36,517
Dividend income	5,620	3,497	9,117
Less: investment expense	(8,063)	(5,020)	(13,083)
Net Investment Income	201,724	126,792	328,516
TOTAL ADDITIONS	373,204	231,475	604,679
DEDUCTIONS			
Retirement benefits	168,530	77,534	246,064
Death benefits	10,578	8,598	19,176
Refund of contributions	1,149	208	1,357
Administrative expenses and other	3,723	2,310	6,033
TOTAL DEDUCTIONS	183,980	88,650	272,630
NET INCREASE	189,224	142,825	332,049
PLAN NET POSITION - RESTRICTED FOR PENSION BENEFITS			
BEGINNING OF YEAR	1,944,204	1,210,060	3,154,264
END OF YEAR	\$ 2,133,428	\$ 1,352,885	\$ 3,486,313

Other Supplemental Information *(continued)*

SCHEDULES OF ADMINISTRATIVE EXPENSES AND OTHER

For the Fiscal Years Ended June 30, 2025 and 2024

	2025			2024
	Original Budget	Actual	Under Budget	Actual
Personnel services	\$ 5,111,000	\$ 4,514,624	\$ 596,376	\$ 4,406,995
Non-personnel / equipment	894,000	751,534	142,466	851,767
Professional services	1,257,000	1,014,732	242,268	1,259,990
Non-cash reporting items ¹	-	597,624	-	474,122*
Total Administrative Expenses & Other	\$ 7,262,000	\$ 6,878,514	\$ 981,110	\$ 6,992,874*

¹ Non-cash reporting items include amortization, GASB No. 87 and No. 96 interest expenses, and GASB No. 101 compensated absence expenses. The amortization expense is excluded from the budget totals since it is a non-cash item. GASB statements No. 87 and No. 96 recognizes certain long-term leases and subscription-based information technology arrangements as long-term assets. GASB statement No. 101 requires the recognition of expense for leave earned. All these expenses are excluded from the budget.

* 2024 amount is restated to implement GASB 101. See Note 2(h) for further information.

SCHEDULES OF PAYMENTS TO CONSULTANTS

For the Fiscal Years Ended June 30, 2025 and 2024

Firm	Nature of Service	2025	2024
Alliance Resource Consulting LLP	Executive recruitment	\$ -	\$ 19,000
Cheiron, Inc.	Actuarial consultant	215,798	253,277
Communication Advantage	Communication consultant	10,600	8,150
Cortex Applied Research, Inc.	Governance consultant	26,819	27,239
Ice Miller, LLC	Tax counsel	35,730	11,992
Levi, Ray, & Shoup	Programming changes, business continuance services, and web development and maintenance	17,012	25,144
Macias Gini & O'Connell LLP	External auditors	91,480	102,634
Reed Smith, LLC	Fiduciary and general counsel	317,422	446,814
Saltzman & Johnson	Domestic relations and disability counsel	62,888	96,846
Second Renaissance	Cybersecurity consultant	29,899	-
The Berwyn Group	Reports on deceased benefit recipients	985	1,313
Trendtec, Inc.	Temporary staff	120,141	114,241
West Publishing Corporation	Skip tracing service	1,141	-
Other Consultants	Miscellaneous professional services	29,197	70,524
Other Medical	Medical consultants	55,620	82,816
Total		\$ 1,014,732	\$ 1,259,990

Other Supplemental Information *(continued)*

SCHEDULES OF INVESTMENT EXPENSES

For the Fiscal Years Ended June 30, 2025 and 2024

Investment Managers' Fees *	2025	2024
Public equity	\$ 2,494,694	\$ 2,179,988
Private equity	1,669,087	1,481,695
Investment grade bonds	450,628	432,875
Core real estate	722,485	812,895
Growth real estate	2,227,902	1,538,188
Private debt	1,611,249	2,105,115
Immunized cash flows	48,450	71,943
Long-term government bonds	25,623	18,468
Private real assets	1,809,128	1,970,668
High yield bonds	250,644	229,011
Treasury inflation-protected securities	18,651	27,550
Venture / Growth capital	648,580	399,239
Short-term investment grade bonds	2,853	2,722
Commodities	31,261	-
Total investment managers' fees	12,011,235	11,270,357

Other Investment Fees		
Investment consultants	473,450	410,200
Custodian bank	507,225	458,143
Investment legal fees	123,128	108,177
Other investment fees	390,391	355,191
Total other investment fees	1,494,194	1,331,711
TOTAL INVESTMENT EXPENSES	\$ 13,505,429	\$ 12,602,068

* The Total Investment Managers' Fees listed on this Schedule of Investment Expenses is based on ORS' General Ledger maintained by its Accounting Department and includes invoice management fees.

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Investment Section



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

City of San José, CA
Federated City Employees' Retirement System
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2025 and June 30, 2024



MEMORANDUM

TO: Mr. John Flynn, CEO, San Jose Federated City Employees' Retirement System
FROM: Laura Wirick, Colin Kowalski, Meketa Investment Group
DATE: September 5, 2025
RE: Fiscal Year 2025 Annual Comprehensive Financial Report Letter

Fiscal 2025 Year in Review

At the beginning of Fiscal Year 2025, the global economy was characterized by stubborn inflation and steady growth. Global growth was projected at 3.2%¹ for 2024, and 3.3% in 2025, roughly in line with previous forecasts. Inflation in global services-oriented sectors was elevated and keeping inflation levels above the tolerance levels for many central banks, especially in developed markets, delaying anticipated interest rate cuts.

Quarter ended September 30, 2024

As the first quarter of fiscal 2025 began, markets were guided by the continued themes of inflation trends and economic growth projections across key regions. In the Eurozone, inflation had unexpectedly increased to 2.6% in July, from 2.5%² in June, driven by rising energy costs, while Japan's inflation remained steady at 2.8%, prompting the Bank of Japan to raise the policy rate to 0.25% after decades of near-zero rates. China's central bank had implemented another round of interest rate cuts, aiming to support the economy amid a modest inflation recovery to 0.5% in July. In the US, inflation continued to decline, with year-over-year headline inflation falling to 2.9% in July, although shelter and services costs remained a significant contributor to monthly price increases.

Global economic growth was projected to remain stable, and most major economies were expected to avoid a recession. However, key economic data in the US had weakened, leading markets to anticipate multiple rate cuts by the Federal Reserve in response to improving inflation data and signs of economic weakness. This divergence in monetary policy among central banks, with some reducing rates and others raising them, was likely to influence capital flows and currency movements in the coming months.

In the first fiscal quarter of 2024, the US equity markets, represented by the Russell 3000 Index, rose by 6.2%. This increase was driven by a broadening rally that included strong performance in value and small cap stocks, reversing the earlier trend of narrow leadership by large cap growth stocks. The technology sector continued to perform well, contributing to the overall gains in the US equity markets.

Non-US developed equity markets, as measured by the MSCI EAFE Index, increased by 7.3% in the first quarter, with Japanese equities hitting multi-decade highs, which significantly contributed to the overall performance. In a reversal of earlier trends, the weakening US dollar in first fiscal quarter had a beneficial impact on returns for US investors, as the local currency version of the index (MSCI EAFE Local) returned just 0.8%. Emerging markets equities, represented by the MSCI Emerging Markets Index, posted a return of 8.7% in the first fiscal quarter, outperforming developed market stocks. Within emerging markets, China (MSCI China) saw a significant rally of 23.5% for the quarter, driven by a substantial policy stimulus package aimed at supporting equity prices and reducing bank reserve requirements.

The broad US bond market, represented by the Bloomberg Aggregate Index, returned 5.2% in the first quarter, benefiting from expectations of additional policy rate cuts as inflation pressures receded and the



September 5, 2025

economy showed signs of possible slowing. High yield bonds, as measured by the Bloomberg High Yield Index, were up 5.3% due to strong risk appetite and attractive yields.

Quarter ended December 31, 2024

At the start of the second fiscal quarter of 2025, the global economy was characterized by mixed outcomes influenced by various geopolitical and economic factors. The US election played a significant role, with markets reacting to the incoming Trump administration's proposed policies, which included tariffs, tax cuts, and deportations, raising concerns about future inflationary pressures and economic stability. Despite these concerns, US equities experienced a post-election rally driven by optimism over potential policy benefits, such as deregulation.

Even with the market focused on economic impacts from the incoming US administration's policies, the Federal Reserve cut its policy rate by 0.25% in December, but its Summary of Economic Projections and hawkish comments provoked a repricing of future rate cuts and their timing. That said, unemployment remained low and economic growth showed resilience throughout the quarter. Internationally, non-US markets faced challenges, with economic growth slowing in Europe and China, partly due to trade tensions and a strong US dollar. Overall, the quarter highlighted significant divergence between US and international markets, driven by varying economic policies and geopolitical uncertainties.

In the second fiscal quarter, global equity and bond markets exhibited varied performance. US equity markets, represented by the Russell 3000 Index, rose by 2.6%, driven by a post-election rally and strong performance in the technology sector. Non-US developed equity markets, as measured by the MSCI EAFE, declined by 8.1%, impacted by a strong US dollar and concerns over trade wars and slowing growth in Europe. Emerging markets equities, tracked by the MSCI Emerging Markets, fell by 8.0%, with China (MSCI China) declining by 7.7% due to slowing economic growth, property sector issues, and discouragement of US investments.

In the fixed income market, the broad US bond market (Bloomberg Aggregate) returned -3.1% due to higher inflation and rising interest rates. Conversely, High Yield bonds (Bloomberg High Yield) were up 0.2%, reflecting a continued strong risk appetite and attractive yields.

Quarter ended March 31, 2025

At the start of the third fiscal quarter of 2025, the global economy was guided by mixed outcomes across the globe influenced by various geopolitical and economic factors. Uncertainty surrounding US administration tariffs, economic policies, and inflationary pressures shaped market sentiment. In the US, domestic equities sold off during the first quarter, with the Russell 3000 Index declining by 4.7%. Growth stocks underperformed value stocks, while small-cap stocks trailed large-cap stocks. Defensive sectors outperformed, reflecting cautious investor sentiment.

Internationally, non-US developed market stocks, as measured by the MSCI EAFE, rose by 6.9%, bolstered by rate cuts from the European Central Bank, planned increases in EU defense spending, and a weakening US dollar. Emerging market equities, tracked by the MSCI Emerging Markets Index, returned 2.9%, with notable gains in Chinese equities (+15.0%), driven by enthusiasm around DeepSeek AI and stimulus measures introduced by the Chinese government. Divergence in the returns among various asset class displayed the benefits of a diversified portfolio after a long stretch of US Large Cap Equity dominance.

In the fixed income market, most segments posted positive returns. The broad US bond market (Bloomberg Aggregate) gained 2.8%, supported by a declining rate environment. Long-term Treasuries



September 5, 2025

were the best performers, with the Bloomberg Long US Treasury index returning 4.7%, while high yield bonds, as represented by the Bloomberg High Yield index, posted modest gains (+1.0%) due to prevailing economic uncertainties. Bond and equity volatility increased during the quarter amidst policy and trade uncertainties, with the US Volatility Index (VIX) finishing above its long-run average.

Quarter ended June 30, 2025

At the close of the final fiscal quarter of 2025, the global economy exhibited mixed outcomes influenced by trade news, fiscal concerns, inflationary pressures, and improving risk sentiment across asset classes. In early April, President Trump unveiled the Liberation Day tariffs, which sent shock waves throughout global markets, before announcing a 90-day pause a week later.

In the US, equity markets posted strong returns during the quarter, with the Russell 3000 Index gaining 11.0%, driven by stabilizing tariff concerns, robust corporate earnings, and a resilient US economy. Growth stocks significantly outperformed value stocks, particularly in the large-cap segment (Russell 1000 Growth: +17.8% vs. Russell 1000 Value: +3.8%), bolstered by gains in AI-related mega-cap technology companies. Small-cap stocks (Russell 2000) also performed well, rising 8.5%, though they trailed large-cap stocks.

In the fixed income market, most segments posted positive returns, with the Bloomberg Aggregate gaining 1.2%, supported by stable or declining Treasury yields. Longer duration Treasuries underperformed (Bloomberg Long US Government: -1.5%) due to fiscal concerns driving yields higher along the 30-year curve. Inflation-related risks contributed to gains in Treasury Inflation-Protected Securities (TIPS), with the Bloomberg TIPS index gaining 0.5%.

In summary, the quarter underscored the benefits of diversification across asset classes, with varying performance driven by fiscal and inflationary dynamics alongside improving risk sentiment.

Summary

The table below highlights the full fiscal year returns for various benchmarks referenced in this review:

Index	1-Year Return as of June 30, 2025
S&P 500	15.2%
Russell 3000	15.3%
MSCI EAFE	17.7%
MSCI EAFE (Local)	8.0%
MSCI EM	15.3%
MSCI China	33.8%
Bloomberg Aggregate	6.1%
Bloomberg TIPS	5.8%
Barclays High Yield	10.3%
Bloomberg Long US Government	1.6%



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Overall, in fiscal 2025, global economies experienced varied growth and inflation trends. The US saw an annual GDP growth of 2.0% for the full fiscal year, using the advance estimate of economic growth from the Bureau of Economic Analysis. Inflation in the US moderated to 2.7% by June, and the Fed Funds rate declined from a range of 5.25-5.50% to start the fiscal year down to 4.25-4.50% by year end. Using the preliminary estimate from Eurostat, Eurozone's GDP grew by 1.4%³ in fiscal 2025, with inflation stabilizing at 2.0% for the year. Japan's economy expanded by 0.8% in fiscal 2025 (preliminary), with an annual inflation rate of 3.3%, and was the only major economy to raise rates during the year. China's official government numbers showed it grew GDP by 5.2%⁴, supported by resilient exports and government stimulus, though inflation remained low at 0.1% for the full fiscal year.

Unemployment rates also varied across these regions. In the US, the unemployment rate was 4.1%⁵ in June 2025, reflecting a slight decrease from a year ago. The Eurozone's unemployment rate remained relatively stable, ending at 6.3%.⁶ Japan's unemployment rate was low, at approximately 2.5%⁷, down from 2.7% at the start of the fiscal year, supported by steady job creation. In China, the unemployment rate hovered around 5.0%⁸, with government policies aimed at maintaining employment stability.

Fiscal Year 2026 Outlook

In fiscal year 2025, the US economy continued to outpace other developed markets, maintaining robust growth despite elevated interest rates. The Federal Funds rate ended the year just above 4% and roughly one percentage point lower than where it began, and economic activity remained well above recessionary levels. Investor resilience in the face of new tariffs, coupled with sustained enthusiasm for AI innovation, contributed to strong performance in equity markets. Fixed income markets also delivered positive returns, supported by the positive risk sentiment.

Fiscal year 2026 is poised to be a pivotal one, potentially marked by significant economic, political, and social developments. There are several areas that could guide markets, both positively and negatively. These include:

→ Trump Administration Policies

- The Trump Administration, so far, has entailed increased immigration enforcement, tariffs, and the passage of the fiscal spending and tax legislation known as the "One Big Beautiful Bill". While headlines and economists have opined on how these policies may affect the market and economy, limited impacts have flowed through to hard data so far.
- President Trump's tariff announcements, specifically on "Liberation Day" caused material market volatility. A week later, the administration announced a 90-day pause of these tariffs levels to allow for negotiations. Upon expiration of that 90-day pause, the delay was extended until August 1st. While some partial trade deals have been made, agreements with most trading partners are still up in the air, keeping uncertainty in place in the global economy. Uncertainty can delay business investment, depressing spending. While tariffs on imports from countries like China, Mexico, Canada, and the European Union aim to protect US industries and generate federal revenue, they could lead to domestic inflation by increasing the prices of imported goods, though the extent of this impact depends on the final breadth, height, and duration of the tariffs, as well as potential mitigating actions by companies and countries.⁹
- The One Big Beautiful Bill Act was signed into law by President Trump on July 4, 2025. This comprehensive legislation includes significant tax cuts, adjustments to federal spending, and an increase in the statutory debt limit. Major impacts include reductions in Medicaid and Affordable Care Act coverage, changes to student loan repayment options, and substantial funding for rural health programs.



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- The Congressional Budget Office (CBO) provided a detailed analysis of the One Big Beautiful Bill Act. Here are some key points:
 - Federal Deficit: The bill is projected to increase the federal deficit by \$3.8 trillion over the 2026-2034 period, primarily due to tax changes, including making the 2017 tax cuts permanent.¹⁰
 - Medicaid and SNAP: There will be significant reductions in federal spending, with \$698 billion less for Medicaid and \$267 billion less for the Supplemental Nutrition Assistance Program (SNAP).¹⁰
 - Distributional Effects: The bill's benefits are not evenly distributed. Higher-income households are expected to see an increase in resources, while lower-income households, particularly those in the lowest decile, may experience a decrease.¹⁰
 - Stricter immigration policies could reduce the labor force, leading to wage inflation and potential negative effects on economic growth and investment, especially as the US population ages and the share of seniors increases.¹¹
- Federal Reserve Policy Dynamics
- The Federal Reserve faces a challenging year in fiscal 2026, dealing with inflation levels above its target and uncertainties related to the Trump administration's economic policies.¹²
 - The most recent Summary of Economic Projections (SEP) from March 2025 shows a slight downward revision in GDP growth estimates compared to the previous SEP from December 2024. The median GDP growth projection for 2025 was adjusted from 2.1% to 1.7%.¹²
 - The SEP from March 2025 also indicates a slight upward revision in inflation expectations compared to the previous SEP from December 2024. The median projection for the Personal Consumption Expenditures (PCE) inflation rate for 2025 was adjusted from 2.2% to 2.4%, while the core PCE inflation rate, which excludes food and energy prices, was revised from 2.1% to 2.3% for 2025.¹²
- US Equities and Market Concentration
- In fiscal 2026, US equities are likely focused on concentration risk and elevated valuations, with a few select large-cap stocks, known as the "Magnificent 7," driving much of the market gain.
 - As of June 30, 2025, the Magnificent 7 accounted for 32.3% of the total market capitalization of the S&P 500. This is down from 32.5% on June 30, 2024.¹³
 - Overall, since President Trump's election, consumer staples, materials and utilities have performed well. The outperformance of utilities is often credited to the massive energy needs of the expanding artificial intelligence businesses. Performance of these sectors, at the expense of Information Technology and Telecommunications, show that at least in calendar 2025, positive performance is broadening out versus just the Magnificent 7 companies.
 - Valuations remain elevated, with price-to-earnings ratios well above historic averages as of the end of fiscal 2025, reflecting optimism about earnings growth and economic resilience, but also increasing vulnerability to macroeconomic shocks and earnings disappointments.



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→ Global Economic Growth

- According to the International Monetary Fund's (IMF) April annual report, global growth in 2025 was downgraded from 3.3% to 2.8%, 0.5% lower than 2024. For 2026, the IMF estimate of global growth declined from 3.3% to 3.0%. Concerns related to trade policy, including tariffs, and their impact on growth drove the reduction.¹⁴
- Growth forecast in the US saw one of the larger declines for calendar 2025 (2.7% to 1.8%). The IMF cited trade war escalation, persistent inflation, and a possible slowdown in consumption as reasons for the decline.¹⁵
- China's growth forecast was also substantially lowered for this year (4.6% to 4.0%) versus the projection from January. Key reasons behind the downgrade include weaker external demand from trade tensions, continued property sector struggles, policy uncertainty and continued demographic pressures.¹⁵
- Growth in the EU is projected to only be slightly lower (1.0% to 0.8%) in 2025.¹⁵

Plan Investment Results and Asset Allocation for the Retirement Plan^{1,2}

The City of San Jose Federated City Employees' Retirement System had \$3.5 billion in assets at the end of the fiscal year. For the fiscal year, the Retirement System returned 9.6% net of fees, versus the Policy Benchmark (10.4%) and Investable Benchmark (10.3%). The Retirement System's return was above the 6.625% assumed actuarial rate of return. The Retirement System's standard deviation of returns was 5.5%, exhibiting slightly higher volatility than the peer median (5.4%).

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

- Public Equity: The System's Public Equity aggregate was up 14.9% for the fiscal year, compared to a benchmark return of 16.0%. Global Equity returned 15.3%, U.S. Equity returned 14.9%, International Equity returned 21.0%, and Emerging Markets Equity returned 8.8%
- High Yield Bonds: The Retirement System's High Yield Bonds aggregate also had a strongly positive return for the fiscal year, up 9.5%.

Plan Investment Results and Asset Allocation for the Health Care Trust^{1,2}

The San Jose Federated Retiree Health Care 115 Trust had \$461.2 million in assets at the end of the fiscal year. For the fiscal year, the Health Care Trust returned 11.0% net of fees, compared to the Policy Benchmark return of 11.2%.

Within the Health Care Trust, Growth returned 15.9% versus the Growth Benchmark return of 16.4%, Low Beta returned 4.9% compared to the ICE BofA 91 Days T-Bills TR of 4.7%, and Other returned 3.9%, matching the Other benchmark over the fiscal year period.

¹ Performance figures calculated by custodian bank.

² Time-weighted rate of return based on the market rate of return is used as the basis for the calculation.



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Summary

Performance for the City of San Jose Federated City Employees’ Retirement System over the fiscal year outperformed the actuarial assumed rate of return but slightly underperformed its Policy Benchmark and Investable Benchmark. Compared to the Public Peer Group over \$1 Billion Net Return, performance over the fiscal year ranked in the third quartile, while similar risk than the peers. We believe that the Retirement System 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 assist the Retirement System in meeting its obligations to participants.

Sincerely,

	
Laura Wirick Managing Principal	Colin Kowalski Vice President

Laura Wirick, CFA, CAIA
Managing Principal

Colin Kowalski
Vice President

LBW/CK/lv

Return, inflation and treasury rate data from Bloomberg unless otherwise indicated.
¹ Source: International Monetary Fund <https://www.imf.org/en/Publications/WEO/Issues/2024/07/16/world-economic-outlook-update-july-2024#:~:text=Global%20growth%20broadly%20unchanged%20amid,and%203.3%20percent%20in%202025>.
² Source: International Monetary Fund <https://www.imf.org/en/Publications/WEO/Issues/2024/07/16/world-economic-outlook-update-july-2024#:~:text=Global%20growth%20broadly%20unchanged%20amid,and%203.3%20percent%20in%202025>.
³ Source: Eurostat via Bloomberg.
⁴ Source: National Bureau of Statistics of China via Bloomberg.

Report of Investment Activity *(continued)*



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⁵ Source: FRED and BLS. Data is as of June 30, 2025.
⁶ Source: Eurostat.
⁷ Ministry of Internal Affairs and Communications via Bloomberg.
⁸ National Bureau of Statistics of China via Bloomberg.
⁹ Source: Bureau of Economic Analysis national accounts data as of December 2023.
¹⁰ Source: <https://www.cbo.gov/system/files/2025-05/61422-Reconciliation-Distributional-Analysis.pdf>.
¹¹ Source: FRED as of November 2024. Between 2007 and November 2024 the number of employed workers rose from 137.6 million to 159.3 million.
¹² Source: <https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20250319.htm>.
¹³ Source: Bloomberg.
¹⁴ Source: <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025>.
¹⁵ Source: Bloomberg.

Statement of Investment Policy

PENSION

EXECUTIVE SUMMARY

The purpose of this document is to set forth the goals and objectives of the San José Federated City Employees' Retirement System, and to establish guidelines for the implementation of investment strategy.

This document will be reviewed at least annually. Any revisions to this document may be made only with the approval of the Board.

This investment policy was approved on September 21, 2023. The asset allocation was approved on April 18, 2024.

The Board of Administration recognizes that a stable, well-articulated investment policy is crucial to the long-term success of the System. As such, the Board members have developed this Investment Policy Statement with the following goals in mind:

- To clearly and explicitly establish the objectives and constraints that govern the investment of the System's assets,
- To establish a long-term target asset allocation with a high likelihood of meeting the System's objectives given the explicit constraints, and
- To protect the financial health of the System through the implementation of this stable long-term investment policy.

This document includes detail on the System's adopted asset allocation policy (summarized in Appendix A) and process, including the selected Functional asset class structure and the System benchmarks approved by the Board. It also includes the System's policy on manager selection, retention, evaluation, and termination, as well as the System's adopted risk policy, with specific risk parameters summarized in Appendix B.

Throughout this document, expected returns and volatilities were based on capital market assumptions from the general consultant.

I. SAN JOSÉ FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM'S GOALS

The San José Federated City Employees' Retirement System was established to provide retirement income for San José Federated City Employees' Retirement System employees and their families. The System's assets are structured to provide growth from capital gains and income, while maintaining sufficient liquidity to meet beneficiary payments.

II. INVESTMENT OBJECTIVES

The investment strategy of the San José Federated City Employees' Retirement System is designed to ensure the prudent investment of System assets in such a manner as to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss.

A. Risk Objectives

1. To accept the optimal level of risk required to achieve the System's return objective as stated immediately below.
2. To target total portfolio investment risk consistent with the investment beliefs and strategic goals set forth by the San José Federated City Employees' Retirement System Board.
3. To consider the financial health of the Sponsor when assuming investment risks.

Statement of Investment Policy *(continued)*

PENSION (continued)

4. To use diversification to minimize exposure to company and industry-specific risks in the aggregate investment portfolio.

B. Return Objective

1. In a manner consistent with the goals stated in Section I above, to manage the System's assets as to achieve the highest, reasonably prudent return possible.

III. INVESTMENT CONSTRAINTS

A. Legal and Regulatory

The San José Federated City Employees' Retirement 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.

B. Time Horizon

The System will be managed on a going-concern basis. The assets of the System will be invested with a long-term time horizon (ten to twenty years or more), consistent with the participant demographics and the purpose of the System.

C. Liquidity

The Board members intend to maintain sufficient liquidity to meet at least five years of anticipated beneficiary payments, net of System sponsor and member contributions.

D. Tax Considerations

The System is a tax-exempt entity. Therefore, investments and strategies will be evaluated only on the basis of expected risks and potential returns.

IV. RISK AND RETURN CONSIDERATIONS

The Board members accept the risks associated with investing in the capital markets (market risks), but will minimize wherever possible those risks for which the System is unlikely to be compensated (non-market or diversifiable risks).

V. DIVERSIFICATION

The Board members of the San José Federated City Employees' Retirement System recognize that an important element of risk control is diversification. Therefore, investments will be allocated across multiple classes of assets, chosen in part for their low correlation of expected returns. Within each asset type, investments will be distributed across many individual holdings, with the intention of further reducing volatility.

The specific degrees of diversification within asset classes will be addressed in each separate account manager's investment guidelines, or in each commingled manager's fund documents.

The purpose of the functional classifications and major asset classes are defined in the language and table below.

A. Functional Sub-portfolios

The investment strategy for the Investment Program employs three functional sub-portfolios to construct the comprehensive asset allocation. The allocation to the sub-portfolios is assessed at least annually and is based on projected capital market assumptions. The Chief Investment Officer ("CIO") shall review the relative size and composition of these sub-portfolios and advise the Investment Committee ("IC") of any necessary revisions to the allocation among the sub-portfolios.

Statement of Investment Policy *(continued)*

PENSION (continued)

- 1. Growth Sub-portfolio:** The purpose of the Growth Sub-portfolio is to grow invested assets over the long term in order to pay future benefits. This portfolio is characterized by a long investment horizon and can, therefore, accept a higher level of volatility. Assets in this portfolio may be volatile, have reduced liquidity, and derive the bulk of their return from capital appreciation. These assets include public and private equity, corporate and other debt with credit risk premiums, private real estate and other private assets. The success of this portfolio will be measured primarily by compounded annual growth rates in conjunction with the annualized standard deviation of returns as the primary measure of risk. Performance evaluation will, therefore, focus on the long-term total risk-adjusted return of the portfolio.
- 2. Low Beta Sub-Portfolio:** The purpose of the Low Beta Sub-portfolio is to ensure that the overall (total portfolio) a) is relatively immune from market fluctuations while providing a source of alpha b) is a source of capital for purchasing undervalued assets in the Growth sub-portfolio, and c) has adequate assets available to pay benefits over an extended timeframe (the immunized cash portfolio). It will contain an “absolute return” program that invests in risk assets in isolation but whose combined long and short betas are relatively neutral to market movements, an immunized cash portfolio, as well as cash and cash-like assets such as short-term bonds, derivatives, and other investments that provide fixed, contractual cash flows with a minimum level of credit risk. For the immunized cash portfolio, the Board has established a target allocation amount of up to 60 months’ worth of projected benefit payments in the Low Beta Sub-portfolio, which will be drawn down and replenished annually. The Low Beta portfolio is expected to provide a stable offset to the rest of the portfolio during periods of severe market stress and to effectively dampen the market volatility across the entire portfolio. The success of the Low Beta Sub-portfolio will be measured by its ability to offset declines in value in the Growth Sub-portfolio, as well as its ability to provide liquidity during times of market stress.
- 3. Other Sub-Portfolio:** The purpose of the Other Sub-portfolio is to ensure that the overall portfolio is specifically protected against inflation risks while also providing for further diversification. The success of the Other sub-portfolio will be measured by its ability to protect the portfolio from inflation risk while also providing an additional source of return and diversification.

B. Interaction between the Functional Sub-Portfolios

The allocations to the Growth, Low Beta, and Other sub-portfolios will vary over time. When Growth assets are undervalued, the Low Beta Sub-portfolio will act as a source of funds and when Growth assets are overvalued the Low Beta sub-portfolio will act as a use for harvested Growth portfolio returns. The Growth and Other sub-portfolios will be subject to the volatility of the markets in which each functional sub-portfolio invests. In order to reallocate between the functional sub-portfolios, the CIO and the General Consultant will conduct an annual capital review to assess the relative value and risks associated with each asset class and deliver a review of the capital markets to the Board. The Consultant will provide the Board current forward-looking risk and return assumptions for all major asset classes. In conjunction with this review, the CIO will provide a recommendation of how best to allocate assets within each functional sub-portfolio. If necessary, the CIO will recommend changes in target allocations to the underlying asset classes in order to deploy the Investment Program’s assets effectively in the upcoming year. While considering changes to the allocation to each functional sub-portfolio, the CIO will view the totality of all functional portfolios, and consider the impact of changes to the overall risk and return profile of the total portfolio.

Statement of Investment Policy *(continued)*

PENSION (continued)

Public Equity - *Growth*

The purpose of Public Equity is to provide the System exposure to the total return due to equity capital owners, including exposure to capital appreciation from economic growth, while managing volatility relative to the equity market.

Private Markets - *Growth*

The purpose of Private Markets is to provide the System exposure to asset growth and income while diversifying the portfolio and capturing an illiquidity premium.

Emerging Market Bonds - *Growth*

The primary purpose of Emerging Market Bonds is to provide the System exposure to rates and credit risk within emerging markets.

High Yield Bonds - *Growth*

The primary purpose of High Yield Bonds is to provide the System with exposure to high yielding corporate debt.

Market Neutral Strategies - *Low Beta*

The purpose of Market Neutral Strategies is to produce alpha based returns while reducing overall System volatility and increasing Sharpe ratio.

Bonds (Immunized Cash Flows) - *Low Beta*

The purpose of Bonds (Immunized Cash Flows) is to provide liquid funds for expected outflows and allow for other assets to be invested in an illiquid fashion.

Treasury Inflation-Protected Securities (TIPS) - *Other*

The purpose of TIPS is to provide exposure to inflation in addition to interest rates.

Core Real Estate - *Other*

The purpose of Core Real Estate is to produce the System income and price appreciation while maintaining a low correlation to both stocks and bonds.

Long-Term Government Bonds - *Other*

The purpose of Long-Term Government Bonds is to provide a positive return in highly stressed market environments, with a low correlation to equity risk.

Core Bonds - *Other*

The purpose of Core Bonds is to produce returns and income for the System by providing exposure to rates and credit risk.

Statement of Investment Policy *(continued)*

PENSION (continued)

VI. ASSET ALLOCATION POLICY

Asset Allocation and Portfolio Construction

- A. The Board recognizes that establishing an appropriate strategic asset allocation (SAA) portfolio is critical to the long-term success of the investment program, as asset allocation is the single biggest determinant of the expected risk and return of the System.
- B. In arriving at the SAA, the Board shall follow a *building block* approach whereby it approves a series of benchmark portfolios, each offering expected risk and return characteristics that are preferable to the one before it. This building block approach is further explained below:
 - 1. *Liability Benchmark Portfolio* (LBP). As the first step in the portfolio construction process, the Board shall approve a LBP. The LBP is the portfolio that offers the lowest possible expected funding risk, where funding risk is defined as the risk that assets will grow at a slower rate than the System's liabilities. The LBP is expected to consist solely of bonds that match the duration of the liabilities.
 - 2. *Low-Cost Passive Portfolio* (LCPP). If the Board believes a portfolio can be constructed that offers expected return / risk characteristics that are preferable to those of the LBP, but does not wish to invest significant resources in staff and consultants, the Board would then approve a LCPP. The LCPP would be simple to construct and implement and would consist only of public market asset classes managed on a passive basis. It would exclude private market asset classes and hedge funds, which are complex and costlier to implement.
 - 3. *Strategic Asset Allocation Portfolio* (SAAP). If the Board believes an even more diversified portfolio would enhance the risk-adjusted return characteristics of the System and justify a meaningful investment in staff and consulting resources, the Board would then develop and approve an SAAP. The SAAP would be more complex than the LCPP because it would likely include private market asset classes and / or hedge funds. The staff and consulting resources required to manage such a portfolio would significantly increase the cost and administrative complexity of the System.
 - 4. *Investable Benchmark Portfolio* (IBP). The Benchmark Portfolio would include the same underlying benchmarks as the SAAP, but would use a beginning-of-month weight for each asset class. This will account for weighting differences to the SAAP in asset classes that take more than one year to invest (private markets asset classes).
- C. The Board believes the above building-block approach represents a thoughtful way of approaching its asset allocation decisions, as it makes each step in the portfolio construction process clear and explicit. It also requires the Board to consider and confirm the rationale for accepting the potential incremental risk, complexity and cost introduced by moving from one portfolio model to the next. Their relative merits would include evaluation on a net-of-expenses basis.
- D. The benchmarks approved by the Board as of the date of this document, and the expected return of each, are described below:
 - 1. A LBP consisting of a market benchmark with a duration profile similar to the System's liabilities.

Statement of Investment Policy *(continued)*

PENSION (continued)

2. A LCPP consisting of the following asset classes and targets, and the broad, commonly-used market indices that could be used for each asset class, are shown in Appendix A.
3. A SAAP consisting of the following asset classes and targets is shown in Appendix A.

Asset Allocation Tools & Methods

- A. The LBP will be re-evaluated annually following the results of the annual actuarial study. LCPP and SAAP shall be established and modified based on the results of formal asset allocation studies performed whenever requested by the staff or the Board, but no less than every three years or when a significant market correction occurs. The LCPP and SAAP shall be reviewed annually to reflect the capital market assumptions (CMA) used in asset allocation studies and published annually or when the S&P 500 experiences a decrease of more than 20% from peak. The Board shall consult with the general investment consultant in connection with such asset allocation studies and CMA reviews.
- B. Asset allocation studies shall be designed to ensure rigorous and objective analysis, and minimize decision-making bias by:
 1. Requiring the use of a portfolio construction engine (“Engine”); and
 2. Requiring that the Board and IC always focus first on establishing the most reasonable and defensible inputs to the Engine. That is, if the Board is uncomfortable with the results of the Engine, it shall respond by reviewing the reasonableness of the inputs to the Engine, rather than simply modifying the results.
- C. When arriving at the LCPP and the SAAP, asset allocation studies shall include the four basic steps outlined below:
 1. Step 1: Inputs
 - a. For each study, the Board shall approve the inputs to the Engine including:
 - Permitted asset classes (Permitted asset classes for the LCPP shall include only public markets and permitted asset classes for the SAA Portfolio shall include both public and private markets);
 - CMAs; and
 - Material constraints (e.g. maximum allocations to certain asset classes), along with supporting rationale.
 - b. The CIO shall propose the inputs to the IC, with prior input from the Board’s general investment consultant, and work with the investment consultant throughout the process to make subsequent revisions to inputs, based on feedback from the IC.
 - c. The Board, IC, CIO and investment consultant are expected to reach a consensus regarding the above inputs and the Board shall formally approve them. Staff shall document the process by which it arrives at its recommended inputs.
 2. Step 2: Modeling and Analysis
 - a. The investment consultant will incorporate the approved inputs into the Engine to be used to identify and analyze potential asset allocation choices for each study and present the results to the CIO.
 - b. The Board expects that the Engine will rely on mean-variance optimization (“MVO”).

Statement of Investment Policy *(continued)*

PENSION (continued)

- c. The Board shall also consider the results of the MVO analysis under additional constraints to ensure adherence with approved risk limits including:
 - Stress testing, including historical scenario analysis and factor-specific testing;
 - Liquidity analysis under normal and stressed conditions; and
 - Cash flow management requirements for the immunization of certain projected benefits and expenses.
3. Step 3: Recommendations
 - a. The CIO will present the current asset allocation and a number of reasonable alternatives along the so-called “efficient frontier” for the Board to consider.
 - b. In presenting the alternatives, the CIO initially will present only the return / risk characteristics of each alternative and will not reveal the underlying asset class allocations (i.e. “blind” format). This will allow the Board / IC to focus initially on the return / risk implications of each alternative, rather than the underlying asset allocations.
 - c. After the Board has engaged in a preliminary discussion and analysis of the alternatives, the underlying asset allocations of each alternative will be revealed for further consideration.
 - d. The Board / IC may provide feedback to the CIO and investment consultant, which may require further analysis and a request for revised recommendations for the Board / IC to consider.
4. Step 4: Approvals
 - a. The Board / IC will review the final analyses and recommendations from the CIO and general consultant and approve:
 - Low Cost Portfolio Benchmark weights; and
 - Strategic Asset Allocation Portfolio weights, targets and ranges (maximum – minimum).

Rebalancing

- A. The CIO shall adhere to the SAAP asset and sub-asset class “targets” approved by the Board and shall rebalance to within the approved range at least quarterly if the actual weights at the sub-asset class levels are not within 10% of the approved target, considering the cost of more frequent rebalancing. For example, if the target allocation for an asset class is 20%, re-balancing will be triggered quarterly when the actual allocation for the asset class deviates by +/- 2% (i.e. 10% x 20%, reaching 18% or 22%). The CIO may use discretion to rebalance to within the approved range at more frequent intervals than quarterly, and when actual weights are within 10% of the approved target, subject to an assessment of market risk, active risk, and transactions costs. When a change to the SAAP is made by the Board, the CIO and the investment team will rebalance to the new target weights as expeditiously as possible, or in tranches if directed by the Board. The CIO shall also use his discretion in rebalancing to the new SAAP in the event that instant liquidation of managers within an asset class may work against the interests of the System. Changes to the weights of illiquid asset classes may take several quarters to implement, and the CIO shall keep the IC apprised of progress toward the new SAAP. Synthetic rebalancing through an overlay provider may also be used when appropriate. The Immunized Cash Flows portfolio is exempt from this rebalancing provision, as it is amortizing by design.

Statement of Investment Policy *(continued)*

PENSION (continued)

- B. Total System active risk (i.e. tracking error) is to be maintained below 3%. While asset class exposures may fall within acceptable capital allocation ranges as noted above, total System tracking error is not to exceed this 3% threshold.

Evaluating Asset Allocation Decisions

- A. The Board shall periodically evaluate the effectiveness of its asset allocation decisions using the above portfolio benchmarks (i.e. Liability Portfolio Benchmark, Low-Cost Passive Portfolio, and Strategic Asset Allocation Portfolio).
- B. The following table uses hypothetical returns to illustrate how the above benchmarks shall be used to evaluate the Board's asset allocation decisions.

Portfolio Benchmark	Net Return (%)	Value Added (%)	Conclusions
A. Liability Benchmark Portfolio	3.1	N/A	
B. Low Cost Passive Portfolio	7.0	3.9 (B - A)	By deviating from a portfolio with modest funding risk to a low-cost, passive portfolio that does not require significant staff or consulting resources, the Board shall have added net value of 3.9%
C. SAA Portfolio	7.8	0.8 (C - B)	By enhancing the passive portfolio with investments in private markets and hedge funds, the Board added net value of 0.8%

- C. The Board will evaluate two additional benchmarks in order to assess the value added by the CIO, investment staff, and the investment consultants:
- 1. Actual Portfolio:** This is the actual portfolio implemented by the CIO and investment staff with support from investment consultants. The Actual Portfolio includes private markets and hedge funds and reflects any active management exercised by the CIO and the underlying investment managers, subject to Board-approved policies and CIO-approved procedures.
 - 2. Investable Benchmark Portfolio:** The Investable Benchmark Portfolio is identical to the SAAP but is adjusted for the fact that the SAAP is not constantly "investable" with respect to private market asset classes. For private markets, the Investable Benchmark Portfolio would apply the best available private market benchmarks and, for weighting purposes, would reflect the pacing Systems for private markets (assuming the pacing Systems are reasonable). For example, if the private equity pacing System called for 15% to be invested in private equity by the end of the performance measurement period, then the Investable Benchmark Portfolio would reflect a 15% allocation to private equity, even though the SAA Portfolio calls for 22% to be invested in private equity.

The following table illustrates how the performance of the CIO would be evaluated. Again, the returns are hypothetical and for illustration purposes only.

Statement of Investment Policy *(continued)*

PENSION (continued)

Portfolio Benchmark	Net Return (%)	Value Added (%)	Conclusions
A. Actual Portfolio	7.5	0.5 (A - B)	CIO outperformed the Benchmark Portfolio from these sources: i) manager selection (including security selection effects) and ii) other effects
B. Benchmark Portfolio	7.0	N/A	

- D.** For the benefit of stakeholders, the Board shall also measure and report for comparison purposes, on a quarterly basis, the actual portfolio return relative to the return of the LCPP and relative to commonly cited benchmarks, including:
1. A 60% equity and 40% fixed income portfolio ("60/40 Portfolio") comprised of 60% MSCI ACWI IMI (net, unhedged) and 40% Bloomberg Barclays Global Aggregate Bond Index; and
 2. A peer group benchmark consisting of other U. S. public pension Systems similar in size to the System, as reported in the InvestorForce Public DB > \$1B Net.

VII. MANAGER SELECTION, RETENTION, EVALUATION & TERMINATION POLICY

Background

- A.** The Board has delegated to the CIO the authority to select and terminate all investment managers of the System subject to constraints and parameters contained herein. Such authority shall be further subject to Manager Selection, Retention, Evaluation & Termination Procedures ("Procedures"), approved by the CIO, that provide more detailed constraints and parameters.
- B.** It is the Board's intention that the CIO shall have the necessary authority and resources to effectively select, retain, evaluate, and terminate investment managers with the exceptions of venture capital and co-investments (due to the nascent nature of the venture capital program and investment concentration risk of co-investments). The Venture Capital program shall be approved by the Investment Committee and the Board prior to its implementation. These exceptions do not pertain to funds where an external manager has discretion.
- C.** Accordingly, the CIO shall have the authority to:
1. Manage the Investment Personnel of the System, including:
 - a. Recommending to the CEO the appointment and duties of all professional, technical, and clerical employees of the Investment Division;
 - b. Directing and supervising all Investment Personnel on a day-to-day basis; and
 - c. Evaluating all Investment Personnel and managing their professional development.
 2. Select and terminate investment consultants to assist in the selection, retention, evaluation, and termination of investment managers.
 - a. The CIO may use the services of the general investment consultant appointed by the Board. Alternatively, if the services of the general consultant can be unbundled to separate manager research services, the CIO may select a consultant(s) of his or her choice to carry out manager research services that would otherwise have been included in the general investment consultant scope of services.

Statement of Investment Policy *(continued)*

PENSION (continued)

- b. The CIO shall ensure that the total fees and expenses associated with the consultants he or she selects are reasonable and shall provide a report of such fees and expenses to the Investment Committee and the Board on at least a quarterly basis.
 - c. While the CIO shall have the authority to select and terminate investment consultants to assist staff in selecting, retaining, evaluating and terminating investment managers, the Board shall approve all contracts with investment consultants selected by the CIO to ensure such contracts reflect fair and reasonable value for the System.
- 3. Delegation of authority to the CIO to select and terminate investment managers reflects the Board's desire to:
 - a. Promote efficiency and effectiveness in the manager selection and termination processes;
 - b. Focus the Board's time and attention on investment policy, asset allocation, and oversight, rather than manager selection and termination; and
 - c. Establish clear accountability on the part of the CIO and investment staff for manager selection, retention, evaluation, and termination.

General Constraints and Parameters

- A. The CIO's authority to select and terminate investment managers shall be subject to the following general constraints and parameters:
 - 1. Investment managers shall meet the following **minimum qualifications** to be selected to manage any assets of the fund:
 - a. Be **registered as an investment advisor** under the Investment Advisor's Act of 1940 or comparable legislation, unless the manager represent and warrants that it is exempt from such registration under applicable law.
 - b. Agree to enter into a contract with the System requiring them to perform their services consistent with the fiduciary services established under (a) the Investment Advisor's Act of 1940; (b) California law applicable to fiduciaries of public employee retirement systems, which includes the California State Constitution, Art. XVI sec. 17 and the San José Municipal Code and / or (c) terms and conditions substantially comparable to the foregoing that are satisfactory to the System.
 - 2. The nature and size of the manager's mandate shall be consistent with:
 - a. The asset allocation policy of the System;
 - b. Applicable constraints (e.g. **manager or strategy concentrations**) contained in this Investment Policy Statement; and the total System **active risk limit(s)**¹ **contained in the risk section of this IPS.**
 - 3. Notwithstanding paragraph 2) b) above, the CIO shall not approve the selection of an investment management firm for mandates that exceed the following limits:

Statement of Investment Policy *(continued)*

PENSION (continued)

Basis *	Description	Strategy Limit ²
Vehicle	Separately managed accounts (active)	15%
	Commingled funds and SMAs (public, passive)	No limit ³
	Commingled funds (public, active)	15%
	Commingled funds (hedge funds)	15%
	Commingled funds (private strategies)	15% ⁴
Public Markets ⁵	Passive strategies	No limit
	Active strategies	15%
Transaction Limit ⁶		
Private Markets	Total \$ commitment to asset class (e.g. Private Debt)	150% of Board-approved pacing plan (cumulative) ⁷
	Primary fund commitment (1st allocation to mgr.)	2%**
	Primary fund commitment (follow-on)	3%**
	Secondary fund investment	1%**

¹ Active risk or tracking error limits may apply at the total fund level, or another aggregation (e.g. public markets assets only, excluding private markets). Risk limits may also be based on concentration, expressed for example, as a percentage (%) of some total amount of risk.

² Percentage (%) of total System assets allowable per investment strategy.

³ Rationale: Fund is constrained by the asset allocation. This is the “default” option for investing, and scale determines pricing.

⁴ For private strategies, limit applies to the capital invested plus future callable commitments.

⁵ Some of these limits related to public markets may be “interim”, to be replaced by risk-based limits for example.

⁶ Percentage (%) of total System assets allowable per investment manager

⁷ This would allow, for example, a commitment in Year 1 that is 50% above “plan”. The “cumulative” provision would allow for a “catch-up” for any slower-than-planned investments in prior years.

* To be selected, the manager must satisfy the “Vehicle” constraint and the appropriate “Public Markets” or “Private Markets” constraints

** Percentage (%) of total System assets

4. When a market movement is the cause of a breach in the above limits, it should be reported to the IC at the earliest of a mutually agreed-upon time during which the Investment Committee could convene with a quorum, or at the next regularly scheduled Investment Committee meeting, along with a report on how the breach was addressed, or a recommendation to address the breach.

Manager Selection

Manager Selection Process

- A. The process used to select an investment manager shall, at a minimum, include the following elements:
 1. Imposition of a Quiet Period / No Contact policy. Board members and non-investment staff shall not have contact with parties who are under consideration for engagement by the System in response to an RFP, RFI, purchase order, other solicitation or other contracting process that has reached the point of specific focus on such parties, except in accordance with the published terms of the contracting process or except for, and limited to, contact necessary in connection with ongoing System business with a party. The System’s communications with such parties shall include notice that a no-contact “quiet period” will be in place from a specified date until the contracting decision is finalized with respect to such parties, such that these communications shall not occur, except as provided above. As part of the contracting process, potential contracting parties (a) shall be informed by investment staff of the quiet period requirements and that violations of the quiet period requirements will cause immediate disqualification from their being engaged by the

Statement of Investment Policy *(continued)*

PENSION (continued)

System; (b) shall be required to disclose potential conflicts of interest; and (c) shall make the placement agent disclosures required by law and System policies. Board members and non-investment staff shall not influence or attempt to influence, the System's decision-making process, outside of their authorized actions on behalf of the System.

2. Identification of a mandate to implement the Board's SAA Policy Portfolio.
 3. Comprehensive **operational due diligence** performed by the investment staff, qualified investment consultant, or qualified quasi-discretionary investment manager;
 4. **Legal review** by qualified investment counsel of the manager agreement and related documentation;
 5. **An internal meeting of investment officers, including the CIO** and the officer responsible for the asset class in question, during which staff's due diligence analysis is reviewed and debated and a staff recommendation is made;
 6. **Approval by the CIO;**
 7. **Concurrence by a qualified investment consultant** or quasi-discretionary investment manager as to the reasonableness of the selection decision;
 8. At the request of the Investment Committee, written affirmation by the CIO that the process used to select the manager complied with all applicable policies and the Procedures, which affirmation, if requested, shall be included in the due diligence records for the manager. The CIO shall provide the Investment Committee with a summary of all active manager level transactions semi-annually.
- B.** The Procedures shall include any **checklists and templates** to be used in the due diligence process. Such Procedures shall be presented to the Investment Committee for review and input at least every three years, or sooner upon request of the Investment Committee or any member of the Board.
- C.** Whenever amendments are made to the Procedures, a copy shall be provided to the Investment Committee at its next regularly scheduled meeting.
- D.** Should any Investment Officer responsible for performing manager due diligence and preparing manager selection and termination recommendations to the CIO cease to be employed by the City for any reason, the CIO shall inform the Investment Committee immediately.
- E.** The selection of an investment manager that would contravene a provision of this policy or the Procedures shall require Investment Committee approval.
- F.** A file or files shall be established to serve as a permanent record of the due diligence process for each investment manager hired and shall contain a summary of the due diligence information and analysis generated during the search process, as well as the legal documentation.

Statement of Investment Policy *(continued)*

PENSION (continued)

- G. The **internal audit plan** of the internal auditor shall include a review of a random sample of investment manager selection decisions at least once per year to confirm compliance with this policy and the Procedures approved by the CIO, the scope of which shall not include the investment performance of such selection decisions. The results of such review shall be reported to the Audit Committee and the Investment Committee.
- H. A “**Watch List**” will be established for underperforming managers and managers under extraordinary review for qualitative reasons, and will be maintained by the General Consultant.
 - 1. Quantitative criteria for underperformance which would trigger placement on the Watch List includes manager underperformance versus the appropriate benchmark over a three and / or five year period.
 - 2. Potential actions resulting from placement on the Watch List include finding appropriate resolution of outstanding issues, renewed confidence in the manager or strategy, or determination that the termination of the manager or strategy is appropriate.
 - 3. Investment staff will identify underperforming managers in conjunction with consultants.
 - 4. As necessary, nuanced investment strategies or fund types may require customized review.
- I. The System will seek alignment of interests when negotiating fees while pursuing the best net of fees performance results. Investment costs shall be monitored, controlled, and whenever possible negotiated to ensure cost effectiveness. The Board shall give consideration to the impact of administrative expenses, external management fees and performance fees when establishing the asset mix policy of the System. The Board will be provided reports on investment costs of the System at least annually.
- J. The System’s staff, in coordination with its investment consultants and legal counsel, will negotiate, monitor, and report on fees with investment managers regularly to ensure market competitiveness and appropriateness.
- K. The System will seek to ensure that excessive fees are not being paid for alternative assets by reviewing manager fees at least annually. Fee structures could incorporate fixed fees, performance based fees, high water marks, waterfall, hurdles, floors and caps. The System may also incorporate multi-year performance periods with clawbacks as needed.

Manager Termination Procedures

- A. City of San José Department of Retirement Services investment staff is aware that the ongoing review and analysis of investment managers is just as important as the due diligence implemented during the investment manager selection process. The performance of the investment managers will be monitored on an ongoing basis and it is at the CIO’s discretion to take corrective action by terminating and / or replacing an investment manager if it is deemed appropriate at any time for any reason.

The CIO, in agreement with the appropriate consultant for the manager / asset class in question, may terminate an investment manager or product due to a variety of reasons.

Statement of Investment Policy *(continued)*

PENSION (continued)

These reasons can include but are not limited to the following:

1. System asset allocation change
2. limited market opportunity
3. style drift
4. violation of policies or guidelines
5. key personnel turnover
6. failure to achieve performance or risk objectives
7. legal or regulatory action
8. any change deemed likely to impact or impair investment performance
9. any other material adverse events, whether reputational or financial, that could be expected to cause significant headline risk

Termination of private funds is typically not possible. If the CIO wishes to exit a private fund, they may evaluate opportunities for secondary market sales of fund interests.

The CIO will report any termination actions at the next Committee meeting, detailing the rationale for action.

VIII. RISK POLICY

Purpose and scope

The purpose of this Risk Policy is to ensure that the total portfolio investment risk is consistent with the investment beliefs and strategic goals set forth by the San José Federated City Employees' Retirement System Board. This document defines the roles and responsibilities for maintaining this Risk Policy, management of the investment risks of the System, and monitoring the results. It also articulates the Board's philosophy towards investment risk. The System intends to use risk management to make more informed decisions and improve the likelihood of achieving its strategic goals and objectives within the appendix, specific risk targets and limits are established.

The Risk Policy will cover investment risk, liquidity risk, credit risk, and funding risk. The Risk Policy will not cover enterprise risk concepts such as operational risk, regulatory risk, legal risk, and counterparty risks.

Objectives

The objectives of the risk management program are:

- A. To communicate the System's commitment to risk management and the central role in achieving System goals and objectives;
- B. To formalize and communicate a consistent approach for managing risk;
- C. To ensure the investment risks assumed by the System are appropriate given the financial health of the Sponsor;
- D. To ensure the System operates within the agreed risk tolerance and risk limits.

Definitions

To aid with the interpretation of this policy, a glossary of terms is included in the Appendix C, which defines all the technical terms used in this policy.

Statement of Investment Policy *(continued)*

PENSION (continued)

Governance

Consistent with the Board's governance model, which delegates specific authority, responsibility, and accountability to others based on areas of expertise, this Risk Policy defines the following roles and responsibilities. The Board retains sole responsibility of governing the System, setting investment policy and risk policy, and monitoring the Investment Program. The Board delegates specific areas of responsibility while retaining appropriate oversight of the delegated activity.

Board of Administration

The Board maintains the sole and plenary authority and fiduciary responsibility for the Investment Program. The Board also understands it may delegate certain responsibilities under the Investment Program for purposes of administrative efficiency and expertise. The areas of the Investment Program the Board may not delegate include:

- A. Engaging Board consultants and service providers
- B. The governance model of the Investment Program
- C. Monitoring the Investment Program
- D. Establishing and maintaining investment policy, including:
 - 1. The Investment Policy Statement ("IPS")
 - 2. This Risk Policy
 - 3. Investment objectives
 - 4. Strategic asset allocation
 - 5. Allocation-level performance benchmarks
 - 6. Risk philosophy

Investment Committee

The Investment Committee ("IC") is a subset of the Board assigned to review investment related matters in greater detail. The IC has been assigned authority to assist the Board in its duties by meeting on at least a quarterly basis regarding matters of investment policy, risk management, portfolio structure, vendor selection, real estate operations, human resources, reporting, and monitoring. Please refer to the IC Charter for specific detail.

Staff

San José Retirement Services Staff ("Staff"), including the Chief Executive Officer (CEO) and Chief Investment Officer (CIO), is broadly responsible for supporting the Board in the effective execution of the Investment Program. The CIO has been delegated authority to execute specific elements of the Investment Program as outlined herein.

General Investment Consultant

The General Investment Consultant ("GC") is appointed by the Board to provide independent, objective investment advice. The GC is a fiduciary to the System under California law. The GC works with Staff and specialty consultants in the development of recommendations while recognizing its fiduciary duty is to provide prudent investment advice to the Board. The GC provides advice without discretionary authority to execute on its advice. With regard to this Risk Policy, the GC contributes to the following:

- A. Asset allocation recommendations among classes and subclasses
- B. Investment manager selection, evaluation, and termination
- C. Investment performance monitoring
- D. Investment risk monitoring

Statement of Investment Policy *(continued)*

PENSION (continued)

- E. Capital markets projections
- F. Coordination with the System's actuary in conducting periodic asset / liability studies and other required reporting
- G. Recommend changes to the actual portfolio to achieve compliance with this Risk Policy
- H. Board education

Specialty Investment Consultants

A. Absolute Return Consultant

The Absolute Return Consultant ("AC") is appointed by the Board to provide independent, objective investment advice. The AC is a fiduciary to the System under California law. The AC works with Staff and the other consultants in the development of recommendations while recognizing its fiduciary duty is to provide prudent investment advice to the Board. The AC provides advice without discretionary authority to execute on its advice. With regard to this Risk Policy, the AC contributes to the following:

1. Assists with providing transparency into the absolute return investment strategies, including recent holdings and transactions.
2. Assists with the analysis of recommended investment strategies that have not yet been incorporated into the System including recent holdings and transactions.
3. Board education.

B. Risk Advisory Consultant

The Risk Advisory Consultant ("RC") is appointed by the Board to provide independent, objective investment advice. The RC is a fiduciary to the System under California law. The RC works with Staff and the other consultants in the development of recommendations while recognizing its fiduciary duty is to provide prudent investment advice to the Board. The RC provides advice without discretionary authority to execute on its advice. With regard to this Risk Policy, the RC contributes to the following:

1. Asset allocation recommendations among classes and subclasses
2. Investment manager evaluation
3. Risk policy development and maintenance
4. Investment risk monitoring
5. Recommend changes to the actual portfolio to achieve compliance with this Risk Policy
6. Board education

Investment Managers

Investment Managers are delegated the responsibility of investing and managing System assets in accordance with the IPS, Risk Policy, and all other applicable laws and the terms of the applicable investment documents evidencing the System's acquisition of an interest in an investment vehicle, and other controlling documents. Investment Managers are responsible for making all investment decisions on a discretionary basis regarding assets placed under their jurisdiction and will be accountable for achieving their investment objectives. Such discretion shall include decisions to buy, hold, and sell investments in amounts and proportions that are reflective of the stated investment mandate.

Statement of Investment Policy *(continued)*

PENSION (continued)

Custodian Bank

The Custodian Bank, selected by the Board to act as the principal custodian of assets of the trust, is delegated the responsibility of holding the assets and evidence of interests owned by the System in investment vehicles and cash (and equivalents). The Board may authorize the Custodian Bank to invest in temporary short-term fixed income investments both for the investment strategies and as a part of the cash portion of System assets. Such investments will be managed in general accordance with short-term fixed income investment guidelines as detailed in the Custodial Agreement. Cash managed for investment strategies shall be considered to be sub-portions of the assets managed by the directing Investment Managers.

Philosophy

An institutional investment program is inherently exposed to many types of risk. This Risk Policy focuses primarily on the investment risks caused by the markets to which the System is exposed (e.g. domestic equities, real estate, domestic fixed income, and others). Related risks such as counterparty, geopolitical, and fraudulent or unethical behavior, among others, are not addressed in this Risk Policy.

This Risk Philosophy represents the foundational principles on which the Investment Program is based. Every investment decision should be made with these foundational principles in mind to promote the fulfillment of fiduciary obligations. The statements below set forth the Board's Risk Philosophy, in order of importance:

Investment Risk Policy Should Consider the Financial Health of the Sponsor

Contribution volatility (i.e. the volatility of annual contributions made to the System by the Sponsor) represents a significant budgetary constraint on the Sponsor's financial planning with important implications for taxpayers. The Investment Program shall, therefore, assume a level of volatility that can be tolerated by the Sponsor in both normal as well as stressed market conditions.

The funded status (i.e. funded ratio), viewed as a general proxy for the health of the System, is reviewed on both actuarial and market value of assets bases. While a higher funded ratio is always preferred, the Investment Program shall not accept a level of risk that for a given probability could cause the funded ratio to fall below the limit identified in Appendix B.

The System will manage funding risk in three main ways:

- A.** Actuarial review: The actuary will periodically review the System's liabilities
- B.** Asset / Liability studies: The general consultant will periodically perform this study to identify changes in the relationship between assets and liabilities
- C.** Asset Allocation: The System will periodically conduct asset allocation studies to ensure:
 - 1.** portfolio diversification
 - 2.** expected portfolio returns over the long-term (i.e. 10 years or more) in combination with projected contributions are sufficient to meet expected liabilities

Volatility and Drawdown are the Primary Measures of Investment Risk

Because the System must satisfy long-term liabilities and receives regular contributions from the Sponsor, the Investment Program invests for the long-term appreciation of assets. It is, therefore, able to withstand short-term volatility spikes without undue impairment of capital. For this reason, long-term volatility (i.e. 8 years or more) is considered the appropriate timeframe. Volatility is forecasted through the System's strategic asset allocation and risk reporting processes and is measured and monitored as outlined in Appendix B and C.

Statement of Investment Policy *(continued)*

PENSION (continued)

Market corrections due to economic recession, geo-political instability, and other causes have historically proven detrimental to the funded status of the System. Drawdown and tail-risk metrics are designed to assess potential investment returns during such periods of market stress. Historical drawdown scenario analysis provides insight into how the portfolio would respond if it were exposed to prior stressed market conditions. Tail-risk analysis provides insight into the probabilities of experiencing a negative investment return with a small (e.g. 5%) probability. These metrics provide insight into how much may be lost during a stressed market environment. Because market corrections are statistically infrequent and typically caused by unforeseen events, neither approach can be used with certainty, but each provides insight into the potential impact a worst-case scenario may represent to the System and Sponsor.

Active Risk, Factor Exposures, and Liquidity must be Monitored

Implementation of any strategic asset allocation introduces deviations between the System's actual portfolio and its policy index. While it is generally desired to minimize these differences to achieve efficiency, deviations from the policy index may be desirable for various reasons. To ensure the actual portfolio is appropriately adhering to the policy index, active risk must be measured and monitored through tracking error statistics.

Factor exposures capture the underlying economic drivers supporting asset class returns. While the policy index and actual portfolio are constructed primarily through asset class forecasts, factor exposures provide important insight into the underlying economic drivers supporting the Investment Program. Each security owned within each investment strategy has some exposure to various economic drivers. The Investment Program's total exposure to the economic drivers is, therefore, driven by the exposures inherent in those securities as well as the correlations across the factor exposures. To understand better the System's exposure to the economic drivers and anticipate how the Investment Program will perform under various economic environments, factor exposures must be measured and monitored.

In addition to benefit payments, the System must meet its obligations to pay its expenses and satisfy capital calls. Generally, these cash outflows are predictable and can be met through the normal administration of the System. Under stressed market conditions, however, liquidity within the Investment Program can change significantly and with little advance notice while the System must continue to meet its obligations. Liquidity must, therefore, be monitored and measured to ensure that the System can continue to meet its financial obligations during periods of market stress without being forced to sell assets at stressed prices.

Monitoring

Reporting processes are designed to provide the Board with the information needed to execute its oversight function. As such, the Board has developed the following monitoring structure.

The Investment Committee, CIO and RC will monitor the Investment Program's risk exposures quarterly. This detailed review process will include security-level exposure analysis of the Investment Program's factor exposures; asset class exposures; tracking error; tail-risk and drawdown scenario analysis, and geographic exposures.

The Board, Staff, and RC will monitor the Investment Program's adherence to this Risk Policy on a quarterly basis. This review process will summarize the detailed reporting used by the Investment Committee and also include the ranges and targets outlined in Appendix B.

Management

Aside from liquidity management responsibilities assigned to the CIO in the System's IPS, the Board retains full authority and responsibility for ensuring adherence of the Investment Program to this Risk Policy.

Statement of Investment Policy *(continued)*

PENSION (continued)

The System's risk management function is expected to evolve through time. The objective of the risk management function is to ensure the System operates within the Board's agreed risk tolerance and limits. The main goals of the risk management function are:

- A. Identify: risks that will impact the System's ability to meet its goals and objectives;
- B. Estimate the significant risks to which the System is exposed;
- C. Manage: risk must be managed and should be commensurate with the rewards;
- D. Communicate: risks must be reported and monitored on a regular basis.

To a large extent, many factors that impact future benefits and contributions are uncontrollable, however, the potential impacts are considered in strategy development. The System uses three approaches (actuarial valuation, asset / liability studies, and asset allocation studies, as discussed above) to address and manage risk.

The Board may delegate authority to the CIO and Staff for certain functions as detailed below. Delegation of authority will be coordinated with workflow, compliance and reporting procedures that are clearly defined, reviewed, and approved. The Board shall be notified timely of all investment decisions made by the CIO and their implications to the System.

A. Rebalancing

Portfolio rebalancing may occur by adjusting allocations to individual investment strategies or managers or through the use of an overlay provider using derivatives.

B. Relative Risk

While the Board recognizes that the majority of investment risk over the long term is dependent on the asset allocation decision, it recognizes the cost of precisely matching the strategic asset allocation is considerable and not always optimal. In addition to asset class weightings versus policy, annualized tracking error will be used to measure the disparity of returns between the actual positions in the Investment Program compared to the strategic asset allocation.

IX. INVESTMENT COSTS

The Board members intend to monitor and control investment costs at every level of the San José Federated City Employees' Retirement 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 System restructurings to eliminate unnecessary turnover expenses.
- D. Managers will be instructed to minimize brokerage and execution costs.

Statement of Investment Policy *(continued)*

PENSION (continued)

APPENDIX A ¹

ASSET ALLOCATION TARGETS ²

	Target (%)	SAAP Asset Class Benchmarks	LCPP Asset Class Benchmarks	Tracking Error Target Range (basis points)
Growth	75			
Public Equity	49	Custom Public Equity Benchmark ³	LCPP Custom Public Equity Benchmark ³	0 - 400
Total Private Markets	21	Actual Return		N/A
Private Equity	8		Russell 3000	
Venture / Growth Capital	4		Russell 3000	
Growth Real Estate	3		FTSE EPRA NAREIT Global	
Private Debt	3		Bloomberg US Aggregate	
Private Real Assets	3		S&P Global Natural Resources	
Emerging Market Bonds	3	50 / 50 JPM EMBI GD / JPM GBI-EM GD	50 / 50 JPM EMBI GD / JPM GBI-EM GD	0 - 300
High Yield Bonds	2	Bloomberg US Corporate High Yield	Bloomberg US Corporate High Yield	0 - 300
Low Beta	8			
Immunized Cash Flows	5	Actual Return	Bloomberg US Gov / Credit 1-3 Year	N/A
Market Neutral Strategies	3	SOFR + 1.5%	SOFR	0 - 1,000
Other	17			
Investment Grade Bonds	6	Custom IG Bonds Benchmark ⁴	Custom IG Bonds Benchmark ⁴	0 - 200
Core Real Estate	5	NCREIF ODCE Cap Weighted - Net (Lagged 1 quarter)	FTSE EPRA NAREIT Global	0 - 400
Long-Term Government Bonds	4	Bloomberg US Long Treasury	Bloomberg US Long Treasury	0 - 100
TIPS	2	Bloomberg US Treasury TIPS 0-5 Year TIPS	Bloomberg US Treasury TIPS 0-5 Year TIPS	0 - 100

¹ Appendix A shall be revised as new Asset Allocation targets are approved by the Board.

² Approved by the Board of Administration on April 18, 2024; affirmed March 20, 2025.

³ 51.0% MSCI US IMI, 24.5% MSCI World ex US IMI Net, 24.5% MSCI EM IMI Net.

⁴ 17.0% Bloomberg 1-3 Year Government / Credit, 60.0% Bloomberg US Aggregate, 23.0% Bloomberg US Securitized MBS / ABS / CMBS Index.

Statement of Investment Policy *(continued)*

PENSION (continued)

APPENDIX B SCHEDULE LIMIT TARGETS

Characteristic	Measurement	Operating Range		Board Approved Limit
		Min.	Max.	
Funded ratio	Probability that the Actuarial funded ratio will fall below the Board Approved Limit	80%	no maximum	5% probability of falling below 48%
Sponsor contributions	Probability that Sponsor contributions in a single year will exceed a specified limit	\$160mm	\$220mm	5% probability of exceeding \$335mm
Interest on UAL	Probability that the Interest cost of unfunded actuarial liability will increase above a specified limit	\$35mm	\$80mm	5% probability of exceeding \$150mm
Total fund absolute volatility	Forecast Annualized standard deviation of returns of the actual portfolio	8%	10%	13%
Total fund relative volatility	Forecast Tracking error of the actual portfolio vs. the strategic asset allocation policy index	1%	2%	4%
Drawdown exposure	Average of three worst historical scenario drawdown events	n/a	n/a	(36)%
Liquidity	Liquidity Coverage Ratio (LCR) 5-year projection	2.0	3.0	1.2

The Operating Range is from the revised Investment Statement Policy, effective July 1, 2025.

Statement of Investment Policy *(continued)*

PENSION (continued)

APPENDIX C

DEFINITIONS

Actuarial Assumptions: Assumptions made by the actuary that influence the valuation of liabilities.

Active Risk: Measures the volatility of an investment strategy versus its benchmark.

Concentration Risk: Lack of diversification in exposure to markets or managers.

Confidence Interval: A range of values so defined that there is a specified probability that the value of a parameter lies within it.

Counterparty Risk: The risk that a party in a transaction does not fulfill its contractual obligation. Both sides of a contract are exposed to this risk.

Credit Risk: Also referred to as default risk. This is the risk the borrower fails to repay a loan or meet a contractual obligation.

Currency Risk: The potential loss on the price of an asset due to fluctuating foreign currency exchange rates.

Drawdown: A measure of both returns and time over which an investment experienced a decline in value from a peak to a trough. It is based on actual historical results.

Duration: Measures how long (in years) it takes to be repaid the bond's price by the bond's total cash flows. This measure is used to determine the interest rate sensitivity of the portfolio.

Funded Ratio: The ratio of assets to liabilities. Assets can be defined in terms of the fair value of assets or the actuarial value of assets. Liabilities are defined as all future benefit payments discounted at the actuarial assumed return.

Funding Risk: Also referred to as surplus risk, this is the risk of assets and liabilities not matching.

Inflation Risk: The risk that general prices of goods and services are rising, which erodes the purchasing power of money.

Interest Rate Risk: The risk that an investment will decline in value as a result of a change in interest rates. This risk is measured by its duration.

Investment Risk: The risk associated with investing in capital markets.

Liquidity: Is comprised of both the time required to complete the transaction and the impact that the transaction has on the price of the asset. There are two types of liquidity risk: Market liquidity risk and funding liquidity risk. Market liquidity risk refers to the risk that an asset cannot be sold without loss of value. Funding liquidity risk refers to the risk that the System will not be able to meet financial obligations as they come due.

Liquidity Coverage Ratio: The ratio of liquidity available to liquidity needs.

Statement of Investment Policy *(continued)*

PENSION (continued)

Portfolio Construction Engine: A software program relying on mean-variance portfolio optimization. Portfolio optimization requires inputs of asset class returns, standard deviations, and correlations in order to develop an output of total portfolio expected returns and standard deviations, which can be compared along with their Sharpe ratios.

Risk: The uncertainty of an event occurring.

Standard Deviation: The square root of the average squared deviation of the returns from its mean.

Strategic Asset Allocation: The asset classes and weights that are targeted for the policy benchmark.

Tail Risk: Tail-risk measures both the probability and expected returns of a significant loss. When assuming normally distributed returns, tail-risk is the left tail of the return distribution. The normal distribution used for mean-variance optimization underestimates the risk of rare events when markets exhibit fat tails (for example, during the Global Financial Crisis).

Volatility: The standard deviation of returns. Standard deviation (SD) is the square root of the average squared deviation of the returns from its mean.

Statement of Investment Policy

HEALTHCARE

This investment policy was approved on January 20, 2022. The asset allocation was approved on April 21, 2022.

I. SAN JOSÉ FEDERATED CITY EMPLOYEES' RETIREE HEALTH CARE TRUST FUND GOALS

The City of San José Federated City Employees' Retiree Health Care Trust Fund (the "Fund") was established to subsidize postretirement healthcare benefits for San José Federated City Employees' Retirement System members and their families. The Fund's assets are structured to provide growth from capital gains and income, while maintaining sufficient liquidity to meet beneficiary payments.

II. INVESTMENT OBJECTIVES

The investment strategy of the Fund is designed to ensure the prudent investment of System assets in such a manner as to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss.

A. Risk Objectives

1. To accept the optimal level of risk required to achieve the Fund's return objective as stated immediately below.
2. To target total portfolio investment risk consistent with the investment beliefs and strategic goals set forth by the San José Federated City Employees' Retirement System Board.
3. To consider the financial health of the Sponsor when assuming investment risks.
4. To use diversification to minimize exposure to company and industry-specific risks in the aggregate investment portfolio.

B. Return Objective

1. In a manner consistent with the goals stated in Section I above, to manage the Fund's assets as to achieve the highest, reasonably prudent return possible.

III. INVESTMENT CONSTRAINTS

A. Legal and Regulatory

The terms of the Fund are described in the San José Municipal Code.

B. Time Horizon

The Fund will be managed on a going-concern basis. The assets of the Fund will be invested with a long-term time horizon (ten to twenty years or more), consistent with the participant demographics and the purpose of the Fund.

C. Liquidity

The Board members intend to invest only in public markets assets, which are typically liquid on a daily or monthly basis, and in core real estate funds, which are typically liquid within one year.

D. Tax Considerations

The Fund is a tax-exempt entity. Therefore, investments and strategies will be evaluated only on the basis of expected risks and potential returns.

Statement of Investment Policy *(continued)*

HEALTHCARE (continued)

IV. RISK AND RETURN CONSIDERATIONS

The Board members accept the risks associated with investing in the capital markets (market risks), but will minimize wherever possible those risks for which the Fund is unlikely to be compensated (non-market or diversifiable risks).

V. DIVERSIFICATION

The Board members of the San José Federated City Employees' Retirement System recognize that an important element of risk control is diversification. Therefore, investments will be allocated across multiple classes of assets, chosen in part for their low correlation of expected returns. Within each asset type, investments will be distributed across many individual holdings, with the intention of further reducing volatility.

The specific degrees of diversification within asset classes will be addressed in each separate account manager's investment guidelines, or in each commingled manager's fund documents.

The purpose of the functional classifications and major asset classes are defined in the language and table below.

A. Functional Sub-portfolios

The investment strategy for the Investment Program employs three functional sub-portfolios to construct the comprehensive asset allocation. The allocation to the sub-portfolios is assessed at least annually and is based on projected capital market assumptions. The Chief Investment Officer ("CIO") shall review the relative size and composition of these sub-portfolios and advise the Investment Committee ("IC") of any necessary revisions to the allocation among the sub-portfolios.

- 1. Growth Sub-portfolio:** The purpose of the Growth Sub-portfolio is to grow invested assets over the long term in order to pay future benefits. This portfolio is characterized by a long investment horizon and can, therefore, accept a higher level of volatility. Assets in this portfolio may be volatile, have reduced liquidity, and derive the bulk of their return from capital appreciation. These assets include public equity. The success of this portfolio will be measured primarily by compounded annual growth rates in conjunction with the annualized standard deviation of returns as the primary measure of risk. Performance evaluation will, therefore, focus on the long-term total risk-adjusted return of the portfolio.
- 2. Low Beta Sub-Portfolio:** The purpose of the Low Beta Sub-portfolio is to ensure that the overall (total portfolio) a) is relatively immune from market fluctuations while providing a source of alpha b) is a source of capital for purchasing undervalued assets in the Growth sub-portfolio, and c) has adequate assets available to pay benefits over an extended timeframe. It will contain cash and cash-like assets such as short-term bonds and other investments that provide fixed, contractual cash flows with a minimum level of credit risk. The Low Beta portfolio is expected to provide a stable offset to the rest of the portfolio during periods of severe market stress and to effectively dampen the market volatility across the entire portfolio. The success of the Low Beta Sub-portfolio will be measured by its ability to offset declines in value in the Growth Sub-portfolio, as well as its ability to provide liquidity during times of market stress.

Statement of Investment Policy *(continued)*

HEALTHCARE (continued)

3. **Other Sub-Portfolio:** The purpose of the Other Sub-portfolio is to ensure that the overall portfolio is specifically protected against inflation risks while also providing for further diversification. The success of the Other sub-portfolio will be measured by its ability to protect the portfolio from inflation risk while also providing an additional source of return and diversification.

B. Interaction between the Functional Sub-portfolios

The allocations to the Growth, Low Beta, and Other sub-portfolios will vary over time. When Growth assets are undervalued, the Low Beta Sub-portfolio will act as a source of funds and when Growth assets are overvalued the Low Beta sub-portfolio will act as a use for harvested Growth portfolio returns. The Growth and Other sub-portfolios will be subject to the volatility of the markets in which each functional sub-portfolio invests. In order to reallocate between the functional sub-portfolios, the CIO and the General Consultant will conduct an annual capital review to assess the relative value and risks associated with each asset class and deliver a review of the capital markets to the Board. The Consultant will provide the Board current forward-looking risk and return assumptions for all major asset classes. In conjunction with this review, the CIO will provide a recommendation of how best to allocate assets within each functional sub-portfolio. If necessary, the CIO will recommend changes in target allocations to the underlying asset classes in order to deploy the Investment Program's assets effectively in the upcoming year. While considering changes to the allocation to each functional sub-portfolio, the CIO will view the totality of all functional portfolios, and consider the impact of changes to the overall risk and return profile of the total portfolio.

Public Equity - Growth

The purpose of Public Equity is to provide the Fund exposure to the total return due to equity capital owners, including exposure to capital appreciation from economic growth, while managing volatility relative to the equity market.

Short-Term Investment Grade Bonds - Low Beta

The purpose of Short-Term Investment Grade Bonds is to provide the Fund a return while mitigating risk.

Cash - Low Beta

The purpose of Cash is to maintain sufficient liquidity for Fund benefit payments and expenses.

Core Real Estate - Other

The purpose of Core Real Estate is to produce the Fund income and price appreciation while maintaining a low correlation to both stocks and bonds.

Commodities - Other

The purpose of Commodities is to increase the Fund's portfolio diversification and provide a hedge against unexpected inflation.

Investment Grade Bonds - Other

The purpose of Investment Grade Bonds is to produce returns and income for the Fund by providing exposure to rates and credit risk.

Long-term Government Bonds - Other

The purpose of Long-term Government Bonds is to provide a positive return in highly stressed market environments, with a low correlation to equity risk.

Statement of Investment Policy *(continued)*

HEALTHCARE (continued)

VI. ASSET ALLOCATION POLICY

Asset Allocation and Portfolio Construction

- A. The Board recognizes that establishing an appropriate strategic asset allocation portfolio (SAAP) is critical to the long-term success of the investment program, as asset allocation is the single biggest determinant of the expected risk and return of the Fund.
- B. The Policy Benchmark is a weighted average of the underlying benchmarks for each asset class, as outlined in Appendix A.

Asset Allocation Tools & Methods

- A. The SAAP will be re-evaluated annually following the results of the annual actuarial study. A formal asset allocation study will be performed approximately every three years or when a significant market correction occurs. The capital market assumptions (CMA) used in such studies shall be reviewed and updated annually or when the S&P 500 experiences a decrease of more than 20% from peak. The Board shall consult with the general investment consultant in connection with such asset allocation studies and CMA reviews.
- B. Asset allocation studies shall be designed to ensure rigorous and objective analysis, and minimize decision-making bias by:
 - 1. Requiring the use of a portfolio construction engine (“Engine”); and
 - 2. Requiring that the Board and IC always focus first on establishing the most reasonable and defensible inputs to the Engine. That is, if the Board is uncomfortable with the results of the Engine, it shall respond by reviewing the reasonableness of the inputs to the Engine, rather than simply modifying the results.
- C. When arriving at the SAAP, asset allocation studies shall include the four basic steps outlined below:
 - 1. Step 1: Inputs
 - a. For each study, the Board shall approve the inputs to the Engine including:
 - Permitted asset classes (Permitted asset classes for the LCPD shall include only public markets and permitted asset classes for the SAA Portfolio shall include both public and private markets);
 - CMAs; and
 - Material constraints (e.g. maximum allocations to certain asset classes), along with supporting rationale.
 - b. The CIO shall propose the inputs to the IC, with prior input from the Board’s general investment consultant, and work with the investment consultant throughout the process to make subsequent revisions to inputs, based on feedback from the IC.
 - c. The Board, IC, CIO and investment consultant are expected to reach a consensus regarding the above inputs and the Board shall formally approve them. Staff shall document the process by which it arrives at its recommended inputs.

Statement of Investment Policy *(continued)*

HEALTHCARE (continued)

2. Step 2: Modeling and Analysis
 - a. The investment consultant will incorporate the approved inputs into the Engine to be used to identify and analyze potential asset allocation choices for each study and present the results to the CIO.
 - b. The Board expects that the Engine will rely on mean-variance optimization (“MVO”).
 - c. The Board shall also consider the results of the MVO analysis under additional constraints to ensure adherence with approved risk limits including:
 - Stress testing, including historical scenario analysis and factor-specific testing;
 - Liquidity analysis under normal and stressed conditions; and
 - Cash flow management requirements
3. Step 3: Recommendations
 - a. The CIO will present the current asset allocation and a number of reasonable alternatives along the so-called “efficient frontier” for the Board to consider.
 - b. In presenting the alternatives, the CIO initially will present only the return / risk characteristics of each alternative and will not reveal the underlying asset class allocations (i.e. “blind” format). This will allow the Board / IC to focus initially on the return / risk implications of each alternative, rather than the underlying asset allocations.
 - c. After the Board has engaged in a preliminary discussion and analysis of the alternatives, the underlying asset allocations of each alternative will be revealed for further consideration.
 - d. The Board / IC may provide feedback to the CIO and investment consultant, which may require further analysis and a request for revised recommendations for the Board / IC to consider.
4. Step 4: Approvals
 - a. The Board / IC will review the final analyses and recommendations from the CIO and general consultant and approve:
 - Strategic Asset Allocation Portfolio weights, targets and ranges (maximum – minimum).

Rebalancing

- A. The CIO shall adhere to the SAAP asset and sub-asset class “targets” approved by the Board and shall rebalance to within the approved range at least quarterly if the actual weights at the sub-asset class levels are not within 10% of the approved target, considering the cost of more frequent rebalancing. For example, if the target allocation for an asset class is 20%, re-balancing will be triggered quarterly when the actual allocation for the asset class deviates by +/- 2% (i.e. 10% x 20%, reaching 18% or 22%). The CIO may use discretion to rebalance to within the approved range at more frequent intervals than quarterly, and when actual weights are within 10% of the approved target, subject to an assessment of market risk, active risk, and transactions costs. When a change to the

Statement of Investment Policy *(continued)*

HEALTHCARE (continued)

SAAP is made by the Board, the CIO and the investment team will rebalance to the new target weights as expeditiously as possible, or in tranches if directed by the Board. The CIO shall also use his discretion in rebalancing to the new SAAP in the event that instant liquidation of managers within an asset class may work against the interests of the System. Changes to the weights of illiquid asset classes may take several quarters to implement, and the CIO shall keep the IC apprised of progress toward the new SAAP. Synthetic rebalancing through an overlay provider may also be used when appropriate. The Immunized Cash Flows portfolio is exempt from this rebalancing provision, as it is amortizing by design.

- B. Total Fund active risk (i.e. tracking error) is to be maintained below 3%. While asset class exposures may fall within acceptable capital allocation ranges as noted above, total Fund tracking error is not to exceed this 3% threshold.

VII. MANAGER SELECTION, RETENTION, EVALUATION & TERMINATION POLICY

Background

- A. The Board has delegated to the CIO the authority to select and terminate all investment managers of the Fund subject to constraints and parameters contained herein. Such authority shall be further subject to Manager Selection, Retention, Evaluation & Termination Procedures ("Procedures"), approved by the CIO, that provide more detailed constraints and parameters.
- B. It is the Board's intention that the CIO shall have the necessary authority and resources to effectively select, retain, evaluate, and terminate investment managers.
- C. Accordingly, the CIO shall have the authority to:
 - 1. Manage the Investment Personnel of the System, including:
 - a. Recommending to the CEO the appointment and duties of all professional, technical, and clerical employees of the Investment Division;
 - b. Directing and supervising all Investment Personnel on a day-to-day basis; and
 - c. Evaluating all Investment Personnel and managing their professional development.
 - 2. Select and terminate investment consultants to assist in the selection, retention, evaluation, and termination of investment managers.
 - a. The CIO may use the services of the general investment consultant appointed by the Board. Alternatively, if the services of the general consultant can be unbundled to separate manager research services, the CIO may select a consultant(s) of his or her choice to carry out manager research services that would otherwise have been included in the general investment consultant scope of services.
 - b. The CIO shall ensure that the total fees and expenses associated with the consultants he or she selects are reasonable and shall provide a report of such fees and expenses to the Investment Committee and the Board on at least a quarterly basis.
 - c. While the CIO shall have the authority to select and terminate investment consultants to assist staff in selecting, retaining, evaluating and terminating investment managers, the Board shall approve all contracts with investment consultants selected by the CIO to ensure such contracts reflect fair and reasonable value for the System.

Statement of Investment Policy *(continued)*

HEALTHCARE (continued)

3. Delegation of authority to the CIO to select and terminate investment managers reflects the Board's desire to:
 - a. Promote efficiency and effectiveness in the manager selection and termination processes;
 - b. Focus the Board's time and attention on investment policy, asset allocation, and oversight, rather than manager selection and termination; and
 - c. Establish clear accountability on the part of the CIO and investment staff for manager selection, retention, evaluation, and termination.

General Constraints and Parameters

- A. The CIO's authority to select and terminate investment managers shall be subject to the following general constraints and parameters:
 1. Investment managers shall meet the following **minimum qualifications** to be selected to manage any assets of the fund:
 - a. Be **registered as an investment advisor** under the Investment Advisor's Act of 1940 or comparable legislation, unless the manager represent and warrants that it is exempt from such registration under applicable law.
 - b. Agree to enter into a contract with the System requiring them to perform their services consistent with the fiduciary services established under (a) the Investment Advisor's Act of 1940; (b) California law applicable to fiduciaries of public employee retirement systems, which includes the California State Constitution, Art. XVI sec. 17 and the San José Municipal Code and / or (c) terms and conditions substantially comparable to the foregoing that are satisfactory to the System.
 2. The nature and size of the manager's mandate shall be consistent with:
 - a. The asset allocation policy of the Fund;
 - b. Applicable constraints (e.g. **manager or strategy concentrations**) contained in this Investment Policy Statement.
 3. Notwithstanding paragraph 2) b) above, the CIO shall not approve the selection of an investment management firm for mandates that exceed the following limits:

Basis *	Description	Strategy Limit ¹
Vehicle	Separately managed accounts (active)	15%
	Commingled funds and SMAs (public, passive)	No limit ²
	Commingled funds (public, active)	15%
	Commingled funds (private strategies)	15% ³
Public Markets	Passive strategies	No limit
	Active strategies	15%

¹ Percentage (%) of total Fund assets allowable per investment strategy.

² Rationale: Fund is constrained by the asset allocation. This is the "default" option for investing, and scale determines pricing.

³ For private strategies, limit applies to the capital invested plus future callable commitments.

* To be selected, the manager must satisfy the "Vehicle" constraint and the appropriate "Public Markets" or "Private Markets" constraints.

Statement of Investment Policy *(continued)*

HEALTHCARE (continued)

4. When a market movement is the cause of a breach in the above limits, it should be reported to the IC at the earliest of a mutually agreed-upon time during which the Investment Committee could convene with a quorum, or at the next regularly scheduled Investment Committee meeting, along with a report on how the breach was addressed, or a recommendation to address the breach.

APPENDIX A ¹

ASSET ALLOCATION TARGETS ²

	Target (%)	SAAP Asset Class Benchmarks
Growth	58	
Public Equity	58	Public Equity Benchmark ³
Low Beta	6	
Short-Term Investment Grade Bonds	6	ICE BofA 91 Days T-Bills TR
Other	36	
Investment Grade Bonds	14	BBgBarc US Aggregate TR
Core Real Estate	12	NCREIF ODCE Cap Weighted – Net (Lagged 1 quarter)
Commodities	5	Bloomberg Commodity Index TR USD
Long-term Government Bonds	5	BBgBarc US Treasury Long TR

¹ Appendix A shall be revised as new Asset Allocation targets are approved by the Board.

² Approved by the Board of Administration on April 21, 2022.

³ 51.72% Russell 3000, 27.59% MSCI World ex US IMI Net, 20.69% MSCI Emerging Markets IMI Net.

Investment Professionals

As of June 30, 2025

PUBLIC EQUITY		
Artisan Partners	GQG Partners	Oberweis Asset Management
Burgundy Asset Management	Kotak	RWC Partners (Redwheel)
Dimensional Fund Advisors	Morgan Stanley	Wellington Management
First Eagle	Northern Trust Asset Management	
PRIVATE EQUITY		
Crestline Investors Inc	Neuberger Berman	Partners Group
Innovation Endeavors	Pantheon Ventures	Pathway Capital
PRIVATE DEBT		
Angelo Gordon	Cross Ocean Partners	Strategic Value Partners
Arbour Lane Capital Management	Eagle Point	Silver Point Capital
Blackstone / GSO Capital Partners	HPS Investment Partners	White Oak Global Advisors
Charlesbank Capital Partners	Invesco	
Crestline Investors Inc	Medley Capital LLC	
GROWTH REAL ESTATE		
AIG Global Real Estate Investment Corp	GEM Realty Capital	Rockpoint Group
Centerbridge Partners	HIG Realty Partners	Torchlight Investors
DRA Advisors LLC	IPI Partners	Tristan Capital Partners
Exeter Property Group	Kayne Anderson	
GCP SecureSpace Property Partners	Praedium Group	
PRIVATE REAL ASSETS		
Aether Investment Partners	Lime Rock Partners	Real Assets Co-Invest I
Crestline Investors Inc	Mountain Capital	Ridgewood Energy
Global Infrastructure Partners	Orion Mine Finance	Scout Energy Partners
HIG Capital	Paine Schwartz Partners	Seraya Partners
Hull Street Energy Partners	Pelican Energy Partners	Tembo Capital
Kimmeridge	Primary Wave	
VENTURE CAPITAL		
Crosslink Capital	Innovation Endeavors	Streamlined Ventures
Fin Capital	Soma Capital	Transpose Platform
EMERGING MARKET BONDS		
Payden & Rygel		Wellington Management (Iguazu)
HIGH YIELD BONDS		
Columbia Threadneedle Investments		Insight Investment
MARKET NEUTRAL STRATEGIES		
Crabel Capital Management	D.E. Shaw & Co, LP	Hudson Bay Capital Management
IMMUNIZED CASH FLOWS		
	Insight Investment	
COMMODITIES, LONG-TERM GOVERNMENT BONDS, and SHORT-TERM GOVERNMENT BONDS		
	BlackRock	
TREASURY INFLATION-PROTECTED SECURITIES (TIPS)		
	Northern Trust Asset Management	
CORE REAL ESTATE		
BlackRock	Kayne Anderson	TA Realty
Clarion Partners		
INVESTMENT GRADE BONDS		
BlackRock		Northern Trust Asset Management
Invesco		Voya Investment Management
CONSULTANTS		
Albourne America, LLC	Meketa Investments Group	Verus Advisory Inc.
Alternative Investments Consultant	(General Consultant)	(Risk Advisory Services)
CUSTODIAN		
	Bank of New York Mellon	
PORTFOLIO OVERLAY SERVICES		
	Russell Investments	

Schedule of Investment Results for Pension Trust

NET PERFORMANCE SUMMARY BY ASSET CLASS

For Period Ended June 30, 2025

	One Year	Three Years	Five Years	Ten Years
Total Fund (Net of Manager Fees)	9.6%	8.9%	9.8%	6.8%
Policy Benchmark	10.4%	9.3%	9.7%	7.3%
Inv Metrics Public DB > \$1 Billion	10.3%	9.2%	8.9%	7.2%
Public Equity	14.9%	16.4%	12.9%	8.8%
Public Equity Benchmark	16.0%	16.0%	12.8%	9.4%
Private Equity	1.5%	2.4%	16.8%	12.2%
Investment Grade Bonds	6.6%	3.3%	0.6%	N/A
Custom IG Bonds Benchmark	6.2%	2.8%	(0.1)%	N/A
Core Real Estate	1.3%	(3.8)%	3.6%	5.6%
Core Real Estate Benchmark	1.2%	(5.1)%	2.4%	4.3%
Immunized Cash Flows	5.5%	3.2%	1.5%	N/A
Bloomberg U.S. Govt / Credit 1-3 Year Index	5.9%	3.8%	1.6%	1.8%
Growth Real Estate	3.8%	0.7%	7.2%	11.3%
NCREIF Property Index	4.2%	(2.8)%	3.7%	5.2%
Emerging Market Bonds	8.4%	4.1%	4.6%	4.1%
50% JPM EMBI GD / 50% JPM GBI-EM	11.9%	8.7%	1.9%	2.9%
Private Debt	8.3%	6.3%	13.9%	5.1%
Morningstar LSTA U.S. Leveraged Loan Index +2%	9.4%	11.9%	9.6%	7.2%
Long-Term Government Bonds	1.6%	(3.6)%	(8.1)%	N/A
Bloomberg U.S. Treasury: Long	1.6%	(3.7)%	(8.2)%	0.1%
Treasury Inflation-Protected Securities (TIPS)	6.5%	3.9%	3.8%	2.8%
Bloomberg U.S. TIPS 0-5 Year	6.5%	4.0%	3.8%	2.9%
High Yield Bonds	9.5%	9.8%	6.1%	4.1%
Bloomberg U.S. Corporate: High Yield Index	10.3%	9.9%	6.0%	5.4%
Cash and Cash Equivalents	4.8%	4.1%	2.5%	1.9%
90 Day U.S. Treasury Bill	4.7%	4.6%	2.8%	2.0%
Market Neutral Strategies	1.4%	5.3%	10.8%	6.5%
Market Neutral Strategies Benchmark	6.4%	6.3%	3.9%	2.3%
Private Real Assets	16.8%	7.9%	15.1%	8.9%
Venture / Growth Capital	1.4%	(4.1)%	N/A	N/A

Basis of Calculation: Time-Weighted Rate of Return

Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2025

Schedule of Investment Results for Healthcare Trust

NET PERFORMANCE SUMMARY BY ASSET CLASS

For Period Ended June 30, 2025

	One Year	Three Years	Five Years	Ten Years
Total Fund (Net of Manager Fees)	11.0%	9.5%	8.0%	5.4%
Policy Benchmark	11.2%	9.3%	8.2%	6.3%
Public Equity	15.9%	16.3%	12.6%	8.8%
Public Equity Benchmark	16.4%	16.4%	12.8%	9.5%
Investment Grade Bonds	6.1%	2.5%	N/A	N/A
Bloomberg U.S. Aggregate Index	6.1%	2.5%	N/A	N/A
Core Real Estate	1.4%	(3.7)%	3.6%	4.9%
Core Real Estate Benchmark	1.2%	(5.1)%	2.4%	4.3%
Short-Term Investment Grade Bonds	4.8%	4.8%	2.9%	N/A
90 Day U.S. Treasury Bill	4.7%	4.6%	2.8%	N/A
Long-Term Government Bonds	1.6%	(3.6)%	N/A	N/A
Bloomberg U.S. Treasury: Long	1.6%	(3.7)%	N/A	N/A
Cash and Cash Equivalents	5.1%	4.1%	2.4%	1.8%
90 Day U.S. Treasury Bill	4.7%	4.6%	2.8%	2.0%
Commodities	5.8%	3.7%	11.9%	3.3%
Bloomberg Commodity Index Total Return	5.8%	0.1%	12.7%	2.0%

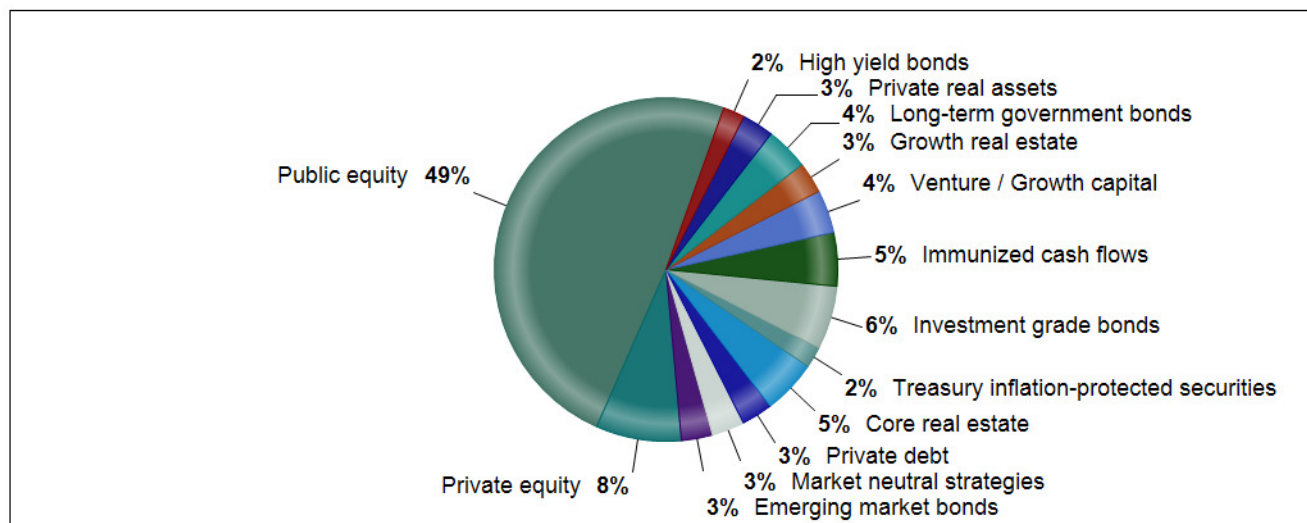
Basis of Calculation: Time-Weighted Rate of Return

Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2025

Pension Investment Review

TARGET ASSET ALLOCATION

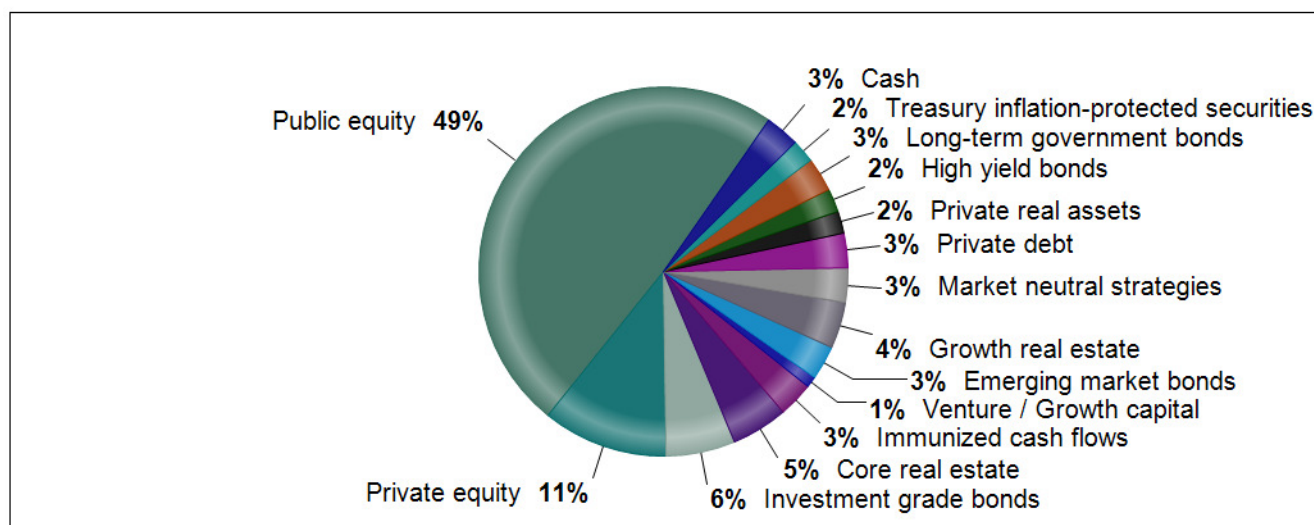
As of June 30, 2025



ACTUAL ASSET ALLOCATION

As of June 30, 2025

Non-GAAP Basis

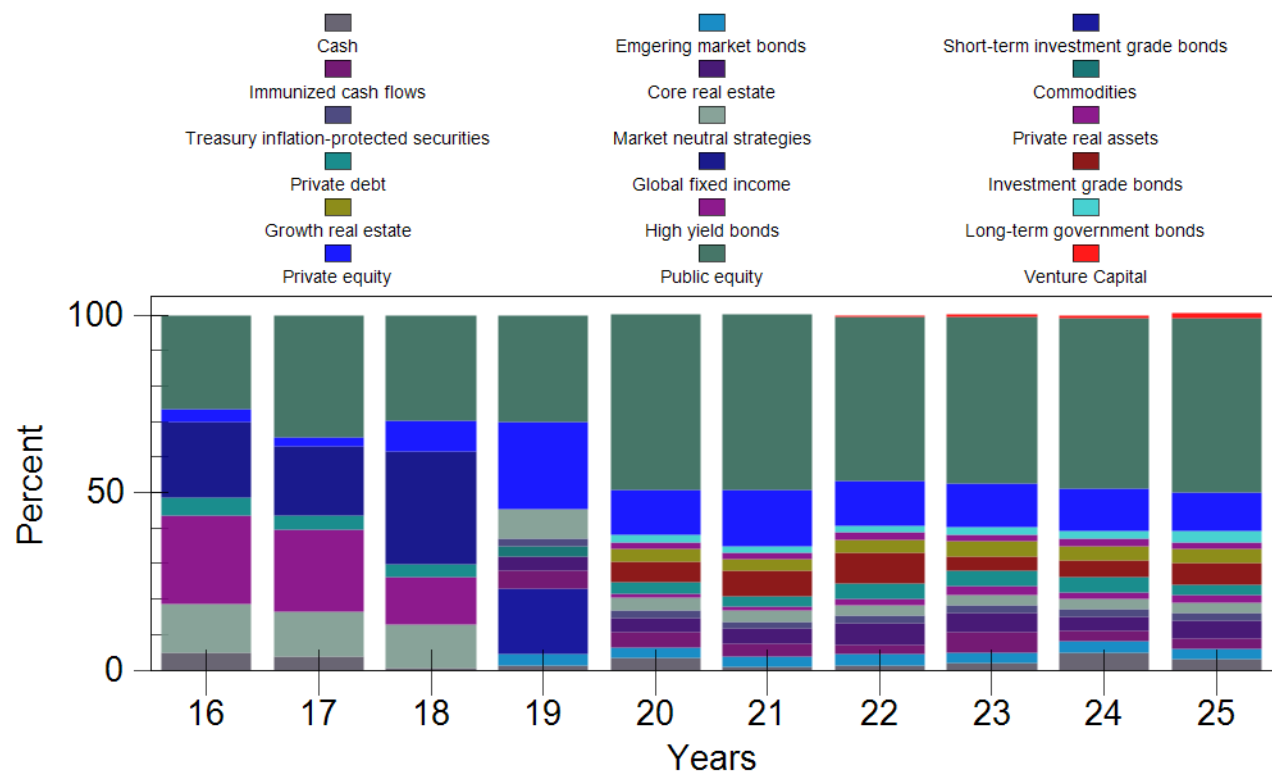


Asset Class	\$ In Millions	Asset Class	\$ In Millions
Public equity	\$ 1,701	Market neutral strategies	\$ 94
Private equity	380	Private debt	113
Investment grade bonds	212	Private real assets	86
Core real estate	170	High yield bonds	71
Immunized cash flows	88	Long-term government bonds	101
Venture / Growth capital	48	Treasury inflation-protected securities	64
Emerging market bonds	103	Cash	92
Growth real estate	135		
TOTAL		TOTAL	\$ 3,458

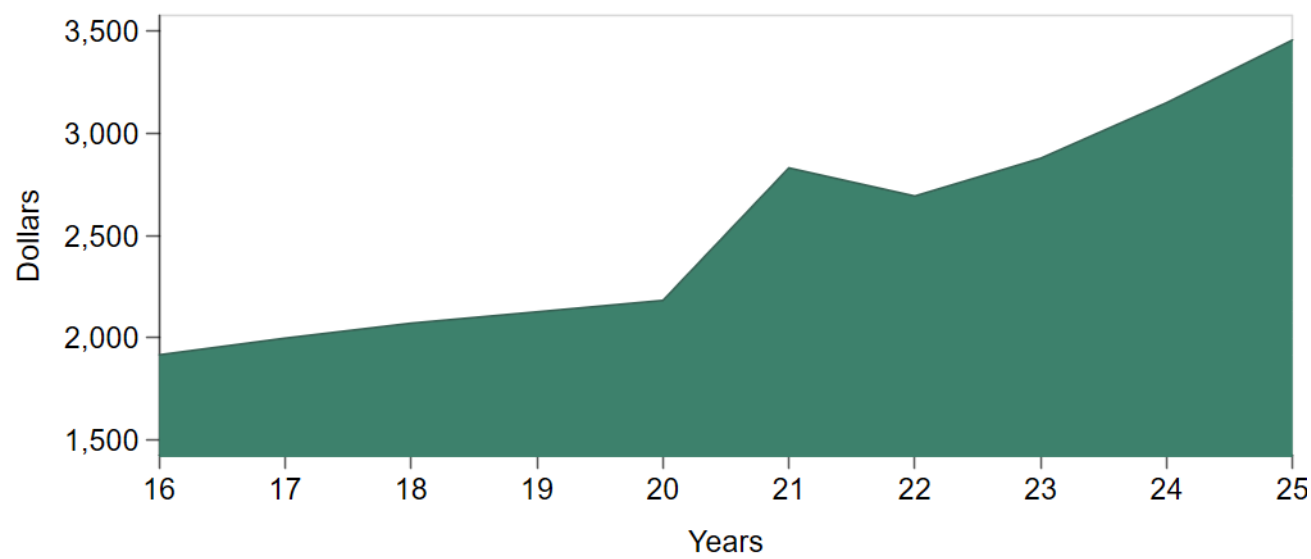
Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2025

Pension Investment Review (continued)

HISTORICAL ASSET ALLOCATION (Actual)
As of June 30, 2016 - June 30, 2025

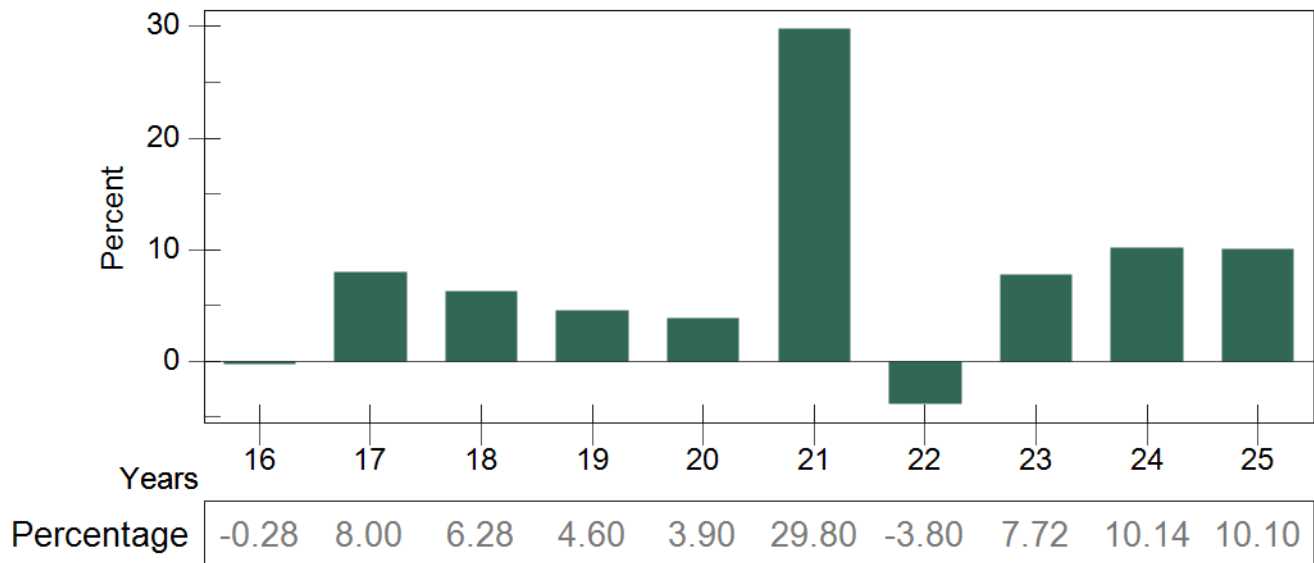


FAIR VALUE GROWTH OF PLAN ASSETS
For Ten Years Ended June 30, 2025
(Dollars in Millions)

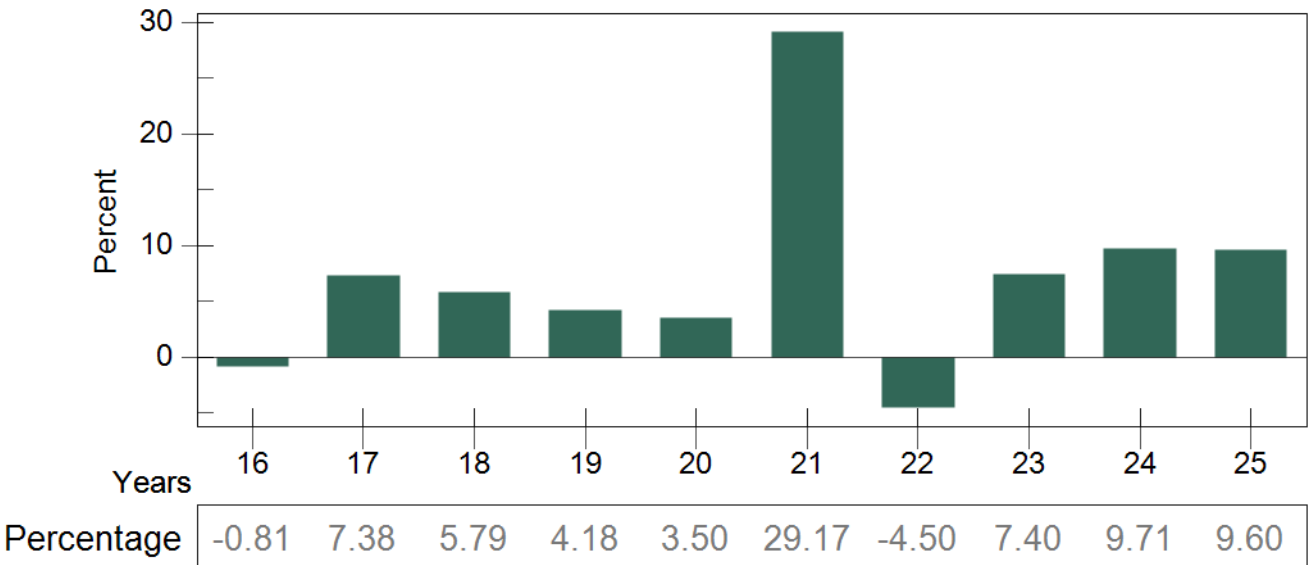


Pension Investment Review (continued)

HISTORY OF GROSS PERFORMANCE
For Fiscal Years 2016 - 2025
(Based on Fair Value)



HISTORY OF NET PERFORMANCE
For Fiscal Years 2016 - 2025
(Based on Fair Value)

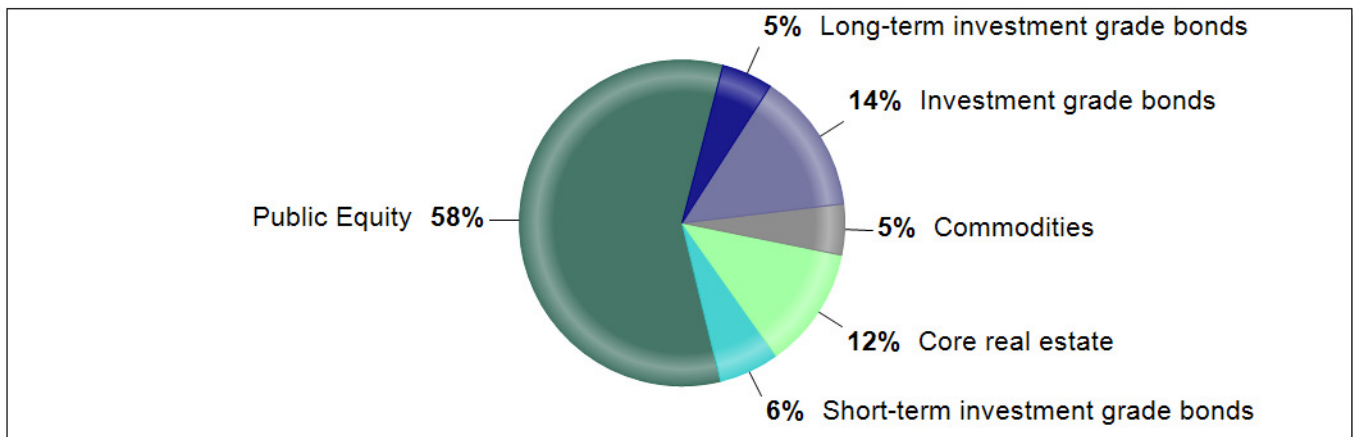


Source: Bank of New York Mellon as of June 30, 2025, unaudited.

Healthcare Investment Review

TARGET ASSET ALLOCATION

As of June 30, 2025

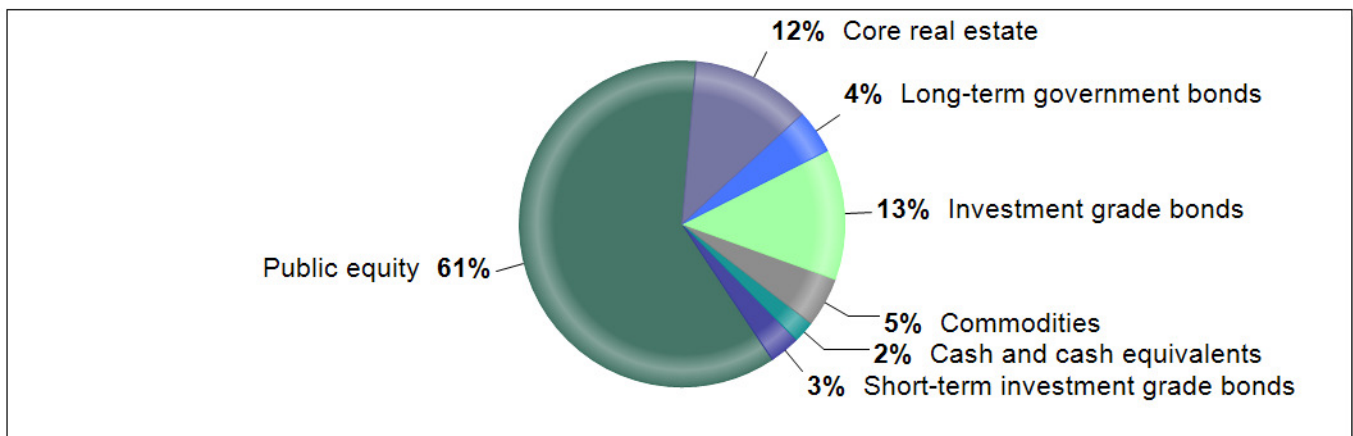


* Cash has a 0% target asset allocation

ACTUAL ASSET ALLOCATION

As of June 30, 2025

Non-GAAP Basis

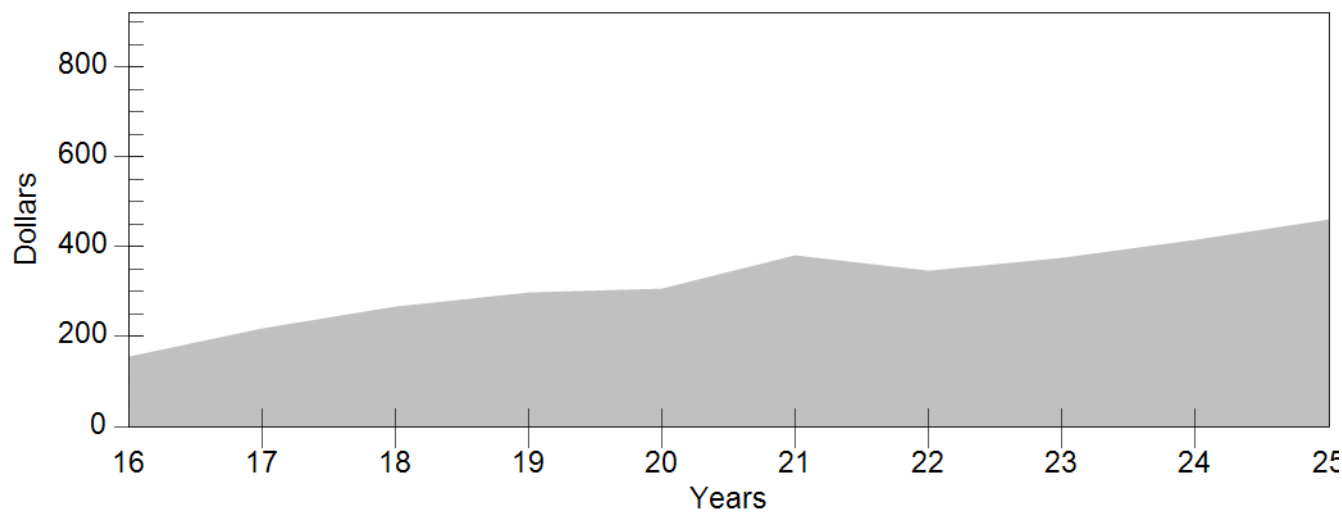


Asset Class	\$ In Millions
Public equity	\$ 278
Short-term investment grade bonds	15
Cash and cash equivalents	10
Core real estate	56
Commodities	22
Investment grade bonds	60
Long-term government bonds	20
TOTAL	\$ 461

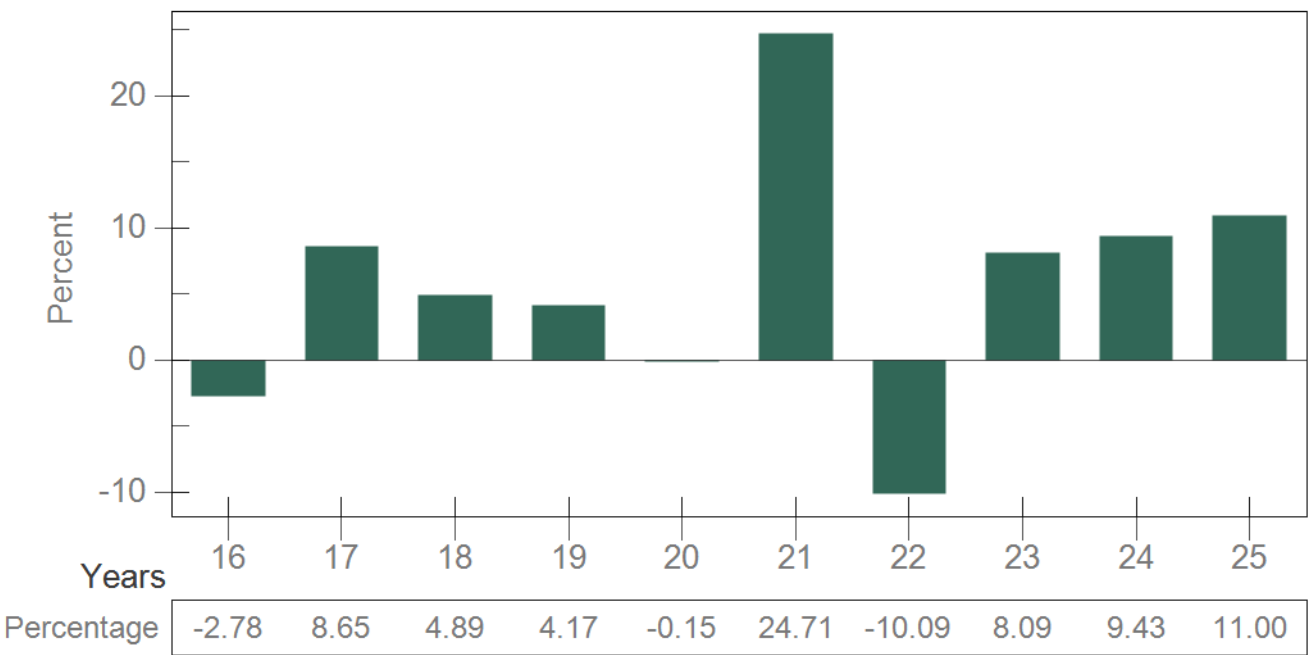
Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2025

Healthcare Investment Review *(continued)*

FAIR VALUE GROWTH OF PLAN ASSETS
For Ten Years Ended June 30, 2025 (Dollars in Millions)



HISTORY OF NET PERFORMANCE
*For Fiscal Years 2016 - 2025
(Based on Fair Value)*

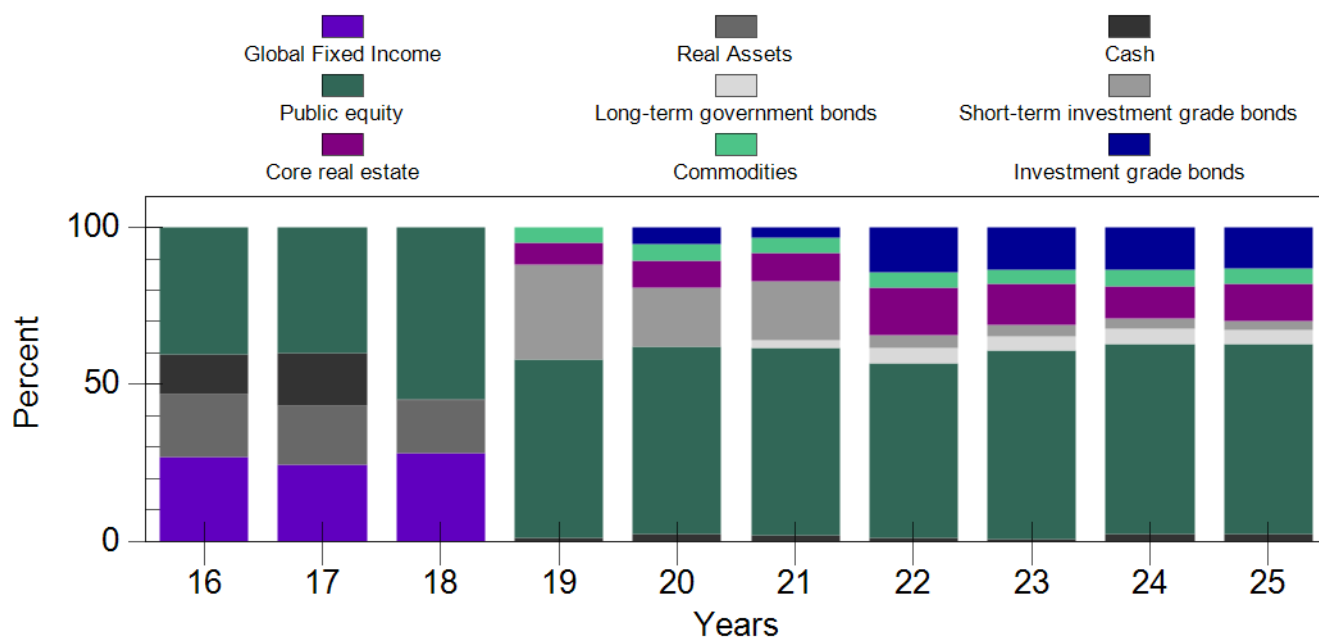


Source: Bank of New York Mellon as of June 30, 2025, unaudited.

Healthcare Investment Review *(continued)*

HISTORICAL ASSET ALLOCATION (Actual)

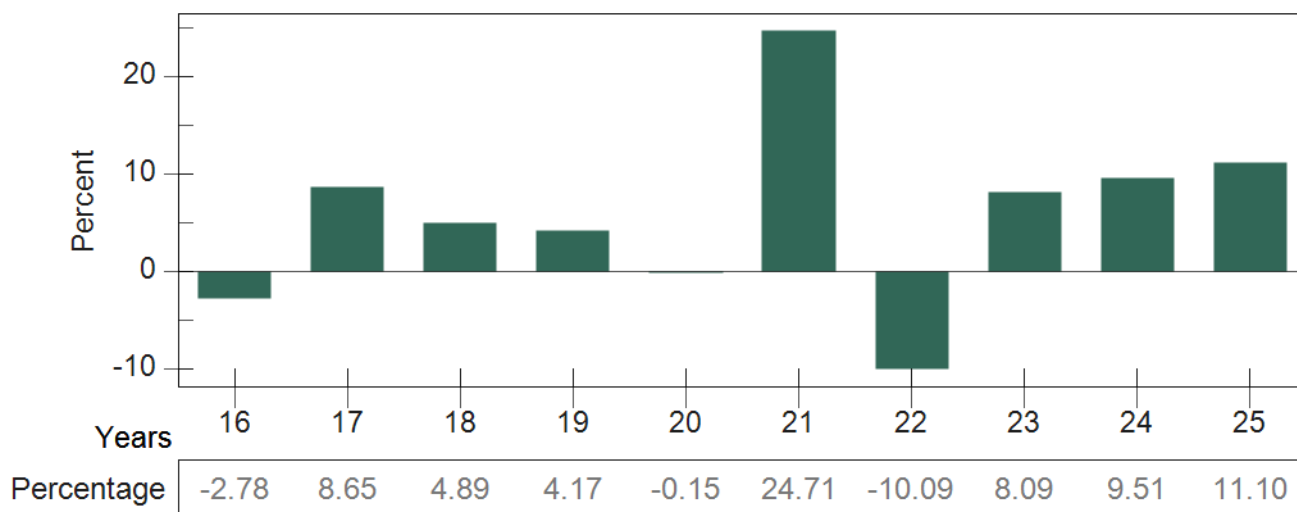
As of June 30, 2016 - June 30, 2025



HISTORY OF GROSS PERFORMANCE

For Fiscal Years 2016 - 2025

(Based on Fair Value)



Source: Bank of New York Mellon as of June 30, 2025, unaudited.

List of Largest Assets Held

LARGEST DISCLOSABLE STOCK HOLDINGS (By Fair Value) For Pension

As of June 30, 2025

Security Name	Country	Shares	Fair Value (\$US)
HEIDELBERG MATERIALS AG	GERMANY	30,105	\$ 7,048,315
CHARLES SCHWAB CORP/THE	UNITED STATES	70,220	\$ 6,406,873
META PLATFORMS INC	UNITED STATES	8,420	\$ 6,214,718
AMERICAN EXPRESS CO	UNITED STATES	18,079	\$ 5,766,839
BANK OF NEW YORK MELLON CORP/T	UNITED STATES	61,704	\$ 5,621,851
ALPHABET INC	UNITED STATES	31,847	\$ 5,612,397
ELEVANCE HEALTH INC	UNITED STATES	14,391	\$ 5,597,523
NOVARTIS AG	SWITZERLAND	45,722	\$ 5,523,976
DANONE SA	FRANCE	63,919	\$ 5,204,172
BERKSHIRE HATHAWAY INC	UNITED STATES	9,640	\$ 4,682,823

A complete list of portfolio holdings is available upon request.

LARGEST DISCLOSABLE BOND HOLDINGS (By Fair Value) For Pension

As of June 30, 2025

Security Name	Country	Maturity Date	Interest Rate	Par Value	Fair Value (\$US)
US TREASURY NOTE	UNITED STATES	06/30/2027	3.750%	\$ 9,367,800	\$ 9,372,578
US TREASURY NOTE	UNITED STATES	06/15/2028	3.875%	\$ 6,484,400	\$ 6,517,860
US TREASURY NOTE	UNITED STATES	01/15/2027	4.000%	\$ 3,743,000	\$ 3,751,759
US TREASURY NOTE	UNITED STATES	08/15/2026	1.500%	\$ 3,776,000	\$ 3,674,652
US TREASURY NOTE	UNITED STATES	11/30/2026	1.625%	\$ 3,775,000	\$ 3,659,825
US TREASURY NOTE	UNITED STATES	09/30/2026	0.875%	\$ 3,782,000	\$ 3,642,974
US TREASURY NOTE	UNITED STATES	01/31/2027	1.500%	\$ 3,767,000	\$ 3,633,385
US TREASURY NOTE	UNITED STATES	12/31/2026	1.250%	\$ 3,773,000	\$ 3,631,663
US TREASURY NOTE	UNITED STATES	08/31/2027	0.500%	\$ 3,875,000	\$ 3,617,080
US TREASURY NOTE	UNITED STATES	07/31/2027	0.375%	\$ 3,867,000	\$ 3,608,839

A complete list of portfolio holdings is available upon request.

Schedule of Investment Fees

For the Fiscal Year Ended June 30, 2025

Includes the 115 Trust

	Assets Under Management at Fair Value ¹	Fees	Basis Points
Investment Managers' Fees			
Public equity	\$ 1,981,157,240	\$ 2,494,694	13
Private equity	380,489,181	1,669,087	44
Investment grade bonds	271,529,574	450,628	17
Core real estate	225,892,312	722,485	32
Growth real estate	135,020,638	2,227,902	165
Long-term government bonds	120,627,240	25,623	2
Cash and cash equivalents	101,200,889	-	-
Emerging market / High yield bonds	174,262,861	250,644	14
Market neutral strategies	94,184,551	-	-
Private debt	112,614,227	1,611,249	143
Private real assets	85,782,435	1,809,128	211
Immunized cash flows	88,004,407	48,450	6
Treasury inflation-protected securities	64,062,198	18,651	3
Venture / Growth capital	47,724,936	648,580	136
Commodities	21,905,992	31,261	14
Short-term investment grade bonds	14,578,112	2,853	2
Total Investment Managers' Fees	\$ 3,919,036,793	\$ 12,011,235	31

¹ Includes cash in managers' accounts; non-GAAP basis

	Fees
Other Investment Fees	
Investment consultants	\$ 473,450
Custodian bank	507,225
Investment legal fees	123,128
Other investment fees	390,391
Total Other Investment Fees	\$ 1,494,194

Schedule of Commissions

For the Fiscal Year Ended June 30, 2025

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
A			
ABN AMRO CLEARING BANK N.V, AMSTERDAM	1,617	\$ 42.70	\$ 0.0264
B			
BAIRD, ROBERT W & CO INC, MILWAUKEE	720	27.02	0.0375
BANK OF AMERICA CORP, CHARLOTTE	38,138	34,453.38	0.9034
BANQUE PARIBAS, PARIS	986,216	4,827.91	0.0049
BARCLAYS CAPITAL INC, WHIPPANY	289,239	2,751.41	0.0095
BARCLAYS CAPITAL, LONDON (BARCGB33)	1,705,878	14,438.93	0.0085
BARRENJOEY MARKETS PTY LIMITED, SYDNEY	80,600	843.10	0.0105
BERENBERG GOSSLER & CIE, HAMBURG	83,000	2,019.06	0.0243
BMO CAPITAL MARKETS CORP, NEW YORK	17,855	366.99	0.0206
BNP PARIBAS FINANCIAL MARKETS, PARIS	14,413	232.28	0.0161
BNP PARIBAS SEC SRVS SA, SINGAPORE	308,300	4,611.13	0.0150
BNP PARIBAS SEC SVCS, LONDON (PARBGB2L)	481,668	2,995.45	0.0062
BNP PARIBAS SECS SERVS, SYDNEY	316,600	1,180.59	0.0037
BNY CONVERGEX EXECUTION SOL, NEW YORK	101	20.20	0.2000
C			
CACEIS BANK, PARIS	71,046	2,112.12	0.0297
CANACCORD GENUITY CORP, MONTREAL (CCAM)	4,500	64.36	0.0143
CARNEGIE ASA, OSLO	53,900	1,121.06	0.0208
CARNEGIE SECS LTD, HELSINKI (CASFFIH1)	22,800	570.10	0.0250
CITIGROUP GBL MKTS INC, NEW YORK	7,910	246.91	0.0312
CITIGROUP GLOBAL MARKETS EURO, FRANKFURT	46,210	1,648.08	0.0357
CITIGROUP GLOBAL MARKETS LTD, LONDON	144,687	575.64	0.0040
CITIGROUP GLOBAL MARKETS, INC., NEW YORK	6,474	64.43	0.0100
COWEN AND CO LLC, NEW YORK	6,172	84.77	0.0137
CREDIT INDUSTRIEL ET COMMERCIAL, PARIS	3,700	61.12	0.0165
CREDIT LYONNAIS SECS, SINGAPORE	1,800	92.80	0.0516
CREDIT MUTUEL-CIC BANQUES, PARIS	1,100	93.23	0.0848
D			
D CARNEGIE AB, STOCKHOLM	397,200	4,360.07	0.0110
DAIWA SECS AMER INC, NEW YORK	142,700	6,526.21	0.0457
DAVY STOCKBROKERS, DUBLIN	130	175.69	1.3515
DEN DANSKE BANK, COPENHAGEN	50,884	1,561.42	0.0307
DEN NORSKE CREDITBANK, OSLO	5,200	110.00	0.0212
DEUTSCHE BK SECS INC, NY (NWSCUS33)	107,716	1,437.06	0.0133
DNB NOR MARKETS CUSTODY, OSLO	37,600	390.29	0.0104
F			
FOKUS BANK, TRONDHEIM	50,900	1,213.03	0.0238
G			
GOLDMAN SACHS & CO, NY	184,546	3,848.79	0.0209
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	86,270	785.86	0.0091
GUGGENHEIM CAPITAL MARKETS LLC, NEW YORK	431	8.62	0.0200
H			
HSBC BANK PLC (MIDLAND BK)(JAC), LONDON	2,744	66.83	0.0244
HSBC SECS INC, NEW YORK	192,693	5,764.32	0.0299
HSBC SECURITIES (USA) INC, NEW YORK	1,735	13.03	0.0075
I			
ICHIYOSHI SEC CO LTD, TOKYO	26,400	585.91	0.0222

Schedule of Commissions (continued)

For the Fiscal Year Ended June 30, 2025

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
INSTINET CLEARING SER INC, NEW YORK	8,731	108.31	0.0124
INSTINET CORP, NEW YORK	3,846	28.85	0.0075
INSTINET EUROPE LIMITED, LONDON	122,966	3,119.32	0.0254
INSTINET PACIFIC LTD, HONG KONG	19,453	620.68	0.0319
INVESTEC SECURITIES (331), LONDON	53,400	522.97	0.0098
INVESTMENT TECHNOLOGY GROUP LTD, DUBLIN	4,459	199.80	0.0448
J			
J.P. MORGAN SEC LTD / STOCK LENDING, LONDON	3,530	249.07	0.0706
J.P. MORGAN SECS LTD, LONDON	323,527	5,504.55	0.0170
J.P. MORGAN SECURITIES INC, NEW YORK	5,719	144.63	0.0253
J.P. MORGAN SECURITIES LLC, NEW YORK	28,338	492.97	0.0174
J.P. MORGAN SECURITIES, HONG KONG	23,000	78.30	0.0034
JEFFERIES & CO INC, NEW YORK	164,695	5,170.65	0.0314
JEFFERIES & CO LTD, LONDON	24,755	869.00	0.0351
JEFFERIES HONG KONG LIMITED, HONG KONG	86,500	1,466.59	0.0170
JONESTRADING INST SVCS LLC, NEW YORK	1,300	26.00	0.0200
JONESTRADING INSTL SVCS LLC, WESTLAKE	59,800	1,057.96	0.0177
JPMORGAN SECURITIES INC, NEW YORK	975	21.38	0.0219
L			
LIQUIDNET CANADA INC, TORONTO	344,989	6,108.12	0.0177
LIQUIDNET EUROPE LIMITED, LONDON	10,512	831.90	0.0791
LIQUIDNET INC, NEW YORK	73,686	1,624.03	0.0220
LUMINEX TRADING AND ANALYTICS, BOSTON	3,156	31.56	0.0100
M			
MACQUARIE BANK LIMITED, SYDNEY	46,200	743.54	0.0161
MACQUARIES SECURITIES AUSTRALIA, SYDNEY	8,400	77.55	0.0092
MERRILL LYNCH GILTS LTD, LONDON	196,503	154.40	0.0008
MERRILL LYNCH INTL LONDON EQUITIES	192,185	5,293.63	0.0275
MIZUHO SECURITIES USA INC, NEW YORK	117,400	3,360.07	0.0286
MORGAN STANLEY AND CO., LLC, NEW YORK	224,766	7,426.21	0.0330
N			
NATIONAL FINL SVCS CORP, NEW YORK	12,152	202.28	0.0166
NEEDHAM AND CO LLC, NEW YORK	1,239	24.78	0.0200
O			
ODDO ET CIE, PARIS	71,387	1,699.85	0.0238
P			
PEEL HUNT LLP, LONDON	38,100	365.18	0.0096
PENSERRA SECURITIES, NEW YORK	3,329	16.66	0.0050
PERSHING LLC, JERSEY CITY	4,734	73.74	0.0156
PERSHING SECURITIES LTD, LONDON	466,568	3,095.73	0.0066
PIPER JAFFRAY & CO., JERSEY CITY	82	1.64	0.0200
R			
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	674	25.29	0.0375
RBC CAPITAL MARKETS LLC, NEW YORK	58,923	730.75	0.0124
RBC DOMINION SECS INC, TORONTO (DOMA)	3,900	54.21	0.0139
ROYAL BANK OF CANADA EUROPE LTD, LONDON	145,945	1,366.09	0.0094

Schedule of Commissions *(continued)*

For the Fiscal Year Ended June 30, 2025

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
S			
SCOTIA CAPITAL INC, NEW YORK	5,700	40.93	0.0072
SG AMERICAS SECURITIES LLC, NEW YORK	8,740	65.55	0.0075
SKANDINAVISKA ENSKILDA BANKEN, COPENHAGEN	10,700	323.93	0.0303
SKANDINAVISKA ENSKILDA BANKEN, LONDON	40,800	699.55	0.0171
SKANDINAVISKA ENSKILDA BANKEN, STOCKHOLM	118,800	1,613.27	0.0136
SKANDINAVISKA ENSKILDA, STKHLM (ESSESESS)	2,700	66.31	0.0246
SMBC SECURITIES, INC NEW YORK	125,000	5,288.47	0.0423
SOCIETE GENERALE(TIT), NANTES	1,229,517	9,682.83	0.0079
SOCIETE GENERALE, PARIS	21,759	582.00	0.0267
SOCIETE GENERALE, PUTEAUX	183,909	6,158.75	0.0335
STIFEL NICOLAUS EUROPE LIMITED, LONDON	6,463	270.49	0.0419
STIFEL, NICOLAUS AND CO, ST. LOUIS	700	7.30	0.0104
SVENSKA HANDELSBANKEN, STOCKHOLM	85,800	451.61	0.0053
T			
TP ICAP (EUROPE) SA, PARIS	309,400	373.67	0.0012
U			
UBS AG LONDON BRANCH, LONDON	3,400	145.64	0.0428
UBS EQUITIES, LONDON	47,065	427.71	0.0091
UBS SECURITIES LLC, STAMFORD	1,712	12.84	0.0075
UBS WARBURG ASIA LTD, HONG KONG	220,100	2,992.62	0.0136
V			
VIRTU AMERICAS LLC, NEW YORK	6,298	100.29	0.0159
W			
WELLS FARGO SECURITIES, LLC, NEW YORK	3,339	92.22	0.0276
TOTAL	11,373,519	\$ 184,776.12	\$ 0.0162

Investment Summary

PENSION

As of June 30, 2025 (Dollars in thousands)

Type of Investments	Fair Value	% of Portfolio
Public equity	\$ 1,701,466	49%
Private equity	380,489	11
Investment grade bonds	211,940	6
Core real estate	170,360	5
Growth real estate	135,021	4
Long-term government bonds	100,418	3
Cash and cash equivalents	91,536	3
Emerging market bonds	103,160	3
Market neutral strategies	94,185	3
Private debt	112,614	3
Private real assets	85,782	2
Immunized cash flows	88,004	3
High yield bonds	71,103	2
Treasury inflation-protected securities (TIPS)	64,062	2
Venture / Growth capital	47,725	1
Total Fair Value	\$ 3,457,865	100%

Non-GAAP basis

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, 2025 (Dollars in thousands)

Type of Investments	Fair Value	% of Portfolio
Public equity	\$ 279,691	61%
Investment grade bonds	59,590	13
Core real estate	55,533	12
Commodities	21,906	5
Long-term investment grade bonds	20,209	4
Short-term investment grade bonds	14,578	3
Cash	9,665	2
Total Fair Value	\$ 461,172	100%

Non-GAAP basis

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



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

City of San José, CA
Federated City Employees' Retirement System
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2025 and June 30, 2024



Via Electronic Mail

September 23, 2025

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 Annual Comprehensive Financial Report 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, and the most recent actuarial valuation was performed as of June 30, 2024. 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 Annual Comprehensive Financial Report based on the June 30, 2024 actuarial valuation.

- 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
- Schedule of Funded Liabilities by Type
- Schedule of Funding Progress
- Summary of Plan Provisions

The funding ratios shown in the schedule of funded liabilities by type and the schedule of funding progress exhibits 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 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. In our opinion, the assumptions and methods used in the actuarial valuation for funding purposes are consistent with applicable Actuarial Standards of Practice. The actuarial cost method and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes.

Actuary's Certification Letter - Pension *(continued)*

Board of Administration
September 23, 2025
Page 2

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2024 actuarial valuation updated to the measurement date of June 30, 2025. There were no assumption or benefit changes since the prior valuation. There were no significant events between the valuation date and the measurement date, so the update was based upon the Total Pension Liability as of the valuation date reflecting the new assumptions and projected to the measurement date with 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, 2025 for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the Annual Comprehensive Financial Report based on the June 30, 2025 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 Annual Comprehensive Financial Report, we relied on information (some oral and some written) supplied by the City of San José Office 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 Annual Comprehensive Financial Report 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.

This letter and the schedules named above 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. 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.



Actuary's Certification Letter - Pension *(continued)*

Board of Administration
September 23, 2025
Page 3

This letter and the schedules named previously 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.

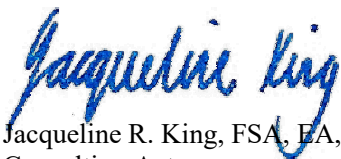
Sincerely,
Cheiron



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



Actuarial Assumptions and Methods

DEFINED BENEFIT PENSION

Actuarial Assumptions

The price inflation, wage inflation, amortization payment growth, and discount rates were adopted by the Board of Administration with the actuary's input at the October 17, 2024 Board meeting. Please refer to that Board presentation for details, including the rationale for each economic assumption. All other assumptions were adopted at the November 16, 2023 Board meeting based on recommendations from the actuary's experience study covering plan experience through June 30, 2023. Please refer to the full experience study report and the November 16, 2023 Board presentation for details, including the rationale for each demographic assumption.

1) Discount Rate

6.625%. The Board expects a long-term rate of return of 8.5% based on Meketa's 2024 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

Reflect currently bargained increases for FYE 2025, 3.5% effective July 1, 2025, and 3.0% thereafter. These increases approximate the bargained increases for the largest bargaining groups.

3) Amortization Payment Growth 2.75%, compounded annually.

4) Price Inflation 2.50%, compounded annually.

5) Administrative Expenses

Administrative expenses are assumed to equal the prior year's actual administrative expenses increased by the ultimate wage inflation assumption to the year of the contribution. Administrative expenses are allocated to each tier in proportion to each tier's fair value of assets.

6) Salary Increase Rate

In addition to the wage inflation component 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	Years of Service	Merit / Longevity
0	3.25%	7	1.60%	14	0.45%
1	3.25%	8	1.35%	15	0.40%
2	3.05%	9	1.20%	16	0.35%
3	2.75%	10	1.00%	17	0.30%
4	2.40%	11	0.85%	18+	0.25%
5	2.10%	12	0.70%		
6	1.85%	13	0.55%		

7) Rates of Termination

Termination rates do not apply once a member is eligible for retirement. Rates of termination are shown in the following Table B-2 on the next page.

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION *(continued)*

Table B-2 RATES OF TERMINATION					
Years of Service	Termination Rate	Years of Service	Termination Rate	Years of Service	Termination Rate
0	15.00%	6	7.75%	12	3.75%
1	12.75%	7	6.50%	13	3.50%
2	11.75%	8	5.50%	14	3.25%
3	10.75%	9	4.75%	15+	3.25%
4	9.75%	10	4.25%		
5	8.75%	11	4.00%		

8) Rates of Refund for Current Active Members

Applied before Rates of Reciprocity assumption

Tier 1:

Rates of vested terminated electing a refund of contributions are shown in the following Table B-3. Refund rates do not apply once a member is eligible for retirement.

Table B-3 RATES OF REFUND					
Years of Service	Younger than Age 45	Ages 45 and Older	Years of Service	Younger than Age 45	Ages 45 and Older
0 - 4	100.0%	100.0%	10	12.0%	5.0%
5	20.0%	15.0%	11	10.0%	5.0%
6	18.0%	12.5%	12	8.0%	5.0%
7	16.5%	10.0%	13	6.0%	5.0%
8	15.0%	8.0%	14	3.0%	2.5%
9	13.5%	6.0%	15+	0.0%	0.0%

Tier 2:

Future vested terminated employees are assumed to take a refund if it exceeds the actuarial present value of their deferred benefit payment. 100% of future non-vested terminated employees are assumed to receive a refund of contributions.

9) Rate of Reciprocity for Current Active Members

Applied after Rates of Refund assumption

40.0% of future terminating employees who do not take a refund are assumed to subsequently work for a reciprocal employer and receive annual pay increases equal to the ultimate wage inflation assumption (3.00%) plus 1.00%.

10) Refund and Reciprocity for Current Terminated Members

40.0% of current terminated employees who have not taken a refund are assumed to subsequently work for a reciprocal employer and receive annual pay increases equal to the ultimate wage inflation assumption (3.00%) plus 1.00%.

60.0% of non-vested terminated members are expected to take a refund, and 60.0% of vested terminated members are expected to take a deferred benefit payment.

11) Deferred Vested Member Retirement Age

Tier 1 terminated vested members are assumed to retire from age 57 and Tier 2 terminated vested members are assumed to retire at age 62.

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION *(continued)*

12) Rates of Retirement for Tier 1 Members

Rates of retirement for Tier 1 members are based on age and service as shown in the following Table B-4 – Tier 1.

Table B-4 Tier 1 RATES OF RETIREMENT BY AGE AND SERVICE				
Age	Less than 15 Years of Service	15 to 24 Years of Service	25 to 29 Years of Service	30 or more Years of Service
50	0.0%	0.0%	0.0%	75.0%
51	0.0%	0.0%	0.0%	60.0%
52 - 54	0.0%	0.0%	0.0%	55.0%
55	7.0%	25.0%	55.0%	55.0%
56	7.0%	14.0%	25.0%	55.0%
57	7.0%	14.0%	25.0%	40.0%
58 - 60	7.0%	14.0%	25.0%	30.0%
61	10.0%	14.0%	25.0%	20.0%
62	15.0%	14.0%	25.0%	20.0%
63 - 64	15.0%	14.0%	20.0%	20.0%
65	20.0%	18.0%	30.0%	20.0%
66	20.0%	18.0%	40.0%	20.0%
67	20.0%	25.0%	50.0%	20.0%
68 - 69	25.0%	25.0%	50.0%	20.0%
70+	100.0%	100.0%	100.0%	100.0%

13) Rates of Retirement for Tier 2 Members

Rates of retirement for Tier 2 members are based on age and service as shown in the following Table B-4 – Tier 2.

Table B - 4 Tier 2 RATES OF RETIREMENT BY AGE AND SERVICE								
Age								
Years of Service	55 - 58	59	60 - 61	62	63	64	65 - 69	70+
Less than 15	5.0%	5.0%	5.0%	15.0%	7.5%	12.5%	17.5%	100.0%
15 - 24	5.0%	7.5%	10.0%	25.0%	15.0%	15.0%	30.0%	100.0%
25 - 34	7.5%	10.0%	15.0%	50.0%	25.0%	25.0%	50.0%	100.0%
35+	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

14) Rates of Disability

Disability rates are equal to the 0.956 times the CalPERS 2021 non-industrial disability incidence rates for miscellaneous public agencies, blended 55.0% male and 45.0% female. 50.0% of disabilities are assumed to be duty related, and 50.0% are assumed to be non-duty related. Sample disability rates of active members are provided in Table B-5 shown below.

Table B-5 RATES OF DISABILITY AT SELECTED AGES									
Age	25	30	35	40	45	50	55	60	65+
Disability	0.0233%	0.0289%	0.0529%	0.1187%	0.2325%	0.3174%	0.2508%	0.2075%	0.2394%

15) Base Rates of Mortality

Base mortality rates are based on the sex-distinct employee and retiree mortality tables shown on the next page.

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION *(continued)*

Table B-6 BASE MORTALITY TABLES		
Category	Male	Female
Healthy Retirees and Beneficiaries	0.995 times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees	1.020 times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees
Healthy Non-Annuitant	0.992 times the 2010 Public General Mortality Table (PubG-2010) for healthy employees	1.084 times the 2010 Public General Mortality Table (PubG-2010) for healthy employees
Disabled Retirees	0.990 times the 2010 Public General Mortality Table (PubG-2010) for disabled retirees	0.920 times the 2010 Public General Mortality Table (PubG-2010) for disabled retirees

16) Rates of Mortality Improvement

Future mortality improvements are reflected by applying the MP-2021 projection scale issued by the Society of Actuaries on a generational basis from the base year of 2010.

17) Family Composition

Percentage married is shown in the following Table B-7. Male retirees are assumed to be two years older than their partner, and female retirees are assumed to be two years younger than their partner.

Table B-7 PERCENTAGE MARRIED		
	Males	Females
Percentage	80.0%	60.0%

18) Changes Since Last Valuation

None.

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. This contribution allocation procedure, combined with reasonable assumptions, produces a reasonable actuarially determined contribution as defined in Actuarial Standard of Practice No. 4. The contribution allocation procedure was selected to balance benefit security, intergenerational equity, and the stability of actuarially determined contributions. The selection also considered the demographics of plan members, the funding goals and objectives of the Board, and the need to accumulate assets to make benefit payments when due.

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 all benefits between each member's date of hire and last assumed date of employment. 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.

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION *(continued)*

2) Asset Valuation Method

For the purpose of determining contribution rates and amounts, an actuarial value of assets is used that dampens the effects of volatility in the fair value of assets on the pattern of contributions.

The actuarial value of assets is calculated by recognizing 20.0% of the difference in each of the prior four years of actual investment returns compared to the expected return on the fair value of assets.

3) Amortization Method

The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

The Tier 1 unfunded actuarial liability as of June 30, 2009 is amortized over a closed 30-year period commencing June 30, 2009. Tier 1 actuarial gains and losses and plan changes are amortized over 20-year periods, and Tier 1 assumption changes are amortized over 25-year periods beginning with the valuation date in which they first arise. Effective June 30, 2017, all prior assumption amortization base periods were increased by 5 years, so they have the same remaining period as if they had originally been amortized over 25 years. Amortization payments are scheduled to increase by 2.75% each year.

The Tier 2 unfunded actuarial liability as of June 30, 2017, is amortized over a closed 10-year period. Future Tier 2 actuarial gains and losses, assumption changes, and plan changes will be amortized over 10-year periods beginning with the valuation date in which they first arise. Amortization payments are scheduled to increase by 2.75% each year.

4) Contributions

The Board adopted a policy in 2010 and modified it in 2015 setting the City's contribution to be the UAL contribution amount reported in the actuarial valuation plus the greater of the normal cost 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 normal cost as a 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. Contributions are generally made on a payroll-by-payroll basis although the City retains an option to make its contribution as of the beginning of the year.

The total contribution rate is the sum of the normal cost rate, assumed administrative expenses, and the UAL rate. Under Measure F, the total contribution rate cannot be less than the normal cost 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).

For Tier 1, members contribute 3/11ths of the normal cost rate (excluding reciprocity), and the City pays the remainder of the total contribution rate. Tier 1 members who were rehired into Tier 2 and then returned to Tier 1 under Measure F also pay half of the increased cost attributable to their Tier 2 service.

For Tier 2, the members and the City each pay half of the total contribution rate. However, the member's UAL contribution rate cannot increase by more than 0.33% of pay each year. The City contributes any amounts in excess of this cap that would otherwise be contributed by the member.

5) Changes Since Last Valuation

None.

System Experiences

DEFINED BENEFIT PENSION

SCHEDULE OF ACTIVE MEMBER DATA				
Valuation Year	Active Count	Annual Payroll	Average Annual Pay	Percent Change in Average Pay
2024	4,301	\$ 486,216,000	\$113,047	4.9%
2023	4,048	436,391,000	107,804	6.4%
2022	3,792	384,197,000	101,318	6.5%
2021	3,775	359,061,000	95,115	4.2%
2020	3,742	341,552,000	91,275	5.4%
2019	3,617	313,310,000	86,622	3.0%
2018	3,554	298,985,000	84,126	(0.2)%
2017	3,410	287,339,000	84,264	4.1%
2016	3,297	266,823,000	80,929	4.2%
2015	3,236	251,430,000	77,698	3.3%

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS											
Period	Beginning of Period		Added to Rolls		Removed from Rolls		End of Period		% Increase in Annual Allowances	Average Annual Allowances	
	Count	Annual Allowances	Count	Annual Allowances	Count	Annual Allowances	Count	Annual Allowances			
2023-24	4,626	\$ 252,313	154	\$ 7,532	123	\$ 5,874	4,657	\$ 261,356	3.6%	\$ 56	
2022-23	4,557	241,253	185	7,810	116	5,251	4,626	252,313	4.6%	55	
2021-22	4,511	232,043	173	8,440	127	5,463	4,557	241,253	4.0%	53	
2020-21	4,441	221,575	188	9,246	118	5,090	4,511	232,043	4.7%	51	
2019-20	4,359	210,350	208	9,499	126	4,596	4,441	221,575	5.3%	50	
2018-19	4,225	198,157	230	10,394	96	3,634	4,359	210,350	6.2%	48	
2017-18	4,115	187,714	223	9,133	113	3,994	4,225	198,157	5.6%	47	
2016-17	4,003	177,751	225	8,843	113	3,894	4,115	187,714	5.6%	46	
2015-16	3,901	168,917	212	7,907	110	3,904	4,003	177,751	5.2%	44	
2014-15	3,800	159,124	200	8,266	99	3,122	3,901	168,917	6.2%	43	

Dollar amounts in thousands

ANALYSIS OF FINANCIAL EXPERIENCE					
Gain or (Loss) for Year Ending on Valuation Date Due To:					
Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Non-Recurring Items	Total Experience
6/30/2024	\$ 46,229	\$ (30,160)	\$ 16,069	\$ -	\$ 16,069
6/30/2023	18,329	(64,743)	(46,414)	(22,572)	(68,986)
6/30/2022	31,034	(53,747)	(22,713)	(518)	(23,231)
6/30/2021	76,461	(32,329)	44,132	(9,687)	34,445
6/30/2020	(67,979)	(32,761)	(100,740)	(36,981)	(137,721)
6/30/2019	(88,845)	(4,283)	(93,128)	39,030	(54,098)
6/30/2018	(49,921)	4,702	(45,219)	(56,306)	(101,525)
6/30/2017	(44,650)	(13,819)	(58,469)	1,813	(56,656)
6/30/2016	(81,539)	(29,989)	(111,528)	(60,233)	(171,761)
6/30/2015	(3,641)	(45,998)	(49,639)	(191,527)	(241,166)

Dollar amounts in thousands

System Experiences (continued)

DEFINED BENEFIT PENSION (continued)

SCHEDULE OF FUNDED LIABILITIES BY TYPE								
Actuarial Liability for:								
Actuarial Valuation Date	Active Member Contributions	Retirees, Beneficiaries and Other Inactives	Remaining Active Members' Liabilities	Reported Assets ¹	Portion of Actuarial Liability Covered by Reported Assets			
	(A)	(B)	(C)		(A)	(B)	(C)	
6/30/2024	\$ 283,680	\$ 3,747,788	\$ 1,106,470	\$ 3,116,847	100.0%	76.0%	0.0%	
6/30/2023	262,269	3,668,531	1,034,868	2,889,956	100.0%	72.0%	0.0%	
6/30/2022	246,803	3,575,879	927,964	2,709,625	100.0%	69.0%	0.0%	
6/30/2021	241,016	3,443,968	877,997	2,513,095	100.0%	66.0%	0.0%	
6/30/2020	234,385	3,308,069	858,629	2,301,469	100.0%	62.0%	0.0%	
6/30/2019	228,905	3,150,673	821,130	2,228,802	100.0%	63.0%	0.0%	
6/30/2018	230,282	3,002,012	868,527	2,179,488	100.0%	65.0%	0.0%	
6/30/2017	236,819	2,830,143	857,004	2,101,435	100.0%	66.0%	0.0%	
6/30/2016	240,872	2,722,224	823,634	2,034,741	100.0%	66.0%	0.0%	
6/30/2015	243,828	2,553,892	772,178	2,004,481	100.0%	69.0%	0.0%	

¹ Actuarial Value of Assets

Dollar amounts in thousands

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	
6/30/2024	\$ 3,116,847	\$ 5,137,938	\$ 2,021,091	60.7%	\$ 486,216	415.7%	
6/30/2023 ⁹	2,889,956	4,965,668	2,075,712	58.2%	436,391	475.7%	
6/30/2022 ⁸	2,709,625	4,750,646	2,041,021	57.0%	384,197	531.2%	
6/30/2021 ⁷	2,513,095	4,562,981	2,049,886	55.1%	359,061	570.9%	
6/30/2020 ⁶	2,301,469	4,401,083	2,099,614	52.3%	341,552	614.7%	
6/30/2019 ⁵	2,228,802	4,200,708	1,971,906	53.1%	313,310	629.4%	
6/30/2018 ⁴	2,179,488	4,100,821	1,921,333	53.1%	298,985	642.6%	
6/30/2017 ³	2,101,435	3,923,966	1,822,531	53.6%	287,339	634.3%	
6/30/2016 ²	2,034,741	3,786,730	1,751,989	53.7%	266,823	656.6%	
6/30/2015 ¹	2,004,481	3,569,898	1,565,417	56.1%	251,430	622.6%	

Dollar amounts in thousands

¹ Demographic assumption changes increased the AL by \$192 million.

² Reducing the discount rate from 7.00% to 6.875% increased the AL by \$60 million.

³ Measure F implementation increased the AL by \$14 million and assumption changes decreased the AL by \$16 million.

⁴ Assumption changes, including reducing the discount rate from 6.875% to 6.75%, increased the AL by \$54 million.

⁵ Assumption changes decreased the AL by \$3 million.

⁶ Assumption changes, including reducing the discount rate from 6.75% to 6.625%, increased the AL by \$37 million.

⁷ Assumption changes increased the AL by \$10 million.

⁸ Assumption changes increased the AL by \$0.5 million.

⁹ Assumption changes increased the AL by \$22.6 million.

Note - Please refer to the ten-year schedule of actuarially determined and actual contributions in the Required Supplementary Information.

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, including members that are rehired after September 30, 2012 and had prior service under Tier 1 and did not take a return of contributions. In addition, any person accepting employment on or after September 30, 2012 who is otherwise eligible for this system and who was a "classic" member in another California public retirement system with which this system has reciprocity, and who has a break in service of less than six months from that covered employment and employment with the City, shall be a Tier 1 member of this system.

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.

For bargaining units that have agreed to the provision, member contributions cease once a member has 30 years of City service (excluding reciprocal service).

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 75.0% of Final Compensation.

Benefit - Survivor: 50.0% of the service retirement benefit paid to a qualified survivor.

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 40.0% and a maximum of 75.0% of Final Compensation. Workers' Compensation benefits are generally offset from the service-connected benefits under this system.

Benefit - Survivor: 50.0% 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.

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

Members who were hired on or after September 1, 1998: 20.0% of Final Compensation, plus 2.0% 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 75.0% of Final Compensation.

Benefit - Survivor: 50.0% of the disability retirement benefit paid to a qualified survivor.

8) Death Before Retirement

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 maximum of 75.0% of Final Compensation. Benefit is subject to a minimum of 40.0% of Final Compensation if member dies while an active employee. 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 except those who elect to participate in a defined contribution plan, had prior service under Tier 1 and did not take a return of contributions, or had prior service as a "classic" member in a reciprocal system with less than a six month break in service.

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

50.0% of total Tier 2 contributions to the pension plan, including, but not limited to administrative expenses, normal cost, and unfunded actuarial liability. However, the member's UAL contribution rate cannot increase by more than 0.33% of pay each year. The City contributes any amounts in excess of this cap that would otherwise be contributed by the member. The member contribution rate cannot be less than 50.0% of the normal cost rate.

5) City Contributions

50.0% of total Tier 2 contributions to the pension plan, including, but not limited to administrative expenses, normal cost, and unfunded actuarial liability. In addition, the City contributes any UAL amounts in excess of the member UAL cap until the member rate covers 50.0% of the UAL rate. The City contribution rate cannot be less than 50.0% of the normal cost rate.

6) Unreduced Service Retirement

Eligibility: Age 62 with five years of service.

Benefit – Member: 2.0% of Final Compensation for each year of credited service attributable to Tier 2, subject to a maximum of 70.0% of Final Compensation.

Benefit - Survivor: 50.0% of the service retirement benefit paid to a qualified survivor.

7) Early Service Retirement

Eligibility: Age 55 with five years of service.

Benefit - Member: Benefit reduced by a factor of 5.0% for each year the member retires before age 62.

The early retirement reduction is applied to the benefit after the application of the maximum of 70.0% of Final Compensation.

8) Service-Connected Disability Retirement

Eligibility: No age or service requirement.

Benefit - Member: 2.0% of Final Compensation for each year of credited service, subject to a minimum of 40.0% of Final Compensation and a maximum of 70.0% of Final Compensation, less the amounts specified in Section 3.28.1330 and Section 3.28.1340.

9) Non-Service Connected Disability Retirement

Eligibility: Five years of service.

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

Benefit - Member: 2.0% of Final Compensation for each year of credited service attributable to Tier 2, subject to a minimum of 20.0% of Final Compensation and a maximum of 70.0% of Final Compensation less the amounts specified in Section 3.28.1330 and Section 3.28.1340.

10) Death Before Retirement

Not yet eligible for retirement, or no qualified survivor: Lump sum benefit equal to the accumulated refund of all employee contributions with interest.

Eligible for retirement: 2.0% of Final Compensation for each year of credited service, subject to a maximum of 70.0% of Final Compensation. Benefit is subject to a minimum of 40.0% of Final Compensation if member dies while an active employee. 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.

11) Withdrawal Benefits

Less than five years of credited 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 reduced for early retirement, and payable when retirement eligibility is reached.

12) Benefit Forms

Annuity benefits are paid in the form of a 50.0% joint and survivor annuity or an actuarially equivalent annuity with 75.0% or 100.0% continuance to a survivor.

13) 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 based on years of service as shown in the following table.

Years of Service	Maximum COLA
At least 1, but less than 11	1.25% ¹
At least 11, but less than 21	1.50%
At least 21, but less than 26	1.75%
At least 26	2.00%

¹ 1.5% for members hired before Measure F effective date

The first COLA after retirement shall be prorated based on the number of months retired.

14) Changes Since the Last Valuation

None.



September 23, 2025

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 Annual Comprehensive Financial Report (ACFR) 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 Valuation Used for Funding Purposes

Actuarial valuations are performed annually, and the most recent actuarial valuation was performed as of June 30, 2024. Please refer to that report for additional information related to the funding of the Plan.

We prepared the following schedules for inclusion in the Actuarial Section of the ACFR based on the June 30, 2024 actuarial valuation.

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Member Benefit Coverage Information
- Analysis of Financial Experience
- Schedule of Funding Progress
- Summary of Key Substantive Plan Provisions

The funding ratios shown in the member benefit coverage information and the schedule of funding progress exhibits 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 sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations.

Employees hired on or after September 1, 2013, are not eligible to enter the Plan.

Historically, member and City contributions to the Plan had been negotiated through collective bargaining and were not actuarially determined. With the implementation of Measure F, member contributions are fixed at 7.5% of pay; the City's contribution toward the explicit subsidy is actuarially determined; and the City also pays the implicit subsidy on a pay-as-you-go basis as a part of active health premiums. Finally, the City can limit its contribution for the explicit subsidy to 14% of payroll.

Actuary's Certification Letter OPEB *(continued)*

Board of Administration
September 23, 2025
Page 2

The Board of Administration adopts the actuarial methods and assumptions used in the actuarial valuation with advice from the actuary. In our opinion, the assumptions and methods used in the actuarial valuation for funding purposes are consistent with applicable Actuarial Standards of Practice. The actuarial cost method and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes.

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total OPEB Liability is based on the June 30, 2024 actuarial valuation updated to the measurement date of June 30, 2025. The Board changed some economic and demographic assumptions for the June 30, 2024 valuation. These changes are detailed in the actuarial assumptions and methods attachment of this letter and are reflected effective July 1, 2024, for financial reporting purposes. Consequently, the update was based upon the Total OPEB Liability as of the valuation date, reflecting the new assumptions and projected to the measurement date with the addition of service cost and interest cost offset by actual benefit payments.

Please refer to our GASB 74/75 report as of June 30, 2025 for additional information related to the financial reporting of the Plan. We prepared the following schedules for inclusion in the Financial Section of the ACFR as shown in the June 30, 2025 GASB 74/75 report.

- Change in Net OPEB Liability
- Sensitivity of Net OPEB Liability to Changes in Discount Rate and Healthcare Cost Trend Rates
- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of Employer Contributions

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

In preparing our valuations and the schedules for the ACFR, we relied on information (some oral and some written) supplied by the City of San José Office 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 ACFR 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.

This letter and the schedules previously named 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



Actuary's Certification Letter OPEB *(continued)*

Board of Administration
September 23, 2025
Page 3

Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we collectively 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.

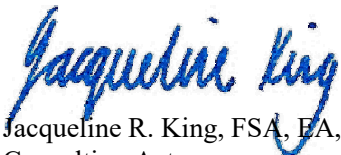
Sincerely,
Cheiron



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



John L. Colberg, FSA, EA, MAAA
Principal Consulting Actuary



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



Actuarial Assumptions and Methods

POSTEMPLOYMENT HEALTHCARE

Economic Assumptions

The expected return on plan assets and per person cost trend assumptions shown below were adopted by the Board of Administration with the actuary's input at the November 21, 2024 Board meeting. Please refer to the presentation for that meeting for details, including the rationale for each assumption.

1) Expected Return on Plan Assets

6.00% per year. The Board expects a long-term rate of return of 6.5% based on Meketa's 10-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) Per Person Cost Trends

Medical trends were developed using the 2024 Society of Actuaries Long-Run Medical Cost Trend Model with the following parameters:

Initial trend rate for the 2025 calendar year:

<i>Non-Medicare Eligible:</i>	7.00%	<i>Medicare Eligible:</i>	7.50%
<i>Inflation:</i>	2.50%	<i>Real GDP per Capita:</i>	1.40%
<i>Excess Medical Cost Growth:</i>	0.90%	<i>Expected GDP Share in 2033:</i>	19.80%
<i>Resistance Point:</i>	17.70%	<i>Year limited to GDP growth:</i>	2075

ANNUAL INCREASE %															
FY Beginning	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Pre-Medicare	0.00 ¹	6.85	6.54	6.24	5.94	5.63	5.33	5.02	4.71	4.54	4.54	4.53	4.52	4.51	4.50
Medicare Eligible	0.00 ¹	5.60	5.49	5.38	5.27	5.15	5.04	4.93	4.71	4.54	4.54	4.53	4.52	4.51	4.50
Dental	0.00 ¹	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
FY Beginning	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054
Pre-Medicare	4.50	4.49	4.48	4.47	4.47	4.46	4.45	4.45	4.44	4.44	4.43	4.42	4.42	4.41	4.41
Medicare Eligible	4.50	4.49	4.48	4.47	4.47	4.46	4.45	4.45	4.44	4.44	4.43	4.42	4.42	4.41	4.41
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
FY Beginning	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069
Pre-Medicare	4.40	4.40	4.39	4.39	4.38	4.38	4.37	4.37	4.36	4.36	4.33	4.29	4.24	4.20	4.16
Medicare Eligible	4.40	4.40	4.39	4.39	4.38	4.38	4.37	4.37	4.36	4.36	4.33	4.29	4.24	4.20	4.16
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
FY Beginning	2070	2071	2072	2073	2074	2075+									
Pre-Medicare	4.12	4.08	4.03	3.99	3.95	3.94									
Medicare Eligible	4.12	4.08	4.03	3.99	3.95	3.94									
Dental	3.50	3.50	3.50	3.50	3.50	3.50									

¹ Varies by Plan

The table above shows the trend increases on a fiscal year basis; premium rates change on a calendar year basis. For the fiscal year beginning July 1, 2025, the trend was developed using the actual calendar year 2025 premiums and a trend assumption for the calendar year 2026. The trend factors vary by plan as shown in the table on the next page.

Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximums (where applicable) are assumed to increase at the trend rates on the next page.

Actuarial Assumptions and Methods *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

FISCAL YEAR BEGINNING 2025 TREND					
Pre-Medicare		Medicare		Dental	
Kaiser Plans	6.93%	Kaiser Plan	7.19%	HMO Plan	1.76%
Anthem Plans	6.02%	Anthem PPO Plan	7.24%	PPO Plan	1.75%

3) Changes Since Last Valuation

The per-person cost trends were updated.

Demographic Assumptions

The OPEB assumptions were adopted by the Board of Administration at the November 21, 2024 Board meeting based on the actuary's recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 16, 2023 Board meeting based on recommendations from the actuary's experience study covering System experience through June 30, 2023. Please refer to the full experience study report and the November 16, 2023 Board presentation for details, including the rationale for each demographic assumption.

1) Salary Increase Rate

Wage inflation component

Reflect currently bargained increases for FYE 2025, 3.5% effective July 1, 2025, and 3.0% thereafter. These increases approximate the bargained increases for the largest bargaining groups.

Merit increases

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

SALARY MERIT INCREASES					
Years of Service	Merit / Longevity	Years of Service	Merit / Longevity	Years of Service	Merit / Longevity
0	3.25%	7	1.60%	14	0.45%
1	3.25%	8	1.35%	15	0.40%
2	3.05%	9	1.20%	16	0.35%
3	2.75%	10	1.00%	17	0.30%
4	2.40%	11	0.85%	18+	0.25%
5	2.10%	12	0.70%		
6	1.85%	13	0.55%		

2) Rates of Termination

Termination rates do not apply once a member is eligible for retirement. Rates of termination are shown in the following table.

RATES OF TERMINATION					
Years of Service	Termination Rate	Years of Service	Termination Rate	Years of Service	Termination Rate
0	15.00%	6	7.75%	12	3.75%
1	12.75%	7	6.50%	13	3.50%
2	11.75%	8	5.50%	14	3.25%
3	10.75%	9	4.75%	15+	3.25%
4	9.75%	10	4.25%		
5	8.75%	11	4.00%		

Actuarial Assumptions and Methods *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

3) Rates of Refund

Tier 1

Rates of vested terminated employees electing a refund of contributions are shown in following table. Refund rates do not apply once a member is eligible for retirement.

RATES OF REFUND					
Years of Service	Younger than Age 45	Ages 45 and Older	Years of Service	Younger than Age 45	Ages 45 and Older
0 - 4	100.0%	100.0%	11	10.0%	5.0%
5	20.0%	15.0%	12	8.0%	5.0%
6	18.0%	12.5%	13	6.0%	5.0%
7	16.5%	10.0%	14	3.0%	2.5%
8	15.0%	8.0%	15+	0.0%	0.0%
9	13.5%	6.0%			
10	12.0%	5.0%			

Tier 2

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

4) Deferred Vested Member Retirement Age

Tier 1 terminated vested members are assumed to retire at age 57 and Tier 2 terminated vested members are assumed to retire at age 62.

5) Rate of Retirement for Tier 1 Members

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

TIER 1 RATES OF RETIREMENT BY AGE AND SERVICE									
Years of Service					Years of Service				
Age	Less than 15	15 to 24	25 to 29	30 or more	Age	Less than 15	15 to 24	25 to 29	30 or more
50	0.0%	0.0%	0.0%	75.0%	61	10.0%	14.0%	25.0%	20.0%
51	0.0%	0.0%	0.0%	60.0%	62	15.0%	14.0%	25.0%	20.0%
52	0.0%	0.0%	0.0%	55.0%	63	15.0%	14.0%	20.0%	20.0%
53	0.0%	0.0%	0.0%	55.0%	64	15.0%	14.0%	20.0%	20.0%
54	0.0%	0.0%	0.0%	55.0%	65	20.0%	18.0%	30.0%	20.0%
55	7.0%	25.0%	55.0%	55.0%	66	20.0%	18.0%	40.0%	20.0%
56	7.0%	14.0%	25.0%	55.0%	67	20.0%	25.0%	50.0%	20.0%
57	7.0%	14.0%	25.0%	40.0%	68	25.0%	25.0%	50.0%	20.0%
58	7.0%	14.0%	25.0%	30.0%	69	25.0%	25.0%	50.0%	20.0%
59	7.0%	14.0%	25.0%	30.0%	70+	100.0%	100.0%	100.0%	100.0%
60	7.0%	14.0%	25.0%	30.0%					

6) Rates of Retirement for Tier 2 Members

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

Actuarial Assumptions and Methods *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

TIER 2 RATES OF RETIREMENT BY AGE AND SERVICE									
Age									
Years of Service	55	56 - 58	59	60 - 61	62	63	64	65 - 69	70+
Less than 15	5.0%	5.0%	5.0%	5.0%	15.0%	7.5%	12.5%	17.5%	100.0%
15 to 24	5.0%	5.0%	7.5%	10.0%	25.0%	15.0%	15.0%	30.0%	100.0%
25 to 34	7.5%	7.5%	10.0%	15.0%	50.0%	25.0%	25.0%	50.0%	100.0%
35+	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

7) Base Rates of Mortality

Base mortality rates are based on the sex-distinct employee and retiree mortality tables shown below.

BASE MORTALITY TABLES		
Category	Male	Female
Healthy Retirees and Beneficiaries	0.995 times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees	1.020 times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees
Healthy Non-Annuitant	0.992 times the 2010 Public General Mortality Table (PubG-2010) for healthy employees	1.084 times the 2010 Public General Mortality Table (PubG-2010) for healthy employees
Disabled Retirees	0.990 times the 2010 Public General Mortality Table (PubG-2010) for disabled retirees	0.920 times the 2010 Public General Mortality Table (PubG-2010) for disabled retirees

8) Rates of Mortality Improvement

Future mortality improvements are reflected by applying the MP-2021 projection scale issued by the Society of Actuaries on a generational basis from the base year of 2010.

9) Dependent Age

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

10) Disability Rates

Disability rates are equal to the 0.956 times the CalPERS 2021 non-industrial disability incidence rates for miscellaneous public agencies, blended 55.0% male and 45.0% female. 50.0% of disabilities are assumed to be duty related, and 50.0% are assumed to be non-duty related. Sample disability rates of active members are provided in the following table.

RATES OF DISABILITY AT SELECTED AGES									
Age	25	30	35	40	45	50	55	60	65+
Disability	0.0233%	0.0289%	0.0529%	0.1187%	0.2325%	0.3174%	0.2508%	0.2075%	0.2394%

11) Percent of Futures Retirees Electing Coverage Versus In-Lieu Credits

Upon retirement, members are assumed to elect coverage or enter the In-Lieu credit program according to the following table.

FUTURE RETIREE PARTICIPATION		
	Coverage	In-Lieu
Active members	80.0%	20.0%
Terminated vested members	60.0%	40.0%

Actuarial Assumptions and Methods *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

12) Dependent Coverage Elections

Upon retirement, members who elect coverage are assumed to cover dependents according to the following table. 100.0% of members eligible for dental are assumed to elect spousal coverage.

ASSUMED FUTURE RETIREE TIER ELECTIONS				
Coverage Tier	Pre-Medicare		Medicare	
	Male	Female	Male	Female
Retiree only	31.0%	53.0%	35.0%	62.0%
Retiree and children	4.0%	9.0%	0.0%	0.0%
Retiree and spouse	37.0%	26.0%	65.0%	38.0%
Retiree and family	28.0%	12.0%	0.0%	0.0%

13) In-Lieu Assumptions

Members who elect to receive the In-Lieu credits are assumed to remain in the In-Lieu credit program for five years, after which they are assumed to elect coverage and use their In-Lieu credits. The amount of the In-Lieu credit is 25.0% of the subsidy for the tier of coverage for which the retiree qualifies. Future retiree medical tier qualification assumptions are provided in the following table.

ASSUMED FUTURE RETIREE IN-LIEU CREDIT TIER				
Coverage Tier	Pre-Medicare		Medicare	
	Male	Female	Male	Female
Retiree only	30.0%	30.0%	45.0%	45.0%
Retiree and children	0.0%	0.0%	0.0%	0.0%
Retiree and spouse	30.0%	30.0%	55.0%	55.0%
Retiree and family	40.0%	40.0%	0.0%	0.0%

14) Health Plan Election

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 following table.

ASSUMED PLAN ELECTIONS FOR FUTURE RETIREES ¹			
Pre-Medicare Medical Plans	% Electing	Medicare-Eligible Medical Plans	% Electing
Kaiser DHMO	8.0%	Kaiser Senior Advantage	61.0%
Kaiser \$25 co-pay	67.0%	Anthem Medicare PPO	39.0%
Kaiser HDHP	8.0%		
Anthem DHMO	1.0%		
Anthem Select \$20 co-pay	5.0%		
Anthem Traditional \$20 co-pay	2.0%		
Anthem HDHP PPO	5.0%	Dental Plans (All Retirees)	
Anthem Select PPO	3.0%	Delta Dental PPO	98.0%
Anthem Classic PPO	1.0%	DeltaCare HMO	2.0%

¹ Eligible for coverage and elect coverage

15) Married Percentage

PERCENTAGE MARRIED		
Gender	Males	Females
Percentage	80.0%	60.0%

Actuarial Assumptions and Methods *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

16) Voluntary Employees' Beneficiary Association Balance Drawdown

Members are assumed to draw down their VEBA balances by the blended active and retiree member plus spouse premium, without factoring in the lowest cost premium, and increased by a factor of 1.75 to estimate the adjustment from a blended active and retiree premium to a retiree-only premium.

17) Administrative Expenses

\$109 per member for FYE 2026, increasing at the ultimate wage inflation assumption of 3.00% per annum.

18) Changes Since Last Valuation

Future retiree tier election assumptions were updated.

Claim and Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the November 21, 2024 Board meeting based upon the actuary's recommendations.

The claims costs are based on the fully insured premiums charged to the City for the active and retiree population in 2024 and 2025. 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 2024 calendar year. The same process was used for Medicare adults, except only Medicare-eligible retirees were included. 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 decreases 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, Police, and Fire Postemployment Healthcare Plans of the City of San José.

The claim costs and trend assumptions reflect the Inflation Reduction Act of 2022 (the Act) including associated regulations and market responses to date. As the regulations and market responses evolve, the impact on future costs could vary significantly from those assumed in this valuation.

1) Average Annual Claims and Expense Assumptions

The following claim and expense assumptions were developed as of July 1, 2024 based on the premiums for 2024 and 2025. The explicit subsidy amount (100.0% 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.

Actuarial Assumptions and Methods *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

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

SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE							
Age	Kaiser		Anthem HMO		Anthem PPO		
	Male	Female	Male	Female	Male	Female	
40	\$ 13,137	\$ 15,957	\$ 18,338	\$ 21,876	\$ 23,180	\$ 28,809	
45	13,246	15,424	18,101	20,833	24,012	28,359	
50	13,793	15,564	18,412	20,634	25,716	29,252	
55	15,045	16,294	19,609	21,175	28,829	31,322	
60	17,360	16,929	22,137	21,596	34,061	33,201	
64	20,271	16,503	25,490	20,763	40,363	32,842	

SAMPLE CLAIMS COSTS - MEDICARE ELIGIBLE					
Age	Kaiser Senior Adv		Anthem Select PPO		
	Male	Female	Male	Female	
65	\$ 3,092	\$ 2,728	\$ 5,528	\$ 4,876	
70	3,284	2,781	5,870	4,972	
75	3,774	3,128	6,747	5,591	
80	4,286	3,547	7,661	6,341	
85	4,629	3,876	8,274	6,929	

SAMPLE CLAIMS COSTS - DENTAL			
Dental Blended			
Age	Unisex		
All	\$	703.11	

2) Medicare Part D Subsidy

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

3) Medicare Part B

All Medicare eligible retirees are assumed to 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.

9) Changes Since Last Valuation

All claims costs were updated to reflect the changes in plan premiums and the populations covered.

Actuarial Assumptions and Methods *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

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 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

The actuarial value of assets equals the fair 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, 2017, is amortized as a level dollar amount over a closed 20-year period. All subsequent amortization bases are amortized over 20-year periods with a 3-year phase-in and phase-out.

4) Contributions

The City will contribute the annual implicit subsidy as part of active employee health premiums and will prefund the explicit subsidy based on the normal cost, administrative expenses, and amortization payment described above less expected employee contributions. The City has the option to limit its contribution towards the explicit subsidy to no more than 14.0% of total payroll. Active members who are eligible for full benefits will contribute 7.50% of pay.

5) Changes Since Last Valuation

None.

System Experiences

POSTEMPLOYMENT HEALTHCARE

SCHEDULE OF ACTIVE MEMBER DATA						
Valuation Date	Active Member Counts			Annual Payroll	Average Annual Pay	Percentage Change in Average Pay
	Under Age 65	Age 65+	Total			
6/30/2024 ²	3,958	150	4,108	\$ 454,294,901	\$ 110,588	11.1%
6/30/2023 ²	3,731	134	3,865	409,009,078	105,824	13.1%
6/30/2022 ²	3,502	124	3,626	360,935,782	99,541	10.9%
6/30/2021 ²	3,508	121	3,629	339,546,040	93,565	4.2%
6/30/2020 ²	3,495	101	3,596	322,850,457	89,780	5.1%
6/30/2019 ²	3,412	88	3,500	299,001,886	85,429	4.1%
6/30/2018 ²	3,377	84	3,461	284,008,289	82,060	(2.6)%
6/30/2017 ²	3,321	89	3,410	287,339,424	84,264	(0.9)%
6/30/2016 ¹	2,310	77	2,387	202,911,153	85,007	5.8%
6/30/2015 ¹	2,527	74	2,601	208,957,370	80,337	5.9%

¹ Does not include Tier 2B active employees.

² Includes members that are only eligible for catastrophic disability benefits.

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS										
Period	Beginning of Period		Added to Rolls	Removed from Rolls	End of Period		Net Change		% Increase	Average
	Count	Annual Subsidy ¹	Count	Count	Count	Annual Subsidy ¹	Count	Annual Subsidy ¹	Annual Subsidy	Annual Subsidy
Medical										
2023-24	3,054	\$ 22,754	83	116	3,021	\$ 24,182	(33)	\$ 1,428	6.3%	\$ 8,004
2022-23	3,050	22,818	109	105	3,054	22,754	4	(64)	(0.3)%	7,451
2021-22	3,047	23,464	112	109	3,050	22,818	3	(646)	(2.8)%	7,481
2020-21	3,057	23,648	107	117	3,047	23,464	(10)	(184)	(0.8)%	7,701
2019-20	2,909	21,588	254	106	3,057	23,648	148	2,060	9.5%	7,736
2018-19	2,923	20,566	124	138	2,909	21,588	(14)	1,023	5.0%	7,421
2017-18	2,920	23,621	139	136	2,923	20,566	3	(3,056)	(12.9)%	7,036
2016-17	2,821	21,844	210	111	2,920	23,621	99	1,777	8.1%	8,090
2015-16	2,769	21,341	183	131	2,821	21,844	52	503	2.4%	7,743
2014-15	2,737	21,941	152	120	2,769	21,341	32	(599)	(2.7)%	7,707
Dental										
2023-24	3,445	\$ 3,511	80	114	3,411	\$ 3,494	(34)	\$ (17)	(0.5)%	\$ 1,024
2022-23	3,457	2,936	88	100	3,445	3,511	(12)	575	19.6%	1,019
2021-22	3,465	3,558	103	111	3,457	2,936	(8)	(622)	(17.5)%	849
2020-21	3,454	3,561	120	109	3,465	3,558	11	(3)	(0.1)%	1,027
2019-20	3,405	3,502	158	109	3,454	3,561	49	58	1.7%	1,031
2018-19	3,375	3,478	123	93	3,405	3,502	30	25	0.7%	1,029
2017-18	3,322	3,414	152	99	3,375	3,478	53	63	1.9%	1,030
2016-17	3,264	3,224	170	112	3,322	3,414	58	190	5.9%	1,028
2015-16	3,206	3,212	159	101	3,264	3,224	58	12	0.4%	988
2014-15	3,133	3,130	160	87	3,206	3,212	73	82	2.6%	1,002

¹ Annual subsidies are explicit amounts in thousands

System Experiences (continued)

POSTEMPLOYMENT HEALTHCARE (continued)

Dollar amounts in thousands for all tables on this page

MEMBER BENEFIT COVERAGE INFORMATION					
Actuarial Valuation Date	Actuarial Liability		Reported Assets	Portion of Liability Covered by Reported Assets	
	Retirees, Beneficiaries and Other Inactives	Active Members			
	(A)	(B)		(A)	(B)
6/30/2024	\$ 509,206	\$ 211,180	\$ 413,541	81.0%	0.0%
6/30/2023	498,969	214,017	374,611	75.0%	0.0%
6/30/2022	447,880	202,790	349,124	78.0%	0.0%
6/30/2021	452,454	210,406	384,613	85.0%	0.0%
6/30/2020	443,476	206,943	303,313	68.0%	0.0%
6/30/2019	422,108	209,644	294,489	70.0%	0.0%
6/30/2018	426,984	223,130	277,256	65.0%	0.0%
6/30/2017	408,627	221,825	248,583	61.0%	0.0%
6/30/2016	450,793	313,468	225,845	50.0%	0.0%
6/30/2015	469,903	347,770	209,761	45.0%	0.0%

ANALYSIS OF FINANCIAL EXPERIENCE					
Gain (or Loss) for Year Ending on Valuation Date Due to:					
Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Non-Recurring Items	Total Experience
6/30/2024	\$ 14,620	\$ 857	\$ 15,477	\$ 8,932	\$ 24,409
6/30/2023	2,748	(44,086)	(41,338)	(3,395)	(44,733)
6/30/2022	(62,035)	36,504	(25,531)	(9,273)	(34,804)
6/30/2021	57,618	25,838	83,456	(22,368)	61,088
6/30/2020	(17,738)	69,483	51,745	(34,497)	17,248
6/30/2019	(10,654)	(34,979)	(45,633)	14,784	(30,849)
6/30/2018	(5,915)	26,064	20,149	(11,137)	9,012
6/30/2017	117	5,259	5,376	123,632	129,008
6/30/2016	(16,044)	(11,608)	(27,652)	99,545	71,893
6/30/2015	(19,264)	6,948	(12,316)	(64,155)	(76,471)

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the System is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. Please refer to the ten-year schedule of actuarially determined and actual contributions in the Required Supplementary Information.

SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AL) (b)	Unfunded AL (UAL) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2024	\$ 413,541	\$ 720,385	\$ 306,844	57.4%	\$ 454,295	67.5%
6/30/2023	374,611	712,986	338,375	52.5%	409,009	82.7%
6/30/2022	349,124	650,670	301,546	53.7%	360,936	83.5%
6/30/2021	384,613	662,860	278,247	58.0%	339,546	81.9%
6/30/2020	303,313	650,419	347,106	46.6%	322,850	107.5%
6/30/2019	294,489	631,752	337,263	46.6%	299,002	112.8%
6/30/2018	277,256	650,114	372,858	42.6%	298,985	124.7%
6/30/2017	248,583	630,452	381,869	39.4%	287,339	132.9%
6/30/2016	225,845	764,261	538,416	29.6%	266,823	201.8%
6/30/2015	209,761	817,673	607,912	25.7%	251,430	241.8%

Summary of Key Substantive Plan Provisions

POST EMPLOYMENT HEALTHCARE

Eligibility

Employees hired before September 2013 who did not elect to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

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 has 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.

Benefits for Retirees

Medical: The System pays 100.0% of the premium for the lowest cost health plan available to active City employees. The member pays the difference if another plan is elected.

Summary of Key Substantive Plan Provisions *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

Dental: The System pays 100.0% of the dental insurance premiums.

In-Lieu: Upon retirement, members may elect to receive credits equal to 25.0% of the premium subsidy the System would have paid in-lieu of the actual subsidy. These credits may be used at a future date to supplement the System's premium subsidy for the coverage elected.

Premiums: Monthly premiums for calendar years 2024 and 2025 are as follows.

2024 MONTHLY PREMIUMS				
Medical	Single	Employee / Spouse	Employee / Child	Family
Non-Medicare Monthly Rates				
Kaiser DHMO	\$ 708.38	\$ 1,416.74	\$ 1,239.66	\$ 2,125.12
Kaiser \$25 co-pay	865.12	1,730.22	1,513.94	2,595.34
Kaiser HDHP	596.84	1,193.68	1,044.46	1,790.52
Anthem HMO Select \$20 co-pay	940.24	2,068.48	1,692.42	2,914.64
Anthem HMO Traditional \$20 co-pay	1,080.88	2,377.90	1,945.60	3,350.68
Anthem DHMO	724.88	1,594.78	1,304.78	2,247.18
Anthem HDHP	1,653.72	3,638.18	2,976.70	5,126.58
Anthem Select PPO	2,684.40	5,905.74	4,831.96	8,321.78
Anthem Classic PPO	2,871.06	6,316.36	5,167.88	8,900.28
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	\$ 270.09	\$ 540.18	\$ 540.18	\$ 810.27
Anthem Medicare PPO	502.69	1,005.38	1,005.38	1,508.07
Dental				
Delta Dental PPO	\$ 50.88	\$ 111.92	\$ 122.12	\$ 157.72
DeltaCare HMO	24.44	48.86	42.74	73.30

2025 MONTHLY PREMIUMS				
Medical	Single	Employee / Spouse	Employee / Child	Family
Non-Medicare Monthly Rates				
Kaiser DHMO	\$ 756.94	\$ 1,513.88	\$ 1,324.66	\$ 2,270.82
Kaiser \$25 co-pay	924.42	1,848.84	1,617.74	2,773.26
Kaiser HDHP	637.74	1,275.48	1,116.06	1,913.22
Anthem HMO Select \$20 co-pay	987.26	2,171.90	1,777.04	3,060.38
Anthem HMO Traditional \$20 co-pay	1,134.92	2,496.80	2,042.88	3,518.22
Anthem DHMO	761.12	1,674.52	1,370.02	2,359.54
Anthem HDHP	1,736.42	3,820.10	3,125.54	5,382.92
Anthem Select PPO	2,818.62	6,201.04	5,073.56	8,737.88
Anthem Classic PPO	3,014.62	6,632.18	5,426.28	9,345.30
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	\$ 294.02	\$ 588.04	\$ 588.04	\$ 882.06
Anthem Medicare PPO	547.69	1,095.38	1,095.38	1,643.07
Dental				
Delta Dental PPO	\$ 50.88	\$ 111.92	\$ 122.12	\$ 157.72
DeltaCare HMO	24.44	48.86	42.74	73.30

Summary of Key Substantive Plan Provisions *(continued)*

POSTEMPLOYMENT HEALTHCARE *(continued)*

SUMMARY OF 2025 BENEFIT PLANS								
Non-Medicare Plans	Kaiser High Deductible	Kaiser DHMO	Kaiser \$25 Co-pay	Anthem \$20 Co-pay HMO	Anthem DHMO	Anthem Select PPO ¹	Anthem Classic PPO ¹	Anthem High Deductible ¹
Annual Out-of-Pocket Maximum (Single / Family)	\$6,050 / \$12,100	\$4,000 / \$8,000	\$1,500 / \$3,000	\$1,500 / \$3,000	\$4,000 / \$8,000	\$2,100 / \$4,200	\$2,100 / \$4,200	\$4,000 / \$8,000
Annual Deductible (Single / Family)	\$3,000 / \$6,000	\$1,500 / \$3,000	None	None	\$1,500 / \$3,000	\$100 / \$200	\$100 / \$200	\$2,500 / \$5,000
Office Visit co-pay	30.0% ²	\$40	\$25	\$20	\$20	\$25	\$25	20.0% ²
Emergency Room co-pay	30.0% ²	30.0% ²	\$100	\$100	30.0% ²	\$100	\$100	20.0% ²
Hospital Care co-pay	30.0% ²	30.0% ²	\$100	\$100	30.0% ²	10.0% ²	10.0% ²	20.0% ²
Prescription Drug Retail Co-pay (30-day supply)								
Generic Brand	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10
Non-Preferred	\$30	\$30	\$25	\$30	\$30	\$25	\$25	\$30
Specialty	N/A	N/A	N/A	\$60	\$60	\$40	\$40	\$60

¹ In-Network benefits

² After deductible is paid.

Medicare-Eligible Plans	Kaiser	Anthem PPO
Annual Out-of-Pocket Maximum	\$1,000 per year for any one member	\$0
Annual Deductible	None	None
Office Visit co-pay	\$25	\$0
Emergency Room co-pay	\$50	\$0
Hospital Care co-pay	\$250	\$0
Prescription Drug Retail Co-pay (30-day supply)		
Generic Brand	\$10	\$10
Non-Formulary	\$10	\$25
Specialty Drug	N/A	\$40

Cost-Sharing Provisions

For the purpose of this valuation, it is assumed 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, retiree-paid premiums, or both.

VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)

Eligibility: Employees who elected to opt-in to the VEBA.

Employee Group	VEBA Contribution Rate
Tier 1 and Tier 2A (Hired before September 2013)	
Management	2.5%
Non-Management	3.5%
Tier 2B	
Not Unit 99	2.0%
Unit 99	N/A

Contributions: Employees are required to make mandatory contributions into the VEBA on a pre-tax basis.

Medical: VEBA funds can be used to reimburse members for eligible healthcare expenses. VEBA members on service-connected disability receive single coverage benefits from the Postemployment Healthcare Plan up to age 65 once VEBA funds are exhausted.

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Statistical Section



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

City of San José, CA

Federated City Employees' Retirement System

Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2025 and June 30, 2024

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 covers 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 Plan'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.

Statistical Review

CHANGES IN PLAN NET POSITION FOR FISCAL YEARS 2016-2025 *(Dollars in thousands)* DEFINED BENEFIT PENSION PLAN (Schedule 1a)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Additions										
Employee contributions	\$ 37,968	\$ 33,933	\$ 30,561	\$ 27,464	\$ 25,724	\$ 25,082	\$ 22,606	\$ 20,501	\$ 17,227	\$ 15,920
Employer contributions	238,195	218,313	199,440	207,598	183,964	181,327	173,006	156,770	138,483	129,456
Investment income / (loss) ¹	328,516	257,583	222,101	(169,129)	698,608	90,909	76,855	117,493	146,010	(35,010)
Total additions to plan net position	604,679	509,829	452,102	65,933	908,296	297,318	272,467	294,764	301,720	110,366
Deductions										
Benefit payments	246,064	236,880	228,530	219,497	210,351	201,474	190,228	179,366	169,756	160,499
Death benefits	19,176	18,352	17,213	16,373	15,641	14,389	13,719	12,970	12,411	11,530
Refunds	1,357	1,333	1,613	1,403	1,214	865	1,119	1,064	1,263	1,289
Administrative expenses and other	6,033	6,158*	5,458	4,978	4,762	4,725	4,582	4,823	4,380	3,940
Total deductions from plan net position	272,630	262,723	252,814	242,251	231,968	221,453	209,648	198,223	187,810	177,258
Changes in plan net position	\$ 332,049	\$ 247,106	\$ 199,288	\$ (176,318)	\$ 676,328	\$ 75,865	\$ 62,819	\$ 96,541	\$ 113,910	\$ (66,892)

¹ Net of expenses

* 2024 amount is restated to implement GASB 101. See Note 2(h) for further information.

POSTEMPLOYMENT HEALTHCARE PLAN BENEFITS (Schedule 1b)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Additions										
Employee contributions	\$ 9,727	\$ 9,891	\$ 9,841	\$ 9,865	\$ 10,275	\$ 10,692	\$ 10,578	\$ 15,545	\$ 16,827	\$ 17,881
Employer contributions	27,645	25,357	22,997	24,787	26,236	26,533	26,410	32,397	31,905	30,465
Investment income / (loss) ¹	46,483	37,149	24,268	(38,286)	77,360	3,075	9,472	12,336	17,041	(2,447)
Total additions to plan net position	83,855	72,397	57,106	(3,634)	113,871	40,300	46,460	60,278	65,773	45,899
Deductions										
Healthcare insurance premiums	34,938	32,635	30,869	31,088	31,871	30,779	28,826	29,724	31,007	29,577
Administrative expenses and other	846	835*	750	765	697	686	384	170	242	237
VEBA transfer	-	-	-	-	5	13	19	13,497	-	-
Total deductions from plan net position	35,784	33,470	31,619	31,853	32,573	31,478	29,229	43,391	31,249	29,814
Changes in plan net position	\$ 48,071	\$ 38,927	\$ 25,487	\$ (35,487)	\$ 81,298	\$ 8,822	\$ 17,231	\$ 16,887	\$ 34,524	\$ 16,085

¹ Net of expenses

* 2024 amount is restated to implement GASB 101. See Note 2(h) for further information.

Statistical Review (continued)

BENEFIT AND REFUND DEDUCTIONS FROM PLAN NET POSITION BY TYPE *(Dollars in thousands)* DEFINED BENEFIT PENSION PLAN (Schedule 2a)

Type of Benefit	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Age and Service Benefits										
Retirees - services	\$ 206,562	\$ 196,249	\$ 190,203	\$ 183,436	\$ 177,009	\$ 169,659	\$ 160,545	\$ 151,977	\$144,863	\$137,392
Retirees - deferred vested	32,132	30,050	28,147	26,117	24,158	22,632	20,573	18,445	16,486	14,961
Survivors - services	12,170	11,612	10,953	10,185	9,809	9,182	8,310	7,723	7,281	6,697
Survivors - deferred vested	690	647	554	532	451	345	275	276	284	287
Deaths in service benefits	3,957	3,902	3,591	3,493	3,430	3,212	3,244	3,010	2,878	2,776
Disability Benefits										
Retirees - duty	3,351	5,067	4,783	4,585	4,747	4,935	4,355	4,235	4,241	4,017
Retirees - non-duty	874	2,340	2,383	2,342	2,339	2,411	2,407	2,418	2,246	2,258
Survivors - duty	758	722	703	709	667	441	541	537	508	456
Survivors - non-duty	1,421	1,363	1,302	1,311	1,246	1,209	1,228	1,197	1,168	1,132
Ex-spouse benefits	3,325	3,280	3,124	3,160	2,136	1,837	2,469	2,518	2,212	2,053
Total benefits	\$ 265,240	\$ 255,232	\$ 245,743	\$ 235,870	\$ 225,992	\$ 215,863	\$ 203,947	\$ 192,336	\$182,167	\$172,029

Type of Refund										
Separation	1,357	1,333	1,613	1,403	1,214	865	1,119	1,064	1,263	1,289
Total refunds	\$ 1,357	\$ 1,333	\$ 1,613	\$ 1,403	\$ 1,214	\$ 865	\$ 1,119	\$ 1,064	\$ 1,263	\$ 1,289

Statistical Review (continued)

BENEFIT AND REFUND DEDUCTIONS FROM PLAN NET POSITION BY TYPE *(Dollars in thousands)* POSTEMPLOYMENT HEALTHCARE PLAN BENEFITS (Schedule 2b)

Type of Benefit	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Age and service benefits										
<i>Retirees - service</i>										
Medical	\$19,282	\$18,127	\$17,871	\$18,288	\$18,695	\$18,168	\$17,152	\$18,089	\$18,668	\$17,734
Dental	3,128	3,137	2,874	2,656	3,139	3,126	3,083	3,040	2,923	2,799
<i>Retirees - deferred vested</i>										
Medical	2,109	1,968	1,860	1,764	1,721	1,703	1,543	1,635	1,641	1,477
Dental	4	6	4	6	8	10	13	10	10	10
<i>Survivors - service</i>										
Medical	1,158	1,119	1,102	1,079	1,106	1,047	966	955	949	890
Dental	200	202	182	163	190	186	181	176	174	167
<i>Survivors - deferred vested</i>										
Medical	62	56	46	41	34	23	19	20	26	33
Dental	1	2	2	2	2	1	1	1	1	2
Deaths in service benefits										
Medical	252	244	228	246	252	237	237	262	274	272
Dental	45	46	39	38	46	45	47	48	46	45
Disability benefits										
<i>Retirees - duty</i>										
Medical	854	765	748	778	787	848	838	949	957	938
Dental	108	104	92	89	106	114	116	121	116	115
<i>Retirees - non-duty</i>										
Medical	173	186	188	198	206	219	215	252	268	281
Dental	43	46	44	40	49	54	56	56	55	59
<i>Survivors - duty</i>										
Medical	68	60	64	75	80	75	82	93	105	100
Dental	13	12	12	11	13	14	15	16	17	16
<i>Survivors - non-duty</i>										
Medical	130	124	119	124	124	137	150	153	172	179
Dental	20	21	20	19	22	24	25	25	26	26
Ex-spouse benefits										
Medical	2	3	3	3	3	4	4	4	3	3
Dental	1	1	1	1	1	1	1	1	1	1
Implicit subsidy medical										
Tier 1	7,285	6,406	5,370	5,468	5,287	4,743	4,082	3,818	4,577	4,430
Tier 2	-	-	-	-	-	-	-	-	-	-
Total benefits	\$34,938	\$32,635	\$30,869	\$31,089	\$31,871	\$30,779	\$28,826	\$29,724	\$31,009	\$29,577

Statistical Review (continued)

EMPLOYER AND EMPLOYEE CONTRIBUTIONS RATES FOR FISCAL YEARS 2016-2025 (Schedule 3)

	Employer Rate				Employee Rate		
	Tier 1	Tier 1	Tier 2 / 2B	All Tiers	Tier 1	Tier 2 / 2B	All Tiers
	Minimum			OPEB \$	Pension %	Pension %	OPEB %
	Pension %	Dollar Amount					
2025	22.81%	\$176,757,000	8.73%	\$ 20,352,000	6.61%	8.49%	7.50%
2024	20.16%	\$168,762,000	8.01%	\$ 19,095,000	7.34%	8.01%	7.50%
2023	20.32%	\$162,602,000	8.13%	\$ 18,318,000	7.41%	8.13%	7.50%
2022	20.25%	\$160,694,000	8.17%	\$ 19,340,302	7.39%	8.17%	7.50%
2021	19.82%	\$148,460,000	7.92%	\$ 20,948,983	7.22%	7.92%	7.50%
2020	19.34%	\$137,409,000	8.33%	\$ 21,790,130	7.06%	8.33%	7.50%
2019	99.16%	N/A	8.28%	\$ 20,856,125	6.81%	8.28%	7.50%
2018	103.45%	N/A	17.13% / 7.72%	N/A	15.36%	16.48% / 7.72%	N/A
2017	87.47%	N/A	15.45% / 18.70%	N/A	15.23%	14.80% / 6.04%	N/A
2016	75.57%	N/A	15.11% / 18.36%	N/A	15.09%	14.46% / 5.70%	N/A

The City healthcare contributions are set as a flat dollar amount that is entirely UAL and covers all Tier 1 and Tier 2 members with healthcare.

Retired Members by Type of Benefit

PENSION BENEFITS

As of June 30, 2025

Monthly Benefit Amount	Number of Retirees & Beneficiaries	Type of Retirement ¹							Option Selected ²			
		1	2	3	4	5	6	7	A	B	C	Total
\$1 - 500	78	11	0	0	2	5	38	22	22	13	43	78
\$501 - 1,000	238	51	0	0	0	29	137	21	63	51	124	238
\$1,001 - 1,500	294	81	4	1	2	51	129	26	81	55	158	294
\$1,501 - \$2,000	329	103	1	6	9	54	129	27	95	45	189	329
\$2,001 - \$2,500	312	112	10	13	8	68	86	15	72	42	198	312
\$2,501 - \$3,000	319	139	5	20	11	58	73	13	86	44	189	319
\$3,001 - \$3,500	335	192	10	16	5	45	57	10	102	51	182	335
\$3,501 - \$4,000	299	171	5	21	7	46	40	9	84	41	174	299
\$4,001 - \$4,500	315	214	1	13	8	37	38	4	109	33	173	315
\$4,501 - \$5,000	326	253	3	11	4	17	36	2	134	41	151	326
\$5,001 - \$5,500	272	222	4	7	1	10	27	1	113	38	121	272
\$5,501 - \$6,000	277	232	3	5	0	8	29	0	110	47	120	277
\$6,001 - \$6,500	266	223	4	1	2	9	24	3	125	33	108	266
\$6,501 - \$7,000	212	179	3	2	1	11	16	0	107	30	75	212
Over \$7,000	969	874	4	2	0	17	72	0	479	135	355	969
Total	4,841	3,057	57	118	60	465	931	153	1,782	699	2,360	4,841

¹ Retirement Codes

1. Service
2. Survivor (survivor of active employees)
3. Service-Connected Disability
4. Non-Service-Connected Disability
5. Continuation (survivor of retired employee)
6. Deferred Vested
7. Ex-Spouse

² Option Descriptions

- A. Unmodified - 50% Continuation
- B. Option 1: 100% Continuation / reduced pension
- C. No Survivor - No Continuation

POSTEMPLOYMENT HEALTHCARE BENEFITS

As of June 30, 2025

Monthly Subsidy Amount	Type of Subsidy	
	Health	Dental
Ineligible / Deferred	1,511	1,392
\$1 - 60	0	1,661
\$61 - 250	114	1,788
\$251 - 500	1,007	0
\$501 - 750	1,314	0
\$751 - 1000	27	0
Over \$1,000	868	0
Total	4,841	4,841

Source: Pension Administration System as reviewed by Cheiron

Average Benefit Payment Amounts

PENSION BENEFITS

As of June 30, 2025

Time Periods	Years of Service Credit						
	0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+
As of June 30, 2025							
Average monthly benefit ¹	\$ 1,166	\$ 1,938	\$ 3,269	\$ 4,600	\$ 6,153	\$ 7,562	\$ 8,588
Average final average salary	\$ 8,278	\$ 6,862	\$ 6,718	\$ 7,159	\$ 7,598	\$ 7,150	\$ 7,717
Number of retired members ²	229	578	595	767	767	1,073	157
As of June 30, 2024							
Average monthly benefit ¹	\$ 1,164	\$ 1,899	\$ 3,162	\$ 4,420	\$ 5,947	\$ 7,340	\$ 8,372
Average final average salary	\$ 8,012	\$ 6,634	\$ 6,552	\$ 6,870	\$ 7,419	\$ 6,997	\$ 7,590
Number of retired members ²	217	559	592	759	755	1,061	158
As of June 30, 2023							
Average monthly benefit ¹	\$ 1,140	\$ 1,864	\$ 3,074	\$ 4,252	\$ 5,777	\$ 7,147	\$ 7,979
Average final average salary	\$ 7,813	\$ 6,567	\$ 6,464	\$ 6,659	\$ 7,291	\$ 6,918	\$ 7,259
Number of retired members ²	208	553	590	763	736	1,065	158
As of June 30, 2022							
Average monthly benefit ¹	\$ 1,125	\$ 1,832	\$ 2,991	\$ 4,115	\$ 5,630	\$ 6,861	\$ 7,719
Average final average salary	\$ 7,567	\$ 6,404	\$ 6,346	\$ 6,546	\$ 7,131	\$ 6,871	\$ 7,167
Number of retired members ²	201	524	586	758	722	1,067	153
As of June 30, 2021							
Average monthly benefit ¹	\$ 1,096	\$ 1,784	\$ 2,905	\$ 3,991	\$ 5,476	\$ 6,705	\$ 7,455
Average final average salary	\$ 7,444	\$ 6,248	\$ 6,265	\$ 6,409	\$ 6,969	\$ 6,784	\$ 6,984
Number of retired members ²	200	513	587	757	698	1,061	151
As of June 30, 2020							
Average monthly benefit ¹	\$ 1,071	\$ 1,748	\$ 2,822	\$ 3,869	\$ 5,309	\$ 6,507	\$ 7,231
Average final average salary	\$ 7,171	\$ 6,149	\$ 6,182	\$ 6,296	\$ 6,785	\$ 6,680	\$ 6,604
Number of retired members ²	190	495	586	759	684	1,053	140
As of June 30, 2019							
Average monthly benefit ¹	\$ 1,042	\$ 1,679	\$ 2,752	\$ 3,743	\$ 5,175	\$ 6,327	\$ 7,023
Average final average salary	\$ 6,726	\$ 5,947	\$ 6,057	\$ 6,178	\$ 6,652	\$ 6,574	\$ 6,527
Number of retired members ²	183	495	568	759	665	1,021	139
As of June 30, 2018							
Average monthly benefit ¹	\$ 1,020	\$ 1,642	\$ 2,685	\$ 3,603	\$ 5,035	\$ 6,202	\$ 6,889
Average final average salary	\$ 6,320	\$ 5,872	\$ 5,957	\$ 6,000	\$ 6,524	\$ 6,461	\$ 6,475
Number of retired members ²	173	485	550	738	653	968	138
As of June 30, 2017							
Average monthly benefit ¹	\$ 1,024	\$ 1,588	\$ 2,605	\$ 3,488	\$ 4,870	\$ 6,039	\$ 6,730
Average final average salary	\$ 6,171	\$ 5,737	\$ 5,817	\$ 5,780	\$ 6,370	\$ 6,334	\$ 6,403
Number of retired members ²	160	473	545	702	642	945	138
As of June 30, 2016							
Average monthly benefit ¹	\$ 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 ²	154	459	525	667	637	914	136

¹ Includes cost-of-living increases and retiree member benefit payable to ex-spouse under combined domestic relations orders

² Does not include survivors and ex-spouses

Source: Pension Administration System as reviewed by Cheiron

Average Benefit Payment Amounts *(continued)*

POSTEMPLOYMENT HEALTHCARE BENEFITS

As of June 30, 2025

Years of Service Credit							
Time Periods	0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+
As of June 30, 2025							
Average health subsidy	\$ 814	\$ 641	\$ 655	\$ 649	\$ 695	\$ 761	\$ 675
Number of health participants ¹	16	21	260	734	747	1,049	153
Average dental subsidy	\$ 80	\$ 84	\$ 87	\$ 86	\$ 90	\$ 92	\$ 88
Number of dental participants ¹	48	194	355	608	652	1,027	155
As of June 30, 2024							
Average health subsidy	\$ 766	\$ 668	\$ 606	\$ 613	\$ 656	\$ 724	\$ 636
Number of health participants ¹	16	23	266	726	737	1,032	154
Average dental subsidy	\$ 80	\$ 85	\$ 87	\$ 86	\$ 91	\$ 92	\$ 88
Number of dental participants ¹	50	203	360	606	647	1,013	156
As of June 30, 2023							
Average health subsidy	\$ 709	\$ 615	\$ 575	\$ 570	\$ 611	\$ 680	\$ 599
Number of health participants ¹	16	23	267	731	716	1,039	155
Average dental subsidy	\$ 79	\$ 84	\$ 86	\$ 85	\$ 91	\$ 92	\$ 87
Number of dental participants ¹	51	212	365	610	637	1,018	157
As of June 30, 2022							
Average health subsidy	\$ 669	\$ 555	\$ 579	\$ 582	\$ 613	\$ 684	\$ 600
Number of health participants ¹	17	23	268	728	702	1,039	150
Average dental subsidy	\$ 70	\$ 70	\$ 72	\$ 71	\$ 76	\$ 77	\$ 72
Number of dental participants ¹	52	220	371	615	629	1,021	152
As of June 30, 2021							
Average health subsidy	\$ 674	\$ 565	\$ 592	\$ 597	\$ 632	\$ 712	\$ 614
Number of health participants ¹	18	24	270	729	680	1,035	149
Average dental subsidy	\$ 84	\$ 85	\$ 88	\$ 87	\$ 92	\$ 93	\$ 86
Number of dental participants ¹	54	225	378	624	611	1,018	151
As of June 30, 2020							
Average health subsidy	\$ 703	\$ 562	\$ 614	\$ 613	\$ 638	\$ 710	\$ 604
Number of health participants ¹	18	25	275	729	666	1,027	138
Average dental subsidy	\$ 84	\$ 85	\$ 88	\$ 87	\$ 92	\$ 95	\$ 84
Number of dental participants ¹	55	232	393	626	602	1,010	140
As of June 30, 2019							
Average health subsidy	\$ 672	\$ 567	\$ 586	\$ 585	\$ 614	\$ 680	\$ 556
Number of health participants ¹	19	20	270	691	623	974	133
Average dental subsidy	\$ 85	\$ 85	\$ 88	\$ 88	\$ 91	\$ 94	\$ 84
Number of dental participants ¹	56	238	389	629	583	972	139
As of June 30, 2018							
Average health subsidy	\$ 642	\$ 472	\$ 570	\$ 563	\$ 597	\$ 654	\$ 550
Number of health participants ¹	18	25	266	686	618	936	133
Average dental subsidy	\$ 85	\$ 84	\$ 89	\$ 89	\$ 92	\$ 94	\$ 84
Number of dental participants ¹	59	244	392	623	582	933	138
As of June 30, 2017							
Average health subsidy	\$ 785	\$ 569	\$ 666	\$ 667	\$ 726	\$ 776	\$ 633
Number of health participants ¹	18	24	260	634	595	906	131
Average dental subsidy	\$ 83	\$ 84	\$ 88	\$ 89	\$ 92	\$ 94	\$ 86
Number of dental participants ¹	59	250	394	593	574	908	138

Source: Pension Administration System as reviewed by Cheiron

Average Benefit Payment Amounts *(continued)*

POSTEMPLOYMENT HEALTHCARE BENEFITS *(continued)*

As of June 30, 2025

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 ¹	24	44	260	595	594	874	130
Average dental subsidy	\$ 79	\$ 80	\$ 84	\$ 86	\$ 89	\$ 90	\$ 83
Number of dental participants ¹	64	250	390	572	576	877	137

¹ Does not include survivors and ex-spouses

Retirements During Fiscal Year 2024-2025

SERVICE RETIREMENTS		
ANDERSON, JEFFREY L.	KIM, EDWARD	ROSS, JUDY
ANZALDUA, SAMUEL JR	KLEIN HOCHROTH, Nanci J.	RUBIO, MANUEL S.
ARELLANO, LORI A.	LAW, JAMES L.	RUFINO, NEIL G.
BARTZ, VICTORIA A.	LEE, KRISTINE M.	SANDHU, NAVDEEP
BOARDMAN, BRIAN J.	LEFEVRE, FINA G.	SATTLER, DEBORAH
BRAZIL, JOHN	LIN, CHIA-CHING	SEDANO, GERMAN
BREWKA, LINDA A.	LINERUD, SANDY M.	SEPULVEDA, JESSE E.
CHU, JOSEPH, JR	LOOK, RICHARD W.	SHAMS, SAEED
CICALRIOS II, GEORGE E.	LYDON, PATRICK J.	SHUCK, MICHAEL C.
CLARKE, JOSEPH	MANFORD, ROBERT K.	SILVA, HENRIQUE
CODY, FRANK J.	MARTIN, RICHARD M.	SITCHLER, THERESA
COPELAND, SELENA M.	MARTINEZ, ROBERT R.	SKJEIE, LINDEN A.
COTA, MANUEL A.	MEEKS, MICHELLE A.	SLEDGE, SHERRILYNN
DEVAUL, GAIL R.	MIRANDA, JOHN R.	SOTELO, ROBERT A.
DINH, CONNIE K.	MITCHELL, CARL B.	STUERWALD, COURTNEY N.
DOXIE, TARA S.	MITRE, BETTY A.	SWAIN, DEBRA M.
ENDESHAW, DESSU	MONTONYE, CAROLYN A.	SWARTOUT, CHRIS
ESTRADA MENDEZ, MARIE	NAND, SATYA	TABALDO, RITA
FONTES, MARTIN J.	NERHOOD, DAVID P.	TAO, FANG LING
GARCIA, PAUL V.	NEVES, ELIZABETH M.	TIMOTEO, VALERIE L.
GONZALES, LARRY J.	NILES, ALEXANDER	TODD, REBECCA
GONZALEZ, GEORGE A.	ORTIZ, ELIZABETH	TRAN, JOANNE B.
GRIFFITH, RANDALL	PALLADINO, ANTHONY S.	TRUONG, TUNG B.
GROEN, MARY ANNE	PENNINGER, FRANK A., III	VELASCO JR, LOUIS D.
GUPTA, SANJEEV	PEREZ, ANTHONY M.	VIERRA, KAILE J.
GUTOWSKI, STEPHANIE	PONCE, TAMARA S.	VRZAL, HEATHER
HARDING, LISA M.	PRICE, JOHN	WASHINGTON, LAVERNE
HARKNESS, CHRISTOPHER	QUINTANA, SANDRA L.	WESSLING, CHERYL
HARRISON, TONY A.	RACELES, TITUS R.	WIECZOREK, MAREK
INAMI, JEFFREY K.	RAMIREZ, MICHELE E.	WINCHESTER, COLLEEN
JALALLI, EDWARD	RAMOS, THERESA	YOKOMIZO, LEE T.
JARED, JAMES	RAPPLEYE, ALISA M.	YORK, ADRIANA A.
JENNINGS, JULIE	RAYAS, JUAN	ZAKERI, FERESHTEH
JOHNSON, ROBERT A.	REYNADO, RYAN	
KEMP, KARAL F.	ROMANOW, KERRIE	

EARLY RETIREMENTS		
GOODWIN, THOMAS F.	MARCHAND, YVETTE	RUDD, DANE C.
LOUIE, HENRY W.	PAO, JUNG-RERN	

Retirements During Fiscal Year 2024-2025 *(continued)*

DEFERRED VESTED RETIREMENTS		
ADAMS, BIANCA	GRIFFEN, CHARLES R.	PEREDO, MARCELO
ADONI, RAJESH	GUERNSEY, JAMES M.	ROBNETT-ROBERTSON, TONYA
ANCAR, STEPHEN R.	HAAS, CHRISTOPHER P.	RODRIGUEZ, JORGE N.
BARKLEY, TRACI D.	HAMILTON, DUANE	SCIORTINO, THERESA
BRYAN, ANTHONY V.	HUGHES, MICHAEL P.	SEHGAL, TONY C.
CAPURSO, TODD J.	KANE, KRISTINE L.	SGAMBATI, EARL J., III
CRITCHFIELD, ERIC D.	KAURAVLLA, ALO R.	SMITH, JAMES P.
DOMINGUEZ, MICHAEL	KING, LYNETTE D.	SMITH, YING C.
ECKLES, JANICE M.	LLEVERINO, MARCIANO R.	STAYROOK, STEVEN R.
EDROSOLAN, DAVID P.	LUKKOOR, RAJASHREE A.	TOVAR, MELODY
FEDELI, LISA K.	LYLE, CHRISTINE M.	TRUONG, HANNAH A.
FERNANDO, MAYEEN G.	MACALISANG, RAMON	TUCKER, SHEILA
FORESTER, ROBERT J.	MANUEL, GERARD C.	WANDRO, ROBERT F.
FRANCO, ROBERTO	MASCHER, MICHELLE L.	WILCOX, VIRGINIA K.
FREEMAN, ANDREW, JR.	MORENO, JOSE X.	WONG, ALBERT
FROHMAN, LYLE	MORENO, ROBERT	YIP, LO
GODLEY, CHRISTOPHER A.	NGUYEN, DIEM-LOAN	YOUNG, REGAN
GODLEY, LAUREL A.	ONG, HSIAO-TING	ZANARDI, KRISTINE
GONZALEZ, MARTIN	PARK, GREGORY	

SERVICE-CONNECTED DISABILITY RETIREMENTS		
	DANKO JR, WILLIAM E.	

NON-SERVICE-CONNECTED DISABILITY RETIREMENTS		
	TERRADO, JAY	

Deaths During Fiscal Year 2024-2025

DEATHS AFTER RETIREMENT		
AMEELE, NOEL G.	GUNN, JOANNE	POOLER, JAMES R.
ANZALDUA, LINDA E.	HASHIMOTO, RAYMOND T.	REBELLO, ANN M.
BARCLAY, FRANK D.	HO, DON Q.	ROBASCIOTTI, LINDA M.
BARRETT, DENNIS W.	HUNTER, WILMA J.	ROBERTSON, GREGORY D.
BLUM, STEVEN L.	HUNTZINGER, ALAN D.	RODERICK, MICHAEL G.
BORING, JAMES W.	HURTADO, DANIEL M.	ROUSE, CHARLES S.
BOWSER, ROBERT J.	HYNES, TELLIS R.	SANCHEZ, DAVID M.
BRADDOCK, BEATRICE	JONES, GARY C.	SANDOVAL, PETER L.
BRADY, LESLIE P.	KAPELL, CHERRY	SANTO, ROLAND Y.
BRAY, JEFFREY S.	KELLERMAN, TWYLA	SAVA, JAMES E.
BRAYFIELD, RONNIE	KHOBYARIAN, JO A.	SAWYER, JOAN C.
BRODERICK, A L.	KUMAGAI, EDWARD K.	SIMMONS, MIKE R.
BRUCH, CAROLE E.	LERMA, VALENTE G.	SMITH, LINDA L.
BUCKIUS, ORLAND E.	LIANG, ERIC Y.	SNOW, KATE W.
CARSON, CONNIE	MAKISHIMA, VIOLET	SODA, GRACE S.
CHIANG, MICHAEL Y.	MC GOVERT, ESTHER A.	SPURGEON, MARY J.
CORNELIUS, PATRICIA A.	MC INTOSH, RICHARD S.	STARR, PHILIP A.
COVEAU, MICHELE E.	MEDINA, VICTOR	STOUKY, HELENE M.
CRAIG, RICHARD R.	MENDIZABAL, MICHAEL J.	TAORMINA, KATHRYN J.
DA ROSA, MARY N.	MILLER, TOMMIE E.	TAYLOR, FRANK M.
DOTTER, JOHN C.	MILLIGAN, NANCY A.	TAYLOR, SHARON T.
DUCHON, LOUISE A.	MISAWA, YURIKO N.	TERMENAL, DAVID
EMAMI, PATRICIA A.	MIYASAKI, VON C.	TERRY, JO ANN Y.
ERICKSON, SHELDON L.	MONSEES, MELISSA	THREETS, WILLIAM
FONG, HENRYETTA Y.	MORRIS, JAMES A.	VAN OSDOL, GLENN M.
GALLONI, FRANCES A.	MULVANY, ROBERT L.	VEGA, BETZABETH
GERLITZ, BERT	MUZZY, KITTY	VIZCAY, THOMAS J.
GIBSON, MIGNON J.	NAST, WILLIAM	VOGELHUBER, HEATHER
GRABIEC, DAVID A.	NELSON, GENE O.	WACHTER, DOUGLAS
GRANLUND, ANTHONY T.	NGUYEN, LE-VY	WIECZOREK, MAREK
GRIMLEY, STEVE D.	OLVERA, ANDREA M.	WINKLER, WARREN D.
GUBATINA, VICTOR	PACHECO, ALFRED	
GUIANG, ALEXANDER	PEREDO, GEORGE H.	

DEATHS BEFORE RETIREMENT		
GUERRERO, CHERYL R.	HALL, CHARLIE E.	PHAM, LONG T.
HALEY, NICOLE M.	PARIMANAM, RAVENDRAN	



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