

CITY OF SAN JOSE

POLICE & FIRE DEPARTMENT RETIREMENT PLAN

2025

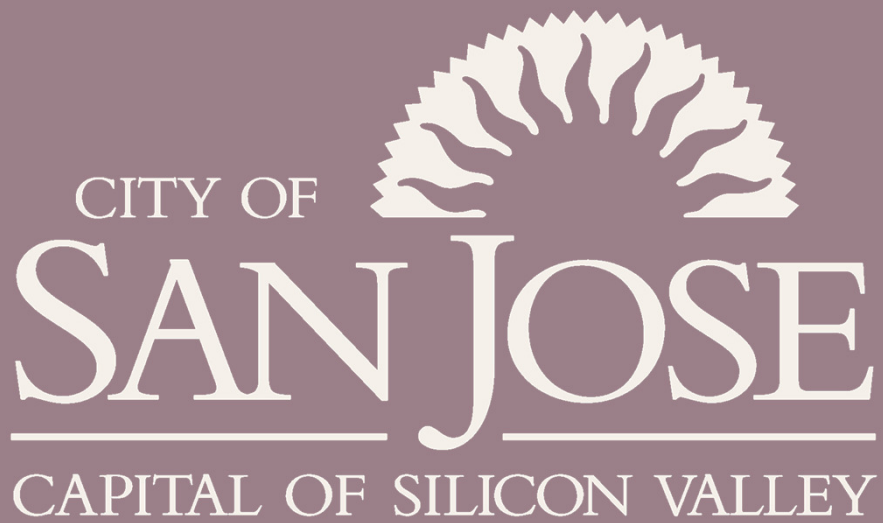
Annual Comprehensive Financial Report



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

Police & Fire Department Retirement Plan
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
Phone: 408-794-1000 Fax: 408-392-6732
www.sjretirement.com*

Board Chair Letter



Office of Retirement Services

Police and Fire Department Retirement Plan

November 6, 2025

The Honorable Mayor and City Council
Members of the Police and Fire Department Retirement Plan
City of San José
San José, California

Dear Mayor, Council Members, and Plan Members:

The Pension Plan earned a time-weighted net of investment fees rate of return of 10.0% for the fiscal year, compared to a 10.3% return for its policy benchmark and a 10.3% return for the Investment Metrics universe net median of public funds greater than \$1 billion. The Plan outperformed the net rate of return of 6.625% assumed by the Board and Plan's actuary for the fiscal year ended June 30, 2025. The Pension Plan earned a time-weighted net of investment fees rate of return of 9.1% and 9.3% 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 of 9.2% and 8.9% for the same periods.

The Healthcare Plans earned a time-weighted net of investment fees rate of return of 11.1% for the fiscal year, compared to a 11.2% return for its policy benchmark. Additionally, the Healthcare Plans earned a time-weighted net of investment fees rate of return of 9.6% and 8.1% for the three-year and five-year periods ending June 30, 2025, respectively.

Performance for the City of San José Police and Fire Department Retirement Plan over the fiscal year was slightly below its Policy Benchmark and its Investable Benchmark. The Plan's net position increased from \$5,440,434,000 to \$5,966,077,000 (see the Financial Section beginning on page 13). The net increase in the Plan's net position for fiscal year 2024-2025 was \$525,643,000.

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,

Franco Vado, Chair
Board of Administration

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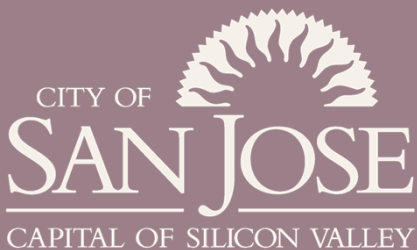
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Introductory Section



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

City of San José, CA
Police and Fire Department Retirement Plan
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2025 and June 30, 2024

Letter of Transmittal



Office of Retirement Services

Police and Fire Department Retirement Plan

November 6, 2025

Board of Administration and Members of the Plan
San José Police and Fire Department Retirement Plan
1737 North First Street, Suite 600
San José, CA 95112

Dear Trustees and Members of the Plan:

I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the San José Police and Fire Department Retirement Plan (the Plan) 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 Plan's management.

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

Plan 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 1961, the Plan is a public retirement system that has provided service retirement, disability, death, and survivor benefits to its members for 65 years, administered in accordance with the City of San José (the City) Municipal Code and the charter. The current Plan consists of a single employer Defined Benefit Pension Plan and three Postemployment Healthcare Plans. All regular, full-time sworn City employees are eligible for Plan benefits.

The Plan is administered by the Chief Executive Officer (CEO) of the Office of Retirement Services (ORS), and a nine-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 Plan.

Funding Status and Progress. The Plan'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 Police and Fire OPEB plans were 81.8%, 39.3% and 38.3%, 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 Plan is currently 6.625% and 6.00%, respectively. The impact of the difference between the actual net rate of return earned by the Plan 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 Plan's net position for the fiscal year 2024-2025 was \$525,643,000. Details of the components of this increase are included in the *Statement of Changes in Plan Net Position* on page 28. The defined benefit pension plan's funding progress is presented on page 149 and the defined benefit OPEB plan's funding progress is presented on pages 167 for Police and 183 for Fire.

Letter of Transmittal *(continued)*

Investment Summary. The Board of Administration has exclusive control of all investments of the Plan 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 Plan and the investment portfolio solely in the interest of, and for the exclusive purposes of providing benefits to, members of the Plan and defraying the reasonable cost of administration.

The absolute performance for the Plan over the fiscal year was positive due to strong performance in both domestic and international equities, along with fixed income, which provided attractive yields. Over the past fiscal year, the Plan's time-weighted rate of return, net of investment fees, was 10.0% for the fiscal year, compared to a 10.3% 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 Plan earned a time-weighted rate of return, net of investment fees, of 9.1% and 9.3% 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 Plan outperformed the actuarially assumed rate of return of 6.625%, achieving a 10.0% time-weighted rate of return, net of investment fee. Fiscal Year 2024-25 saw continued strong performance in the stock market. Both public equity and private real assets experienced double digit returns. The Plan captured this positive performance effectively, in line with the policy benchmark.

The Pension Plan's mirrored performance relative to the policy benchmark was attributable to both investment manager selection decisions and allocation effects. All asset classes within the Plan contributed collectively to its alignment with the benchmark.

The Healthcare Plan's time-weighted rate of return, net of investment fees, was 11.1% on investments for the fiscal year, compared to a 11.2% return for its policy benchmark. In addition, the Healthcare Plans earned a time-weighted rate of return, net of investment fees, of 9.6% and 8.1% for the three-year and five-year periods ending June 30, 2025, respectively.

The net position of the Plan increased from \$5,440,434,000 to \$5,966,077,000 (see the Financial Section beginning on page 13).

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 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 Board's administration of the retirement systems.

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,

Letter of Transmittal *(continued)*

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 Plan are reported on an accrual basis of accounting. For an overview and analysis of the financial activities of the Plan for the fiscal years ended June 30, 2025, and 2024, please refer to the Management's Discussion and Analysis (MD&A) on page 16.

Macias Gini & O'Connell LLP, the Plan's independent auditor, has audited the accompanying financial statements. The financial audit provides reasonable assurance that the Plan's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatement. The Plan 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 Plan continuously reviews internal controls to ensure that the Plan'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 Plan'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.

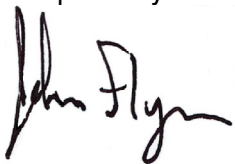
Awards and Recognition. I am proud to report that the GFOA awarded its Certificate of Achievement for Excellence in Financial Reporting to the Plan for its ACFR for the fiscal year ended June 30, 2024. This was the 25th consecutive year the Plan has achieved this prestigious award. To be awarded a Certificate of Achievement, the Plan 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 Plan also received the Public Pension Standards Award in recognition of meeting professional standards for plan design and administration by the Public Pension Coordinating Council.

Acknowledgements. I want to take this opportunity to thank the members of the Plan for their confidence in the ORS staff, whose dedication, commitment to the Plan, and diligent work helped to ensure the Plan'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,



John Flynn
Chief Executive Officer
Office of Retirement Services

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**San José Police and Fire Department Retirement Plan
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Merrill

Executive Director/CEO



Public Pension Coordinating Council

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

Presented to

***City of San José Police and Fire Department
Retirement Plan***

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 black ink, 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 nine-member Board of Administration composed of two City employees elected by members of the Plan, two retired Plan members elected by the Retiree Associations, four public members who are not connected with the City and have significant banking or investment experience, and another public member selected by the nine Board members and approved by the City Council. The Board is appointed by the City Council and serves in accordance with Section 2.08, Part 12 of the San José Municipal Code.

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



**FRANCO VADO,
CHAIR**

Retired Plan member appointed to the Board in August 2021. His term expires November 2028.



**ANDREW GARDANIER,
VICE CHAIR**

Employee representative for the Fire Department appointed to the Board in December 2015. His term expires November 2027.



**SUNITA GANAPATI,
TRUSTEE**

Public member appointed to the Board June 2020. Her current term expires November 2026.



**DAVID KWAN,
TRUSTEE**

Public member appointed to the Board in June 2022. His current term expires November 2028.



**HOWARD LEE,
TRUSTEE**

Public member appointed to the Board in February 2020. His current term expires November 2026.



**ESWAR MENON,
TRUSTEE**

Public member appointed to the Board in November 2018. His current term expires November 2026.



**RICHARD SANTOS,
TRUSTEE**

Retired Plan member appointed to the Board in March 2011. His current term expires November 2026.



**DAVID WOOLSEY,
TRUSTEE**

Employee representative for the Police Department appointed to the Board in December 2024. His term expires November 2028.



**GRETCHEN FLICKER,
TRUSTEE**

Public Member appointed to the Board in November 2024. Her current term expires April 2027.



**GEORGE CASEY, CITY
COUNCIL LIAISON TO
THE BOARD**

Non-voting member appointed to the Board in 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: First Thursday of the Month, 8:30 AM. Starting January 1, 2026, meetings will occur every third Wednesday of the Month. The meetings will be held at the Retirement Office at 1737 North First Street, Suite 580, San José, CA 95112, unless otherwise posted.

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.

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

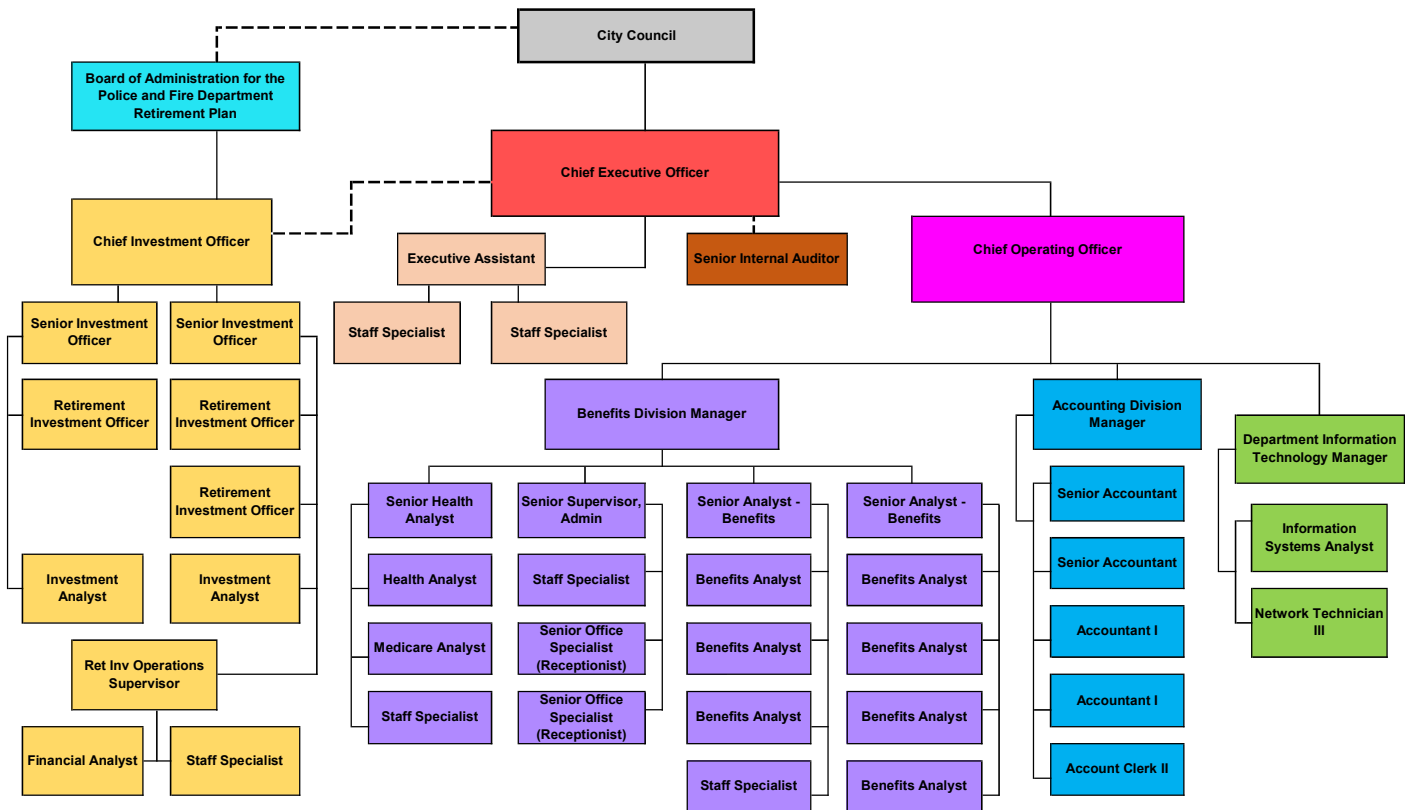
2025 Office of Retirement Services Organizational Chart

Office of Retirement Services

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

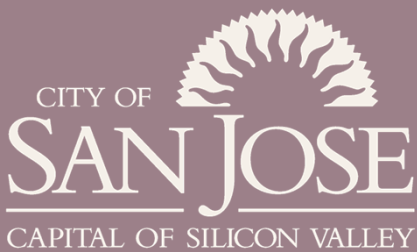
(408) 794-1000 (800) 732-6477 (408) 392-6732 Fax

www.sjretirement.com



A list of investment professionals who provide services to the pension and healthcare trust fund can be found on page 125 of the Investment Section of this report. The Schedule of Investment Fees and Schedule of Commissions can be found on pages 135 and 136 -139, respectively.

Financial Section



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

City of San José, CA
Police and Fire Department Retirement Plan
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2025 and June 30, 2024

Independent Auditor's Report

Board of Administration of the City of San José
Police and Fire Department Retirement Plan
San José, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the City of San José Police and Fire Department Retirement Plan (Plan), 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 Plan'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 Plan 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 Plan 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 Plan'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.

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 Plan'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 Plan'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 plans, schedule of investment returns – postemployment healthcare plans, schedule of employer contributions – postemployment healthcare plans, 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 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 Plan'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 **November 6, 2025**, on our consideration of the Plan'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 Plan'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 Plan's internal control over financial reporting and compliance.

Walnut Creek, California
November 6, 2025

Management's Discussion and Analysis (unaudited)



November 6, 2025

Board of Administration
San José Police and Fire Department Retirement Plan
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 Police and Fire Department Retirement Plan (the Plan) for the fiscal years ended June 30, 2025 and 2024. The Plan, consisting of a single employer Defined Benefit Pension Plan and three Postemployment Healthcare Plans, was established to provide retirement benefits for sworn employees of the Police and Fire Departments 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 4 of this report, and in the financial section which follows this discussion.

Financial Highlights for Fiscal Year 2025

- As of June 30, 2025, the Plan had \$5,966,077,000 in plan net position restricted for pension benefits and postemployment healthcare benefits. Plan net position of \$5,568,979,000 restricted for pension benefits is available to meet the Plan's ongoing obligations to plan participants and their beneficiaries. The Postemployment Healthcare Plans' net position of \$397,098,000 is available for the exclusive use of retiree medical benefits.
- The Plan'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 \$525,643,000 or 9.7% 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 \$874,220,000, which includes employer and employee contributions of \$248,700,000 and \$46,513,000, respectively, and net investment income of \$579,007,000. This represents an increase of \$123,773,000 or 16.5% of total additions from the prior fiscal year amount of \$750,447,000.
- Deductions from plan net position for fiscal year ended June 30, 2025 increased by \$17,913,000 from \$330,664,000 to \$348,577,000 over the prior fiscal year, or approximately 5.4%. This increase was attributable to higher retirement benefit payments, driven by a growing number of retired members and beneficiaries as well as cost-of-living adjustments, and a greater number of contribution refunds to active members separating from service.

Overview of the Financial Statements

The Plan'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

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

Standards Board (GASB) and the reporting requirements prescribed by the Government Finance Officers' Association of the United States and Canada (GFOA). The following discussion and analysis are intended to serve as an introduction to the Plan'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 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 Plan.

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 Plan 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 Plan'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 Plan. 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 Plan'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 Plan'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 Plan'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 30 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 Plan'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 76 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 Plan'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 55.

As previously noted, plan net position may serve over time as a useful indication of the Plan's financial position (see Tables 1a and 1c on pages 19). At the close of fiscal years 2025 and 2024, the Plan's total assets exceeded the Plan's total liabilities. The Plan'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 Plans, respectively.

The Pension Plan'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 Plan'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 88.1% of the total pension liability, and the net position of the Other Postemployment Employee Benefit Plan was 43.6% for Police and 43.1% for Fire. 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 65.

As of June 30, 2025, \$5,568,979,000 and \$397,098,000, in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1a and 1c on pages 19). Plan net position restricted for pension benefits of \$5,568,979,000 is available to meet the Plan's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of \$397,098,000 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 9.3% and 15.4% from the prior year, primarily due to the net appreciation in the fair value of investments of \$473,513,000 and \$32,728,000 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 during the fiscal year. The Plan's current asset allocations are discussed in detail in Note 2(c) of the financial statements on page 49.

As of June 30, 2024, \$5,096,229,000 and \$344,205,000, in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1b and 1d on pages 19). Plan net position restricted for pension benefits of \$5,096,229,000 was available to meet the Plan's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of \$344,205,000 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 7.9% and 15.0% from the prior year, primarily due to the net appreciation in the fair value of investments of \$387,081,000 and \$24,868,000 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 Plan's current asset allocations are discussed in detail in Note 2(c) of the financial statements on page 49.

As of June 30, 2025, receivables increased by \$245,524,000 or 826.2% in the Defined Benefit Pension Plan and by \$16,203,000 or 253.3% in the Postemployment Healthcare Plans. Receivables in the Defined Benefit Pension Plan and the Postemployment Healthcare Plans 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 \$12,322,000 or 29.3% and \$758,000 or 10.6% in the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively, also due to pending investment trades at year end.

As of June 30, 2025, total liabilities for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans increased by \$363,469,000, or 1,161.4% and increased by \$16,559,000 or 211.0%, respectively, compared with June 30, 2024, mainly due to payables to brokers and others for year-end investment trades as a result of the timing of investment transactions. In the previous year, total liabilities for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans decreased by \$36,466,000, or 53.8% and decreased by \$571,000 or 6.8%, respectively, compared with June 30, 2023, mainly due to payables to brokers and others for year-end investment trades as a result of the timing of investment transactions.

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	\$ 275,241	\$ 29,717	\$ 245,524	826.2%
Investments at fair value	5,685,796	5,095,598	590,198	11.6%
Other assets, net	2,706	2,209	497	22.5%
Total Assets	5,963,743	5,127,524	836,219	16.3%
Current liabilities	394,764	31,295*	363,469	1,161.4%
Total Liabilities	394,764	31,295	363,469	1,161.4%
Plan Net Position	\$ 5,568,979	\$ 5,096,229*	\$ 472,750	9.3%

* 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	\$ 29,717	\$ 42,039	\$ (12,322)	(29.3)%
Investments at fair value	5,095,598	4,744,499	351,099	7.4%
Other assets, net	2,209	2,710	(501)	(18.5)%
Total Assets	5,127,524	4,789,248	338,276	7.1%
Current liabilities	31,295*	67,761	(36,466)	(53.8)%
Total Liabilities	31,295	67,761	(36,466)	(53.8)%
Plan Net Position	\$ 5,096,229*	\$ 4,721,487	\$ 374,742	7.9%

* 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 PLANS (Table 1c)

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

	2025	2024	Increase Amount	Increase Percent
Receivables	\$ 22,599	\$ 6,396	\$ 16,203	253.3%
Investments at fair value	398,890	345,641	53,249	15.4%
Other assets, net	16	16	-	-%
Total Assets	421,505	352,053	69,452	19.7%
Current liabilities	24,407	7,848	16,559	211.0%
Total Liabilities	24,407	7,848	16,559	211.0%
Plan Net Position	\$ 397,098	\$ 344,205	\$ 52,893	15.4%

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

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

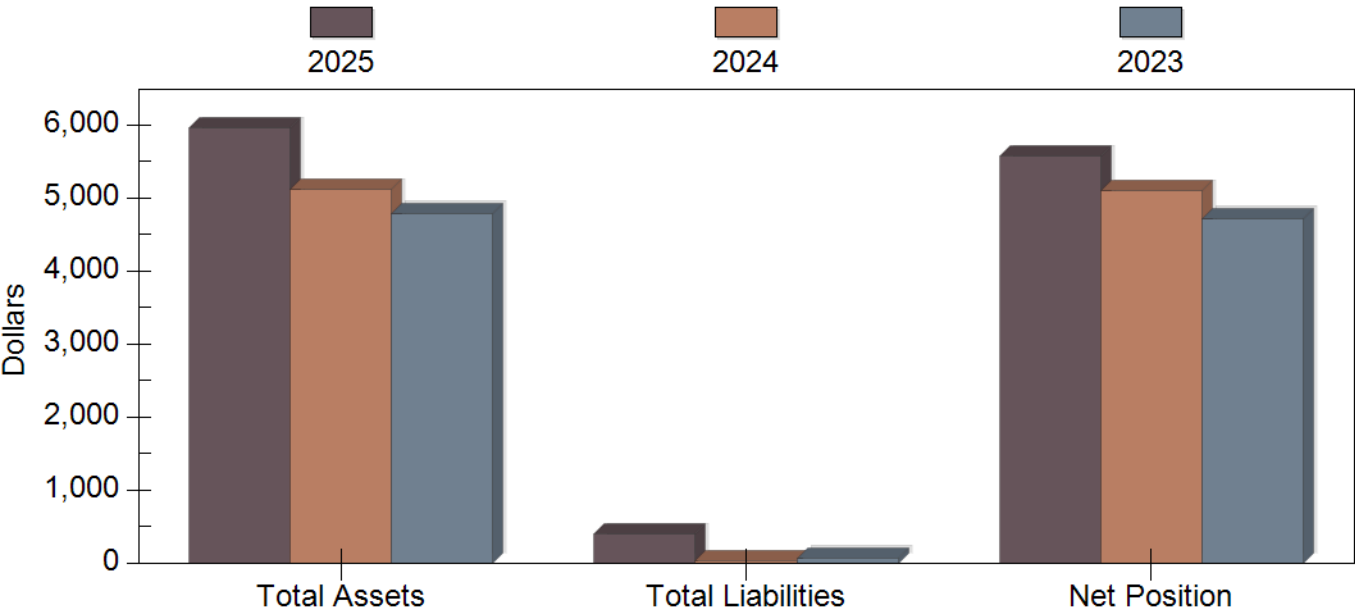
	2024	2023	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	\$ 6,396	\$ 7,154	\$ (758)	(10.6)%
Investments at fair value	345,641	300,588	45,053	15.0%
Other assets, net	16	41	(25)	(61.0)%
Total Assets	352,053	307,783	44,270	14.4%
Current liabilities	7,848	8,419	(571)	(6.8)%
Total Liabilities	7,848	8,419	(571)	(6.8)%
Plan Net Position	\$ 344,205	\$ 299,364	\$ 44,841	15.0%

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

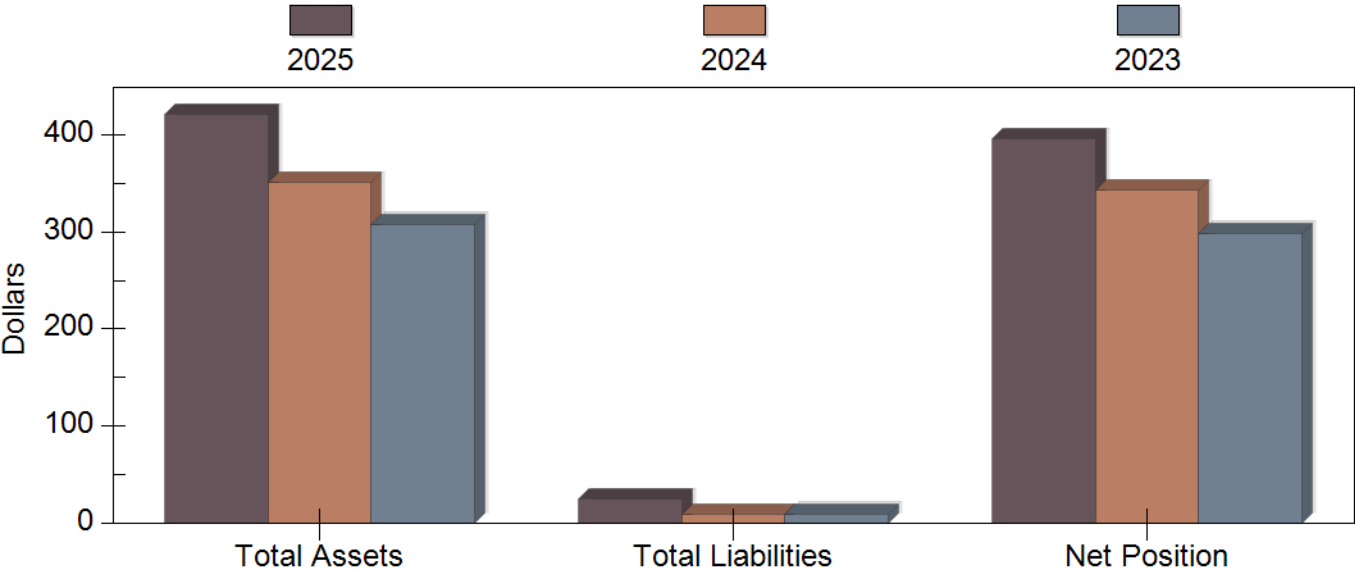
(Dollars in millions)



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

As of June 30, 2025, 2024 and 2023

(Dollars in millions)



POLICE AND FIRE PLAN ACTIVITIES

In the fiscal year ended June 30, 2025, the Plan's combined Defined Benefit Pension Plan and Postemployment Healthcare Plans net position increased by \$525,643,000, or 9.7%, primarily due to the strong returns in public equity and private real assets during the fiscal year which led to the Plan earning significant investment gains. Key elements of the Plan'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 Plans for the fiscal year ended June 30, 2025, were \$787,144,000 and \$87,076,000, respectively (see Tables 2a and 2c on pages 22 - 23).

For the fiscal year ended June 30, 2025, total additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plans increased by \$112,368,000 or 16.7% and \$11,405,000 or 15.1%, respectively. The primary cause of the increase from the prior year in the Defined Benefit Pension Plan and Postemployment Healthcare Plans was due to the increase in net investment income of \$100,563,000 and \$9,122,000, respectively, due to the strong returns from public equity and private real assets during the fiscal year.

The Plan's time-weighted net investment fee rate of return, as determined by the Plan's investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2025 for the Defined Benefit Pension Plan, was 10.0% 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 Plans increased by \$80,502,000 or 13.5% and \$13,950,000, or 22.6%, respectively. The primary cause of the increase from the prior year in the Defined Benefit Pension Plan and Postemployment Healthcare Plans was due to the increase in net investment income of \$77,774,000 and \$12,026,000, respectively, due to the strong returns from public equity and high-yield bonds during the fiscal year.

The Plan's time-weighted net rate of return, as determined by the Plan'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 7.7% for fiscal year 2023.

Deductions from Plan Net Position

The Plan 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 Plan.

Deductions for the fiscal year ended June 30, 2025, totaled \$314,394,000 and \$34,183,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively. Deductions for the Defined Benefit Pension Plan increased by \$14,560,000 or 4.9% from the previous year due to an increase in benefit payments and refund of contributions (see Table 2a on page 22). 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. The increase in refund of contribution is primarily due to increases in separations of service by active members electing a refund of their accumulated contributions. Deductions for the Postemployment Healthcare Plans increased by \$3,353,000 or 10.9% from the previous year mainly due to the increase in healthcare insurance premiums. (see Table 2c on page 23).

Deductions for the fiscal year ended June 30, 2024, totaled \$299,834,000 and \$30,830,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively. Deductions for the Defined Benefit Pension Plan increased by \$17,178,000 or 6.1% 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 22). Deductions for the Postemployment Healthcare Plans increased by \$3,200,000 or 11.6% from the previous year mainly due to the increase in healthcare insurance premiums. (see Table 2d on page 23).

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	\$ 35,806	\$ 34,439	\$ 1,367	4.0%
Employer contributions	213,138	202,700	10,438	5.1%
Net investment income ¹	538,200	437,637	100,563	23.0%
Total Additions	787,144	674,776	112,368	16.7%
Retirement benefits	283,843	271,571	12,272	4.5%
Death benefits	20,732	19,464	1,268	6.5%
Refund of contributions	2,043	920	1,123	122.1%
Administrative expenses	7,776	7,879*	(103)	(1.3)%
Total Deductions	314,394	299,834	14,560	4.9%
Net Increase in Plan Net Position	472,750	374,942	97,808	26.1%
Beginning Net Position	5,096,229	4,721,287*	374,942	7.9%
Ending Net Position	\$ 5,568,979	\$ 5,096,229*	\$ 472,750	9.3%

¹ Net of investment expenses of \$23,806 and \$20,048 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 Amount	Increase Percent
Employee contributions	\$ 34,439	\$ 32,661	\$ 1,778	5.4%
Employer contributions	202,700	201,750	950	0.5%
Net investment income ¹	437,637	359,863	77,774	21.6%
Total Additions	674,776	594,274	80,502	13.5%
Retirement benefits	271,571	256,773	14,798	5.8%
Death benefits	19,464	18,386	1,078	5.9%
Refund of contributions	920	665	255	38.3%
Administrative expenses	7,879*	6,832	1,047	15.3%
Total Deductions	299,834	282,656	17,178	6.1%
Net Increase in Plan Net Position	374,942	311,618	63,324	20.3%
Beginning Net Position	4,721,287*	4,409,869	311,418	7.1%
Ending Net Position	\$ 5,096,229*	\$ 4,721,487	\$ 374,742	7.9%

¹ Net of investment expenses of \$20,048 and \$18,628 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	\$ 10,707	\$ 10,820	\$ (113)	(1.0)%
Employer contributions	35,562	33,166	2,396	7.2%
Net investment income ¹	40,807	31,685	9,122	28.8%
Total Additions	87,076	75,671	11,405	15.1%
Healthcare insurance premiums	34,076	30,699	3,377	11.0%
Administrative expenses	107	131	(24)	(18.3)%
Total Deductions	34,183	30,830	3,353	10.9%
Net Increase in Plan Net Position	52,893	44,841	8,052	18.0%
Beginning Net Position	344,205	299,364	44,841	15.0%
Ending Net Position	\$ 397,098	\$ 344,205	\$ 52,893	15.4%

¹ Net of investment expenses of \$296 and \$269 in 2025 and 2024, respectively.

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 / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	\$ 10,820	\$ 11,299	\$ (479)	(4.2)%
Employer contributions	33,166	30,763	2,403	7.8%
Net investment income ¹	31,685	19,659	12,026	61.2%
Total Additions	75,671	61,721	13,950	22.6%
Healthcare insurance premiums	30,699	27,528	3,171	11.5%
Administrative expenses	131	102	29	28.4%
Total Deductions	30,830	27,630	3,200	11.6%
Net Increase in Plan Net Position	44,841	34,091	10,750	31.5%
Beginning Net Position	299,364	265,273	34,091	12.9%
Ending Net Position	\$ 344,205	\$ 299,364	\$ 44,841	15.0%

¹ Net of investment expenses of \$269 and \$318 in 2024 and 2023, respectively.

Reserves

The Plan is required by the City of San José Municipal Code to establish various reserves in the Plan's net position. The Plan'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 Plans (which include the Postemployment Healthcare 401(h) Plan, the Police Department Postemployment 115 Healthcare Subtrust and the Fire Department Postemployment 115 Healthcare Subtrust). The Defined Benefit Pension Plan Retirement Fund and the Defined Benefit Cost-of-Living Fund both have a General Reserve and an Employee Contributions Reserve. The Postemployment Healthcare 401(h) and 115 Subtrust Funds have a General Reserve only (see table on page 52 for a complete listing and year-end balances of the Plan's reserves).

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

The Plan'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 Plan's General Reserve.

With the implementation of Measure F in 2017, 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. See Note 2 of the financial statements for additional information.

The Plan's Fiduciary Responsibilities

The Plan's Board of Administration is the fiduciary trustee of the Defined Benefit Pension Plan and Postemployment Healthcare Plans. Under the California Constitution and the San José Municipal Code, Plan 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 Plan'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 Plan's actuary in the June 30, 2024 Preliminary Valuation Results and Economic Assumption Review presented in November and December 2024, respectively.

The Investment Policy Statement for the Plan has been revised as of October 2023, and the asset allocation was revised as of May 2024. Notable changes were revisions to the verbiage and changes to the Appendices.

Defined Benefit Pension Plan

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. The Plan'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 \$1.1 billion, as of June 30, 2024, does not include the impact of approximately \$82.8 million of net deferred investment gains yet to be recognized, primarily resulting from favorable investment returns during fiscal year 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 Plan 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 Plan, thereby increasing required contributions to the Plan. 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 Plan, thereby decreasing required contributions to the Plan.

In addition to investment market risk, the Plan 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 Plan's provisions and the specific demographics of the Plan participants. Deviations from these actuarial assumptions cause the Plan to experience gains or losses, which in turn can lead to

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

volatility in the contribution rates. To minimize this risk, every two years, the Plan's actuary conducts an experience study to assess whether the experience of the Plan is conforming to the actuarial assumptions. The last experience study was performed in November 2023, and the next experience study is scheduled for November 2025.

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 changes stated above and the recognition of smoothed deferred investment gains and losses.

Postemployment Healthcare Plan

Under Measure F, member contributions for retiree healthcare were set at 8% of pay, while the City's contributions are actuarially determined for Police and Fire. In March 2018, the Board approved a policy establishing a flat dollar amount for the City's healthcare contributions for Tier 1 members, starting with fiscal year 2019. The City also retains the option to limit its contributions to 11% of payroll for Police and Fire.

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 Plan'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:

Police and Fire Department Retirement Plan
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	Post- employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ASSETS					
Receivables					
Employee contributions	\$ 877	\$ 253	\$ -	\$ -	\$ 1,130
Employer contributions	5,675	-	429	270	6,374
Brokers and others	260,716	4,915	10,502	5,784	281,917
Accrued investment income	7,973	52	246	148	8,419
Total Receivables	275,241	5,220	11,177	6,202	297,840
Investments, at fair value					
Securities and other:					
Public equity	2,414,746	3,648	145,538	85,812	2,649,744
Private equity	566,164	855	-	-	567,019
Cash and cash equivalents	531,750	803	2,688	1,585	536,826
Immunized cash flows	330,063	499	-	-	330,562
Core real estate	280,487	424	30,631	18,062	329,604
Investment grade bonds	239,221	362	32,924	19,414	291,921
Growth real estate	256,650	388	-	-	257,038
Private debt	210,366	318	-	-	210,684
Private real assets	170,652	258	-	-	170,910
Market neutral strategies	155,563	235	-	-	155,798
Venture / Growth capital	125,592	190	-	-	125,782
Emerging market bonds	115,067	174	-	-	115,241
High yield bonds	111,686	169	-	-	111,855
Treasury inflation-protected securities	108,057	163	-	-	108,220
Long-term government bonds	69,732	105	11,762	6,935	88,534
Commodities	-	-	11,905	7,020	18,925
Short-term investment grade bonds	-	-	10,080	5,943	16,023
Total Investments	5,685,796	8,591	245,528	144,771	6,084,686
Other assets, net	2,706	16	-	-	2,722
TOTAL ASSETS	5,963,743	13,827	256,705	150,973	6,385,248
LIABILITIES					
Payable to brokers	389,358	2,427	10,777	5,631	408,193
Other liabilities	5,406	4,579	647	346	10,978
TOTAL LIABILITIES	394,764	7,006	11,424	5,977	419,171
PLAN NET POSITION - RESTRICTED FOR					
Pension benefits	5,568,979	-	-	-	5,568,979
Postemployment healthcare benefits	-	6,821	245,281	144,996	397,098
TOTAL PLAN NET POSITION	\$ 5,568,979	\$ 6,821	\$ 245,281	\$ 144,996	\$ 5,966,077

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	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ASSETS					
Receivables					
Employee contributions	\$ 754	\$ 226	\$ -	\$ -	\$ 980
Employer contributions	5,585	-	390	254	6,229
Brokers and others	13,886	4,204	363	561	19,014
Accrued investment income	9,492	54	214	130	9,890
Total Receivables	29,717	4,484	967	945	36,113
Investments, at fair value					
Securities and other:					
Public equity	2,201,529	3,613	130,449	75,343	2,410,934
Private equity	494,022	811	-	-	494,833
Cash and cash equivalents	391,754	643	776	448	393,621
Immunized cash flows	377,455	620	-	-	378,075
Investment grade bonds	218,285	358	29,852	17,241	265,736
Core real estate	223,934	368	22,243	12,846	259,391
Private debt	225,439	370	-	-	225,809
Growth real estate	223,420	367	-	-	223,787
Market neutral strategies	149,814	246	-	-	150,060
Private real assets	127,226	209	-	-	127,435
Treasury inflation-protected securities	101,431	166	-	-	101,597
Emerging market bonds	100,578	165	-	-	100,743
High yield bonds	99,833	164	-	-	99,997
Venture / Growth capital	92,235	151	-	-	92,386
Long-term government bonds	68,643	113	10,702	6,181	85,639
Commodities	-	-	10,199	5,890	16,089
Short-term investment grade bonds	-	-	9,576	5,531	15,107
Total Investments	5,095,598	8,364	213,797	123,480	5,441,239
Other assets, net	2,209	16	-	-	2,225
TOTAL ASSETS	5,127,524	12,864	214,764	124,425	5,479,577
LIABILITIES					
Payable to brokers	27,447	1,981	605	84	30,117
Other liabilities, as restated *	3,848	4,707	125	346	9,026
TOTAL LIABILITIES	31,295	6,688	730	430	39,143
PLAN NET POSITION - RESTRICTED FOR					
Pension benefits, as restated *	5,096,229	-	-	-	5,096,229
Postemployment healthcare benefits	-	6,176	214,034	123,995	344,205
TOTAL PLAN NET POSITION	\$ 5,096,229	\$ 6,176	\$ 214,034	\$ 123,995	\$ 5,440,434

* 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	Post- employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ADDITIONS					
Contributions					
Employee	\$ 35,806	\$ 10,707	\$ -	\$ -	\$ 46,513
Employer	213,138	5,614	18,015	11,933	248,700
Total Contributions	248,944	16,321	18,015	11,933	295,213
Investment income					
Net appreciation in fair value of investments	473,513	577	20,257	11,894	506,241
Interest income	77,341	94	1,144	663	79,242
Dividend income	11,152	14	4,090	2,370	17,626
Less: investment expense	(23,806)	(29)	(169)	(98)	(24,102)
Net Investment Income	538,200	656	25,322	14,829	579,007
TOTAL ADDITIONS	787,144	16,977	43,337	26,762	874,220
DEDUCTIONS					
Retirement benefits	283,843	-	-	-	283,843
Healthcare insurance premiums	-	16,322	12,032	5,722	34,076
Death benefits	20,732	-	-	-	20,732
Refund of contributions	2,043	-	-	-	2,043
Administrative expenses and other	7,776	10	58	39	7,883
TOTAL DEDUCTIONS	314,394	16,332	12,090	5,761	348,577
NET INCREASE	472,750	645	31,247	21,001	525,643
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS					
BEGINNING OF YEAR	5,096,229	6,176	214,034	123,995	5,440,434
END OF YEAR	\$ 5,568,979	\$ 6,821	\$ 245,281	\$ 144,996	\$ 5,966,077

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	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ADDITIONS					
Contributions					
Employee	\$ 34,439	\$ 10,820	\$ -	\$ -	\$ 45,259
Employer	202,700	4,444	17,672	11,050	235,866
Total Contributions	237,139	15,264	17,672	11,050	281,125
Investment income					
Net appreciation in fair value of investments	387,081	606	15,366	8,896	411,949
Interest income	60,627	92	883	513	62,115
Dividend income	9,977	14	3,531	2,053	15,575
Less: investment expense	(20,048)	(25)	(155)	(89)	(20,317)
Net Investment Income	437,637	687	19,625	11,373	469,322
TOTAL ADDITIONS	674,776	15,951	37,297	22,423	750,447
DEDUCTIONS					
Retirement benefits	271,571	-	-	-	271,571
Healthcare insurance premiums	-	18,961	6,872	4,866	30,699
Death benefits	19,464	-	-	-	19,464
Refund of contributions	920	-	-	-	920
Administrative expenses and other, as restated *	7,879	37	57	37	8,010
TOTAL DEDUCTIONS	299,834	18,998	6,929	4,903	330,664
NET INCREASE / (DECREASE)	374,942	(3,047)	30,368	17,520	419,783
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS					
BEGINNING OF YEAR, as previously presented	4,721,487	9,223	183,666	106,475	5,020,851
Restatement for GASB 101 *	(200)	-	-	-	(200)
BEGINNING OF YEAR, as restated	4,721,287	9,223	183,666	106,475	5,020,651
END OF YEAR	\$ 5,096,229	\$ 6,176	\$ 214,034	\$ 123,995	\$ 5,440,434

* 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 Police and Fire Department Retirement Plan (the Plan) 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 Plan

The Plan was established in 1961 to provide retirement benefits for certain employees of the City of San José (City). The current Plan consists of a single employer Defined Benefit Pension Plan and three Postemployment Healthcare Plans and includes all provisions of SJMC Chapter 3.36, 3.54 and 3.56.

The Plan 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 Letter

On January 27, 2011, the Plan requested a compliance statement and favorable determination letter from the Internal Revenue Service (IRS) under the streamline procedures of the voluntary compliance program for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans. The most recent favorable determination letter from the IRS is dated August 26, 2016.

Defined Benefit Pension Plan

The Defined Benefit Pension Plan is held and administered in the 1961 Police and Fire Department Retirement Plan and includes all provisions of SJMC Chapter 3.36.

All sworn officers of the City's Police and Fire departments are required to be members of the Plan. Participants of the Postemployment Healthcare Plans are also participants of the Defined Benefit Pension Plan.

Postemployment Healthcare Plans

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

- **The Postemployment Healthcare 401(h) Plan:** Established under Internal Revenue Code (IRC) Section 401(h), is an account within the pension plan which is used for the funding and payment of the retiree healthcare benefits. As a 401(h) plan, the healthcare benefits must be subordinate to the pension plan benefits. The medical benefits are considered subordinate if, when ignoring contributions for past service benefit, the contributions for medical benefits are no greater than 25% of the actual contributions to both the pension and medical benefits. The Postemployment Healthcare 401(h) Plan is held and administered in Police and Fire Department Retirement Healthcare Trust Fund; it includes all provisions of SJMC Chapter 3.36.
- **The Postemployment Healthcare 115 Trust:** Established on May 22, 2012 by the San José City Council (Ordinance number 29065) to provide an alternative to the existing 401(h) account. The healthcare trust was clarified by the San José City Council (Ordinance number 29260) on June 12, 2013, which declared that the Police Department Postemployment Healthcare Plan and the Fire Department Postemployment Healthcare Plan may be structured as two wholly separate sub-trusts of one trust. Employer contributions to the new trust funds began in fiscal year 2013. On August 6, 2013, the City obtained a private letter ruling from the IRS assuring the pre-tax treatment of employee contributions to the new trust funds. On July 9, 2014, the Plan received a private letter ruling from the IRS on the tax qualification of the new Section 115 Trust. As of this date, it has not been determined if or when employee contributions will begin to go into the Section 115 subtrusts. The healthcare trusts are held and administered in the Police Department Health Care Trust Fund and Fire Department Health Care Trust Fund; they include all provisions of SJMC Chapter 3.54 and 3.56, respectively.

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN *(continued)*

(a) General *(continued)*

Plan Governance and Administration

The Plan 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 Police and Fire Department Plan Board of Administration (Board of Administration).

The Board of Administration consists of nine members:

- Two City employees elected by members of the Plan
- Two retired representatives elected by the retiree associations
- Four public members, who are not connected with the City and have significant banking or investment experience
- One public member, who is selected by the eight Board members and approved by the City Council

The Board is appointed by the City Council and serves in accordance with Section 2.08, Part 12 of the San José Municipal Code. The contribution and benefit provisions and all other requirements are established by City ordinance. The Plan is responsible for all direct administrative costs except for certain support services, which are provided and funded directly by the City. The Plan 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 sworn Police and Fire members concerning related litigation. On August 25, 2015, the City Council approved the terms of the *Alternative Pension Reform Settlement Framework* (Public Safety Framework) for the two sworn bargaining units, the San José Police Officers' Association (SJPOA) and the San José Firefighters International Association of Fire Fighters, Local 230 (IAFF). The Public Safety 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 this new ballot measure, the *Alternative Pension Reform Act*, known as Measure F. Subsequently, the City Council approved Ordinance number 29879 on February 14, 2017, which amended the San José Municipal Code to reflect the terms of both Measure F and the Public Safety Framework. These changes became effective thirty days later.

Tier Structure: The Plan is structured into membership tiers based primarily based on members' hire dates, with certain provisions modified by Measure F, most of which along with the Public Safety Framework, were implemented on June 18, 2017.

- **Police Tier 1:** Members who entered the Plan prior to August 4, 2013. As a result of Measure F, this tier also includes rehired employees with prior Tier 1 service and employees with a "Classic" CalPERS membership
- **Police Tier 2:** Members newly hired on or after August 4, 2013
- **Fire Tier 1:** Members who entered the Plan prior to January 2, 2015. Similar to the Police plan, this tier also includes rehired employees with prior Tier 1 service and "Classic" CalPERS members
- **Fire Tier 2:** Members newly hired on or after January 2, 2015

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN *(continued)*

(a) General *(continued)*

Other Key Provisions of the Reforms: The implemented provisions from Measure F and the Public Safety Framework also include:

- Prohibiting any enhancements to defined retirement benefits without voter approval
- Codifying the Tier 2 pension benefit
- 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 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 Voluntary Employee Beneficiary Association (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 favorable private letter rulings to each of the Section 115 Trusts on February 7, 2018. The IRS ruled that allowing the contributions to the VEBA to be made from the Sections 115 Trusts is consistent with Code Section 115(1) and will not compromise the Section 115 Trusts' 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 calendars years 2018 through 2022 to opt-in to the VEBA if they were not employed during the initial opt-in period. 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.

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN *(continued)*

(a) General *(continued)*

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

As of June 30, 2025		Police			Fire				
	Tier 1 Pension & Medical ²	Tier 1 Pension only ³	Tier 2 Pension only ³	Police Total	Tier 1 Pension & Medical ²	Tier 1 Pension only ³	Tier 2 Pension only ³	Fire Total	Grand Total
Defined Benefit Pension Plan:									
Retirees and beneficiaries ¹	1,539	161	6	1,706	911	58	1	970	2,676
Terminated members -									
Deferred vested	3	145	214	362	3	33	17	53	415
Active members	325	30	629	984	343	32	269	644	1,628
Total	1,867	336	849	3,052	1,257	123	287	1,667	4,719
Tier 1				Police Total	Tier 1			Fire Total	Grand Total
Postemployment Healthcare Plan:									
Retirees and beneficiaries ⁴	1,539			1,539	911			911	2,450
Terminated members -									
Deferred vested	3			3	3			3	6
Active members	325			325	343			343	668
Total	1,867			1,867	1,257			1,257	3,124

As of June 30, 2024		Police			Fire				
	Tier 1 Pension & Medical ²	Tier 1 Pension only ³	Tier 2 Pension only ³	Police Total	Tier 1 Pension & Medical ²	Tier 1 Pension only ³	Tier 2 Pension only ³	Fire Total	Grand Total
Defined Benefit Pension Plan:									
Retirees and beneficiaries ¹	1,529	154	2	1,685	908	57	1	966	2,651
Terminated members - Deferred vested	3	160	192	355	4	38	15	57	412
Active members	355	32	612	999	353	33	255	641	1,640
Total	1,887	346	806	3,039	1,265	128	271	1,664	4,703
Tier 1				Police Total	Tier 1			Fire Total	Grand Total
Postemployment Healthcare Plan:									
Retirees and beneficiaries ⁴	1,529			1,529	908			908	2,437
Terminated members - Deferred vested	3			3	4			4	7
Active members	355			355	353			353	708
Total	1,887			1,887	1,265			1,265	3,152

¹ Retiree counts do not include combined domestic relations orders

² Members are eligible for full retiree medical benefits

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

⁴ 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 September 30, 1994, the Plan entered into an agreement with CalPERS that extends reciprocal retirement benefits to members. In certain situations, this agreement could 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 Police members. Please consult the Municipal Code for complete information.

	Police Tier 1 ¹	Police Tier 1 Classic ²	Police Tier 2 ³
Contributions			
Employee	18.59% of base salary (Pension: 10.59% ⁵ , Retiree Healthcare: 8.00%) as of 6/23/2024	14.72% of base salary (Pension: 10.72%, VEBA: 4.00%) as of 6/23/2024	17.65% of base salary (Pension: 13.65%, VEBA: 4.00%) as of 6/23/2024
City	Pension: 34.46% (Normal cost) + Flat dollar amount (UAL); Retiree Healthcare: Flat dollar amount as of 6/23/2024	Pension: 34.46% (Normal cost) + Flat dollar amount (UAL) as of 6/23/2024	13.65% of base salary (Pension: 13.65%) as of 6/23/2024
Service required to leave contributions in retirement plan	10 years of service (20 years must have elapsed from date of entry into retirement plan to collect pension)	10 years of service	5 years service with the City in the Police and Fire Department Plan (Years of Service = 2080 hours worked in the applicable 12-month period)
Service Retirement			
Age / years of service	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	57 with 5 years of service with the City in the Plan 50 with 5 years of service with the City in the Plan (A reduction factor of 7.0% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month)
Early retirement	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	N/A
Deferred vested retirement	50 with 25 years service 55 with 10 years of service only if 20 years have elapsed from date of membership.	55 with 10 years of service only if 20 years have elapsed from date of membership. (Members can begin receiving benefits at age 50 with at least 25 years of service.)	At least 5 years of service with the City in the Plan (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.) Can begin at age 50 with reduction factor of 7.0% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN *(continued)*

(b) Pension, Disability and Healthcare Benefits *(continued)*

	Police Tier 1 ¹	Police Tier 1 Classic ²	Police Tier 2 ³
Allowance	First 20 years of City service: 50% of Final Compensation[^] (2.5% per year) Next 21-30 years of City service: 4% for each full year of service x Final Compensation (90% max) [^] Final Compensation is limited to 108% of the second year prior to retirement. This formula applies to deferred vested employees if they separated from the City of San José on or after 7/1/2006. Please contact ORS if the separation date was prior to 7/1/2006	First 20 years of City service: 50% of Final Compensation (2.5% per year) Next 21-30 years of City service: 4% per year of service x Final Compensation (90% max) Deferred vested - Must have separated on or after 7/1/2006	First 20 years of service: 2.4% per year of service x Final Compensation Beginning of 21st year of service: 3.0% per year of service x Final Compensation Beginning of 26th year of service: 3.4% per year of service x Final Compensation Final Compensation is the average annual base pay plus any premium pays authorized by ordinance for the highest 3 consecutive years of service Maximum benefit is 80% of Final Compensation
Disability Retirement (Service-Connected)			
Eligibility / Minimum service	No minimum years of service. Must apply when an active employee or within one month after separation or retirement from City. At time of application, must be incapacitated from the performance of duty as a result of injury or disease arising out of and in the course of employment with the City as approved by the Board.	No minimum years of service. Must apply when an active employee or within one month after separation or retirement from City. At time of application, must be incapacitated from the performance of duty as a result of injury or disease arising out of and in the course of employment with the City of San José as approved by the Board.	No minimum years of service. Must apply when an active employee or within one month after separation or retirement from City. At time of application, must be incapacitated from the performance of duty as a result of injury or disease arising out of and in the course of employment with the City of San José as approved by the Board.
Allowance	< 20 years of service: 50% of Final Compensation Next 21-30 years of service: 4% for each full year of service x Final Compensation (90% max), if service-connected disability retirement occurred or occurs on or after July 1, 2006 (90% max)	< 20 years of service: 50% of Final Compensation Next 21-30 years of service: 4% per year of service x Final Compensation (90% max)	An individual who is granted a service-connected disability retirement is entitled to a monthly allowance equal to the greater of: i. 50% of Final Compensation ii. A service retirement allowance, if he or she qualified for such or iii. An actuarially reduced factor, as determined by the Plan's actuary, for each quarter year that his or her service age is less than 50 years, multiplied by the number of years of service subject to the applicable formula, if not qualified for a service retirement

Notes to the Basic Financial Statements (continued)

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Police Tier 1 ¹	Police Tier 1 Classic ²	Police Tier 2 ³
Disability Retirement (Non-Service-Connected)			
Eligibility / Minimum service	Minimum 2 years of service. Must apply when an active employee or within one month after separation or retirement from City. At time of application, must be incapacitated from the performance of duty as the result of injury or disease that did not arise out of or in the course of employment with the City of San José as approved by the Board.	Minimum 2 years of service. Must apply when an active employee or within one month after separation or retirement from City. At time of application, must be incapacitated from the performance of duty as the result of injury or disease that did not arise out of or in the course of employment with the City of San José as approved by the Board.	Minimum 5 years of service. Must apply when an active employee or within one month after separation or retirement from City. At time of application, must be incapacitated from the performance of duty as the result of injury or disease that did not arise out of or in the course of employment with the City of San José as approved by the Board.
Allowance	< 20 years of service: 32% of Final Compensation plus 1% for each full year in excess of 2 years (50% max); or > 20 years of service: 2.5% x first 20 years of service x Final Compensation Next 21-30 years of service: 4% per year of service x Final Compensation (90% max) Reciprocity members may have a different formula, please contact ORS for details	< 20 years of service: 32% of Final Compensation plus 1% for each full year in excess of 2 years. (50% max) > 20 years of service: 2.5% x first 20 years of service x Final Compensation Next 21-30 years of service: 4% per year of service x Final Compensation (90% max)	An individual who is granted a non-service-connected disability retirement is entitled to a monthly allowance equal to the greater of: i. If less than age 50: 1.8% per year of service or ii. If older than age 50: The amount of service pension benefit as calculated based upon the service pension formula
Medical Benefits⁴			
Eligibility	Retired for disability or service directly from active service with either 15 years of San José service or receive allowance that is at least 37.5% of Final Compensation. Also eligible if member separates from service after 7/5/1992 but prior to retirement with 20 years San José service and leaves contributions in retirement plan and former member receives allowance (i.e., applies and qualifies for retirement)	Police Tier 1 Classic employees in POA are mandated to contribute 4.00% of base salary to the VEBA. Unit 99 employees are not eligible to contribute to VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs incurred by members, their spouse, and qualified dependents on a pre-tax basis. There is no "vesting period" for the VEBA.	Police Tier 2 employees in POA are mandated to contribute 4.00% of base salary to the VEBA. Unit 99 employees are not eligible to contribute to VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs incurred by you, your spouse, and qualified dependents on a pre-tax basis. There is no "vesting period" for the VEBA.
Premiums	Retirement Plan pays 100% of lowest cost plan that is available to active City employees. If member does not choose the lowest cost plan, member pays the difference between that premium and the premium of the lowest cost plan.	N/A	N/A
Medicare Eligibility	At age 65, members 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	N/A

Notes to the Basic Financial Statements (continued)

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Police Tier 1 ¹	Police Tier 1 Classic ²	Police Tier 2 ³
Dental Benefits⁴			
Eligibility	Retired for disability or service directly from active service with either 15 years of service or receive allowance that is at least 37.5% of Final Compensation. Also eligible if member leaves City service after 7/5/92 but prior to retirement with 20 years San José service and leaves contributions in retirement plan and former member receives allowance. (i.e., applies for retirement)	Police Tier 1 Classic employees in POA are mandated to contribute 4.00% of base salary to the VEBA. Unit 99 employees are not eligible to contribute to VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs incurred by members, their spouse, and qualified dependents on a pre-tax basis. There is no "vesting period" for the VEBA.	Police Tier 2 employees in POA are mandated to contribute 4.00% of base salary to the VEBA. Unit 99 employees are not eligible to contribute to VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs incurred by you, your spouse, and qualified dependents on a pre-tax basis. There is no "vesting period" for the VEBA.
Premiums	Fully paid by retirement fund	N/A	N/A
Reciprocity			
Reciprocity	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Please call the Office of Retirement Services or CalPERS for more information. Final eligibility for reciprocity is determined at the time of retirement.	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Please call the Office of Retirement Services or CalPERS for more information. Final eligibility for Classic Benefits is determined at the time of retirement.	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. 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 February. There is no proration of COLA.	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA.	Retirees are eligible for an annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 2.0% per year. COLAs are applied annually on February 1st. The first COLA will be prorated based on the number of months retired prior to February 1st. Partial months are not included in the proration.

¹ Police Tier 1 employees are those hired before August 4, 2013.

² Employees with "Classic" membership from a CalPERS or reciprocal agency. 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 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.**

³ Police Tier 2 employees are those hired on or after August 4, 2013.

⁴ Police Tier 1 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.sanjoseca.gov/VEBA or email veba@sanjoseca.gov.

⁵ Police rehires (hired between August 4, 2013 and June 18, 2017) will have an additional contribution rate for the cost of the retroactive benefit.

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN *(continued)*

(b) Pension, Disability and Healthcare Benefits *(continued)*

The following table summarizes the pension, disability and healthcare benefits for Fire members. Please consult the Municipal Code for complete information.

	Fire Tier 1 ¹	Fire Tier 1 Classic ²	Fire Tier 2 ³
Contributions			
Employee	19.81% of base salary (Pension: 11.81% ⁵ , Retiree Healthcare: 8.00%) as of 6/23/2024	15.94% of base salary (Pension: 11.94%, VEBA: 4.00%) as of 6/23/2024	18.90% of base salary (Pension: 14.90%, VEBA: 4.00%) as of 6/23/2024
City	Pension: 36.57% (Normal cost) + Flat dollar amount (UAL); Retiree Healthcare: Flat dollar amount as of 6/23/2024	Pension: 36.57% (Normal cost) + Flat dollar amount (UAL) as of 6/23/2024	14.90% of base salary (Pension: 14.90%) as of 6/23/2024
Service required to leave contributions in retirement plan	10 years (20 years must have elapsed from date of entry into system to collect pension)	10 years	5 years of service with the City in the Plan (Year of Service = 2080 hours worked in the applicable 12-month period)
Service Retirement			
Age / years of service	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	57 with 5 years of service with the City in the Plan 50 with 5 years of service with the City in the Plan. A reduction factor of 7% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month
Early retirement	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	N/A
Deferred vested retirement	50 with 25 years of service 55 with 10 years of service only if 20 years have elapsed from date of membership	55 with 10 years of service only if 20 years have elapsed from date of membership. (Members can begin receiving benefits at age 50 with at least 25 years of service)	At least 5 years of service with the City in the Plan. (This applies to members who separate from City service before retirement and leave their contributions in the retirement plan.) Can begin at age 50 with reduction factor of 7% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month.

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN *(continued)*

(b) Pension, Disability and Healthcare Benefits *(continued)*

	Fire Tier 1 ¹	Fire Tier 1 Classic ²	Fire Tier 2 ³
Allowance	First 20 years of service: 50% of Final Compensation [^](2.5% per year) > 20 years of service - all years convert to 3% for each full year x Final Compensation (90% max) [^]Final Compensation is limited to 108% of members second year prior to retirement This formula applies to deferred vested employees if the member separated from the City of San José on or after 7/1/2008. Please contact the Office of Retirement Services if member's separation date was prior to 7/1/2008	First 20 years of service: 50% of Final Compensation (2.5% per year) Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max) – All years convert to 3% after 20 years of service Deferred vested - Must have separated on or after 7/1/2008	First 20 years of service: 2.4% per year of service x Final Compensation Beginning of 21st year of service: 3.0% per year of service x Final Compensation Beginning of 26th year of service: 3.4% per year of service x Final Compensation Final Compensation is the average annual base pay plus any premium pays authorized by ordinance for the highest 3 consecutive years of service Maximum benefit is 80% of Final Compensation
Disability Retirement (Service-Connected)			
Eligibility / Minimum service	No minimum years of service. Must apply when an active employee or within one month after separation or retirement from City. At time of application, must be incapacitated from the performance of duty as a result of injury or disease arising out of and in the course of employment with the City as approved by the Board.	No minimum years of service. Must apply when an active employee or within one month after separation or retirement from City. At time of application, must be incapacitated from the performance of duty as a result of injury or disease arising out of and in the course of employment with the City of San José as approved by the Board.	No minimum years of service. Must apply when an active employee or within one month after separation or retirement from City. At time of application, must be incapacitated from the performance of duty as a result of injury or disease arising out of and in the course of employment with the City of San José as approved by the Board.
Allowance	< 20 years of service: 50% of Final Compensation > 20 years of service: All years convert to 3% for each full year x Final Compensation, if service-connected disability retirement occurred or occurs on or after July 1, 2008 (90% max)	< 20 years of service: 50% of Final Compensation Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max)	An individual who is granted a service-connected disability retirement is entitled to a monthly allowance equal to the greater of: i. 50% of Final Compensation ii. A service retirement allowance, if he or she qualified for such; or iii. An actuarially reduced factor, as determined by the Plan's actuary, for each quarter year that his or her service age is less than 50 years, multiplied by the number of years of service subject to the applicable formula, if not qualified for a service retirement

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN *(continued)*

(b) Pension, Disability and Healthcare Benefits *(continued)*

	Fire Tier 1 ¹	Fire Tier 1 Classic ²	Fire Tier 2 ³
Disability Retirement (Non-Service-Connected)			
Eligibility / Minimum service	Minimum 2 years of service. Must apply when an active employee or within one month after separation or retirement from City. At time of application, must be incapacitated from the performance of duty as a result of injury or disease that did not arise out of or in the course of employment with the City of San José as approved by the Board.	Minimum 2 years of service. Must apply when an active employee or within one month after separation or retirement from City. At time of application, must be incapacitated from the performance of duty as a result of injury or disease that did not arise out of or in the course of employment with the City of San José as approved by the Board.	Minimum 5 years of service. Must apply when an active employee or within one month after separation or retirement from City. At time of application, must be incapacitated from the performance of duty as the result of injury or disease that did not arise out of or in the course of employment with the City of San José as approved by the Board
Allowance	< 20 years service: 32% of Final Compensation plus 1% for each full year in excess of 2 years. (50% max) > 20 years of service: 3% for each full year x Final Compensation (90% max) Reciprocity members may have a different formula, please contact the Office of Retirement Services for details	< 20 years service: 32% of Final Compensation plus 1% for each full year in excess of 2 years. (50% max) Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max)	An individual who is granted a non-service-connected disability retirement is entitled to a monthly allowance equal to the greater of: i. If less than age 50: 1.8% per year of service or ii. If older than age 50: the amount of service pension benefit as calculated based upon the service pension formula
Medical Benefits⁴			
Eligibility	Retired for disability or service directly from active service with either 15 years of San José service or receive allowance that is at least 37.5% of Final Compensation. Also eligible if member separates from service after 7/5/92 but prior to retirement with 20 years of San José service and leaves contributions in retirement plan and former member receives allowance (i.e., applies & qualifies for retirement)	Fire Tier 1 Classic employees in IAFF are mandated to contribute 4.00% of base salary to the VEBA. Unit 99 employees are not eligible to contribute to VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs incurred by members, their spouse, and qualified dependents on a pre-tax basis. There is no "vesting period" for the VEBA.	Fire Tier 2 employees in IAFF are mandated to contribute 4.00% of base salary to the VEBA. Unit 99 employees are not eligible to contribute to VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs incurred by members, their spouse, and qualified dependents on a pre-tax basis. There is no "vesting period" for the VEBA.
Premiums	Retirement Plan pays 100% of lowest cost plan that is available to active City employees. If member does not choose the lowest cost plan, member pays the difference between that premium and the premium of the lowest cost plan	N/A	N/A
Medicare Eligibility	At age 65, members 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	N/A

Notes to the Basic Financial Statements (continued)

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Fire Tier 1 ¹	Fire Tier 1 Classic ²	Fire Tier 2 ³
Dental Benefits⁴			
Eligibility	Retired for disability or service directly from active service with either 15 years of service or receive allowance that is at least 37.5% of Final Compensation. Also eligible if member leaves City service after 7/5/92 but prior to retirement with 20 years of San José service and leaves contributions in retirement plan and former member receives allowance (i.e., applies for retirement)	Fire Tier 1 Classic employees in IAFF are mandated to contribute 4.00% of base salary to the VEBA. Unit 99 employees are not eligible to contribute to VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs incurred by members, their spouse, and qualified dependents on a pre-tax basis. There is no "vesting period" for the VEBA.	Fire Tier 2 employees in IAFF are mandated to contribute 4.00% of base salary to the VEBA. Unit 99 employees are not eligible to contribute to VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs incurred by members, their spouse, and qualified dependents on a pre-tax basis. There is no "vesting period" for the VEBA.
Premiums	Fully paid by retirement fund	N/A	N/A
Reciprocity			
Reciprocity	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Please call the Office of Retirement Services or CalPERS for more information. Final eligibility for reciprocity is determined at the time of retirement.	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CALPERS. This may result in improved benefits for members who transfer between CALPERS and this retirement plan. Please call the Office of Retirement Services or CalPERS for more information. Final eligibility for Classic Benefits is determined at the time of retirement.	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. 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 February. There is no proration of COLA.	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA.	Retirees are eligible for an annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 2.0% per year. COLAs are applied annually on February 1st. The first COLA will be prorated based on the number of months retired prior to February 1st. Partial months are not included in the calculation.

¹ Fire Tier 1 members are those hired before January 2, 2015.

² Employees with "Classic" membership from a CalPERS or reciprocal agency. 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 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.**

³ Fire Tier 2 Employees are those hired on or after January 2, 2015.

⁴ Fire Tier 1 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.sanjoseca.gov/VEBA or email veba@sanjoseca.gov.

⁵ Fire Rehires (hired between January 2, 2015 and June 18, 2017) will have an additional contribution rate of the cost of the retroactive benefit.

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 Police Tier 1. Please consult the Municipal Code for complete information.

Police Tier 1 / Tier 1 Classic									
Death Before Retirement									
Non-service-connected death with less than 2 years of service	Return of contributions, plus interest, to surviving spouse / domestic partner, surviving children, or estate or \$1,000, whichever is greater								
Non-service-connected death with more than 2 years of service, but not eligible for a service retirement	To surviving spouse / domestic partner: $24\% + 0.75\%$ for each year in excess of 2 years x Final Compensation (42.5% maximum for Tier 1 and 37.5% maximum for Tier 1 Classic) And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 Children: Final Compensation x 50.0% If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate or \$1,000 whichever is greater								
Non-service-connected death before retirement, but while eligible for service retirement	To surviving spouse / domestic partner: 37.5% to 42.5% of member's Final Compensation depending on the years of service For example: <table border="0"> <tr> <td>Member's benefit = 76.0%</td><td>Survivorship benefit = 38.0% of Final Compensation</td></tr> <tr> <td>Member's benefit = 80.0%</td><td>Survivorship benefit = 40.0% of Final Compensation</td></tr> <tr> <td>Member's benefit = 82.0%</td><td>Survivorship benefit = 41.0% of Final Compensation</td></tr> <tr> <td>Member's benefit = 85.0% - 90.0%</td><td>Survivorship benefit = 42.5% of Final Compensation</td></tr> </table> And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 Children: Final Compensation x 50.0% If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate or \$1,000, whichever is greater	Member's benefit = 76.0%	Survivorship benefit = 38.0% of Final Compensation	Member's benefit = 80.0%	Survivorship benefit = 40.0% of Final Compensation	Member's benefit = 82.0%	Survivorship benefit = 41.0% of Final Compensation	Member's benefit = 85.0% - 90.0%	Survivorship benefit = 42.5% of Final Compensation
Member's benefit = 76.0%	Survivorship benefit = 38.0% of Final Compensation								
Member's benefit = 80.0%	Survivorship benefit = 40.0% of Final Compensation								
Member's benefit = 82.0%	Survivorship benefit = 41.0% of Final Compensation								
Member's benefit = 85.0% - 90.0%	Survivorship benefit = 42.5% of Final Compensation								
Deferred vested death before retirement, but not eligible for service retirement	Return of contributions plus interest or \$1,000, whichever is greater								
Deferred vested death before retirement, but while eligible for service retirement	To surviving spouse / domestic partner: $1.875\% \times \text{Years of Service} \times \text{Final Compensation}$. Maximum 37.5% And to surviving children: 1 Child: Final Compensation x 1.25% x Years of Service, Maximum 25% 2 Children: Final Compensation x 1.50% x Years of Service, Maximum 50% 3 Children: Final Compensation x 2.50% x Years of Service, Maximum 75% If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate								

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN *(continued)*

(c) Death Benefits *(continued)*

Police Tier 1 / Tier 1 Classic	
Service-connected death regardless of years of service	To surviving spouse / domestic partner: 37.5% to 42.5% of member's Final Compensation depending on years of service And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 50.0% 3 Children: Final Compensation x 75.0% If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate or \$1,000, whichever is greater
Death After Retirement	
Service retirees and service-connected disability retirees	To surviving spouse / domestic partner: 37.5% to 42.5% of member's Final Compensation depending on years of service and date of retirement And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 Children: Final Compensation x 50.0% If no surviving spouse / domestic partner nor surviving children: \$1,000 death benefit to estate
Non-service-connected disability retirees	To surviving spouse / domestic partner: 24.0% to 42.5% of member's Final Compensation depending on the years of service and date of retirement And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 Children: Final Compensation x 50.0% If no surviving spouse / domestic partner nor surviving children: \$1,000 death benefit to estate
Deferred vested retirees	To surviving spouse / domestic partner: $1.875\% \times \text{Years of Service} \times \text{Final Compensation}$. Maximum 37.5% And to surviving children: 1 Child: Final Compensation x 1.25% x Years of Service, Maximum 25% 2 Children: Final Compensation x 1.50% x Years of Service, Maximum 50% 3 Children: Final Compensation x 2.50% x Years of Service, Maximum 75% If no surviving spouse / domestic partner nor surviving children: \$1,000 death benefit to estate

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN *(continued)*

(c) Death Benefits *(continued)*

Police Tier 1 / Tier 1 Classic	
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse / domestic partner
Post-Retirement Marriage	
Post-retirement Marriage	If a retiree marries after retirement, the retiree can elect to take a reduction on their pension benefit in order to allow for a survivorship benefit to the surviving spouse / domestic partner. This election must be made within 90 days of marriage or establishment of domestic partnership

Note: The maximum total combined benefit payable to a surviving spouse / domestic partner and surviving children is 75% of Final Compensation. If necessary, the children's survivorship allowance will be reduced so that the total benefit does not exceed 75% of Final Compensation.

The following table summarizes the survivorship pension and health benefits for Police Tier 2. Please consult the Municipal Code for complete information.

Police Tier 2	
Death Before Retirement (Active Employees only, Deferred Vested contact ORS)	
Service-connected death regardless of year of service	To surviving spouse / domestic partner: 37.5% to 40% of member's Final Compensation depending on the years of service And to surviving children: If 1 Child: Final Compensation x 25% If 2 Children: Final Compensation x 50% If 3 or more children: Final Compensation x 75% There is an 80% cap on Final Compensation that can be paid to survivors. If no surviving spouse / domestic partner nor surviving children, to the estate: Return of contributions, plus interest, or \$1,000 whichever is greater
Non-service-connected death with less than 2 years of service	Greater of: (1) Return of contributions, plus interest, to surviving spouse / domestic partner; where there is no surviving spouse / domestic partner to member's surviving children, or where there are no surviving children either, to the member's estate or (2) \$1,000, whichever is greater
Non-service-connected death with more than 2 years of service, but not eligible for a service retirement	To surviving spouse / domestic partner: 24% of Final Compensation + 0.75% of Final Compensation for each year in excess of 2 years of service (37.5% maximum) And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% There is an 80% cap on Final Compensation that can be paid to survivors. If no surviving spouse / domestic partner nor surviving children, to the estate: Return of contributions, plus interest, or \$1,000 whichever is greater

Notes to the Basic Financial Statements (continued)

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

Police Tier 2	
Death before retirement, but while eligible for service retirement – Non-service-connected death	To surviving spouse / domestic partner: 37.5% to 40.0% of member's Final Compensation depending on the years of service For example: Up to 28.53 years of service ("YOS"): Member's benefit = up to 75.0% Survivorship benefit = 37.5% of Final Compensation 29 YOS: Member's benefit = 76.6% Survivorship benefit = 38.3% of Final Compensation 30+ YOS: Member's benefit = 80.0% Survivorship benefit = 40.0% of Final Compensation And to surviving children: If 1 Child: Final Compensation x 25.0% If 2 Children: Final Compensation x 37.5% If 3 or more children: Final Compensation x 50.0% If no surviving spouse / domestic partner nor surviving children, to the estate: Return of contributions, plus interest, or \$1,000, whichever is greater
Death After Retirement	
Service retirees and all disability retirements	To surviving spouse / domestic partner: Survivorship allowance equal to 50.0% joint and survivor annuity as determined by the Plan's actuaries. Retiree may choose an optional settlement
Deferred vested retiree death after retirement (May not include Reciprocal Retirees, please verify with Retirement Services)	To surviving spouse / domestic partner: 1.875% x Years of Service x Final Compensation. Maximum 37.5% And to surviving children: 1 Child: Final Compensation x 1.25% x Years of Service, Maximum 25% 2 Children: Final Compensation x 1.875% x Years of Service, Maximum 50% 3 Children: Final Compensation x 2.50% x Years of Service, Maximum 75% If no surviving spouse / domestic partner nor surviving children: \$1,000 death benefit to estate
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse / domestic partner
Post-Retirement Marriage	
Post-retirement Marriage	If a retiree marries after retirement, the retiree can elect to take a reduction on their pension benefit in order to allow for a survivorship benefit to the surviving spouse / state certified domestic partner. The election must be made within 90 days of marriage or establishment of domestic partnership

Note: The maximum total combined benefit payable to a surviving spouse / domestic partner and surviving children is 80% of Final Compensation. If necessary, the children's survivorship allowance will be reduced so that the total benefit does not exceed 80% of Final Compensation.

The following table summarizes the survivorship pension and health benefits for Fire Tier 1. Please consult the Municipal Code for complete information.

Fire Tier 1 / Tier 1 Classic	
Death Before Retirement	
Non-service-connected death with less than 2 years of service	Return of contributions, plus interest, to surviving spouse / domestic partner, surviving children, or estate or \$1,000, whichever is greater

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN *(continued)*

(c) Death Benefits *(continued)*

Fire Tier 1 / Tier 1 Classic	
Non-service-connected death with more than 2 years of service, but not eligible for a service retirement	To surviving spouse / domestic partner: $24.0\% + 0.75\%$ for each year in excess of 2 years x Final Compensation (37.5% maximum) And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 Children: Final Compensation x 50.0% If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate or \$1,000, whichever is greater
Non-service-connected death before retirement, but while eligible for service retirement	To surviving spouse / domestic partner: 37.5% to 45.0% of member's Final Compensation depending on the years of service For example: Member's benefit = 81.0% Survivorship benefit = 40.5% of Final Compensation Member's benefit = 84.0% Survivorship benefit = 42.0% of Final Compensation Member's benefit = 87.0% Survivorship benefit = 43.5% of Final Compensation Member's benefit = 90.0% Survivorship benefit = 45.0% of Final Compensation And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 Children: Final Compensation x 50.0% If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate or \$1,000, whichever is greater
Service-connected death regardless of years of service	To surviving spouse / domestic partner: 37.5% to 45.0% of member's Final Compensation depending on the years of service And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 50.0% 3 Children: Final Compensation x 75.0% If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate or \$1,000, whichever is greater
Deferred vested death before retirement, but not eligible for service retirement	Return of contributions plus interest or \$1,000, whichever is greater
Deferred vested death before retirement, but while eligible for service retirement	To surviving spouse / domestic partner: $1.875\% \times \text{Years of Service} \times \text{Final Compensation}$. Maximum 37.5% And to surviving children: 1 Child: Final Compensation x 1.25% x Years of Service, Maximum 25% 2 Children: Final Compensation x 1.50% x Years of Service, Maximum 50% 3 Children: Final Compensation x 2.50% x Years of Service, Maximum 75% If no surviving spouse / domestic partner nor surviving children: Return of contributions, plus interest, to estate

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN *(continued)*

(c) Death Benefits *(continued)*

Fire Tier 1 / Tier 1 Classic	
Death After Retirement	
Service retirees and service-connected disability retirees	To surviving spouse / domestic partner (unmodified): 37.5% to 45.0% of member's Final Compensation depending on the years of service and date of retirement And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 Children: Final Compensation x 50.0% If no surviving spouse / domestic partner nor surviving children: \$1,000 death benefit to estate
Non-service-connected disability retirees	To surviving spouse / domestic partner (unmodified): 24.0% to 45.0% of member's Final Compensation depending on the years of service and date of retirement And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 Children: Final Compensation x 50.0% If no surviving spouse / domestic partner nor surviving children: \$1,000 death benefit to estate
Deferred vested retiree death after retirement	To surviving spouse / domestic partner: $1.875\% \times \text{Years of Service} \times \text{Final Compensation}$. Maximum 37.5% And to surviving children: 1 Child: Final Compensation x 1.25% x Years of Service, Maximum 25% 2 Children: Final Compensation x 1.50% x Years of Service, Maximum 50% 3 Children: Final Compensation x 2.50% x Years of Service, Maximum 75% If no surviving spouse / domestic partner nor surviving children: \$1,000 death benefit to estate
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse / domestic partner
Post-Retirement Marriage	
Post-retirement Marriage	If a retiree marries after retirement, the retiree can elect to take a reduction on their pension benefit in order to allow for a survivorship benefit to the surviving spouse / domestic partner. This election must be made within 90 days of marriage or establishment of domestic partnership

Note: The maximum total combined benefit payable to a surviving spouse / domestic partner and surviving children is 75% of Final Compensation. If necessary, the children's survivorship allowance will be reduced so that the total benefit does not exceed 75% of Final Compensation.

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN *(continued)*

(c) Death Benefits *(continued)*

The following table summarizes the survivorship pension and health benefits for Fire Tier 2. Please consult the Municipal Code for complete information.

Fire Tier 2	
Death Before Retirement (Active Employees Only, Deferred Vested contact ORS)	
Service-connected death regardless of years of service	To surviving spouse / domestic partner: 37.5% to 40.0% of member's Final Compensation depending on the years of service And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 50.0% 3 or more children: Final Compensation x 75.0% There is an 80.0% cap on Final Compensation that can be paid to survivors If no surviving spouse / domestic partner nor surviving children, to the estate: Return of contributions, plus interest, or \$1,000, whichever is greater
Non-service-connected death with less than 2 years of service	Greater of: (1) Return of contributions, plus interest, to surviving spouse / domestic partner; where there is no surviving spouse / domestic partner to member's surviving children, or where there are no surviving children either, to the member's estate, or (2) \$1,000, whichever is greater
Non-service-connected death with more than 2 years of service, but not eligible for a service retirement	To surviving spouse / domestic partner: 24.0% + 0.75% for each year in excess of 2 years x Final Compensation (40% maximum) And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% There is an 80.0% cap on Final Compensation that can be paid to survivors If no surviving spouse / domestic partner nor surviving children to the estate: Return of contributions, plus interest, or \$1,000 whichever is greater
Non-service-connected death before retirement, but while eligible for service retirement	To surviving spouse / domestic partner: 37.5% to 40.0% of member's Final Compensation depending on the years of service For example: Up to 28.53 years of service: Member's benefit = up to 75% Survivorship benefit = 37.5%% of Final Compensation 29 years of service: Member's benefit = 76.6%% Survivorship benefit = 38.3% of Final Compensation 30+ years of service: Member's benefit = 80.0% Survivorship benefit = 40.0% of Final Compensation And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% If no surviving spouse / domestic partner nor surviving children, to the estate: Return of contributions, plus interest, or \$1,000, whichever is greater

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN *(continued)*

(c) Death Benefits *(continued)*

Fire Tier 2	
Death After Retirement	
Service retirees and service-connected disability retirees	To surviving spouse / domestic partner: Survivorship allowance equal to 50.0% joint and survivor annuity as determined by the Plan's actuaries. Retiree may choose an optional settlement
Non-service-connected disability retirees	To surviving spouse / domestic partner: Survivorship allowance equal to 50.0% joint and survivor annuity as determined by the Plan's actuaries. Retiree may choose an optional settlement
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse / domestic partner
Post-Retirement Marriage	
Post-retirement Marriage	If a retiree marries after retirement, the retiree can elect to take a reduction on their pension benefit to allow for a survivorship benefit to the surviving spouse / state-certified domestic partner. This election must be made within 90 days of marriage or establishment of domestic partnership

Note: The maximum total combined benefit payable to a surviving spouse / domestic partner and surviving children is 80% of Final Compensation. If necessary, the children's survivorship allowance will be reduced so that the total benefit does not exceed 80% of Final Compensation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying financial statements present only the financial activities of the Plan in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements of the Plan are intended to present only the plan net position and changes in plan net position of the Plan. They do not purport to, and do not, present fairly the financial position of the City of San José, California, 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 Plan 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 Plan 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 Plan. Activities of the Defined Benefit Pension Plan and the Postemployment Healthcare Plans 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 Charter Section 3.36.530 delegates authority to the Board of Administration to invest the monies of the Plan as provided in Section 3.36.540. The Board has adopted detailed investment guidelines consistent with conditions and limitations set forth in Section 3.36.540.

Notes to the Basic Financial Statements *(continued)*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Investments *(continued)*

The Defined Benefit Pension Plan investment policy was updated and approved by the Board on October 5, 2023, and the asset allocation was updated and approved on May 2, 2024. 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 Plan's adopted actuarial assumed rate of return as utilized in the June 30, 2024 and June 30, 2023 valuations, respectively.

The Plan'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	42.0%	42.0%	Growth real estate	4.0%	4.0%
Private equity	10.0%	10.0%	Private real assets	4.0%	4.0%
Cash and cash equivalents	5.5%	5.5%	Market neutral strategies	3.0%	3.0%
Core real estate	5.0%	5.0%	Emerging market bonds	2.0%	2.0%
Immunized cash flows	5.0%	5.0%	High yield bonds	2.0%	2.0%
Private debt	5.0%	5.0%	Treasury inflation-protected securities	2.0%	2.0%
Investment grade bonds	4.5%	4.5%	Long-term government bonds	1.5%	1.5%
Venture / Growth capital	4.5%	4.5%			

The Postemployment Healthcare Plan investment policy and asset allocation was updated and approved by the Board on January 6, 2022 and April 7, 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 Plan's adopted actuarial assumed rate of return as utilized in the June 30, 2024 and June 30, 2023 valuations, respectively.

The Plan'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 government 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 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.

Notes to the Basic Financial Statements *(continued)*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Investments *(continued)*

The fair value of derivative instrument investments that are not exchange traded, such as swaps and rights is determined by the Plan'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 expense, was 9.92% and 9.53%, 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 11.02% and 9.53%, 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 Federated City Employees' Retirement System and the 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 Plan 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 Plan'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 Plan.

The Plan 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 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

Notes to the Basic Financial Statements *(continued)*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Other Assets *(continued)*

amortized over the lease term and the liability is reduced by payments made pursuant to the lease. The Plan'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 Plan.

For fiscal year ended 2025 and 2024, the amortization expense was \$705,641 and \$630,628, respectively. As of June 30, 2025, the Plan did not hold any capital assets for sale.

<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
Lease 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)
Lease 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
Capital assets				
Pension administration system	\$ 4,201	\$ 75	\$ -	\$ 4,276
Lease 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)
Lease 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

(e) Plan Net Position Restricted for Pension and Postemployment Healthcare Benefits

The Plan 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 Plans (which include the 401(h) and the two 115 Subtrusts).

As of June 30, 2025 and 2024, plan net position totaling \$5,966,077,000 and \$5,440,434,000, respectively, is allocated as follows (in thousands):

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 *(continued)*

	Retirement Fund	Cost-of-Living Fund	Total Defined Benefit Pension Plan	Post-employment Health-care 401(h)	Police Department Health-care Subtrust	Fire Department Health-care Subtrust	Total OPEB	Grand Total
June 30, 2025								
Employee contributions reserve	\$ 191,650	\$ 289,117	\$ 480,767	\$ -	\$ -	\$ -	\$ -	\$ 480,767
General reserve	2,960,647	2,127,565	5,088,212	2,635	245,281	144,996	392,912	5,481,124
Retiree healthcare in-lieu premium credit	-	-	-	4,186	-	-	4,186	4,186
Total	\$ 3,152,297	\$ 2,416,682	\$ 5,568,979	\$ 6,821	\$ 245,281	\$ 144,996	\$ 397,098	\$ 5,966,077

	Retirement Fund	Cost-of-Living Fund	Total Defined Benefit Pension Plan	Post-employment Health-care 401(h)	Police Department Health-care Subtrust	Fire Department Health-care Subtrust	Total OPEB	Grand Total
June 30, 2024								
Employee contribution reserve	\$ 172,304	\$ 288,396	\$ 460,700	\$ -	\$ -	\$ -	\$ -	\$ 460,700
General reserve	2,727,937*	1,907,592*	4,635,529	2,977	214,034	123,995	341,006	4,976,535
Retiree healthcare in-lieu premium credit	-	-	-	3,199	-	-	3,199	3,199
Total	\$ 2,900,241	\$ 2,195,988	\$ 5,096,229	\$ 6,176	\$ 214,034	\$ 123,995	\$ 344,205	\$ 5,440,434

* 2024 amount is 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 out of the healthcare plans' 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 2%, 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 Plan 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 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 Plan. Please refer to Note 4 for more information. The Plan 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 Plan 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 Plan 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 Plan implemented GASB Statement 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 restatement was limited to the Defined Benefit Pension Plan for the specific financial statement line items presented in the following table. There was no effect on the Postemployment Healthcare Plan.

	2024 As previously presented	GASB 101 Implementation	2024 As restated
STATEMENT OF PLAN NET POSITION			
Other liabilities	\$ 3,618	\$ 230	\$ 3,848
Plan Net Position - Restricted for pension benefits	5,096,459	(230)	5,096,229
STATEMENT OF CHANGES IN PLAN NET POSITION			
Administrative expenses and other	7,849	30	7,879
Plan Net Position - Beginning of year	4,721,487	(200)	4,721,287
Plan Net Position - End of year	5,096,459	(230)	5,096,229
GENERAL RESERVE			
Retirement Fund	2,728,066	(129)	2,727,937
Cost-of-Living Fund	1,907,693	(101)	1,907,592
Total Defined Benefit Pension Plan	\$ 4,635,759	\$ (230)	\$ 4,635,529

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 Plan's investment portfolio. These risks include general, economic, political and regulatory risks. The Plan's investments may be impacted by changes caused by global and domestic market conditions and industry-specific economic and regulatory conditions.

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 Plan's asset allocation details how much of the Plan's investments are fixed income, as well as other types of investments. The Plan does not have a policy regarding interest rate risk.

Notes to the Basic Financial Statements (continued)

NOTE 3 - INVESTMENTS (continued)

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								
Immunized cash flows	\$14,135	\$14,411	\$ 42,745	\$ 259,271	\$ -	\$ -	\$ 330,562	\$ 318,915
Investment grade bonds ¹	-	663	1,387	57,231	90,317	140,988	290,586	294,572
High yield bonds	25	74	1,282	69,431	39,794	1,249	111,855	108,957
Treasury inflation-protected securities	5,381	4,761	10,260	87,818	-	-	108,220	109,991
Long-term government bonds	-	-	-	-	-	88,534	88,534	118,642
Emerging market bonds ²	-	-	-	-	64,516	-	64,516	55,929
Short-term investment grade bonds	16,023	-	-	-	-	-	16,023	16,027
Total Fixed Income	\$35,564	\$19,909	\$ 55,674	\$ 473,751	\$194,627	\$ 230,771	\$1,010,296	\$1,023,033

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								
Immunized cash flows	\$17,905	\$12,629	\$ 30,443	\$ 317,098	\$ -	\$ -	\$ 378,075	\$ 381,159
Investment grade bonds ¹	134	-	5,046	49,594	84,694	125,904	265,372	274,547
Treasury inflation-protected securities	5,064	4,478	11,271	80,784	-	-	101,597	107,252
High yield bonds	265	77	1,682	59,883	37,815	275	99,997	101,848
Long-term government bonds	-	-	-	-	-	85,639	85,639	117,172
Emerging market bonds ²	-	-	-	-	52,633	-	52,633	50,929
Short-term investment grade bonds	15,107	-	-	-	-	-	15,107	15,106
Total Fixed Income	\$38,475	\$17,184	\$ 48,442	\$ 507,359	\$175,142	\$ 211,818	\$ 998,420	\$1,048,013

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 consists of fixed income securities and a limited partnership. The limited partnership is excluded from this table.

Credit Quality Risk – The Plan'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. 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 Plan may hedge against the possible adverse effects of currency fluctuations on the Plan'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.

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS *(continued)*

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 Plan'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	\$ 21,938	2.16 %	\$ 21,525	2.15 %
AA+	148,503	14.64	115,228	11.51
AA	55,412	5.46	84,538	8.44
AA-	6,462	0.64	3,416	0.34
A+	7,834	0.77	3,527	0.35
A	11,887	1.17	12,218	1.22
A-	11,975	1.18	11,988	1.20
BBB+	8,917	0.88	11,699	1.17
BBB	18,786	1.85	15,947	1.59
BBB-	74,272	7.32	68,596	6.85
BB+	8,887	0.88	12,426	1.24
BB	14,441	1.42	18,312	1.83
BB-	20,030	1.97	18,595	1.86
B+	29,714	2.93	20,150	2.01
B	14,542	1.43	11,606	1.16
B-	7,152	0.71	10,205	1.02
CCC+	-	-	6,630	0.66
CCC	17,605	1.74	2,717	0.27
CCC-	-	-	389	0.04
D	76	0.01	-	-
Not Rated	34,328	3.38	31,716	3.17
Exempt - US Treasuries	501,465	49.46	519,635	51.92
Total	\$ 1,014,226	100.00 %	\$ 1,001,063	100.00 %

The total includes \$3,930 in Private Debt for 2025 and \$2,643 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 the exchange rates will adversely affect the fair value of underlying investments. To mitigate this risk, the Plan's investment policy permits individual investment managers to mitigate the impact of currency fluctuation on the underlying asset value. The Plan's investment managers enter into international forward currency contracts, which are commitments to purchase or sell stated amounts of international currency. The Plan utilizes these contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2025 and 2024, the Plan'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 Plan's commitments relating to international currency contracts are settled on a net basis.

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS *(continued)*

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	Growth Real Estate	Total Exposure
Australian dollar	\$ -	\$ 4,629	\$ -	\$ 4,629
Canadian dollar	-	12,389	-	12,389
Danish krone	-	7,436	-	7,436
Euro currency	398	91,600	41,075	133,073
Hong Kong dollar	-	2,599	-	2,599
Japanese yen	10	19,881	-	19,891
Norwegian krone	-	5,298	-	5,298
Swedish krona	1	5,492	-	5,493
Swiss franc	102	26,417	-	26,519
United Kingdom pound	148	44,608	-	44,756
Total	\$ 659	\$ 220,349	\$ 41,075	\$ 262,083

FOREIGN CURRENCY RISK ANALYSIS

As of June 30, 2024 (Dollars in thousands)

Currency name	Cash	Public Equity	Growth Real Estate	Total Exposure
Australian dollar	\$ -	\$ 2,626	\$ -	\$ 2,626
Canadian dollar	1	8,639	-	8,640
Danish krone	-	8,088	-	8,088
Euro currency	366	82,187	36,779	119,332
Hong Kong dollar	-	6,284	-	6,284
Japanese yen	31	16,454	-	16,485
Norwegian krone	-	4,237	-	4,237
Swedish krona	1	4,748	-	4,749
Swiss franc	13	28,072	-	28,085
United Kingdom pound	435	48,802	-	49,237
Total	\$ 847	\$ 210,137	\$ 36,779	\$ 247,763

Investment Concentration Risk – The Plan'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 Plan's assets without Board approval, with the exception of passive management where the Plan's assets are not held in the Plan's name at the Plan's custodian bank. In such cases, there is no concentration limit. As of June 30, 2025 and 2024, the Plan 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 Plan's investment policy allows for investments in derivative instruments that comply with the Plan's objectives of providing a cost effective means of managing portions of a portfolio and to manage risk through hedging activities. The Plan 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 Plan's internal derivative policies, it is understood that the mandates of certain investment managers retained by the Plan 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	\$ (21)	FX forwards	\$ -	9,181	
Fixed income futures long	Investment income	766	Futures	-	49,284	
Fixed income futures short	Investment income	(5)	Futures	-	(357)	
Index futures long	Investment income	966	Futures	-	56,373	
Index futures short	Investment income	(640)	Futures	-	(69,188)	
Total Derivative Instruments		\$ 1,066		\$ -		

			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	\$ (42)	FX forwards	\$ -	\$ 774	
Fixed income futures long	Investment income	552	Futures	-	33,566	
Fixed income futures short	Investment income	(104)	Futures	-	(817)	
Index futures long	Investment income	79	Futures	-	15,934	
Index futures short	Investment income	153	Futures	-	(43,598)	
Total Derivative Instruments		\$ 638		\$ -		

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS *(continued)*

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 Plan is exposed to credit risk on derivative instruments that are in asset positions and non-exchange traded. The Plan'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 international currencies were \$(9,181,000) and \$9,181,000, with fair values of \$(9,255,000) and \$9,235,000, 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 \$(774,000) and \$744,000, with fair values of \$(774,000) and \$775,000, 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 Plan 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 Plan does not have a policy regarding custodial credit risk. As of June 30, 2025 and 2024, all of the Plan's investments are held in the Plan's name and / or are not exposed to custodial credit risk.

Fair Value Measurements – The Plan 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.

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS *(continued)*

The Plan 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 Measurement Using			
<i>(Dollars in thousands)</i>	Total	Level 1	Level 2	Level 3	Net Asset Value (NAV)
Investments by Fair Value Level					
Public equity	\$ 2,649,744	\$ 413,064	\$ -	\$ -	\$ 2,236,680
Private equity	567,019	-	-	23,760	543,259
Cash and cash equivalents	536,826	536,826	-	-	-
Immunized cash flows	330,562	302,508	28,054	-	-
Core real estate	329,604	-	-	-	329,604
Investment grade bonds	291,921	56,214	183,369	-	52,338
Growth real estate	257,038	-	-	-	257,038
Private debt	210,684	-	-	3,930	206,754
Private real assets	170,910	-	-	-	170,910
Market neutral strategies	155,798	-	-	-	155,798
Venture / Growth capital	125,782	-	-	-	125,782
Emerging market bonds	115,241	-	-	-	115,241
High yield bonds	111,855	189	100,355	-	11,311
Treasury inflation-protected securities	108,220	108,220	-	-	-
Long-term government bonds	88,534	-	-	-	88,534
Commodities	18,925	-	-	-	18,925
Short-term investment grade bonds	16,023	16,023	-	-	-
Total Investments Measured at Fair Value	\$ 6,084,686	\$ 1,433,044	\$ 311,778	\$ 27,690	\$ 4,312,174

Investments Measured at Fair Value As of June 30, 2024		Fair Value Measurement Using			
<i>(Dollars in thousands)</i>	Total	Level 1	Level 2	Level 3	Net Asset Value (NAV)
Investments by Fair Value Level					
Public equity	\$ 2,410,934	\$ 409,306	\$ -	\$ -	\$ 2,001,628
Private equity	494,833	-	-	25,362	469,471
Cash and cash equivalents	393,621	393,621	-	-	-
Immunized cash flows	378,075	323,647	54,428	-	-
Investment grade bonds	265,736	54,364	164,279	-	47,093
Core real estate	259,391	-	-	-	259,391
Private debt	225,809	-	-	2,642	223,167
Growth real estate	223,787	-	-	-	223,787
Market neutral strategies	150,060	-	-	-	150,060
Private real assets	127,435	-	-	68	127,367
Treasury inflation-protected securities	101,597	101,597	-	-	-
Emerging market bonds	100,743	-	-	-	100,743
High yield bonds	99,997	189	89,550	-	10,258
Venture / Growth capital	92,386	-	-	-	92,386
Long-term government bonds	85,639	-	-	-	85,639
Commodities	16,089	-	-	-	16,089
Short-term investment grade bonds	15,107	15,107	-	-	-
Total Investments Measured at Fair Value	\$ 5,441,239	\$ 1,297,831	\$ 308,257	\$ 28,072	\$ 3,807,079

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS *(continued)*

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 Plan. 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 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.

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS *(continued)*

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	\$ 2,236,680	\$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	543,259	241,074	Daily, N/A	1 Day, N/A
Core real estate	329,604	-	Quarterly	45 - 90 Days
Growth real estate	257,038	125,941	N/A	N/A
Private debt	206,754	203,174	N/A	N/A
Private real assets	170,910	138,547	N/A	N/A
Market neutral strategies	155,798	-	Monthly, Quarterly	7 - 75 Days
Venture / Growth capital	125,782	91,201	N/A	N/A
Emerging market bonds	115,241	-	Daily, Quarterly	1 - 45 Days
Long-term government bonds	88,534	-	Daily	2 Days
Investment grade bonds	52,338	-	Daily	1- 3 Days
Commodities	18,925	-	Daily	3 Days
High yield bonds	11,311	-	Daily	2 - 3 Days
Total Investments Measured at NAV	\$ 4,312,174	\$ 799,937		

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	\$ 2,001,628	\$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	469,471	213,522	Daily, N/A	1 Day, N/A
Core real estate	259,391	-	Quarterly	45 - 90 Days
Growth real estate	223,787	89,500	N/A	N/A
Private debt	223,167	172,000	N/A	N/A
Private real assets	127,367	104,500	N/A	N/A
Market neutral strategies	150,060	-	Monthly, Bi-Annual	45 - 60 Days
Venture / Growth capital	92,386	89,700	N/A	N/A
Emerging market bonds	100,743	-	Daily, Quarterly	1 - 45 Days
Long-term government bonds	85,639	-	Daily	3 Days
Investment grade bonds	47,093	-	Daily	1- 3 Days
Commodities	16,089	-	Daily	3 Days
High yield bonds	10,258	-	Daily	3 Days
Total Investments Measured at NAV	\$ 3,807,079	\$ 669,222		

Notes to the Basic Financial Statements *(continued)*

NOTE 3 - INVESTMENTS *(continued)*

Public equity – Public equities are shares of ownership of a firm listed on an exchange; the Plan 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 Plan.

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.

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.

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.

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.

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.

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-.

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 Plan by providing exposure to rates and credit risk.

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 Plan with exposure to high yielding corporate debt.

Notes to the Basic Financial Statements *(continued)*

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	\$ 6,324,487	\$ 6,097,406
Plan fiduciary net position	5,568,979	5,096,229*
Net pension liability	\$ 755,508	\$ 1,001,177
Plan fiduciary net position as a percentage of the total pension liability	88.1%	83.6%

* 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 2025.

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%
Discount rate	6.625% (net of investment expenses). The long-term expected return on assets based on Meketa's capital market assumptions for a 10-year and 20-year time horizons are 7.2% and 8.4%, respectively. The Board applied a margin for adverse deviation to maintain the assumption of 6.625%.	6.625% (net of investment expenses). The long-term expected return on assets based on Meketa's capital market assumptions for a 10-year and 20-year time horizons are 7.9% and 8.5%, respectively. The Board applied a margin for adverse deviation to maintain the assumption of 6.625%.
Rate of service retirement, withdrawal, death, disability retirements	Tables based on current experience	Tables based on current experience

Notes to the Basic Financial Statements *(continued)*

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

Actuarial Assumptions		
Rates of mortality	<i>Healthy retirees:</i> 0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010(A)) for healthy male and female retirees <i>Disabled retirees:</i> 0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees <i>Beneficiaries:</i> 1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy male and female retirees <i>Healthy non-annuitant:</i> 0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010(A)) for healthy male and female employees Mortality is projected using SOA MP-2021 on a generational basis from the base year of 2010.	<i>Healthy retirees:</i> 0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010(A)) for healthy male and female retirees <i>Disabled retirees:</i> 0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees <i>Beneficiaries:</i> 1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy male and female retirees <i>Healthy non-annuitant:</i> 0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010(A)) for healthy male and female employees Mortality is projected using SOA MP-2021 on a generational basis from the base year of 2010.
Salary increases	<i>Wage inflation:</i> Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Fire members have bargained increases of 6.00% effective July 1, 2024, 4.00% effective July 1, 2025, 1.00% effective January 1, 2026, and 3.50% effective July 1, 2026. Police members have an ongoing non-pensionable 4.00% retention pay that becomes pensionable as well as a bargained increase of 3.00% effective July 1, 2024 . <i>Merit increase:</i> Merit component added based on an individual's years of service ranging from 6.50% at hire to 0.60% for members with 10 or more years of service.	<i>Wage inflation:</i> Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Police and Fire members have bargained increases of 4.00% for FYE 2024. Police members have an ongoing non-pensionable 4.00% retention pay that becomes pensionable as well as a bargained increase of 3.00% for FYE 2025. <i>Merit increase:</i> Merit component added based on an individual's years of service ranging from 6.50% at hire to 0.60% for members with 10 or more years of service.
Cost-of-living adjustment	Tier 1 - 3% per year Tier 2 - 2% per year	Tier 1 - 3% per year Tier 2 - 2% per year

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 Plan's target asset allocation as of June 30, 2025 and 2024, (see the discussion of the Plan'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	42.0%	5.7%	42.0%	5.7%
Private equity	10.0%	8.2%	10.0%	8.0%
Cash and cash equivalents	5.5%	0.4%	5.5%	(0.3)%
Core real estate	5.0%	4.7%	5.0%	4.1%
Immunized cash flows	5.0%	0.4%	5.0%	(0.3)%
Private debt	5.0%	6.4%	5.0%	6.4%
Investment grade bonds	4.5%	2.6%	4.5%	2.0%
Venture / Growth capital	4.5%	9.2%	4.5%	9.2%
Growth real estate	4.0%	6.9%	4.0%	6.2%
Private real assets	4.0%	6.5%	4.0%	6.5%
Market neutral strategies	3.0%	3.3%	3.0%	3.0%
Emerging market bonds	2.0%	4.4%	2.0%	4.0%
High yield bonds	2.0%	4.4%	2.0%	4.0%
Treasury inflation-protected securities	2.0%	2.3%	2.0%	1.9%
Long-term government bonds	1.5%	3.0%	1.5%	2.2%

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 Plan 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 Plan'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	\$7,226,720	\$6,324,487	\$5,593,154	\$6,970,574	\$6,097,406	\$5,389,843
Plan fiduciary net position	5,568,979	5,568,979	5,568,979	5,096,229*	5,096,229*	5,096,229*
Net pension liability	\$1,657,741	\$755,508	\$24,175	\$1,874,345	\$1,001,177	\$293,614
Plan fiduciary net position as a percentage of the total pension liability	77.1%	88.1%	99.6%	73.1%	83.6%	94.6%

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

Notes to the Basic Financial Statements *(continued)*

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

Contributions. The Plan receives a significant portion of its contributions from one employer, the City of San Jose. During the fiscal year ended June 30, 2025, contributions from the City accounted for approximately 86% of the total contributions received by the Plan. 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 Plan. The Plan'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 Chapter 3.36 of Title 3 of the San José Municipal Code to provide the City with the option to make lump sum payments of City required contributions to the Plan.

January 2011: 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

August 6, 2013: The City Council approved Ordinance No. 29266, creating Police Tier 2 pension benefits for members hired on or after August 4, 2013.

January 27, 2015: The City Council approved Ordinance No. 29511, creating Fire Tier 2 pension benefits for members hired on or after January 2, 2015.

Key differences between Tier 1 and Tier 2 include:

- 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.

Notes to the Basic Financial Statements *(continued)*

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

On April 4, 2024, the Board approved the City's decision to prefund Tier 1 contributions for the fiscal year ended June 30, 2025. On April 6, 2023, the Board approved the City's decision to prefund the contributions for the fiscal year ended 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				
<i>(Dollars in thousands)</i>	Police Tier 1	Fire Tier 1	Police Tier 2 ¹	Fire Tier 2 ¹	Total
Actual payroll	\$ 75,043	\$ 70,201	\$ 99,670	\$ 38,484	\$283,398
Actuarial payroll	74,274	64,435	N/A	N/A	N/A
Actual payroll in excess of actuarial payroll	769	5,766	N/A	N/A	N/A
City normal cost rate for pension and COLA	34.46%	36.57%	13.65% ¹	14.90% ¹	N/A
Additional contributions due to the floor methodology	265	2,109	N/A	N/A	2,374
Prefunded contributions amount (BOY) ²	101,704	89,336	N/A	N/A	191,040
Regular contributions paid throughout the year	-	-	14,303	5,815	20,118
Adjustments and accruals	138	131	(589)	(74)	(394)
Total Contributions for the Fiscal Year	\$ 102,107	\$ 91,576	\$ 13,714	\$ 5,741	\$213,138

¹ Police Tier 2 and Fire Tier 2 City contribution rates include UAL percentage of (0.08)% and (0.07)%, respectively

² Beginning of year

Fiscal Year	2024				
Actuarial Valuation Year	2022				
<i>(Dollars in thousands)</i>	Police Tier 1	Fire Tier 1	Police Tier 2 ¹	Fire Tier 2 ¹	Total
Actual payroll	\$ 77,057	\$ 69,029	\$ 87,605	\$ 31,860	\$265,551
Actuarial payroll	73,000	65,265	N/A	N/A	N/A
Actual payroll in excess of actuarial payroll	4,057	3,764	N/A	N/A	N/A
City normal cost rate for pension and COLA	33.84%	34.25%	14.35% ¹	15.11% ¹	N/A
Additional contributions due to the floor methodology	1,373	1,289	N/A	N/A	2,662
Prefunded contributions amount (BOY) ²	93,670	88,627	N/A	N/A	182,297
Regular contributions paid throughout the year	-	-	12,571	4,814	17,385
Adjustments and accruals	23	198	143	(8)	356
Total Contributions for the Fiscal Year	\$ 95,066	\$ 90,114	\$ 12,714	\$ 4,806	\$202,700

¹ Police Tier 2 and Fire Tier 2 City contribution rates include UAL percentage of (0.46)% and (0.25)%, respectively

² Beginning of year

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 amounts and rates in effect for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2025 and 2024 were as follows:

Notes to the Basic Financial Statements (continued)

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

Period	City-Board Adopted						Member ²			
	Police Tier 1	Police Tier 1 UAL Dollar Amount ³	Police Tier 2	Fire Tier 1	Fire Tier 1 UAL Dollar Amount ³	Fire Tier 2	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2
6/22/25 - 6/30/25	35.19%		13.55%	37.81%		15.01%	10.39%	13.55%	12.00%	15.01%
6/23/24 - 6/21/25 ¹	34.46%	\$ 79,423,000	13.65%	36.57%	\$ 68,686,000	14.90%	10.59%	13.65%	11.81%	14.90%
7/01/23 - 6/22/24 ¹	33.84%	\$ 72,023,000	14.35%	34.25%	\$ 69,168,000	15.11%	11.06%	14.35%	11.99%	15.11%

¹ The actual contribution rates paid by the City for fiscal years ended June 30, 2025 and June 30, 2024, respectively, differed from what is above for Tier 1 due to the City funding the actuarially determined contribution amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

² 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. 30145, which became effective October 12, 2018, amended the Municipal Code to reflect these changes. Effective 3/24/2019, reclassified Tier 1 members paid an additional 1.96% in contributions, members with prior Federated Service, reclassified Tier 1 paid an additional 0.87% in contributions, and Classic Tier 1 members paid an additional 0.13% and 0.15% in contributions for the years ending June 30, 2025 and 2024, respectively.

³ 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.

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 Plan, including all of the healthcare sub-trusts, (i.e., the Plan'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):

	Police		Fire	
	2025	2024	2025	2024
Total OPEB liability	\$ 574,402	\$ 569,369	\$ 340,140	\$ 340,491
Plan fiduciary net position	250,646	218,892	146,452	125,313
Net OPEB liability	\$ 323,756	\$ 350,477	\$ 193,688	\$ 215,178
Plan fiduciary net position as a percentage of the total OPEB liability	43.6%	38.4%	43.1%	36.8%

As of June 30, 2025, the Plan's total net position for the 401(h) was \$6,821, of which \$5,365 was allocated towards the Police sub-trust, and \$1,456 was allocated towards the Fire sub-trust. As of June 30, 2024, the Plan's total net position for the 401(h) was \$6,176, of which \$4,854 was allocated towards the Police sub-trust, and \$1,322 was allocated towards the Fire sub-trust.

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 2025.

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 on the next page.

Notes to the Basic Financial Statements *(continued)*

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

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 Plan'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 Plan'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 across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Fire members have bargained increases of 6.00% effective July 1, 2024, 4.00% effective July 1, 2025, 1.00% effective January 1, 2026, and 3.50% effective July 1, 2026. Police members have an ongoing non-pensionable 4.00% retention pay that becomes pensionable as well as a bargained increase of 3.00% for July 1, 2024. <i>Merit increase:</i> Merit component added based on an individual's years of service ranging from 6.50% at hire to 0.60% for members with 10 or more years of service.	<i>Wage inflation rate:</i> Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Police and Fire members have bargained increases of 4.00% for FYE 2024. Police members have an ongoing non-pensionable 4.00% retention pay that becomes pensionable as well as a bargained increase of 3.00% for FYE 2025. <i>Merit increase:</i> Merit component added based on an individual's years of service ranging from 6.50% at hire to 0.60% for members with 10 or more years of service.
Rates of Mortality	<i>Healthy Retirees:</i> 0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010 (A)) for healthy male and female retirees <i>Disabled retirees:</i> 0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees <i>Beneficiaries:</i> 1.032 times the 2010 Public General Member Mortality Table (Pub(G)-2010) for healthy male and female retirees <i>Healthy non-annuitants:</i> 0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010(A)) for healthy male and female members Mortality is projected from 2010 on a generational basis using the SOA MP-2021 projection scale.	<i>Healthy retirees:</i> 0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010 (A)) for healthy male and female retirees <i>Disabled retirees:</i> 0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees <i>Beneficiaries:</i> 1.032 times the 2010 Public General Member Mortality Table (Pub(G)-2010) for healthy male and female retirees <i>Healthy non-annuitants:</i> 0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(S)-2010(A)) for healthy male and female members Mortality is projected from 2010 on a generational basis using the SOA MP-2021 projection scale.

Notes to the Basic Financial Statements *(continued)*

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

Actuarial Assumptions		
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 Plan's target asset allocation as of June 30, 2025 and 2024, are summarized in the following table. The assets are invested in both a 401(h) within the pension plan and in 115 subtrusters. The table refers only to the 115 subtrusters. The allocation for the 401(h) is described above in Note 4 (see the discussion of the Plan's investment policy).

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%

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 expected rate of return on investments. It is assumed that plan member contributions are 8.0% 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 maximum of 11.0% of the total Police and Fire payroll. The City also contributes the implicit subsidy on a pay-as-you-go basis.

Based on those assumptions, the Plan'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.

Notes to the Basic Financial Statements *(continued)*

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

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 1.0% lower or 1.0% higher than the current rate (dollars in thousands):

Police						
	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	\$ 658,948	\$ 574,402	\$ 506,439	\$ 654,635	\$ 569,369	\$ 500,943
Plan fiduciary net position	250,646	250,646	250,646	218,892	218,892	218,892
Net OPEB liability	\$ 408,302	\$ 323,756	\$ 255,793	\$ 435,743	\$ 350,477	\$ 282,051
Plan fiduciary net position as a percentage of the total OPEB liability	38.0%	43.6%	49.5%	33.4%	38.4%	43.7%

Fire						
	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	\$ 390,436	\$ 340,140	\$ 299,644	\$ 391,927	\$ 340,491	\$ 299,171
Plan fiduciary net position	146,452	146,452	146,452	125,313	125,313	125,313
Net OPEB liability	\$ 243,984	\$ 193,688	\$ 153,192	\$ 266,614	\$ 215,178	\$ 173,858
Plan fiduciary net position as a percentage of the total OPEB liability	37.5%	43.1%	48.9%	32.0%	36.8%	41.9%

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 (dollars in thousands):

Police						
	2025			2024		
	1% Decrease	Healthcare Cost Trend	1% Increase	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB liability	\$ 500,765	\$ 574,402	\$ 665,504	\$ 495,186	\$ 569,369	\$ 661,447
Plan fiduciary net position	250,646	250,646	250,646	218,892	218,892	218,892
Net OPEB liability	\$ 250,119	\$ 323,756	\$ 414,858	\$ 276,294	\$ 350,477	\$ 442,555
Plan fiduciary net position as a percentage of the total OPEB liability	50.1%	43.6%	37.7%	44.2%	38.4%	33.1%

Notes to the Basic Financial Statements *(continued)*

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

	Fire					
	2025			2024		
	1% Decrease	Healthcare Cost Trend	1% Increase	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB liability	\$ 295,181	\$ 340,140	\$ 396,054	\$ 294,629	\$ 340,491	\$ 397,752
Plan fiduciary net position	146,452	146,452	146,452	125,313	125,313	125,313
Net OPEB liability	\$ 148,729	\$ 193,688	\$ 249,602	\$ 169,316	\$ 215,178	\$ 272,439
Plan fiduciary net position as a percentage of the total OPEB liability	49.6%	43.1%	37.0%	42.5%	36.8%	31.5%

For financial reporting purposes, the Plan administers two separate single employer OPEB plans for Police and Fire members, which are the Police Department Postemployment 115 Healthcare Plan and the Fire Department Postemployment 115 Healthcare Plan (Section 115 sub-trusts). The two OPEB plans operate as sub-trusts of a single trust under Section 115 of the code, whose assets are legally segregated and cannot be used interchangeably. The OPEB plans are funded through three vehicles. During the fiscal year ended June 30, 2025, employer contributions were directed to the two Section 115 sub-trusts. Employee contributions were made to the Postemployment Healthcare 401(h) Plan, which is an account held within the Defined Benefit Pension Plan whose assets are restricted for retiree healthcare and allocated to the respective Section 115 sub-trusts. It is undetermined when employee contributions to the Section 115 sub-trusts will begin, even though the Plan received a favorable IRS private letter ruling on their tax qualification on July 9, 2014.

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 Chapter 3.36 of Title 3 of the San José Municipal Code to provide the City with the option to make lump sum payments of City required contributions to the Plan.

January 2011: 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.

March 2018: The Board approved the contribution policy that sets the City health care contributions as a flat dollar amount, effective FY 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 & VEBA)

Historically, member and City contributions to the Plan have been negotiated through collective bargaining separately for Police and Fire and have not been actuarially determined. No amount was

Notes to the Basic Financial Statements *(continued)*

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

determined on an actuarial basis for the Trusts prior to fiscal year 2019. The passage of Measure F led to significant changes:

June 16, 2017: The Alternative Pension Reform Settlement Framework became effective, leading to the creation of a Voluntary Employee Beneficiary Association (VEBA) for retiree healthcare. Eligible Tier 1 members were given a one-time, irrevocable option to opt out of the defined benefit healthcare plan and into the VEBA from October 18, 2017 through December 15, 2017.

July 30, 2017: The existing Tier 2 defined benefit healthcare plan was terminated. Tier 2 members were automatically placed into the VEBA and no longer make contributions to, or receive benefits from the defined benefit healthcare plan. The City will, however, continue to make the same retiree healthcare contributions that it was already making in order to ensure that payment towards the unfunded liability would continue and to ensure that the healthcare plan receives its full annual required contribution each year.

March 25, 2018: Following the VEBA implementation, Tier 1 member contributions to the defined benefit healthcare plan became fixed at 8.0% of pay.

Fiscal year 2018-2019: The City's contribution toward the explicit subsidy became actuarially determined separately for Police and Fire, and the City also paid the implicit subsidy on a pay-as-you-go basis as a part of the active health premiums. In addition, the City has an option to limit its contribution for the explicit subsidy to 11.0% of Police and Fire payroll. The explicit subsidy (or premium subsidy) is paid by the Plan and is the premium for health coverage selected by the retiree, up to 100% of the premium for the lowest cost plan offered to active employees. The implicit subsidy is the difference between the expected claims cost for a retiree or spouse and the total (retiree plus City) premium.

The City's contribution for the Postemployment Healthcare Plan during the fiscal year ended June 30, 2025 was \$35,561,000, \$29,947,000 in City explicit subsidy contributions and accruals and \$5,614,000 in implicit subsidy. The City's contribution for the Postemployment Healthcare Plan during the fiscal year ended June 30, 2024 was \$33,166,000, \$28,722,000 in City explicit subsidy contributions and accruals and \$4,444,000 in implicit subsidy.

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

Period	City-Board Adopted ²		Member			
	Police	Fire	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2
7/1/2024 - 6/30/25	\$17,976,000 ¹	\$11,917,000 ¹	8.00%	N/A	8.00%	N/A
7/1/2023 - 6/30/24	\$17,588,000 ¹	\$10,977,000 ¹	8.00%	N/A	8.00%	N/A

¹ Beginning of the year

² Explicit subsidy amounts as shown excludes accruals, adjustments and implicit subsidy.

NOTE 6 - COMMITMENTS

As of June 30, 2025 and June 30, 2024, the Plan had unfunded commitments to contribute capital for investments in the amount of \$799,937,000 and \$669,222,000, respectively.

NOTE 7 - LITIGATION

The Plan 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 Plan'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)	\$ 98,751	\$ 95,759	\$ 95,422	\$ 93,139	\$ 89,467	\$ 87,641	\$ 81,883	\$ 75,481	\$ 72,760	\$ 74,531
Interest	397,178	380,456	367,189	354,685	342,802	329,612	313,565	300,378	290,961	274,487
Changes of benefit terms	-	-	-	-	-	-	-	178	5,752	-
Differences between expected and actual experience	37,770	73,890	20,532	7,457	(15,131)	37,127	(17,009)	33,081	67,558	(8,672)
Change of assumptions	-	712	59	12,389	73,525	80,853	76,426	(100,328)	72,680	90,180
Benefit payments, including refunds of member contributions	(306,618)	(291,955)	(275,824)	(259,876)	(244,310)	(231,008)	(218,008)	(206,630)	(196,032)	(186,940)
Net Change in TPL	227,081	258,862	207,378	207,794	246,353	304,225	236,857	102,160	313,679	243,586
TPL - Beginning	6,097,406	5,838,544	5,631,166	5,423,372	5,177,019	4,872,794	4,635,937	4,533,777	4,220,098	3,976,512
TPL - Ending	\$6,324,487	\$6,097,406	\$5,838,544	\$5,631,166	\$5,423,372	\$5,177,019	\$4,872,794	\$4,635,937	\$4,533,777	\$4,220,098
Plan Fiduciary Net Position										
Contributions - employer	\$ 213,138	\$ 202,700	\$ 201,750	\$ 212,046	\$ 201,370	\$ 188,481	\$ 176,618	\$ 157,712	\$ 136,957	\$ 132,480
Contributions - employee	35,806	34,439	32,661	31,660	29,033	27,645	24,811	23,841	20,580	21,508
Net investment income / (loss)	538,200	437,637	359,863	(294,549)	1,044,290	134,085	114,179	233,475	292,734	(29,206)
Benefit payments, including refunds of member contributions	(306,618)	(291,955)	(275,824)	(259,876)	(244,310)	(231,008)	(218,008)	(206,630)	(196,032)	(186,940)
Administrative expense *	(7,776)	(7,879)	(6,832)	(6,051)	(5,764)	(5,605)	(5,369)	(5,464)	(4,635)	(4,254)
Net Change in Plan Fiduciary Net Position	\$ 472,750	\$ 374,942	\$ 311,618	\$ (316,770)	\$1,024,619	\$ 113,598	\$ 92,231	\$ 202,934	\$ 249,604	\$ (66,412)
Plan Fiduciary Net Position - Beginning *	5,096,229	4,721,287	4,409,869	4,726,639	3,702,020	3,588,422	3,496,191	3,293,257	3,043,653	3,110,065
Plan Fiduciary Net Position - Ending *	\$5,568,979	\$5,096,229	\$4,721,487	\$4,409,869	\$4,726,639	\$3,702,020	\$3,588,422	\$3,496,191	\$3,293,257	\$3,043,653
Net Pension Liability - Ending	\$ 755,508	\$1,001,177	\$1,117,057	\$1,221,297	\$ 696,733	\$1,474,999	\$1,284,372	\$1,139,746	\$1,240,520	\$1,176,445
Plan Fiduciary Net Position as a Percentage of the TPL	88.05%	83.58%	80.87%	78.31%	87.15%	71.51%	73.64%	75.41%	72.64%	72.12%
Covered Payroll	\$ 283,398	\$ 265,551	\$ 254,356	\$ 251,023	\$ 237,476	\$ 230,401	\$ 218,619	\$ 203,164	\$ 188,177	\$ 186,874
Net Pension Liability as a Percentage of Covered Payroll	266.59%	377.02%	439.17%	486.53%	293.39%	640.19%	587.49%	561.00%	659.23%	629.54%

* Note: In fiscal year 2025, the Plan 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 - 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	9.92%	9.53%	7.94%	(4.81)%	26.43%	2.98%	4.00%	6.89%	9.68%	(0.85)%

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

Required Supplementary Information (continued)

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

(Dollars in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$213,138	\$202,700	\$201,750	\$212,046	\$201,370	\$188,481	\$176,618	\$157,712	\$136,957	\$132,480
Contributions in relation to the actuarially determined contribution	\$213,138	\$202,700	\$201,750	\$212,046	\$201,370	\$188,481	\$176,618	\$157,712	\$136,957	\$132,480
Contribution deficiency / (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$283,398	\$265,551	\$254,356	\$251,023	\$237,476	\$230,401	\$218,619	\$203,164	\$188,177	\$186,874
Contributions as a percentage of covered payroll	75.21%	76.33%	79.32%	84.47%	84.80%	81.81%	80.79%	77.63%	72.78%	70.89%

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
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
Amortization method	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll
Amortization growth rate	2.50%	2.50%	2.25%	2.25%	2.50%	3.25%	3.25%	3.25%	3.25%	3.25%
Discount rate	6.625%	6.625%	6.625%	6.625%	6.75%	6.75%	6.875%	6.875%	7.00%	7.00%
Salary increases	3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.60% for members with 10 or more years of service	3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.60% for members with 10 or more years of service	3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.60% for members with 11 or more years of service	3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.50% for members with 11 or more years of service	3.25% plus merit component based on length of service ranging from 6.50% for new hires to 0.50% for members with 11 or more years of service	3.25% per annum (0.75% real wage growth) plus merit component based on length of service ranging from 6.00% for new hires to 0.50% for members with 10 or more years of service	3.25% plus merit component based on length of service ranging from 6.75% for new hires to 1.00% for members with 10 or more years of service	3.25% plus merit component based on length of service ranging from 6.00% for new hires to 0.50% for members with 10 or more years of service	3.25% plus merit component based on length of service ranging from 6.75% for new hires to 1.00% for members with 10 or more years of service	3.25% plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service

Required Supplementary Information (continued)

NOTES TO SCHEDULE (continued)

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	Healthy Retirees: 2010 Public Safety Above Median Income Mortality Tables for Healthy Retirees multiplied by 0.972.	Healthy Retirees: 2010 Public Safety Above Median Income Mortality Tables for Healthy Retirees multiplied by 1.002.	Healthy Retirees: 2010 Public Safety Above Median Income Mortality Tables for Healthy Retirees multiplied by 1.002.	Healthy Retirees: 2010 Public Safety Above Median Income Mortality Tables for Healthy Retirees multiplied by 1.002.	Healthy Retirees: 2010 Public Safety Above Median Income Mortality tables for retirees multiplied by 1.002.	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females.	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females.	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females.	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females.	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years
	Disabled Retirees: 2010 Public Safety Mortality Tables for Disabled Retirees multiplied by 0.915.	Disabled Retirees: 2010 Public Safety Mortality Tables for Disabled Retirees multiplied by 0.915.	Disabled Retirees: 2010 Public Safety Mortality Tables for Disabled Retirees multiplied by 0.915.	Disabled Retirees: 2010 Public Safety Mortality Tables for Disabled Retirees multiplied by 0.915.	Disabled retirees: 2010 Public Safety Mortality tables for disabled retirees multiplied by 0.915.	Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903.	Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903.	Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903.	Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903.	
	Beneficiaries: 2010 General Member Mortality Table for Healthy Retirees multiplied by 1.032.	Beneficiaries: 2010 General Member Mortality Table for Healthy Retirees multiplied by 1.032.	Beneficiaries: 2010 General Member Mortality Table for Healthy Retirees multiplied by 1.032.	Beneficiaries: 2010 General Member Mortality Table for Healthy Retirees multiplied by 1.032.	Beneficiaries: CalPERS 2009 Healthy Mortality tables multiplied by 0.948 for males and 1.048 for females.					
	Non-Annuitant: 2010 Public Safety Above Median Income Mortality Tables for Healthy Employees multiplied by 0.979.	Non-Annuitant: 2010 Public Safety Above Median Income Mortality Tables for Healthy Employees multiplied by 0.979.	Non-Annuitant: 2010 Public Safety Above Median Income Mortality Tables for Healthy Employees multiplied by 0.979.	Non-Annuitant: 2010 Public Safety Above Median Income Mortality Tables for Healthy Employees multiplied by 0.979.	Non-Annuitant: 2010 Public Safety Above Median Income Mortality tables for healthy employees multiplied by 0.979.					
	Mortality improvements are projected from 2010 using Scale MP-2021 on a generational basis.	Mortality improvements are projected from 2010 using Scale MP-2021 on a generational basis.	Mortality improvements are projected from 2010 using Scale MP-2021 on a generational basis.	Mortality improvements are projected from 2010 using Scale MP-2019 on a generational basis.	Mortality improvements are projected from 2010 (2009 for Beneficiaries) using Scale MP-2019 on a generational basis.	Mortality improvements are projected from 2009 using SOA MP-2017 on a generational basis.	Mortality improvements are projected from 2009 using SOA MP-2017 on a generational basis.	Mortality improvements are projected from 2009 using SOA MP-2015 on a generational basis.	Mortality improvements are projected from 2009 using SOA MP-2015 on a generational basis.	

A complete description of the methods and assumptions used to determine the contribution rates for the fiscal 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 PLANS (unaudited)

(Dollars in thousands)

Police Department Healthcare Subtrust									
Total OPEB Liability	2025	2024	2023	2022	2021	2020	2019	2018	2017
Service cost (middle of year)	\$ 5,238	\$ 5,909	\$ 6,190	\$ 6,913	\$ 6,889	\$ 6,848	\$ 8,168	\$ 6,970	\$ 9,218
Interest (includes interest on service cost)	32,979	32,613	28,215	28,612	28,868	28,017	30,378	28,805	29,674
Changes of benefit terms	-	-	-	-	-	-	-	(43,208)	-
Differences between expected and actual experience	(5,123)	41,443	(36,572)	(24,484)	(16,442)	(64,507)	(3,712)	7,881	-
Change of assumptions	(6,615)	15,900	11,834	21,846	30,044	6,817	25,022	13,450	-
Benefit payments, including refunds of member contributions	(21,446)	(19,293)	(17,359)	(16,741)	(19,516)	(15,803)	(17,235)	(17,113)	(14,931)
Net Change in Total OPEB Liability	\$ 5,033	\$ 76,572	\$ (7,692)	\$ 16,146	\$ 29,843	\$ (38,628)	\$ 42,621	\$ (3,215)	\$ 23,961
Total OPEB Liability - Beginning	569,369	492,797	500,489	484,343	454,500	493,128	450,507	453,722	429,761
Total OPEB Liability - Ending	\$ 574,402	\$ 569,369	\$ 492,797	\$ 500,489	\$ 484,343	\$ 454,500	\$ 493,128	\$ 450,507	\$ 453,722
Plan Fiduciary Net Position									
Contributions - ER	21,881	20,652	19,063	18,882	17,270	16,522	17,785	14,964	11,701
Contributions - EE	5,547	5,734	6,000	6,592	6,743	7,331	7,635	9,294	10,344
Net investment income / (loss)	25,838	20,200	12,676	(17,263)	34,619	4,826	5,232	5,148	8,844
Benefit payments, including refunds of member contributions	(21,446)	(19,293)	(17,359)	(16,741)	(19,516)	(15,803)	(17,235)	(17,113)	(14,931)
Administrative expense	(66)	(83)	(67)	(104)	(64)	(77)	(86)	(115)	(123)
VEBA Transfer	-	-	-	-	-	-	-	(5,276)	-
Adjustments ¹	-	-	-	3,162	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	\$ 31,754	\$ 27,210	\$ 20,313	\$ (5,472)	\$ 39,052	\$ 12,799	\$ 13,331	\$ 6,902	\$ 15,835
Plan Fiduciary Net Position - Beginning	\$ 218,892	\$ 191,682	\$ 171,369	\$ 176,841	\$ 137,789	\$ 124,990	\$ 111,659	\$ 104,757	\$ 88,922
Plan Fiduciary Net Position - Ending	\$ 250,646	\$ 218,892	\$ 191,682	\$ 171,369	\$ 176,841	\$ 137,789	\$ 124,990	\$ 111,659	\$ 104,757
Net OPEB Liability - Ending	\$ 323,756	\$ 350,477	\$ 301,115	\$ 329,120	\$ 307,502	\$ 316,711	\$ 368,138	\$ 338,848	\$ 348,965
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	43.64%	38.44%	38.90%	34.24%	36.51%	30.32%	25.35%	24.79%	23.09%
Covered Payroll	\$ 174,712	\$ 164,662	\$ 156,968	\$ 156,706	\$ 144,351	\$ 140,897	\$ 133,617	\$ 121,585	\$ 108,424
Net OPEB Liability as a Percentage of Covered Payroll	185.31%	212.85%	191.83%	210.02%	213.02%	224.78%	275.52%	278.69%	321.85%

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

¹ FY2022 had a benefit payment correction.

Required Supplementary Information *(continued)*

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

(Dollars in thousands)

Fire Department Healthcare Subtrust									
Total OPEB Liability	2025	2024	2023	2022	2021	2020	2019	2018	2017
Service cost (middle of year)	\$ 5,785	\$ 6,383	\$ 5,919	\$ 6,352	\$ 6,102	\$ 5,965	\$ 6,835	\$ 6,031	\$ 6,894
Interest (includes interest on service cost)	19,450	19,417	16,453	16,491	16,921	16,659	17,830	16,509	17,099
Changes of benefit terms	-	-	-	-	-	-	-	(26,226)	-
Differences between expected and actual experience	(8,436)	27,304	(19,815)	(25,708)	(18,664)	(34,812)	311	6,996	-
Change of assumptions	(4,520)	10,286	6,488	14,737	18,288	1,750	13,821	7,793	-
Benefit payments, including refunds of member contributions	(12,630)	(11,406)	(10,169)	(9,717)	(6,459)	(9,228)	(9,168)	(10,573)	(9,868)
Net Change in Total OPEB Liability	\$ (351)	\$ 51,984	\$ (1,124)	\$ 2,155	\$ 16,188	\$ (19,666)	\$ 29,629	\$ 530	\$ 14,125
Total OPEB Liability - Beginning	340,491	288,507	289,631	287,476	271,288	290,954	261,325	260,795	246,670
Total OPEB Liability - Ending	\$ 340,140	\$ 340,491	\$ 288,507	\$ 289,631	\$ 287,476	\$ 271,288	\$ 290,954	\$ 261,325	\$ 260,795
Plan Fiduciary Net Position									
Contributions - ER	13,681	12,514	11,700	11,881	11,127	10,828	10,959	10,418	8,966
Contributions - EE	5,160	5,086	5,299	5,517	5,732	5,804	5,680	6,833	7,772
Net investment income / (loss)	14,969	11,485	6,983	(10,037)	18,375	2,417	2,675	1,923	3,610
Benefit payments, including refunds of member contributions	(12,630)	(11,406)	(10,169)	(9,717)	(6,459)	(9,228)	(9,168)	(10,573)	(9,868)
Administrative expense	(41)	(48)	(35)	(50)	(46)	(45)	(40)	(44)	(58)
VEBA Transfer	-	-	-	-	-	-	-	(2,621)	-
Adjustments	-	-	-	(3,162)	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	\$ 21,139	\$ 17,631	\$ 13,778	\$ (5,568)	\$ 28,729	\$ 9,776	\$ 10,106	\$ 5,936	\$ 10,422
Plan Fiduciary Net Position - Beginning	\$ 125,313	\$ 107,682	\$ 93,904	\$ 99,472	\$ 70,743	\$ 60,967	\$ 50,861	\$ 44,925	\$ 34,503
Plan Fiduciary Net Position - Ending	\$ 146,452	\$ 125,313	\$ 107,682	\$ 93,904	\$ 99,472	\$ 70,743	\$ 60,967	\$ 50,861	\$ 44,925
Net OPEB Liability - Ending	\$ 193,688	\$ 215,178	\$ 180,825	\$ 195,727	\$ 188,004	\$ 200,545	\$ 229,987	\$ 210,464	\$ 215,870
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	43.06%	36.80%	37.32%	32.42%	34.60%	26.08%	20.95%	19.46%	17.23%
Covered Payroll	\$ 108,686	\$ 100,889	\$ 97,388	\$ 94,317	\$ 93,125	\$ 89,504	\$ 85,002	\$ 81,579	\$ 79,752
Net OPEB Liability as a Percentage of Covered Payroll	178.21%	213.28%	185.67%	207.52%	201.88%	224.06%	270.57%	257.99%	270.68%

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

¹ FY2022 had a benefit payment correction.

Required Supplementary Information *(continued)*

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	11.02%	9.53%	8.22%	(9.62)%	23.96%	1.95%	4.86%	3.56%	7.17%

The rate shown above is based on the 115 subtrusts 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.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - POSTEMPLOYMENT HEALTHCARE PLANS (unaudited)

Beginning with Fiscal Year Ending (FYE) 2010 for Police members and FYE 2012 for Fire members, 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 Contribution (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, fiscal year ended June 30, 2019 was the first year for which the ADC was determined.

Police Department Healthcare Subtrust							
	2025	2024	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 21,881	\$ 20,652	\$ 19,063	\$ 18,882	\$ 17,270	\$ 16,522	\$ 17,785
Contributions in relation to the actuarially determined contribution	21,881	20,652	19,063	18,882	17,270	16,522	17,785
Contribution deficiency / (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 174,712	\$ 164,662	\$ 156,968	\$ 156,706	\$ 144,351	\$ 140,897	\$ 133,617
Contributions as a percentage of covered payroll	12.52%	12.54%	12.14%	12.05%	11.96%	11.73%	13.31%

(Dollars in thousands)

Fire Department Healthcare Subtrust							
	2025	2024	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 13,681	\$ 12,514	\$ 11,700	\$ 11,881	\$ 11,127	\$ 10,828	\$ 10,959
Contributions in relation to the actuarially determined contribution	13,681	12,514	11,700	11,881	11,127	10,828	10,959
Contribution deficiency / (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 108,686	\$ 100,889	\$ 97,388	\$ 94,317	\$ 93,125	\$ 89,504	\$ 85,002
Contributions as a percentage of covered payroll	12.59%	12.40%	12.01%	12.60%	11.95%	12.10%	12.89%

(Dollars in thousands)

Required Supplementary Information *(continued)*

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 actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year
Key methods and assumptions used to determine contribution 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
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 method	25-year layered amortizations with 3-year phase-in and phase-out	25-year layered amortizations with 3-year phase-in and phase-out	25-year layered amortizations with 3-year phase-in and phase-out	25-year layered amortizations with 3-year phase-in and phase-out	25-year layered amortizations with 3-year phase-in and phase-out	25-year layered amortizations with 3-year phase-in and phase-out	25-year layered amortizations with 3-year phase-in and phase-out
Discount rate	6.00%	6.00%	6.00%	6.25%	6.50%	6.50%	6.875%
Amortization growth rate	3.00%	3.00%	3.00%	3.00%	3.25%	3.25%	3.25%
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	3.00% for Fire and 3.00% for Police, through FYE 2023 and 3.00% thereafter plus merit	4.25% for Fire and 3.85% for Police, through FYE 2022 and 3.00% thereafter plus merit	4.25% through FYE 2022 and 3.00% thereafter 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	3.25% plus merit component based on years of service
Rates of mortality	Adjusted 2010 Public Safety Above Median Income Mortality tables for healthy members, adjusted 2010 Public Safety Mortality tables for disabled members, and adjusted 2010 Public General Mortality tables for beneficiaries. Future mortality is projected on a generational basis using the SOA MP-2021 projection scale.	Adjusted 2010 Public Safety Above Median Income Mortality tables for healthy members, adjusted 2010 Public Safety Mortality tables for disabled members, and adjusted 2010 Public General Mortality tables for beneficiaries. Future mortality is projected on a generational basis using the SOA MP-2021 projection scale	Adjusted 2010 Public Safety Above Median Income Mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public Safety Above Median Income Mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2010 Public Safety Above Income Mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors 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-2017 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale

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

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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	\$ 650	\$ 227	\$ 877
Employer contributions	3,642	2,033	5,675
Brokers and others	157,461	103,255	260,716
Accrued investment income	5,337	2,636	7,973
Total Receivables	167,090	108,151	275,241
Investments, at fair value			
Securities and other:			
Public equity	1,366,622	1,048,124	2,414,746
Private equity	320,419	245,745	566,164
Cash and cash equivalents	300,943	230,807	531,750
Immunized cash flows	186,799	143,264	330,063
Core real estate	158,741	121,746	280,487
Investment grade bonds	135,386	103,835	239,221
Growth real estate	145,251	111,399	256,650
Private debt	119,056	91,310	210,366
Private real assets	96,580	74,072	170,652
Market neutral strategies	88,041	67,522	155,563
Venture / Growth capital	71,079	54,513	125,592
Emerging market bonds	65,122	49,945	115,067
High yield bonds	63,209	48,477	111,686
Treasury inflation-protected securities	61,155	46,902	108,057
Long-term government bonds	39,466	30,266	69,732
Total Investments	3,217,869	2,467,927	5,685,796
Other Assets, net	1,717	989	2,706
TOTAL ASSETS	3,386,676	2,577,067	5,963,743
LIABILITIES			
Payable to brokers	230,923	158,435	389,358
Other liabilities	3,456	1,950	5,406
TOTAL LIABILITIES	234,379	160,385	394,764
PLAN NET POSITION - RESTRICTED FOR			
Pension benefits	3,152,297	2,416,682	5,568,979
TOTAL PLAN NET POSITION	\$ 3,152,297	\$ 2,416,682	\$ 5,568,979

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	\$ 26,453	\$ 9,353	\$ 35,806
Employer	127,069	86,069	213,138
Total Contributions	153,522	95,422	248,944
Investment income			
Net appreciation in fair value of investments	268,616	204,897	473,513
Interest income	44,015	33,326	77,341
Dividend income	6,347	4,805	11,152
Less: investment expense	(13,547)	(10,259)	(23,806)
Net Investment Income	305,431	232,769	538,200
TOTAL ADDITIONS	458,953	328,191	787,144
DEDUCTIONS			
Retirement benefits	190,534	93,309	283,843
Death benefits	10,300	10,432	20,732
Refund of contributions	1,633	410	2,043
Administrative expenses and other	4,427	3,349	7,776
TOTAL DEDUCTIONS	206,894	107,500	314,394
NET INCREASE	252,059	220,691	472,750
PLAN NET POSITION - RESTRICTED FOR PENSION BENEFITS			
BEGINNING OF YEAR	2,900,238	2,195,991	5,096,229
END OF YEAR	\$ 3,152,297	\$ 2,416,682	\$ 5,568,979

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	\$ 5,698,000	\$ 5,064,475	\$ 633,525	\$ 4,958,630
Non-personnel / equipment	867,000	713,243	153,757	747,876
Professional services	1,656,000	1,493,914	162,086	1,816,249
Non-cash reporting items ¹	-	611,356	-	487,300*
Total administrative expenses & other	\$ 8,221,000	\$ 7,882,988	\$ 949,368	\$ 8,010,055

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 earned leave. 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	256,074	276,819
Communication Advantage	Communication consultant	10,600	8,150
Cortex Applied Research, Inc.	Governance consultant	25,461	36,359
Ice Miller, LLC	Tax counsel	2,526	27,954
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, LLP	Fiduciary and general counsel	447,279	462,568
Saltzman & Johnson	Domestic relations and disability counsel	254,090	264,088
Second Renaissance	Cybersecurity consultant	29,899	-
The Berywn 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	70,125
Other Medical	Medical consultants	208,029	407,854
Total		\$ 1,493,914	\$ 1,816,249

Other Supplemental Information *(continued)*

SCHEDULES OF INVESTMENT EXPENSES

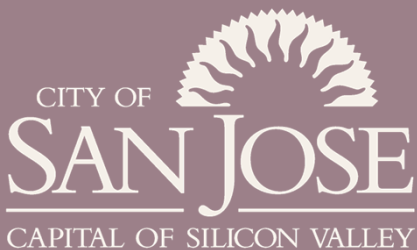
For the Fiscal Years Ended June 30, 2025 and 2024

Investment Managers' Fees *	2025	2024
Public equity	\$ 3,803,633	\$ 3,393,931
Private equity	2,433,872	1,970,405
Immunized cash flows	177,229	174,251
Investment grade bonds	485,942	434,080
Core real estate	1,053,121	1,152,132
Private debt	3,616,215	3,479,646
Growth real estate	4,313,077	2,906,087
Private real assets	3,644,632	3,206,611
Treasury inflation-protected securities	31,602	46,680
Emerging market / High yield bonds	401,703	366,985
Venture / Growth capital	2,365,916	1,615,708
Long-term government bonds	22,280	22,007
Commodities	26,335	22,906
Short-term investment grade bonds	68,111	61,139
Total investment managers' fees	22,443,668	18,852,568
Other Investment Fees		
Investment consultants	473,450	410,200
Custodian bank	587,977	552,309
Investment legal fees	171,685	145,174
Other investments fees	425,478	356,733
Total other investment fees	1,658,590	1,464,416
Total investment expenses	\$ 24,102,258	\$ 20,316,984

* 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
Police and Fire Department Retirement Plan
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2025 and June 30, 2024



MEMORANDUM

TO: Mr. John Flynn, CEO, City of San Jose Police and Fire Department Retirement Plan
FROM: Laura Wirick, Colin Kowalski, Meketa Investment Group
DATE: August 15, 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



August 15, 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



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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%



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 Police and Fire Department Retirement Plan had \$5.7 billion in assets at the end of the fiscal year. For the fiscal year, the Retirement Plan returned 10.0% net of fees, versus the Policy Benchmark (10.3%) and Investable Benchmark (10.5%). The Retirement Plan's return was above the 6.625% assumed actuarial rate of return. The Retirement Plan's standard deviation of returns was 4.9%, exhibiting lower volatility than the peer median (5.4%).

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

- Public Equity: The Plan's Public Equity aggregate was up 15.5% for the fiscal year, compared to a benchmark return of 16.1%. Global Equity returned 15.4%, U.S. Equity returned 14.9%, International Equity returned 20.9%, and Emerging Markets Equity returned 8.5%
- High Yield Bonds: The Retirement Plan's High Yield Bonds aggregate also had a strongly positive return for the fiscal year, up 9.6%.

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

The City of San Jose Police and Fire Department Retirement Plan Health Care Trust had \$390.0 million in assets at the end of the fiscal year. For the fiscal year, the Health Care Trust returned 11.1% net of fees, compared to the Policy Benchmark return of 11.2%.

Within the Health Care Trust, Growth returned 16.1% versus the Growth Benchmark return of 16.4%, Low Beta returned 4.8% compared to the ICE BofA 91 Days T-Bills TR of 4.7%, and Other returned 4.2%, outperforming the Other benchmark by 30 basis points 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 Police and Fire Department Retirement Plan 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 near the median, while taking on less risk than the peers. We believe that the Retirement Plan 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 Plan in meeting its obligations to participants.

Sincerely,

Laura Wirick, CFA, CAIA Colin Kowalski
Managing Principal 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.

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 - INCLUDES THE 401(H) INVESTMENTS

EXECUTIVE SUMMARY

The purpose of this document is to set forth the goals and objectives of the San José Police and Fire Department Retirement Plan, 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 October 5, 2023. The asset allocation was approved on May 2, 2024.

The Board of Administration recognizes that a stable, well-articulated investment policy is crucial to the long-term success of the Plan. 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 Plan's assets,
- To establish a long-term asset allocation with a high likelihood of meeting the Plan's objectives given the explicit constraints, and
- To protect the financial health of the Plan through the implementation of this stable long-term investment policy.

This document includes detail on the Plan's adopted asset allocation policy (summarized in Appendix A) and process, including the selected Functional asset class structure and the Plan benchmarks approved by the Board. It also includes the Plan's policy on manager selection, retention, evaluation, and termination, as well as the Plan'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 POLICE AND FIRE DEPARTMENT RETIREMENT PLAN GOALS

The San José Police and Fire Department Retirement Plan was established to provide retirement income for San José Police and Fire Department Retirement Plan employees and their families. The Plan'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 Police and Fire Department Retirement Plan is designed to ensure the prudent investment of Plan 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 Plan'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 Police and Fire Department Retirement 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.

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(continued)*

B. Return Objective

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

III. INVESTMENT CONSTRAINTS

A. Legal and Regulatory

The San José Police and Fire Department Retirement Plan is a defined benefit retirement program for certain employees of the Police and Fire departments of the City of San José in the State of California. The terms of the Plan are described in the San José Municipal Code.

B. Time Horizon

The Plan will be managed on a going-concern basis. The assets of the Plan 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 Plan.

C. Liquidity

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

D. Tax Considerations

The Plan 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 Plan is unlikely to be compensated (non-market or diversifiable risks).

V. DIVERSIFICATION

The Board members of the San José Police and Fire Department Retirement Plan 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 - INCLUDES THE 401(H) INVESTMENTS *(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 - INCLUDES THE 401(H) INVESTMENTS *(continued)*

Public Equity – *Growth*

The purpose of Public Equity is to provide the Plan 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 Plan 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 Plan exposure to rates and credit risk within emerging markets.

High Yield Bonds – *Growth*

The primary purpose of High Yield Bonds is to provide the Plan 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 Plan 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 Plan 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 Plan by providing exposure to rates and credit risk.

Commodities – *Other*

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

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(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 Plan.
- 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 Plan'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 Plan 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 Plan.
 - 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.

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(continued)*

- 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 Plan's liabilities.
 - 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 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.

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(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 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, target and ranges (maximum - minimum).

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(continued)*

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 Plan. Changes to the weights of illiquid asset classes may take several quarters to implement, and the CIO shall keep the IC apprised of the 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 Plan 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 Plan 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	6.3	3.2 (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 3.2%
C. SAA Portfolio	7.1	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.

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(continued)*

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 plans for private markets (assuming the pacing plans are reasonable). For example, if the private equity pacing plan called for 12% to be invested in private equity by the end of the performance measurement period, then the Investable Benchmark Portfolio would reflect a 12% 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.

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 plans similar in size to the Plan, 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 Plan 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 exception of co-investments (due to the investment concentration risk of co-investments). This exception does 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 Plan, including:
 - a. Recommending to the CEO the appointment and duties of all professional, technical, and clerical employees of the Investment Division;

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(continued)*

- 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 Plan.
- 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 Plan 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 Plan.

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(continued)*

2. The nature and size of the manager's mandate shall be consistent with:
 - a. The asset allocation policy of the Plan;
 - b. Applicable constraints (e.g. **manager or strategy concentrations**) contained in this Investment Policy Statement; and the total Plan **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:

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 Plan 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 Plan 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 Plan 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:

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(continued)*

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 Plan 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 Plan business with a party. The Plan's communications with such parties shall include notice that a no-contact "quiet period" will be in place from a specific 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 Plan; (b) shall be required to disclose potential conflicts of interest; and (c) shall make the placement agent disclosures required by law and Plan policies. Board members and non-investment staff shall not influence or attempt to influence, the Plan's decision-making process, outside of the authorized actions on behalf of the Plan.
 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; and
 8. 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.

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(continued)*

- 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.
- 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 Plan 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 Plan. The Board will be provided reports on investment costs of the Plan at least annually.
- J. The Plan’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 Plan 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 Plan may also incorporate multi-year performance periods with clawbacks as needed.

Manager Termination Procedures

- A. City of San José Office 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.

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS (continued)

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

1. Plan asset allocation change
2. limited market opportunity
3. style drift
4. violation of policies and 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 Police and Fire Retirement Board. This document defines the roles and responsibilities for maintaining this Risk Policy, management of the investment risks of the Plan, and monitoring the results. It also articulates the Board's philosophy towards investment risk. The Plan 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 objective of the risk management program are:

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

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(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 Plan, 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 Plan 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 - INCLUDES THE 401(H) INVESTMENTS *(continued)*

- E. Capital markets projections
- F. Coordination with the Plan'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 Plan 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 Plan 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 Plan 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 Plan assets in accordance with the IPS, Risk Policy, and all other applicable laws and the terms of the applicable investment documents evidencing the Plan'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 - INCLUDES THE 401(H) INVESTMENTS *(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 Plan 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 Plan 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 Plan 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 Plan 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 Plan, is reviewed on both actuarial and fair 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 Plan will manage funding risk in three main ways:

- A.** Actuarial review: The actuary will periodically review the Plan'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 Plan 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 Plan 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 Plan'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 - INCLUDES THE 401(H) INVESTMENTS (continued)

Market corrections due to economic recession, geo-political instability, and other causes have historically proven detrimental to the funded status of the Plan. 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 Plan and Sponsor.

Active risk, factor exposures, and liquidity must be monitored

Implementation of any strategic asset allocation introduces deviations between the Plan'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 Plan'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 Plan 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 Plan. Under stressed market conditions, however, liquidity within the Investment Program can change significantly and with little advance notice while the Plan must continue to meet its obligations. Liquidity must, therefore, be monitored and measured to ensure that the Plan 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 Plan'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 - INCLUDES THE 401(H) INVESTMENTS (continued)

The Plan's risk management function is expected to evolve through time. The objective of the risk management function is to ensure the Plan 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 Plan's ability to meet its goals and objectives;
- B.** Estimate the significant risks to which the Plan 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 Plan 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 Plan.

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 Police and Fire Department Retirement Plan.

- 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 Plan restructurings to eliminate unnecessary turnover expenses.
- D.** Managers will be instructed to minimize brokerage and execution costs.

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(continued)*

APPENDIX A¹

ASSET ALLOCATION TARGETS²

	Target (%)	SAAP Asset Class Benchmarks	LCPP Asset Class Benchmarks	Tracking Error Target Range (basis points)
Growth	73.5			
Public Equity	42	Custom Public Equity Benchmark ³	LCPP Custom Public Equity Benchmark ³	0 - 400
Total Private Markets	27.5	Actual Return		N/A
Private Equity	10		Russell 3000	
Private Debt	5		Bloomberg Barclays Aggregate	
Venture / Growth Capital	4.5		Russell 3000	
Growth Real Estate	4		Global NAREIT	
Private Real Assets	4		S&P Global Natural Resources	
Emerging Market Bonds	2	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 Barclays High Yield	Bloomberg Barclays High Yield	0 - 300
Low Beta	13.5			
Cash	5.5		ICE BofA 91 Days T-Bills TR	
Immunized Cash Flows	5	Actual Return	Bloomberg Barclays Gov / Credit 1-3 Year	N/A
Market Neutral Strategies	3	SOFR + 1.5%	SOFR	0 - 1,000
Other	13			
Core Real Estate	5	NCREIF ODCE Cap Weighted – Net (Lagged 1 quarter)	Global NAREIT	0 - 400
Investment Grade Bonds	4.5	Custom IG Bonds Benchmark ⁴	Custom IG Bonds Benchmark ⁴	0 - 200
TIPS	2	Bloomberg Barclays 0-5 Year TIPS	Bloomberg Barclays 0-5 Year TIPS	0 - 100
Long-Term Government Bonds	1.5	Bloomberg Barclays US Long Treasury	Bloomberg Barclays US Long Treasury	0 - 100
Commodities	0	Bloomberg Commodities Index	Bloomberg Commodities Index	0 - 700

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

² Approved by the Board of Administration on May 2, 2024.

³ 57.1% MSCI US IMI, 26.2% MSCI World ex US IMI Net, 16.7% MSCI EM IMI Net.

⁴ 78.0% US Aggregate, 22.0% US Securitized MBS / ABS / CMBS.

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(continued)*

APPENDIX B

SCHEDULE OF OPERATING RANGES AND 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%	n.m.	5% probability of falling below 60%
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%	12%
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	(30)%
Liquidity	Liquidity Coverage Ratio (LCR) 5-yr projection	2.0	3.0	1.2

Statement of Investment Policy *(continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(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 Plan 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 - INCLUDES THE 401(H) INVESTMENTS *(continued)*

Portfolio Construction Engine: A software program relying on mean-variance 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 - 115 SUBTRUSTS

This investment policy was approved on January 6, 2022. The asset allocation was approved on April 7, 2022.

I. SAN JOSÉ POLICE AND FIRE RETIREE HEALTH CARE TRUST FUND GOALS

The San José Police and Fire Retiree Health Care Trust Fund (the “Fund”) was established to subsidize postretirement healthcare benefits for San José Police and Fire Department Retirement Plan 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 Plan 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 Police and Fire Department Retirement Plan 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.

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).

Statement of Investment Policy *(continued)*

HEALTHCARE - 115 SUBTRUSTS *(continued)*

V. DIVERSIFICATION

The Board members of the San José Police and Fire Department Retirement Plan 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.
- 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.

Statement of Investment Policy *(continued)*

HEALTHCARE - 115 SUBTRUSTS *(continued)*

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 - 115 SUBTRUSTS *(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 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 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.

Statement of Investment Policy *(continued)*

HEALTHCARE - 115 SUBTRUSTS *(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%, rebalancing 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

Statement of Investment Policy *(continued)*

HEALTHCARE - 115 SUBTRUSTS *(continued)*

against the interests of the Plan. 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 Plan, 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 Plan.
 - 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;

Statement of Investment Policy *(continued)*

HEALTHCARE - 115 SUBTRUSTS *(continued)*

- 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 Plan 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 Plan.
 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.

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.

Statement of Investment Policy *(continued)*

HEALTHCARE - 115 SUBTRUSTS (continued)

APPENDIX A¹

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 7, 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		
57 Stars	Francisco Partners	Portfolio Advisors
CCMP Capital Investors	Innovation Endeavors	TPG Capital
Crescent Capital Group	Neuberger Berman	Warburg Pincus
Crestline Portfolio Financing	Pantheon Ventures	
PRIVATE DEBT		
Angelo Gordon	Cross Ocean Partners	Shoreline Capital
Arbour Lane Capital Management	Eagle Point	Silver Point Capital
Blackstone / GSO Capital Partners	HPS Investment Partners	Strategic Value Partners
Charlesbank Capital Partners	Invesco	White Oak Global Advisors
Crestline Investors Inc	Medley Capital LLC	
GROWTH REAL ESTATE		
AIG	GEM Realty Capital	Praedium Group
Brookfield Asset Management	HIG Realty Partners	Rockpoint Group
Centerbridge Partners	IPI Partners	Sculptor Capital Management
DRA Advisors	Kayne Anderson	Torchlight Investors
Exeter Property Group	KSL Capital Partners	Tristan Capital Partners
GCP SecureSpace Property Partners	Orion Capital Managers	
PRIVATE REAL ASSETS		
Aether Investment Partners	Kimmeridge	Primary Wave
Brookfield	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
VENTURE CAPITAL		
Bow Capital	Innovation Endeavors	Signia Venture Partners
BSF	Invesco	Streamlined Ventures
Canvas Ventures	Lerer Hippeau	Tiger Iron
Collective Global	Nextplay Capital	Top Tier Capital Partners
Crosslink Capital	Northgate Management	Upfront Ventures
Friends and Family Capital	Sierra Ventures	
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	
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		
COMMODITIES		
	BlackRock	
INVESTMENT GRADE BONDS		
BlackRock	Northern Trust Asset Management	Voya Investment Management
Invesco		
CONSULTANTS		
Albourne America, LLC (Alternative Investments Consultant)	Meketa Investment Group (General Consultant)	Verus Advisory Inc (Risk Advisory Services)
CUSTODIAN		
	Bank of New York Mellon	
PORTFOLIO OVERLAY SERVICES		
	Russell Investments	

Schedule of Investment Results for Pension Trust Including 401(h)

NET PERFORMANCE SUMMARY BY ASSET CLASS

For Period Ended June 30, 2025

	One Year	Three Years	Five Years	Ten Years
Total Fund with Overlay (Net of Manager Fees)	10.0%	9.1%	9.3%	6.9%
Policy Benchmark	10.3%	9.3%	9.1%	7.1%
InvMetrics All Public DB > \$1B Median	10.3%	9.2%	8.9%	7.2%
Public Equity	15.5%	17.0%	13.4%	9.6%
Public Equity Benchmark	16.1%	16.6%	13.2%	9.6%
Private Equity	3.9%	2.8%	14.5%	12.7%
Private Real Assets	15.4%	8.2%	14.5%	N/A
Private Debt	9.7%	7.4%	12.7%	7.1%
Morningstar LSTA U.S. Leveraged Loan Index +2%	9.9%	12.3%	9.1%	7.0%
Northern Trust Russell 3000	15.2%	19.1%	16.0%	13.0%
Russell 3000 Index	15.3%	19.1%	16.0%	13.0%
Immunized Cash Flows	5.8%	3.1%	1.1%	N/A
Immunized Cash Flow Benchmark	5.8%	3.1%	1.1%	N/A
Core Real Estate	1.2%	(3.8)%	3.6%	5.7%
Core Real Estate Benchmark	1.2%	(5.1)%	2.4%	4.3%
Emerging Market Bonds	8.0%	3.7%	4.4%	5.1%
50% JPM EMBI GD / 50% JPM GBI-EM	11.9%	8.7%	1.9%	2.9%
Growth Real Estate	3.7%	2.1%	9.3%	8.2%
NCREIF Property Index	4.2%	(2.8)%	3.7%	5.2%
Market Neutral Strategies	0.4%	4.9%	10.7%	6.5%
Market Neutral Strategies Benchmark	6.4%	6.3%	3.9%	2.3%
Venture Capital	8.9%	0.9%	N/A	N/A
Treasury Inflation-Protected Securities (TIPS)	6.5%	3.9%	3.8%	N/A
Bloomberg U.S. TIPS 0-5 Year	6.5%	4.0%	3.8%	2.9%
Cash and Cash Equivalents	4.5%	4.3%	2.6%	1.9%
ICE BofA 3 Month U.S. T-Bill	4.7%	4.6%	2.8%	2.0%
High Yield Bonds	9.6%	9.8%	6.1%	N/A
Bloomberg U.S. Corp: High Yield Index	10.3%	9.9%	6.0%	5.4%
Investment Grade Bonds	6.5%	3.2%	0.1%	N/A
Custom IG Bonds Benchmark	6.2%	2.5%	(0.5)%	N/A
Long-Term Government Bonds	1.6%	(3.6)%	(8.1)%	N/A
Long-Term Government Bonds Benchmark	1.6%	(3.7)%	(8.2)%	0.1%

Basis of Calculation: Time-Weighted Rate of Return

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

Schedule of Investment Results of Healthcare Trust - 115 Subtrusts

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)	11.1%	9.6%	8.1%	5.8%
Policy Benchmark	11.2%	9.3%	8.2%	6.4%
Public Equity	16.1%	16.3%	12.7%	9.6%
Public Equity Benchmark	16.4%	16.4%	12.8%	9.5%
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
Core Real Estate	1.9%	(2.8)%	4.2%	5.6%
Core Real Estate Benchmark	1.2%	(5.1)%	2.4%	4.8%
Commodities	5.8%	3.7%	11.8%	4.0%
Bloomberg Commodity Index Total Return	5.8%	0.1%	12.7%	2.0%
Cash and Cash Equivalents	5.0%	4.4%	2.7%	1.8%
90 Day U.S. Treasury Bill	4.7%	4.6%	2.8%	2.0%
Investment Grade Bonds	6.1%	2.5%	N/A	N/A
Bloomberg U.S. Aggregate Index	6.1%	2.5%	N/A	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

Basis of Calculation: Time-Weighted Rate of Return

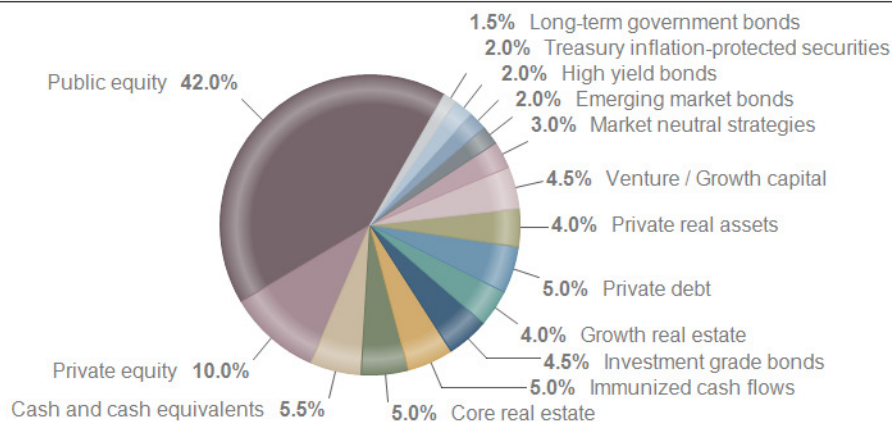
Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2025

Pension Investment Review

INCLUDES THE 401(H) INVESTMENTS

TARGET ASSET ALLOCATION

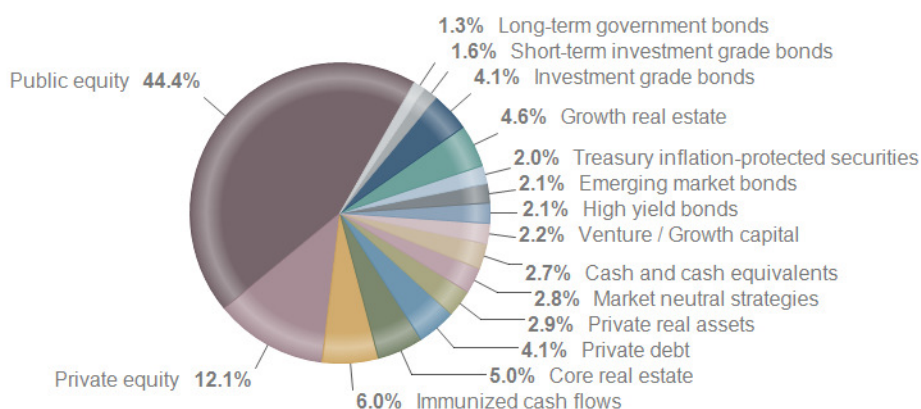
As of June 30, 2025



ACTUAL ASSET ALLOCATION

As of June 30, 2025

Non-GAAP Basis



Asset Class	\$ In Millions
Public equity	\$2,461.3
Private equity	669.7
Immunized cash flows	332.3
Core real estate	279.2
Growth real estate	255.3
Investment grade bonds	228.7
Private debt	228.1
Private real assets	162.9
Market neutral strategies	155.7
Cash and cash equivalents	148.9
Venture / Growth capital	122.2
High yield bonds	114.3
Emerging market bonds	113.9
Treasury inflation-protected securities	108.5
Short-term investment grade bonds	86.7
Long-term government bonds	69.8
Total	\$5,537.5

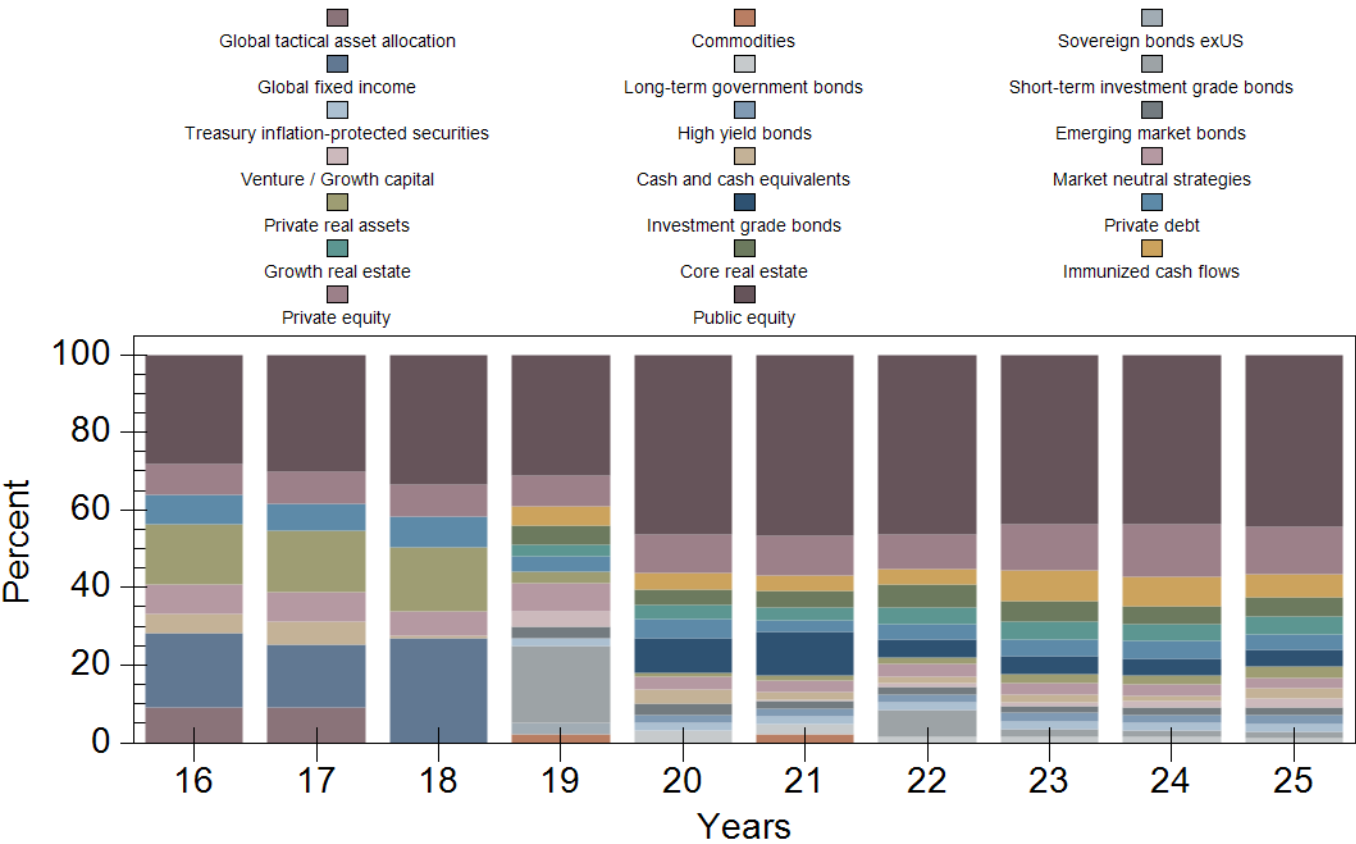
Source: Meketa Investment Group's Quarterly Review Report dated June 30, 2025

Pension Investment Review (continued)

INCLUDES THE 401(H) INVESTMENTS (continued)

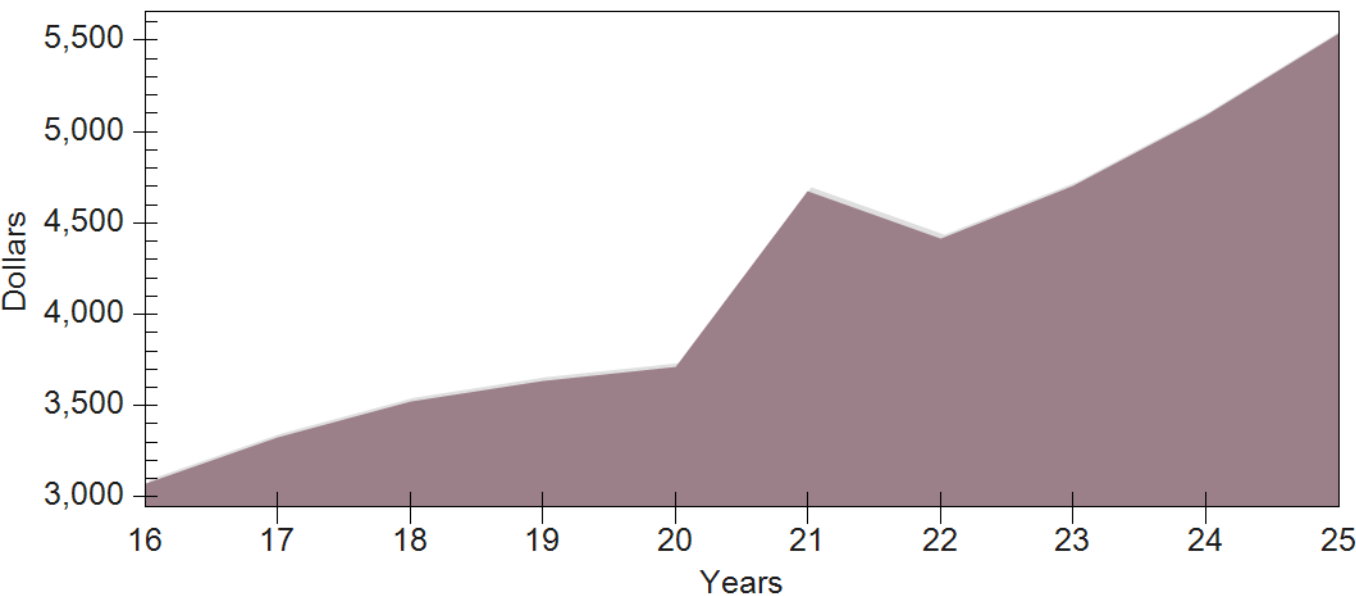
HISTORICAL ASSET ALLOCATION (Actual)

As of June 30, 2016 - June 30, 2025



FAIR VALUE GROWTH OF PLAN ASSETS

For Ten Years Ended June 30, 2025
(Dollars in Millions)

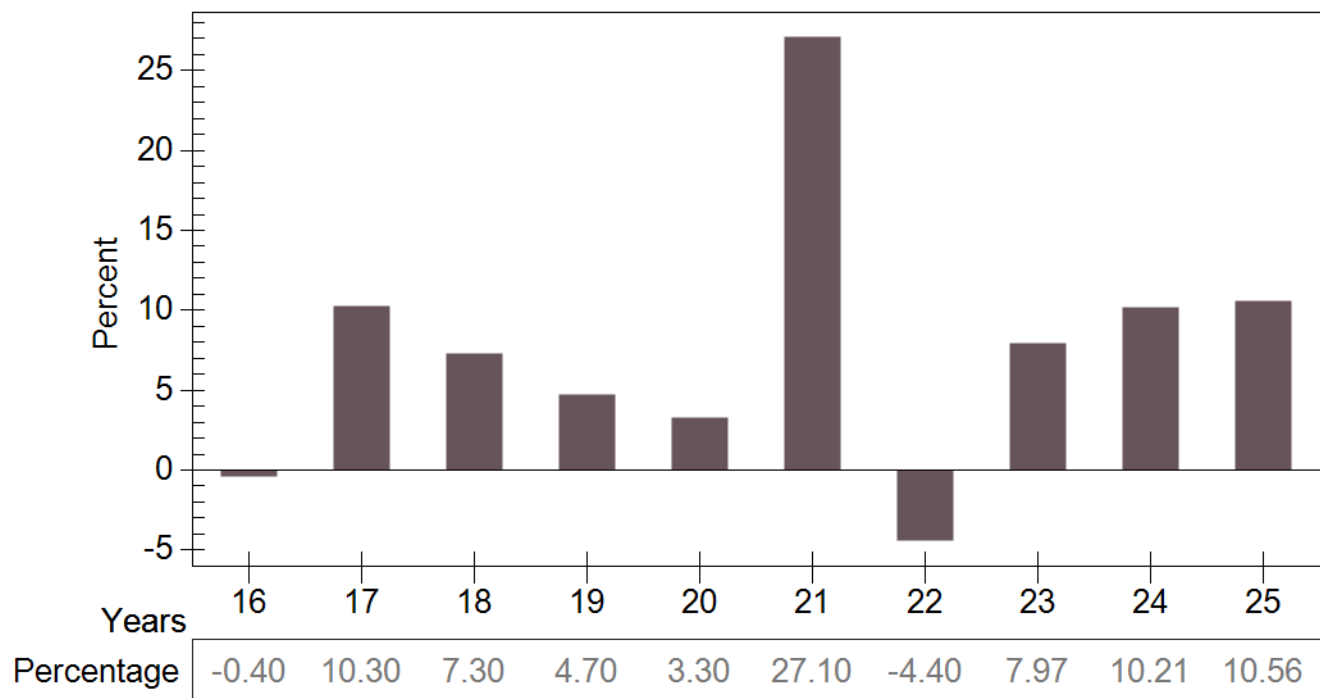


Pension Investment Review (continued)

INCLUDES THE 401(H) INVESTMENTS (continued)

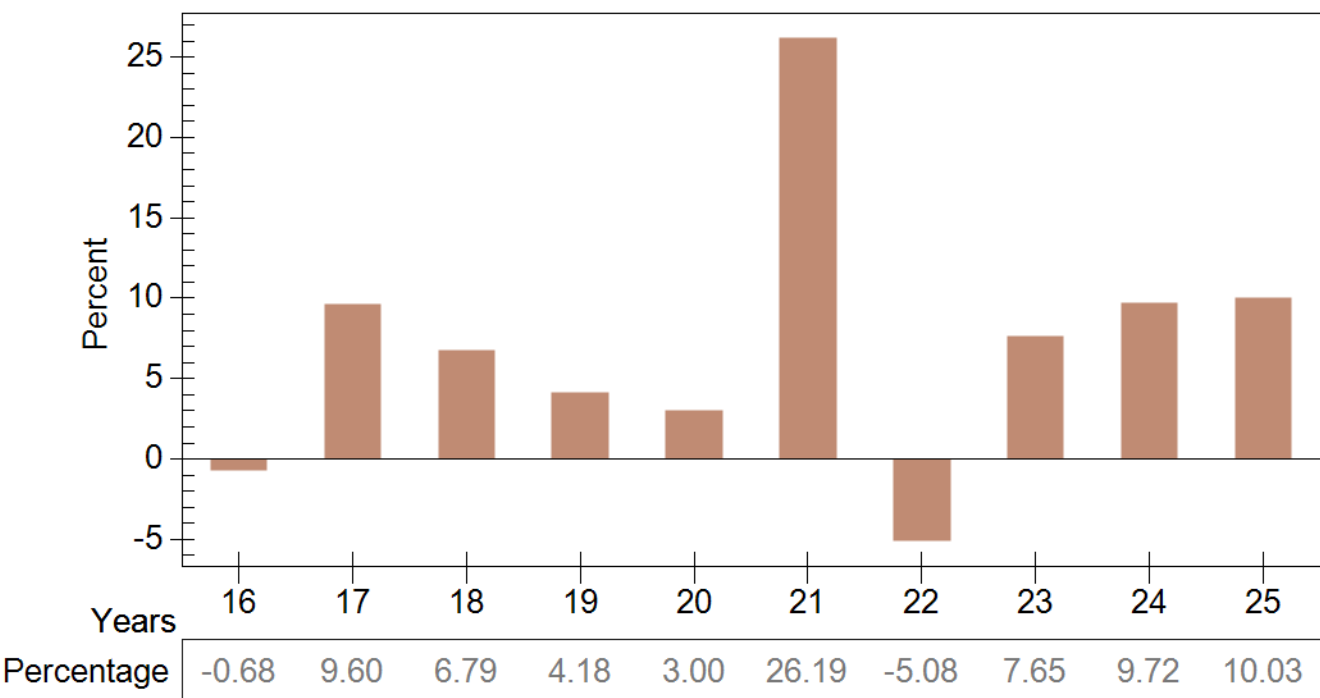
HISTORY OF GROSS PERFORMANCE

For Fiscal Years 2016 - 2025
(Based on Fair Value)



HISTORY OF NET PERFORMANCE

For Fiscal Years 2016 - 2025
(Based on Fair Value)



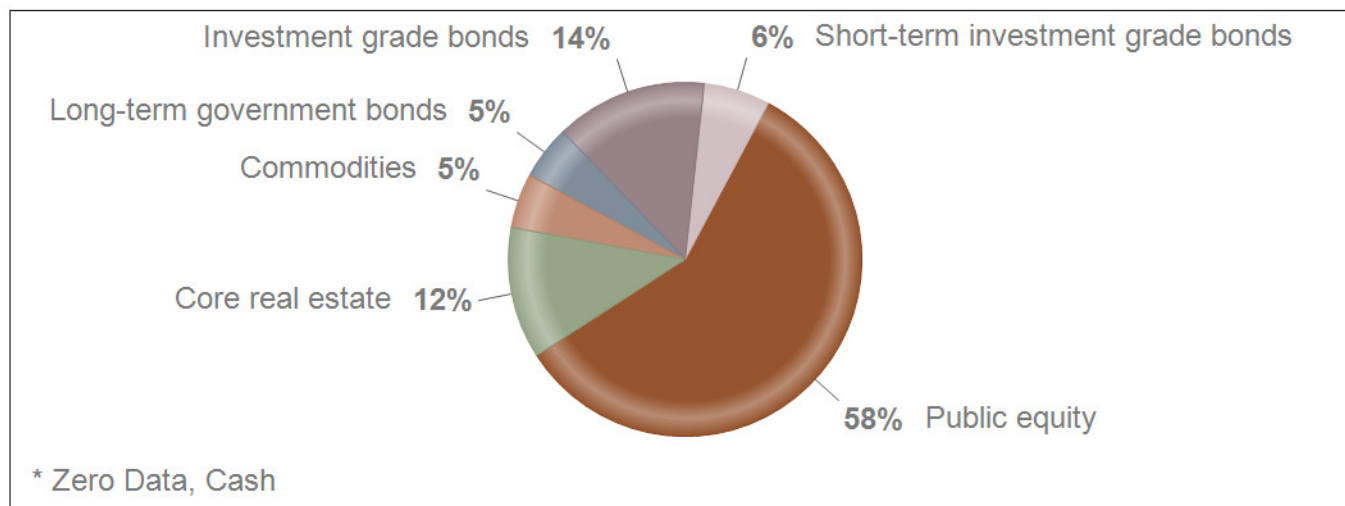
Source: Bank of New York Mellon as of June 30, 2025, unaudited

Healthcare Investment Review

115 SUBTRUSTS

TARGET ASSET ALLOCATION

As of June 30, 2025

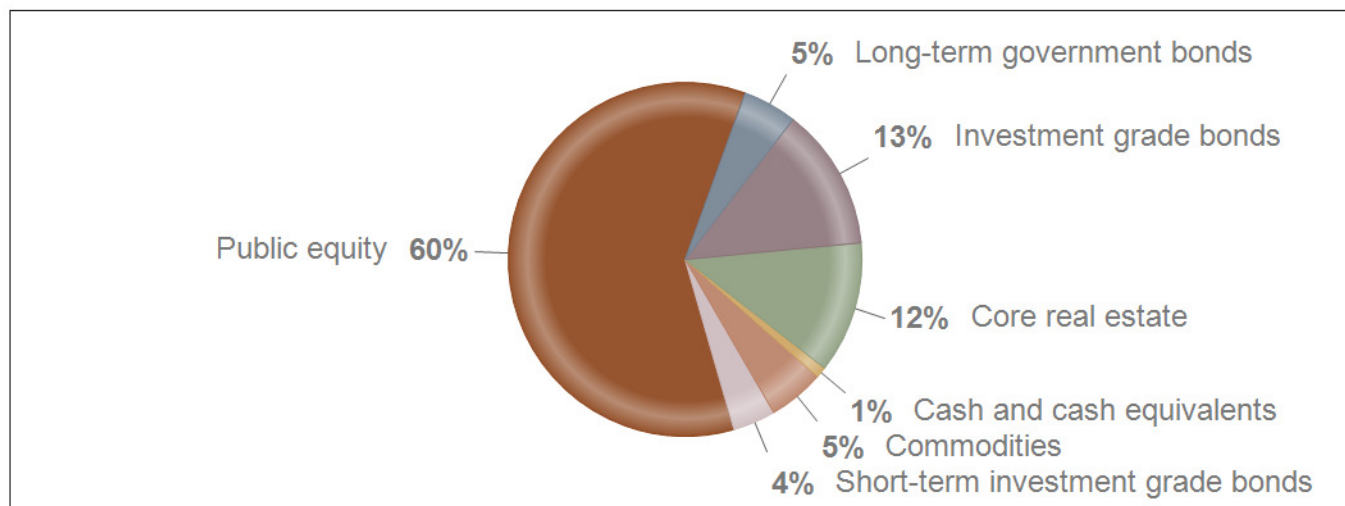


*Cash has a zero percentage target allocation

ACTUAL ASSET ALLOCATION

As of June 30, 2025

Non-GAAP Basis



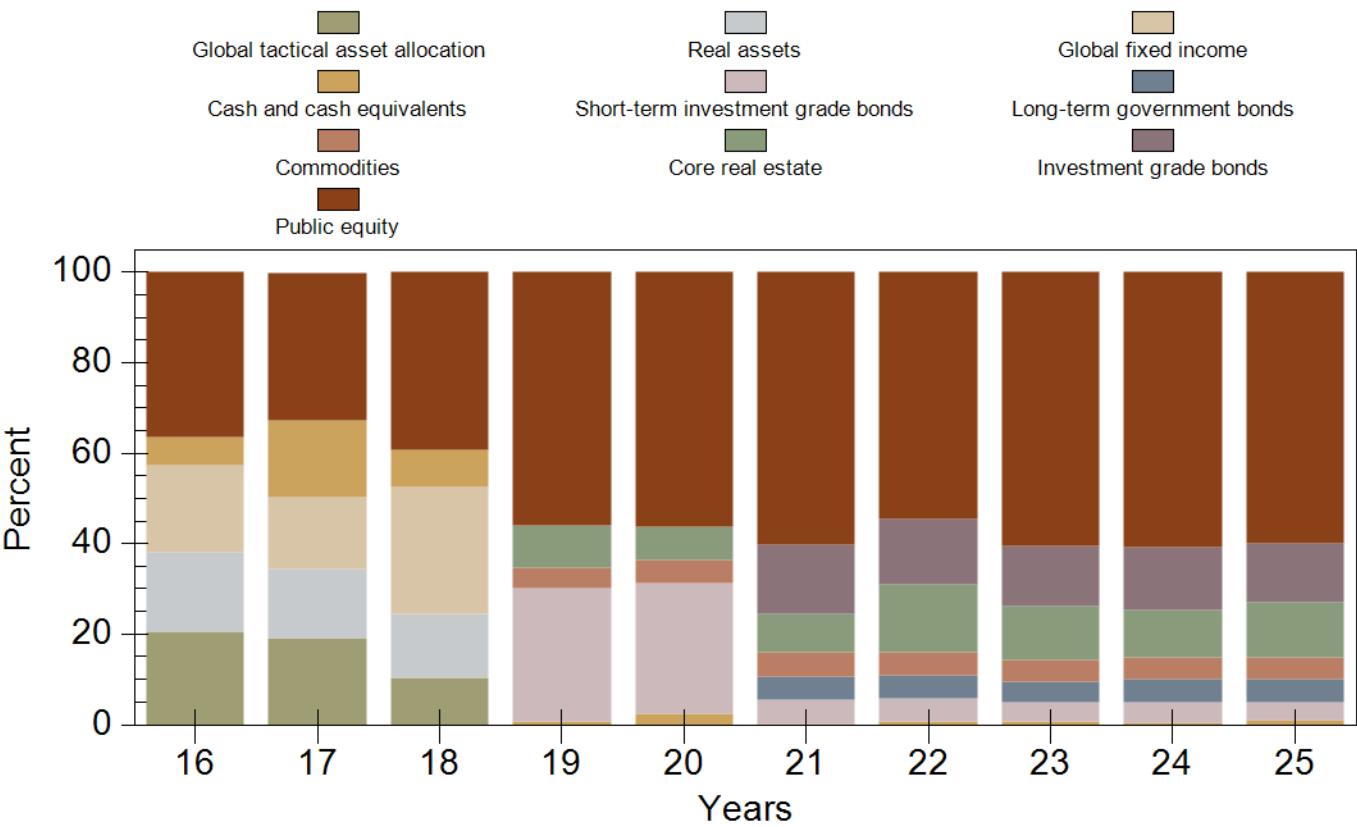
Asset Class	\$ In Millions
Public equity	\$231.4
Investment grade bonds	52.3
Core real estate	48.4
Commodities	18.9
Long-term government bonds	18.7
Short-term investment grade bonds	16.1
Cash and cash equivalents	4.3
Total	\$390.1

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

115 SUBTRUSTS (continued)

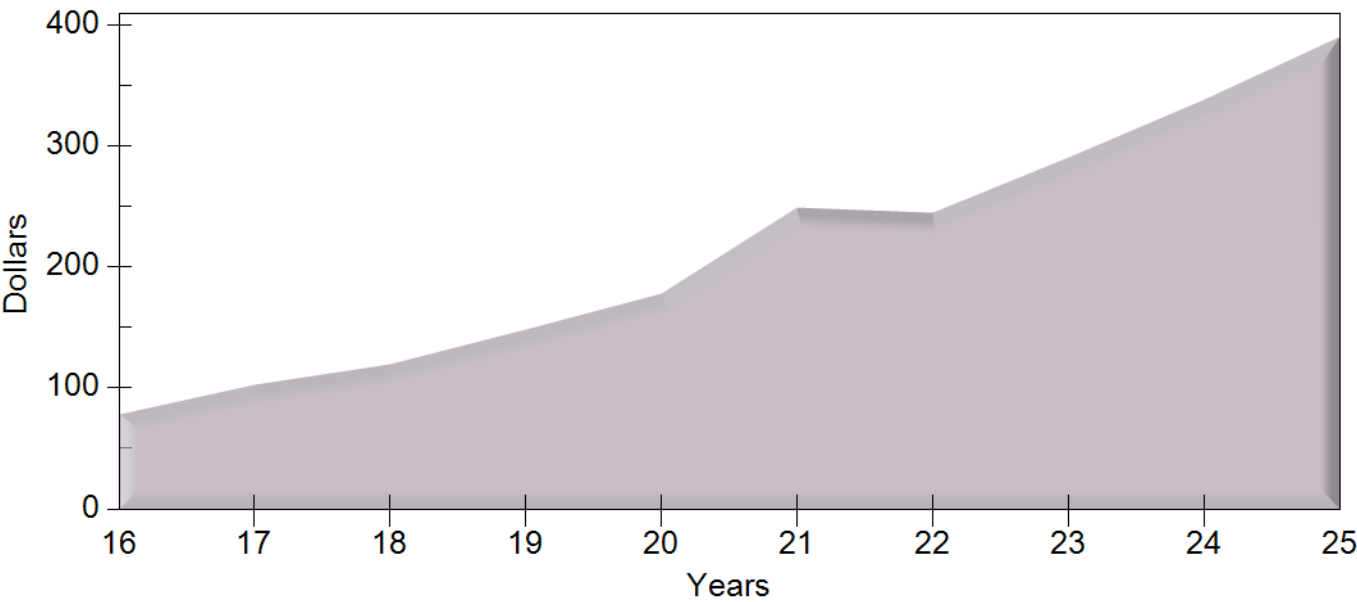
HISTORICAL ASSET ALLOCATION (Actual)

As of June 30, 2016 - June 30, 2025



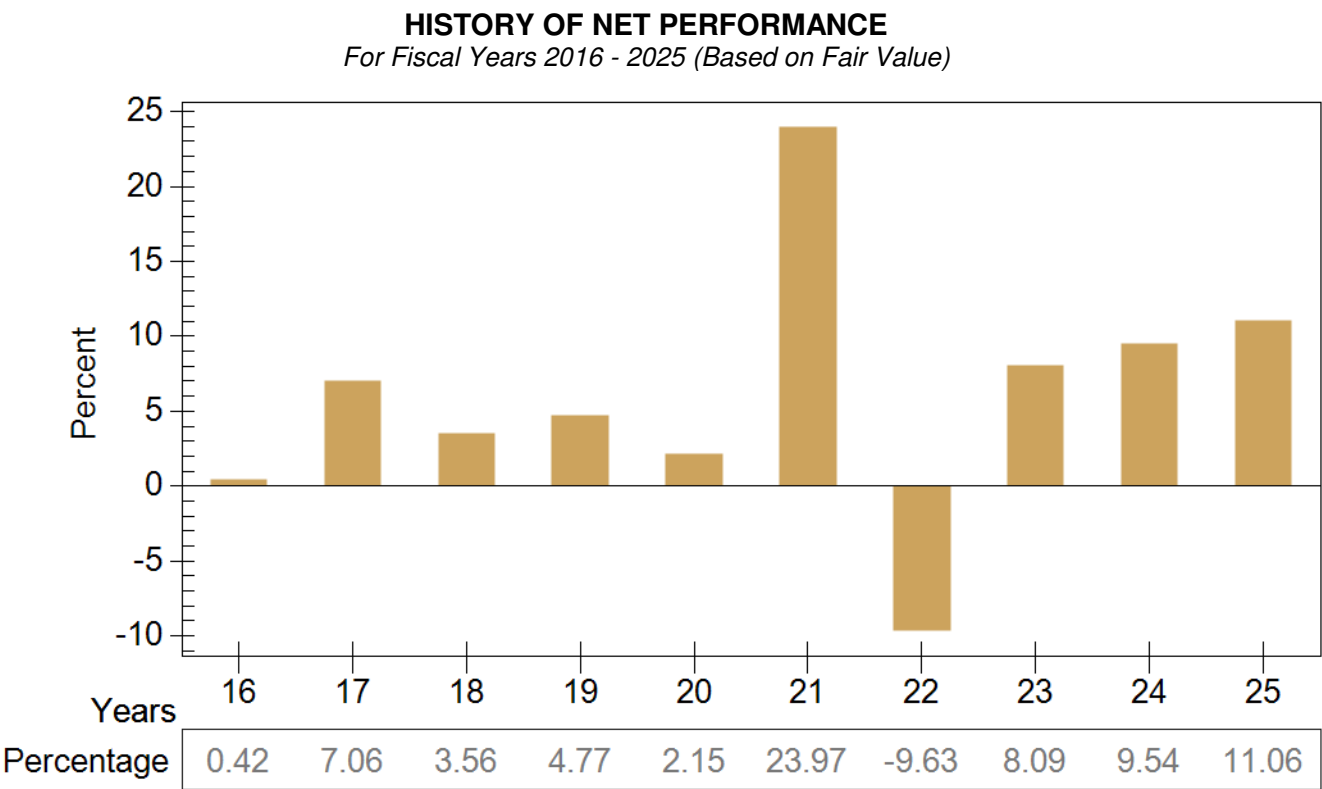
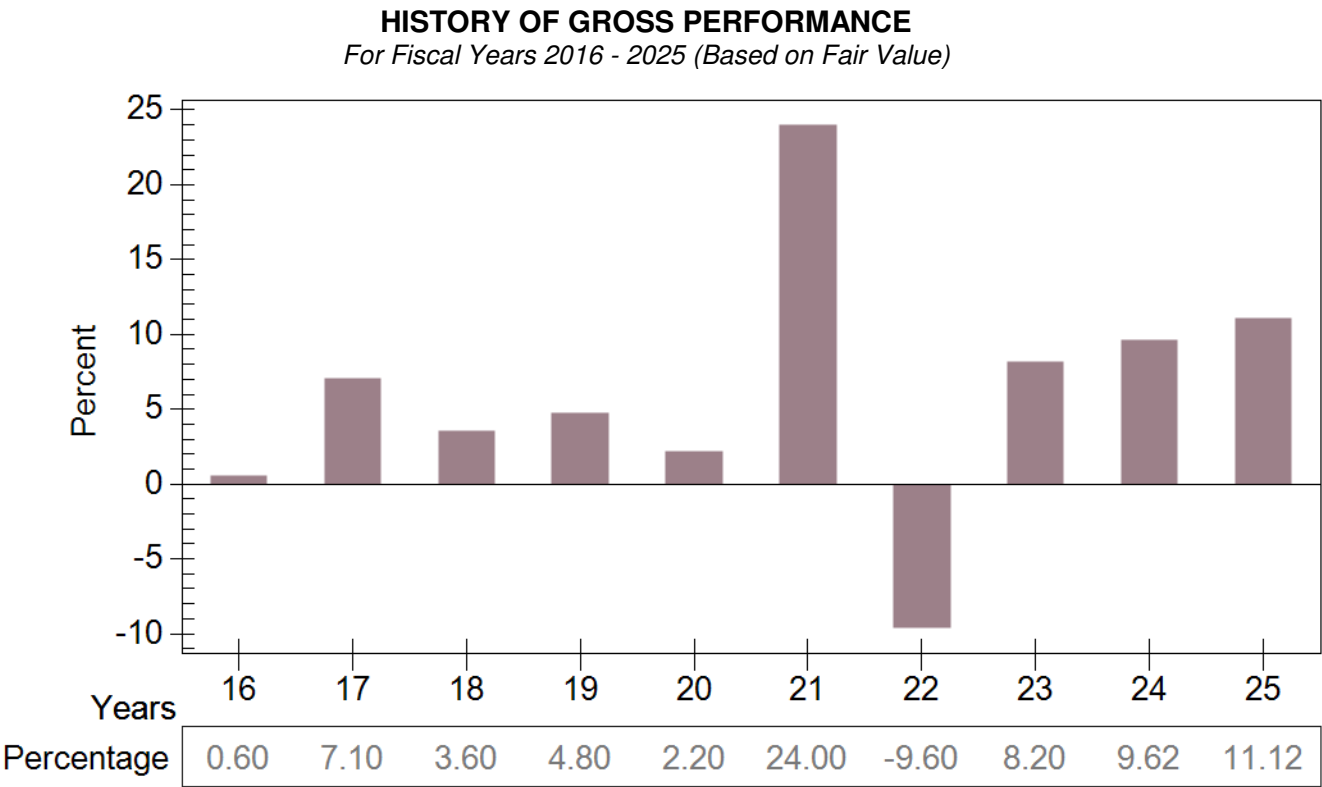
FAIR VALUE GROWTH OF PLAN ASSETS

For Ten Years Ended June 30, 2025
(Dollars in Millions)



Healthcare Investment Review (continued)

115 SUBTRUSTS (continued)



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	50,526	\$ 11,829,369
CHARLES SCHWAB CORP/THE	UNITED STATES	117,851	\$ 10,752,725
META PLATFORMS INC	UNITED STATES	14,132	\$ 10,430,688
AMERICAN EXPRESS CO	UNITED STATES	30,343	\$ 9,678,810
BANK OF NEW YORK MELLON CORP/T	UNITED STATES	103,558	\$ 9,435,169
ALPHABET INC	UNITED STATES	53,448	\$ 9,419,141
ELEVANCE HEALTH INC	UNITED STATES	24,154	\$ 9,394,940
NOVARTIS AG	SWITZERLAND	76,736	\$ 9,270,981
DANONE SA	FRANCE	107,277	\$ 8,734,304
SPOTIFY TECHNOLOGY SA	LUXEMBOURG	10,843	\$ 8,320,268

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%	\$ 11,811,500	\$ 11,817,524
US TREASURY NOTE	UNITED STATES	06/15/2028	3.875%	\$ 11,091,600	\$ 11,148,833
US TREASURY NOTE	UNITED STATES	07/31/2028	4.125%	\$ 10,535,000	\$ 10,660,472
US TREASURY NOTE	UNITED STATES	02/28/2029	1.875%	\$ 10,978,000	\$ 10,286,715
US TREASURY NOTE	UNITED STATES	10/31/2028	1.375%	\$ 10,871,000	\$ 10,078,178
US TREASURY NOTE	UNITED STATES	08/31/2028	1.125%	\$ 10,916,000	\$ 10,077,651
US TREASURY NOTE	UNITED STATES	01/31/2029	1.750%	\$ 10,753,000	\$ 10,044,807
US TREASURY NOTE	UNITED STATES	12/31/2028	1.375%	\$ 10,773,000	\$ 9,951,128
US TREASURY NOTE	UNITED STATES	11/30/2028	1.500%	\$ 10,634,000	\$ 9,881,751
US TREASURY NOTE	UNITED STATES	03/31/2029	2.375%	\$ 10,113,000	\$ 9,634,655

A complete list of portfolio holdings is available upon request.

Schedule of Investment Fees

For the Fiscal Year Ended June 30, 2025

Includes the 401(h) and 115 Subtrusts

	Assets Under Management at Fair Value ¹	Fees	Basis Points
Investment Managers' Fees			
Public equity	\$ 2,692,620,397	\$ 3,803,633	14
Private equity	669,658,057	2,433,872	36
Cash and cash equivalents	153,140,972	-	-
Immunized cash flows	332,257,961	177,229	5
Core real estate	327,550,338	1,053,121	32
Investment grade bonds	281,033,388	485,942	17
Growth real estate	255,319,132	4,313,077	169
Private debt	228,088,028	3,616,215	159
Private real assets	162,931,891	3,644,632	224
Market neutral strategies	155,696,211	-	-
Venture / Growth capital	122,247,844	2,365,916	194
Emerging market bonds / High yield bonds	228,116,171	401,703	18
Treasury inflation-protected securities	108,521,832	31,602	3
Long-term government bonds	88,533,922	22,280	3
Commodities	18,925,426	26,335	14
Short-term investment grade bonds	102,752,526	68,111	7
Total investment managers' fees	\$ 5,927,394,096	\$ 22,443,668	38

¹ Includes cash in managers' accounts, non-GAAP Basis

	Fees
Other Investment Fees	
Investment consultants	\$ 473,450
Custodian bank	587,977
Investment legal fees	171,685
Other investment fees	425,478
Total other investment fees	\$ 1,658,590

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	3,432	\$ 90.65	\$ 0.0264
B			
BAIRD, ROBERT W & CO INC, MILWAUKEE	1,489	55.85	0.0375
BANK OF AMERICA CORP, CHARLOTTE	71,933	35,598.06	0.4949
BANQUE PARIBAS, PARIS	1,361,090	6,910.90	0.0051
BARCLAYS CAPITAL INC, WHIPPANY	401,948	3,731.13	0.0093
BARCLAYS CAPITAL SECS LTD, LONDON	6,000	99.99	0.0167
BARCLAYS CAPITAL, LONDON (BARCGB33)	2,352,564	2,0051.41	0.0085
BARRENJOEY MARKETS PTY LIMITED, SYDNEY	116,500	1,215.62	0.0104
BERENBERG GOSSLER & CIE, HAMBURG	120,200	2,877.73	0.0239
BMO CAPITAL MARKETS CORP, NEW YORK	37,674	770.07	0.0204
BNP PARIBAS FINANCIAL MARKETS, PARIS	22,911	374.57	0.0163
BNP PARIBAS SEC SRVS SA, SINGAPORE	446,200	6,691.34	0.0150
BNP PARIBAS SEC SVCS, LONDON (PARBGB2L)	699,490	4,340.39	0.0062
BNP PARIBAS SECS SERVS, SYDNEY	458,400	1,703.2	0.0037
BNP PARIBAS SECURITIES CORP, NEW YORK	1,800	3.12	0.0017
BNP PARIBAS SECURITIES SERVICES, MILANO	89,800	357.26	0.0040
BNP PARIBAS SECURITIES SERVICES, LONDON	65,000	172.78	0.0027
BNY CONVERGEX EXECUTION SOL, NEW YORK	215	43.00	0.2000
C			
CACEIS BANK, PARIS	102,896	3,107.06	0.0302
CANACCORD GENUITY CORP, MONTREAL (CCAM)	6,600	94.38	0.0143
CARNEGIE ASA, OSLO	77,900	1,607.00	0.0206
CARNEGIE SECS LTD, HELSINKI (CASFFIH1)	32,900	795.29	0.0242
CITIGROUP GBL MKTS INC, NEW YORK	13,100	411.66	0.0314
CITIGROUP GLOBAL MARKETS EURO, FRANKFURT	74,053	2,781.64	0.0376
CITIGROUP GLOBAL MARKETS LTD, LONDON	176,222	857.82	0.0049
CITIGROUP GLOBAL MARKETS, INC., NEW YORK	10,043	101.51	0.0101
COWEN AND CO LLC, NEW YORK	13,112	180.03	0.0137
CREDIT INDUSTRIEL ET COMMERCIAL, PARIS	5,200	86.45	0.0166
CREDIT LYONNAIS SECS, SINGAPORE	2,500	128.5	0.0514
CREDIT MUTUEL-CIC BANQUES, PARIS	1,400	119.75	0.0855
D			
D CARNEGIE AB, STOCKHOLM	574,400	6,288.04	0.0109
DAIWA SECS AMER INC, NEW YORK	205,100	9,432.87	0.0460
DAVY STOCKBROKERS, DUBLIN	199	268.93	1.3514
DEN DANSKE BANK, COPENHAGEN	74,485	2,340.52	0.0314
DEN NORSKE CREDITBANK, OSLO	7,600	169.47	0.0223

Schedule of Commissions (continued)

For the Fiscal Year Ended June 30, 2025

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
DEUTSCHE BANK SECURITIES INC, NEW YORK	900	3.43	0.0038
DEUTSCHE BK SECS INC, NY (NWSCUS33)	155,987	2,125.74	0.0136
DNB NOR MARKETS CUSTODY, OSLO	54,100	555.21	0.0103
F			
FOKUS BANK, TRONDHEIM	73,800	1,756.32	0.0238
G			
GOLDMAN SACHS & CO, NY	298,374	5,916.31	0.0198
GOLDMAN SACHS INTERNATIONAL, LONDON	13,000	27.23	0.0021
GOLDMAN SACHS INTL CORP, LONDON	18,700	37.12	0.0020
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	79,499	1,217.9	0.0153
GUGGENHEIM CAPITAL MARKETS LLC, NEW YORK	913	18.26	0.0200
H			
HSBC BANK PLC (MIDLAND BK)(JAC), LONDON	4,781	132.3	0.0277
HSBC SECS INC, NEW YORK	505,937	17,685.45	0.0350
HSBC SECURITIES (USA) INC, NEW YORK	2,823	21.19	0.0075
I			
ICHIYOSHI SEC CO LTD, TOKYO	38,300	842.28	0.0220
INSTINET CLEARING SER INC, NEW YORK	17,566	205.66	0.0117
INSTINET CORP, NEW YORK	6,071	45.54	0.0075
INSTINET EUROPE LIMITED, LONDON	185,962	4,606.55	0.0248
INSTINET PACIFIC LTD, HONG KONG	32,630	1,041.12	0.0319
INVESTEC SECURITIES (331), LONDON	77,300	754.62	0.0098
INVESTMENT TECHNOLOGY GROUP LTD,DUBLIN	9,465	424.22	0.0448
J			
J.P. MORGAN SEC LTD/STOCK LENDING, LONDON	6,066	468.78	0.0773
J.P. MORGAN SECS LTD, LONDON	464,732	8,041.62	0.0173
J.P. MORGAN SECURITIES LTD, LONDON	9,800	50.02	0.0051
J.P. MORGAN SECURITIES INC, NEW YORK	12,026	303.5	0.0252
J.P. MORGAN SECURITIES LLC, NEW YORK	44,249	795.57	0.0180
J.P. MORGAN SECURITIES, HONG KONG	48,900	165.72	0.0034
JEFFERIES & CO INC, NEW YORK	233,547	7,509.11	0.0322
JEFFERIES & CO LTD, LONDON	39,820	1,704.21	0.0428
JEFFERIES HONG KONG LIMITED, HONG KONG	145,300	2,463.60	0.0170
JONESTRADING INST SVCS LLC, NEW YORK	1,800	36.00	0.0200
JONESTRADING INSTL SVCS LLC, WESTLAKE	87,700	1,550.89	0.0177
JPMORGAN SECURITIES INC, NEW YORK	2,072	45.43	0.0219
L			
LIQUIDNET CANADA INC, TORONTO	498,315	8,822.44	0.0177
LIQUIDNET EUROPE LIMITED, LONDON	16,589	1,256.86	0.0758

Schedule of Commissions (continued)

For the Fiscal Year Ended June 30, 2025

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
LIQUIDNET INC, NEW YORK	107,392	2,360.59	0.0220
LUMINEX TRADING AND ANALYTICS, BOSTON	6,697	66.97	0.0100
M			
MACQUARIE BANK LIMITED, SYDNEY	66,400	1,070.69	0.0161
MACQUARIES SECURITIES AUSTRALIA, SYDNEY	17,800	164.33	0.0092
MERRILL LYNCH GILTS LTD, LONDON	318,780	236.25	0.0007
MERRILL LYNCH INTL LONDON EQUITIES	289,701	7,914.55	0.0273
MIZUHO SECURITIES USA INC. NEW YORK	170,400	4,837.53	0.0284
MORGAN STANLEY AND CO., LLC, NEW YORK	354,792	10,710.33	0.0302
N			
NATIONAL FINL SVCS CORP, NEW YORK	19,459	327.87	0.0168
NEEDHAM AND CO LLC, NEW YORK	2,633	52.66	0.0200
O			
ODDO ET CIE, PARIS	103,665	2,548.63	0.0246
P			
PEEL HUNT LLP, LONDON	55,200	588.13	0.0107
PENSERRA SECURITIES, NEW YORK	7,158	35.80	0.0050
PERSHING LLC, JERSEY CITY	7,707	117.85	0.0153
PERSHING SECURITIES LTD, LONDON	702,417	4,913.84	0.0070
PIPER JAFFRAY & CO., JERSEY CITY	174	3.48	0.0200
R			
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	1,618	60.70	0.0375
RBC CAPITAL MARKETS LLC, NEW YORK	107,929	1,363.05	0.0126
RBC DOMINION SECS INC, TORONTO (DOMA)	5,600	77.85	0.0139
RBC EUROPE LIMITED, LONDON	2,300	9.70	0.0042
ROYAL BANK OF CANADA EUROPE LTD, LONDON	219,789	2,037.40	0.0093
S			
SCOTIA CAPITAL INC, NEW YORK	8,300	59.60	0.0072
SG AMERICAS SECURITIES LLC, NEW YORK	14,081	105.62	0.0075
SKANDINAVISKA ENSKILDA BANKEN, COPENHAGEN	15,500	469.27	0.0303
SKANDINAVISKA ENSKILDA BANKEN, LONDON	58,600	990.05	0.0169
SKANDINAVISKA ENSKILDA BANKEN, STOCKHOLM	172,400	2,348.13	0.0136
SKANDINAVISKA ENSKILDA, STKHLM (ESSESESS)	4,000	100.11	0.0250
SMBC SECURITIES, INC NEW YORK	181,100	7,665.52	0.0423
SOCIETE GENERALE(TIT), NANTES	1,781,355	14,075.09	0.0079
SOCIETE GENERALE, PARIS	34,394	920.49	0.0268
SOCIETE GENERALE, PUTEAUX	270,137	9,190.14	0.0340
STIFEL NICOLAUS EUROPE LIMITED, LONDON	9,678	393.96	0.0407
STIFEL, NICOLAUS AND CO, ST.LOUIS	1,000	10.42	0.0104
SVENSKA HANDELSBANKEN, STOCKHOLM	124,400	659.20	0.0053

Schedule of Commissions *(continued)*

For the Fiscal Year Ended June 30, 2025

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
T			
TP ICAP (EUROPE) SA, PARIS	447,300	540.04	0.0012
U			
UBS AG LONDON BRANCH, LONDON	4,900	207.30	0.0423
UBS EQUITIES, LONDON	71,685	633.32	0.0088
UBS SECURITIES LLC, STAMFORD	2,731	20.49	0.0075
UBS WARBURG ASIA LTD, HONG KONG	319,000	4,343.50	0.0136
V			
VIRTU AMERICAS LLC, NEW YORK	13,369	212.93	0.0159
W			
WELLS FARGO SECURITIES, LLC, NEW YORK	5,594	154.22	0.0276
TOTAL	16,928,515	\$ 267,085.79	\$ 0.0158

Investment Summary

PENSION - INCLUDES THE 401(H) INVESTMENTS

As of June 30, 2025 (Dollars in thousands)

Type of Investments	Fair Value	% of Portfolio
Public equity	\$ 2,461,266	44.4%
Private equity	669,658	12.1
Immunized cash flows	332,258	6.0
Core real estate	279,154	5.0
Growth real estate	255,319	4.6
Investment grade bonds	228,695	4.1
Private debt	228,088	4.1
Private real asset	162,932	2.9
Market neutral strategies	155,696	2.8
Cash and cash equivalents	148,889	2.7
Venture / Growth capital	122,248	2.2
High yield bonds	114,253	2.1
Emerging market bonds	113,863	2.1
Treasury inflation-protected securities (TIPS)	108,522	2.0
Short-term investment grade bonds	86,682	1.6
Long-term government bonds	69,837	1.3
Total Fair Value	\$ 5,537,360	100.0%

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 SUBTRUSTS

As of June 30, 2025 (Dollars in thousands)

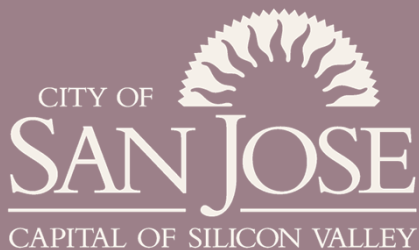
Type of Investments	Fair Value	% of Portfolio
Public equity	\$ 231,355	59.3%
Investment grade bonds	52,338	13.4
Core real estate	48,396	12.4
Commodities	18,925	4.9
Long-term government bonds	18,697	4.8
Short-term investment grade bonds	16,071	4.1
Cash and cash equivalents	4,252	1.1
Total Fair Value	\$ 390,034	100.0%

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
Police and Fire Department Retirement Plan
Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2025 and June 30, 2024



September 16, 2025

Board of Administration
City of San José Police and Fire Department Retirement Plan
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 Police and Fire Department Retirement Plan (Plan) with respect to pension benefits.

Actuarial Valuation Used for Funding Purposes

Actuarial valuations are performed annually. 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
- 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 Plan assets to cover the estimated cost of settling the Plan's benefit obligations.

The Board of Administration is responsible for establishing and maintaining the contribution policy for the Plan. 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 16, 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 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, 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 Plan. We prepared the following schedules for inclusion in the Financial Section of the ACFR 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 Plan and Compliance with ASOPs and 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 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 16, 2025
Page 3

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.

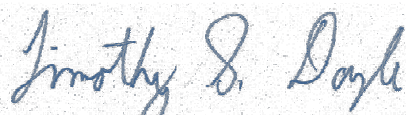
Sincerely,
Cheiron



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



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



Timothy S. Doyle, ASA, EA, MAAA
Associate Actuary



Actuarial Assumptions and Methods

DEFINED BENEFIT PENSION

Actuarial Assumptions

The economic assumptions used in this report were adopted by the Board of Administration at the October 3, 2024 Board meeting based on the actuary's recommendations. Please refer to the presentation for that meeting for the rationale for each assumption. The demographic assumptions were adopted at the Board's November 2, 2023 meeting based on the actuary's input and recommendations from the experience study covering plan experience through June 30, 2023. Please refer to the experience study report and presentations for both the October 5, 2023 and November 2, 2023 Board meetings for the rationale for each of the assumptions.

1) Discount Rate

6.625% net of investment expenses. The long-term expected return on assets based on Meketa's capital market assumptions for the 10-year and 20-year time horizons are 7.2% and 8.4%, respectively. The Board applied a margin for adverse deviation to maintain the assumption of 6.625%.

2) Price Inflation 2.50% per annum.

3) Amortization Payment Growth 2.50% per annum.

4) Wage Inflation

Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Fire members have bargained increases of 6.00% effective July 1, 2024, 4.00% effective July 1, 2025, 1.00% effective January 1, 2026, and 3.50% effective July 1, 2026. Police members have an ongoing non-pensionable 4.00% retention pay that becomes pensionable as well as a bargained increase of 3.00% effective July 1, 2024.

5) Merit Salary Increase Rate

The following merit component is added to wage inflation, based on an individual member's years of service:

TABLE B-1 MERIT SALARY INCREASES					
Years of Service	Increase	Years of Service	Increase	Years of Service	Increase
0	6.50%	4	5.25%	8	1.00%
1	6.50%	5	4.25%	9	0.80%
2	6.25%	6	2.50%	10+	0.60%
3	5.75%	7	1.50%		

6) Rates of Retirement

Rates of retirement are based on age and service according to the following Tables B-2, B-3, and B-4. Tier 1 rates only apply when the member is eligible for unreduced benefits. Tier 1 vested terminated members are assumed to retire at age 50 if they have 25 or more years of service or at age 55 if they have less than 25 years of service. Tier 2 vested terminated members are assumed to retire at age 60.

TABLE B-2 TIER 1 RATES OF RETIREMENT						
Police Years of Service				Fire Years of Service		
Age	<25	25 - 29	30+	<25	25 - 29	30+
50	0.0%	55.0%	60.0%	0.0%	45.0%	50.0%
51	0.0%	45.0%	60.0%	0.0%	30.0%	50.0%
52 - 54	0.0%	35.0%	60.0%	0.0%	40.0%	50.0%
55	30.0%	40.0%	60.0%	30.0%	40.0%	100.0%
56	30.0%	45.0%	60.0%	25.0%	40.0%	100.0%
57	30.0%	50.0%	60.0%	20.0%	40.0%	100.0%
58 - 61	45.0%	50.0%	60.0%	27.5%	40.0%	100.0%
62+	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION *(continued)*

TABLE B-3 POLICE TIER 2 RATES OF RETIREMENT				
Years of Service				
Age	5 - 19	20 - 24	25 - 29	30+
50 - 56	2.0%	2.0%	2.0%	5.0%
57 - 59	7.5%	10.0%	20.0%	100.0%
60 - 61	10.0%	20.0%	35.0%	100.0%
62 - 64	25.0%	50.0%	75.0%	100.0%
65+	100.0%	100.0%	100.0%	100.0%

TABLE B-4 FIRE TIER 2 RATES OF RETIREMENT				
Years of Service				
Age	5 - 19	20 - 24	25 - 29	30+
50 - 56	1.0%	1.0%	1.0%	2.5%
57 - 59	5.0%	7.5%	15.0%	100.0%
60 - 61	7.5%	15.0%	25.0%	100.0%
62 - 64	20.0%	35.0%	50.0%	100.0%
65+	100.0%	100.0%	100.0%	100.0%

7) Rates of Termination

Tier 1 members who terminate with less than 10 years of service and Tier 2 members who terminate with less than 5 years of service are assumed to receive a refund of contributions. For terminating employees who are not assumed to receive a refund, 75.0% are assumed to subsequently work for a reciprocal employer and receive 3.00% pay increases per year. Termination rates do not apply once retirement rates apply. Rates of termination are shown in Table B-5 below.

TABLE B-5 RATES OF TERMINATION								
Service	Police	Fire	Service	Police	Fire	Service	Police	Fire
0	11.00%	8.50%	7	3.40%	0.80%	14	2.75%	0.50%
1	8.00%	4.00%	8	3.30%	0.70%	15	2.25%	0.50%
2	6.25%	2.75%	9	3.25%	0.60%	16	1.75%	0.50%
3	5.00%	1.75%	10	3.25%	0.50%	17	1.50%	0.50%
4	4.25%	1.25%	11	3.25%	0.50%	18	1.25%	0.50%
5	3.75%	1.00%	12	3.15%	0.50%	19+	1.00%	0.50%
6	3.55%	0.90%	13	2.95%	0.50%			

8) Rates of Disability

For Police and Fire, disability rates are equal to the CalPERS Police Officers & Firefighters (POFF) industrial and non-industrial rates multiplied by 104%. All disabilities are assumed to be duty-related. Sample disability rates of active participants are provided in Table B-6.

TABLE B-6 RATES OF DISABILITY AT SELECTED AGES									
Age	Rate	Age	Rate	Age	Rate	Age	Rate	Age	Rate
25	0.12%	35	0.33%	45	0.80%	55	1.65%	65	2.96%
30	0.20%	40	0.52%	50	1.17%	60	2.24%		

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION *(continued)*

9) Family Composition

Percentage married is shown in the following Table B-7. Women are assumed to be three years younger than men.

TABLE B-7 PERCENTAGE MARRIED		
	Males	Females
Percentage	85.0%	85.0%

10) Rates of Mortality

Mortality rates for actives, retirees, beneficiaries, terminated vested, and reciprocals are based on the sex-distinct employee and annuitant mortality tables shown below. Future mortality improvements are reflected by applying the SOA MP-2021 projection scale on a generational basis from the base year of 2010. It is assumed that 50.0% of active deaths are service-related.

TABLE B-8 BASE MORTALITY TABLE		
Category	Male	Female
Healthy Retirees	0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)- 2010(A)) for healthy retirees	0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)- 2010(A)) for healthy retirees
Disabled Retiree	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees
Beneficiaries	1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy retirees	1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy retirees
Healthy Non-Annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)- 2010(A)) for healthy employees	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)- 2010(A)) for healthy employees

11) Administrative Expenses

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

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

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION (continued)

2) Asset Valuation Method

For the purposes of determining contributions, the actuary uses a smoothed actuarial value of assets 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 the deviation of actual investment returns compared to the expected return over a five-year period. The dollar amount of the expected return on the fair value of assets is determined using the actual contributions and benefit payments during the year. Any difference between this amount and the actual net investment earnings is considered a gain or loss. Finally, the actuarial value of assets is restricted to a corridor between 80 percent and 120 percent of the fair value of assets.

As adopted by the Board at their November 2, 2023 meeting based on the actuary's input, effective for this valuation, the remaining unrecognized investment gains and losses were combined with the investment gain for 2023 and will be recognized over five years. The primary impact of this change is to align the recognition of the large gain for 2021 with the large loss for 2022 to produce a smoother pattern of contributions.

3) Amortization Method

Actuarial gains and losses and plan changes are amortized over a 15-year period beginning with the valuation date in which they first arise. Changes in methods and assumptions are amortized over a 20-year period beginning with the valuation date on which they are effective. Amortization payments are assumed to increase by 2.5% each year. Some prior amortization periods have been adjusted in prior years to smooth the pattern of future contributions.

Plan Experiences

DEFINED BENEFIT PENSION

SCHEDULE OF ACTIVE MEMBER DATA				
Valuation Year	Active Count	Annual Payroll	Monthly Average Pay	% Change in Average Pay
2024	1,640	\$ 285,349,000	\$ 14,499	8.47%
2023	1,695	271,893,000	13,367	6.33%
2022	1,746	263,395,000	12,571	3.81%
2021	1,738	252,558,000	12,110	3.13%
2020	1,709	240,798,000	11,742	5.66%
2019	1,638	218,429,000	11,113	1.02%
2018	1,544	203,816,000	11,000	12.69%
2017	1,577	184,733,000	9,762	2.96%
2016	1,654	188,189,000	9,481	5.18%
2015	1,707	184,645,000	9,014	(11.51)%

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	2,598	\$ 283,918	170	\$ 25,781	117	\$ 11,379	2,651	\$ 298,320	5.1%	\$ 112,531
2022-23	2,518	266,635	143	22,750	63	5,467	2,598	283,918	6.5%	109,283
2021-22	2,438	251,318	146	21,212	66	5,895	2,518	266,635	6.1%	105,892
2020-21	2,380	237,230	121	18,787	63	4,699	2,438	251,318	5.9%	103,084
2019-20	2,318	224,303	112	16,936	50	4,009	2,380	237,230	5.8%	99,676
2018-19	2,250	211,220	122	17,005	54	3,922	2,318	224,303	6.2%	96,766
2017-18	2,192	200,197	120	15,558	62	4,535	2,250	211,220	5.5%	93,876
2016-17	2,149	190,897	87	11,816	44	2,516	2,192	200,197	4.9%	91,331
2015-16	2,108	182,185	72	10,843	31	2,131	2,149	190,897	4.8%	88,831
2014-15	2,032	170,872	115	13,700	39	2,387	2,108	182,185	6.6%	86,426

Dollar amounts in thousands

In the table below, non-recurring items include changes in assumptions and changes in plan provisions.

ANALYSIS OF FINANCIAL EXPERIENCE					
Gain or (Loss) for Year(s) 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	\$ 18,357	\$ (35,836)	\$ (17,479)	\$ 0	\$ (17,479)
6/30/2023	(5,280)	(70,885)	(76,165)	(5,679)	(81,844)
6/30/2022	22,550	(20,703)	1,847	(58)	1,789
6/30/2021	117,195	(6,608)	110,587	(12,389)	98,198
6/30/2020	(89,538)	19,032	(70,506)	(73,524)	(144,030)
6/30/2019	(116,232)	(27,406)	(143,638)	(80,853)	(224,491)
6/30/2018	(53,615)	13,448	(40,167)	(76,425)	(116,592)
6/30/2017	(50,882)	(57,971)	(108,853)	127,571	18,718
6/30/2016	(106,785)	(54,528)	(161,313)	(72,680)	(233,993)
6/30/2015	2,806	7,291	10,097	(90,004)	(79,907)

Dollar amounts in thousands

Plan 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' Liability	Reported Assets	Portion of Actuarial Liability Covered by Reported Assets		
	(A)	(B)	(C)		(A)	(B)	(C)
6/30/2024	\$ 315,372	\$ 4,543,892	\$ 1,273,565	\$ 5,013,631	100%	100%	12%
6/30/2023	312,277	4,351,041	1,245,236	4,739,742	100%	100%	6%
6/30/2022	316,682	4,085,699	1,248,100	4,495,687	100%	100%	7%
6/30/2021	315,820	3,875,560	1,250,280	4,210,447	100%	100%	2%
6/30/2020	315,240	3,655,447	1,264,648	3,851,948	100%	97%	0%
6/30/2019	308,023	3,446,977	1,233,427	3,706,302	100%	99%	0%
6/30/2018	304,454	3,227,859	1,164,115	3,596,590	100%	100%	6%
6/30/2017	299,933	3,050,871	1,113,598	3,439,922	100%	100%	8%
6/30/2016	294,535	2,999,773	1,061,682	3,303,550	100%	100%	1%
6/30/2015	285,538	2,819,410	953,462	3,212,776	100%	100%	11%

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	\$ 5,013,631	\$ 6,132,829	\$ 1,119,198	81.8%	\$ 285,349	392%
6/30/2023	4,739,742	5,908,554	1,168,812	80.2%	271,893	430%
6/30/2022	4,495,687	5,650,481	1,154,794	79.6%	263,395	438%
6/30/2021	4,210,447	5,441,660	1,231,213	77.4%	252,558	487%
6/30/2020	3,851,948	5,235,335	1,383,387	73.6%	240,798	575%
6/30/2019	3,706,302	4,988,427	1,282,125	74.3%	235,818	544%
6/30/2018	3,596,590	4,696,428	1,099,838	76.6%	218,429	504%
6/30/2017	3,439,922	4,464,402	1,024,480	77.1%	203,816	503%
6/30/2016	3,303,550	4,355,990	1,052,440	75.8%	194,072	542%
6/30/2015	3,212,776	4,058,410	845,634	79.2%	184,733	458%

Dollar amounts in thousands

Summary of Pension Plan Provisions - Tier 1

1) Membership Requirement

Participation in the Plan is immediate upon the first day of employment with the City of San José as a police officer or firefighter except for the following:

- a. Independent contractors;
- b. Person in City service principally for training or educational purposes;
- c. Auxiliary or voluntary police officers or firefighters;
- d. Part-time or non-salaried employees; and
- e. Employees receiving credit in any other retirement or pension system.

Persons eligible for Tier 1 membership include:

- a. Any police officer hired prior to August 4, 2013 or any firefighter hired prior to January 2, 2015.
- b. Any person who was a member of this Plan as an employee of the police department prior to August 4, 2013, and terminated employment with the City, and returned to employment with the City in a position covered by this Plan on or after August 4, 2013.
- c. Any person who was a member of this Plan as an employee of the fire department prior to January 2, 2015, and terminated employment with the City, and returned to employment with the City in a position covered by this Plan on or after January 2, 2015.
- d. Any person accepting employment in the police department or fire department of the City on or after January 1, 2013, who is otherwise eligible for this Plan and who was an active member in another California public retirement system with which this Plan has reciprocity under Part 16, and who has a break in service of less than six months from that covered employment and employment with the City.

2) Final Compensation

The highest 12 consecutive months of compensation in covered employment. However, in determining Final Compensation, no compensation in the last 12 months of employment that exceeds 108.0% of compensation during the 12 months immediately preceding the last 12 months shall be considered. Compensation excludes overtime pay and expense allowances.

3) Credited Service

Years of service in covered employment plus service purchased for military leave of absence, Federated service, and unpaid leaves of absence.

4) Contributions

Member: The amount needed to fund 3/11ths of normal cost (excluding normal cost for reciprocal benefits and excluding administrative expenses) calculated under the entry age actuarial cost method.

Employer: The Employer contributes the remaining amounts necessary to fund the Plan in accordance with the Board's funding policy.

5) Service Retirement

Eligibility: Age 55 with 20 years of service, age 50 with 25 years of service, age 70 with no service requirement, or any age with 30 years of service. Reduced benefits are also available at age 50 with 20 years of service.

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

Benefit:

Police: 2.5% of Final Compensation for each year of credited service up to 20 years plus 4.0% of Final Compensation for each year of credited service in excess of 20, subject to a maximum of 90.0% of Final Compensation.

Fire: For members with less than 20 years of service, 2.5% of Final Compensation for each year of credited service. For members with 20 or more years of service, 3.0% of Final Compensation for each year of service, subject to a maximum of 90.0% of Final Compensation.

6) Service-Connected Disability Retirement

Eligibility: No age or service requirement.

Benefit:

Police: 50.0% of Final Compensation plus 4.0% of Final Compensation for each year of credited service in excess of 20, subject to a maximum of 90.0% of Final Compensation.

Fire: For members with less than 20 years of service, 50.0% of Final Compensation. For members with 20 or more years of service, 3.0% of Final Compensation for each year of service, subject to a maximum of 90.0% of Final Compensation.

7) Non-Service-Connected Disability Retirement

Eligibility: Two years of service.

Benefit: For members with less than 20 years of service, 32.0% of Final Compensation plus 1.0% of Final Compensation for each year of service in excess of two. For members with 20 or more years of service, the benefit amount equals the amount that would be calculated under the service retirement formula.

8) Non-Service-Connected Death

Less than 2 years of service: Lump sum benefit equal to the greater of accumulated employee contributions with interest or \$1,000.

Active members ineligible for service retirement and disabled retirees on a non-service-connected disability: Spouse receives 24.0% of Final Compensation plus 0.75% of Final Compensation for each year of service in excess of two, subject to a maximum of 37.5% of Final Compensation. If a member has eligible dependent children, an additional benefit is payable as follows:

1 Child: 25.0% of Final Compensation

2 Children: 37.5% of Final Compensation

3+ Children: 50.0% of Final Compensation

The total benefit payable to a family is limited to 75.0% of Final Compensation.

If a member does not have a spouse or eligible dependent children, a lump sum benefit equal to the greater of accumulated employee contributions with interest or \$1,000.

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

Active members eligible for service retirement, service retirees, and disabled retirees on a service-connected disability: Spouse receives the greater of 37.5% of Final Compensation or 50.0% of the member's service retirement benefit, subject to a maximum of 42.5% of Final Compensation for Police and 45.0% of Final Compensation for Fire. Eligible dependent children will receive the same benefit as defined under the non-service-connected death for disabled retirees or members ineligible for service retirement. The total benefit payable to a family is limited to 75.0% of Final Compensation.

If a member does not have an eligible surviving spouse or surviving domestic partner or eligible surviving children, the member's estate receives a lump sum death benefit of \$1,000.

Deferred vested members eligible for service retirement: Spouse receives 1.875% of Final Compensation for each year of service, subject to a maximum of 37.5% of Final Compensation. Eligible dependent children receive the same benefit as defined under the non-service-connected death for active members ineligible for service retirement. The total benefit payable to a family is limited to 75.0% of Final Compensation.

If a member does not have a spouse or eligible dependent children, a lump sum benefit is paid to the member's estate equal to the greater of accumulated employee contributions with interest or \$1,000.

9) Service-Connected Death

Spouse receives the greater of 37.5% of Final Compensation or 50.0% of the member's service retirement benefit, subject to a maximum of 42.5% of Final Compensation for Police and 45.0% of Final Compensation for Fire. If a member has eligible dependent children, an additional benefit of 25.0% of Final Compensation is payable for each eligible dependent child. The total benefit payable to a family is limited to 75.0% of Final Compensation.

If a member does not have a spouse or eligible dependent children, a lump sum benefit equal to the greater of accumulated employee contributions with interest or \$1,000 is paid to the member's estate.

10) Termination Benefits

Less than 10 years of service: Lump sum benefit equal to the accumulated employee contributions with interest at 2.0% per annum. For members not covered by the VEBA, the lump sum also includes an amount equal to the employee contributions made to the 401(h) account accumulated with interest at 2.0% per annum.

10 or more years of credited service: The amount of the service retirement benefit, payable at the later of age 55 or 20 years from date of membership.

11) Post-retirement Cost-of-Living Benefit

Benefits are increased every February 1 by 3.0%.

12) Changes Since Last Valuation

None.

Summary of Pension Plan Provisions - Tier 2

1) Membership Requirement

Any police officer who is hired by the City on or after August 4, 2013, or any firefighter who is hired by the City on or after January 2, 2015, and who does not meet the eligibility requirements for Tier 1.

2) Final Compensation

The highest average monthly compensation of the member during any thirty-six consecutive months of covered employment. Compensation excludes overtime pay and expense allowances.

3) Credited Service

One year of service credit is given for 2,080 or more hours of 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. Increases in members' unfunded actuarial liability contribution are limited to one-third of one percent of compensation each year. Contributions cannot be less than 50.0% of normal cost.

5) Unreduced Service Retirement

Eligibility: Age 57 with five years of service.

Benefit - Member: 2.4% of Final Compensation for each year of credited service up to 20 years, plus 3.0% of Final Compensation for each year of credited service between 20 years and 25 years, plus 3.4% of Final Compensation for each year of credited service in excess of 25 years, subject to a maximum of 80.0% of Final Compensation.

Benefit - Survivor: 50.0% joint and survivor annuity.

6) Early Service Retirement

Eligibility: Age 50 with five years of service.

Benefit - Member: Reduced 7.0% per year for each year between age 57 and the member's age at retirement.

7) Service-Connected Disability Retirement

Eligibility: No age or service requirement.

Benefit - Member:

The greater of:

- Monthly benefit equivalent to 50.0% of Final Compensation;
- The service retirement benefit, if eligible for service retirement;
- A service retirement benefit actuarially reduced from age 50, if not eligible for service retirement.

8) Non-Service Connected Disability Retirement

Eligibility: Five years of service.

Benefit - Member: 1.8% of Final Compensation for each year of credited service if less than age 50, or the service pension benefit if older than age 50.

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

9) Death Before Retirement

If death occurs before retirement eligibility is reached and after two years of service: Monthly benefit equal to 24.0% of Final Compensation plus 0.75% of Final Compensation for each year of service in excess of two, up to a maximum of 37.5% of Final Compensation.

If death occurs after retirement eligibility is reached: Benefit equivalent to what the spouse would have received if the employee was retired at the time of death.

Employees killed in the line of duty:

Monthly benefit equal to the greater of:

- 37.5% of Final Compensation or
- 50.0% of what the employee would have received if retired at the time of death.

10) 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, actuarially reduced for early retirement, and payable when retirement eligibility is reached.

11) Benefit Forms

Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse / domestic partner.

12) Post-retirement Cost-of-Living Benefit

Benefits are increased every February 1 by the change in the December CPI-U for San José-San Francisco-Oakland, subject to a cap of 2.0%. The first COLA after retirement shall be prorated based on the number of months retired.

13) Changes Since Last Valuation

There have been no changes in Plan provisions since the last valuation.



September 23, 2025

Board of Administration
City of San José Police and Fire Department Retirement Plan
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 Police and Fire Department Retirement Plan with respect to Other Postemployment Benefits (OPEB) provided through the City of San José Police Department 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.

Historically, member and City contributions to the plan have been negotiated through collective bargaining and have not been actuarially determined. With the implementation of Measure F, member contributions are fixed at 8.0% 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. In addition, the City can limit its contribution for the explicit subsidy to 11% of the total Police and Fire payroll.

Board of Administration
September 23, 2025
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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 this letter's actuarial assumptions and methods attachment 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 letter 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 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



Actuary's Certification Letter - Police OPEB *(continued)*

Board of Administration
September 23, 2025
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Actuarial Standards of Practice set out by the Actuarial 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.

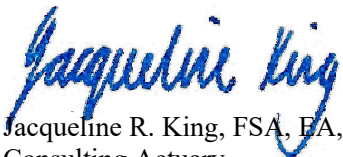
Sincerely,
Cheiron



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

POLICE 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 7, 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 6.50% based on Meketa's 10-year capital market assumptions and the Plan'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:

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

POLICE DEPARTMENT - ANNUAL INCREASE %														
FY Beginning	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
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
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
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
Part B Premiums	3.43	5.88	7.83	5.95	6.49	6.05	6.62	7.01	6.93	6.72	6.51	6.30	6.09	5.88
FY Beginning	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052
Pre-Medicare	4.50	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
Medicare Eligible	4.50	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
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
Part B Premiums	5.68	5.47	5.26	5.05	4.84	4.63	4.42	4.21	4.00	3.75	3.60	3.60	3.60	3.60
FY Beginning	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066
Pre-Medicare	4.41	4.41	4.40	4.40	4.39	4.39	4.38	4.38	4.37	4.37	4.36	4.36	4.33	4.29
Medicare Eligible	4.41	4.41	4.40	4.40	4.39	4.39	4.38	4.38	4.37	4.37	4.36	4.36	4.33	4.29
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
Part B Premiums	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
FY Beginning	2067	2068	2069	2070	2071	2072	2073	2074	2075+					
Pre-Medicare	4.24	4.20	4.16	4.12	4.08	4.03	3.99	3.95	3.94					
Medicare Eligible	4.24	4.20	4.16	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	3.50	3.50	3.50					
Part B Premiums	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60					

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 actual calendar year 2025 premiums and a trend assumption for calendar year 2026. The trend factors vary by plan as shown in the table on the next page.

Actuarial Assumptions and Methods *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE *(continued)*

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

FY 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 7, 2024 Board meeting based on the actuary's recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 2, 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 2, 2023 Board presentation for details, including the rationale for each assumption.

1) Salary Increase Rate

Wage inflation component: Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Police members have an ongoing non-pensionable 4.00% retention pay that becomes pensionable as well as a bargained increase of 3.00% for July 1, 2024.

Merit increases: The following merit component is added to wage inflation, based on an individual member's years of service.

POLICE TIER 1 - MERIT SALARY INCREASES					
Years of Service	Increase	Years of Service	Increase	Years of Service	Increase
0	6.50%	4	5.25%	8	1.00%
1	6.50%	5	4.25%	9	0.80%
2	6.25%	6	2.50%	10+	0.60%
3	5.75%	7	1.50%		

2) Administrative Expenses

For FYE 2026, trust administrative expenses are assumed to equal \$34 per full benefit member and are assumed to increase at the ultimate wage inflation assumption of 3.00% per annum.

3) Retirement Rates

Rates of retirement are based on age and service according to the following tables. Tier 1 rates only apply when the member is eligible for unreduced pension benefits.

POLICE TIER 1 - RATES OF RETIREMENT BY AGE AND SERVICE								
Age	50	51	52 - 54	55	56	57	58 - 61	62+
<25 years	0.0%	0.0%	0.0%	30.0%	30.0%	30.0%	45.0%	100.0%
25 - 29 years	55.0%	45.0%	35.0%	40.0%	45.0%	50.0%	50.0%	100.0%
30+ years	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	100.0%

Actuarial Assumptions and Methods *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE *(continued)*

POLICE TIER 2 - RATES OF RETIREMENT BY AGE AND SERVICE					
Age	50 - 56	57 - 59	60 - 61	62 - 64	65+
5 - 19 years	2.0%	7.5%	10.0%	25.0%	100.0%
20 - 24 years	2.0%	10.0%	20.0%	50.0%	100.0%
25 - 29 years	2.0%	20.0%	35.0%	75.0%	100.0%
30+ years	5.0%	100.0%	100.0%	100.0%	100.0%

4) Deferred Vested Member Retirement Age

Tier 1 vested terminated members are assumed to retire at age 50 if they have 25 or more years of service or at age 55 if they have less than 25 years of service. Tier 2 vested terminated members are assumed to retire at age 60.

5) Rates of Termination

Termination rates do not apply once retirement rates apply. Rates of termination are shown in the following table.

POLICE DEPARTMENT - RATES OF TERMINATION							
Years of Service	Termination Rate	Years of Service	Termination Rate	Years of Service	Termination Rate	Years of Service	Termination Rate
0	11.00%	5	3.75%	10	3.25%	15	2.25%
1	8.00%	6	3.55%	11	3.25%	16	1.75%
2	6.25%	7	3.40%	12	3.15%	17	1.50%
3	5.00%	8	3.30%	13	2.95%	18	1.25%
4	4.25%	9	3.25%	14	2.75%	19+	1.00%

6) Rates of Mortality

Mortality rates for actives, retirees, beneficiaries, terminated vested, and reciprocals are based on the sex-distinct employee and annuitant mortality tables shown below. Future mortality improvements are reflected by applying the SOA MP-2021 projection scale on a generational basis from the base year of 2010.

POLICE DEPARTMENT - BASE MORTALITY TABLE		
Category	Male	Female
Healthy Retirees	0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees	0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees
Disabled Retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees
Beneficiaries	1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy retirees	1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy retirees
Healthy Non-Annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees

7) Disability Rates

Police disability rates are equal to the CalPERS Police Officers & Firefighters (POFF) industrial and non-industrial rates multiplied by 104.0%. All disabilities are assumed to be duty related. Sample disability rates of active participants are provided in the following table:

POLICE DEPARTMENT - RATES OF DISABILITY AT SELECTED AGES									
Age	25	30	35	40	45	50	55	60	65
Rate	0.12%	0.20%	0.33%	0.52%	0.80%	1.17%	1.65%	2.24%	2.96%

Actuarial Assumptions and Methods *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE *(continued)*

8) Percent of 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.

POLICE DEPARTMENT - FUTURE RETIREE PARTICIPATION		
	Coverage	In-Lieu
Active members	70.0%	30.0%
Terminated vested members	50.0%	50.0%

9) Dependent Coverage Election

Upon retirement, members who elect coverage are assumed to cover dependents according to the following table. 100% of members eligible for dental are assumed to elect spousal coverage.

POLICE DEPARTMENT - ASSUMED FUTURE RETIREE TIER ELECTIONS				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree only	17.0%	52.0%	23.0%	75.0%
Retiree and children	6.0%	23.0%	0.0%	0.0%
Retiree and spouse	30.0%	15.0%	77.0%	25.0%
Retiree and family	47.0%	10.0%	0.0%	0.0%

10) 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.

POLICE DEPARTMENT - ASSUMED FUTURE RETIREE IN-LIEU CREDIT TIER				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree only	17.0%	17.0%	37.0%	37.0%
Retiree and children	0.0%	0.0%	0.0%	0.0%
Retiree and spouse	23.0%	23.0%	63.0%	63.0%
Retiree and family	60.0%	60.0%	0.0%	0.0%

11) 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.

POLICE DEPARTMENT - ASSUMED PLAN ELECTIONS FOR FUTURE RETIREES ¹			
Pre-Medicare Medical Plans	% Electing	Medicare-Eligible Medical Plans	% Electing
Kaiser DHMO	5.0%	Kaiser Senior Advantage	43.0%
Kaiser \$25 co-pay	62.0%	Anthem Medicare PPO	57.0%
Kaiser HDHP	6.0%		
Anthem DHMO	3.0%		
Anthem Select \$20 co-pay	8.0%		
Anthem Traditional \$20 co-pay	3.0%		
Anthem HDHP PPO	9.0%	Dental Plans (All Retirees)	% Electing
Anthem Select PPO	3.0%	Delta Dental PPO	99.0%
Anthem Classic PPO	1.0%	DeltaCare HMO	1.0%

¹ Eligible for coverage and elect coverage

Actuarial Assumptions and Methods *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

12) 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.

13) Married Percentage

POLICE DEPARTMENT - PERCENTAGE MARRIED		
	Males	Females
Percentage	85.0%	85.0%

14) Dependent Age

For current retirees, actual spouse date of birth was used when available. For future retirees, husbands are assumed to be three years older than their wives.

15) Changes Since Last Valuation

Future retiree tier and in-lieu election assumptions were updated.

The administrative expense assumption was updated.

Claim and Health Plan Benefit Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the November 7, 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 but the load for children for Police and Fire was developed separately from the load for Federated.

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)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

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

POLICE DEPARTMENT - SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE						
	Kaiser		Anthem HMO		Anthem PPO	
Age	Male	Female	Male	Female	Male	Female
40	\$ 13,271	\$ 16,117	\$ 17,932	\$ 21,418	\$ 21,600	\$ 26,913
45	13,379	15,578	17,726	20,419	22,441	26,545
50	13,929	15,717	18,061	20,250	24,106	27,443
55	15,191	16,452	19,268	20,812	27,101	29,454
60	17,525	17,090	21,787	21,255	32,096	31,284
64	20,462	16,658	25,114	20,456	38,089	30,990

POLICE DEPARTMENT - SAMPLE CLAIMS COSTS - MEDICARE ELIGIBLE				
	Kaiser Senior Adv		Anthem Select PPO	
Age	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

POLICE DEPARTMENT - 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)*

POLICE 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 Plan. The actuarial liability for the Plan represents the target amount of assets the Plan 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 was amortized as a level percent of payroll over a closed 25-year period. All future amortization bases will be amortized over 25-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 the amortization payment described above less expected employee contributions. The City has the option to limit its contribution to no more than 11.0% of total payroll.

Active members that are eligible for full benefits will contribute 8.0% of pay.

5) Changes Since Last Valuation

None.

Plan Experiences

POLICE POSTEMPLOYMENT HEALTHCARE

POLICE DEPARTMENT - SCHEDULE OF ACTIVE MEMBER DATA						
Valuation Date	Active Member Counts			Annual Payroll	Average Annual Pay	Change in Average Pay
	Under Age 65	Age 65+	Total			
6/30/2024	999	0	999	\$ 176,793,639	\$ 176,971	9.4%
6/30/2023	1,047	0	1,047	169,293,313	161,694	6.7%
6/30/2022	1,093	0	1,093	165,636,770	151,543	4.3%
6/30/2021	1,081	0	1,081	157,000,932	145,237	3.3%
6/30/2020	1,047	0	1,047	147,268,605	140,658	(0.5%)
6/30/2019	1,039	0	1,039	146,865,241	141,352	4.4%
6/30/2018	974	0	974	131,888,184	135,409	1.0%
6/30/2017	897	0	897	120,299,327	134,113	10.0%
6/30/2016	911	0	911	111,028,782	121,876	3.1%
6/30/2015	929	0	929	109,868,577	118,265	

POLICE DEPARTMENT - 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 in Annual Subsidy	Average Annual Subsidy
	Count	Annual Subsidy	Count	Count	Count	Annual Subsidy	Count	Annual Subsidy		
Medical										
2023-24	1,480	\$ 14,376	60	31	1,509	\$ 14,966	29	\$ 591	4.1%	\$ 9,918
2022-23	1,444	13,143	63	27	1,480	14,376	36	1,232	9.4%	9,713
2021-22	1,403	13,091	68	27	1,444	13,143	41	53	0.4%	9,102
2020-21	1,353	12,410	74	24	1,403	13,091	50	681	5.5%	9,331
2019-20	1,242	11,217	132	21	1,353	12,410	111	1,193	10.6%	9,172
2018-19	1,233	10,633	69	60	1,242	11,217	9	584	5.5%	9,031
2017-18	1,198	12,719	73	38	1,233	10,633	35	(2,086)	(16.4%)	8,624
2016-17	1,169	12,037	56	27	1,198	12,719	29	681	5.7%	10,616
2015-16	1,141	11,641	60	32	1,169	12,037	28	397	3.4%	10,297
2014-15	1,106	11,900	71	36	1,141	11,641	35	(259)	(2.2%)	10,202
Dental										
2023-24	1,463	\$ 1,912	57	39	1,481	\$ 1,894	18	\$ (18)	(0.9%)	\$ 1,279
2022-23	1,435	1,502	60	32	1,463	1,912	28	410	27.3%	1,307
2021-22	1,399	1,776	66	30	1,435	1,502	36	(274)	(15.4%)	1,047
2020-21	1,359	1,723	66	26	1,399	1,776	40	53	3.1%	1,269
2019-20	1,315	1,693	71	27	1,359	1,723	44	30	1.8%	1,268
2018-19	1,269	1,626	70	24	1,315	1,693	46	67	4.1%	1,288
2017-18	1,248	1,605	59	38	1,269	1,626	21	20	1.3%	1,281
2016-17	1,220	1,510	50	22	1,248	1,605	28	96	6.3%	1,286
2015-16	1,199	1,497	42	21	1,220	1,510	21	12	0.8%	1,237
2014-15	1,139	1,428	79	19	1,199	1,497	60	69	4.8%	1,249

Annual subsidies are explicit amounts in thousands

Plan Experiences *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE *(continued)*

POLICE DEPARTMENT - MEMBER BENEFIT COVERAGE INFORMATION						
Actuarial Valuation Date	Actuarial Liability		Active Members	Fair Value of Assets ¹	Portion of Liability Covered by Actuarial Value of Assets	
	Retirees and Vested Terminated					
	(A)	(B)			(A)	(B)
6/30/2024	\$ 434,139	\$ 123,493	\$ 218,894	50.4%	0.0%	
6/30/2023	413,934	136,206	191,682	46.3%	0.0%	
6/30/2022	345,739	130,013	171,369	49.6%	0.0%	
6/30/2021	343,241	138,464	180,002	52.4%	0.0%	
6/30/2020	324,689	143,413	137,789	42.4%	0.0%	
6/30/2019	293,344	142,094	124,990	42.6%	0.0%	
6/30/2018	305,606	166,211	111,659	36.5%	0.0%	
6/30/2017	280,546	150,792	99,926	35.6%	0.0%	
6/30/2016	307,941	188,002	97,412	31.6%	0.0%	
6/30/2015	290,354	179,969	85,322	29.4%	0.0%	

¹ Actuarial value of assets for 6/30/2016 and earlier

Dollar amounts in thousands

POLICE DEPARTMENT - ANALYSIS OF FINANCIAL EXPERIENCE					
Gain or (Loss) for the Year Ending on Valuation Date Due to:					
Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Assumption Changes	Total Experience
6/30/2024	\$ 7,953	\$ 5,995	\$ 13,948	\$ 6,615	\$ 20,563
6/30/2023	1,583	(40,872)	(39,289)	(15,899)	(55,189)
6/30/2022	(28,934)	36,673	7,739	(11,836)	(4,097)
6/30/2021	25,626	27,361	52,987	(21,845)	31,143
6/30/2020	(4,115)	17,054	12,939	(30,044)	(17,106)
6/30/2019	(2,839)	64,974	62,135	(6,817)	55,318
6/30/2018	(2,442)	3,712	1,270	(22,819)	(21,549)
6/30/2017	2,647	(15,108)	(12,461)	29,245	16,784
6/30/2016	(2,914)	(2,728)	(5,642)	4,864	(778)
6/30/2015	582	7,990	8,572	(3,449)	5,123

The analysis was combined for Police and Fire for 6/30/2017 and earlier.

Dollar amounts in thousands

Plan Experiences *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan 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. Since the June 30, 2017 valuation, the actuarial value of assets is equal to the fair value of assets.

POLICE DEPARTMENT - SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AL)	Unfunded AL (UAL)	Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
	(a)	(b)	(b - a)	(a / b)	(c)	((b - a) / c)
6/30/2024	\$ 218,894	\$ 557,632	\$ 338,738	39.3%	\$ 176,794	191.6%
6/30/2023	191,682	550,140	358,459	34.8%	169,293	211.7%
6/30/2022	171,369	475,753	304,384	36.0%	165,637	183.8%
6/30/2021	180,002	481,704	301,702	37.4%	157,594	191.4%
6/30/2020	137,789	468,102	330,314	29.4%	147,269	224.3%
6/30/2019	124,990	435,438	310,448	28.7%	146,865	211.4%
6/30/2018	111,659	471,817	360,158	23.7%	131,888	273.1%
6/30/2017	99,926	431,338	331,412	23.2%	120,299	275.5%
6/30/2016	97,412	495,943	398,531	19.6%	111,029	358.9%
6/30/2015	85,322	470,323	385,001	18.1%	109,783	350.7%

Dollar amounts in thousands

Summary of Key Substantive Plan Provisions

POLICE POSTEMPLOYMENT HEALTHCARE

Eligibility

Employees hired before July 2013 that did not elect to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

Medical / Dental

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 August 4, 2013) are eligible for unreduced service retirement at age 55 with 20 years of service, age 50 with 25 years of service, age 70 with no service requirement, or any age with 30 years of service. Reduced service retirement is available at age 50 with 20 years of service. Tier 2 employees (hired on or after August 4, 2013) are eligible for unreduced service retirement at age 60 with 10 years of service or reduced service retirement at age 50 with 10 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 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.

Employees who separate from service after July 5, 1992 with 20 years of service, leaving contributions in the retirement Plan, are eligible to elect medical and / or dental coverage upon retirement.

Benefits for Retirees

Medical:

The Plan 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.

To the extent that the elected plan premium is less than the maximum subsidy amount, Medicare-eligible retirees receive reimbursement of Medicare Part B premiums for themselves and their covered spouse, if applicable.

Dental:

The Plan pays 100.0% of the dental insurance premiums.

Premiums:

Monthly premiums before adjustments for 2024 and 2025 are as follows.

Summary of Key Substantive Plan Provisions *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE *(continued)*

POLICE DEPARTMENT - 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

Anthem HMO Medicare family rates assume the children are on the Non-Medicare \$20 co-pay Anthem HMO.

POLICE DEPARTMENT - 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

Anthem HMO Medicare family rates assume the children are on the Non-Medicare \$20 co-pay Anthem HMO.

Summary of Key Substantive Plan Provisions *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

POLICE DEPARTMENT - SUMMARY OF 2025 BENEFIT PLANS								
Non-Medicare	Kaiser			Anthem HMO		Anthem PPO ¹		
Plans	High Deductible	DHMO	\$25 Co-pay	\$20 Co-pay	DHMO	Select	Classic	High Deductible
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)	\$3,300 / \$6,600	\$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	\$10	\$10
Non-formulary	\$10	\$25
Specialty drug	N/A	\$40

Cost-Sharing Provisions

It is assumed for the purpose of this valuation 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, contributions, or both.

CATASTROPHIC DISABILITY HEALTHCARE PROGRAM

Eligibility: Employees hired after June 2013 or employees who elected to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

Contributions: Employees are required to make mandatory contributions into the VEBA on a pre-tax basis.

EMPLOYEE GROUP	VEBA CONTRIBUTION RATE
Tier 1	5.0%
Tier 2	4.0%

Medical: VEBA funds can be used to reimburse members for eligible healthcare expenses. VEBA members on service-connected disability will receive benefits from the Postemployment Healthcare Plan up to age 65 once VEBA funds are exhausted.



September 23, 2025

Board of Administration
City of San José Police and Fire Department Retirement Plan
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 Police and Fire Department Retirement Plan with respect to Other Postemployment Benefits (OPEB) provided through the City of San José Fire Department 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.

Historically, member and City contributions to the plan have been negotiated through collective bargaining and have not been actuarially determined. With the implementation of Measure F, member contributions are fixed at 8.0% 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. In addition, the City can limit its contribution for the explicit subsidy to 11% of the total Police and Fire payroll.

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September 23, 2025
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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 this letter's actuarial assumptions and methods attachment 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 letter 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 Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries,



Actuary's Certification Letter - Fire OPEB *(continued)*

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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.

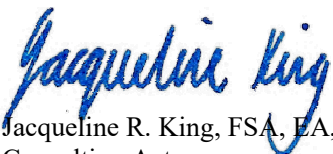
Sincerely,
Cheiron



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

FIRE 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 7, 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 6.50% based on Meketa's 10-year capital market assumptions and the Plan'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:

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

FIRE DEPARTMENT - ANNUAL INCREASE %														
FY Beginning	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
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
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
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
Part B Premiums	3.43	5.88	7.83	5.95	6.49	6.05	6.62	7.01	6.93	6.72	6.51	6.30	6.09	5.88
FY Beginning	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052
Pre-Medicare	4.50	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
Medicare Eligible	4.50	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
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
Part B Premiums	5.68	5.47	5.26	5.05	4.84	4.63	4.42	4.21	4.00	3.75	3.60	3.60	3.60	3.60
FY Beginning	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066
Pre-Medicare	4.41	4.41	4.40	4.40	4.39	4.39	4.38	4.38	4.37	4.37	4.36	4.36	4.33	4.29
Medicare Eligible	4.41	4.41	4.40	4.40	4.39	4.39	4.38	4.38	4.37	4.37	4.36	4.36	4.33	4.29
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
Part B Premiums	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
FY Beginning	2067	2068	2069	2070	2071	2072	2073	2074	2075+					
Pre-Medicare	4.24	4.20	4.16	4.12	4.08	4.03	3.99	3.95	3.94					
Medicare Eligible	4.24	4.20	4.16	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	3.50	3.50	3.50					
Part B Premiums	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60					

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 actual calendar year 2025 premiums and a trend assumption for calendar year 2026. The trend factors vary by plan as shown in the table on the next page.

Actuarial Assumptions and Methods *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE *(continued)*

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

FY 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 7, 2024 Board meeting based on the actuary's recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 2, 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 2, 2023 Board presentation for details, including the rationale for each assumption.

1) Salary Increase Rate

Wage inflation component: Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Fire members have bargained increases of 6.00% effective July 1, 2024, 4.00% effective July 1, 2025, 1.00% effective January 1, 2026, and 3.50% effective July 1, 2026.

Merit Increases: The following merit component is added to wage inflation, based on an individual member's years of service:

FIRE TIER 1 - MERIT SALARY INCREASES					
Years of Service	Increase	Years of Service	Increase	Years of Service	Increase
0	6.50%	4	5.25%	8	1.00%
1	6.50%	5	4.25%	9	0.80%
2	6.25%	6	2.50%	10+	0.60%
3	5.75%	7	1.50%		

2) Administrative Expenses

For FYE 2026, trust administrative expenses are assumed to equal \$34 per full benefit member and are assumed to increase at the ultimate wage inflation assumption of 3.00% per annum.

3) Retirement Rates

Rates of retirement are based on age and service according to the following tables. Tier 1 rates only apply when the member is eligible for unreduced pension benefits.

FIRE TIER 1 - RATES OF RETIREMENT BY AGE AND SERVICE								
Age	50	51	52 - 54	55	56	57	58 - 61	62+
<25 years	0.0%	0.0%	0.0%	30.0%	25.0%	20.0%	27.5%	100.0%
25 - 29 years	45.0%	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	100.0%
30+ years	50.0%	50.0%	50.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Actuarial Assumptions and Methods *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE *(continued)*

FIRE TIER 2 - RATES OF RETIREMENT BY AGE AND SERVICE					
Age	50 - 56	57 - 59	60 - 61	62 - 64	65+
5 - 19 years	1.0%	5.0%	7.5%	20.0%	100.0%
20 - 24 years	1.0%	7.5%	15.0%	35.0%	100.0%
25 - 29 years	1.0%	15.0%	25.0%	50.0%	100.0%
30+ years	2.5%	100.0%	100.0%	100.0%	100.0%

4) Deferred Vested Member Retirement Age

Tier 1 vested terminated members are assumed to retire at age 50 if they have 25 or more years of service or at age 55 if they have less than 25 years of service. Tier 2 vested terminated members are assumed to retire at age 60.

5) Rates of Termination

Termination rates do not apply once retirement rates apply. Rates of termination are shown in the following table.

FIRE DEPARTMENT - RATES OF TERMINATION							
Years of Service	Termination Rate	Years of Service	Termination Rate	Years of Service	Termination Rate	Years of Service	Termination Rate
0	8.50%	5	1.00%	10	0.50%	15	0.50%
1	4.00%	6	0.90%	11	0.50%	16	0.50%
2	2.75%	7	0.80%	12	0.50%	17	0.50%
3	1.75%	8	0.70%	13	0.50%	18	0.50%
4	1.25%	9	0.60%	14	0.50%	19+	0.50%

6) Rates of Mortality

Mortality rates for actives, retirees, beneficiaries, terminated vested and reciprocals are based on the sex-distinct employee and annuitant mortality tables shown below. Future mortality improvements are reflected by applying the SOA MP-2021 projection scale on a generational basis from the base year of 2010.

FIRE DEPARTMENT - BASE MORTALITY TABLE		
Category	Male	Female
Healthy Retirees	0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees	0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees
Disabled Retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees
Beneficiaries	1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy retirees	1.032 times the 2010 General Member Mortality Table (PubG-2010) for healthy retirees
Healthy Non-Annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees

7) Disability Rates

Fire disability rates are equal to the CalPERS Police Officers & Firefighters (POFF) industrial and non-industrial rates multiplied by 104.0%. All disabilities are assumed to be duty related. Sample disability rates of active participants are provided in the following table:

FIRE DEPARTMENT - RATES OF DISABILITY AT SELECTED AGES									
Age	25	30	35	40	45	50	55	60	65
Rate	0.12%	0.20%	0.33%	0.52%	0.80%	1.17%	1.65%	2.24%	2.96%

Actuarial Assumptions and Methods *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE *(continued)*

8) Percent of 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.

FIRE DEPARTMENT - FUTURE RETIREE PARTICIPATION		
	Coverage	In-Lieu
Active members	70.0%	30.0%
Terminated vested members	50.0%	50.0%

9) Dependent Coverage Election

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

FIRE DEPARTMENT - ASSUMED FUTURE RETIREE TIER ELECTIONS				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree only	17.0%	52.0%	23.0%	75.0%
Retiree and children	6.0%	23.0%	0.0%	0.0%
Retiree and spouse	30.0%	15.0%	77.0%	25.0%
Retiree and family	47.0%	10.0%	0.0%	0.0%

10) 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.

FIRE DEPARTMENT - ASSUMED FUTURE RETIREE IN-LIEU CREDIT TIER				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree only	17.0%	17.0%	37.0%	37.0%
Retiree and children	0.0%	0.0%	0.0%	0.0%
Retiree and spouse	23.0%	23.0%	63.0%	63.0%
Retiree and family	60.0%	60.0%	0.0%	0.0%

11) 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.

FIRE DEPARTMENT - ASSUMED PLAN ELECTIONS FOR FUTURE RETIREES ¹			
Pre-Medicare Medical Plans	% Electing	Medicare-Eligible Medical Plans	% Electing
Kaiser DHMO	5.0%	Kaiser Senior Advantage	43.0%
Kaiser \$25 co-pay	62.0%	Anthem Medicare PPO	57.0%
Kaiser HDHP	6.0%		
Anthem DHMO	3.0%		
Anthem Select \$20 co-pay	8.0%		
Anthem Traditional \$20 co-pay	3.0%		
Anthem HDHP PPO	9.0%	Dental Plans (All Retirees)	% Electing
Anthem Select PPO	3.0%	Delta Dental PPO	99.0%
Anthem Classic PPO	1.0%	DeltaCare HMO	1.0%

¹ Eligible for coverage and elect coverage

Actuarial Assumptions and Methods (continued)

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

12) 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.

13) Married Percentage

FIRE DEPARTMENT - PERCENTAGE MARRIED		
	Males	Females
Percentage	85.0%	85.0%

14) Dependent Age

For current retirees, actual spouse date of birth was used when available. For future retirees, husbands are assumed to be three years older than their wives.

15) Changes Since Last Valuation

Future retiree tier and in-lieu election assumptions were updated.

The administrative expense assumption was updated.

Claim and Health Plan Benefit Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the November 7, 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 but the load for children for Police and Fire was developed separately from the load for Federated.

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)*

FIRE POSTEMPLOYMENT HEALTHCARE *(continued)*

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

FIRE DEPARTMENT - SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE						
	Kaiser		Anthem HMO		Anthem PPO	
Age	Male	Female	Male	Female	Male	Female
40	\$ 13,271	\$ 16,117	\$ 17,932	\$ 21,418	\$ 21,600	\$ 26,913
45	13,379	15,578	17,726	20,419	22,441	26,545
50	13,929	15,717	18,061	20,250	24,106	27,443
55	15,191	16,452	19,268	20,812	27,101	29,454
60	17,525	17,090	21,787	21,255	32,096	31,284
64	20,462	16,658	25,114	20,456	38,089	30,990

FIRE DEPARTMENT - SAMPLE CLAIMS COSTS - MEDICARE ELIGIBLE				
	Kaiser Senior Adv		Anthem Select PPO	
Age	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

FIRE DEPARTMENT - 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)*

FIRE 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 Plan. The actuarial liability for the Plan represents the target amount of assets the Plan 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 was amortized as a level percent of payroll over a closed 25-year period. All future amortization bases will be amortized over 25-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 the amortization payment described above less expected employee contributions. The City has the option to limit its contribution to no more than 11.0% of total payroll.

Active members that are eligible for full benefits will contribute 8.0% of pay.

5) Changes Since Last Valuation

None.

Plan Experiences

FIRE POSTEMPLOYMENT HEALTHCARE

FIRE DEPARTMENT - SCHEDULE OF ACTIVE MEMBER DATA						
Valuation Date	Active Member Counts			Annual Payroll	Average Annual Pay	Change in Average Pay
	Under Age 65	Age 65+	Total			
6/30/2024	641	0	641	\$ 108,554,867	\$ 169,352	7.0%
6/30/2023	648	0	648	102,599,376	158,332	5.8%
6/30/2022	653	0	653	97,757,818	149,706	2.9%
6/30/2021	657	0	657	95,556,891	145,444	2.9%
6/30/2020	662	0	662	93,529,264	141,283	5.1%
6/30/2019	662	0	662	88,952,979	134,370	3.1%
6/30/2018	664	0	664	86,541,114	130,333	1.0%
6/30/2017	646	0	646	83,370,711	129,057	4.3%
6/30/2016	671	0	671	83,043,310	123,761	7.5%
6/30/2015	648	0	648	74,613,261	115,144	

FIRE DEPARTMENT - 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 in Annual Subsidy	Average Annual Subsidy	
	Count	Annual Subsidy	Count	Count	Count	Annual Subsidy	Count	Annual Subsidy			
Medical											
2023-24	879	\$ 8,432	36	21	894	\$ 8,852	15	\$ 420	5.0%	\$ 9,902	
2022-23	856	7,545	51	28	879	8,432	23	887	11.8%	9,592	
2021-22	832	7,525	54	30	856	7,545	24	20	0.3%	8,814	
2020-21	825	7,332	36	29	832	7,525	7	192	2.6%	9,044	
2019-20	799	6,791	41	15	825	7,332	26	542	8.0%	8,888	
2018-19	803	6,518	27	31	799	6,791	(4)	272	4.2%	8,499	
2017-18	776	7,455	47	20	803	6,518	27	(937)	(12.6%)	8,117	
2016-17	752	6,976	42	18	776	7,455	24	479	6.9%	9,607	
2015-16	758	6,965	28	34	752	6,976	(6)	11	0.2%	9,277	
2014-15	743	7,095	35	20	758	6,965	15	(130)	(1.8%)	9,189	
Dental											
2023-24	876	\$ 1,065	36	22	890	\$ 1,048	14	\$ (17)	(1.6%)	\$ 1,178	
2022-23	861	829	45	30	876	1,065	15	236	28.5%	1,216	
2021-22	841	977	51	31	861	829	20	(148)	(15.2%)	962	
2020-21	839	970	32	30	841	977	2	7	0.7%	1,161	
2019-20	828	963	26	15	839	970	11	7	0.7%	1,156	
2018-19	828	962	26	26	828	963	0	1	0.2%	1,163	
2017-18	808	942	39	19	828	962	20	20	2.1%	1,162	
2016-17	798	893	30	20	808	942	10	49	5.5%	1,166	
2015-16	793	891	23	18	798	893	5	2	0.2%	1,120	
2014-15	778	876	29	14	793	891	15	15	1.8%	1,124	

Annual subsidies are explicit amounts in thousands

Plan Experiences *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE *(continued)*

FIRE DEPARTMENT - MEMBER BENEFIT COVERAGE INFORMATION						
Actuarial Valuation Date	Actuarial Liability		Active Members	Fair Value of Assets ¹	Portion of Liability Covered by Actuarial Value of Assets	
	Retirees and Vested Terminated					
	(A)	(B)			(A)	(B)
6/30/2024	\$ 216,029	\$ 111,506	\$ 125,313	58.0%	0.0%	
6/30/2023	206,503	119,594	107,682	52.1%	0.0%	
6/30/2022	168,837	107,466	93,904	55.6%	0.0%	
6/30/2021	162,834	113,670	96,311	59.1%	0.0%	
6/30/2020	161,088	109,823	70,743	43.9%	0.0%	
6/30/2019	154,885	103,007	60,967	39.4%	0.0%	
6/30/2018	161,946	113,510	50,861	31.4%	0.0%	
6/30/2017	147,204	101,704	42,591	28.9%	0.0%	
6/30/2016	164,063	118,866	37,795	23.0%	0.0%	
6/30/2015	161,381	108,049	29,243	18.1%	0.0%	

¹ Actuarial value of assets for 6/30/2016 and earlier

Dollar amounts in thousands

FIRE DEPARTMENT - ANALYSIS OF FINANCIAL EXPERIENCE					
Gain or (Loss) for the Year Ending on Valuation Date Due to:					
Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Assumption Changes	Total Experience
6/30/2024	\$ 4,507	\$ 8,414	\$ 12,921	\$ 4,520	\$ 17,441
6/30/2023	791	(27,055)	(26,264)	(10,286)	(36,550)
6/30/2022	(16,421)	19,851	3,430	(6,488)	(3,058)
6/30/2021	12,961	23,287	36,248	(14,737)	21,511
6/30/2020	(2,137)	19,190	17,053	(18,287)	(1,234)
6/30/2019	(1,205)	34,915	33,710	(1,749)	31,961
6/30/2018	(1,548)	(311)	(1,859)	(13,568)	(15,427)
6/30/2017	2,647	(15,108)	(12,461)	29,245	16,784
6/30/2016	(2,914)	(2,728)	(5,642)	4,864	(778)
6/30/2015	582	7,990	8,572	(3,449)	5,123

The analysis was combined for Police and Fire for 6/30/2017 and earlier.

Dollar amounts in thousands

Plan Experiences *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE *(continued)*

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan 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. Since the June 30, 2017 valuation, the actuarial value of assets is equal to the fair value of assets.

FIRE DEPARTMENT - SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AL)	Unfunded AL (UAL)	Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
	(a)	(b)	(b - a)	(a / b)	(c)	((b - a) / c)
6/30/2024	\$ 125,313	\$ 327,535	\$ 202,222	38.3%	\$ 108,555	186.3%
6/30/2023	107,682	326,097	218,415	33.0%	102,599	212.9%
6/30/2022	93,904	276,304	182,399	34.0%	97,758	186.6%
6/30/2021	96,311	276,504	180,193	34.8%	95,841	188.0%
6/30/2020	70,743	270,912	200,169	26.1%	93,529	214.0%
6/30/2019	60,967	257,890	196,924	23.6%	88,953	221.4%
6/30/2018	50,861	275,456	224,595	18.5%	86,541	259.5%
6/30/2017	42,591	248,908	206,317	17.1%	83,517	247.0%
6/30/2016	37,795	282,929	245,134	13.4%	83,043	295.2%
6/30/2015	29,243	269,430	240,187	10.9%	74,950	320.5%

Dollar amounts in thousands

Summary of Key Substantive Plan Provisions

FIRE POSTEMPLOYMENT HEALTHCARE

Eligibility

Employees hired before July 2013 that did not elect to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

Medical / Dental

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 August 4, 2013) are eligible for unreduced service retirement at age 55 with 20 years of service, age 50 with 25 years of service, age 70 with no service requirement, or any age with 30 years of service. Reduced service retirement is available at age 50 with 20 years of service. Tier 2 employees (hired on or after August 4, 2013) are eligible for unreduced service retirement at age 60 with 10 years of service or reduced service retirement at age 50 with 10 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 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.

Employees who separate from service after July 5, 1992, with 20 years of service, leaving contributions in the retirement plan, are eligible to elect medical and / or dental coverage upon retirement.

Benefits for Retirees

Medical:

The Plan 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.

To the extent that the elected plan premium is less than the maximum subsidy amount, Medicare-eligible retirees receive reimbursement of Medicare Part B premiums for themselves and their covered spouse, if applicable.

Dental:

The Plan pays 100.0% of the dental insurance premiums.

Summary of Key Substantive Plan Provisions (continued)

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

Premiums:

Monthly premiums before adjustments for 2024 and 2025 are as follows.

FIRE DEPARTMENT - 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	

Anthem HMO Medicare family rates assume the children are on the Non-Medicare \$20 co-pay Anthem HMO.

FIRE DEPARTMENT - 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	

Anthem HMO Medicare family rates assume the children are on the Non-Medicare \$20 co-pay Anthem HMO.

Summary of Key Substantive Plan Provisions (continued)

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

FIRE DEPARTMENT - SUMMARY OF 2025 BENEFIT PLANS								
Non-Medicare	Kaiser			Anthem HMO		Anthem PPO ¹		
Plans	High Deductible	DHMO	\$25 Co-pay	\$20 Co-pay	DHMO	Select	Classic	High Deductible
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)	\$3,300 / \$6,600	\$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	\$10	\$10
Non-formulary	\$10	\$25
Specialty drug	N/A	\$40

Cost-Sharing Provisions

It is assumed for the purpose of this valuation 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, contributions, or both.

CATASTROPHIC DISABILITY HEALTHCARE PROGRAM

Eligibility: Employees hired after June 2013 or employees who elected to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

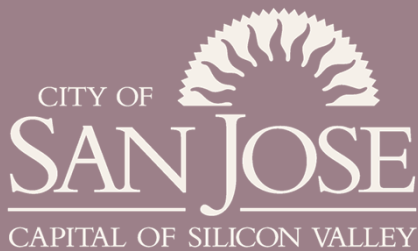
Contributions: Employees are required to make mandatory contributions into the VEBA on a pre-tax basis.

EMPLOYEE GROUP	VEBA CONTRIBUTION RATE
Tier 1	5.0%
Tier 2	4.0%

Medical: VEBA funds can be used to reimburse members for eligible healthcare expenses. VEBA members on service-connected disability will receive 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
Police and Fire Department Retirement Plan
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	\$ 35,806	\$ 34,439	\$ 32,661	\$ 31,660	\$ 29,033	\$ 27,645	\$ 24,811	\$ 23,841	\$ 20,580	\$ 21,508
Employer contributions	213,138	202,700	201,750	212,046	201,370	188,481	176,618	157,712	136,957	132,480
Investment income / (loss) ¹	538,200	437,637	359,863	(294,549)	1,044,290	134,085	114,179	233,475	292,734	(29,206)
Total additions to plan net position	787,144	674,776	594,274	(50,843)	1,274,693	350,211	315,608	415,028	450,271	124,782
Deductions										
Benefit payments	283,843	271,571	256,773	241,564	228,491	216,206	204,652	194,139	184,596	176,029
Death benefits	20,732	19,464	18,386	16,938	15,152	14,238	13,162	12,102	11,072	10,083
Refunds	2,043	920	665	1,374	667	564	194	389	364	828
Administrative expenses and other	7,776	7,879*	6,832	6,051	5,764	5,605	5,369	5,464	4,635	4,254
Total deductions from plan net position	314,394	299,834	282,656	265,927	250,074	236,613	223,377	212,094	200,667	191,194
Changes in plan net position	\$ 472,750	\$ 374,942	\$ 311,618	\$ (316,770)	\$ 1,024,619	\$ 113,598	\$ 92,231	\$ 202,934	\$ 249,604	\$ (66,412)

¹ Net of expenses

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

POSTEMPLOYMENT HEALTHCARE PLANS (Schedule 1b)

	Postemployment Healthcare 401(h)									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Additions										
Employee contributions	\$ 10,707	\$ 10,820	\$ 11,299	\$ 12,109	\$ 12,475	\$ 13,135	\$ 13,315	\$ 16,127	\$ 18,116	\$ 18,007
Employer contributions	5,614	4,444	3,238	3,261	3,015	3,347	5,716	5,716	1,599	1,389
Investment income / (loss) ¹	656	687	1,051	(1,732)	6,838	1,220	1,288	3,058	4,278	(465)
Total additions to plan net position	16,977	15,951	15,588	13,638	22,328	17,702	20,319	24,901	23,993	18,931
Deductions										
Healthcare insurance premium	16,322	18,961	23,776	23,066	25,974	25,031	26,403	27,686	24,799	23,449
Administrative expenses and other	10	37	42	44	57	72	80	75	69	74
VEBA transfer	-	-	-	-	-	-	-	-	-	-
Total deductions from plan net position	16,332	18,998	23,818	23,110	26,031	25,103	26,483	27,761	24,868	23,523
Changes in plan net position	\$ 645	\$ (3,047)	\$ (8,230)	\$ (9,472)	\$ (3,703)	\$ (7,401)	\$ (6,164)	\$ (2,860)	\$ (875)	\$ (4,592)

¹ Net of expenses

Statistical Review *(continued)*

CHANGES IN PLAN NET POSITION FOR FISCAL YEARS 2016 - 2025 *(Dollars in thousands) (continued)*

POSTEMPLOYMENT HEALTHCARE PLANS (Schedule 1b) (continued)

Police Department Healthcare Subtrust										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Additions										
Employee contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer contributions	18,015	17,672	16,951	16,735	15,320	14,595	14,086	11,265	10,905	11,576
Investment income / (loss) ¹	25,322	19,625	11,716	(15,906)	28,448	3,722	4,099	2,511	5,220	(798)
Total additions to plan net position	43,337	37,297	28,667	829	43,768	18,317	18,185	13,776	16,125	10,778
Deductions										
Healthcare insurance premium	12,032	6,872	-	-	-	-	-	-	-	-
Administrative expenses and other	58	57	38	68	33	31	28	55	71	44
VEBA transfer	-	-	-	-	-	-	-	5,276	-	-
Total deductions from plan net position	12,090	6,929	38	68	33	31	28	5,331	71	44
Changes in plan net position	\$ 31,247	\$ 30,368	\$ 28,629	\$ 761	\$ 43,735	\$ 18,286	\$ 18,157	\$ 8,445	\$ 16,054	\$ 10,734

¹ Net of expenses

Fire Department Healthcare Subtrust										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Additions										
Employee contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer contributions	11,933	11,050	10,574	10,767	10,062	9,408	8,942	8,401	8,163	8,100
Investment income / (loss) ¹	14,829	11,373	6,892	(9,663)	17,708	2,301	2,520	1,502	2,955	(420)
Total additions to plan net position	26,762	22,423	17,466	1,104	27,770	11,709	11,462	9,903	11,118	7,680
Deductions										
Healthcare insurance premium	5,722	4,866	3,752	3,392	-	-	-	-	-	-
Administrative expenses and other	39	37	22	42	20	19	18	29	42	21
VEBA transfer	-	-	-	-	-	-	-	2,621	-	-
Total deductions from plan net position	5,761	4,903	3,774	3,434	20	19	18	2,650	42	21
Changes in plan net position	\$ 21,001	\$ 17,520	\$ 13,692	\$ (2,330)	\$ 27,750	\$ 11,690	\$ 11,444	\$ 7,253	\$ 11,076	\$ 7,659

¹ Net of expenses

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 - service	\$ 165,297	\$ 162,024	\$ 150,997	\$ 137,711	\$ 128,532	\$ 119,030	\$ 109,078	\$ 101,338	\$ 96,317	\$ 90,944
Retirees - deferred vested	10,547	9,570	8,677	7,950	7,072	6,171	5,499	4,983	4,352	3,730
Survivors - service	6,840	6,221	5,675	5,492	4,975	4,556	3,870	3,321	2,815	2,537
Survivors - deferred vested	416	391	359	303	218	201	99	110	105	97
Death in service benefits	2,391	2,173	2,058	1,817	1,744	1,772	1,721	1,722	1,713	1,606
Disability Benefits										
Retirees - duty	99,591	92,274	89,763	88,699	87,769	86,198	84,239	81,874	78,801	76,440
Retirees - non-duty	1,535	1,569	1,524	1,780	1,859	1,607	1,876	1,130	973	928
Survivors - duty	10,660	10,264	9,900	8,956	7,852	7,355	7,072	6,567	6,076	5,532
Survivors - non-duty	363	365	354	344	334	323	318	312	266	230
Ex-spouse benefits	6,935	6,184	5,852	5,450	3,288	3,231	4,042	4,884	4,249	4,068
Total benefits	304,575	291,035	275,159	258,502	243,643	230,444	217,814	206,241	195,667	186,112

Type of Refund										
Separation	2,043	920	665	1,374	667	564	194	389	364	828
Total refunds	\$ 2,043	\$ 920	\$ 665	\$ 1,374	\$ 667	\$ 564	\$ 194	\$ 389	\$ 364	\$ 828

POSTEMPLOYMENT HEALTHCARE PLAN (Schedule 2b)

Type of Benefit	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Age and Service Benefits										
<i>Retirees - service</i>										
Medical	\$ 13,664	\$ 12,947	\$ 11,829	\$ 11,069	\$ 10,402	\$ 9,430	\$ 8,703	\$ 9,300	\$ 9,892	\$ 9,258
Dental	1,618	1,632	1,424	1,200	1,371	1,313	1,251	1,215	1,162	1,099
<i>Retirees - deferred vested ¹</i>										
Medical	623	547	401	363	314	271	261	319	369	315
Dental	71	68	57	46	53	50	49	49	45	39
<i>Survivors - service</i>										
Medical	551	469	411	419	361	324	266	289	268	235
Dental	58	54	48	44	48	45	38	35	30	27
<i>Survivors - deferred vested ¹</i>										
Medical	25	21	21	20	20	20	54	16	17	16
Dental	4	3	3	3	3	3	2	2	2	2
<i>Death in service benefits</i>										
Medical	150	118	131	112	119	133	139	165	184	176
Dental	25	24	20	18	22	23	23	25	25	24
Disability Benefits										
<i>Retirees - duty</i>										
Medical	9,247	8,111	7,792	7,842	8,009	7,921	7,757	8,402	9,033	8,809
Dental	1,074	1,036	960	887	1,094	1,116	1,137	1,151	1,128	1,116
<i>Retirees - non-duty</i>										
Medical	187	176	181	219	233	194	199	183	228	202
Dental	27	27	25	29	40	31	30	25	25	24
<i>Survivors - duty</i>										
Medical	984	881	857	812	746	685	654	668	679	615
Dental	107	107	98	85	93	94	92	89	83	78
<i>Survivors - non-duty</i>										
Medical	42	29	27	27	26	26	27	32	26	21
Dental	5	5	5	2	5	5	5	5	5	4
Implicit Subsidy										
Medical	5,614	4,444	3,238	3,261	3,015	3,347	5,716	5,716	1,598	1,389
Total benefits	\$ 34,076	\$ 30,699	\$ 27,528	\$ 26,458	\$ 25,974	\$ 25,031	\$ 26,403	\$ 27,686	\$ 24,799	\$ 23,449

¹ Amount includes credits from the State of California for medical benefits to the surviving spouse and family of sworn officers that died in the line of duty.

Source: Pension Administration System

Statistical Review *(continued)*

EMPLOYER AND EMPLOYEE CONTRIBUTION RATES FOR FISCAL YEARS 2016-2025 (Schedule 3)

Police Department						
Fiscal Year Ended	Tier 1			Tier 2		Tier 1 / Tier 2 OPEB Dollar Amount
	Employee Rate	Employer Rate	Employer Minimum Dollar Amount	Employee Rate	Employer Rate	
2025	18.59%	34.46%	\$79,423,000	13.65%	13.65%	\$17,976,000
2024	19.06%	33.84%	\$72,023,000	14.35%	14.35%	\$17,588,000
2023	18.99%	33.24%	\$76,350,000	14.37%	14.37%	\$17,503,000
2022	18.85%	32.47%	\$80,921,000	14.43%	14.43%	\$16,730,000
2021	18.72%	31.80%	\$79,984,000	14.18%	14.18%	\$15,320,000
2020	18.70%	31.43%	\$70,024,000	14.06%	14.06%	\$14,595,000
2019	18.28%	97.55%	N/A	13.71%	13.71%	\$13,471,000
2018	18.88%	105.62%	N/A	15.17%	25.48%	N/A
2017	20.10%	90.71%	N/A	20.48%	21.28%	N/A
2016	20.77%	83.32%	N/A	20.78%	21.58%	N/A

Beginning fiscal year 2019, the Board approved the contribution policy that sets the City OPEB contributions as a flat dollar amount.

Fire Department						
Fiscal Year Ended	Tier 1			Tier 2		Tier 1 / Tier 2 OPEB Dollar Amount
	Employee Rate	Employer Rate	Employer Minimum Dollar Amount	Employee Rate	Employer Rate	
2025	19.81%	36.57%	\$68,686,000	14.90%	14.90%	\$11,917,000
2024	19.99%	34.25%	\$69,168,000	15.11%	15.11%	\$10,977,000
2023	20.11%	34.34%	\$69,689,000	15.18%	15.18%	\$10,972,000
2022	19.91%	33.70%	\$70,887,000	15.28%	15.28%	\$10,697,000
2021	19.72%	33.18%	\$61,213,000	15.53%	15.53%	\$10,062,000
2020	19.46%	32.25%	\$55,031,000	15.39%	15.39%	\$9,408,000
2019	19.09%	98.49%	N/A	15.13%	15.13%	\$8,591,000
2018	19.38%	106.68%	N/A	16.26%	26.88%	N/A
2017	20.81%	92.23%	N/A	20.35%	21.23%	N/A
2016	21.57%	85.57%	N/A	20.90%	21.79%	N/A

Beginning fiscal year 2019, the Board approved the contribution policy that sets the City OPEB contributions as a flat dollar amount.

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	8	A	B	C	D	Total
\$1 - 500	10	0	0	3	0	0	0	3	4	5	1	3	1	10
\$501 - 1,000	28	0	0	1	0	0	1	1	25	14	3	8	3	28
\$1,001 - 1,500	41	0	0	1	0	1	5	9	25	21	7	9	4	41
\$1,501 - 2,000	52	0	0	1	0	6	3	8	34	23	5	22	2	52
\$2,001 - 2,500	56	1	0	1	0	8	6	7	33	25	2	24	5	56
\$2,501 - 3,000	68	1	3	4	1	10	14	5	30	41	1	20	6	68
\$3,001 - 3,500	50	7	1	0	0	3	10	12	17	33	6	10	1	50
\$3,501 - 4,000	68	9	1	0	1	7	21	11	18	47	3	14	4	68
\$4,001 - 4,500	69	6	1	0	4	7	37	6	8	52	2	12	3	69
\$4,501 - 5,000	78	14	0	1	3	8	28	12	12	59	5	10	4	78
\$5,001 - 5,500	94	29	1	1	10	5	41	3	4	70	9	8	7	94
\$5,501 - 6,000	75	25	5	4	7	5	18	6	5	53	2	13	7	75
\$6,001 - 6,500	93	53	3	1	14	1	15	5	1	50	12	16	15	93
\$6,501 - 7,000	118	57	3	1	23	0	24	4	6	72	8	18	20	118
\$7,001 - 7,500	115	63	3	2	35	1	6	5	0	62	12	26	15	115
\$7,501 - 8,000	99	47	6	1	26	0	12	7	0	62	9	11	17	99
\$8,001 - 8,500	76	28	0	1	38	1	7	1	0	43	11	9	13	76
\$8,501 - 9,000	106	46	1	1	47	1	8	1	1	58	12	16	20	106
\$9,001 - 9,500	158	46	3	1	101	1	3	3	0	93	20	17	28	158
\$9,501 - 10,000	141	50	0	0	87	0	1	1	2	101	18	7	15	141
\$10,001 - 10,500	147	51	1	0	92	0	1	2	0	91	14	19	23	147
\$10,501 - 11,000	115	34	3	1	75	0	2	0	0	69	13	12	21	115
Over \$11,000	961	311	4	0	608	0	10	28	0	563	102	116	180	961
Total	2,818	878	39	26	1,172	65	273	140	225	1,707	277	420	414	2,818

¹ Retirement Codes

1. Service-Connected Disability
2. Early Service
3. Non-Service-Connected Disability
4. Service
5. Survivor (survivor of active employee)
6. Continuance (survivor of retired employee)
7. Deferred Vested
8. Ex-Spouse

² Option Descriptions

- A. Unmodified with Beneficiary (default for married)
- B. Contingent Joint & Survivorship (increased percentage to survivor / reduce pension to member)
- C. Unmodified with No Beneficiary (default for unmarried)
- D. Joint & Survivorship Pop-Up (same as option A but if spouse predeceases member, pension goes back to original pension calculation)

POSTEMPLOYMENT HEALTHCARE BENEFITS

As of June 30, 2025

Average Monthly Benefit	Type of Subsidy	
	Health	Dental
Ineligible / Deferred	\$ 402	\$ 369
\$1 - 60	-	714
\$61 - 250	59	1,735
\$251 - 500	508	-
\$501 - 1,000	794	-
Over \$1,000	1,055	-
Total	\$ 2,818	\$ 2,818

Source: Pension Administration System as reviewed by Cheiron

Retired Members by Type of Benefit *(continued)*

PENSION BENEFITS BY FAMILY UNIT

As of June 30, 2025

Monthly Benefit Amount	Number of Retirees & Beneficiaries	Type of Retirement ¹							
		1	2	3	4	5	6	7	8
\$0 - 999	32	0	0	4	0	0	1	4	23
\$1,000 - 1,999	76	0	0	2	0	3	3	14	54
\$2,000 - 2,999	101	2	0	3	1	2	22	16	55
\$3,000 - 3,999	113	13	1	0	1	7	35	22	34
\$4,000 - 4,999	141	19	1	3	5	6	70	18	19
\$5,000 - 5,999	160	51	6	5	14	4	61	9	10
\$6,000 - 6,999	194	101	5	2	28	1	39	11	7
\$7,000 - 7,999	212	114	9	3	57	2	17	10	0
\$8,000 - 8,999	186	77	1	2	85	2	15	2	2
\$9,000 - 9,999	294	95	3	1	182	2	4	6	1
\$10,000 - 10,999	273	85	5	1	176	3	3	0	0
\$11,000 - 11,999	240	83	1	0	143	1	3	9	0
\$12,000 - 12,999	217	67	0	0	145	1	1	3	0
\$13,000 - 13,999	170	69	0	0	95	0	2	4	0
\$14,000 - 14,999	128	42	0	0	76	0	3	7	0
\$15,000 - 15,999	86	23	1	0	57	0	3	2	0
\$16,000 - 16,999	53	16	2	0	32	0	0	3	0
\$17,000 - 17,999	29	11	0	0	17	0	0	1	0
\$18,000 - 18,999	10	1	0	0	9	0	0	0	0
\$19,000 - 19,999	19	5	0	0	12	0	0	2	0
\$20,000 - 20,999	15	2	0	0	13	0	0	0	0
\$21,000 - 23,999	17	0	0	0	17	0	0	0	0
Over \$24,000	4	0	0	0	4	0	0	0	0
Total	2,770	876	35	26	1,169	34	282	143	205

¹ Retirement Codes

1. Service-Connected Disability
2. Early Service
3. Non-Service-Connected Disability
4. Service
5. Survivor (survivor of active employee)
6. Continuance (survivor of retired employee)
7. Deferred Vested
8. Ex-Spouse

Source: Pension Administration System

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	\$ 2,587	\$ 4,663	\$ 5,402	\$ 7,141	\$ 9,938	\$ 12,700	\$ 13,938
Average final average salary ²	\$ 10,056	\$ 7,896	\$ 8,709	\$ 10,188	\$ 10,977	\$ 10,835	\$ 9,250
Number of retired members ³	25	59	139	225	641	936	109
Average monthly benefit (No FAS) ¹	\$ -	\$ 2,597	\$ 5,446	\$ 5,492	\$ 6,402	\$ 9,656	\$ 10,808
Number of retired members ²	-	3	3	8	21	72	14
As of June 30, 2024							
Average monthly benefit ¹	\$ 2,429	\$ 4,383	\$ 5,297	\$ 6,950	\$ 9,635	\$ 12,286	\$ 13,545
Average final average salary ²	\$ 9,296	\$ 7,236	\$ 8,455	\$ 10,000	\$ 10,790	\$ 10,611	\$ 9,255
Number of retired members ³	21	55	134	222	631	930	113
Average monthly benefit (No FAS) ¹	\$ -	\$ 2,522	\$ 4,284	\$ 5,013	\$ 6,220	\$ 9,341	\$ 10,953
Number of retired members ²	-	3	4	9	22	78	15
As of June 30, 2023							
Average monthly benefit ¹	\$ 2,315	\$ 4,290	\$ 5,230	\$ 6,836	\$ 9,443	\$ 12,184	\$ 13,364
Average final average salary ²	\$ 9,093	\$ 7,148	\$ 8,213	\$ 10,147	\$ 10,937	\$ 11,380	\$ 10,516
Number of retired members ³	19	49	133	210	587	833	102
Average monthly benefit (No FAS) ¹	\$ -	\$ 2,448	\$ 2,025	\$ 4,407	\$ 5,927	\$ 9,014	\$ 10,621
Number of retired members ²	-	3	2	8	21	81	16
As of June 30, 2022							
Average monthly benefit ¹	\$ 2,124	\$ 4,113	\$ 5,137	\$ 6,647	\$ 9,149	\$ 11,830	\$ 13,182
Average final average salary ²	\$ 9,085	\$ 6,803	\$ 8,117	\$ 9,952	\$ 10,657	\$ 11,131	\$ 10,620
Number of retired members ³	18	51	127	204	556	798	103
Average monthly benefit (No FAS) ¹	\$ -	\$ 2,377	\$ 1,966	\$ 4,019	\$ 5,754	\$ 8,680	\$ 10,033
Number of retired members ²	-	3	2	7	21	84	18
As of June 30, 2021							
Average monthly benefit ¹	\$ 2,384	\$ 4,040	\$ 4,887	\$ 6,307	\$ 8,673	\$ 11,055	\$ 11,946
Average final average salary ²	\$ 6,306	\$ 6,157	\$ 7,619	\$ 9,229	\$ 9,876	\$ 9,979	\$ 9,054
Number of retired members ³	9	53	124	195	524	895	132
Average monthly benefit (No FAS) ¹	\$ -	\$ 2,308	\$ 1,909	\$ 3,822	\$ 5,758	\$ 8,422	\$ 9,522
Number of retired members ²	-	3	2	8	23	90	20
As of June 30, 2020							
Average monthly benefit ¹	\$ 2,208	\$ 3,882	\$ 4,756	\$ 6,112	\$ 8,451	\$ 10,839	\$ 11,762
Average final average salary ²	\$ 7,827	\$ 5,869	\$ 7,518	\$ 9,124	\$ 9,753	\$ 9,619	\$ 8,696
Number of retired members ³	16	51	122	198	519	835	129
Average monthly benefit (No FAS) ¹	\$ -	\$ 2,241	\$ 1,853	\$ 3,524	\$ 5,626	\$ 8,124	\$ 9,244
Number of retired members ²	-	3	2	9	24	94	20

Average Benefit Payment Amounts *(continued)*

PENSION BENEFITS *(continued)*

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, 2019							
Average monthly benefit ¹	\$ 2,268	\$ 3,922	\$ 4,587	\$ 5,922	\$ 8,193	\$ 10,502	\$ 11,396
Average final average salary ²	\$ 7,038	\$ 5,624	\$ 7,384	\$ 8,987	\$ 9,499	\$ 9,428	\$ 8,657
Number of retired members ³	15	50	122	192	487	814	134
Average monthly benefit (No FAS) ¹	\$ -	\$ 2,175	\$ 1,799	\$ 3,421	\$ 5,324	\$ 7,858	\$ 8,943
Number of retired members ²	-	3	2	9	25	98	21
As of June 30, 2018							
Average monthly benefit ¹	\$ 2,595	\$ 3,902	\$ 4,487	\$ 5,630	\$ 7,934	\$ 10,174	\$ 10,961
Average final average salary ²	\$ 6,169	\$ 5,522	\$ 7,284	\$ 8,701	\$ 9,285	\$ 9,262	\$ 8,558
Number of retired members ³	12	49	122	183	461	791	160
Average monthly benefit (No FAS) ¹	\$ -	\$ 2,112	\$ 1,747	\$ 3,290	\$ 5,030	\$ 7,580	\$ 8,683
Number of retired members ²	-	3	2	8	27	101	21
As of June 30, 2017							
Average monthly benefit ¹	\$ 2,514	\$ 3,724	\$ 4,359	\$ 5,451	\$ 7,703	\$ 9,851	\$ 10,627
Average final average salary ²	\$ 5,836	\$ 4,876	\$ 7,204	\$ 8,414	\$ 9,110	\$ 9,103	\$ 8,482
Number of retired members ³	12	50	121	170	436	788	161
Average monthly benefit (No FAS) ¹	\$ -	\$ 2,050	\$ 1,696	\$ 3,192	\$ 4,778	\$ 7,303	\$ 8,374
Number of retired members ²	-	3	2	9	29	105	22
As of June 30, 2016							
Average monthly benefit ¹	\$ 2,308	\$ 3,631	\$ 4,203	\$ 5,271	\$ 7,469	\$ 9,546	\$ 10,280
Average final average salary ²	\$ 4,623	\$ 4,620	\$ 6,694	\$ 8,302	\$ 8,940	\$ 8,979	\$ 8,416
Number of retired members ³	10	51	114	166	422	773	166
Average monthly benefit (No FAS) ¹	\$ -	\$ 1,991	\$ 1,348	\$ 3,099	\$ 4,618	\$ 7,080	\$ 8,043
Number of retired members ²	-	3	3	9	30	107	23

¹ Includes cost-of-living increases

² Final average salary not available for those that retired prior to April 1998, except for service-connected disability retirees. Those without final average salary are not included in average monthly benefit.

³ 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

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 health subsidy	\$ 1,011	\$ 935	\$ 900	\$ 915	\$ 956	\$ 928	\$ 798
Number of health participants ¹	7	38	94	175	644	1,045	131
Average dental subsidy	\$ 117	\$ 110	\$ 114	\$ 106	\$ 108	\$ 109	\$ 103
Number of dental participants ¹	8	40	96	177	645	1,051	131
As of June 30, 2024							
Average health subsidy	\$ 868	\$ 845	\$ 865	\$ 845	\$ 915	\$ 874	\$ 743
Number of health participants ¹	7	38	94	171	639	1,042	136
Average dental subsidy	\$ 109	\$ 108	\$ 116	\$ 105	\$ 107	\$ 108	\$ 103
Number of dental participants ¹	7	40	96	173	640	1,048	136
As of June 30, 2023							
Average health subsidy	\$ 800	\$ 810	\$ 818	\$ 761	\$ 846	\$ 816	\$ 689
Number of health participants ¹	7	37	97	166	613	1,027	141
Average dental subsidy	\$ 109	\$ 108	\$ 115	\$ 105	\$ 106	\$ 108	\$ 101
Number of dental participants ¹	7	39	99	169	614	1,034	141
As of June 30, 2022							
Average health subsidy	\$ 763	\$ 741	\$ 819	\$ 755	\$ 816	\$ 805	\$ 661
Number of health participants ¹	7	40	97	163	584	997	146
Average dental subsidy	\$ 90	\$ 89	\$ 96	\$ 88	\$ 88	\$ 89	\$ 83
Number of dental participants ¹	7	42	98	166	586	1,005	146
As of June 30, 2021							
Average health subsidy	\$ 772	\$ 788	\$ 834	\$ 762	\$ 846	\$ 816	\$ 684
Number of health participants ¹	7	40	96	155	565	972	153
Average dental subsidy	\$ 109	\$ 108	\$ 116	\$ 107	\$ 106	\$ 108	\$ 100
Number of dental participants ¹	7	42	97	158	567	980	153
As of June 30, 2020							
Average health subsidy	\$ 711	\$ 802	\$ 817	\$ 749	\$ 812	\$ 806	\$ 708
Number of health participants ¹	8	40	92	156	525	960	155
Average dental subsidy	\$ 102	\$ 105	\$ 116	\$ 110	\$ 107	\$ 109	\$ 100
Number of dental participants ¹	8	42	94	159	528	969	155

Average Benefit Payment Amounts *(continued)*

POSTEMPLOYMENT HEALTHCARE BENEFITS *(continued)*

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, 2019							
Average health subsidy	\$ 683	\$ 738	\$ 848	\$ 757	\$ 785	\$ 778	\$ 689
Number of health participants ¹	7	38	81	143	471	922	155
Average dental subsidy	\$ 93	\$ 107	\$ 115	\$ 111	\$ 108	\$ 109	\$ 102
Number of dental participants ¹	8	43	93	156	494	952	159
As of June 30, 2018							
Average health subsidy	\$ 600	\$ 693	\$ 797	\$ 701	\$ 759	\$ 749	\$ 654
Number of health participants ¹	7	39	88	154	465	890	173
Average dental subsidy	\$ 93	\$ 105	\$ 116	\$ 112	\$ 109	\$ 109	\$ 103
Number of dental participants ¹	8	44	92	157	476	906	175
As of June 30, 2017							
Average health subsidy	\$ 910	\$ 878	\$ 1,060	\$ 940	\$ 949	\$ 901	\$ 743
Number of health participants ¹	7	42	83	140	437	869	169
Average dental subsidy	\$ 93	\$ 103	\$ 117	\$ 113	\$ 109	\$ 110	\$ 102
Number of dental participants ¹	8	47	93	150	455	905	173
As of June 30, 2016							
Average health subsidy	\$ 934	\$ 865	\$ 991	\$ 903	\$ 909	\$ 861	\$ 719
Number of health participants ¹	6	39	81	138	427	862	172
Average dental subsidy	\$ 95	\$ 102	\$ 111	\$ 108	\$ 105	\$ 105	\$ 98
Number of dental participants ¹	7	46	89	147	441	894	179

¹ Does not include survivors and ex-spouses.

Source: Pension Administration System as reviewed by Cheiron

Retirements During Fiscal Year 2024-2025

SERVICE RETIREMENTS			
POLICE DEPARTMENT		FIRE DEPARTMENT	
ACOSTA, CARLOS	LACAYO, ANDY	DAVILA CULAJAY, GUILLERMO	
ALBIN, GLENN R.	LAGORIO, STEPHEN D.	DE MARE, BRYAN D.	
BANISTER, JEFFREY R.	MCMULLEN, DENISE R.	DOSS, CLEOTIS D.	
BAYS, RONALD D.	MOUTZOURIDIS, JOHN	DUENAS, MAXIMILLIAN	
BERETTA, MARC D.	MURPHY, WILLIAM M.	GARCIA, ATANACIO	
BISKUP, STEVE	PIERCE, SEAN D.	GOMEZ, MICHAEL X.	
BORGES, MICHAEL	RANDOL, HEATHER	HAGERMAN, RANDON L.	
CARLSON, MICHAEL	RECINOS, MARIO	JIMENEZ, SANTOS A.	
CRAIG, CHRISTOPHER J.	ROBERSON, MICHAEL R.	MARTINEZ, CESAR A.	
DZIUBA, MICHAEL E.	ROBINSON, STEVAN M.	NICOLSON, ARNIM A.	
FONUA, TOPUI M.	SHIGEMASA, CARIE K.	REYNOLDS, NEAL E.	
GULAR, GEENO B.	STAHL, MICHAEL T.	TOLENTINO, BENJAMIN A.	
HOGUE, JOHN H.	TRAYER, TODD L.	TREVINO, RAY R., JR	
HUTSON, ADAM R.	WILSON, DAVID W.		
KURRLE, MATTHEW			

EARLY RETIREMENTS			
POLICE DEPARTMENT		FIRE DEPARTMENT	
HUYNH, SAMANTHA B.		WHYTE, ANDREW L.	

DEFERRED VESTED RETIREMENTS			
POLICE DEPARTMENT		FIRE DEPARTMENT	
ATKINSON, JONATHAN	HARDESTY III, KENNETH R.	PRICKETT, JOHN T.	
BOOTH, JEFFREY D.	HISQUIERDO, JOSE R.		
GIUSTO, PHILIP J.	HOYT III, WILLIAM M.		
GRIDLEY, CHRISTOPHER J.	MCMAHON, MICHAEL		
HAAG, CHASE R.	MICHEL, ERIC S.		

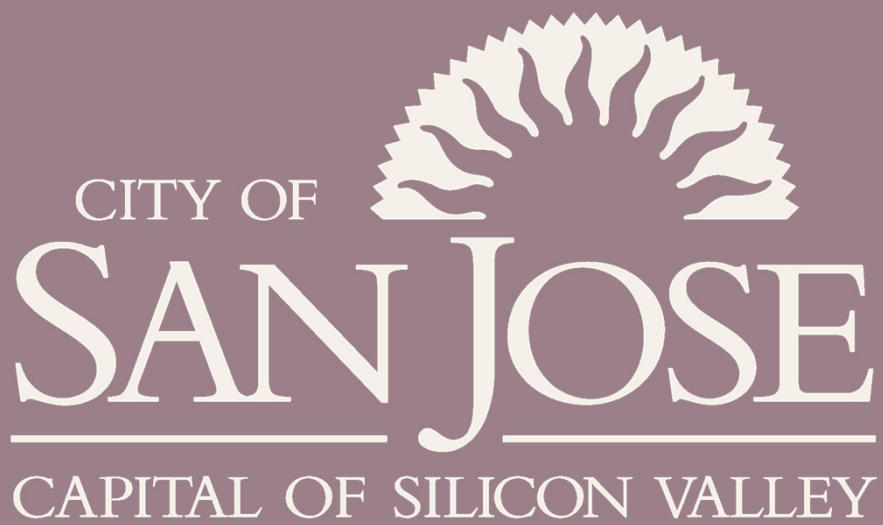
SERVICE-CONNECTED DISABILITY RETIREMENTS			
POLICE DEPARTMENT		FIRE DEPARTMENT	
ALVAREZ, AARON	CUELLAR, JUAN C.	JENNINGS JR, MICHAEL R.	
BARTHELEMY, BRUCE V.	LATENDRESSE, TINA L.		
BEJARANO, ROBERT R.	RUSTEEN, JONATHAN F.		

NON-SERVICE-CONNECTED DISABILITY RETIREMENTS			
POLICE DEPARTMENT		FIRE DEPARTMENT	
None		None	

Deaths During Fiscal Year 2024-2025

DEATHS AFTER RETIREMENT			
POLICE DEPARTMENT		FIRE DEPARTMENT	
ALLEN, ROBERT L.	MADISON, GARY C.	ALTAMIRANO, JOE L.	
BERGTHOLDT, DOUGLAS Q.	MALLET, DUWARD W.	BLAKE, DONALD G.	
BOWMAN, MICHAEL H.	MOYLAND, KEITH J.	CATALDO, RONALD V.	
COTTRELL, KEITH J.	PLINSKI JR, LEO G.	CROWDER, ROBERT J.	
DE MERS, DUNCAN F.	REEVES, CURTIS J.	DORMAN, ROBERT L.	
FRAZIER, THOMAS C.	RICE, LLOYD L.	GILES, PAUL F.	
FRECHETTE, RICHARD	RIDENHOUR, RALPH	HUNTER, JEFFREY B.	
GREENLEE, STEPHEN E.	ROORDA, JAMES R.	JOHNSON, MICHAEL A.	
HAFF, JACK	ROSS, MICHAEL W.	LAURENT, JOHN R.	
KIRBY, ERWIN J.	RUSSELL, STANLEY M.	MARTIN, KENNETH J.	
KRAEMER, OLIVER F.	RUSYN, JOHN	MEALIFFE, TIMOTHY P.	
KUPPER, WILLIAM O.	SAIN, RICK M.	MOREHOUSE, DARROLL L.	
LE GAULT, RUSSELL J.	TOMLINSON, PAUL E.	RAMOS, DONALD L.	
LUCA, DENNIS J.		RIDGWAY, MILLS	
DEATHS BEFORE RETIREMENT			
POLICE DEPARTMENT		FIRE DEPARTMENT	
BERGET, SCOTT A.	DAYSOG, JOSE T.		

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