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City of San José Federated City Employees' Retirement System

Actuarial Valuation Report as of June 30, 2025

Produced by Cheiron

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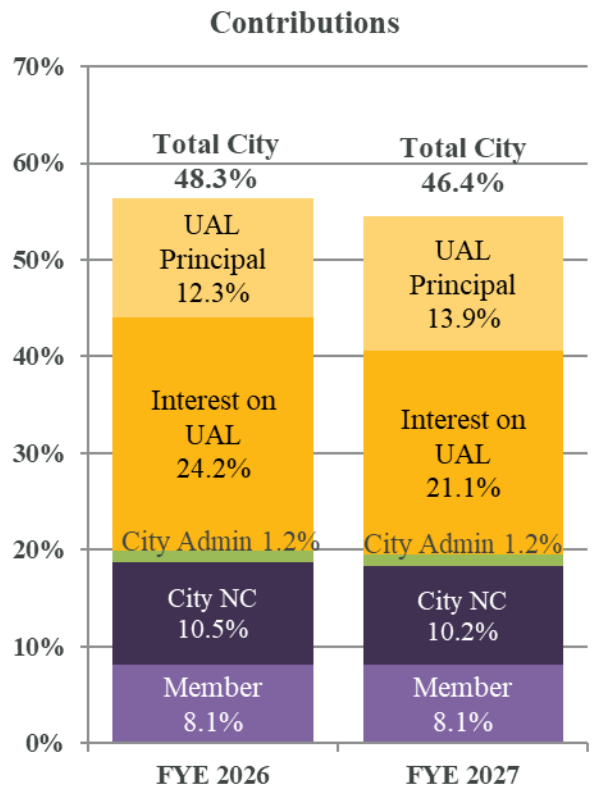
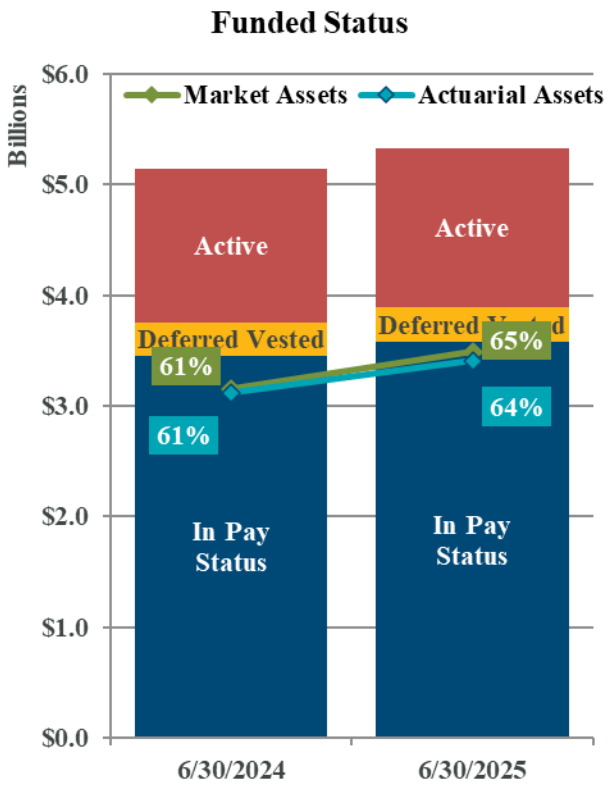
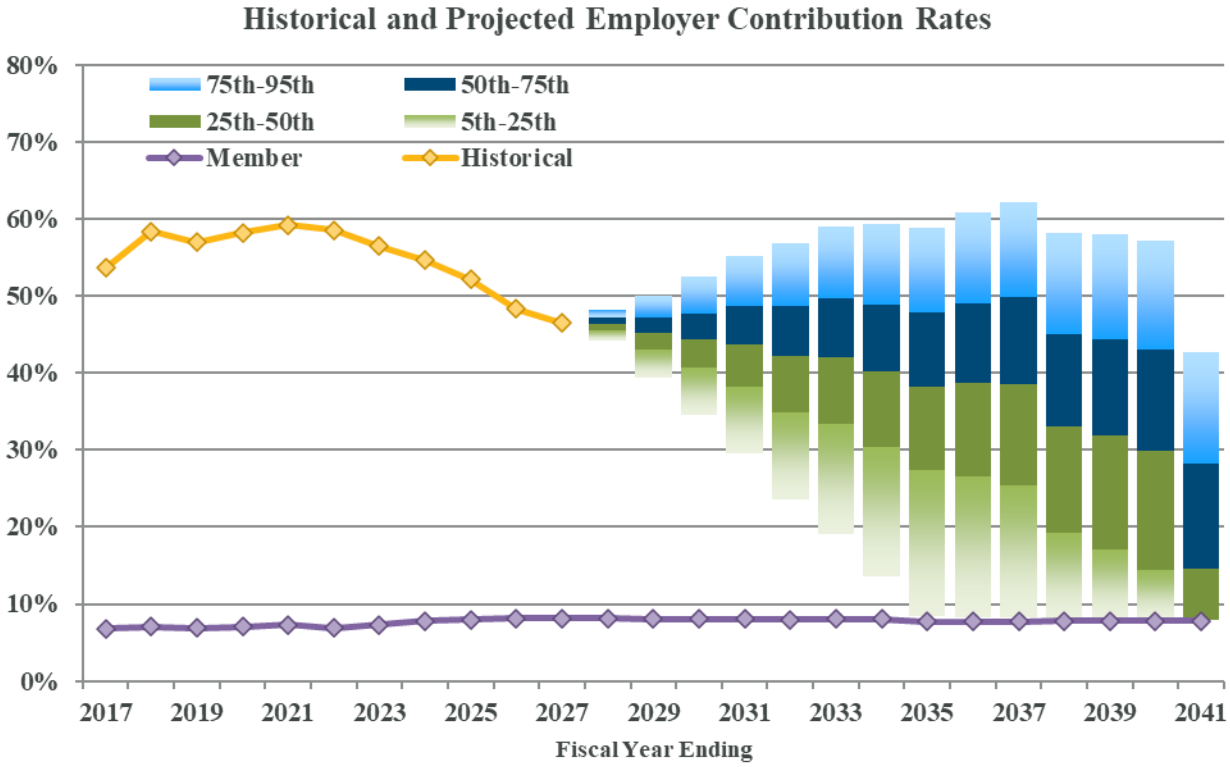
SECTION I – BOARD SUMMARY







SECTION I – BOARD SUMMARY

Membership

Underlying the changes in the actuarial valuation from one year to the next are changes in the membership of the System. These changes affect the System's liability and contributions to the System. As shown in Table I-1 below, total membership grew 2.0% from 2024 to 2025. Total active membership increased 0.1% with Tier 1 active membership declining by 9.4%, while Tier 2 active membership increased by 3.4%. Total payroll increased by 5.0%, which is greater than the ultimate assumed increase rate of 3.0%. Tier 2 now accounts for approximately 76% of active members and 72% of payroll.

Table I-1

Total Membership	June 30, 2024	June 30, 2025	% Change
Active Members			
Tier 1	1,123	1,017	-9.4%
Tier 2	3,178	3,287	3.4%
Total Actives	4,301	4,304	0.1%
Terminated Vested Members	2,131	2,273	6.7%
Members In Pay Status	4,657	4,735	1.7%
Total Membership	11,089	11,312	2.0%
Annual Rate of Pay for Active Members			
Tier 1	$ 149,089	$ 142,864	-4.2%
Tier 2	337,128	367,647	9.1%
Total	$ 486,216	$ 510,512	5.0%

Dollar amounts in thousands

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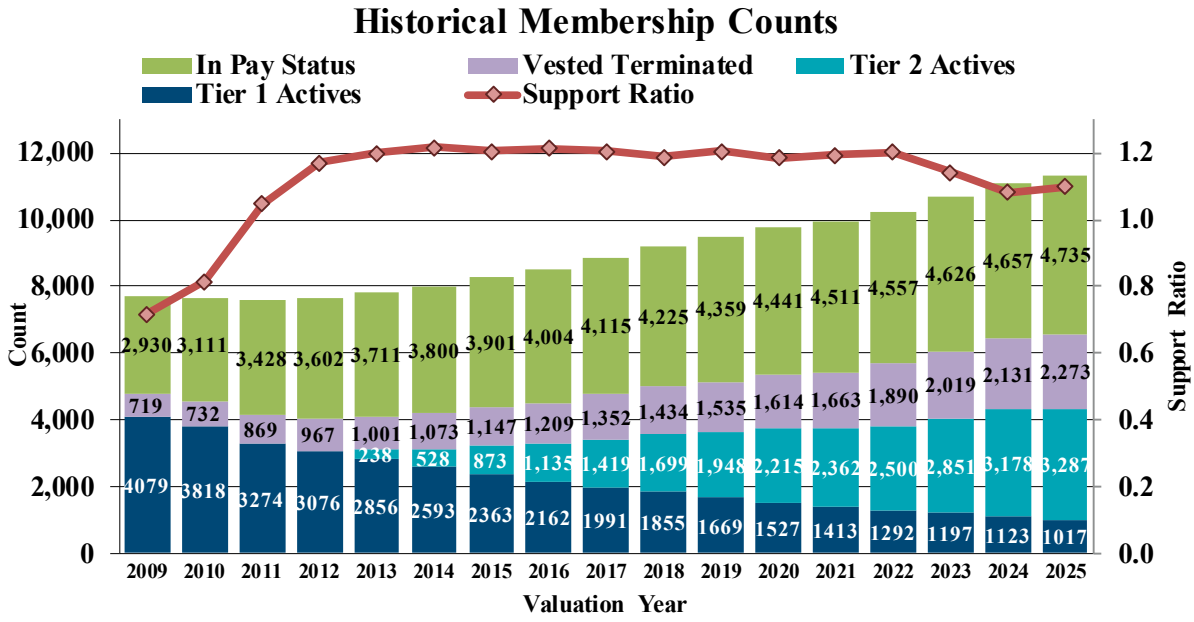
As shown in the chart below, the number of active members declined by about 25% from 4,079 in 2009 to 3,076 in 2012. Since then, there has been a gradual increase in active members to 4,304 in 2025, surpassing the 2009 level in 2024. At the same time, the number of members in pay status has increased by about 62% from 2,930 in 2009 to 4,735 in 2025. As a result, the support ratio (the ratio of the number of members in pay status to the number of active members) increased from 0.72 in 2009 to 1.17 in 2012 due to the recession. Then, it remained around 1.2 until declining in the last few years to 1.1, reflecting the recent growth in active membership. With more retirees for each active member to support, contributions tend to become more volatile and sensitive to gains and losses. This type of progression is to be expected for a maturing plan over a long period of time, but the impact of the Great Recession accelerated the trend significantly from 2009 to 2012. Following the recession, the ratio stabilized; however, the recent growth in active members has reversed the trend, at least temporarily.



Assets and Liabilities

This report measures assets and liabilities for funding purposes only. These measures are not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the System's benefit obligations, and there is a separate report for financial reporting. Table I-2 on the next page summarizes the Actuarial Liability, assets, and related ratios for the System as of June 30, 2025 compared to June 30, 2024.

SECTION I – BOARD SUMMARY

Table I-2

Summary of Funded Status and Related Ratios

	June 30, 2024	June 30, 2025	% Change
Actuarial Liability			
Actives	$ 1,390,150	$ 1,437,928	3.4%
Deferred Vested	300,292	317,906	5.9%
In Pay Status	3,447,496	3,574,169	3.7%
Total	$ 5,137,938	$ 5,330,003	3.7%
Market Value of Assets (MVA)	3,154,441	3,486,311	10.5%
Unfunded Actuarial Liability - MVA Basis	$ 1,983,497	$ 1,843,692	-7.0%
Funding Ratio - MVA Basis	61.4%	65.4%	6.5%
Actuarial Value of Assets (AVA)	3,116,847	3,409,908	9.4%
Unfunded Actuarial Liability - AVA Basis	$ 2,021,091	$ 1,920,095	-5.0%
Funding Ratio - AVA Basis	60.7%	64.0%	5.5%
FYE 2026 Expected Payroll	$ 486,216	$ 510,512	5.0%
Asset Leverage Ratio	6.5	6.8	5.3%
Actuarial Liability Leverage Ratio	10.6	10.4	-1.2%

Dollar amounts in thousands

The Actuarial Liability represents the target amount of assets the plan should have in the trust as of the valuation date based on the actuarial cost method. The Actuarial Liability grew by 3.7%, while the Market Value of Assets (MVA) increased by 10.5%. The Unfunded Actuarial Liability (UAL) measured on the MVA decreased 7.0% from approximately $1,983 million to $1,844 million. The funding ratio on an MVA basis increased from 61.4% to 65.4%.

The asset smoothing method deferred 80% of the investment gain while recognizing 20% of the prior four years' gains and losses, resulting in a 9.4% increase in the Actuarial Value of Assets (AVA). The UAL measured on the AVA decreased 5.0% from approximately $2,021 million to $1,920 million, and the funding ratio increased from 60.7% to 64.0%. The MVA is slightly more than the actuarial value, so if assumptions are met in the future, we expect a slight decrease in contribution rates as the deferred asset gains are recognized in the AVA.

The asset leverage ratio (MVA divided by payroll) of 6.8 means that if the System experiences a 10% loss on assets compared to the discount rate of 6.625%, the loss would be equivalent to 68% of payroll. Interest payments on such a loss would be approximately 4.5% of payroll.

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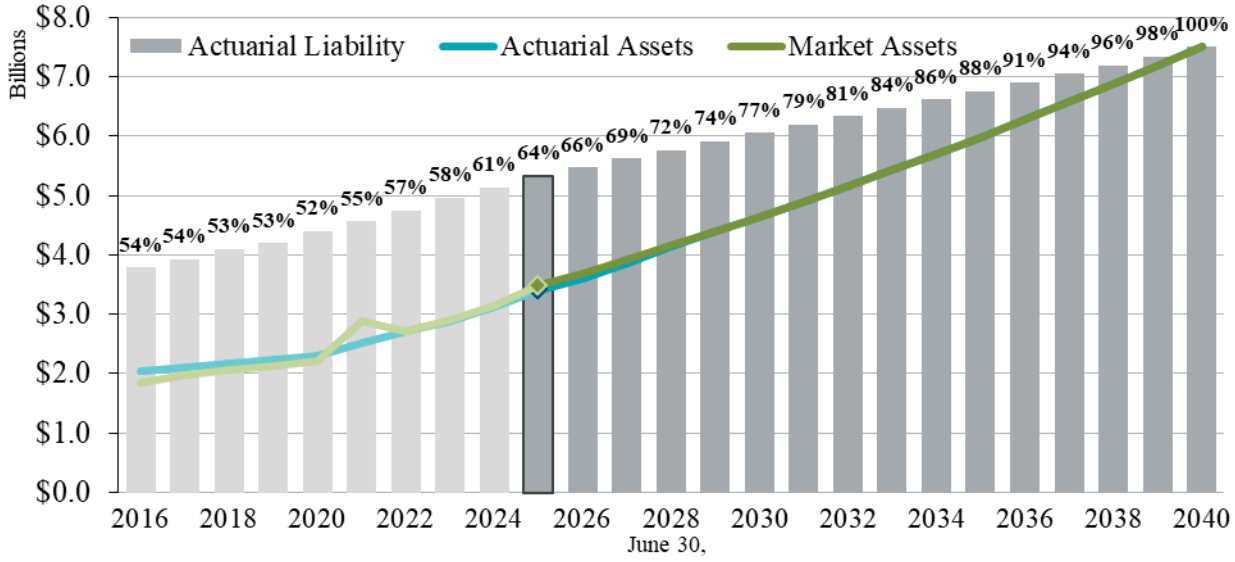
As the System becomes better funded, the asset leverage ratio will increase, and if it were 100% funded, the leverage ratio would be 10.4 (Actuarial Liability divided by payroll). Higher asset leverage ratios indicate that a system is more sensitive to investment gains and losses. That is, the same level of investment gain or loss will have a greater impact on contribution rates for a system with a higher ratio than for a system with a lower ratio.

The chart below shows the historical and projected trends for assets (both market and smoothed actuarial) versus the Actuarial Liability and also shows the progress of the funded ratios (based on the AVA) since 2016 and projected through 2040. The historical Actuarial Liability is shown in light gray, while the projected Actuarial Liability is shown in a darker gray. From 2016 to 2020, the funding ratio declined primarily because the System experienced lower-than-expected investment returns on the AVA, and the assumptions used to measure the Actuarial Liability became more conservative, including a reduction in assumed future investment returns from 6.875% in 2016 to 6.625% in 2020. The funding ratio increased from 2020 to 2025 due to the strong investment returns, particularly for the fiscal year ending 2021, as well as contributions being at a level that pays down the UAL. If all assumptions are met in the future, including an expected annual return of 6.625%, the funding ratio is expected to reach 100% by 2040.

Historical and Projected Assets and Actuarial Liability



While the UAL is expected to decline, it is dependent on actual investment returns, changes in assumptions and actuarial gains and losses, so there is potentially a wide range for the projected UAL.

More detail on the assets can be found in section IV of this report, and more detail on the measures of liability can be found in section V of this report.

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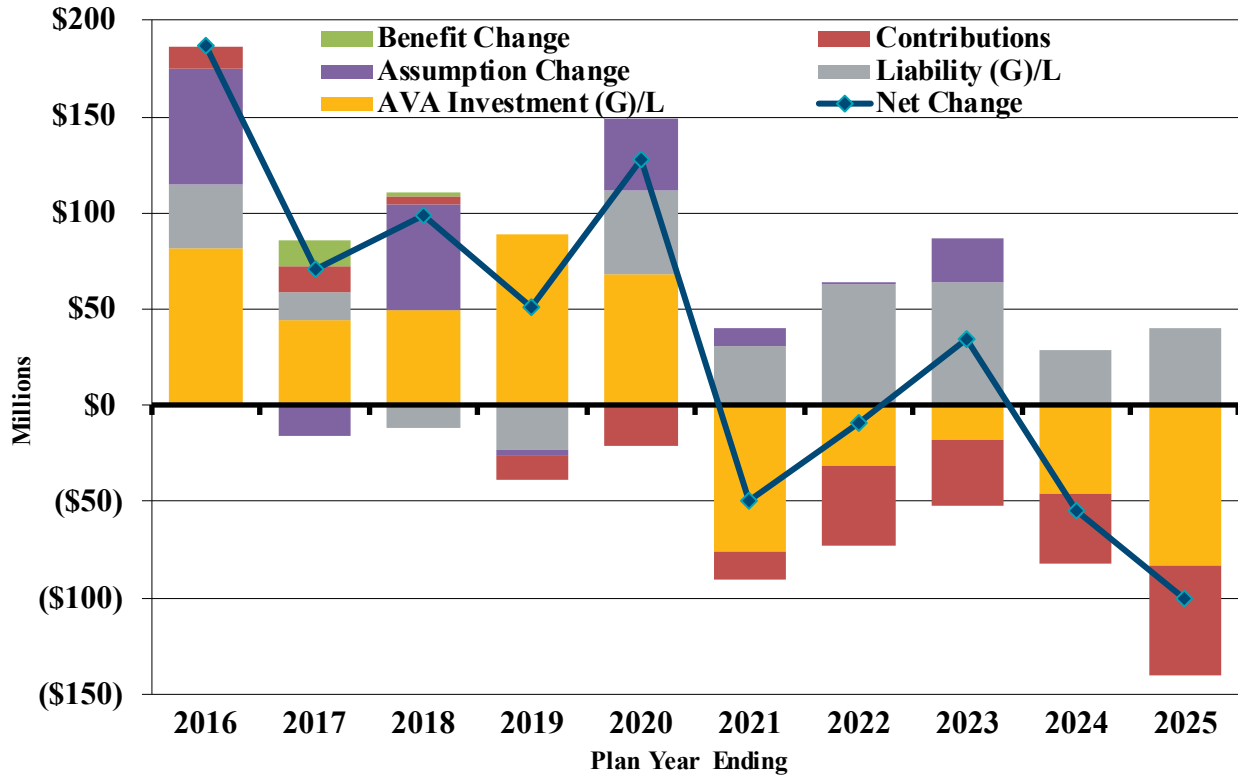
Changes in Unfunded Actuarial Liability

Over the last 10 years, the Unfunded Actuarial Liability (UAL) increased by approximately $354.7 million. In the first five years of the last decade, the UAL increased by $534.2 million, while in the last five years, it decreased by $179.5 million. The chart below and Table I-3 on the following page summarize the sources of these changes in the UAL. Five categories of changes are shown: investment gains or losses on the Actuarial Value of Assets (AVA), liability gains or losses, assumption changes, benefit changes, and contributions.



There have been losses on the Actuarial Liability, shown as gray bars in the chart above, for the last six years and eight of the last 10 years. These losses have added roughly $281.8 million to the UAL. Most of these losses occurred in the previous six years and were mainly attributable to higher-than-expected salary increases.

Significant assumption changes, as indicated by the purple bars, have been made, including reductions in the discount rate in steps from 7.00% in 2015 to the current rate of 6.625%. Assumption changes have increased the measure of the UAL by a total of $165.9 million over the last 10 years.

Investment losses have contributed to the growth in the UAL, with investment losses on the AVA from 2016 through 2020 of about $333 million. This trend reversed with the exceptional investment performance in 2021, producing investment gains of approximately $255 million

SECTION I – BOARD SUMMARY

over the last five years. In sum, net investment losses over the last 10 years have increased the UAL by about $77.8 million.

The only benefit changes in the last 10 years that affected the UAL were changes under Measure F in 2017 and 2018, increasing the UAL by $15.7 million.

Since 2019, actual contributions have been consistently greater than the normal cost plus interest on the UAL, resulting in an annual reduction in the UAL as indicated by the red bars in the chart on the previous page. In sum, contributions have reduced the UAL by $186.4 million over the last 10 years. Contribution rates in the future are expected to continue to exceed normal cost plus interest on the UAL and gradually pay down the UAL.

In aggregate, the UAL has increased in six of the last 10 years for a total increase of approximately $354.7 million, as shown in Table I-3.

Table I-3

Changes in Unfunded Actuarial Liability

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Discount Rate	**7.00%**	**6.875%**	**6.875%**	**6.75%**	**6.75%**	**6.625%**	**6.625%**	**6.625%**	**6.625%**	**6.625%**	
Source											
Liability (G)/L	$ 33.0	$ 13.7	$ (11.5)	$ (23.2)	$ 43.6	$ 30.7	$ 63.2	$ 64.3	$ 28.2	$ 39.9	**$ 281.8**
Assumptions	60.2	(15.6)	54.4	(2.9)	37.0	9.7	0.5	22.6	0.0	0.0	**165.9**
AVA (G)/L	81.5	44.6	49.9	88.8	68.0	(76.5)	(31.0)	(18.3)	(46.2)	(83.1)	**77.8**
Benefit Changes	0.0	13.8	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**15.7**
Contributions	11.8	14.0	4.0	(12.1)	(20.8)	(13.7)	(41.5)	(33.8)	(36.6)	(57.8)	**(186.4)**
Total Change	**$186.6**	**$ 70.5**	**$ 98.8**	**$ 50.6**	**$127.7**	**$ (49.7)**	**$ (8.9)**	**$ 34.7**	**$ (54.6)**	**$(101.0)**	**$ 354.7**

Dollar amounts in millions

Table I-4 on the next page breaks out the sources of the changes in UAL for the fiscal year ending June 30, 2025. The UAL decreased by approximately $101.0 million during the year. About $83.1 million of the decrease was due to investment gains, and $57.8 was due to contributions greater than normal cost plus interest on the UAL. Offsetting these gains, liability losses increased the UAL by about $39.9 million, which included $21.9 million due to salary increases greater than expected.

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Table I-4

Sources of FYE 2025 Change in UAL		Amount	% of AL
Unfunded Actuarial Liability, June 30, 2025	$	1,920,095	36.0%
Unfunded Actuarial Liability, June 30, 2024		2,021,091	37.9%
Change in Unfunded Actuarial Liability	**$**	**(100,996)**	-1.9%
Sources of Changes			
Plan Changes	$	0	0.0%
Assumption Changes		0	0.0%
Normal Cost and Interest on UAL less Contributions		(57,816)	-1.1%
Investment (gain) or loss on Actuarial Value of Assets		(83,106)	-1.6%
Liability (gain) or loss			
Salary experience	$	21,853	0.4%
Retirement experience		11,525	0.2%
Termination experience		5,248	0.1%
Other experience		1,300	0.0%
Total Liability (gain) or loss	$	39,926	0.7%
Total Changes	**$**	**(100,996)**	-1.9%

Dollar amounts in thousands

Contribution Amounts and Rates

As shown in the upper left corner of the dashboard (page 1), the total City contribution rate decreased from 48.3% for FYE 2026 to 46.4% for FYE 2027, while the average member contribution remained the same at 8.1%. The purple bars represent the normal cost, the benefits attributable to the next year of service, with the light purple paid by members[1] and the dark purple paid by the City. The green bars represent the City contributions that pay expected administrative expenses. The light and dark gold bars represent the City contributions that pay for the UAL. The dark gold bars represent the expected interest on the Market Value UAL for the fiscal year, and the light gold bars represent the portion of the payment that is expected to reduce the UAL. The UAL principal payment is expected to increase from 12.3% of pay to 13.9% of pay for FYE 2027.

Table I-5 and the chart on the following page summarize the member and City contribution rates and amounts for the fiscal years ending in 2026 and 2027. The City's Tier 1 UAL payment increased by $1.4 million from 2026 to 2027, primarily reflecting the scheduled increase in UAL

[1] A small portion of the member contributions also pays a portion of Tier 2 administrative expenses and the UAL.

payments, offset by the credit for the 2025 actuarial gains. The Tier 1 normal cost rate declined slightly due to demographic changes, and the Tier 1 normal cost dollar amount decreased as a result of the decline in Tier 1 active members, offset by higher-than-expected salary increases. The Tier 2 contribution amount increased due to the growing Tier 2 population and the higher-than-expected salary increases. In aggregate, the City's contribution amount increased by about $2.4 million, while its contribution rate decreased by 1.83% of payroll.

Table I-5

Contribution Rates and Amounts Throughout the Year

	FYE 2026	FYE 2027	Change
Member Rates (Excluding Reclassification Payments)			
Tier 1	6.55%	6.49%	-0.06%
Tier 2	8.62%	8.56%	-0.06%
City Contributions			
Tier 1 UAL Payment	$ 180,067	$ 181,464	$ 1,397
Tier 1 Administrative Expenses	$ 5,877	$ 5,840	$ (37)
Tier 1 Normal Cost	$ 23,608	$ 22,136	$ (1,472)
	18.56%	18.43%	-0.13%
Tier 2 Contribution	$ 32,205	$ 34,729	$ 2,524
	8.62%	8.56%	-0.06%
Aggregate Contribution	**$ 241,757**	**$ 244,169**	**$ 2,412**
	48.27%	**46.44%**	**-1.83%**

Dollar amounts in thousands

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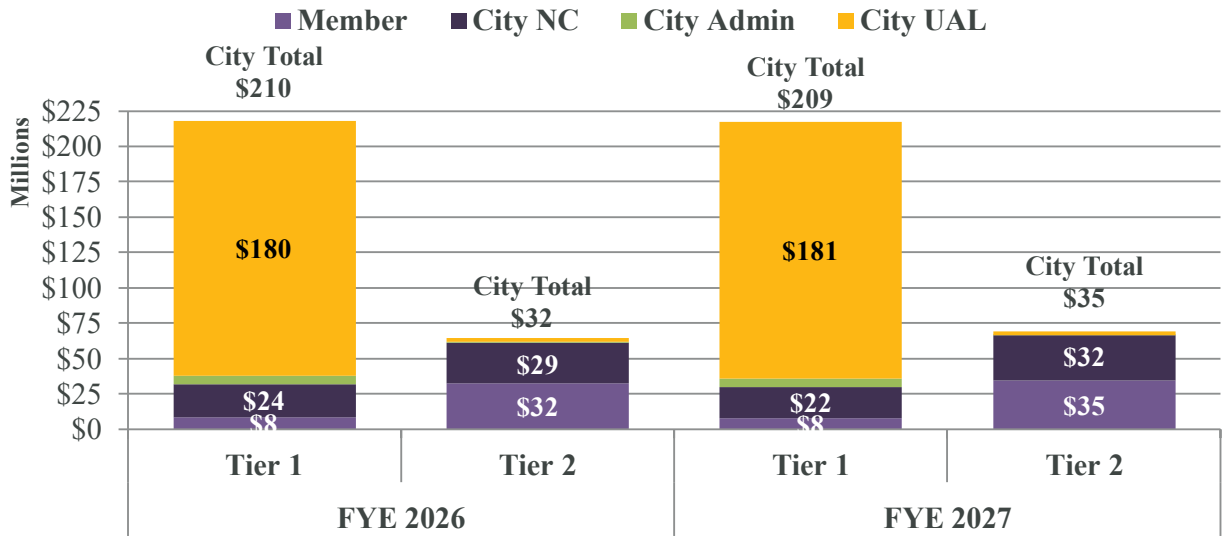
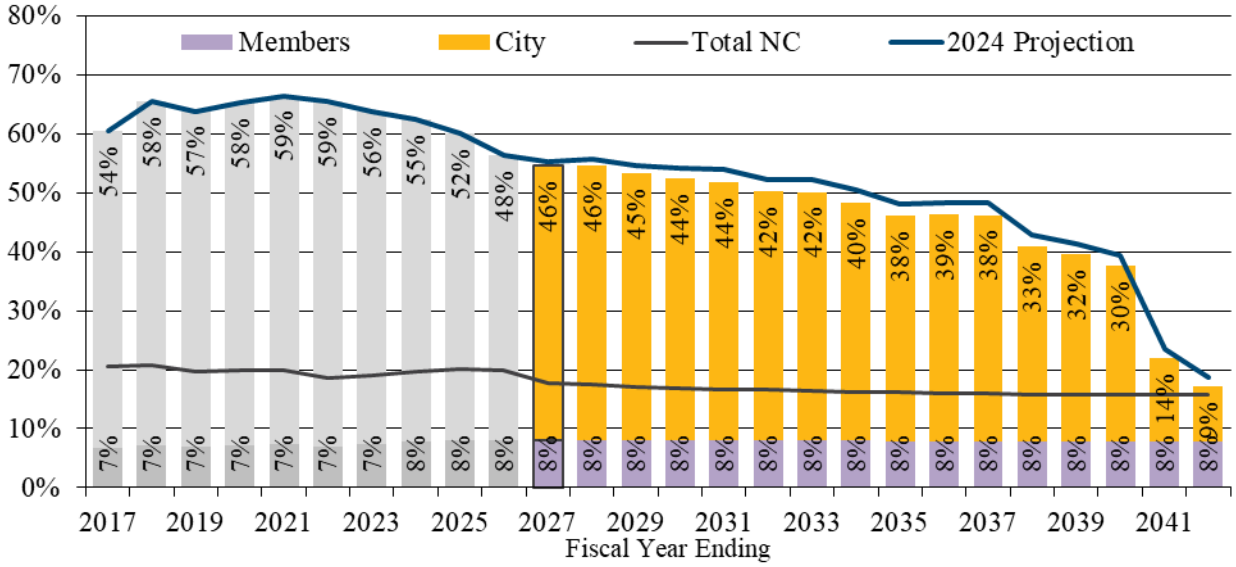


By far, the most significant portion of the City's contribution is the Tier 1 UAL payment, which is substantially attributable to members whom the City no longer employs.

The following chart shows the historical and projected aggregate member contribution rates (purple bars) and City contribution rates (gold bars) in comparison to the projection from the prior valuation, indicated by the blue line. These contribution rates assume that all assumptions are met. The black line shows the historical and projected total normal cost rate. Historical rates are displayed in shades of gray.

Historical and Projected Aggregate Contribution Rates



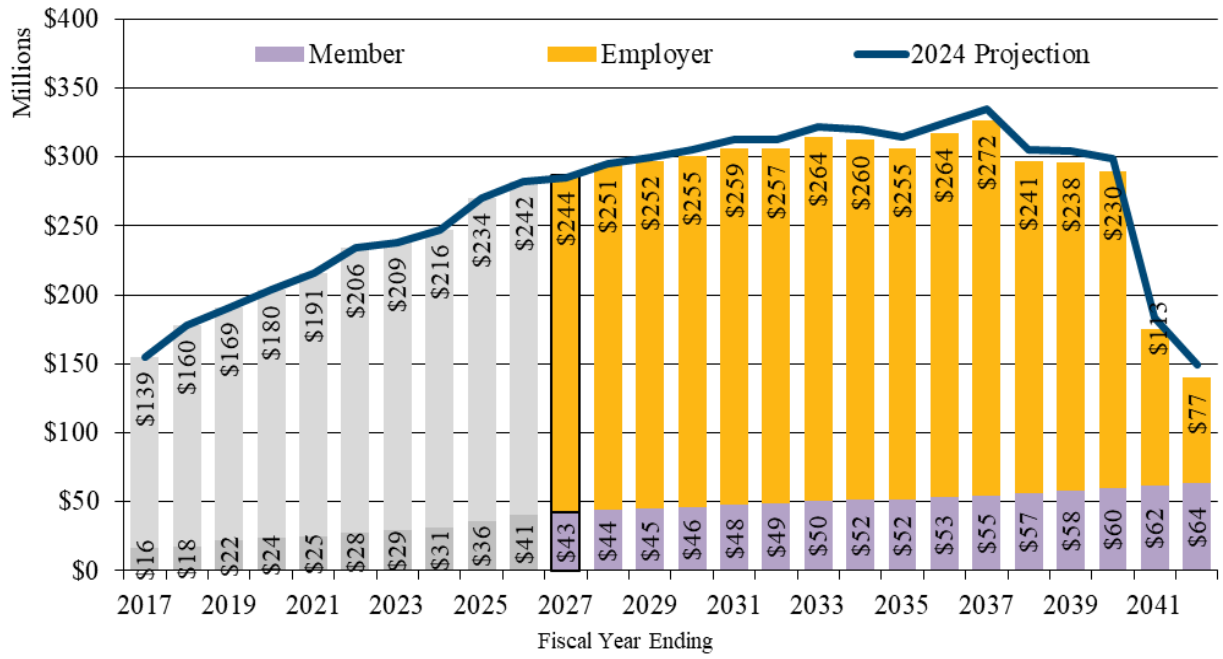
The aggregate City contribution rate increased from FYE 2017 through FYE 2021 primarily due to investment losses and assumption changes that increased the UAL rate, including discount rate

SECTION I – BOARD SUMMARY

reductions from 7.00% to 6.625%. Future aggregate City contribution rates are expected to decrease gradually over time. The gradual decrease in the total rate is driven by the gradual decrease in the UAL rate as payroll is expected to grow slightly faster than amortization payments (3.00% vs. 2.75%) as well as the continued transition to Tier 2 and its lower normal cost rate. After 2037, contribution rates are expected to drop more rapidly as some amortization layers are fully paid off.

The following chart shows historical and projected member (purple bars) and City (gold bars) contribution amounts (assuming contributions are made throughout the year) in comparison to the projected amounts shown in the prior valuation, indicated by the blue line. If all actuarial assumptions are exactly met, City contributions are expected to increase from $244 million in FYE 2027 to approximately $272 million in FYE 2037, before declining in FYE 2038 and onwards as portions of the UAL are paid off. The large decrease in FYE 2041 is due to the large 2009 UAL amortization base being fully paid off.

Historical and Deterministic Projection of Contribution Amounts



Section VI of this report provides additional detail on the contribution rates and the amortization schedules separately by Tier.

SECTION II – ASSESSMENT AND DISCLOSURE OF RISK

Actuarial valuations are based on assumptions about future economic and demographic experience. These assumptions represent a reasonable estimate of future experience, but actual future experience will undoubtedly be different and may be significantly different. This section of the report is intended to identify the primary risks to the plan, provide some background information about those risks, and provide an assessment of those risks.

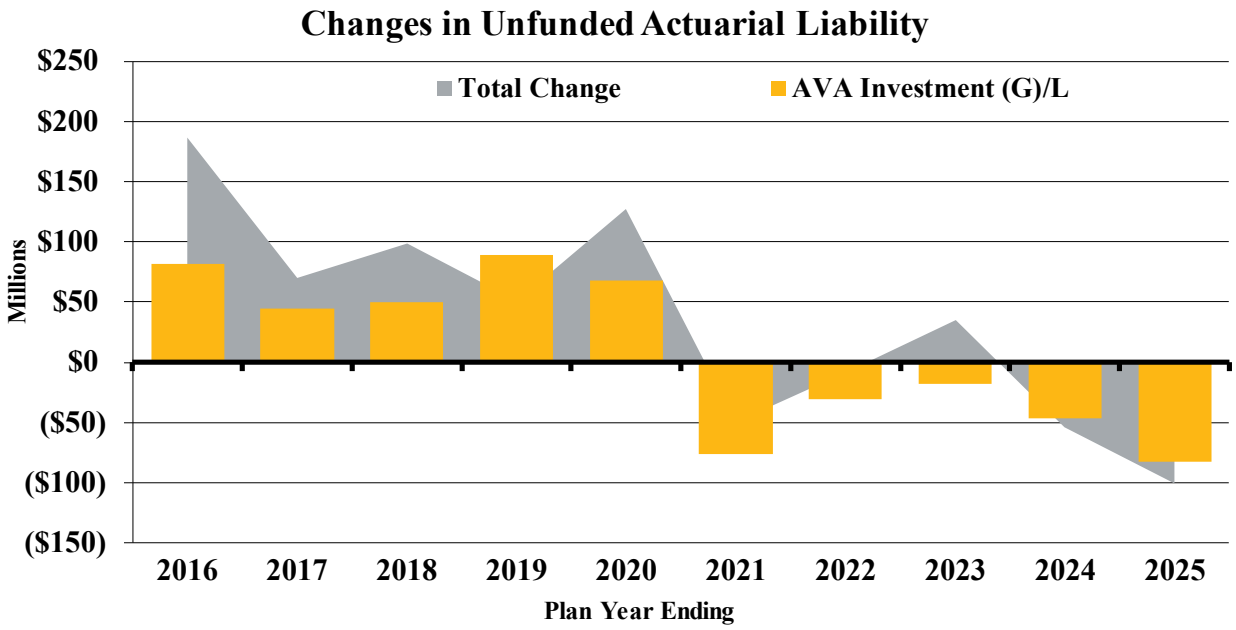
Identification of Risks

As we have discussed with the Board, the fundamental risk to the System is that the contributions needed to pay the benefits become unaffordable. While there are a number of factors that could lead to contribution amounts becoming unaffordable, we believe the primary risks for this System are:

- Investment risk,
- Interest rate risk, and
- Assumption change risk.

Other risks that we have not identified may also turn out to be important.

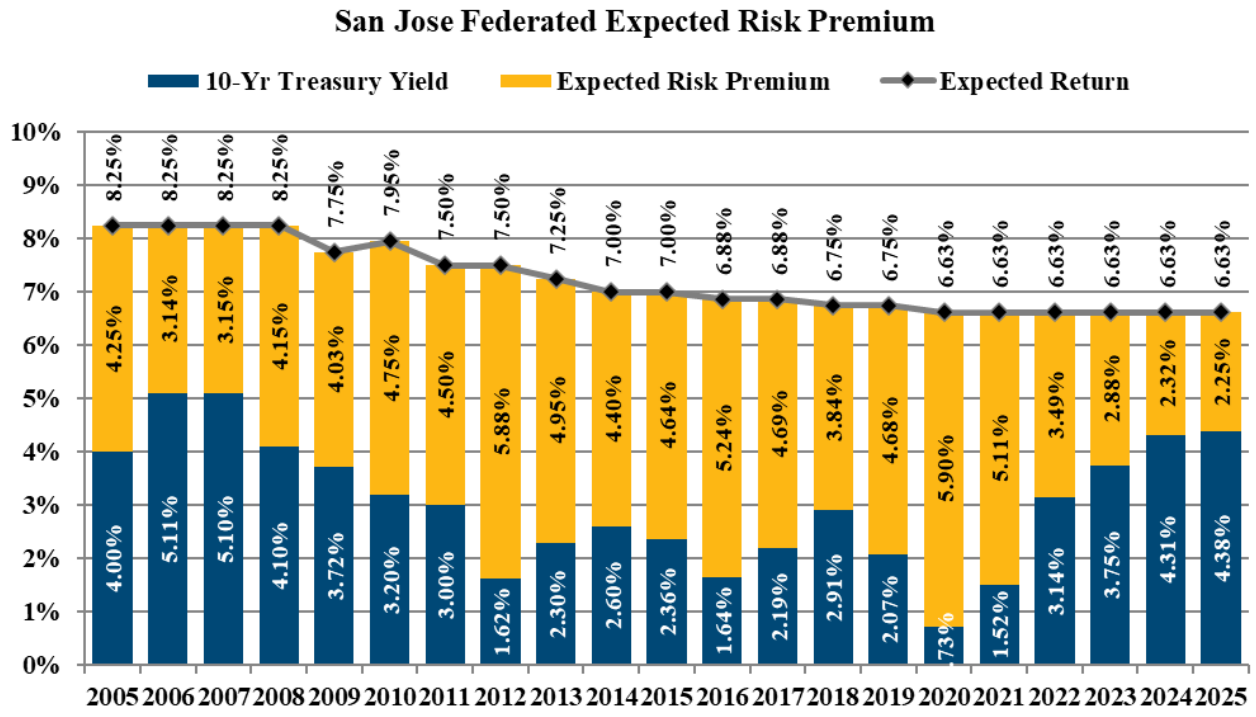
Investment Risk is the potential for investment returns to be different than expected. Lower investment returns than anticipated will increase the Unfunded Actuarial Liability (UAL), necessitating higher contributions in the future unless other gains offset these investment losses. The potential volatility of future investment returns is determined by the System's asset allocation and the affordability of the investment risk is determined by the amount of assets invested relative to the size of the City.



SECTION II – ASSESSMENT AND DISCLOSURE OF RISK

The chart on the previous page shows the impact of investment gains and losses on the smoothed Actuarial Value of Assets (AVA) over the last 10 years compared to the System's total change in UAL. Investment returns have been a material contributor to the growth or decline in the UAL.

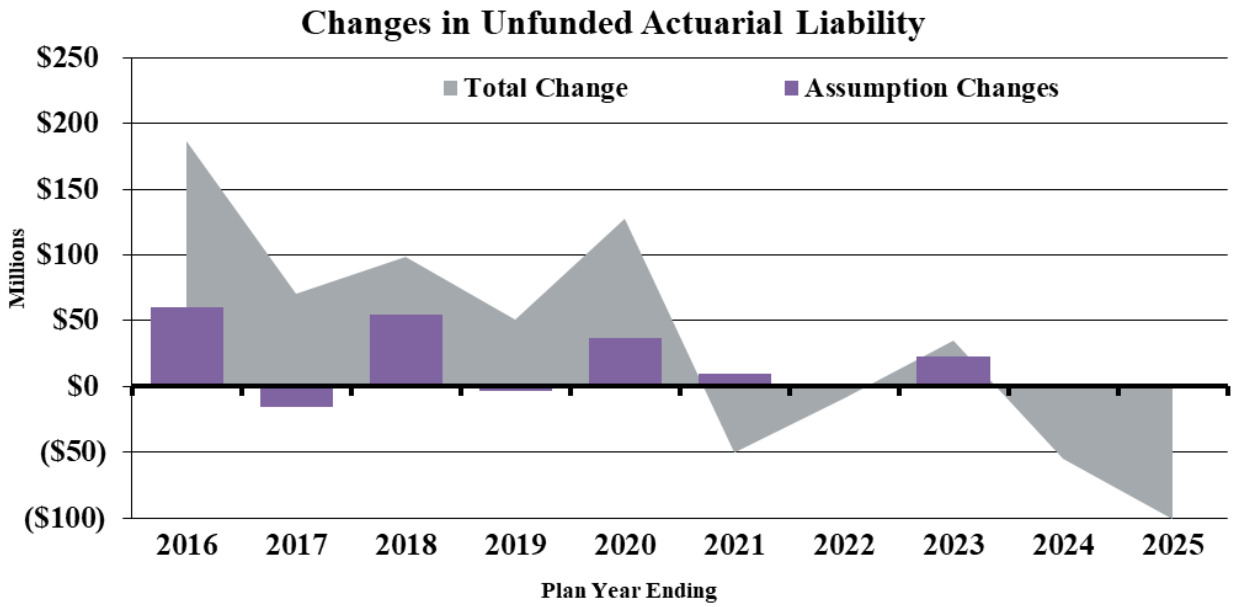
Interest rate risk is the potential for interest rates to be different than expected. For public plans, short-term fluctuations in interest rates have little or no effect as the plan's liability is usually measured based on the expected return on assets. Longer-term trends in interest rates, however, can have a powerful effect to the extent they affect future expected investment earnings. The following chart shows the yield on a 10-year Treasury security compared to the System's assumed rate of return. The difference is a simple measure of the amount of investment risk taken. As interest rates declined, plans faced a choice: maintain the same level of risk and reduce the expected rate of return, maintain the same expected rate of return and take on more investment risk, or some combination of the two strategies. If the recent rise in interest rates persists, it may ease some pressure on plans to reduce discount rates and require less risk to achieve expected returns.



Assumption change risk is the potential for the environment to change such that future valuation assumptions are different than the current assumptions. For example, declines in interest rates over the last three decades resulted in higher investment returns for fixed-income investments, but lower expected future returns necessitating either a change in investment policy, a reduction in discount rate, or some combination of the two. Assumption change risk is an extension of the other risks identified, but rather than capturing the risk as it is experienced, it captures the cost of recognizing a change in environment when the current assumption is no longer reasonable.

As shown in the chart below, changes in assumptions during the first half of the last decade, increased the UAL by about $133 million. Most of these changes are due to reducing the

discount rate from 7.00% to 6.625% over this period, which largely reflected the impact of declining interest rates on future expected investment returns. In the last half of the decade, the discount rate has remained unchanged, and other assumption changes have had a minimal impact.



Plan Maturity Measures

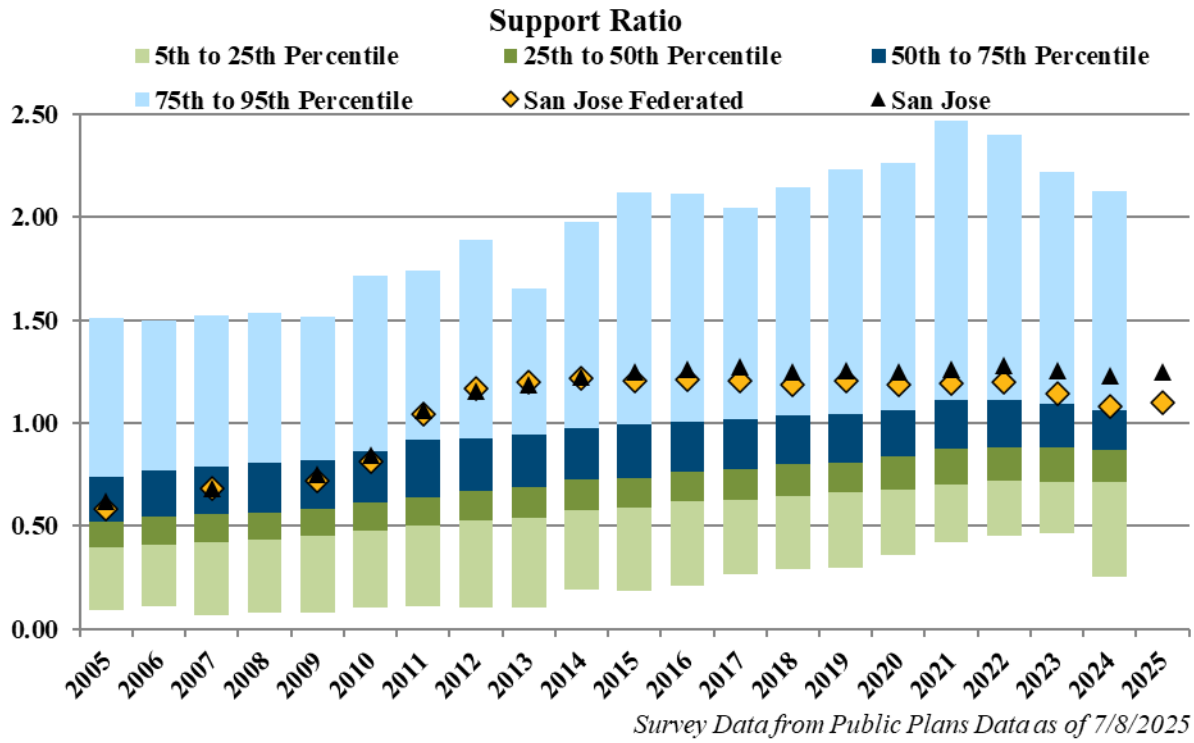
The future financial condition of a mature pension plan is more sensitive to each of the risks identified above than that of a less mature plan. Before assessing each of these risks, it is important to understand the plan's maturity compared to other plans and how the maturity has changed over time.

Plan maturity can be measured in a variety of ways, but they all get at one basic dynamic – the larger the plan is compared to the contribution or revenue base that supports it, the more sensitive the plan will be to risk. The following measures have been selected as the most important in understanding the primary risks identified for the plan.

Support Ratio (Inactives per Active)

One simple measure of plan maturity is the ratio of the number of retired members (those receiving benefits) to the number of active members. The revenue base supporting the plan is typically proportional to the number of active members; therefore, a relatively high number of retirees compared to active members indicates a larger plan relative to its revenue base.

SECTION II – ASSESSMENT AND DISCLOSURE OF RISK



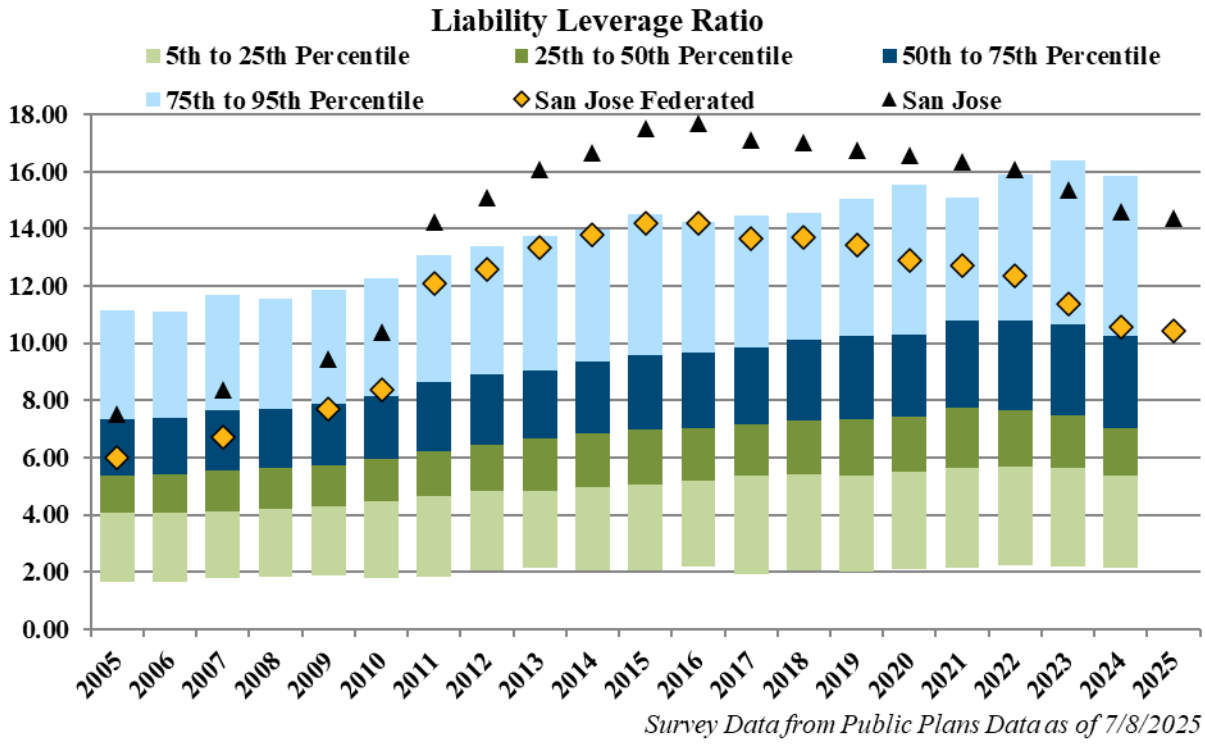
The chart above shows the distribution from the 5th to 95th percentile of support ratios for the plans in the Public Plans Database. The gold diamond represents San José Federated, and the black triangle the combined Federated and Police and Fire plans. Through 2009, the System was in the middle of the distribution even as the support ratio increased. However, after the Great Recession, the Plan's support ratio increased dramatically and is now in the upper quartile of the plans in the database.

Leverage Ratios

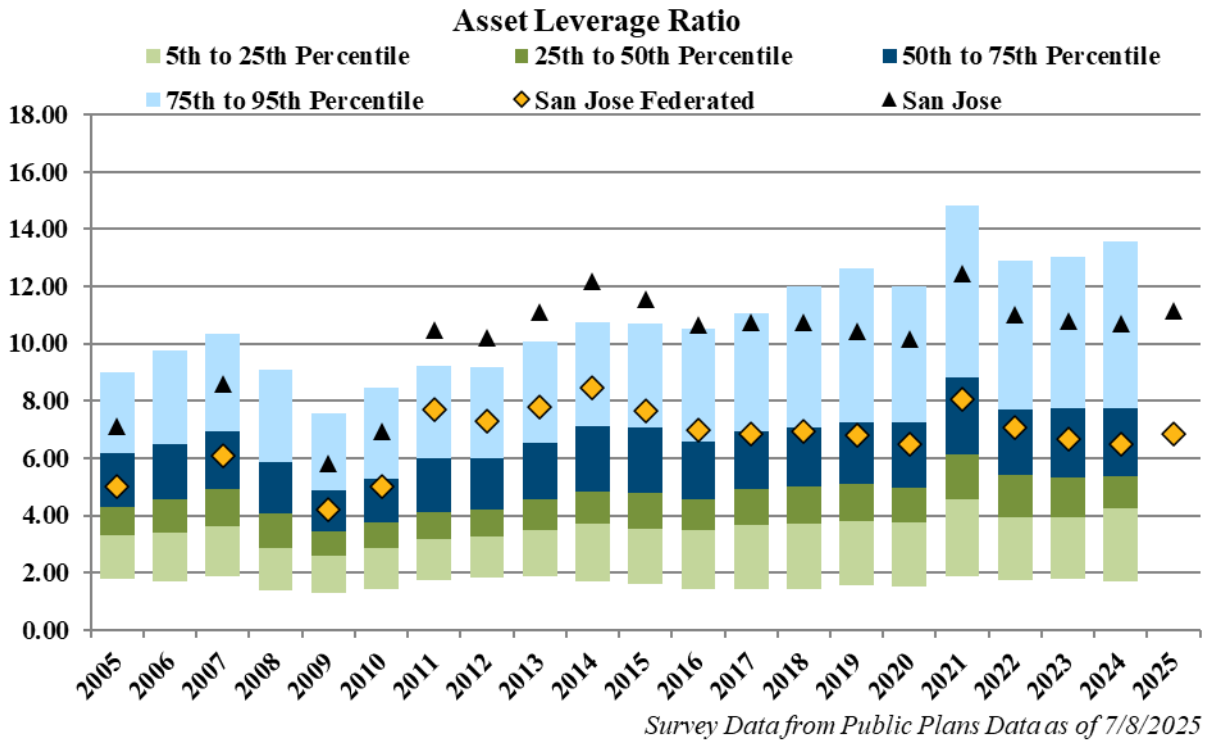
Leverage or volatility ratios measure the size of the plan compared to its revenue base more directly. For example, an asset leverage ratio of 5.0 means that if the System experiences a 10% loss on assets compared to the expected return, the loss would be equivalent to 50% of payroll. The same investment loss for a plan with an asset leverage ratio of 10.0 would equal 100% of payroll. The amortization payment required to pay for the loss would be twice as much as a percentage of payroll for the plan with an asset leverage ratio of 10.0 as for the plan with a ratio of 5.0.

As the System becomes better funded, the asset leverage ratio will increase. If it were 100% funded, the leverage ratio would equal the Actuarial Liability (AL) leverage ratio. The AL leverage ratio also indicates how sensitive the System is to gains and losses or assumption changes. For example, an assumption change that increases the AL by 5% would add a liability equivalent to about 50% of payroll if the AL leverage ratio is 10.0.

SECTION II – ASSESSMENT AND DISCLOSURE OF RISK



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



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

The charts above show the distribution from the 5th to 95th percentile of asset and liability leverage ratios for the plans in the Public Plans Database. The gold diamond represents San José Federated, and the black triangle represents the combined Federated and Police and Fire plans.

SECTION II – ASSESSMENT AND DISCLOSURE OF RISK

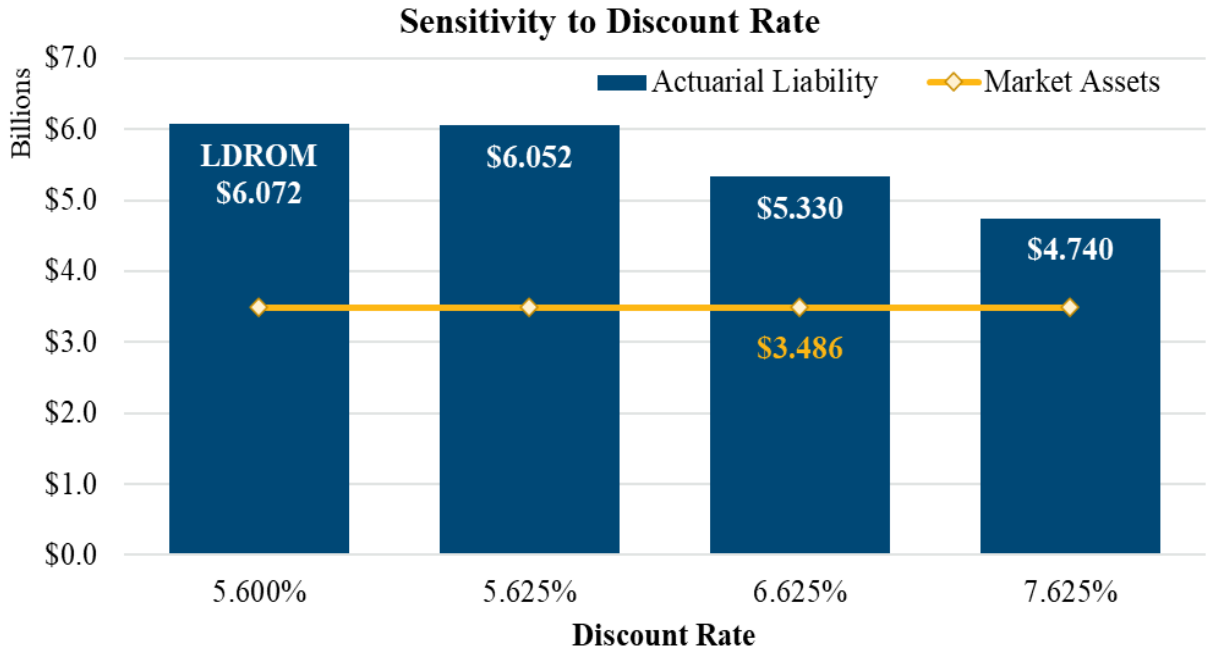
As we have discussed with the Board for several years and as shown in the charts on the previous page, the leverage ratios for the Federated System are higher than those of most plans and significantly higher when combined with Police and Fire, indicating that San José is much more sensitive to risk than most plan sponsors.

Assessing Costs and Risks

The fundamental risk to the System is that the contributions needed to fund the benefits become unaffordable. Assessing this risk, however, is complex because there is no bright line of what is unaffordable, and the contribution amounts themselves are affected not just by the experience of the System, but also by the interaction of that experience and decisions by the Board related to assumptions, asset smoothing methods, and amortization periods.

Sensitivity to Discount Rate

The chart below compares the Market Value of Assets (gold line) to the Actuarial Liability (blue bar) using discount rates equal to the current expected rate of return and 100 basis points above and below the expected rate of return. In addition, the chart shows the low-default-risk obligation measure (LDROM), which is the Actuarial Liability using a discount rate derived from low-default-risk fixed income securities that approximately match the plan's benefit payments.



The System invests in a diversified portfolio to maximize investment returns at a reasonable level of risk. If investments return 6.625% annually, the System would need approximately $5.3 billion in assets today to pay all benefits attributable to past service, compared to current assets of approximately $3.5 billion. If investment returns are only 5.625%, the System would need approximately $6.1 billion in assets today, and if investment returns are 7.625%, the

SECTION II – ASSESSMENT AND DISCLOSURE OF RISK

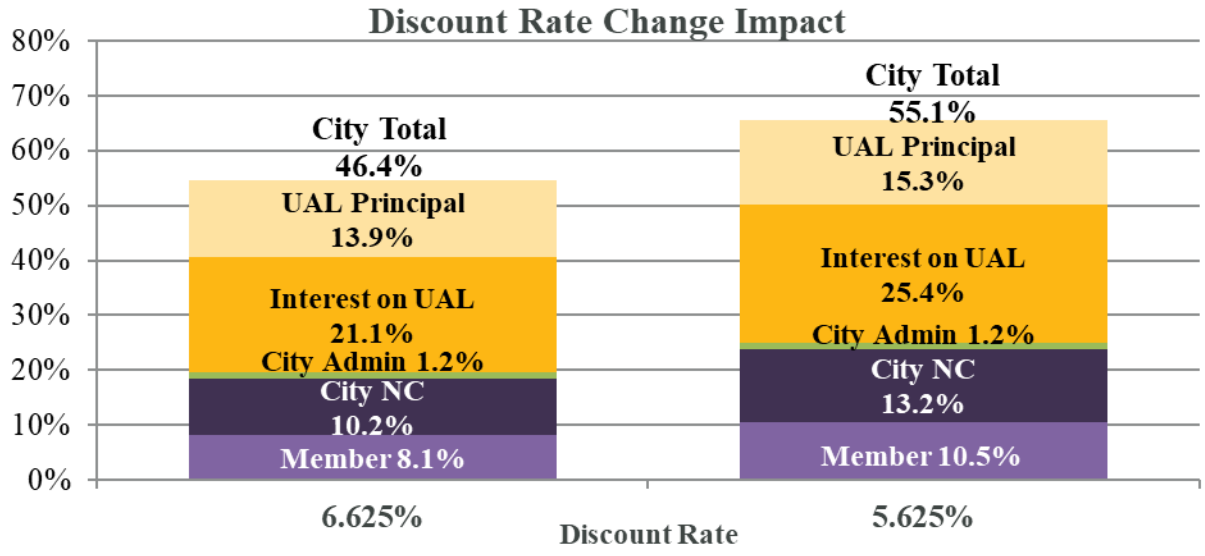
System would only need $4.7 billion in assets. The lowest-risk portfolio for a pension plan with fixed cash flows would be composed entirely of low-default-risk fixed-income securities whose cash flows match the benefit cash flows of the System. As of June 30, 2025, using the FTSE Pension Liability Index to approximate the low-default-risk matching portfolio, we estimate that such a portfolio would have an expected return of 5.6%, and the System would need $6.1 billion to pay all benefits attributed to past service. This amount is the LDROM. The $742 million difference between the LDROM and the Actuarial Liability at 6.625% represents the expected savings from bearing the risk of investing in the System's diversified portfolio. Alternatively, it also represents the cost of eliminating the investment risk.

Because the System invests in a diversified portfolio, not the LDROM portfolio, the reported funded status is higher and expected employer contributions are lower. Benefit security for members of the System depends on a combination of the System's assets, the investment returns generated on those assets, and San José's ability to make any needed future contributions. An LDROM portfolio would generate more predictable but lower expected investment returns, potentially changing the level of reliance on future San José contributions to secure benefits.

Point-in-Time Assessments

To assess the risks of the System independent of the contribution strategy, there are two measures on which to focus: normal cost and interest cost. The normal cost represents the expected cost of the benefits attributable to the next year of service. The interest cost represents the interest on the UAL calculated using the discount rate. Combined, the normal cost plus the interest cost is referred to as the Tread Water Cost. If actual contributions are less than the Tread Water Cost, the UAL would be expected to grow; and, if actual contributions are greater than the Tread Water Cost, the UAL would be expected to shrink.

The stacked bars in the following chart show the Member and City contributions at the current discount rate compared to a discount rate 100 basis points lower.



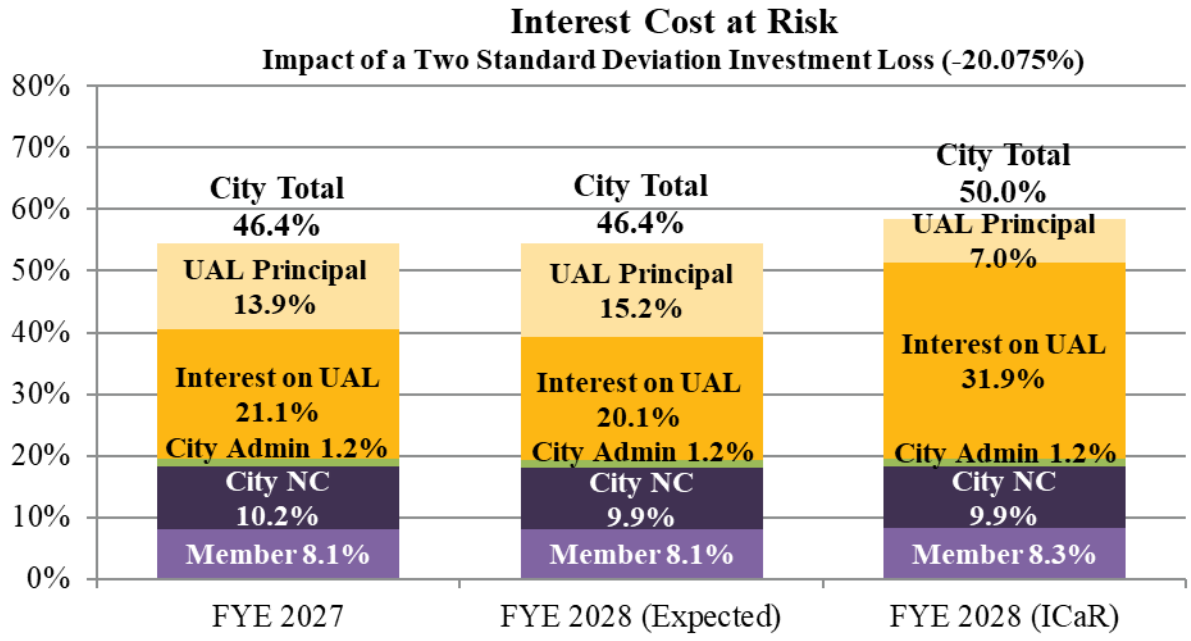
SECTION II – ASSESSMENT AND DISCLOSURE OF RISK

Decreasing the discount rate by 100 basis points would increase the normal cost by 5.4% of payroll (3.0% for the City and 2.4% for members) and the interest on the UAL by about 4% of payroll. Using the current amortization methods, the City contribution rate would increase by almost 9% of payroll to 55% of pay.

Discount rate declines over the last decade or more have been largely driven by declines in interest rates, which affect expectations of future investment returns. Recent increases in interest rates have eased the pressure to continue reducing the discount rate.

Actual investment returns do not affect the normal cost, but they directly affect the interest cost. One simple measure of the risk inherent in the investment policy is the Interest Cost at Risk (ICaR), which is the amount that the interest cost would increase if the investment returns for one year were two standard deviations below the expected return. Based on the capital market assumptions of Meketa over a 10-year horizon, the standard deviation for the current portfolio is 13.35%, making the investment return used to determine ICaR -20.075% (6.625% – 2 x 13.35%).

The following chart shows the contribution rates for FYE 2027 on the far left and the expected FYE 2028 contribution rates based on a 6.625% investment rate of return for FYE 2026 in the middle. The FYE 2028 bar graph on the right shows the impact of a -20.075% return for FYE 2026. The City contribution rate for FYE 2028 in this scenario would be 50.0% of pay and is expected to increase in future years as the investment loss is recognized over the 5-year smoothing period.

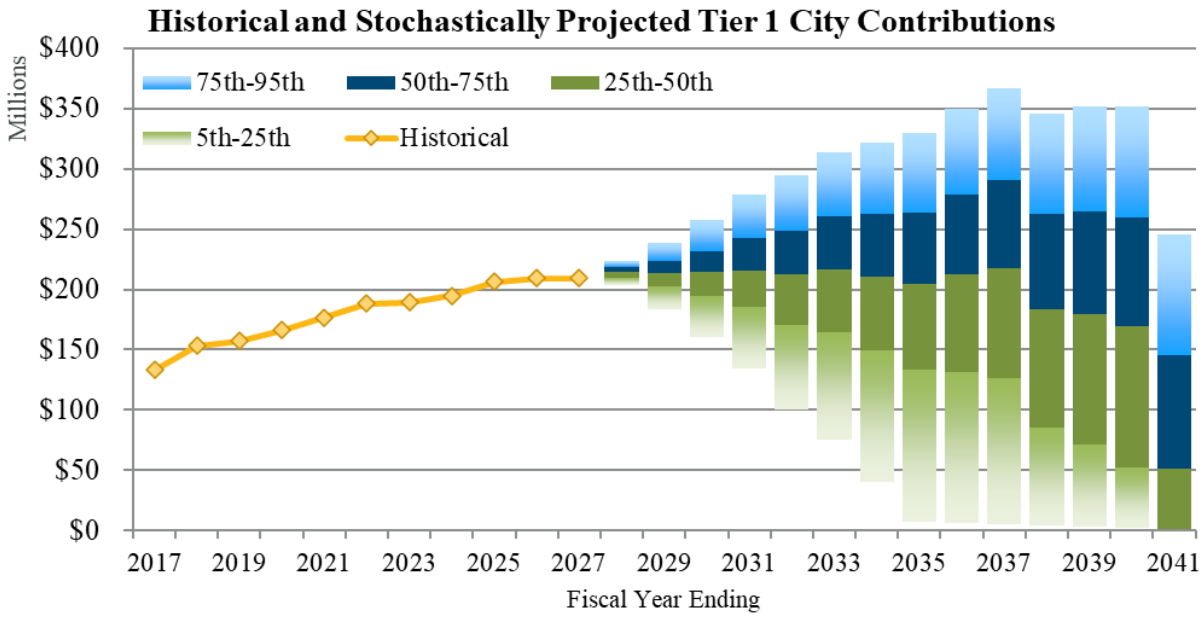


SECTION II – ASSESSMENT AND DISCLOSURE OF RISK

Stochastic Projections

If experience has taught us anything, it is that future projections are highly uncertain. The largest source of uncertainty is the projection of investment returns. To better understand the potential impact of investment returns on the System, we have included some stochastic projections in the dashboard and in this section of the report. The stochastic projections assume a geometric return of 6.625% and a standard deviation of 13.35% (based on Meketa's capital market assumptions for the System's investment portfolio). Each projection consists of 10,000 trials, each spanning 15 years in length.

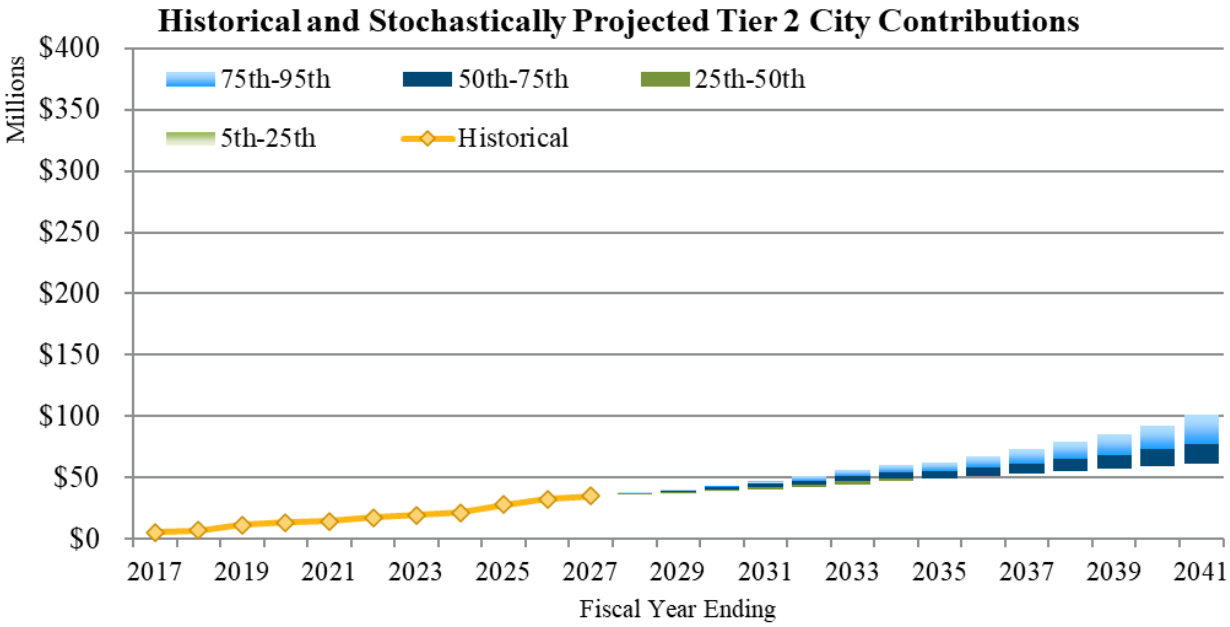
The chart below shows the historical and stochastically projected City contribution amounts for Tier 1. The gold line represents the amounts paid historically or already determined by an actuarial valuation. The colored ranges represent different percentiles of the 10,000 trials. This range is intended to convey the uncertainty in the projections based on future investment returns.



The chart shows the wide range of potential Tier 1 City contribution amounts depending on actual investment returns. For example, the range between the 5th and 95th percentile for FYE 2037 (based on the 2035 actuarial valuation) is from a contribution of $5 million to a contribution of $367 million. The standard deviation of the investment portfolio largely drives this range. The significant decrease in FYE 2041 is due to the large 2009 UAL amortization base being fully paid off.

The chart on the following page shows the historical and stochastically projected City contribution amounts for Tier 2. The range of contribution amounts is significantly narrower for Tier 2 than for Tier 1. Tier 2 is projected to grow rapidly, but its assets are currently relatively small. As a result, actual investment returns have a limited impact on future contribution amounts, while the rate of growth will have a larger impact.

SECTION II – ASSESSMENT AND DISCLOSURE OF RISK



More Detailed Assessment

A more detailed assessment is always valuable to enhance understanding of the risks identified above. While more detail would provide some additional value, we don't believe performing an in-depth analysis every year is necessary. Consequently, we recommend the Board review the analysis provided above annually and consider a more detailed analysis periodically and when there is a substantial change in the financial position or maturity of the System.

SECTION III – CERTIFICATION

The purpose of this report is to present the June 30, 2025 Actuarial Valuation of the City of San José Federated City Employees' Retirement System ("System"). This report is for the use of the System and the City of San José.

In preparing our report, we relied on information, some oral and some written, supplied by the System. 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.

The price inflation, wage inflation, amortization payment growth rate, and discount rate were re-confirmed by the Board of Administration with our input at the October 16, 2025 Board meeting. Please refer to that Board presentation for details, including the rationale for each economic assumption. All other assumptions were adopted at the November 16, 2023 Board meeting based on recommendations from our Experience Study covering plan experience through June 30, 2023. Please refer to the full experience study report for details, including the rationale for each assumption. We believe these assumptions are reasonable for the purpose of the valuation.

The liability measures and funding ratios in this report are for the purpose of establishing contribution rates. These measures are not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the System's benefit obligations.

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

Deterministic projections in this valuation report were developed using P-scan, a proprietary tool for illustrating the impact of changes in assumptions, methods, plan provisions, or actual experience (particularly investment experience) on the system's future financial status. P-scan uses standard roll-forward techniques that implicitly assume a stable active population. Because P-scan does not automatically capture how changes in one variable affect all other variables, some scenarios may not be consistent.

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, and changes in plan provisions or applicable law.

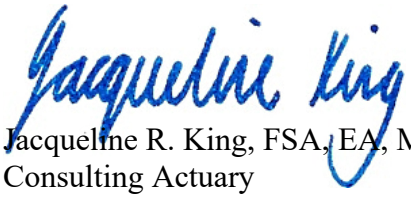
SECTION III – CERTIFICATION

This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This report was prepared for the City of San José Federated City Employees' Retirement System for the purposes described herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

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

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



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

SECTION IV – ASSETS

The System uses two asset measurements: the Market Value and Actuarial Value of Assets. The market value represents the value of the assets if they were liquidated on the valuation date. The actuarial value smooths annual investment returns over five years to mitigate the impact of short-term investment volatility on employer contribution rates. The Market Value of Assets is used primarily for reporting and disclosure, and the Actuarial Value of Assets is used primarily to determine contribution rates.

This section shows the changes in the Market Value of Assets and develops the Actuarial Value of Assets.

Statement of Change in Market Value of Assets

Table IV-1 shows the changes in the Market Value of Assets for the current and prior fiscal years for each tier.

Table IV-1

Change in Market Value of Assets

	Fiscal Year Ending 2024			Fiscal Year Ending 2025		
	Tier 1	Tier 2	Total	Tier 1	Tier 2	Total
Beginning Market Value	$ 2,668,050	$ 239,263	$ 2,907,313	$ 2,847,644	$ 306,796	$ 3,154,440
Contributions						
Member	10,628	23,305	33,933	9,399	28,569	37,968
City	195,008	23,305	218,313	208,842	29,353	238,195
Total	$ 205,636	$ 46,610	$ 252,246	$ 218,241	$ 57,922	$ 276,163
Net Investment Earnings	234,379	23,204	257,583	293,715	34,801	328,516
Benefit Payments	(254,777)	(1,789)	(256,566)	(264,355)	(2,242)	(266,597)
Administrative Expenses	(5,644)	(492)	(6,136)	(5,639)	(572)	(6,211)
Market Value, End of Year	**$ 2,847,644**	**$ 306,796**	**$ 3,154,440**	**$ 3,089,606**	**$ 396,705**	**$ 3,486,311**
Estimated Rate of Return	8.9%	8.9%	8.9%	10.4%	10.4%	10.4%

Dollar amounts in thousands

The net investment earnings for the year ended June 30, 2025 represent approximately a 10.4% return on the Market Value of Assets compared to an assumed return of 6.625%. This return produced an investment gain of $119.4 million for the year ending June 30, 2025. For the year ended June 30, 2024, the net investment return was approximately 8.9% (6.625% was assumed), which produced an investment gain of $65.3 million.

SECTION IV – ASSETS

Actuarial Value of Assets

To determine ongoing contributions, most pension systems utilize an Actuarial Value of Assets that smooths year-to-year market value returns to reduce the volatility of contributions.

The Actuarial Value of Assets is calculated by recognizing the deviation of actual investment returns compared to the expected return (6.625% for FYE 2021 through FYE 2025) over a five-year period. The dollar amount of the expected return on the Market Value of Assets is determined using actual contributions, benefit payments, and administrative expenses during the year. Any difference between this amount and the actual net investment earnings is considered a gain or loss. Table IV-2 on the following page shows the calculation of the Actuarial Value of Assets separately for Tier 1 and Tier 2. For each of the last four years, it shows the actual earnings, the expected earnings, the gain or loss, and the portion of the gain or loss that is not recognized in the current Actuarial Value of Assets. These deferred amounts will be recognized in future years.

SECTION IV – ASSETS

Table IV-2

Development of Actuarial Value of Assets

	Tier 1			Tier 2		
	Basic	COLA	Total	Basic	COLA	Total
Market Value of Assets	$ 1,795,787	$ 1,293,819	$ 3,089,606	$ 337,642	$ 59,063	$ 396,705
FYE 2025						
Actual Earnings	$ 172,077	$ 121,636	$ 293,713	$ 29,647	$ 5,155	$ 34,802
Expected Earnings	109,554	77,416	186,970	18,845	3,276	22,121
Investment Gain/(Loss)	62,523	44,220	106,743	10,802	1,879	12,681
Deferred (80%)	$ 50,018	$ 35,377	$ 85,395	$ 8,642	$ 1,502	$ 10,144
FYE 2024						
Actual Earnings	$ 139,701	$ 94,678	$ 234,379	$ 19,806	$ 3,398	$ 23,204
Expected Earnings	104,308	70,665	174,973	14,764	2,532	17,296
Investment Gain/(Loss)	35,393	24,013	59,406	5,042	866	5,908
Deferred (60%)	$ 21,236	$ 14,408	$ 35,644	$ 3,025	$ 520	$ 3,545
FYE 2023						
Actual Earnings	$ 124,637	$ 80,687	$ 205,324	$ 14,350	$ 2,427	$ 16,777
Expected Earnings	103,638	67,595	171,233	11,526	1,949	13,475
Investment Gain/(Loss)	20,999	13,092	34,091	2,824	478	3,302
Deferred (40%)	$ 8,399	$ 5,237	$ 13,636	$ 1,130	$ 191	$ 1,321
FYE 2022						
Actual Earnings	$ (98,171)	$ (60,412)	$ (158,583)	$ (9,044)	$ (1,503)	$ (10,547)
Expected Earnings	114,341	71,054	185,395	10,192	1,693	11,885
Investment Gain/(Loss)	(212,512)	(131,466)	(343,978)	(19,236)	(3,196)	(22,432)
Deferred (20%)	$ (42,502)	$ (26,294)	$ (68,796)	$ (3,847)	$ (639)	$ (4,486)
Total Deferred Gain/(Loss)	$ 37,151	$ 28,728	$ 65,879	$ 8,950	$ 1,574	$ 10,524
Actuarial Value of Assets	**$ 1,758,636**	**$ 1,265,090**	**$ 3,023,726**	**$ 328,692**	**$ 57,490**	**$ 386,182**
Actuarial to Market Ratio	97.9%	97.8%	97.9%	97.3%	97.3%	97.3%
Estimated Rate of Return	9.6%	9.1%	9.4%	8.4%	8.3%	8.4%

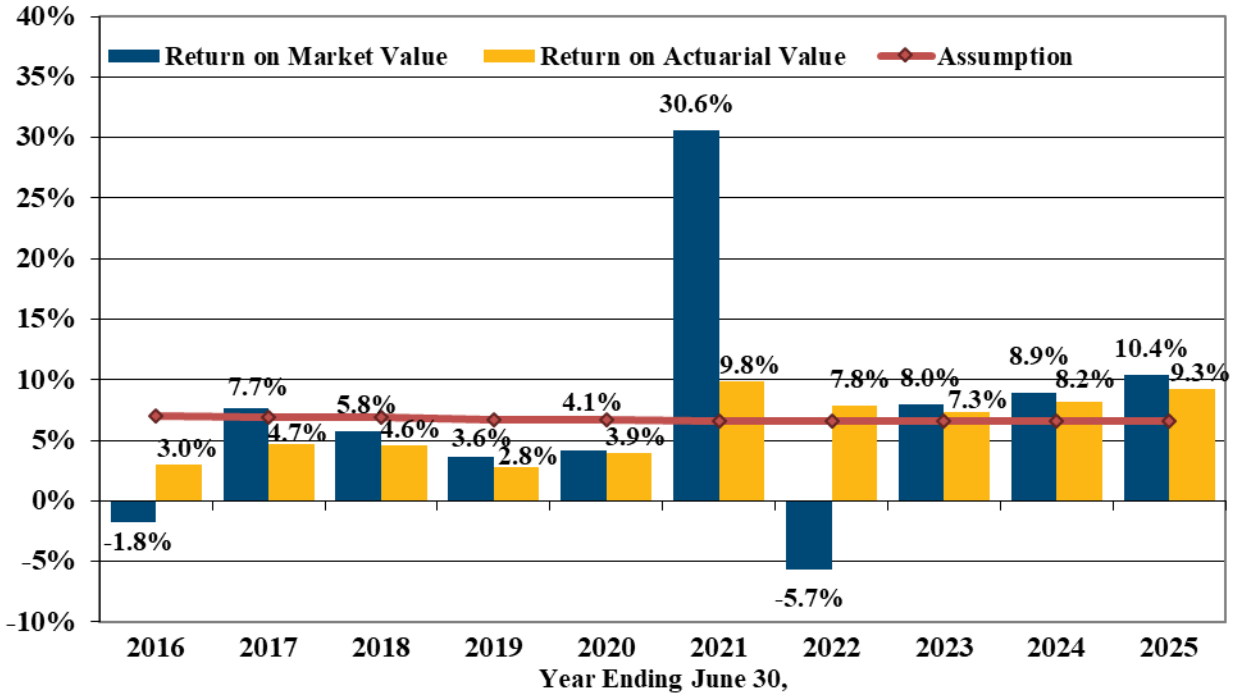
Dollar amounts in thousands

On an Actuarial Value of Assets basis, the aggregate return for the year ending June 30, 2025 was 9.4% for Tier 1 and 8.4% for Tier 2, more than the assumed return of 6.625%. The return for both Tiers was less than the return on the Market Value of Assets. This return on the Actuarial Value of Assets produced an investment gain of $83.1 million for the year ending June 30, 2025.

SECTION IV – ASSETS

As shown in the following chart, over the last 10 years, the investment return on the Market Value of Assets has varied significantly from a high of 30.6% in 2021 to a low of -5.7% in 2022. The geometric average return was 9.8% and 6.8% over the last 5 and 10 years, respectively. The return on the Actuarial Value of Assets is more stable than on the market value, with a geometric average of 8.5% and 6.1% over the last 5 and 10 years, respectively.

Historical Rates of Return



SECTION V – MEASURES OF LIABILITY

This section presents detailed information on liability measures for the System for funding purposes, including:

- Present value of future benefits,
- Normal cost,
- Actuarial Liability, and
- An analysis of changes in the Unfunded Actuarial Liability during the year.

Present Value of Future Benefits: The present value of future benefits represents the expected amount of money needed today if all assumptions are met to pay for all benefits both earned as of the valuation date and expected to be earned in the future by current plan members under the current plan provisions. Table V-1 below shows the present value of future benefits as of June 30, 2024 and June 30, 2025 separately by Tier.

Table V-1

Present Value of Future Benefits					
	June 30, 2024	June 30, 2025			
	Total	Basic	COLA	Total	% Change
Tier 1					
Actives	$ 1,287,430	$ 891,777	$ 363,605	$ 1,255,382	-2.5%
Deferred Vested	263,387	190,063	80,155	270,218	2.6%
In Pay Status					
Retirees	$ 3,132,794	$ 1,753,644	$ 1,490,184	$ 3,243,828	3.5%
Beneficiaries	214,035	105,297	119,601	224,898	5.1%
Disabled	90,824	41,548	48,705	90,253	-0.6%
Total In Pay Status	$ 3,437,653	$ 1,900,489	$ 1,658,490	$ 3,558,979	3.5%
Total Tier 1	**$ 4,988,470**	**$ 2,982,329**	**$ 2,102,250**	**$ 5,084,579**	**1.9%**
Tier 2					
Actives	$ 759,195	$ 727,018	$ 136,662	$ 863,680	13.8%
Deferred Vested	36,904	42,176	5,512	47,688	29.2%
In Pay Status					
Retirees	$ 9,578	$ 12,502	$ 2,205	$ 14,707	53.5%
Beneficiaries	265	427	56	483	
Disabled	0	0	0	0	
Total In Pay Status	$ 9,843	$ 12,929	$ 2,261	$ 15,190	54.3%
Total Tier 2	**$ 805,942**	**$ 782,123**	**$ 144,435**	**$ 926,558**	**15.0%**
Total System	**$ 5,794,412**	**$ 3,764,452**	**$ 2,246,685**	**$ 6,011,137**	**3.7%**

Dollar amounts in thousands

SECTION V – MEASURES OF LIABILITY

Normal Cost

Under the Entry Age (EA) actuarial cost method, the present value of future benefits for each individual is spread over the individual's expected working career under the System as a level percentage of the individual's expected pay. The normal cost rate is determined as the value, as of entry age into the System, of each member's projected future benefits divided by the value, also at entry age, of each member's expected future salary. The normal cost rate is multiplied by the current salary to determine each member's normal cost. The normal cost of the System is the sum of the normal costs for each individual. The normal cost represents the expected amount of money needed to fund the benefits attributed to the next year of service under the Entry Age actuarial cost method. Table V-2 below shows the Total normal cost rates as of June 30, 2024 and June 30, 2025, separately by Tier.

Table V-2

Normal Cost

	June 30, 2024	June 30, 2025			
	Total	Basic	COLA	Total	% Change
Tier 1					
Retirement	$ 22,091	$ 14,790	$ 6,132	$ 20,922	-5.3%
Termination	8,051	5,643	1,943	7,586	-5.8%
Death	588	385	165	550	-6.5%
Disability	1,283	824	372	1,196	-6.8%
Reciprocity	1,417	941	407	1,348	-4.9%
Total Tier 1	**$ 33,430**	**$ 22,583**	**$ 9,019**	**$ 31,602**	**-5.5%**
Expected Payroll	$ 133,251	$ 127,134	$ 127,134	$ 127,134	-4.6%
Tier 1 NC Rate	**25.09%**	**17.76%**	**7.10%**	**24.86%**	**-0.9%**
Tier 2					
Retirement	$ 32,958	$ 30,017	$ 5,607	$ 35,624	8.1%
Termination	12,419	11,976	1,707	13,683	10.2%
Death	710	676	83	759	6.9%
Disability	2,235	2,066	370	2,436	9.0%
Total Tier 2	**$ 48,322**	**$ 44,735**	**$ 7,767**	**$ 52,502**	**8.7%**
Expected Payroll	$ 308,924	$ 336,684	$ 336,684	$ 336,684	9.0%
Tier 2 NC Rate	**15.64%**	**13.29%**	**2.30%**	**15.59%**	**-0.3%**

Dollar amounts in thousands

SECTION V – MEASURES OF LIABILITY

Actuarial Liability

The Actuarial Liability represents the expected amount of money needed today if all assumptions are met to pay for benefits attributed to service before the valuation date under the Entry Age actuarial cost method. As such, it is the amount of assets targeted by the actuarial cost method for the System to hold as of the valuation date. It is not the amount necessary to settle the obligation. Table V-3 below shows the Actuarial Liability as of June 30, 2024 and June 30, 2025, separately by Tier.

Table V-3

Actuarial Liability

	June 30, 2024	June 30, 2025			
	Total	Basic	COLA	Total	% Change
Tier 1					
Actives					
Retirement	$ 1,023,972	$ 721,898	$ 291,530	$ 1,013,428	-1.0%
Termination	50,439	30,339	16,015	46,354	-8.1%
Death	8,787	6,139	2,240	8,379	-4.6%
Disability	13,400	9,142	3,637	12,779	-4.6%
Total Actives	$ 1,096,598	$ 767,518	$ 313,422	$ 1,080,940	-1.4%
Deferred Vested	$ 263,387	$ 190,063	$ 80,155	$ 270,218	2.6%
In Pay Status	3,437,653	1,900,489	1,658,490	3,558,979	3.5%
Total Tier 1	**$ 4,797,638**	**$ 2,858,070**	**$ 2,052,067**	**$ 4,910,137**	**2.3%**
Tier 2					
Actives					
Retirement	$ 245,164	$ 252,602	$ 46,997	$ 299,599	22.2%
Termination	35,261	31,927	9,733	41,660	18.1%
Death	4,422	4,546	616	5,162	16.7%
Disability	8,706	8,855	1,712	10,567	21.4%
Total Actives	$ 293,553	$ 297,930	$ 59,058	$ 356,988	21.6%
Deferred Vested	36,904	42,176	5,512	47,688	29.2%
In Pay Status	9,843	12,929	2,261	15,190	54.3%
Total Tier 2	**$ 340,300**	**$ 353,035**	**$ 66,831**	**$ 419,866**	**23.4%**
Total System	**$ 5,137,938**	**$ 3,211,105**	**$ 2,118,898**	**$ 5,330,003**	**3.7%**

Dollar amounts in thousands

SECTION V – MEASURES OF LIABILITY

Liability (Gains) and Losses

Each year, the Actuarial Liability increases with normal cost and interest and decreases due to benefit payments. In addition, any deviation in experience from the actuarial assumptions creates a gain or loss. Table V-4 below summarizes the sources of liability gains and losses for the last five years. The other category includes gains and losses on administrative expenses, minor demographic assumptions, and data corrections. By far, the largest source of loss over the 5-year period is from salary increases that were larger than expected.

Table V-4

Historical Sources of Liability (Gain) or Loss

Source	Year Ending June 30th 2021	2022	2023	2024	2025	Total
Salary increases	21,085	47,333	50,316	23,453	21,853	164,040
Retirement	3,392	13,217	4,345	5,379	11,525	37,858
Termination	4,986	(1,589)	7,265	8,736	5,248	24,646
Mortality	2,613	(4,036)	1,638	(3,308)	2,715	(378)
Disability	(946)	(1,032)	(915)	(1,097)	(952)	(4,942)
Other	(393)	9,257	1,610	(4,999)	(463)	5,012
Total	$ 30,737	$ 63,150	$ 64,259	$ 28,164	$ 39,926	$ 226,236

Dollar amounts in thousands

SECTION V – MEASURES OF LIABILITY

Liability and Payroll by Tier and Union

The following table breaks down the Actuarial Liability and payroll as of June 30, 2025, by Tier and Union group.

Table V-5

Actuarial Liability and Payroll as of June 30, 2025

	Actuarial Liability			Payroll as of June 30, 2025		
	Tier 1	Tier 2	Total	Tier 1	Tier 2	Total
Actives						
AEA	$ 62,675	$ 42,514	$ 105,189	$ 7,768	$ 39,817	$ 47,585
AMSP	81,714	12,311	94,025	9,794	8,409	18,203
CAMP	219,421	55,384	274,805	28,395	51,159	79,554
MEF	279,586	125,338	404,924	36,513	148,766	185,278
ABMEI	19,817	13,325	33,143	2,767	8,325	11,092
ALP	8,224	7,795	16,019	1,082	7,654	8,736
IBEW	27,425	5,759	33,184	3,774	5,384	9,158
POPRA	0	400	400	0	793	793
SJPDA	45,991	10,446	56,437	5,835	11,988	17,823
Unit99	235,873	37,539	273,412	33,894	31,003	64,897
Other	100,213	46,177	146,390	13,042	54,349	67,391
Inactives	3,829,197	62,878	3,892,074	N/A	N/A	N/A
Total	**$ 4,910,137**	**$ 419,866**	**$ 5,330,003**	**$ 142,864**	**$ 367,647**	**$ 510,512**

Dollar amounts in thousands

SECTION VI – CONTRIBUTIONS

Amortization of the Unfunded Actuarial Liability

Under the contribution allocation procedure employed by the System, there are three components to the contribution: the normal cost, administrative expenses, and an amortization payment on the Unfunded Actuarial Liability (UAL). The normal cost rate was developed in Section V. This section develops the administrative expense and UAL contributions.

The difference between the Actuarial Liability and the Actuarial Value of Assets is the Unfunded Actuarial Liability. The UAL is made up of the unamortized UAL as of June 30, 2024, plus the impact of the 2025 experience, and the 2024 UAL payment made by the City. There were no assumption changes or plan changes in 2025.

For members who were reclassified under Measure F from Tier 2 to Tier 1, a portion of the increase in liability for the reclassification is to be paid by members. Table VI-1 below shows the outstanding amount owed by members and the expected amortization payment amount. Rehires pay a fixed percentage of pay until the amount they owe has been paid. Classic members pay their portion of the UAL over 20 years (13 years remaining).

Table VI-1

Tier 1 Member UAL Amortization

	Outstanding Balance	Remaining Period	Amortization Payment
Employee Rehire UAL	$ 291	N/A	$ 55
Classic Employee UAL	824	13	84
Total Members	**$ 1,115**		**$ 139**
Basic	650		81
COLA	465		58

Dollar amounts in thousands

Table VI-2 on the following page provides the payment schedule to amortize the Tier 1 UAL. The entire UAL as of June 30, 2009, was amortized over 30 years. Subsequent actuarial gains or (losses) or method changes were amortized over 20 years and assumption changes over 25 years from the valuation in which they are first recognized. The amortization payments increase by 2.75% each year, while payroll is expected to increase by 3.00% each year. As a result, payments are expected to become a slightly smaller percentage of combined Tier 1 and Tier 2 payroll each year.

SECTION VI – CONTRIBUTIONS

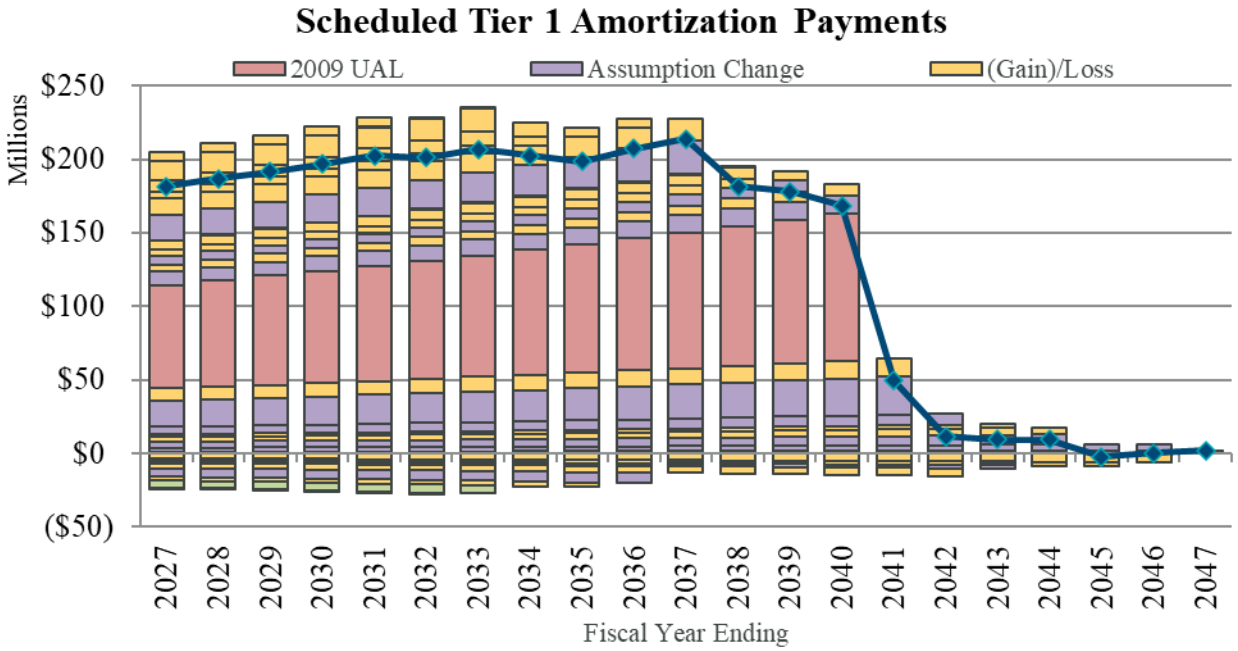
Table VI-2

Tier 1 City UAL Amortization	Outstanding Balance	Remaining Period	Amortization Payment
Golden Handshake	$ 19,238	14	$ 1,843
2009 UAL	690,264	14	66,135
2010 (Gain)/Loss	25,610	5	5,873
2010 Assumption Change	(42,880)	10	(5,370)
2011 (Gain)/Loss	(1,709)	6	(333)
2011 Assumption Change	143,650	11	16,641
2012 (Gain)/Loss	74,065	7	12,572
SRBR Elimination	(27,218)	7	(4,620)
2013 (Gain)/Loss	50,434	8	7,624
2013 Assumption Change	53,809	13	5,459
2014 (Gain)/Loss	(18,768)	9	(2,567)
2014 Assumption Change	91,161	14	8,734
2015 (Gain)/Loss	38,130	10	4,776
2015 Assumption Change	188,422	15	17,136
2016 (Gain)/Loss	92,095	11	10,669
2016 Assumption Change	56,278	16	4,879
2017 (Gain)/Loss	50,699	12	5,477
Measure F	6,054	12	654
2017 Assumption Change	(16,693)	17	(1,385)
2018 (Gain)/Loss	42,936	13	4,356
2018 Assumption Change	51,730	18	4,121
2019 (Gain)/Loss	51,035	14	4,890
2019 Assumption Change	(1,670)	19	(128)
2020 (Gain)/Loss	90,841	15	8,261
2020 Assumption Change	34,202	20	2,534
2021 (Gain)/Loss	(39,074)	16	(3,388)
2021 Assumption Change	9,448	21	677
2022 (Gain)/Loss	20,962	17	1,739
2022 Assumption Change	495	22	34
2023 (Gain)/Loss	37,964	18	3,024
2023 Assumption Change	5,997	23	405
2024 (Gain)/Loss	(20,116)	19	(1,543)
2025 (Gain)/Loss	(46,479)	20	(3,443)
7/1/2025 Payment	174,384		
Total City	**$ 1,885,296**		**$ 175,736**
Basic	1,098,785		92,593
COLA	786,511		83,143

Dollar amounts in thousands

SECTION VI – CONTRIBUTIONS

The chart below shows the future payment schedule for the Tier 1 amortization bases in Table VI-2. The original 2009 UAL is shown in red, assumption changes in purple, experience gain or loss bases in gold, and benefit changes in green. The blue line shows the net scheduled payment for each year.



SECTION VI – CONTRIBUTIONS

Table VI-3 below provides the payment schedule to amortize the Tier 2 UAL as of June 30, 2025. As of June 30, 2017, all amortization layers were reset to 10 years. Subsequent layers are amortized over 10 years from the valuation in which they are first recognized. The amortization payments increase by 2.75% annually, while aggregate payroll is expected to increase by 3.00% annually.

Table VI-3

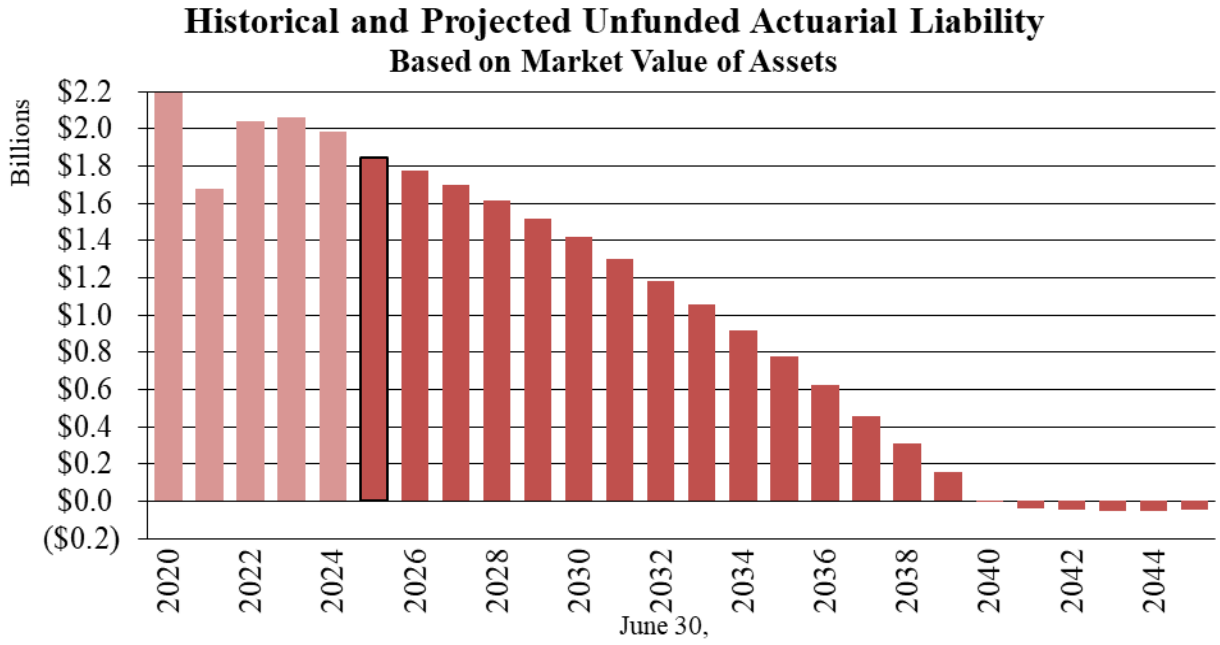
Tier 2 UAL Amortization

	Outstanding Balance	Remaining Period	Amortization Payment
2013 (Gain)/Loss	$ 14	2	$ 8
2013 Assumption Change	0	2	0
2014 (Gain)/Loss	(176)	2	(96)
2014 Assumption Change	32	2	17
2015 (Gain)/Loss	254	2	138
2015 Assumption Change	123	2	67
2016 (Gain)/Loss	(166)	2	(90)
2016 Assumption Change	135	2	73
2017 (Gain)/Loss	(218)	2	(118)
Measure F	1,663	2	904
2017 Assumption Change	490	2	266
2018 (Gain)/Loss	(961)	3	(354)
2018 Assumption Change	589	3	217
2019 (Gain)/Loss	509	4	143
2019 Assumption Change	(650)	4	(183)
2020 (Gain)/Loss	2,108	5	483
2020 Assumption Change	1,574	5	361
2021 (Gain)/Loss	(2,229)	6	(434)
2021 Assumption Change	157	6	30
2022 (Gain)/Loss	857	7	146
2022 Assumption Change	19	7	3
2023 (Gain)/Loss	6,774	8	1,024
2023 Assumption Change	14,510	8	2,194
2024 (Gain)/Loss	3,958	9	541
2025 (Gain)/Loss	(879)	10	(110)
7/1/2025 Payment	5,197		
Total Tier 2	**$ 33,684**		**$ 5,230**
Basic	24,343		3,699
COLA	9,341		1,531

Dollar amounts in thousands

SECTION VI – CONTRIBUTIONS

The chart below shows the historical UAL based on the Market Value of Assets and its projected decline over the next 20 years if all assumptions are met and as scheduled amortization payments are made.



This amortization structure results in a total UAL rate of 35.0% of payroll for FYE 2027, which is more than the amount needed to pay the projected interest on the UAL based on the Market Value of Assets. As a result, the dollar amount of the UAL based on the Market Value of Assets is expected to decrease during FYE 2027.

Contributions for Administrative Expenses

Administrative expenses for FYE 2026 were assumed to be $6,509,952, which were the actual expenses for FYE 2024 increased by 3.0% annually for two years. Administrative expenses for FYE 2027 are assumed to be $6,589,781, which are the actual expenses for FYE 2025 increased by 3.0% annually for two years. These expenses are allocated to each tier in proportion to the Market Value of Assets. Table VI-4 on the next page shows the contributions for administrative expenses by tier and the administrative expense contribution rates for Tier 2 for FYE 2026 and 2027. Tier 1 members do not share in the cost of administrative expenses, while Tier 2 members pay half of the administrative expenses expected for Tier 2.

SECTION VI – CONTRIBUTIONS

Table VI-4

Administrative Expense By Group

	Fiscal Year Ending 2026		Fiscal Year Ending 2027	
	Tier 1	Tier 2	Tier 1	Tier 2
Market Assets	$ 2,847,644	$ 306,796	$ 3,089,606	$ 396,705
Administrative Expense	$ 5,877	$ 633	$ 5,840	$ 750
Tier 2 City/Member Admin Expense Rate		**0.08%**		**0.09%**
Basic		0.07%		0.08%
COLA		0.01%		0.01%

Dollar amounts in thousands

Contribution Rates and Amounts

Tier 1 members pay 3/11^{ths} of the total normal cost (excluding reciprocity normal cost). For Tier 1, the City pays 8/11^{ths} of the total normal cost (excluding reciprocity normal cost), all of the reciprocity normal cost, all administrative expenses, and the UAL payments shown above. The total contribution cannot be less than the normal cost.

For Tier 2, members and the City each pay half of the total normal cost, half of the administrative expenses, and half of the UAL payments. However, the member's UAL contribution rate cannot increase by more than 0.33% of pay each year. The City contributes any amounts in excess of this cap that the member would otherwise contribute. The member and City contribution rates each cannot be less than 50% of the normal cost rate.

Tier 1 members who were rehired into Tier 2 and subsequently reclassified back into Tier 1 under Measure F pay half of the increased cost attributable to their Tier 2 service. The Board set a contribution rate of 3.0 percent of pay that applies to each individual member until they have paid off their individual UAL amount for reclassification. In addition, Tier 2 members who were defined as classic members due to reciprocal service were reclassified as Tier 1 members under Measure F. All classic members pay an additional contribution rate to pay half of the additional liability attributable to reclassifying these members. This contribution rate is recalculated with each valuation. Table VI-5 shows the reclassification contribution rates applicable to classic members for FYE 2026 and 2027.

SECTION VI – CONTRIBUTIONS

Table VI-5

Classic Member Contribution Rate

	Fiscal Year Ending 2026			Fiscal Year Ending 2027		
	Basic	COLA	Total	Basic	COLA	Total
Classic UAL Payment	$ 47	$ 34	$ 81	$ 49	$ 35	$ 84
Expected Classic Payroll			$ 8,684			$ 10,119
Classic Member Rate	**0.55%**	**0.38%**	**0.93%**	**0.48%**	**0.35%**	**0.83%**

Dollar amounts in thousands

Table VI-6 shows the components of the member contribution rates for FYE 2026 and 2027, including the average of the reclassification rates under Measure F over all Tier 1 payroll.

Table VI-6

Member Contribution Rates

	Fiscal Year Ending 2026			Fiscal Year Ending 2027		
	Basic	COLA	Total	Basic	COLA	Total
Tier 1						
Normal Cost Rate	4.70%	1.85%	6.55%	4.64%	1.85%	6.49%
Average Reclassification Rate	0.07%	0.06%	0.13%	0.07%	0.05%	0.12%
Average Member Rate	**4.77%**	**1.91%**	**6.68%**	**4.71%**	**1.90%**	**6.61%**
Tier 2						
Normal Cost Rate	6.67%	1.15%	7.82%	6.65%	1.15%	7.80%
Admin Expense Rate	0.07%	0.01%	0.08%	0.08%	0.01%	0.09%
UAL Rate	0.52%	0.20%	0.72%	0.47%	0.20%	0.67%
Member Rate	**7.26%**	**1.36%**	**8.62%**	**7.20%**	**1.36%**	**8.56%**

Table VI-7 shows the City's contribution rates and dollar amounts for FYE 2026 and 2027, assuming contributions are made throughout the fiscal year. The UAL rate is calculated as the payment shown in Tables VI-1 and VI-2 increased with one-half year of interest and divided by the projected payroll for the fiscal year. For FYE 2027, the projected payroll is $120.1 million for Tier 1 and $405.7 million for Tier 2.

SECTION VI – CONTRIBUTIONS

Table VI-7

City Contribution Rates and Amounts Throughout the Year

	Fiscal Year Ending 2026			Fiscal Year Ending 2027		
	Basic	COLA	Total	Basic	COLA	Total
Tier 1 UAL Payment	$ 95,184	$ 84,883	$ 180,067	$ 95,611	$ 85,853	$ 181,464
Tier 1 Admin Expenses	$ 3,473	$ 2,404	$ 5,877	$ 3,394	$ 2,446	$ 5,840
Tier 1 Normal Cost	$ 16,891 13.28%	$ 6,717 5.28%	$ 23,608 18.56%	$ 15,818 13.17%	$ 6,318 5.26%	$ 22,136 18.43%
Tier 2 Contribution	$ 27,124 7.26%	$ 5,081 1.36%	$ 32,205 8.62%	$ 29,212 7.20%	$ 5,517 1.36%	$ 34,729 8.56%
Aggregate Contribution	**$ 142,672 28.49%**	**$ 99,085 19.78%**	**$ 241,757 48.27%**	**$ 144,035 27.39%**	**$ 100,134 19.05%**	**$ 244,169 46.44%**

Dollar amounts in thousands

The City retains an option to make its Tier 1 contribution as a lump sum at the beginning of the fiscal year. Table VI-8 below shows the City contribution amounts for Tier 1 as of the beginning of the fiscal year assuming the Board elects to discount the amounts for one half year of interest at the valuation discount rate. Any amounts contributed after the beginning of the year should be adjusted for interest at the valuation discount rate.

Table VI-8

Estimated Tier 1 City Contribution Amounts - Beginning of Year

	Fiscal Year Ending 2026			Fiscal Year Ending 2027		
	Basic	COLA	Total	Basic	COLA	Total
Tier 1						
Normal Cost	$ 16,359	$ 6,503	$ 22,862	$ 15,319	$ 6,118	$ 21,437
Admin Expenses	3,363	$ 2,328	5,691	3,287	2,369	5,656
UAL	92,179	82,205	174,384	92,593	83,143	175,736
Total	**$ 111,901**	**$ 91,036**	**$ 202,937**	**$ 111,199**	**$ 91,630**	**$ 202,829**

Dollar amounts in thousands

Table VI-9 reconciles the change in the Tier 1 and Tier 2 member and City contributions from the contribution rates and amounts calculated in the prior valuation. The asset experience shown in the table includes investment returns, contributions, and administrative expense experience.

SECTION VI – CONTRIBUTIONS

Demographic experience in 2025 increased the contribution rate, offset by investment experience. However, higher-than-expected payroll growth caused a net reduction in the contribution rate because the UAL payment is spread over a larger payroll, but it also caused an increase in the dollar amount of the contribution because the normal cost rate is charged on a larger payroll.

Table VI-9

Reconciliation of Changes in Contribution Rates and Amounts

	Member Rate		City Aggregate				
	Tier 1	Tier 2	Normal Cost	UAL Rate	Total Rate	Projected Payroll	City Amount
FYE 2026 Contribution	6.68%	8.62%	10.55%	37.72%	48.27%	$ 500,803	$ 241,757
Expected FYE 2027	6.66%	8.60%	10.22%	36.83%	47.05%	515,827	242,714
Changes Due to:							
Asset experience	0.00%	-0.14%	0.00%	-1.23%	-1.23%	515,827	(6,345)
Demographic experience	-0.05%	0.10%	-0.04%	1.29%	1.25%	515,827	6,459
Payroll Change	0.00%	0.00%	0.05%	-0.69%	-0.64%	525,827	1,342
Assumption Change	0.00%	0.00%	0.00%	0.00%	0.00%	525,827	0
Subtotal	-0.05%	-0.04%	0.01%	-0.63%	-0.62%	$ 525,827	$ 1,456
FYE 2027 Contribution	**6.61%**	**8.56%**	**10.23%**	**36.21%**	**46.44%**	**$ 525,827**	**$ 244,169**

City administrative expenses are included in the UAL rate. *Dollar amounts in thousands*

SECTION VII – ACTUARIAL SECTION OF THE ACFR

The Government Finance Officers Association (GFOA) maintains a checklist of items to be included in the System's Annual Comprehensive Financial Report (ACFR) in order to receive recognition for excellence in financial reporting. The schedules in this section are listed by the GFOA for inclusion in the Actuarial Section of the System's ACFR.

Table VII-1

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AL)	Unfunded AL	Funded Ratio	Covered Payroll	Unfunded AL as a % of Covered Payroll
6/30/2025	$ 3,409,908	$ 5,330,003	$ 1,920,095	64%	$ 510,512	376%
6/30/2024	3,116,847	5,137,938	2,021,091	61%	486,216	416%
6/30/2023 [8]	2,889,956	4,965,668	2,075,712	58%	436,391	476%
6/30/2022 [7]	2,709,625	4,750,646	2,041,021	57%	384,197	531%
6/30/2021 [6]	2,513,095	4,562,981	2,049,886	55%	359,061	571%
6/30/2020 [5]	2,301,469	4,401,083	2,099,614	52%	341,552	615%
6/30/2019 [4]	2,228,802	4,200,708	1,971,906	53%	313,310	629%
6/30/2018 [3]	2,179,488	4,100,821	1,921,333	53%	298,985	643%
6/30/2017 [2]	2,101,435	3,923,966	1,822,531	54%	287,339	634%
6/30/2016 [1]	2,034,741	3,786,730	1,751,989	54%	266,823	657%

Dollar amounts in thousands

[1] *Reducing the discount rate from 7.00% to 6.875% increased the AL by $60 million.*

[2] *Measure F implementation increased the AL by $14 million and assumption changes decreased the AL by $16 million*

[3] *Assumption changes, including reducing the discount rate from 6.875% to 6.75%, increased the AL by $54 million*

[4] *Assumption changes decreased the AL by $3 million*

[5] *Assumption changes, including reducing the discount rate from 6.75% to 6.625%, increased the AL by $37 million*

[6] *Assumption changes increased the AL by $10 million*

[7] *Assumption changes increased the AL by $0.5 million*

[8] *Assumption changes increased the AL by $22.6 million*

SECTION VII – ACTUARIAL SECTION OF THE ACFR

Table VII-2

Schedule of Funded Liabilities by Type

Valuation Date	Actuarial Liability For (A) Active Member Contributions	(B) Retirees, Beneficiaries and Other Inactives	(C) Remaining Active Members' Liabilities	Reported Assets*	Portion of Actuarial Liability Covered by Reported Assets (A)	(B)	(C)
6/30/2025	$ 299,656	$ 3,892,074	$ 1,138,273	$ 3,409,908	100%	80%	0%
6/30/2024	283,680	3,747,788	1,106,470	3,116,847	100%	76%	0%
6/30/2023	262,269	3,668,531	1,034,868	2,889,956	100%	72%	0%
6/30/2022	246,803	3,575,879	927,964	2,709,625	100%	69%	0%
6/30/2021	241,016	3,443,968	877,997	2,513,095	100%	66%	0%
6/30/2020	234,385	3,308,069	858,629	2,301,469	100%	62%	0%
6/30/2019	228,905	3,150,673	821,130	2,228,802	100%	63%	0%
6/30/2018	230,282	3,002,012	868,527	2,179,488	100%	65%	0%
6/30/2017	236,819	2,830,143	857,004	2,101,435	100%	66%	0%
6/30/2016	240,872	2,722,224	823,634	2,034,741	100%	66%	0%

** Actuarial Value of Assets*

Dollar amounts in thousands

Table VII-3

Analysis of Financial Experience

Actuarial Valuation Date	Gain or (Loss) for Year Ending on Valuation Date Due To: Investment Income	Combined Liability Experience	Total Financial Experience	Non-Recurring Items	Total Experience
6/30/2025	$ 83,106	$ (35,748)	$ 47,358	$ 0	$ 47,358
6/30/2024	46,229	(30,160)	16,068	0	16,068
6/30/2023	18,329	(64,743)	(46,414)	(22,572)	(68,985)
6/30/2022	31,034	(53,747)	(22,713)	(518)	(23,231)
6/30/2021	76,461	(32,329)	44,132	(9,687)	34,446
6/30/2020	(67,979)	(32,761)	(100,741)	(36,981)	(137,722)
6/30/2019	(88,845)	(4,283)	(93,129)	39,030	(54,099)
6/30/2018	(49,921)	4,702	(45,219)	(56,306)	(101,525)
6/30/2017	(44,650)	(13,819)	(58,468)	1,813	(56,655)
6/30/2016	(81,539)	(29,989)	(111,528)	(60,233)	(171,761)

Dollar amounts in thousands

APPENDIX A – MEMBERSHIP INFORMATION

Data Assumptions and Methods

In preparing our data, we relied on information supplied by the San José Department of Retirement Services. This information includes, but is not limited to, plan provisions, employee data, and financial information. Our methodology for obtaining the data used for the valuation is based upon the following assumptions and practices:

- Records on the "Active" data file are considered to be Active if they do not have a reason for termination.
- Records on any of the data files are considered to be Inactive if they have a reason for termination of deferred vested or leave of absence/inactive.
- Records on the "Retiree" and "Beneficiary/QDRO" files are considered in pay status if they do not have a date of death, are not inactive, and have not withdrawn from the plan.
- All active employees are assumed to accrue a full year of service in all future years.
- Service for inactives that have no service amount is calculated to be the time from date of hire to date of termination.
- The expected annual salary for Tier 1 full-time active employees is calculated to be "compensation rate 2 earnable" multiplied by the expected pay periods for the year and increased by any expected pay increases.
- The expected annual salary for Tier 1 part-time active employees and all Tier 2 active employees is calculated to be 80 hours multiplied by their hourly rate of pay in the pay period immediately preceding the valuation date, multiplied by the expected pay periods for the year and increased by any expected pay increase.
- The Tier 1 annual benefit for inactives is set to be the accrued benefit provided. If an accrued benefit is not provided, then the annual benefit is calculated to be 2.5% of final compensation per year of service in Tier 1, up to a maximum of 75% of final compensation. Members who terminated prior to June 30, 2001 have their final compensation adjusted for a three-year average rather than a 12-month average.
- The Tier 2 annual benefit for inactives is set to be the accrued benefit provided. If an accrued benefit is not provided, then the annual benefit is calculated to be 2.0% of final compensation per year of service in Tier 2, up to a maximum of 70% of final compensation. The final compensation is adjusted for a three-year average.
- We assume any member found in last year's "Retiree" file and not in this year's file is deceased without a beneficiary and should be removed from the valuation data.
- We assume all deceased members with payments continuing to a beneficiary have already been accounted for in the "Retiree" file.

Changes since Last Valuation

None.

APPENDIX A – MEMBERSHIP INFORMATION

Table A-1

Active Member Data	June 30, 2024	June 30, 2025	% Change
Tier 1			
Count	1,123	1,017	-9.4%
Average Current Age	52.8	53.2	0.8%
Average Eligibility Service	20.5	21.3	3.9%
Average Benefit Service	19.7	20.3	3.0%
Average Expected Pensionable Earnings	$ 132,759	$ 140,476	5.8%
Tier 2			
Count	3,178	3,287	3.4%
Average Current Age	39.4	39.7	0.8%
Average Eligibility Service	4.4	4.9	11.4%
Average Benefit Service	4.3	4.8	11.6%
Average Expected Pensionable Earnings	$ 106,082	$ 111,849	5.4%
Total			
Count	4,301	4,304	0.1%
Average Current Age	42.9	42.9	0.0%
Average Eligibility Service	8.6	8.8	2.3%
Average Benefit Service	8.3	8.5	2.4%
Average Expected Pensionable Earnings	$ 113,047	$ 118,613	4.9%

Table A-2

Schedule of Active Member Data				
Valuation Date	Active Count	Annual Payroll	Average Annual Pay	Percent Change in Average Pay
2025	4,304	$ 510,512,000	$ 118,613	4.9%
2024	4,301	486,216,000	113,047	4.9%
2023	4,048	436,391,000	107,804	6.4%
2022	3,792	384,197,000	101,318	6.5%
2021	3,775	359,061,000	95,115	4.2%
2020	3,742	341,552,000	91,275	5.4%
2019	3,617	313,310,000	86,622	3.0%
2018	3,554	298,985,000	84,126	-0.2%
2017	3,410	287,339,000	84,264	4.1%
2016	3,297	266,823,000	80,929	4.2%

APPENDIX A – MEMBERSHIP INFORMATION

Table A-3

Payee Member Data	June 30, 2024	June 30, 2025	% Change
Retired			
Count	3,921	3,988	1.7%
Average Age	71.1	71.4	0.4%
Average Annual Benefit	$ 59,723	$ 61,395	2.8%
Service Disability			
Count	117	118	0.9%
Average Age	69.6	70.2	0.9%
Average Annual Benefit	$ 44,014	$ 45,058	2.4%
Non-Service Disability			
Count	63	60	- 4.8%
Average Age	70.2	70.9	1.0%
Average Annual Benefit	$ 37,673	$ 38,242	1.5%
Beneficiaries & SADROs			
Count	556	569	2.3%
Average Age	75.6	75.9	0.4%
Average Annual Benefit	$ 35,357	$ 36,929	4.4%
Total			
Count	4,657	4,735	1.7%
Average Age	71.6	71.9	0.4%
Average Annual Benefit	$ 56,121	$ 57,754	2.9%

Table A-4

Schedule Of Retirees And Beneficiaries Added To And Removed From Rolls

Period	Beginning of Period Count	Beginning of Period Annual Allowances	Added to Rolls Count	Added to Rolls Annual Allowances	Removed from Rolls Count	Removed from Rolls Annual Allowances	End of Period Count	End of Period Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
2024-2025	4,657	$ 261,356	202	$ 10,536	124	$ 5,983	4,735	$ 273,562	4.7%	$ 58
2023-2024	4,626	252,313	154	7,532	123	5,874	4,657	261,356	3.6%	56
2022-2023	4,557	241,253	185	7,810	116	5,251	4,626	252,313	4.6%	55
2021-2022	4,511	232,043	173	8,440	127	5,463	4,557	241,253	4.0%	53
2020-2021	4,441	221,575	188	9,246	118	5,090	4,511	232,043	4.7%	51
2019-2020	4,359	210,350	208	9,499	126	4,596	4,441	221,575	5.3%	50
2018-2019	4,225	198,157	230	10,394	96	3,634	4,359	210,350	6.2%	48
2017-2018	4,115	187,714	223	9,133	113	3,994	4,225	198,157	5.6%	47
2016-2017	4,003	177,751	225	8,843	113	3,894	4,115	187,714	5.6%	46
2015-2016	3,901	168,917	212	7,907	110	3,904	4,003	177,751	5.2%	44

Dollar amounts in thousands

APPENDIX A – MEMBERSHIP INFORMATION

Table A-5

Inactive Member Data	June 30, 2024	June 30, 2025	%Change
Tier 1			
Terminated Vested			
Count	639	624	-2.3%
Average Age	50.3	50.8	1.0%
Average Annual Benefit	$ 23,535	$ 24,292	3.2%
Average Contribution Balance with Interest	$ 89,249	$ 91,550	2.6%
Non-Vested Terminated			
Count	213	196	-8.0%
Average Age	50.4	50.9	1.0%
Average Annual Benefit	$ 3,614	$ 3,499	-3.2%
Average Contribution Balance with Interest	$ 19,540	$ 19,505	-0.2%
Total			
Count	852	820	-3.8%
Average Age	50.3	50.8	1.0%
Average Annual Benefit	$ 18,555	$ 19,322	4.1%
Average Contribution Balance with Interest	$ 71,822	$ 74,330	3.5%
Tier 2			
Terminated Vested			
Count	256	333	30.1%
Average Age	42.2	43.0	1.9%
Average Annual Benefit	$ 11,209	$ 11,853	5.7%
Average Contribution Balance with Interest	$ 43,541	$ 47,378	8.8%
Non-Vested Terminated			
Count	1,023	1,120	9.5%
Average Age	39.2	39.5	0.8%
Average Annual Benefit	$ 2,511	$ 2,498	-0.5%
Average Contribution Balance with Interest	$ 11,110	$ 11,337	2.0%
Total			
Count	1,279	1,453	13.6%
Average Age	39.8	40.3	1.3%
Average Annual Benefit	$ 4,252	$ 4,642	9.2%
Average Contribution Balance with Interest	$ 17,601	$ 19,597	11.3%
Total			
Count	2,131	2,273	6.7%
Average Age	44.0	44.1	0.2%
Average Annual Benefit	$ 9,970	$ 9,938	-0.3%
Average Contribution Balance with Interest	$ 39,279	$ 39,342	0.2%

If not provided in the data, benefit is calculated using the data assumptions outlined in Appendix A.

APPENDIX A – MEMBERSHIP INFORMATION

Table A-6

Distribution of Active Member Counts as of June 30, 2025

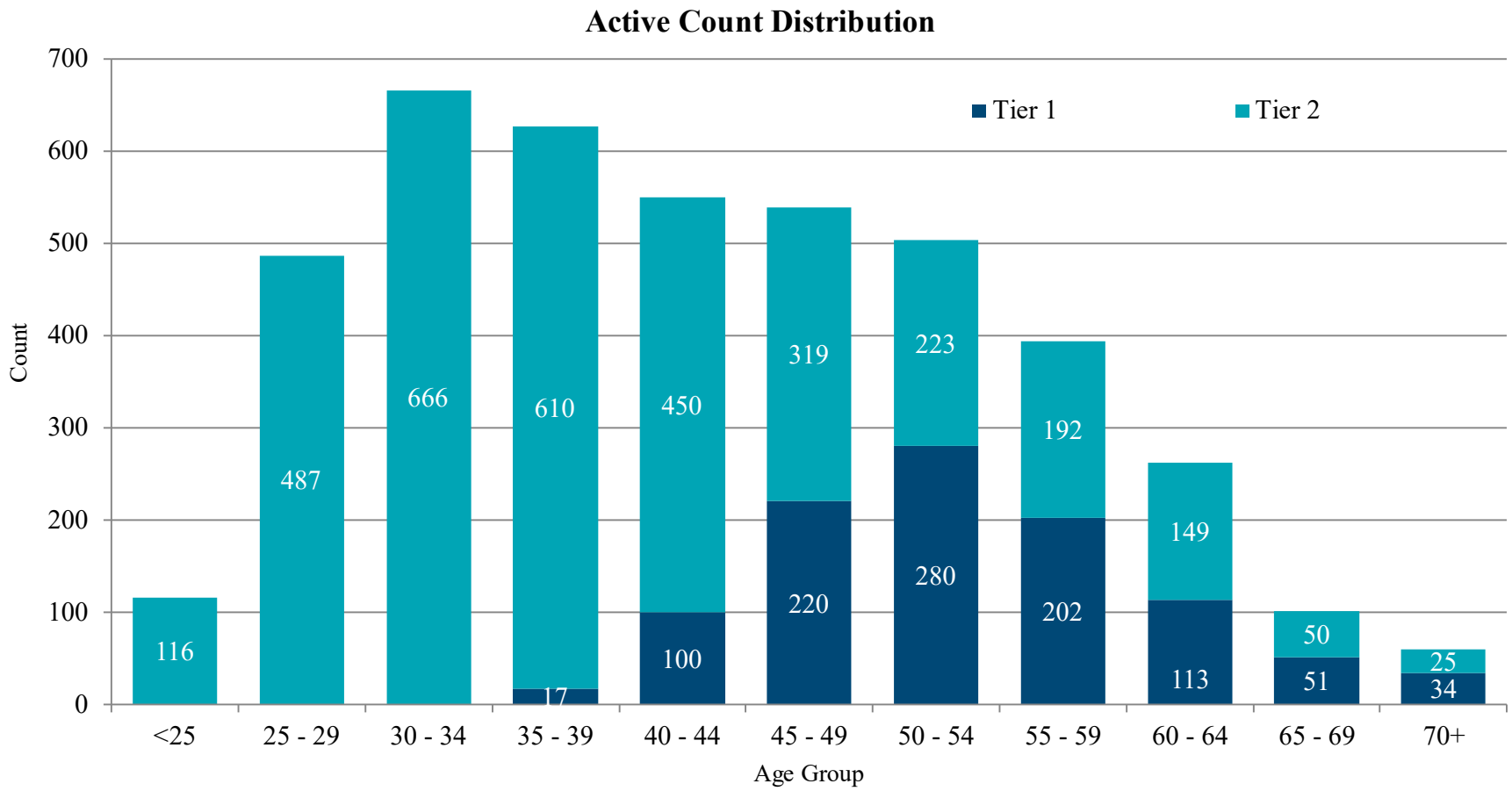
	Years of Benefit Service										
Age	**Under 1**	**1 to 4**	**5 to 9**	**10 to 14**	**15 to 19**	**20 to 24**	**25 to 29**	**30 to 34**	**35 to 39**	**40 and up**	**Total**
Under 25	60	56	0	0	0	0	0	0	0	0	116
25 to 29	117	336	34	0	0	0	0	0	0	0	487
30 to 34	68	367	224	7	0	0	0	0	0	0	666
35 to 39	59	215	273	74	6	0	0	0	0	0	627
40 to 44	41	140	212	93	58	6	0	0	0	0	550
45 to 49	27	114	137	87	88	66	20	0	0	0	539
50 to 54	23	77	100	55	60	94	94	0	0	0	503
55 to 59	16	59	95	44	52	65	55	7	1	0	394
60 to 64	4	54	74	35	28	34	29	3	1	0	262
65 to 69	3	10	26	21	16	10	9	5	0	1	101
70 and up	0	6	14	7	7	13	7	0	4	1	59
Total Count	418	1,434	1,189	423	315	288	214	15	6	2	4,304

Distribution of Average Expected Salaries as of June 30, 2025

	Years of Benefit Service										
Age	**Under 1**	**1 to 4**	**5 to 9**	**10 to 14**	**15 to 19**	**20 to 24**	**25 to 29**	**30 to 34**	**35 to 39**	**40 and up**	**Total**
Under 25	$ 80,106	$ 73,510	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 76,922
25 to 29	84,014	94,447	111,366	0	0	0	0	0	0	0	93,122
30 to 34	94,011	101,664	111,032	113,895	0	0	0	0	0	0	104,162
35 to 39	97,675	108,549	117,927	135,988	110,518	0	0	0	0	0	114,866
40 to 44	111,387	109,931	120,115	136,129	149,852	113,044	0	0	0	0	122,639
45 to 49	118,663	116,099	129,829	143,586	133,056	145,674	129,146	0	0	0	131,028
50 to 54	117,145	129,851	140,531	137,430	145,613	138,596	147,280	0	0	0	138,994
55 to 59	119,259	118,106	126,239	144,214	132,825	135,484	139,492	133,613	115,968	0	131,094
60 to 64	100,126	116,561	124,684	144,047	130,238	124,018	154,531	205,085	98,258	0	129,852
65 to 69	87,408	137,997	147,806	135,896	128,979	140,865	115,664	115,354	0	97,065	133,922
70 and up	0	131,793	120,025	171,450	127,291	132,634	115,135	0	123,065	73,012	129,793
Avg. Salary	$ 95,281	$ 104,991	$ 121,866	$ 139,508	$ 137,487	$ 137,072	$ 142,185	$ 141,821	$ 117,748	$ 85,039	$ 118,613

APPENDIX A – MEMBERSHIP INFORMATION

Chart A-1



APPENDIX A – MEMBERSHIP INFORMATION

Table A-7

Retirees and Disabled by Attained Age and Benefit Effective Date as of June 30, 2025

Benefit Effective Fiscal Year End	Age										
	Under 50	50 to 54	55 to 59	60 to 64	65 to 69	70 to 74	75 to 79	80 to 84	85 to 89	90 and up	Total
Prior to 1995	0	0	0	1	3	7	8	24	79	86	**208**
1996	0	0	2	0	1	1	0	7	7	3	**21**
1997	0	0	0	1	0	0	1	20	12	2	**36**
1998	0	0	0	1	0	2	1	17	8	6	**35**
1999	0	0	0	0	0	1	4	35	8	5	**53**
2000	0	0	0	0	0	1	8	43	6	0	**58**
2001	0	0	0	0	1	2	12	34	13	2	**64**
2002	0	0	0	1	1	1	50	25	19	2	**99**
2003	0	0	0	1	0	6	52	24	11	2	**96**
2004	1	0	0	3	1	15	63	12	8	1	**104**
2005	0	0	0	0	3	11	78	30	14	2	**138**
2006	0	2	1	3	4	29	61	24	7	0	**131**
2007	0	0	0	1	7	52	43	19	4	3	**129**
2008	0	0	1	1	6	63	43	18	6	0	**138**
2009	0	0	3	1	15	61	32	15	4	0	**131**
2010	0	0	0	1	22	100	47	20	2	1	**193**
2011	0	0	2	2	62	144	75	27	3	2	**317**
2012	0	0	0	9	80	51	42	14	3	0	**199**
2013	0	1	0	3	82	21	23	1	1	0	**132**
2014	0	1	1	11	94	20	12	5	0	0	**144**
2015	0	0	2	16	96	25	14	3	1	0	**157**
2016	0	0	4	47	67	21	22	1	0	1	**163**
2017	1	0	4	79	48	32	11	4	0	0	**179**
2018	0	1	2	86	40	26	14	4	2	0	**175**
2019	0	0	15	112	31	27	6	2	0	0	**193**
2020	0	0	14	94	32	15	3	2	0	0	**160**
2021	0	1	38	69	23	16	4	1	0	0	**152**
2022	0	3	57	34	21	19	1	1	0	0	**136**
2023	0	0	68	29	33	9	3	1	0	0	**143**
2024	0	2	60	28	26	3	2	0	0	0	**121**
2025	0	6	84	33	32	5	1	0	0	0	**161**
Total	**2**	**17**	**358**	**667**	**831**	**786**	**736**	**433**	**218**	**118**	**4,166**

Average Age at Retirement/Disability 57.7 **Average Current Age** 71.3 **Average Annual Pension** $ 60,599

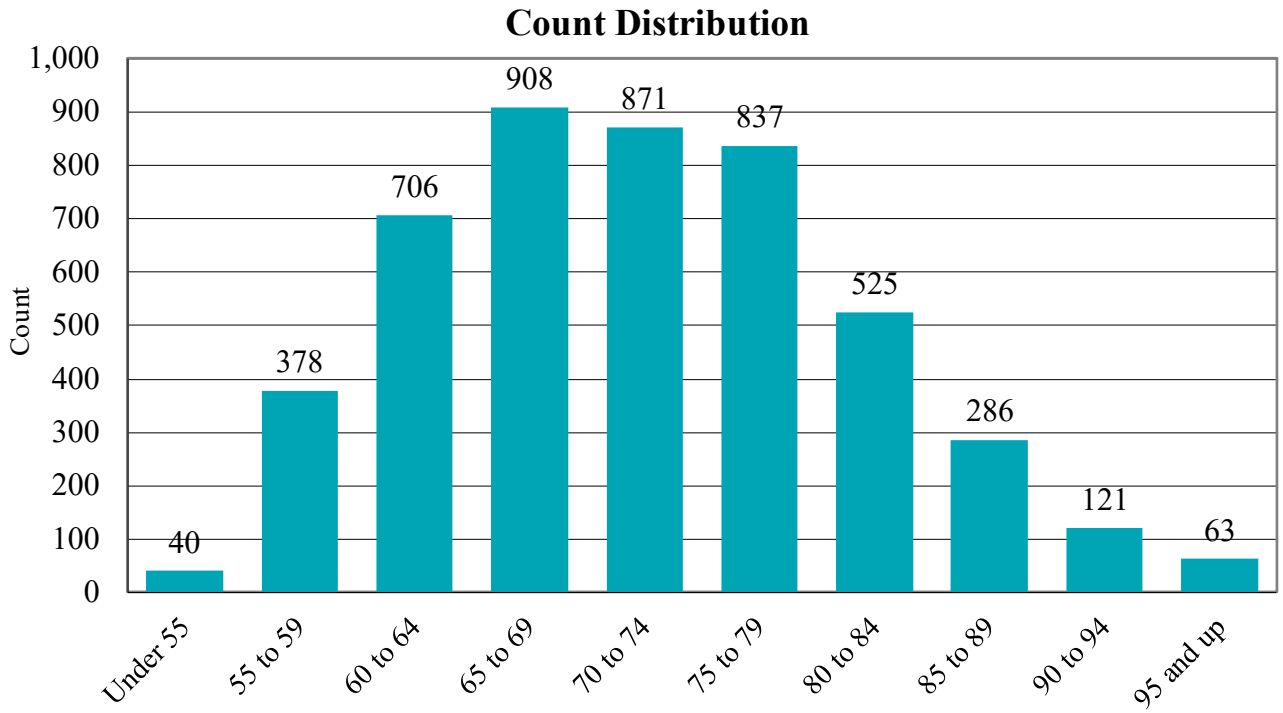
APPENDIX A – MEMBERSHIP INFORMATION

Table A-8

Distribution of Retirees, Disabled Members, and Beneficiaries as of June 30, 2025

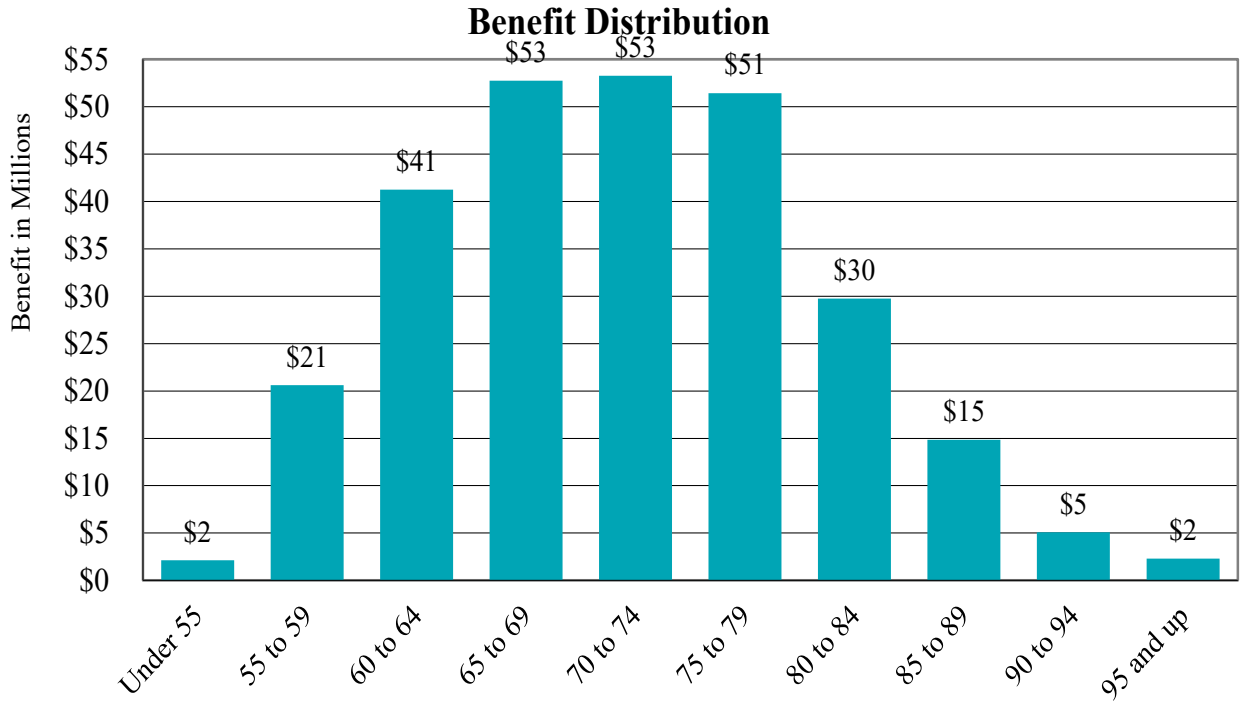
Age	Count	Annual Benefit
Under 55	40	$ 2,131,353
55 to 59	378	20,604,350
60 to 64	706	41,259,907
65 to 69	908	52,762,943
70 to 74	871	53,267,480
75 to 79	837	51,443,485
80 to 84	525	29,758,658
85 to 89	286	14,840,595
90 to 94	121	5,081,095
95 and up	63	2,316,340
Total	4,735	**$ 273,466,204**

Chart A-2



APPENDIX A – MEMBERSHIP INFORMATION

Chart A-3



APPENDIX A – MEMBERSHIP INFORMATION

Table A-9

Change in Plan Membership	Actives	Terminated Vested	Non-Vested Terminated	Retirees	Disabilities	Beneficiary/ SADRO	Total
TIER 1							
June 30, 2024	**1,123**	**639**	**213**	**3,862**	**180**	**555**	**6,572**
Rehires	6	(5)	(1)	0	0	0	0
Non-Vested Terminated	0	0	0	0	0	0	0
Terminated Vested	(24)	31	(7)	0	0	0	0
Return of Contributions	(1)	(2)	(4)	0	0	0	(7)
Disabilities	(1)	0	0	(3)	4	0	0
Retirements	(91)	(39)	(5)	135	0	0	0
Deaths	(1)	(1)	0	(92)	(6)	38	(62)
Beneficiary Deaths	0	0	0	0	0	(25)	(25)
Tier Adjustment	3	0	0	0	0	0	3
Miscellaneous Adjustments	3	1	0	2	0	(1)	5
June 30, 2025	**1,017**	**624**	**196**	**3,904**	**178**	**567**	**6,486**
TIER 2							
June 30, 2024	**3,178**	**256**	**1,023**	**59**	**0**	**1**	**4,517**
New Entrants	367	0	31	0	0	0	398
Rehires	13	(7)	(6)	0	0	0	0
Non-Vested Terminated	(123)	0	123	0	0	0	0
Terminated Vested	(83)	87	(4)	0	0	0	0
Return of Contributions	(39)	0	(44)	0	0	0	(83)
Disabilities	0	0	0	0	0	0	0
Retirements	(20)	(3)	(2)	25	0	0	0
Deaths	(3)	0	(1)	0	0	1	(3)
Tier Adjustment	(3)	0	0	0	0	0	(3)
June 30, 2025	**3,287**	**333**	**1,120**	**84**	**0**	**2**	**4,826**
TOTAL							
June 30, 2024	**4,301**	**895**	**1,236**	**3,921**	**180**	**556**	**11,089**
New Entrants	367	0	31	0	0	0	398
Rehires	19	(12)	(7)	0	0	0	0
Non-Vested Terminated	(123)	0	123	0	0	0	0
Terminated Vested	(107)	118	(11)	0	0	0	0
Return of Contributions	(40)	(2)	(48)	0	0	0	(90)
Disabilities	(1)	0	0	(3)	4	0	0
Retirements	(111)	(42)	(7)	160	0	0	0
Deaths	(4)	(1)	(1)	(92)	(6)	39	(65)
Beneficiary Deaths	0	0	0	0	0	(25)	(25)
Miscellaneous Adjustments	3	1	0	2	0	(1)	5
June 30, 2025	**4,304**	**957**	**1,316**	**3,988**	**178**	**569**	**11,312**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

The price inflation, wage inflation, amortization payment growth, and discount rates were re-confirmed by the Board of Administration with our input at the October 16, 2025 Board meeting. Please refer to that Board presentation for details, including the rationale for each economic assumption. All other assumptions were adopted at the November 16, 2023 Board meeting based on recommendations from our experience study covering plan experience through June 30, 2023. Please refer to the full experience study report and the November 16, 2023 Board presentation for details, including the rationale for each demographic assumption.

1. Discount Rate

6.625%. The Board expects a long-term rate of return of 8.6% based on Meketa's 2025 20-year capital market assumptions and the System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.

2. Wage Inflation and Payroll Growth

Reflect current bargained increases for FYE 2026, and 3.00% thereafter. These increases approximate the bargained increases for the largest bargaining groups.

3. Amortization Payment Growth

2.75%, compounded annually.

4. Price Inflation

2.50%, compounded annually.

5. Administrative Expenses

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

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

6. Salary Increase Rate

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

Table B-1
Salary Merit Increases

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

7. Rates of Termination

Rates of termination are shown in the following Table B-2.

Table B-2
Rates of Termination

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

Termination rates do not apply once a member is eligible for retirement.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

8. Rates of Refund for Current Active Members

Applied before Rates of Reciprocity assumption

Tier 1:

Rates of vested terminated electing a refund of contributions are shown in the following Table B-3.

Table B-3
Rates of Refund

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

Refund rates do not apply once a member is eligible for retirement.

Tier 2:

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

100% of future non-vested terminated employees are assumed to receive a refund of contributions.

9. Rate of Reciprocity for Current Active Members

Applied after Rates of Refund assumption

40% of future terminating employees who do not take a refund are assumed to subsequently work for a reciprocal employer and receive annual pay increases equal to the ultimate wage inflation assumption (3.00%) plus 1.00%.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

10. Refund and Reciprocity for Current Terminated Members

40% of current terminated employees who have not taken a refund are assumed to subsequently work for a reciprocal employer and receive annual pay increases equal to the ultimate wage inflation assumption (3.00%) plus 1.00%.

60% of non-vested terminated members are expected to take a refund, and 60% of vested terminated members are expected to take a deferred benefit payment.

11. Deferred Vested Member Retirement Age

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

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

12. Rates of Retirement for Tier 1 Members

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

Table B-4 – Tier 1
Rates of Retirement by Age and Service

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

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

13. Rates of Retirement for Tier 2 Members

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

Table B-4 – Tier 2
Tier 2 Rates of Retirement by Age and Service

	Years of Service			
Age	Less than 15	15 to 24	25 to 34	35 or more
55	5.0%	5.0%	7.5%	100%
56	5.0	5.0	7.5	100
57	5.0	5.0	7.5	100
58	5.0	5.0	7.5	100
59	5.0	7.5	10.0	100
60	5.0	10.0	15.0	100
61	5.0	10.0	15.0	100
62	15.0	25.0	50.0	100
63	7.5	15.0	25.0	100
64	12.5	15.0	25.0	100
65	17.5	30.0	50.0	100
66	17.5	30.0	50.0	100
67	17.5	30.0	50.0	100
68	17.5	30.0	50.0	100
69	17.5	30.0	50.0	100
70+	100.0	100.0	100.0	100

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

14. Rates of Disability

Disability rates are equal to 0.956 times the CalPERS 2021 non-industrial disability incidence rates for miscellaneous public agencies, blended 55% male and 45% female. Sample disability rates of active members are provided in Table B-5.

Table B-5
Rates of Disability at Selected Ages

Age	Disability
25	0.0233%
30	0.0289
35	0.0529
40	0.1187
45	0.2325
50	0.3174
55	0.2508
60	0.2075
65+	0.2394

50% of disabilities are assumed to be duty-related, and 50% are assumed to be non-duty-related.

15. Base Rates of Mortality

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

Table B-6
Base Mortality Tables

Category	Male	Female
Healthy Retirees and Beneficiaries	0.995 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees	1.020 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees
Healthy Non-Annuitant	0.992 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Employees	1.084 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Employees
Disabled Retirees	0.990 times the 2010 Public General Mortality Table (PubG-2010) for Disabled Retirees	0.920 times the 2010 Public General Mortality Table (PubG-2010) for Disabled Retirees

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

16. Rates of Mortality Improvement

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

17. Family Composition

The percentage assumed to be married at retirement is shown in Table B-7. Spouses are assumed to be of the opposite sex. Male retirees are assumed to be two years older than their partner, and female retirees are assumed to be two years younger than their partner.

Table B-7
Percentage Married

Gender	Percentage
Males	80%
Females	60%

18. Changes Since the Last Valuation

None.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Contribution Allocation Procedure

The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below. This contribution allocation procedure, combined with reasonable assumptions, produces a Reasonable Actuarially Determined Contribution as defined in Actuarial Standard of Practice No. 4. The contribution allocation procedure was selected to balance benefit security, intergenerational equity, and the stability of actuarially determined contributions. The selection also considered the demographics of plan members, the funding goals and objectives of the Board, and the need to accumulate assets to make benefit payments when due.

1. Actuarial Cost Method

The Entry Age actuarial cost method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund all benefits between each member's date of hire and last assumed date of employment. The Actuarial Liability is the difference between the present value of future benefits and the present value of future normal costs. Or, equivalently, it is the accumulation of normal costs for all periods prior to the valuation date. The normal cost and Actuarial Liability are calculated on an individual basis. The sum of the individual amounts is the normal cost and Actuarial Liability for the System. The Actuarial Liability for the System represents the target amount of assets the System should have as of the valuation date according to the actuarial cost method.

2. Asset Valuation Method

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

The Actuarial Value of Assets is calculated by recognizing 20% of the difference in each of the prior four years of actual investment returns compared to the expected return on the Market Value of Assets.

3. Amortization Method

The Unfunded Actuarial Liability is the difference between the Actuarial Liability and the Actuarial Value of Assets.

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

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

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

4. Contributions

The Board adopted a policy in 2010 and modified it in 2015 setting the City's contribution to be the UAL contribution amount reported in the actuarial valuation plus the greater of the normal cost dollar amount reported in the actuarial valuation (adjusted for interest based on the time of the contribution) and the dollar amount determined by applying the normal cost as a percent of payroll reported in the actuarial valuation to the actual payroll for the fiscal year. The City and Member contributions determined by a valuation become effective for the fiscal year commencing one year after the valuation date. Contributions are generally made on a payroll-by-payroll basis although the City retains an option to make its contribution as of the beginning of the year.

The total contribution rate is the sum of the normal cost rate, assumed administrative expenses, and the UAL rate. Under Measure F, the total contribution rate cannot be less than the normal cost rate. The normal cost rate is determined by dividing the total normal cost determined under the actuarial cost method by the payroll expected for members active on the valuation date. The UAL payments are adjusted for interest from the valuation date to the date of expected payment in the following fiscal year. The UAL rate is determined by dividing the UAL payments by the total expected payroll for the year (including members active on the valuation date and new entrants expected to replace active members who are expected to leave employment).

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

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

5. Changes Since the Last Valuation

None.

APPENDIX C – SUMMARY OF PLAN PROVISIONS
TIER 1

1. Membership Requirement

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

2. Final Compensation

Members who separated from city service prior to June 30, 2001

The highest average annual compensation earnable during any period of three consecutive years.

Members who separated from city service on or after June 30, 2001

The highest average annual compensation earnable during any period of twelve consecutive months.

3. Credited Service

One year of service credit is given for 1,739 or more hours of Federated city service rendered in any calendar year. A partial year (fraction with the numerator equal to the hours worked, and the denominator equal to 1,739) is given for each calendar year with less than 1,739 hours worked.

4. Member Contributions

Member

The amount needed to fund 3/11ths of benefits accruing for the current year. These contributions are credited with interest at 3.0% per year, compounded annually.

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

Employer

The Employer contributes the remaining amounts necessary to maintain the soundness of the Retirement System.

APPENDIX C – SUMMARY OF PLAN PROVISIONS
TIER 1

5. Service Retirement

Eligibility

Age 55 with five years of service, or any age with 30 years of service.

Benefit – Member

2.5% of Final Compensation for each year of credited service, subject to a maximum of 75% of Final Compensation.

Benefit – Survivor

50% of the service retirement benefit paid to a qualified survivor.

6. Service-Connected Disability Retirement

Eligibility

No age or service requirement.

Benefit – Member

2.5% of Final Compensation for each year of credited service, subject to a minimum of 40% and a maximum of 75% of Final Compensation. Workers' Compensation benefits are generally offset from the service-connected benefits under this system.

Benefit – Survivor

50% of the disability retirement benefit paid to a qualified survivor.

7. Non-Service Connected Disability Retirement

Eligibility

Five years of service.

Benefit – Member

Members who were hired prior to September 1, 1998:
The amount of the service-connected benefit reduced by 0.5% for each year that the disability age preceded 55.

APPENDIX C – SUMMARY OF PLAN PROVISIONS
TIER 1

Members who were hired on or after September 1, 1998:
20% of Final Compensation, plus 2% of Final Compensation for each year of credited service between six and 16 years, plus 2.5% of Final Compensation for each year of credited service in excess of 16 years, subject to a maximum of 75% of Final Compensation.

Benefit – Survivor

50% of the disability retirement benefit paid to a qualified survivor.

8. Death Before Retirement

Less than five Years of Service, or No Qualified Survivor

Lump sum benefit equal to the accumulated refund of all employee contributions with interest, plus one month of salary for each year of service, up to a maximum of six years.

Five or more Years of Service

2.5% of Final Compensation for each year of credited service, subject to a maximum of 75% of Final Compensation. Benefit is subject to a minimum of 40% of Final Compensation if member dies while an active employee. The benefit is payable until the spouse or registered domestic partner marries or establishes a domestic partnership. If the member was age 55 with 20 years of service at death, the benefit is payable for the lifetime of the member's spouse or registered domestic partner.

9. Withdrawal Benefits

Less than five Years of Service

Lump sum benefit equal to the accumulated employee contributions with interest.

Five or more years of credited service

The amount of the service retirement benefit, payable at age 55.

10. Additional Post-retirement Death Benefit

A death benefit payable as a lump sum equal to $500 will be paid to a qualified survivor upon the member's death.

11. Post-retirement Cost-of-Living Benefit

Benefits are increased every April 1 by 3.0%, regardless of actual inflation.

APPENDIX C – SUMMARY OF PLAN PROVISIONS
TIER 1

12. Changes Since the Last Valuation

None.

APPENDIX C – SUMMARY OF PLAN PROVISIONS
TIER 2

1. Membership Requirement

Any person who is hired, rehired or reinstated by the City on or after September 30, 2012 except those who elect to participate in a defined contribution plan, had prior service under Tier 1 and did not take a return of contributions, or had prior service as a "classic" member in a reciprocal system with less than a six month break in service.

2. Final Compensation

The average annual compensation earnable during the highest three consecutive years of service. Final compensation only includes base pay, excluding premium pay and any other additional compensation.

3. Credited Service

One year of service credit is given for 2,080 or more hours of Federated city service rendered in any calendar year. A partial year (fraction with the numerator equal to the hours worked, and the denominator equal to 2,080) is given for each calendar year with less than 2,080 hours worked.

4. Member Contributions

50% of total Tier 2 contributions to the pension plan, including, but not limited to administrative expenses, normal cost, and Unfunded Actuarial Liability. However, the member's UAL contribution rate cannot increase by more than 0.33% of pay each year. The City contributes any amounts in excess of this cap that would otherwise be contributed by the member.

The member contribution rate cannot be less than 50% of the normal cost rate.

5. City Contributions

50% of total Tier 2 contributions to the pension plan, including, but not limited to administrative expenses, normal cost, and Unfunded Actuarial Liability. In addition, the City contributes any UAL amounts in excess of the member UAL cap until the member rate covers 50% of the UAL rate.

The City contribution rate cannot be less than 50% of the normal cost rate.

APPENDIX C – SUMMARY OF PLAN PROVISIONS
TIER 2

6. Unreduced Service Retirement

Eligibility

Age 62 with five years of service.

Benefit – Member

2.0% of Final Compensation for each year of credited service attributable to Tier 2, subject to a maximum of 70% of Final Compensation.

Benefit – Survivor

50% of the service retirement benefit paid to a qualified survivor.

7. Early Service Retirement

Eligibility

Age 55 with five years of service.

Benefit – Member

Benefit reduced by a factor of 5% for each year the member retires before age 62.

The early retirement reduction is applied to the benefit after the application of the maximum of 70% of final compensation.

8. Service-Connected Disability Retirement

Eligibility

No age or service requirement.

Benefit – Member

2.0% of Final Compensation for each year of credited service, subject to a minimum of 40% of Final Compensation and a maximum of 70% of Final compensation, less the amounts specified in Section 3.28.1330 and Section 3.28.1340.

APPENDIX C – SUMMARY OF PLAN PROVISIONS
TIER 2

9. Non-Service Connected Disability Retirement

Eligibility

Five years of service.

Benefit – Member

2.0% of Final Compensation for each year of credited service attributable to Tier 2, subject to a minimum of 20% of Final Compensation and a maximum of 70% of Final Compensation less the amounts specified in Section 3.28.1330 and Section 3.28.1340.

10. Death Before Retirement

Not yet eligible for Retirement, or No Qualified Survivor

Lump sum benefit equal to the accumulated refund of all employee contributions with interest.

Eligible for Retirement

2.0% of Final Compensation for each year of credited service, subject to a maximum of 70% of Final Compensation. Benefit is subject to a minimum of 40% of Final Compensation if member dies while an active employee. The benefit is payable until the spouse or registered domestic partner marries or establishes a domestic partnership. If the member was age 55 with 20 years of service at death, the benefit is payable for the lifetime of the member's spouse or registered domestic partner.

11. Withdrawal Benefits

Less than five years of credited service

Lump sum benefit equal to the accumulated employee contributions with interest.

Five or more years of credited service

The amount of the service retirement benefit reduced for early retirement, and payable when retirement eligibility is reached.

12. Benefit Forms

Annuity benefits are paid in the form of a 50% joint and survivor annuity or an actuarially equivalent annuity with 75% or 100% continuance to a survivor.

APPENDIX C – SUMMARY OF PLAN PROVISIONS
TIER 2

13. Post-retirement Cost-of-Living Benefit

Benefits are increased every April 1 by the change in the December CPI-U for San José-San Francisco-Oakland, subject to a cap based on years of service as shown in the table below.

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

**1.5% for members hired before Measure F effective date*

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

14. Changes Since the Last Valuation

None.

Note: The summary of major plan provisions is designed to outline principal plan benefits. If the Department of Retirement Services should find the plan summary not in accordance with the actual provisions, the actuary should immediately be alerted so the proper provisions are valued.

APPENDIX D – GLOSSARY OF TERMS

1. Actuarial Liability

The Actuarial Liability is the difference between the present value of future benefits and the present value of total future normal costs. This is also referred to as the "accrued liability" or "actuarial accrued liability." The Actuarial Liability represents the targeted amount of assets a plan should have as of a valuation date according to the actuarial cost method.

2. Actuarial Assumptions

Estimates of future experience with respect to rates of mortality, disability, turnover, retirement rate or rates of investment income, and salary increases. Demographic actuarial assumptions (rates of mortality, disability, turnover, and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (price inflation, wage inflation, and investment income) are generally based on expectations for the future that may differ from the Plan's past experience.

3. Actuarial Cost Method

A mathematical budgeting procedure for allocating the dollar amount of the present value of future benefits between future normal cost and Actuarial Liability.

4. Actuarial Gain (Loss)

The difference between actual experience and the anticipated experience based on the actuarial assumptions during the period between two actuarial valuation dates.

5. Actuarial Present Value

The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at the discount rate and by probabilities of payment.

6. Actuarially Determined Contribution

The payment to the System as determined by the actuary using a contribution allocation procedure. It may or may not be the actual amount contributed to the System.

7. Amortization Method

A method for determining the amount, timing, and pattern of payments of the Unfunded Actuarial Liability.

APPENDIX D – GLOSSARY OF TERMS

8. Asset Valuation Method

The method used to develop the Actuarial Value of Assets from the Market Value of Assets typically by smoothing investment returns above or below the assumed rate of return over a period of time.

9. Contribution Allocation Procedure

A procedure typically using an actuarial cost method, an asset valuation method, and an amortization method to develop the actuarially determined contribution.

10. Discount Rate

The rate of interest used to discount future benefit payments to determine the actuarial present value. For purposes of determining an actuarially determined contribution, the discount rate is typically based on the long-term expected return on assets.

11. Funded Status or Funding Ratio

The Market or Actuarial Value of assets divided by the Actuarial Liability. For purposes of this report, the funded status represents the proportion of the actual assets compared to the target established by the actuarial cost method as of the valuation date. These measures are for contribution budgeting purposes and are not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations.

12. Normal Cost

The portion of the present value of future benefits allocated to the current year by the actuarial cost method.

13. Present Value of Future Benefits

The actuarial present value of all benefits both earned as of the valuation date and expected to be earned in the future by current plan members based on current plan provisions and actuarial assumptions.

14. Unfunded Actuarial Liability (UAL)

The Unfunded Actuarial Liability is the difference between Actuarial Liability and either the Market or the Actuarial Value of Assets. This value is sometimes referred to as "unfunded actuarial accrued liability." It represents the difference between the actual assets and the amount of assets expected by the actuarial cost method as of the valuation date.

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