

CITY OF SAN JOSE

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

POPULAR ANNUAL FINANCIAL REPORT



PENSION & POSTEMPLOYMENT HEALTHCARE TRUST FUNDS OF THE CITY OF SAN JOSE, CA

A fiduciary component unit of the City of San José, CA
For the Fiscal Year ended June 30, 2025

ABOUT THE SYSTEM



**John Flynn, Director
Chief Executive Officer (CEO)**

BOARD OF ADMINISTRATION

Spencer Horowitz *Chair*
Anurag Chandra *Vice-Chair*
Deborah Abbott *Trustee*
Prachi Avasthy *Trustee*
Matthew Faulkner *Trustee*
Mark Linder *Trustee*
Nathan Nakagawa *Trustee*
Pam Foley *City Council Liaison*

CONTENTS

- 1 Accomplishments
- 2 Financial Results
- 3 Benefit Payments and Funding
- 4 Membership
- 5 Investments
- 6 Growth of \$10,000



ORS Summer Picnic 2025

MISSION STATEMENT

Our mission is to govern and manage the System in accordance with applicable fiduciary standards; provide accurate, timely benefits and high-quality service to our members and beneficiaries; and collect, invest, and expend system assets in a cost-effective manner.

Accurate pension checks, on time ... for life!

OUR SERVICES

The System is a public retirement system that provides service retirement, disability, death, and survivor benefits to its members. The 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 of the Office of Retirement Services (ORS), and a seven-member Board of Administration. The Board is appointed by San José City Council.

Our goal is to provide quality services in delivering pension and related benefits while maintaining financially sound pension plans.



Physical/Mailing Address:
1737 N. 1st Street, Suite 600
San José, CA 95112

www.sjretirement.com
Phone: 1-800-732-6477, 408-794-1000
Email: retirement.dept@sanjoseca.gov

Find us on Social Media!



ACCOMPLISHMENTS

Fiscal Year 2025 Highlights

- The System's total net position grew significantly, reaching **\$3.95 billion**, an increase of 10.7% from previous year
- Strong net investment return of **9.6%**, outperforming the actuarially assumed rate of return of 6.625%
- Successfully managed a key leadership transition with the appointment of a **new CEO** in August 2024. Maintained operational continuity and staffing levels throughout the year
- Guided **162** Federated members through the retirement application process, ensuring a smooth transition into retirement
- Supported **833** members during Open Enrollment for ORS
- Processed **992** Medicare Part B reimbursement requests for Police & Fire
- Engaged with members through counseling sessions (**100** attendees) and workshops (**128** attendees) to provide valuable retirement information. Hosted annual Health Fair attended by approximately **200** members for ORS



2025 POPULAR ANNUAL FINANCIAL REPORT

This Popular Annual Financial Report (PAFR) summarizes the Annual Comprehensive Financial Report (ACFR), which is prepared in accordance with Generally Accepted Accounting Principles of the United States of America (U.S. GAAP). The PAFR provides a concise summary of the System's financial position, investment performance and key accomplishments throughout the fiscal year. This report is not intended to replace the ACFR, which provides a complete overview of the System's financial position and operating results. For more in-depth information, we encourage you to read the ACFR by visiting:

<https://www.sjretirement.com/investments-and-reports/investments-and-reports-federated/investments-and-reports-federated-financial>

AWARD FOR EXCELLENCE IN FINANCIAL REPORTING

For the ninth consecutive year, the Government Finance Officers Association (GFOA) has presented an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Federated City Employees' Retirement System (System) for its PAFR for the fiscal year ended June 30, 2024. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports and is valid for one year only. In order to receive this award, a government unit must publish a PAFR, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

**San Jose Federated City Employees' Retirement
System
California**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2024

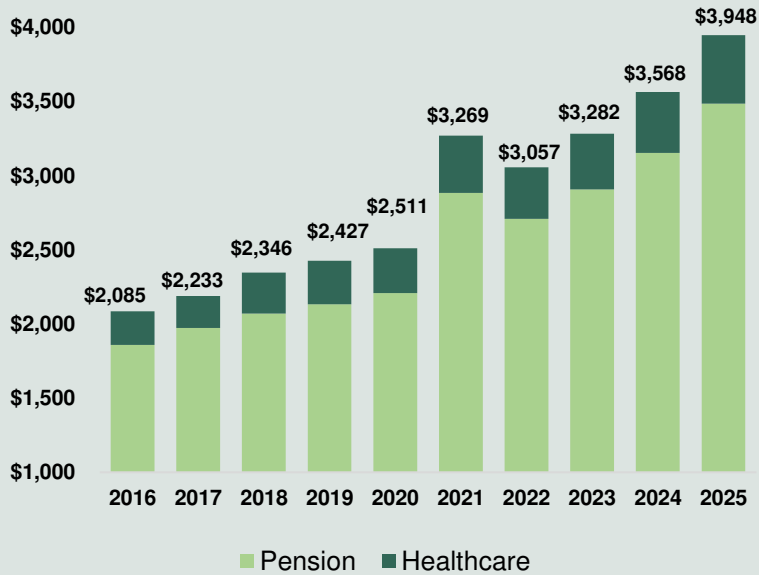
Christopher P. Morrell
Executive Director/CEO

FINANCIAL RESULTS

Net Position

This amount represents the total assets available for benefit payments for current and future retirees.

Total Net Position In Millions



Financial Condition

The most significant financial change that occurred this year compared to last year was the appreciation in the fair value of investments. Fiscal year 2024-2025 saw continued strong performance in the stock market in both public equity and private real assets. The System captured this positive performance effectively, slightly underperforming compared to the investments policy benchmark.

<i>In Thousands</i>		Net Position for the Defined Benefit Plan			Net Position for the Postemployment Healthcare Plans		
As of June 30,	2023	2024	2025	2023	2024	2025	
Receivables	\$ 18,233	\$ 16,361	\$ 24,268	\$ 2,971	\$ 2,960	\$ 17,948	
Investments at fair value	2,920,184	3,157,626	3,495,567	374,248	413,405	461,512	
Other assets, net	2,645	2,180	2,617	106	45	105	
Total Assets	2,941,062	3,176,167	3,522,452	377,325	416,410	479,565	
Current liabilities	33,747	21,903	36,139	2,717	2,895	17,979	
Total Liabilities	33,747	21,903	36,139	2,717	2,895	17,979	
Plan Net Position	\$ 2,907,315	\$ 3,154,264	\$ 3,486,313	\$ 374,608	\$ 413,515	\$ 461,586	

Changes in Plan Net Position for the Defined Benefit Plan				Changes in Plan Net Position for the Postemployment Healthcare Plans			
In Thousands							
For the Period Ended June 30,	2023	2024	2025	2023	2024	2025	
Employee contributions	\$ 30,561	\$ 33,933	\$ 37,968	\$ 9,841	\$ 9,891	\$ 9,727	
Employer contributions	199,440	218,313	238,195	22,997	25,357	27,645	
Net investment income	222,101	257,583	328,516	24,268	37,149	46,483	
Total Additions	452,102	509,829	604,679	57,106	72,397	83,855	
Retirement benefits	228,530	236,880	246,064				
Death benefits	17,213	18,352	19,176				
Refund of contributions	1,613	1,333	1,357				
Administrative expenses, restated	5,458	6,158	6,033	750	835	846	
Healthcare insurance premiums				30,869	32,635	34,938	
Total Deductions	252,814	262,723	272,630	31,619	33,470	35,784	
Net Increase in Plan Net Position	199,288	247,106	332,049	25,487	38,927	48,071	
Beginning Net Position	2,708,027	2,907,315	3,154,264	349,121	374,608	413,515	
Restatement for GASB 101		(157)			(20)		
Ending Net Position	\$ 2,907,315	\$ 3,154,264	\$ 3,486,313	\$ 374,608	\$ 413,515	\$ 461,586	

BENEFIT PAYMENTS AND FUNDING

Years of Credited Service	Average Monthly Final Average Salary	Average Monthly Benefit
0 - 5	\$ 8,278	\$ 1,166
6 - 10	\$ 6,862	\$ 1,938
11 - 15	\$ 6,718	\$ 3,269
16 - 20	\$ 7,159	\$ 4,600
21 - 25	\$ 7,598	\$ 6,153
26 - 30	\$ 7,150	\$ 7,562
31+	\$ 7,717	\$ 8,588

The Average Benefit Payment chart is a broad representation of average benefits paid to retirees and survivors. The Average Benefit Payment includes annual cost-of-living increases. All tiers are combined in the calculation. The chart includes all members who have retired through June 30, 2025.

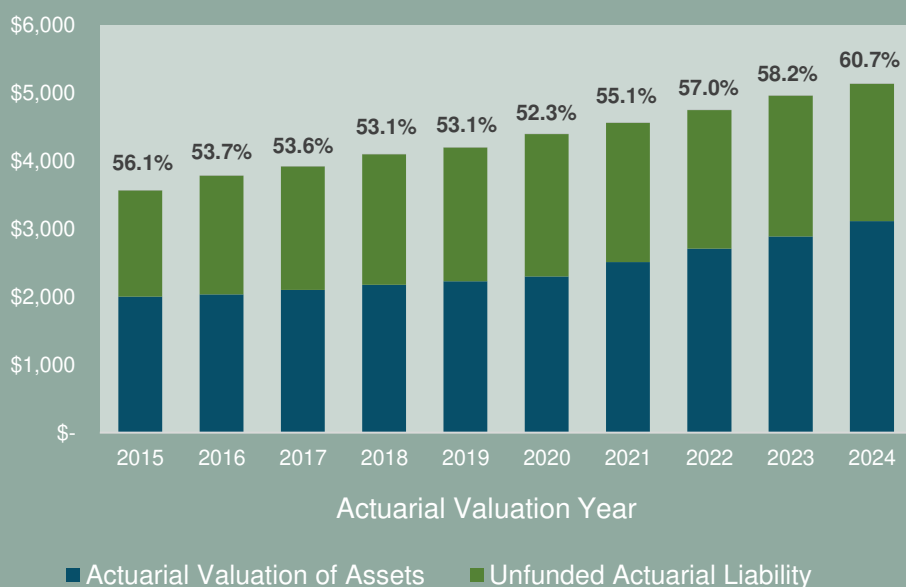


WHERE DOES THE MONEY COME FROM?

The System has three revenue sources: earnings from Investments, Employer contributions from the City, and Employee contributions from active members. Contribution rates are determined annually by the Actuary.



Schedule of Funding Progress, Pension
In Millions



FUNDING

The System's funding objective is to be able to meet long-term future pension payments and benefit obligations. The funding status is calculated each year.

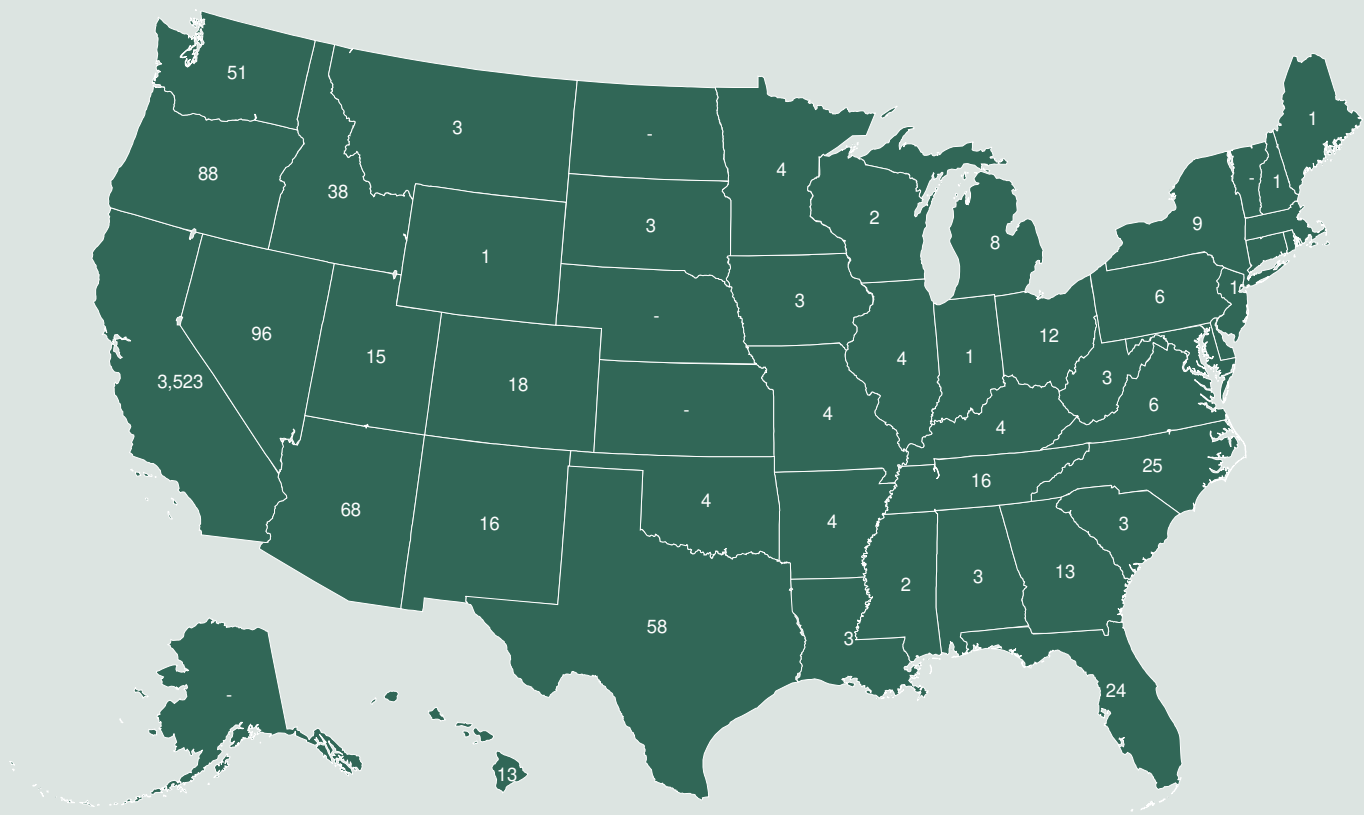
The Schedule of Funding Progress ratio shows the measurement of the funded status. The Funded ratio is calculated by dividing the actuarial value of assets by the actuarial liabilities. The available difference is used to pay current and future retirement benefits. As the System becomes better funded, the ratio will increase.

The System's funding progress continues to increase each year, reaching 60.7% as of 2024 actuarial valuation year.

MEMBERSHIP

Our membership consists of Retirees, Deferred members, and Active members. Retirees consist of former employees who have retired and their beneficiaries. Deferred members includes terminated vested members entitled to future benefits and non-vested members that are due a refund of their contribution. Active members are current full-time City of San José employees.

	Tier 1	Tier 2	Total
Retirees and Beneficiaries			
2025	4,649	86	4,735
2024	4,597	60	4,657
Terminated Members			
2025	820	1,453	2,273
2024	852	1,279	2,131
Active Members			
2025	1,017	3,287	4,304
2024	1,123	3,178	4,301
Grand Total			
2025	6,486	4,826	11,312
2024	6,572	4,517	11,089

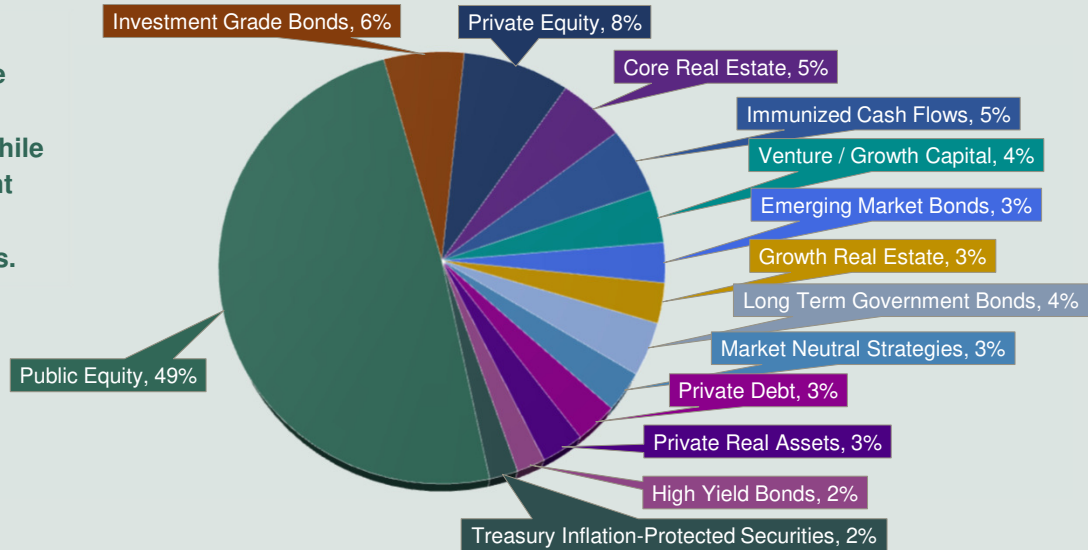


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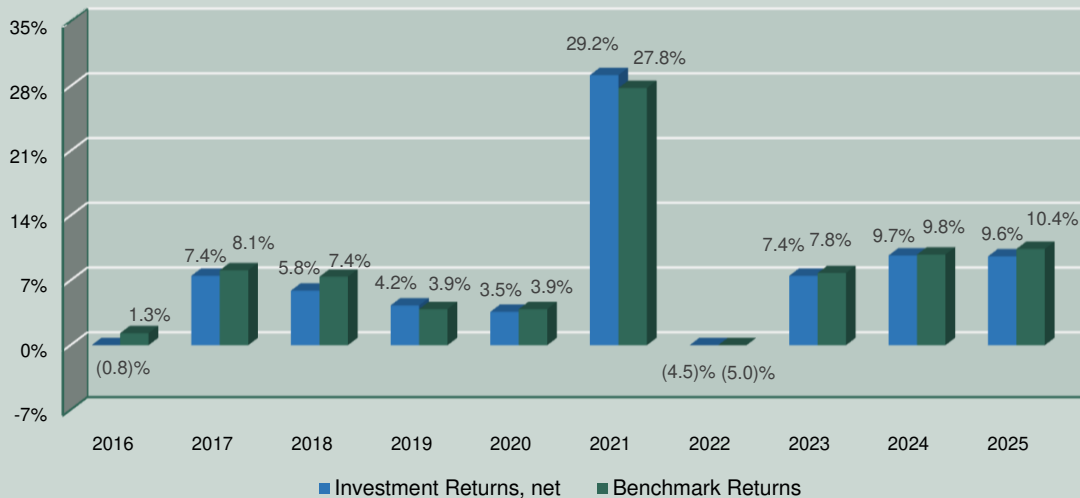
The map above is an approximate representation of where all the retirees reside within the U.S. as of June 30, 2025. There are several retirees living abroad.

INVESTMENTS

The Assets are structured to provide growth from capital gains and income, while maintaining sufficient liquidity to meet beneficiary payments.



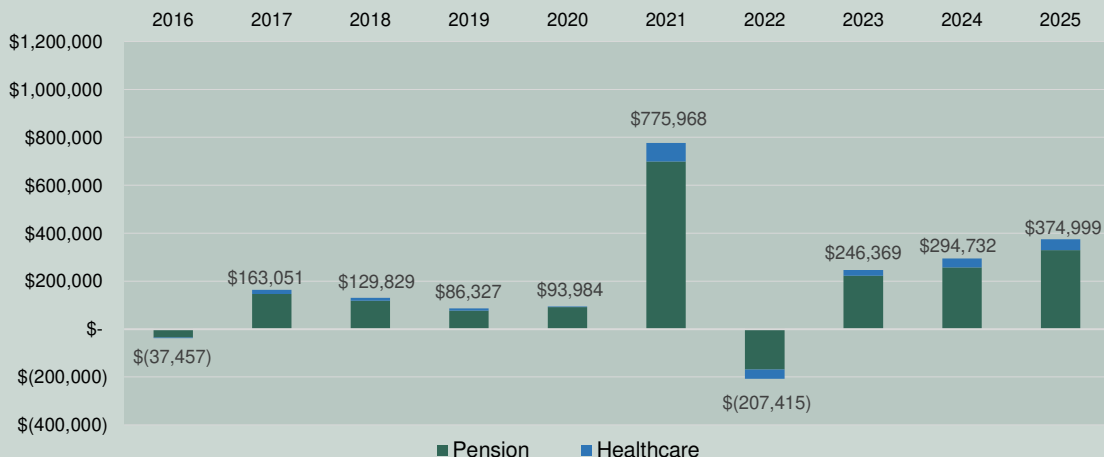
Pension - Investment Returns Compared to Benchmark



How well did the Plan's investments perform?

The System's time-weighted rate of return, net of investment fees, was 9.6% for the fiscal year 2025, 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.

Investment Income, Net In Thousands



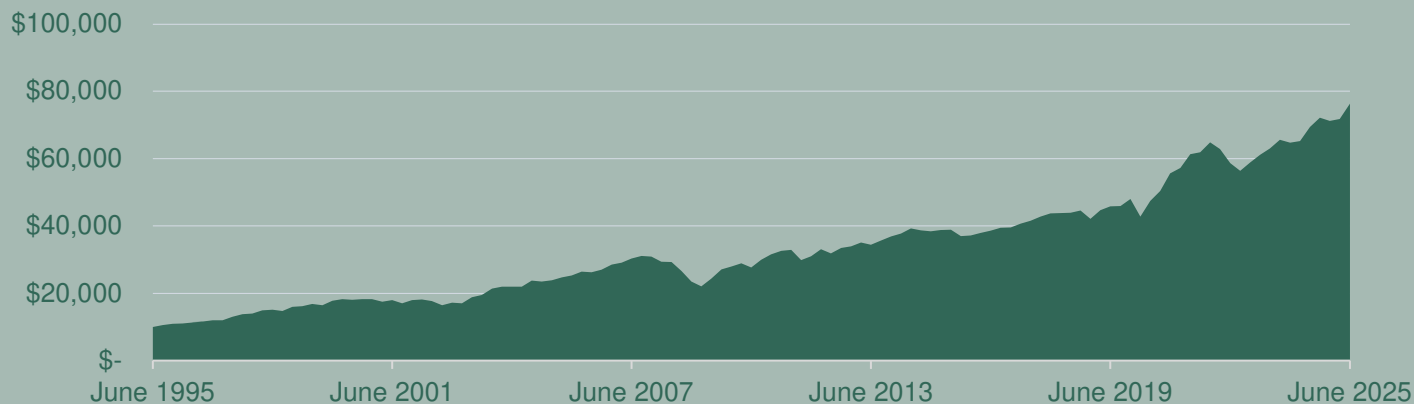
Investment Earning

Investment performance directly impacts the total funds available to pay benefits. The System continues to capture strong return from positive market conditions, earning \$380 million in net income during the fiscal year 2025. Positive investment income is crucial for growing the System's assets and ensuring long-term financial health.

GROWTH OF \$10,000

These are graphic trends to show how much an initial investment of \$10,000 would be worth in the Retirement System's pension portfolio after 10, 20, and 30 years.

Growth of \$10,000 – 30 Years



Growth of \$10,000 – 20 Years



Growth of \$10,000 – 10 Years

