

# San José Federated City Employees' Retirement System

## 2024 Preliminary Valuation Results

November 21, 2024

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

# Agenda



Preliminary Valuation Results

Historical Gains and Losses

Analysis of Demographic Assumptions

Board Decisions



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

# Preliminary Results



# Preliminary Valuation Results

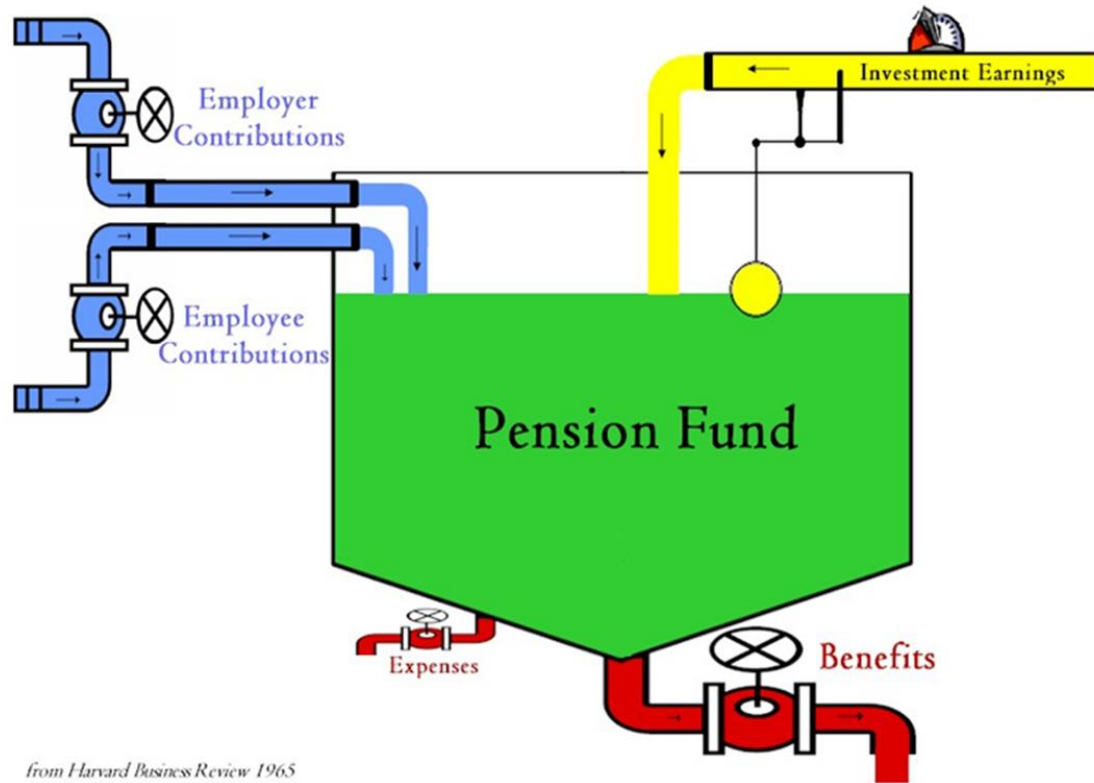


- Preliminary
- No assumption changes
- Internal review processes are not complete
- Final valuation results may differ
- Intended to provide Board with a sense of valuation results to expect

# A Dynamic System



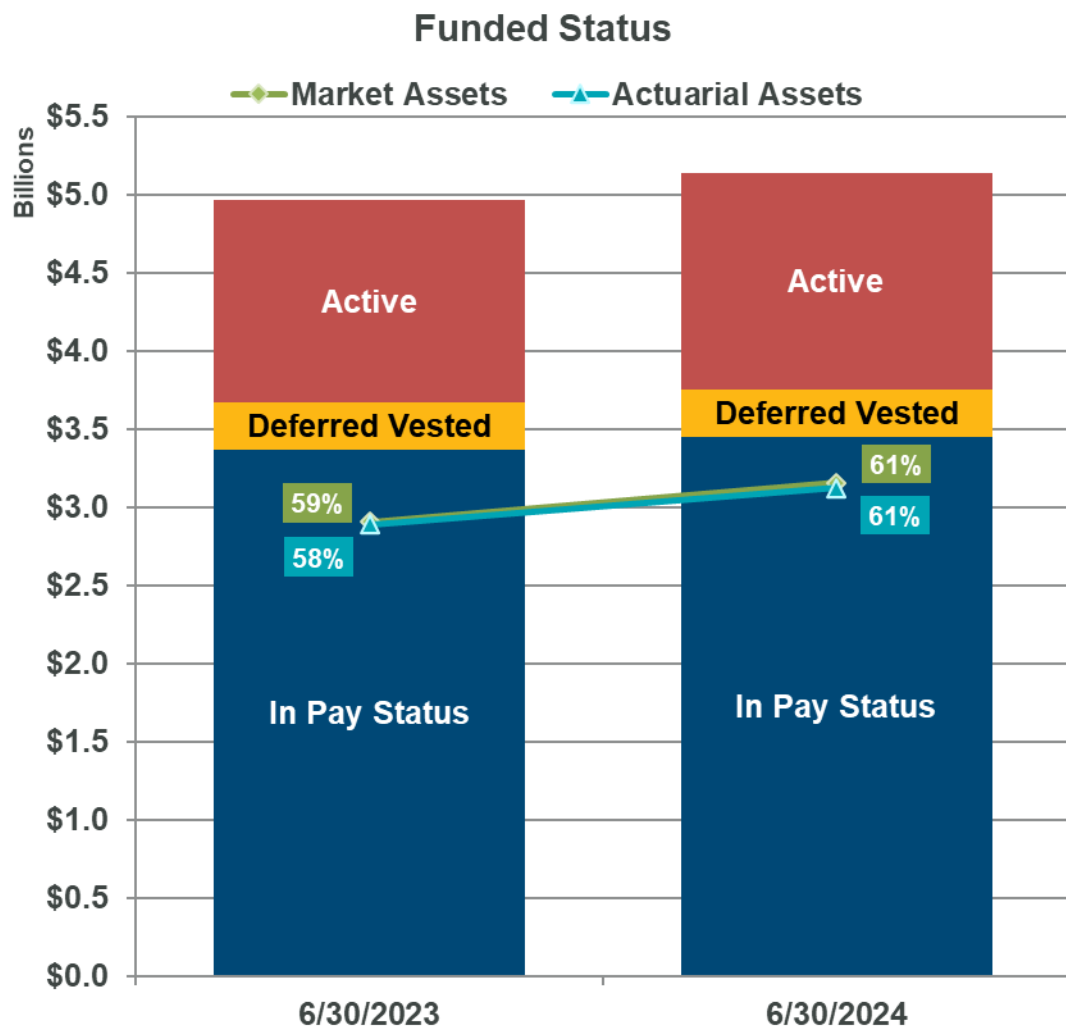
Contributions + Investments =



Expenses + Benefits

- Primary purpose of valuation is to set member and City contributions
  - 2024 valuation develops contributions for FYE 2026
- Project future benefit payments
  - Plan provisions, census data, and actuarial assumptions
- Determine funding target
  - Actuarial cost method and assumptions
- Set member and City contributions
  - Plan provisions, actuarial methods, and discount rate

# Preliminary Funded Status



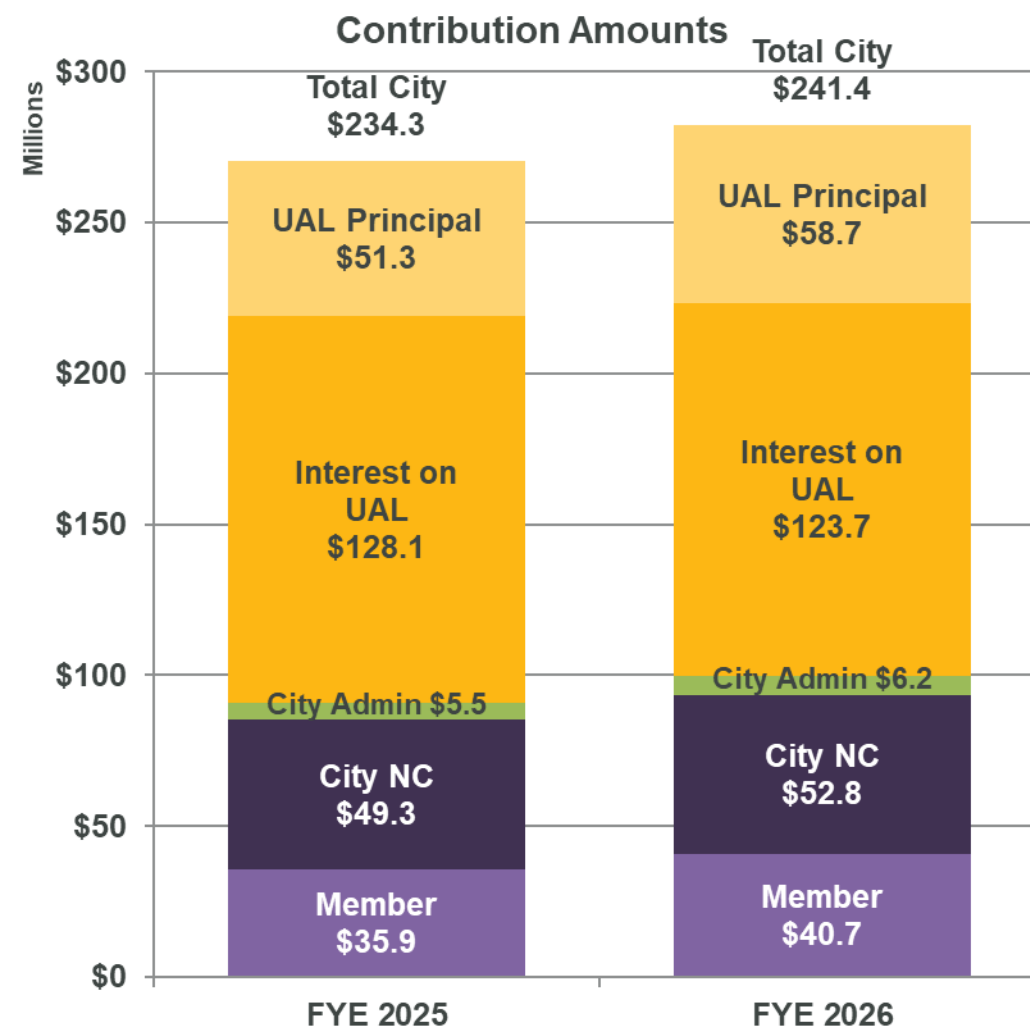
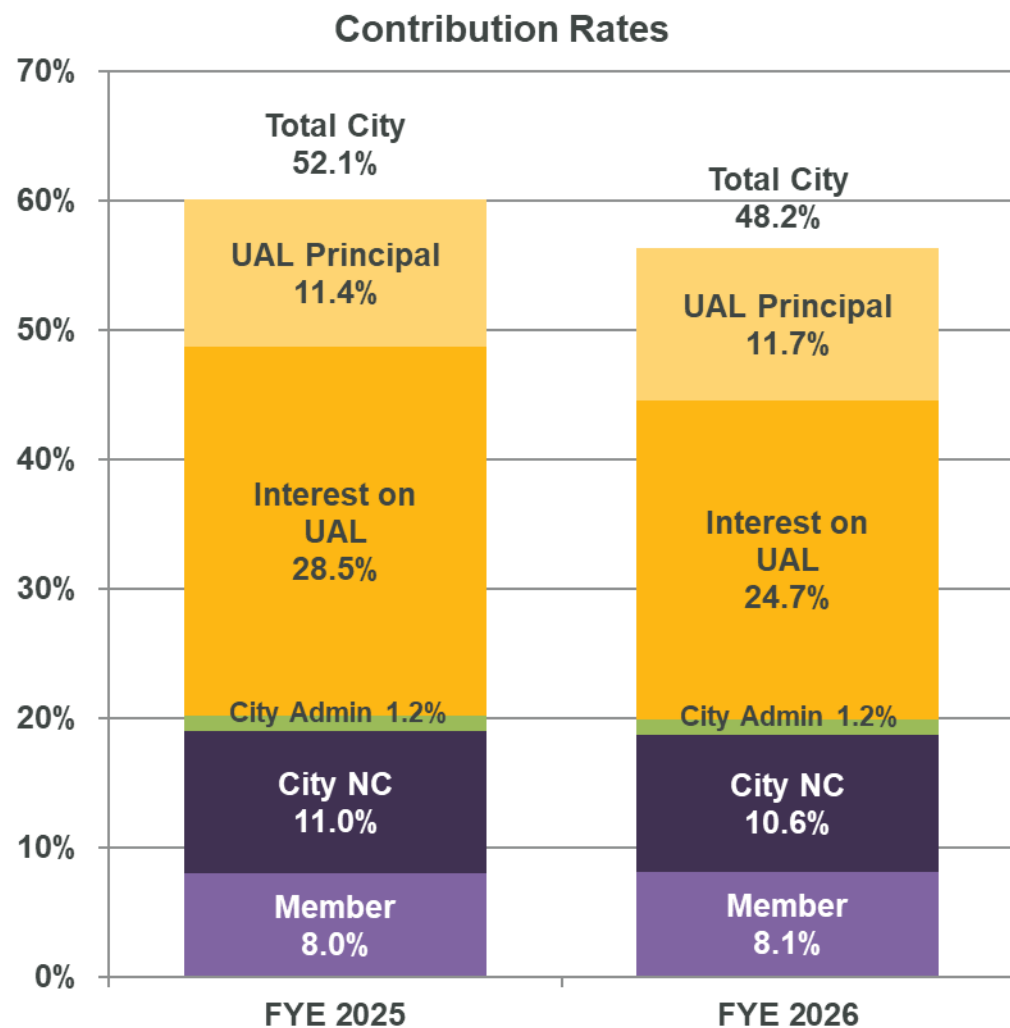
## Funded Status By Tier

	6/30/2023	6/30/2024	Change
<b>Tier 1</b>			
Actuarial Liability	\$ 4,694.5	\$ 4,797.6	2.2%
AVA	<u>2,650.9</u>	<u>2,818.8</u>	6.3%
UAL-AVA Basis	2,043.5	1,978.9	-3.2%
AVA Funded Ratio	56.5%	58.8%	2.3%
MVA	<u>2,668.1</u>	<u>2,847.6</u>	6.7%
UAL-MVA Basis	2,026.4	1,950.0	-3.8%
MVA Funded Ratio	56.8%	59.4%	2.5%
<b>Tier 2</b>			
Actuarial Liability	\$ 271.2	\$ 340.3	25.5%
AVA	<u>239.0</u>	<u>303.3</u>	26.9%
UAL-AVA Basis	32.2	37.0	14.9%
AVA Funded Ratio	88.1%	89.1%	1.0%
MVA	<u>239.3</u>	<u>306.8</u>	28.2%
UAL-MVA Basis	32.0	33.5	4.8%
MVA Funded Ratio	88.2%	90.2%	1.9%

Amounts in millions

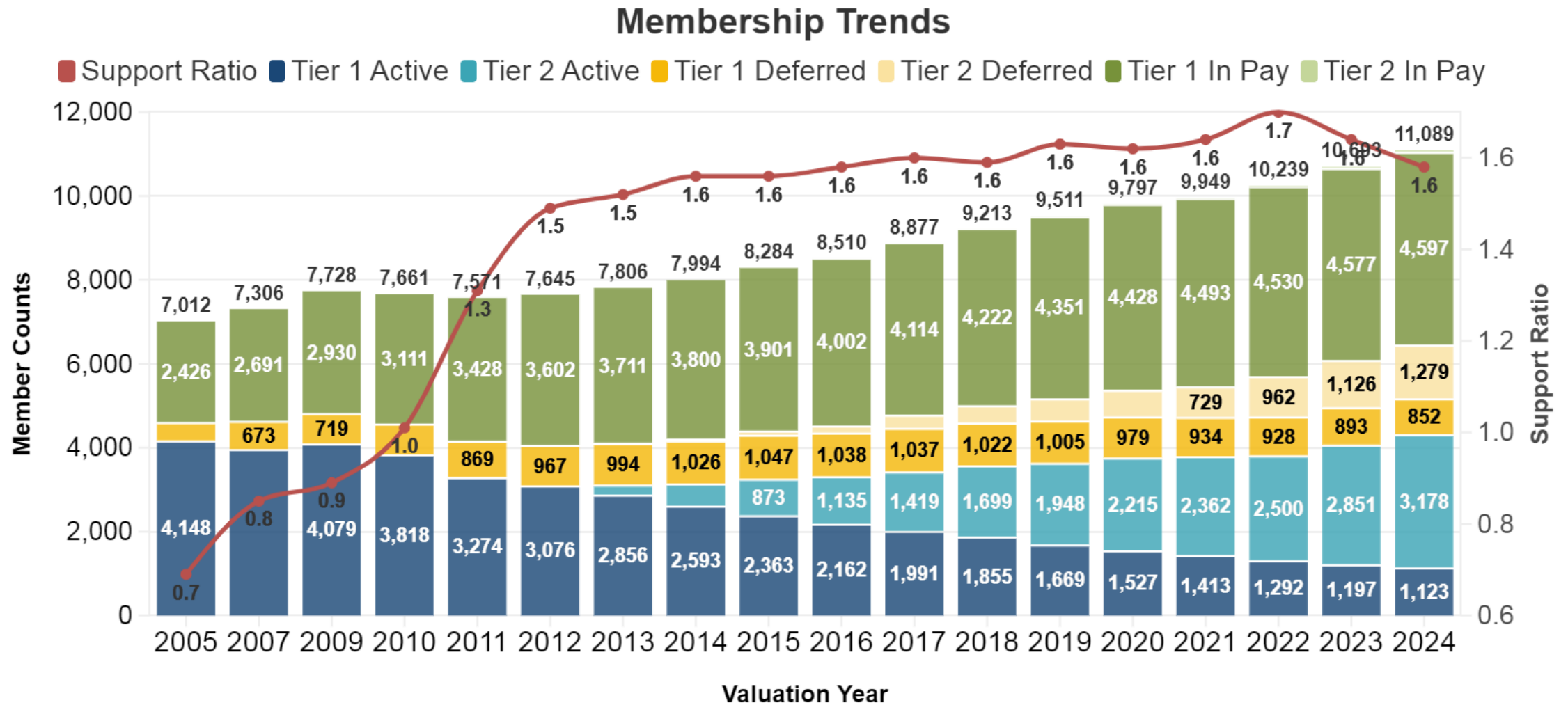
November 21, 2024

# Preliminary Contributions





# Membership Trends



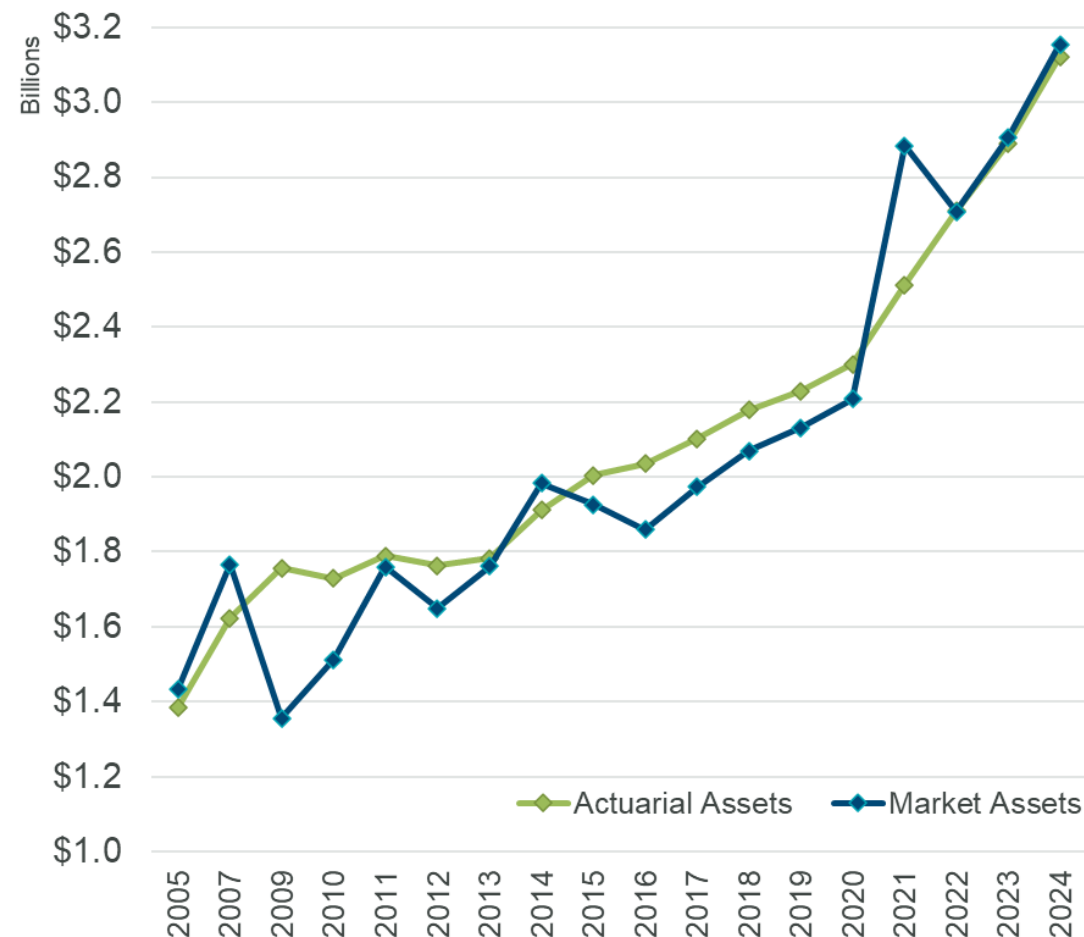
# Development of Actuarial Value of Assets



Development of Actuarial Value of Assets			
	Tier 1	Tier 2	Total
<b>Market Value</b>	<b>\$ 2,847.6</b>	<b>\$ 306.8</b>	<b>\$ 3,154.4</b>
<b>FYE 2024</b>			
Investment Gain/(Loss)	52.8	5.9	58.8
Deferred (80%)	42.3	4.7	47.0
<b>FYE 2023</b>			
Investment Gain/(Loss)	34.1	3.3	37.4
Deferred (60%)	20.5	2.0	22.4
<b>FYE 2022</b>			
Investment Gain/(Loss)	(344.0)	(22.4)	(366.4)
Deferred (40%)	(137.6)	(9.0)	(146.6)
<b>FYE 2021</b>			
Investment Gain/(Loss)	518.7	28.6	547.4
Deferred (20%)	103.7	5.7	109.5
<b>FYE 2020</b>			
Investment Gain/(Loss)	(56.2)	(2.0)	(58.3)
Deferred (0%)	0.0	0.0	0.0
<b>Total Deferred Gain/(Loss)</b>	<b>\$ 28.9</b>	<b>\$ 3.5</b>	<b>\$ 32.3</b>
<b>Actuarial Value</b>	<b>\$ 2,818.8</b>	<b>\$ 303.3</b>	<b>\$ 3,122.1</b>

Amounts in millions

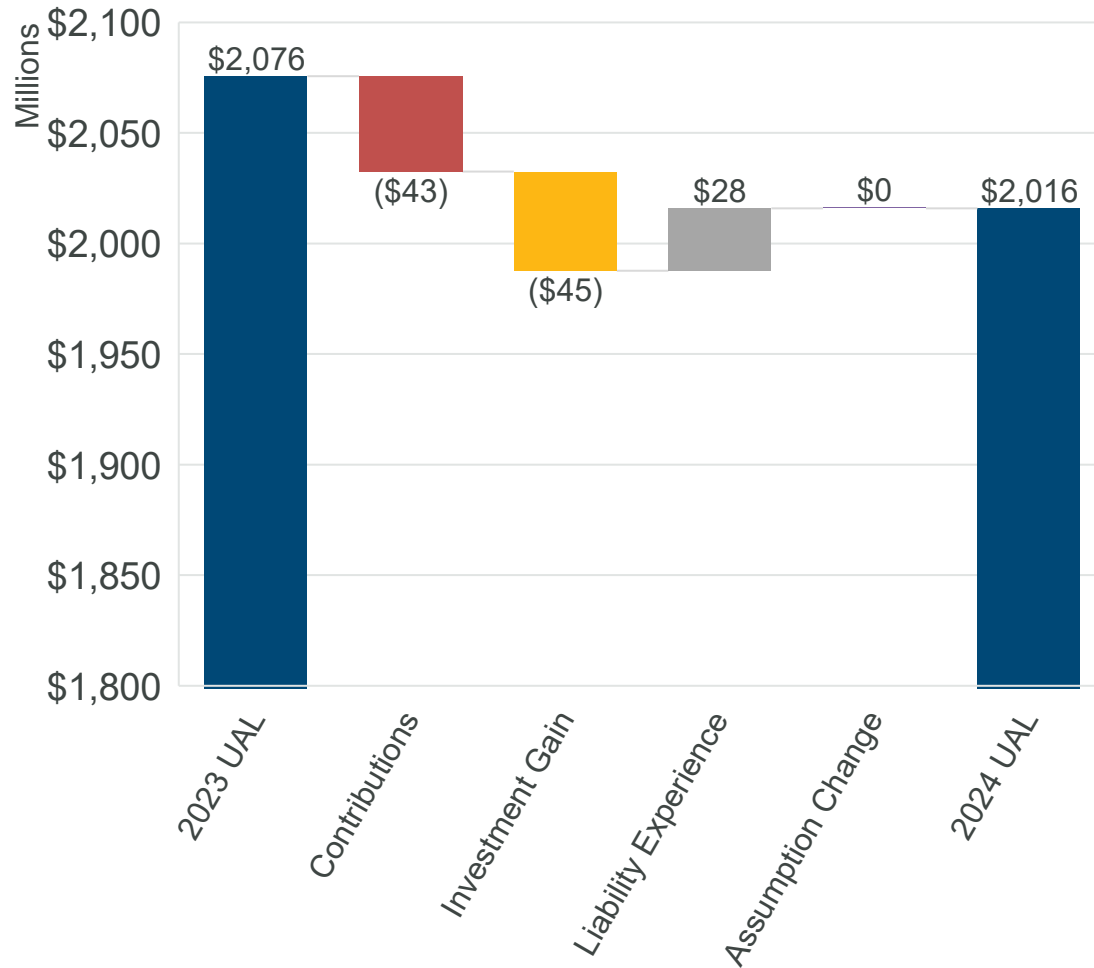
## Market vs. Actuarial Assets



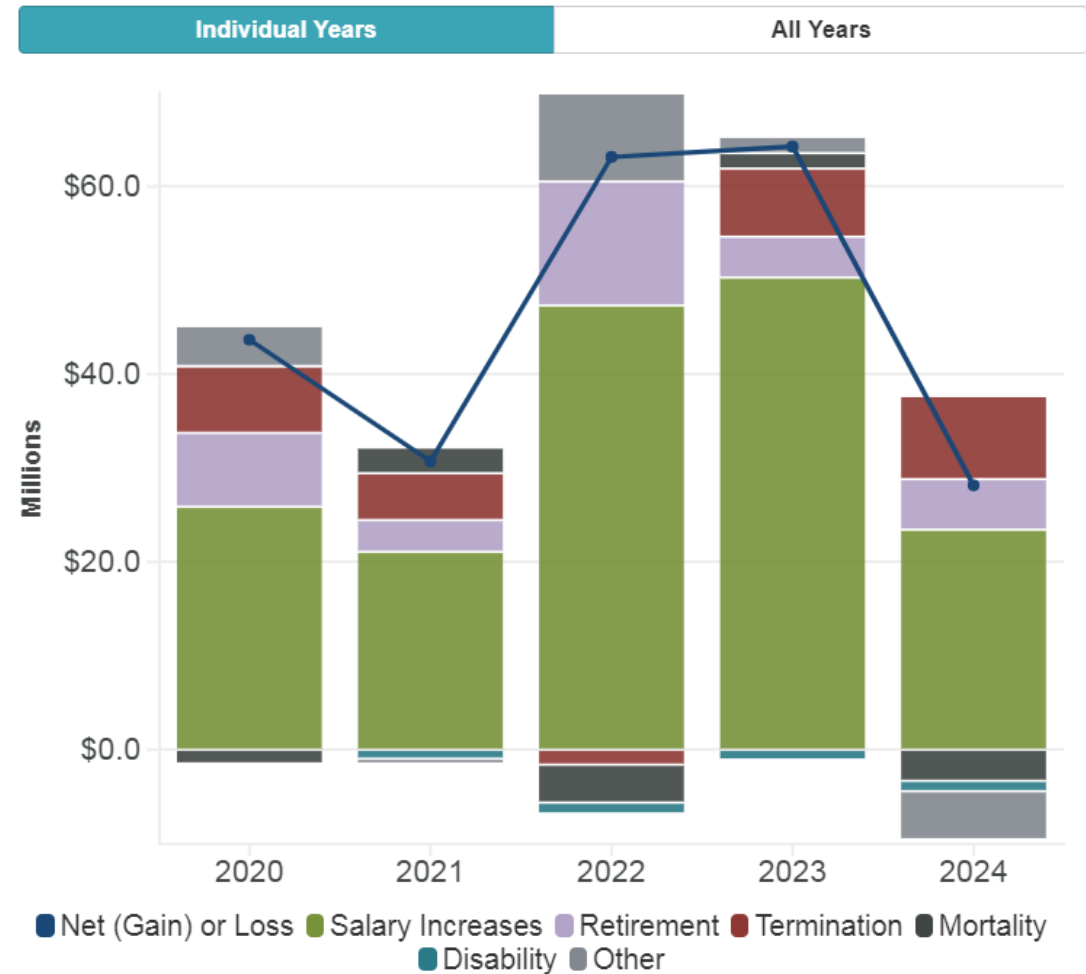
# Changes in UAL Based on Actuarial Assets



### Change in UAL Based on Actuarial Assets



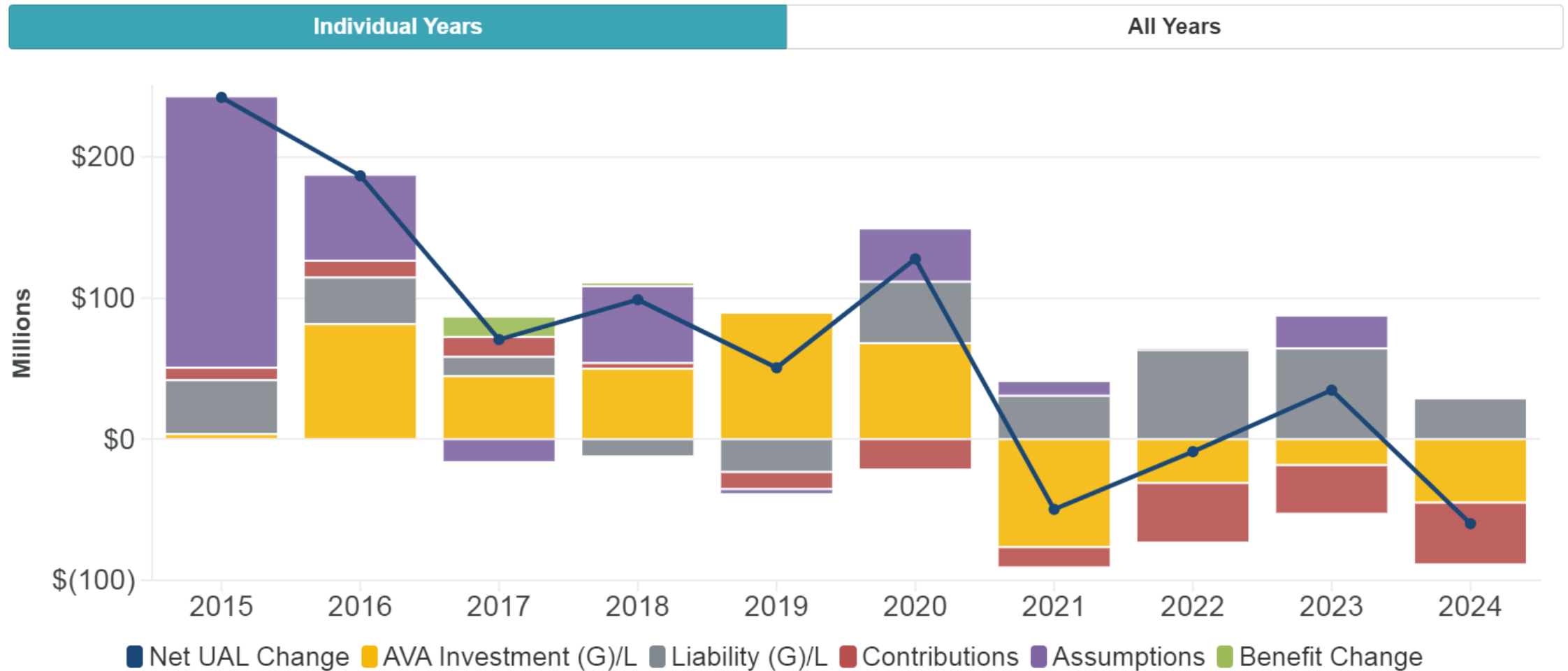
### Liability (Gains) and Losses by Source



# Historical Changes in UAL



## Changes in UAL



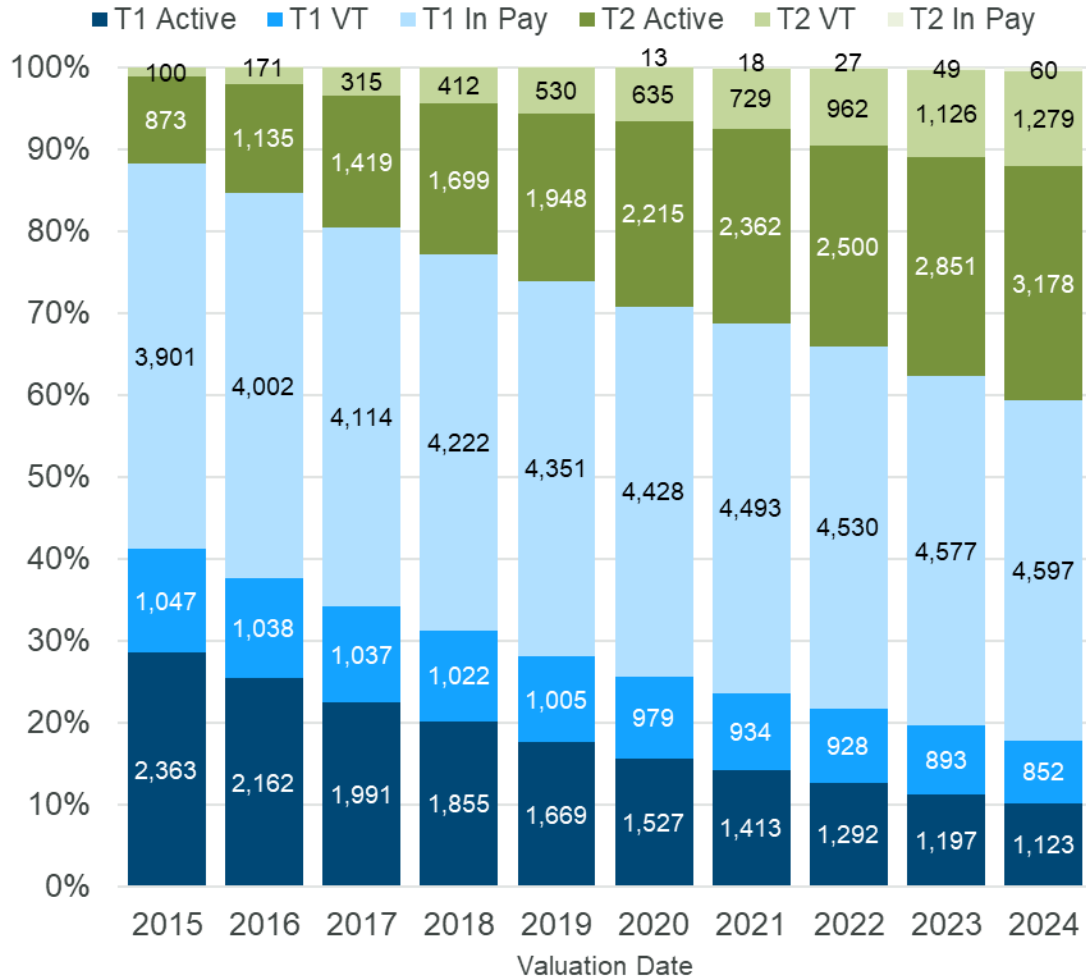


# Tier 1 vs. Tier 2

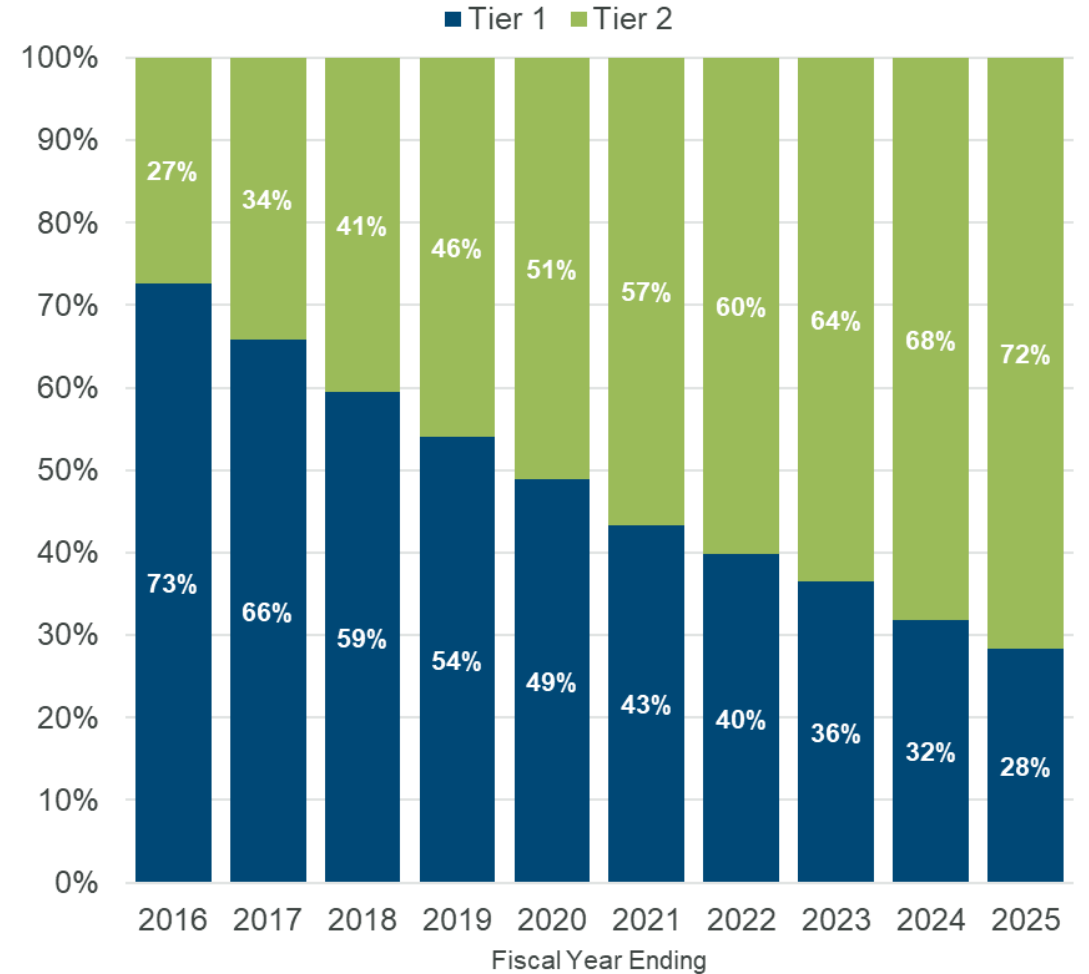
# Tier 1 vs. Tier 2



### Member Counts



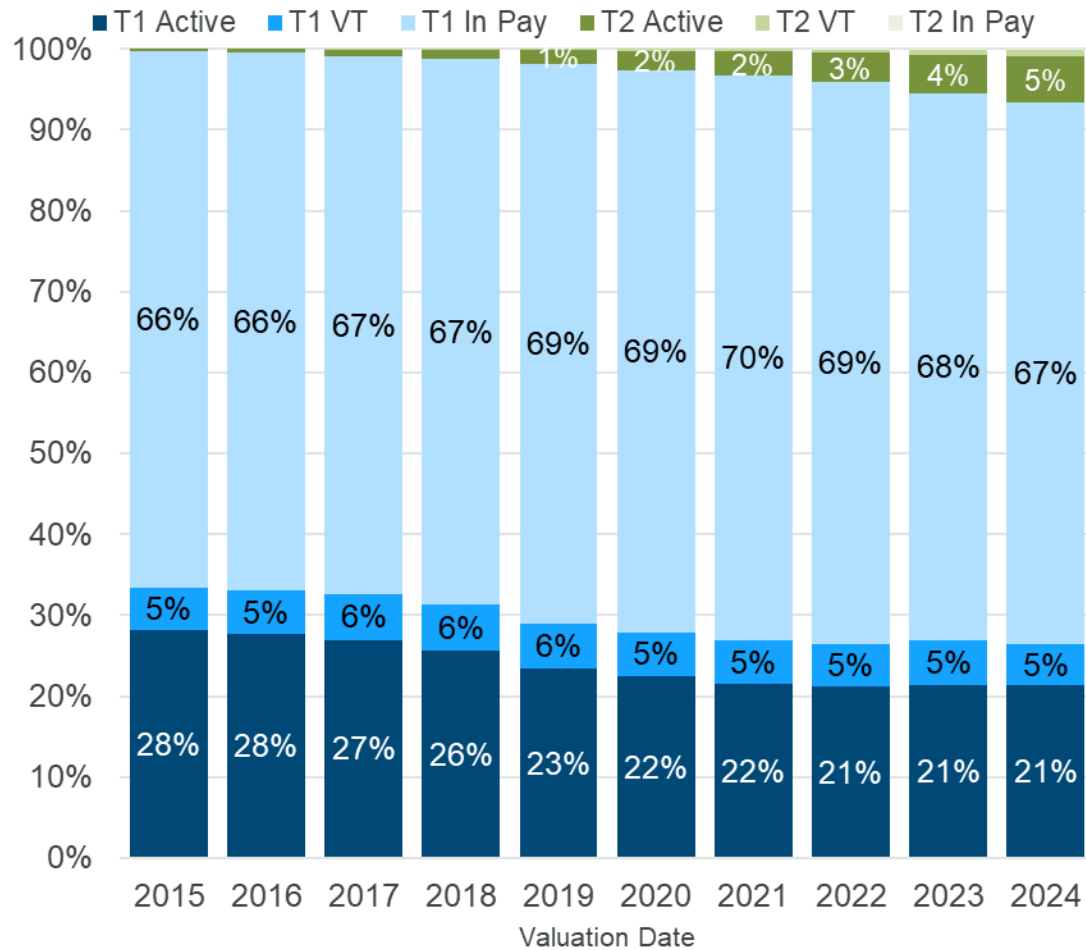
### Expected Active Member Payroll



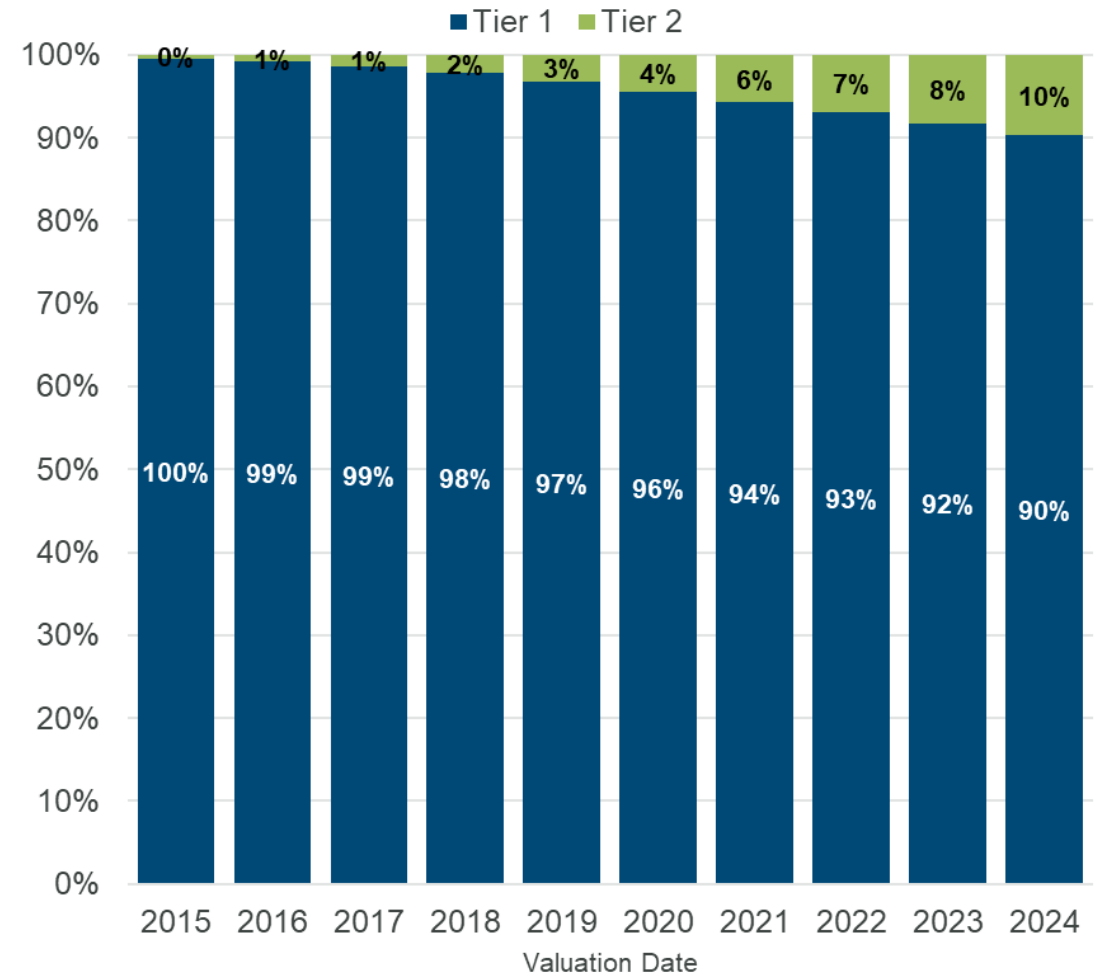
# Tier 1 vs. Tier 2



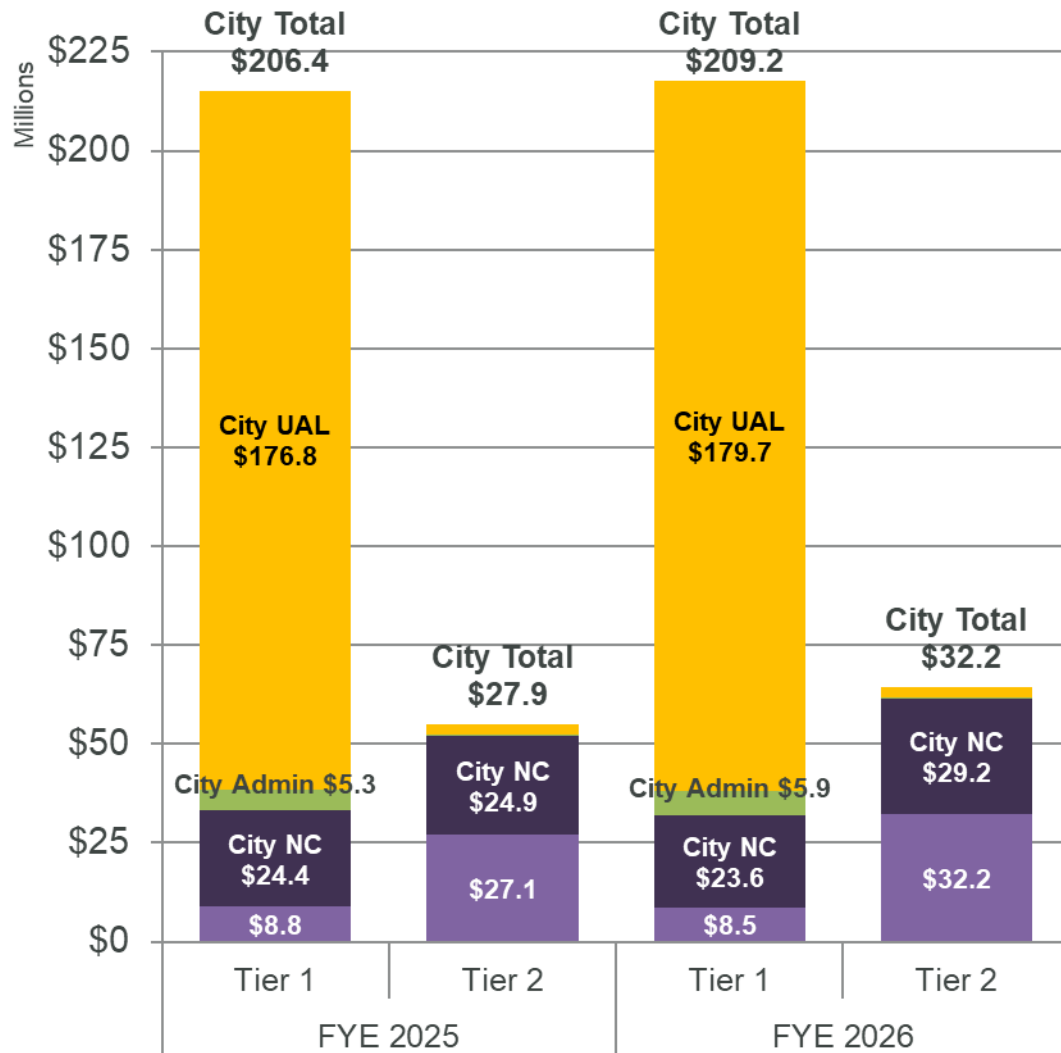
### Actuarial Liability



### Actuarial Assets



# Tier 1 vs. Tier 2 Contributions



- Tier 1
  - Member and City normal cost contributions declining as Tier 1 members retire
  - City administrative expense contribution increased slightly
  - Tier 1 City UAL payments increased by about \$2.8 million
- Tier 2
  - City and member contribution amounts increased by about \$4.3 million and \$5.1 million, respectively, reflecting the growth of Tier 2
    - Increase reflects growth in population and payroll
    - Member rate increase was capped last year. This year's rates restore 50/50 split
  - City contribution rate decreased from 8.73% in FYE 2025 to 8.62% in FYE 2026
  - Member contribution rate increase from 8.49% in FYE 2025 to 8.62% in FYE 2026





- The purpose of this presentation is to present the preliminary valuation results and review the demographic assumptions for the City of San José Federated City Employees' Retirement System.
- In preparing our presentation, we relied on information (some oral and some written) supplied by the Plan. 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.
- This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.
- This presentation was prepared exclusively for the City of San José Federated City Employees' Retirement System for the purpose described herein. Other users of this presentation 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

# Appendix – Preliminary Contribution Detail



Summary of Preliminary Contributions				
Contributions Made Throughout the Year				
	Fiscal Year Ending			
	2025	2026	Change	
<b><u>Members</u></b>				
Tier 1*	6.8%	6.7%	-0.1%	
Tier 2	8.5%	8.6%	0.1%	
<b><u>City</u></b>				
Tier 1 UAL	\$ 176.8	\$ 179.7	\$ 2.9	
Tier 1 Admin Expenses	\$ 5.3	\$ 5.9	\$ 0.6	
Tier 1 Normal Cost	\$ 24.4	\$ 23.6	\$ (0.8)	
	18.7%	18.6%	-0.2%	
Tier 2	\$ 27.9	\$ 32.2	\$ 4.3	
	8.7%	8.6%	-0.1%	
<b>Aggregate</b>	<b>\$ 234.3</b>	<b>\$ 241.4</b>	<b>\$ 7.0</b>	
	<b>52.1%</b>	<b>48.2%</b>	<b>-3.9%</b>	

\* Including Reclassification Payment

Amounts in millions