MEKETA

City of San José Police and Fire Department Retirement Plan

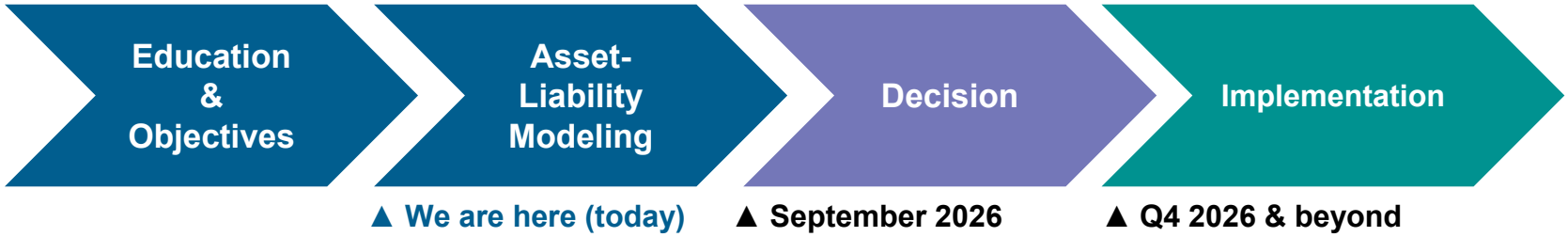
September 2026

Board of Administration Meeting

Executive Summary

- Meketa completed an Asset-Liability Study for the City of San José Police and Fire Department Retirement Plan to evaluate the current policy portfolio against alternative allocations under a range of market and economic scenarios.
- As part of the optimization process, two samples (D and E) were selected as implementable portfolios that offer slightly different return, funded status and contribution outcomes in various economic environments.
- Sample D is expected to modestly improve the 20-year expected return (8.11% vs. 8.05%) and the probability of achieving the 6.625% actuarial assumption (69.7% vs. 68.6%), while reducing required employer contributions in both average and poor markets.
- **Staff and Meketa recommend the Board adopt Sample D as the Plan's new long-term policy target, with implementation to follow Board approval.**

Asset-Liability Study Roadmap



Today's Topics

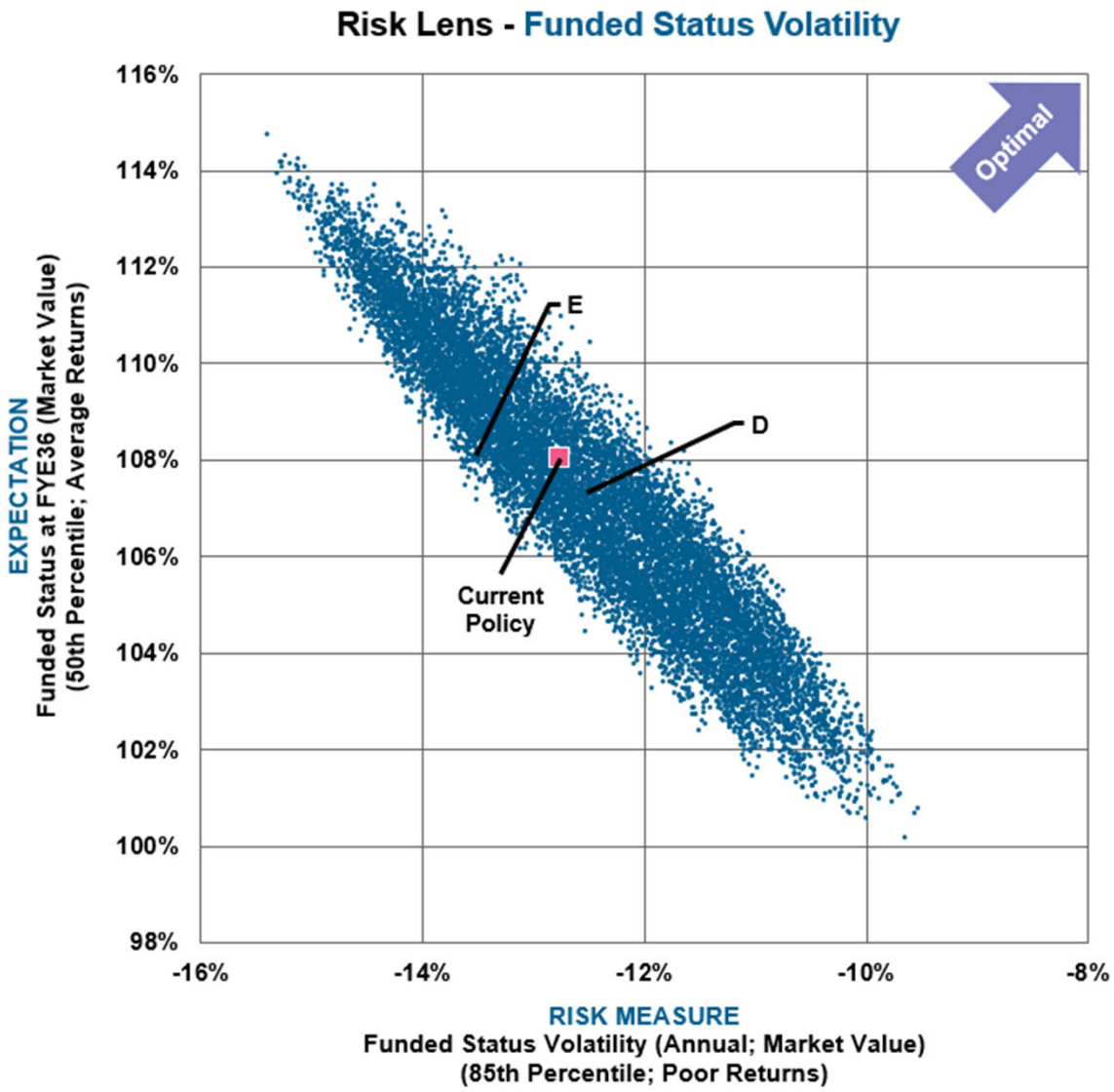
- ✓ **Recommended Allocation Discussion**

Asset Liability Study Output

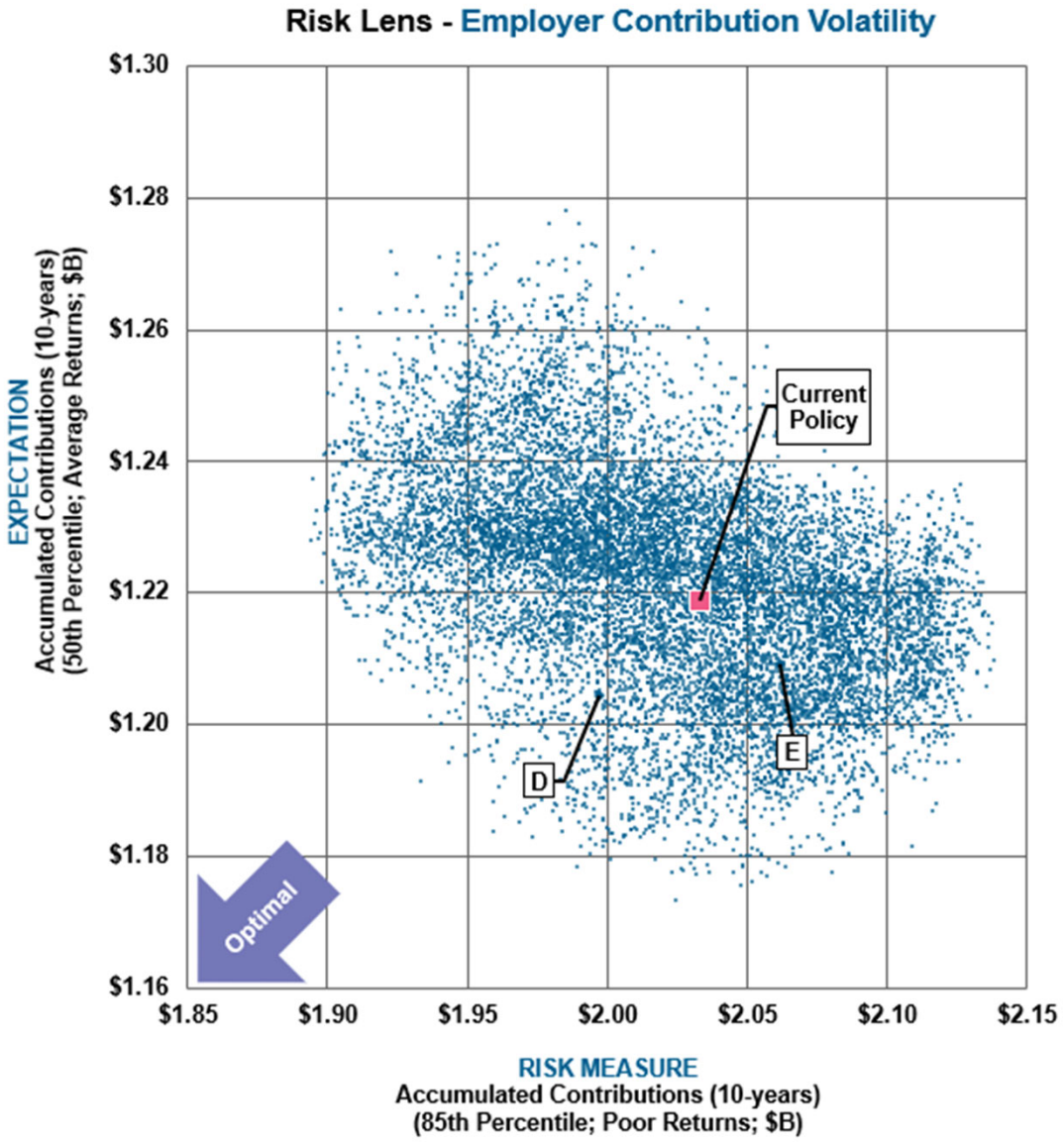
Optimization Process: Produce Samples – Funded Status

Notes

- → Samples are selected spanning the spectrum of expectation/risk measure.
- → Sample D shows the impact of reducing public equity and TIPS and adding to higher income sources (higher yielding bonds and core real estate).
- → Sample E shows the outcome of adding public equity and reducing fixed income.



Optimization Process: Produce Samples – Accumulated Contributions



Notes

- This chart shows a comparison of required employer contributions accumulated over 10 years with *average* returns (Expectation; y-axis) vs the Risk Measure of accumulated contributions in 10 years with *poor* returns.
- For this risk measure, “optimal” is to reduce the required contributions under the average and poor return markets.
- Both Samples reduce the expected employer contribution requirements relative to Current Policy, but only Sample D improves in both average and poor return environments.

Proposed Policy Options

Asset Allocation Policy Options[1]

Asset Group	Current Policy (%)	Sample D (%)	Sample E (%)
Growth	**69.5**	**65.5**	**73.5**
US Equity	23.5	21.0	26.0
Developed Market Equity (non-US)	13.0	12.0	14.0
Emerging Market Equity	5.5	5.0	6.0
Buyouts	10.0	10.0	10.0
Venture Capital	4.5	4.5	4.5
Private Debt	5.0	5.0	5.0
Private Real Estate	4.0	4.0	4.0
Natural Resources (Private)	3.0	3.0	3.0
Infrastructure (Core Private)	1.0	1.0	1.0
Low Beta	**13.5**	**12.0**	**13.5**
Cash Equivalents/ST Bonds	10.5	9.0	10.5
Hedge Funds	3.0	3.0	3.0
Other	**17.0**	**22.5**	**13.0**
Multi-Sector Bonds	8.5	15.0	7.0
Long-term Government Bonds	1.5	1.5	1.0
TIPS	2.0	0.0	0.0
Core Private Real Estate	5.0	6.0	5.0
Expected Return (20 years)	***8.05***	***8.11***	***8.15***
Standard Deviation (Provided by Cerity)	***11.32***	***10.86***	***11.97***
Probability of Achieving 6.62% over 20 Years	***68.6***	***69.7***	***69.0***

[1] Expected return is based upon Meketa Investment Group's Annual Capital Markets Expectations. The standard deviation is based on Cerity Capital Market Expectations. Throughout this document, returns for periods longer than one year are annualized.

Diversification and Risk Analysis

MPT-Based Risk Analysis

Scenario	Current Policy (%)	Sample D (%)	Sample E (%)
Worst Case Returns[1]			
One Year	-18.20	-17.54	-19.15
Three Years (annualized)	-8.00	-7.55	-8.59
Five Years (annualized)	-4.62	-4.24	-5.07
Ten Years (annualized)	-1.08	-0.78	-1.38
Twenty Years (annualized)	1.50	1.73	1.31
Probability of Experiencing Negative Returns			
One Year	25.95	25.20	26.62
Three Years	13.20	12.36	13.98
Five Years	7.47	6.76	8.14
Ten Years	2.07	1.73	2.42
Twenty Years	0.20	0.14	0.26
Probability of Achieving at least a 6.625% Return			
One Year	54.30	54.63	54.41
Three Years	57.42	57.99	57.60
Five Years	59.54	60.27	59.77
Ten Years	63.37	64.36	63.68
Twenty Years	68.55	69.87	68.96

[1] "Worst Case Returns" refers to the 99th percentile return.

Value at Risk[1]

Scenario	Current Policy	Sample D	Sample E
95th VaR (%):			
1 Month	-5.49	-5.32	-5.77
3 Months	-8.60	-8.31	-9.07
6 Months	-10.87	-10.45	-11.51
12 Months	-12.68	-12.07	-13.52
95th VaR ($M):			
1 Month	-5	-5	-6
3 Months	-9	-8	-9
6 Months	-11	-10	-12
12 Months	-13	-12	-14

Conditional Value at Risk[1]

Scenario	Current Policy	Sample D	Sample E
95th CVaR (%):			
1 Month	-7.04	-6.83	-7.39
3 Months	-11.26	-10.89	-11.85
6 Months	-14.64	-14.11	-15.45
12 Months	-18.12	-17.38	-19.23
95th CVaR ($M):			
1 Month	-7	-7	-7
3 Months	-11	-11	-12
6 Months	-15	-14	-15
12 Months	-18	-17	-19

[1] Calculated with a 99% confidence level and based upon Meketa Investment Group's Annual Capital Markets Expectations. cVaR represents the average loss past the 99th percentile.

Historical Negative Scenario Analysis[1] (*Cumulative* Return)

Scenario	Current Policy (%)	Sample D (%)	Sample E (%)
Post-COVID Rate Hikes(Jan 2022 - Oct 2023)	-6.13	-6.94	-5.97
COVID-19 Market Shock (Feb 2020 - Mar 2020)	-17.38	-16.57	-18.77
BREXIT (Jun 2016)	-1.93	-1.61	-2.25
Taper Tantrum (May - Aug 2013)	1.08	0.97	1.38
Eurozone Debt Crisis (July 2011 - Sept 2011)	-8.37	-7.75	-9.33
Global Financial Crisis (Oct 2007 - Mar 2009)	-28.70	-27.01	-31.04
Popping of the TMT Bubble (Apr 2000 - Sep 2002)	-18.67	-15.52	-21.75
LTCM (Jul - Aug 1998)	-8.17	-7.75	-8.90
Asian Financial Crisis (Aug 97 - Jan 98)	3.17	3.60	2.90
Rate spike (1994 Calendar Year)	4.09	3.56	4.36
Early 1990s Recession (Jun - Oct 1990)	-5.60	-5.14	-6.29
Crash of 1987 (Sep - Nov 1987)	-10.49	-9.52	-11.61
Strong dollar (Jan 1981 - Sep 1982)	3.54	5.23	2.31
Volcker Recession (Jan - Mar 1980)	-3.58	-4.06	-3.48
Stagflation (Jan 1973 - Sep 1974)	-19.55	-19.20	-21.39

[1] In periods where the ideal benchmark was not yet available, we used the next closest benchmark(s) as a proxy.

Historical Positive Scenario Analysis[1] (*Cumulative* Return)

Scenario	Current Policy (%)	Sample D (%)	Sample E (%)
COVID Recovery (Apr 2020 - Dec 2021)	57.76	55.39	60.55
Global Financial Crisis Recovery (Mar 2009 - Nov 2009)	31.26	30.28	33.21
Real Estate and Buyout Boom (Oct 2004 - Sept 2007)	63.65	62.00	66.10
Best of Great Moderation (Apr 2003 - Feb 2004)	28.44	27.31	30.13
Peak of the TMT Bubble (Oct 1998 - Mar 2000)	60.08	58.10	62.32
Short Rate Decrease Cycle (Jan 1995 - Dec 1995)	20.18	20.57	20.41
Recession Recovery (Nov 1990 - March 1992)	23.70	24.48	24.56
Plummeting Dollar (Jan 1986 - Aug 1987)	50.11	48.10	53.09
Long Rate Decrease Cycle (June 1984 - August 1986)	72.03	72.36	74.19
Volcker Recovery (Aug 1982 - Apr 1983)	29.17	29.33	30.48
Bretton Wood Recovery (Oct 1974 - Jun 1975)	27.07	25.92	28.78

[1] In periods where the ideal benchmark was not yet available, we used the next closest benchmark(s) as a proxy.

Stress Testing: Impact of Negative Market Movements (Expected Return under Negative Conditions)[1]

Scenario	Current Policy (%)	Sample D (%)	Sample E (%)
10-year Treasury Bond rates rise 100 bps	4.49	4.12	4.98
10-year Treasury Bond rates rise 200 bps	-0.85	-1.19	-0.52
10-year Treasury Bond rates rise 300 bps	-1.99	-2.44	-1.47
Baa Spreads widen by 50 bps, High Yield by 200 bps	0.47	0.48	0.29
Baa Spreads widen by 300 bps, High Yield by 1,000 bps	-21.10	-20.24	-22.36
Trade Weighted Dollar gains 10%	-3.24	-3.26	-3.50
Trade Weighted Dollar gains 20%	-1.34	-1.10	-1.57
US Equities decline 10%	-5.63	-5.58	-6.08
US Equities decline 25%	-16.49	-16.12	-17.46
US Equities decline 40%	-25.11	-24.05	-26.54
Bull Steepener	1.43	1.56	1.27

[1] Assumes that assets not directly exposed to the factor are affected, nonetheless.

Stress Testing: Impact of Positive Market Movements (Expected Return under Positive Conditions)[1]

Scenario	Current Policy (%)	Sample D (%)	Sample E (%)
10-year Treasury Bond rates drop 100 bps	1.80	1.96	1.66
10-year Treasury Bond rates drop 200 bps	9.25	9.18	9.45
10-year Treasury Bond rates drop 300 bps	11.38	11.38	11.46
Baa Spreads narrow by 30 bps, High Yield by 100 bps	7.18	6.92	7.57
Baa Spreads narrow by 100 bps, High Yield by 300 bps	12.05	11.98	12.70
Trade Weighted Dollar drops 10%	7.28	7.03	7.58
Trade Weighted Dollar drops 20%	20.59	19.67	21.50
US Equities rise 10%	6.78	6.46	7.06
US Equities rise 30%	15.36	14.54	16.31
Bear Steepener	5.38	4.68	5.86

[1] Assumes that assets not directly exposed to the factor are affected, nonetheless.

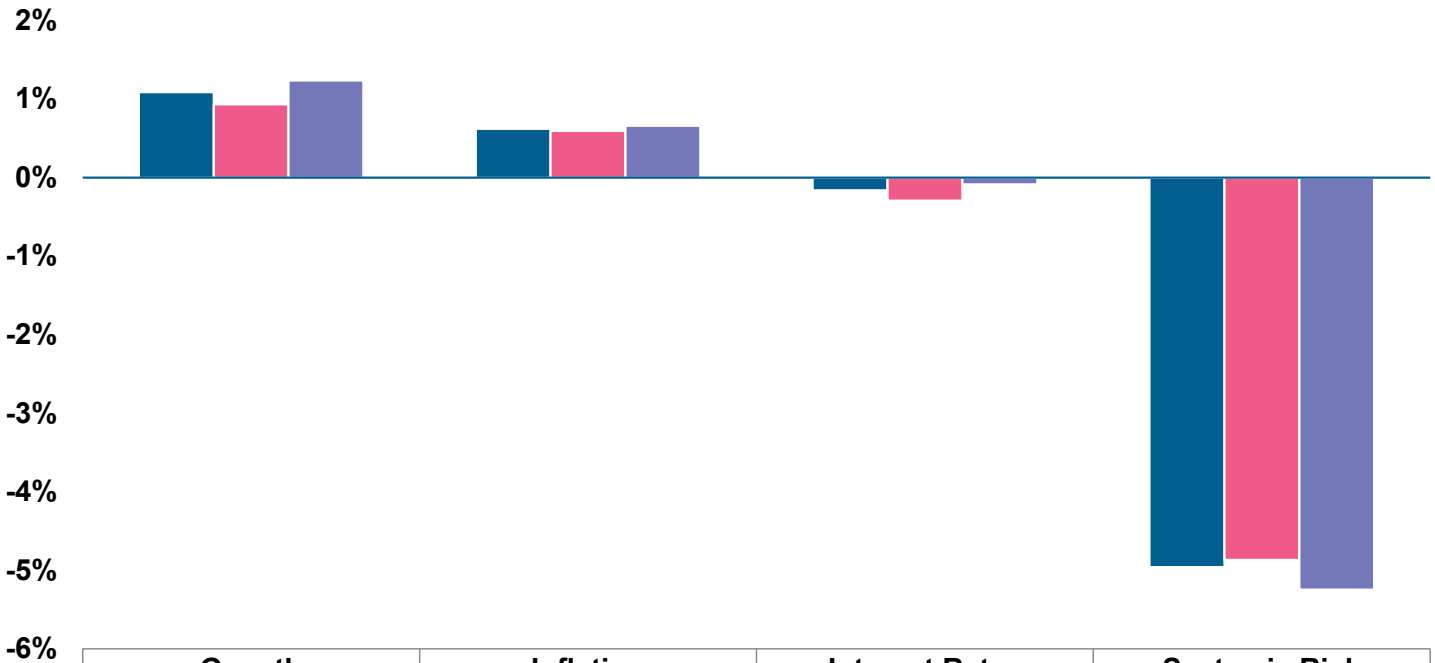
Economic Regime Management®

Economic Regime Management®

- The Economic Regime Management ("ERM") approach focuses on understanding the dynamics of the most important macro level forces that drive returns across asset classes.
- We find the most important factors to be:
  - Interest Rate Surprise – Unexpected changes in the 10 year interest rate (related to Duration).
  - Inflation Surprise – Unexpected changes in the CPI growth rate.
  - Growth Surprise – Unexpected changes in the Real GDP growth rate.
  - Systemic Risk – "System-wide" risk that propagates through all asset classes (e.g., 2008).
- We focus on surprises because expectations matter.
  - What was considered "low" inflation in the 1970s would be considered "high" today.
- These factors explain the majority of volatility across asset classes.
  - Understanding these dynamics explain the "why" not just the "what."

City of San José Police and Fire Department Retirement Plan

Portfolio Sensitivity Comparison



	Growth	Inflation	Interest Rates	Systemic Risk
Current Policy	1.09%	0.62%	-0.16%	-4.96%
Sample D	0.93%	0.60%	-0.29%	-4.87%
Sample E	1.24%	0.66%	-0.08%	-5.25%

- → The chart above shows the resulting change in portfolio return given a one standard deviation event in the respective risk factor.
- → There is more concentration in Growth and Systematic Risk because these sources of risk tend to pay better (have higher expected returns) than the other risk factors.

Recommendation and Next Steps

Recommendation

- → Samples are selected for purposes of creating dialogue around quantitative preferences.
- → Staff and Meketa are recommending Sample D based on the following:
  - Relatively minor asset allocation differences (reduces time to implement).
  - Slight reduction in return and funded status volatility along with reduced required contribution expectations with both average and poor return environments.
  - Retains flexibility if the Board opts to elongate the fixed income duration in the future and/or implement the discount rate methodology change detailed by Cheiron in past meetings.
- → **Staff and Meketa recommend the Board adopt Sample D as the Plan's new long-term policy target, effective upon Board approval.**

Recommended Allocation

Asset Group	Current (%)	Sample D (%)
Growth	69.5	65.5
Low Beta	13.5	12.0
Other	17.0	22.5

Key Metrics

Metric	Current (%)	Sample D (%)
Exp. Return (20-Yr)	8.05	8.11
Prob. of 6.625% Return (20-Yr)	68.6	69.7
1-Yr Worst Case Return	-18.2	-17.5
1-Yr Prob. of Loss	26.0	25.2

Next Steps

Board Vote

Finalize the preferred strategy and bring recommendations to the Board for a vote.

September 2026

Implementation

Plan the portfolio transition and implementation timeline with the Board.

Q4 2026 & beyond

De-risking Review

Continue exploring de-risking options with Cheiron as funded status improves.

Ongoing

Appendix –
Introduction to Asset-Liability Studies

What Is an Asset-Liability Study?

An asset-liability study evaluates whether the Plan's investment strategy is positioned to meet its projected benefit obligations across a range of economic and demographic scenarios.

Integrated modeling

Models the Plan's assets and liabilities together, rather than evaluating investment strategy in isolation

Multi-year projections

Projects funded status, contribution requirements, and cash flow needs over a multi-year horizon

Enterprise risk stress-testing

Stress-tests the portfolio against risks determined to be material via enterprise risk analysis

Strategy comparison

Compares alternative asset allocation strategies on a risk-adjusted basis

Goal: The study turns funding objectives into an actionable investment policy.

How Does the Asset-Liability Study Benefit the Board?

The study gives the Board an objective, forward-looking framework for setting investment policy and satisfying its fiduciary obligations.

Independent analysis
Provides an independent, data-driven basis for asset allocation decisions

Risk/return clarity
Clarifies the risk/return trade-offs across candidate portfolios before a policy is adopted

Funding impact
Quantifies the funding and contribution implications of alternative strategies

Fiduciary documentation
Documents the Board's due diligence process for regulatory and audit purposes

Ongoing framework
Establishes a shared framework for revisiting policy as the Plan's circumstances change

The study gives the Board a defensible basis for its policy decisions.

Appendix –
Enterprise Risk Analysis

What are the Key Risks to the Enterprise?

These six risks represent the primary drivers of funded status volatility and are the focus on this study.

01 **Investment Risk**
Variability in investment returns that affect the Plan's ability to meet long-term expectations

02 **Inflation Risk**
Rising prices that erode purchasing power and influence wage growth and liabilities

03 **Liquidity Risk**
The ability to raise cash when needed without selling assets at depressed values

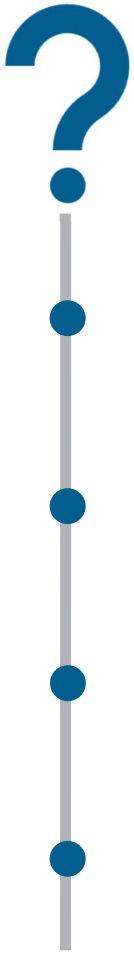
04 **Workforce and Payroll Risk**
Changes in active workforce levels and wages that drive contributions and benefit accruals

05 **Contribution Risk**
Variability in employer contributions tied to payroll trends and financial capacity

06 **Longevity Risk**
Differences in asset and liability growth stemming from asset income and benefit payments

Understanding these enterprise risks helps frame which risks can be influenced through asset allocation, and which require other policy tools.

How Does Meketa Evaluate Risks in Isolation?



Likelihood

→ How likely is the risk to deviate from assumptions?

Impact

→ If the risk occurs, how significant would the effect be?

Quantifiability

→ Can the outcomes be reliably measured or modeled?

Influence of Asset Allocation

→ Can the risk be mitigated with a change to the asset allocation?

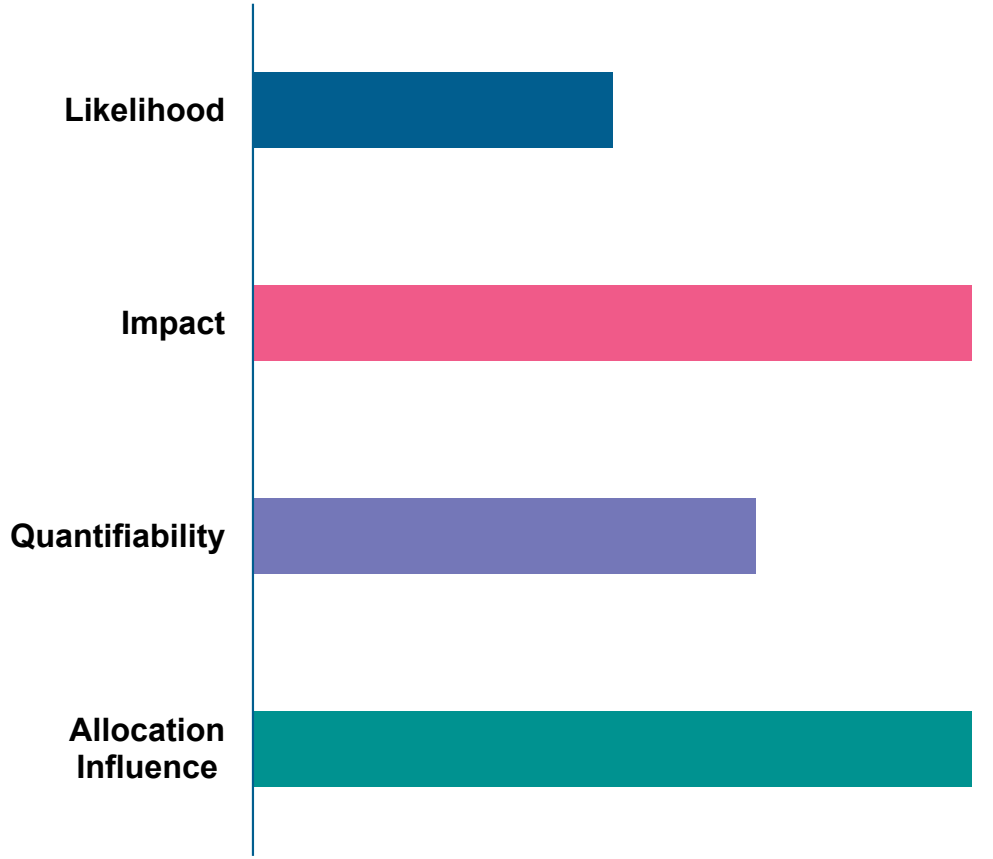
This framework helps determine which risks can be influenced through asset allocation and which lie outside investment policy control.

Risk Isolation – Investment Risk

01

Investment Risk

- → Variability of investment returns that affect the Plan's ability to meet long-term assumptions
- → Sample: 1 in 7 years has a return less than -5% or greater than 19%*



- ✓ Wide range makes it common for returns to deviate from assumptions.
- ✓ 55% probability of achieving the 6.625% discount rate annually.

- ✓ Returns strongly influence funded status and contribution volatility.
- ✓ In the years when returns are less than 6.625%, the expectation is a -3% return.

- ✓ Rich historical data makes investment risk highly measurable.
- ✓ However, there are many different, valid opinions on *future* asset class return expectations.

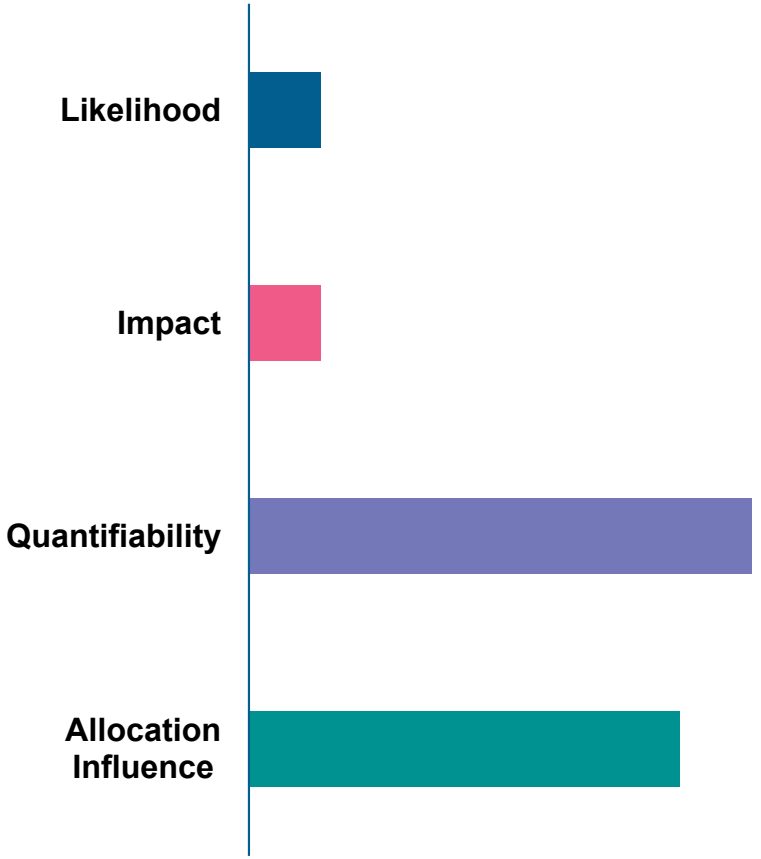
- ✓ Asset allocation is the primary driver of investment risk.

* Based on Meketa's 2026 10-year capital market assumptions, non-normal asset class distributions.

02

Inflation Risk

- → Rising prices that erode purchasing power and influence wage growth and liabilities
- → Sample: 1 in 7 years has inflation less than -0.7% or greater than 5.5%*



- ✓ The Federal Reserve actively manages inflation via monetary policies, reducing volatility.
- ✓ Past decades – inflation was low and predictable; Recently - higher and more volatile.

- ✓ Inflation impacts liability growth through benefit COLAs and implicitly through wage increases.
- ✓ High inflation is mitigated through COLA caps (Tier 2).

- ✓ Reasonable amount of historical data on asset class return correlations to inflationary environments.
- ✓ Inflation is impacted by macroeconomic environments and geopolitics that can be hard to model/predict.

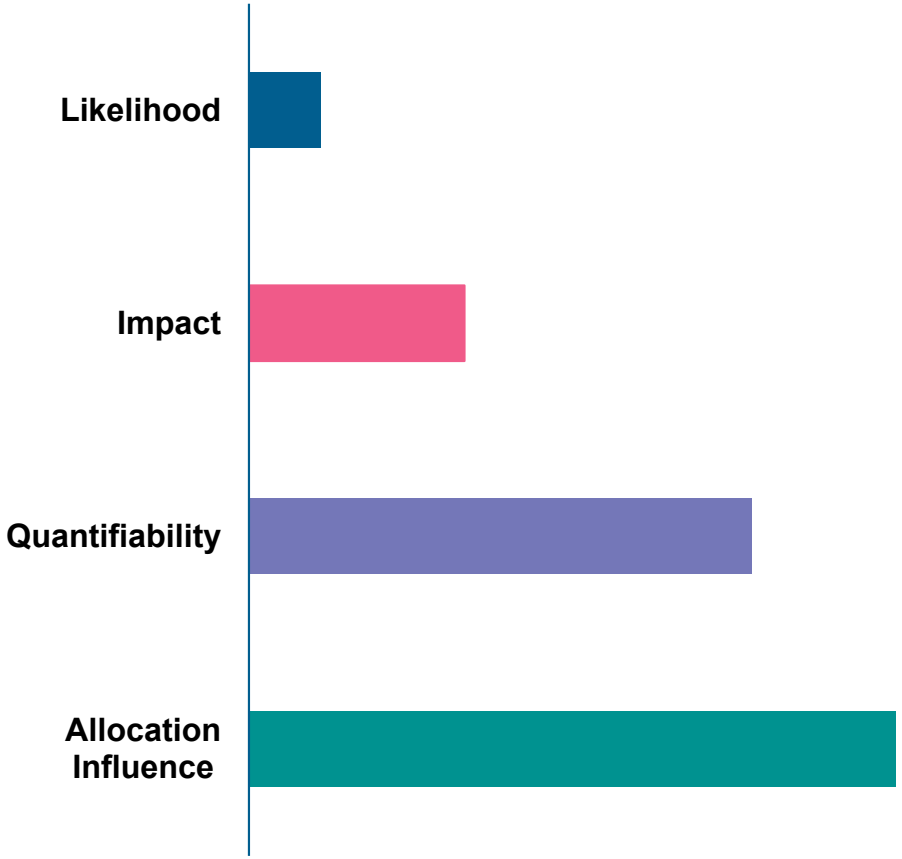
- ✓ Some asset classes correlate with inflation, but none hedge perfectly.

* Based on Meketa's 2026 10-year capital market assumptions, non-normal asset class distributions.

03

Liquidity Risk

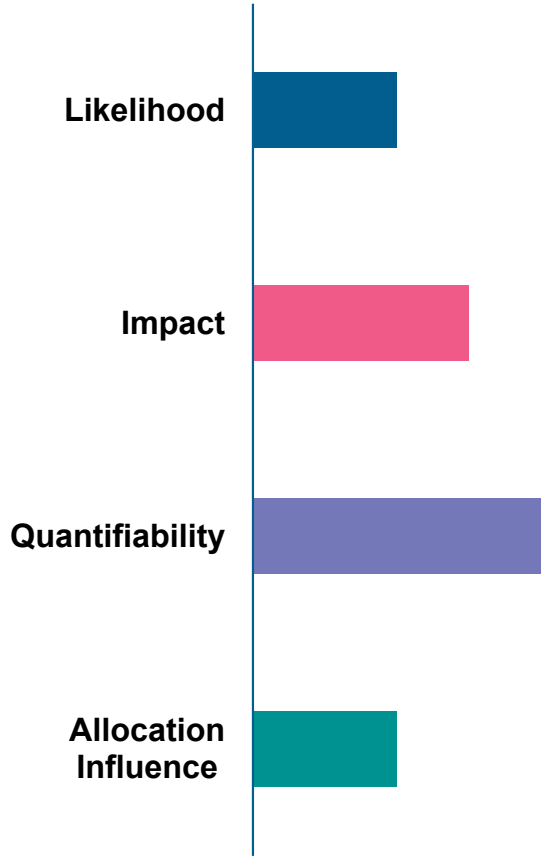
- → The ability to raise cash when needed without selling assets at depressed values
- → Sample: 65% of the assets are invested in securities that can be liquidated in days



- ✓ Majority of portfolio is invested in asset classes with highly predictable liquidity.
- ✓ -2% net cash outflow in FYE 2027.
- ✓ Cashflow-driven investing philosophy provides 5 years of outflow in low volatility, highly liquid assets.
- ✓ Measuring liquidity can be complicated as different asset classes have different levels of liquidity depending on the asset class and market environment.
- ✓ Asset allocation is a primary driver of liquidity risk.

04 Workforce and Payroll Risk

- → Changes in active workforce levels and wages that drive contributions and benefit accruals
- → Sample: Historically, active population changes between -6% and 6%



- ✓ Workforce shifts tend to happen slowly.
- ✓ Active headcount decreased slightly historically, and wage growth is steady (4% average; between -1% and 8% annually).

- ✓ A single year of population/wage growth will have a minimal impact on the funded status.
- ✓ Sustained growth over assumptions over a long period of time (10+ years) will be more impactful.

- ✓ Prediction of headcount and wages can be very difficult due to various outside influences.
- ✓ Not enough data to produce asset class correlations.

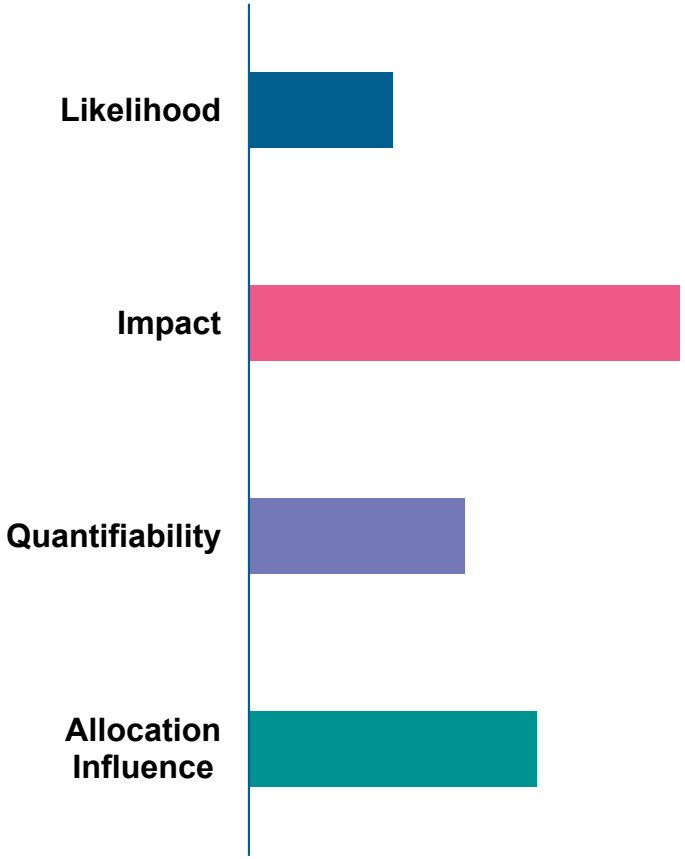
- ✓ Asset allocation is not viewed as a means to mitigate employment risks.

* Source: City of San José Police and Fire Department Retirement Plan actuarial valuation reports from 2011 to 2025.

05

Contribution Risk

- → Variability in employer contributions tied to payroll trends and financial capacity
- → Sample: The employer contribution expected to be 50-70% of payroll for next few years



- ✓ Actuarial smoothing prevents contribution volatility.
- ✓ The contribution as a % of payroll expected to be relatively higher based on the maturity of the Plan.

- ✓ Well funded pension systems invested in volatile asset classes are particularly vulnerable to large relative increases in contribution requirements.

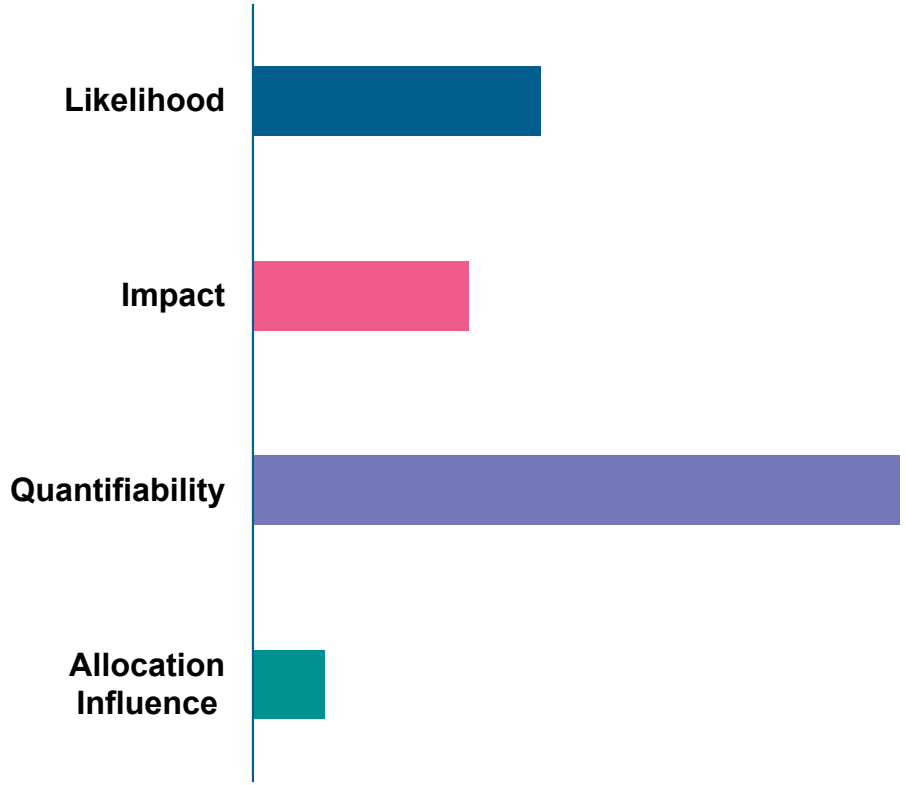
- ✓ Required contribution levels are formulaic.
- ✓ Modeling a system's *ability* to pay contributions is much harder.

- ✓ Lowering the volatility of an asset allocation directly correlates to more predictable contributions.

06

Longevity Risk

- → Differences in asset and liability growth stemming from asset income and benefit payments
- → Sample: The assets currently hedge 4% of the liability interest rate risk*

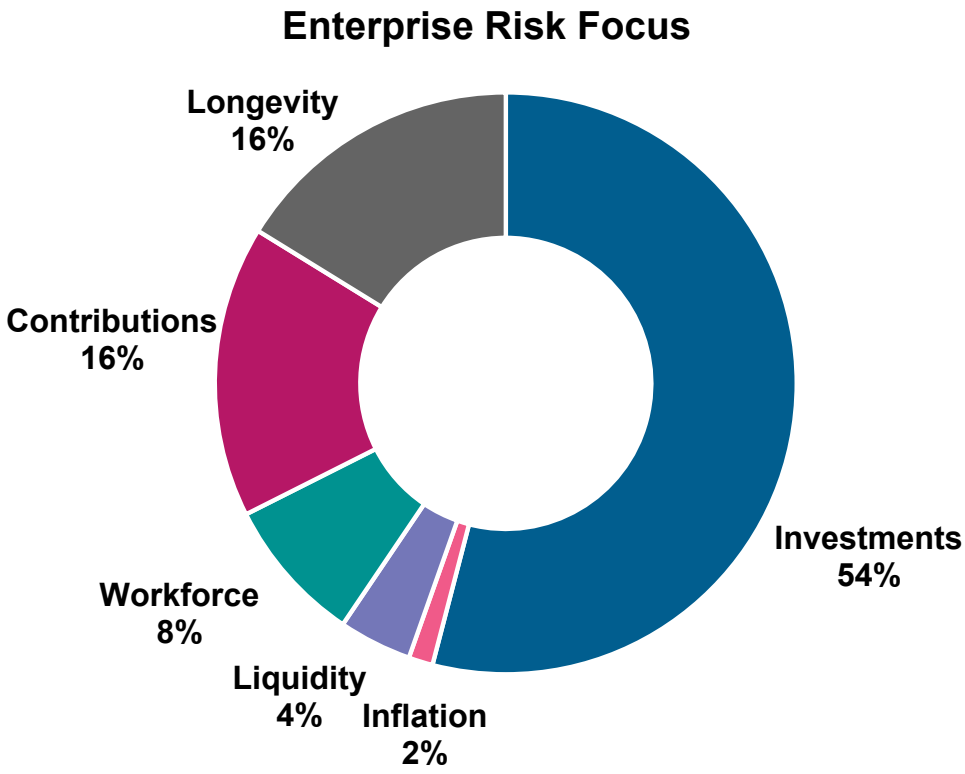


- ✓ Income generating assets are lower in $ value vs the liabilities ($1 billion vs $6 billion) and have a lower duration (0.5 years vs 13 years).
- ✓ Duration differences create the risk of liabilities and assets changing at different paces.
- ✓ The Plan's funded status and discount rate make liability matching more attractive than the average public plans.
- ✓ Certain asset class yields and expected benefit payments are relatively predictable, especially in the short term.
- ✓ Assets can be invested to fixed income of various credit qualities and durations to align with the duration of benefit payments.

* Assuming the liability discount rate changes in a similar way as an asset with a similar duration, such as long duration government bonds. For this purpose, liability duration assumed to be 13 years. A hedge of 100% means the assets and liabilities are expected to move the same in volatile markets. A correlation of 0% assumes no harmony.

Summary of the Key Risks

1. **Investment risk dominates:** Investment returns are the primary driver of the long-term outcomes and funded status volatility.
2. **Longevity and liabilities:** The Plan's liabilities are significantly larger and longer duration than the asset base, creating a mismatch that may become increasingly important as funded status improves.
3. **Contributions:** Contribution requirements are highly visible to stakeholders and increasingly will have more downside risk than upside as funded status improves.



Recommendation:

→ The asset-liability study should primarily focus on balancing investment risk against contribution volatility while also evaluating whether greater liability-hedging exposure is warranted.

→ Inflation, liquidity, and workforce risks remain important background considerations, but investment and liability-related risks are expected to have the greatest influence on long-term policy decisions.

Appendix –
Asset-Liability Study: Part I

How Does Meketa Optimize the Asset Allocation?

Today's Meeting

1 – Plot the Baseline

Plot the current policy allocation and the plan's liability structure to establish a baseline funded status and contribution expectations.

2 – Create Constraints

Constrain each asset class to a minimum and maximum allocation to avoid impractical recommendations.

3 – Compare Alternatives

Plot alternative allocations and compare the results of the Board's preferred risk measures.

4 – Produce Samples

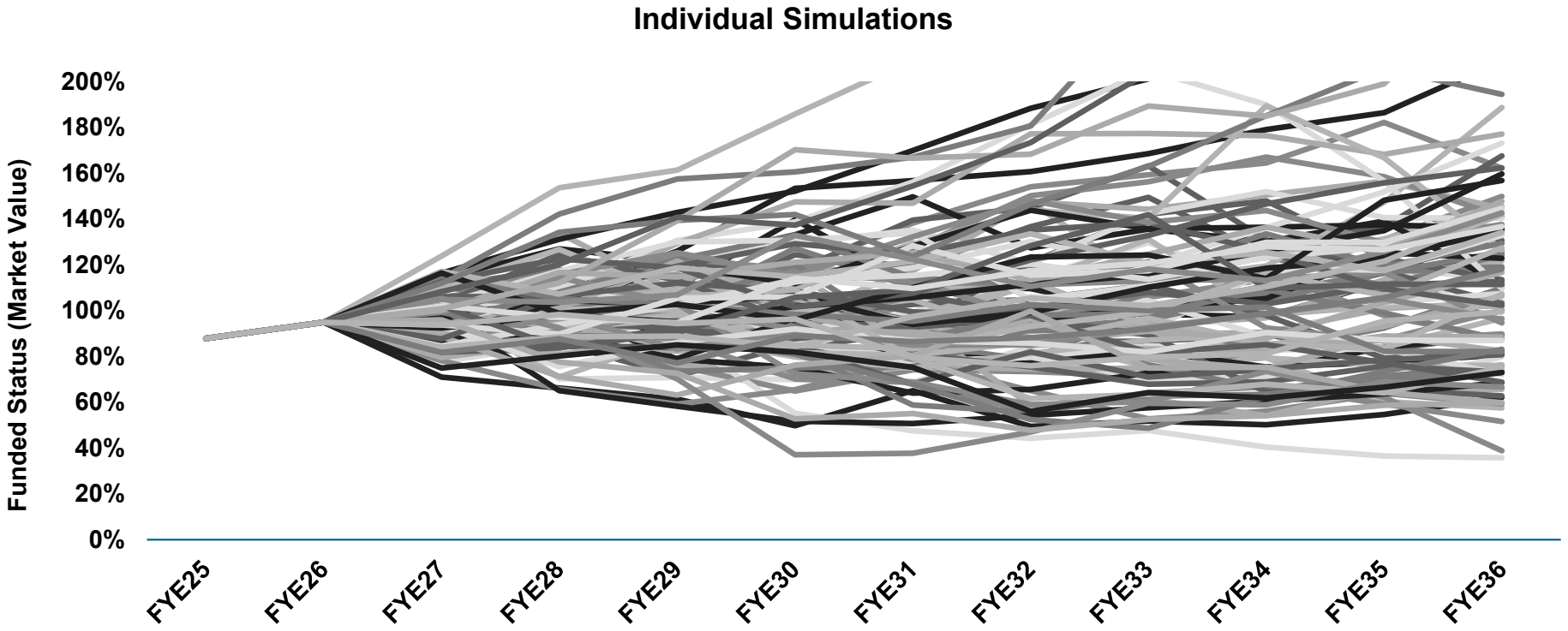
Provide sample allocations that reflect the Board's growth and volatility-tolerance feedback.

5 – Final Recommendation

Present recommended allocation(s) for Board review and adoption into the Investment Policy Statement.

City of San José Police and Fire Department Retirement Plan

Stochastic Forecast of the Current Policy Allocation

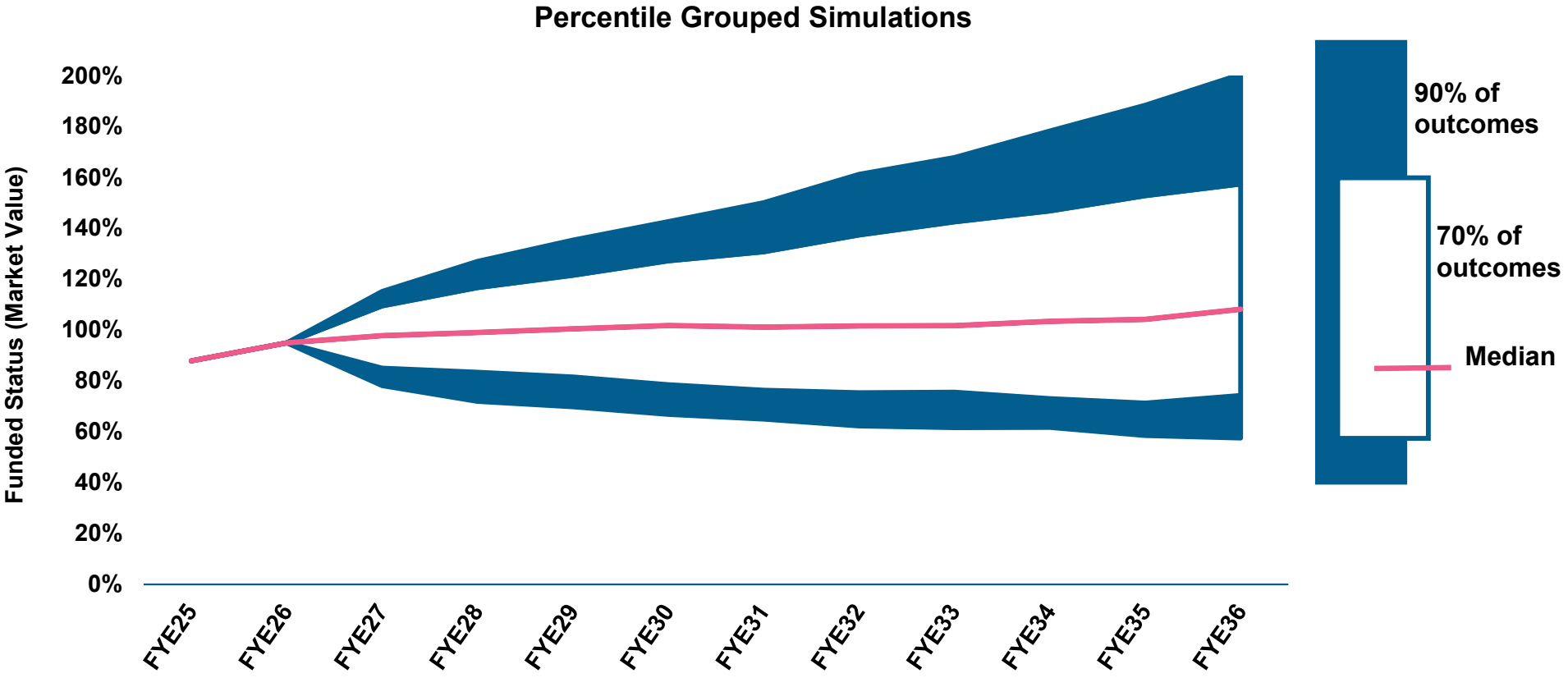


→ Funded status (assets divided by liabilities) is simulated in a variety of market environments.

→ Analysis reflects the current:

- Asset allocation
- Projected benefit payments
- Funding policy (statutory)
- Plan provisions
- Actuarial assumptions
- Meketa 2026 Capital Market Assumptions

Stochastic Forecast of the Current Policy Allocation (continued)

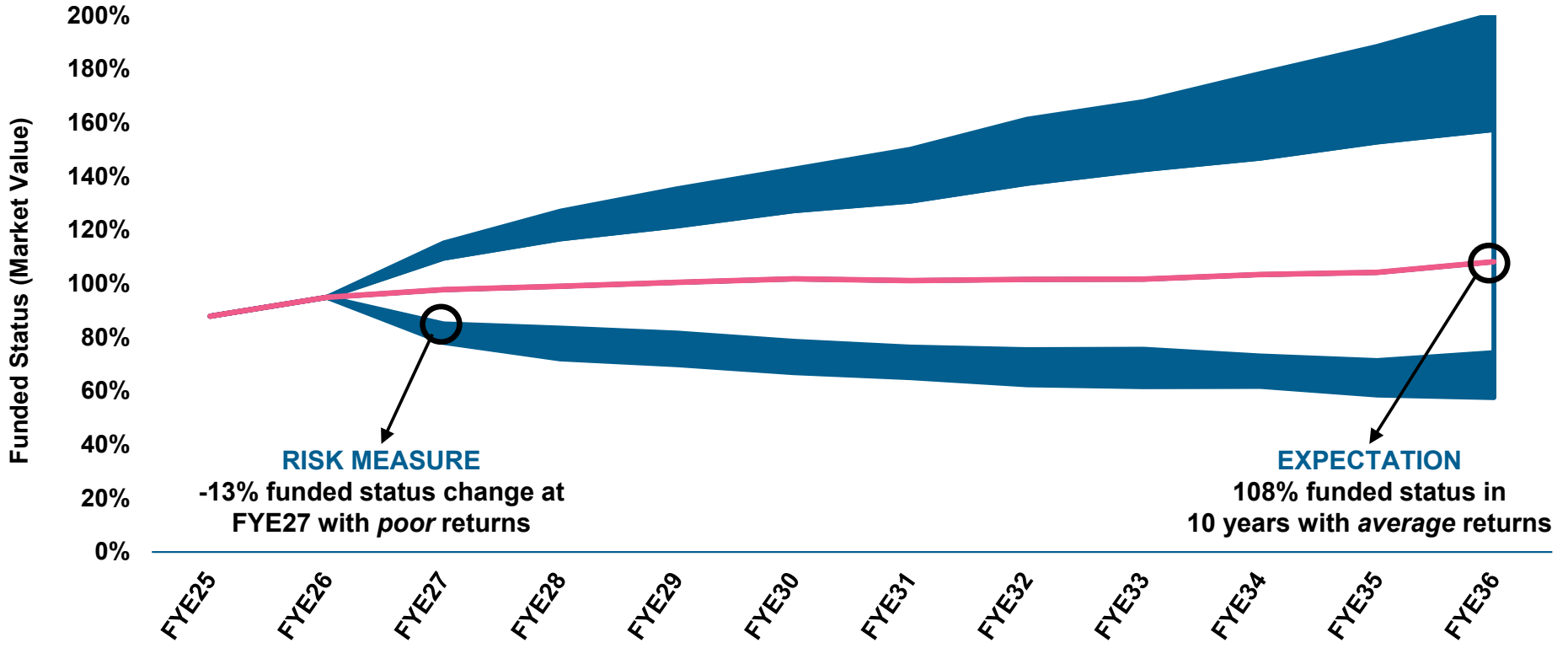


- → Simulations are summarized into percentiles, providing a quantitative analysis of the funded status, given the current asset allocation.
- → As an example, the median (50th Percentile) funded status at FYE 2036 is 108% → there is a 50% probability the funded status will be greater than 108% and 50% probability it will be less than 108%.

Record Key Observations

→ Key observations are determined during objective setting discussion and analyzed in a "Expectation/Risk Measure" framework.

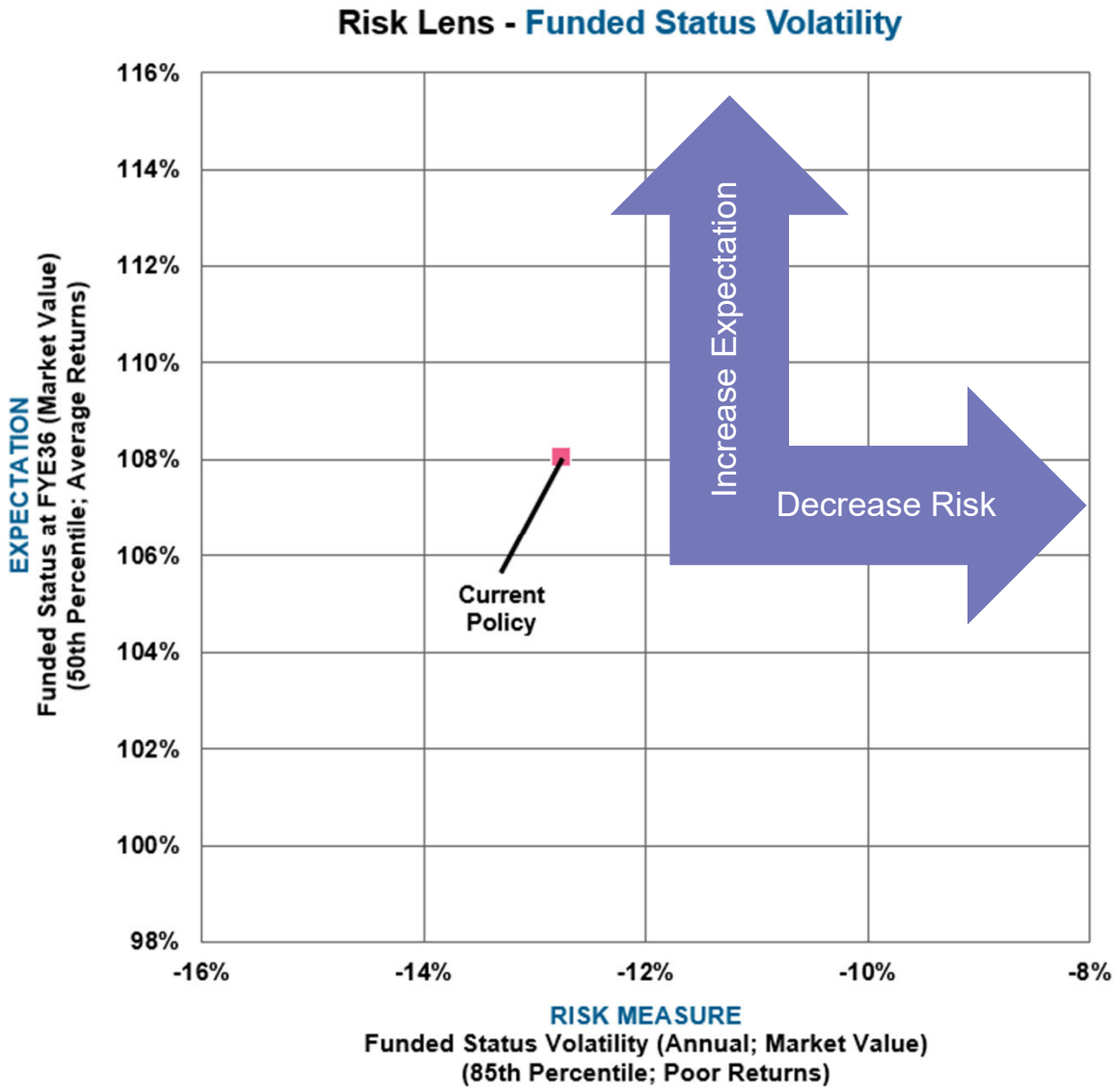
- **Expectation** – Outcome where all the underlying assumptions prove to be accurate over the long-term (Example: 50th percentile over a 10-year time horizon).
- **Risk Measure –** Outcome with a lower probability (Ex: 85th percentile) and detrimental impact, especially when that outcome occurs in the short-term (Ex: 1-year time horizon).



Optimization Step 1: Plot the Baseline (i.e., Current Policy)

Notes

- → The goal of Optimization is to align the projected health of the system to match the objectives and risk tolerance of the Board.
- → Est. market value funded status as of 6/30/2026 = 95%



Why Set Asset Class Constraints?

- **Liquidity reality –** caps on privates keep the fund investable and able to pay benefits; floors on cash and liquid bonds preserve solvency.
- **Implementation reality –** minimums reflect the smallest position worth governing; maximums reflect manager capacity and deployment speed.
- **Diversification discipline –** bands across equity sub-classes prevent loading up on whichever sleeve has the best recent inputs.

What Do We Accomplish?

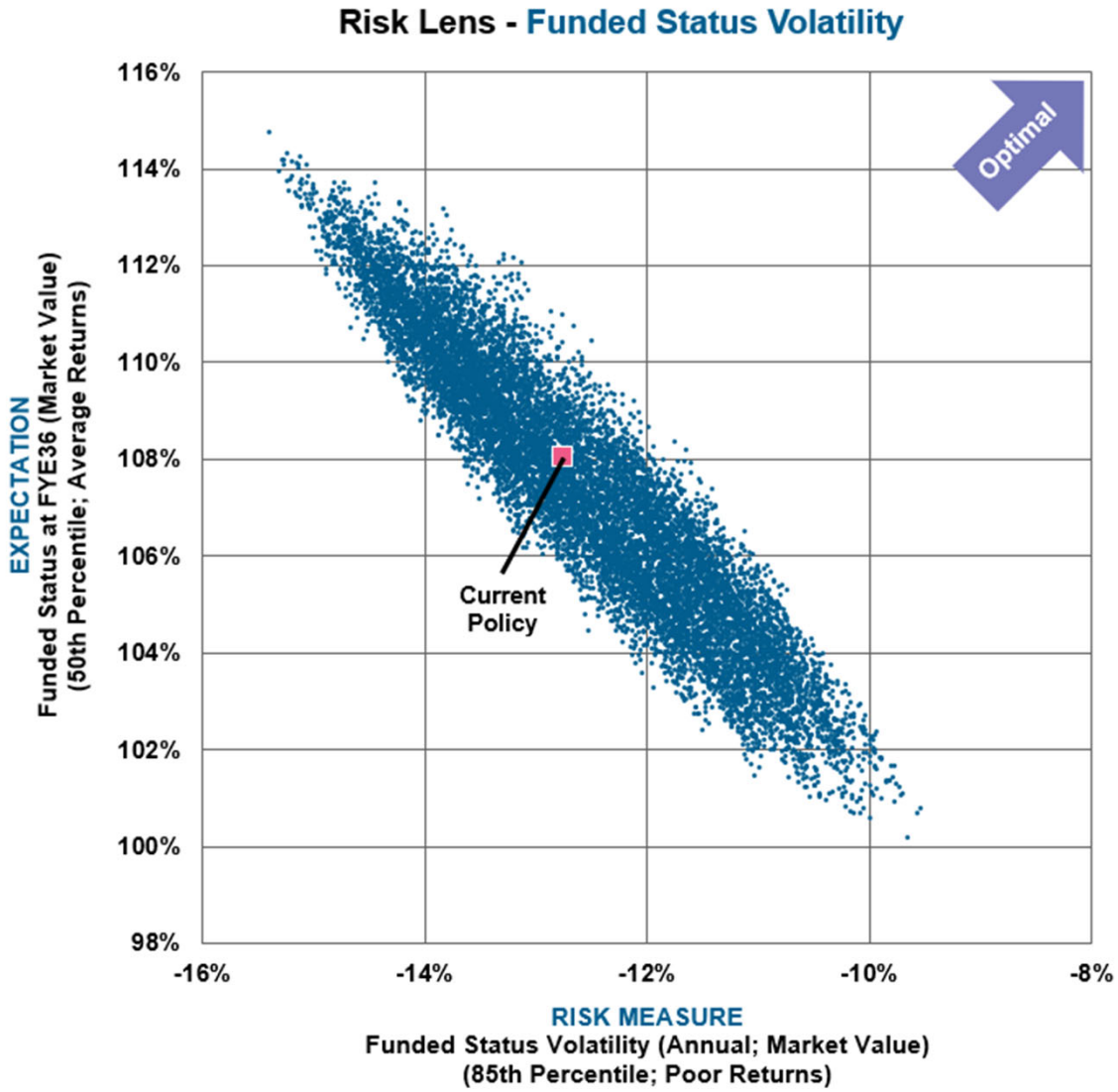
- **A menu, not a corner solution –** the optimizer generates a spectrum of candidate portfolios, each one investable and diversified.
- **Board decision-ready –** trustees choose among real, implementable policies that differ in expected return and risk **–** not theoretical optimal allocations (i.e., portfolios that are not practical or implementable).

* Actual constraints used in this study are provided in the appendix.

Optimization Step 3: Compare Current Policy to Alternative Asset Allocations

Notes

- The constraints are used to create thousands of combinations of asset allocations.
- The Current Policy is compared to these alternative asset allocations to determine if an alternative provides more optimal outcomes.
- Each blue dot represents a unique asset allocation within the asset class constraints shown on the prior slide.



Appendix –
Shifting the Investing Mindset

Derisking: A Shift in Mindset

Asset Growth Mindset

Income Generation Mindset

Exceed the assumed rate of return	**Goal**	**Maintain funded status**
Asset appreciation drives returns	**Success**	Focus on income level and duration
Can benefit or hurt funded status, leading to contribution volatility	**Asset Volatility**	Offset by equal liability volatility with a mark-to-market discount rate
Cash	**Low Volatility Asset**	Long-duration bonds

*Bottom line: As funded status improves the task changes from **creating market value** to maximizing the probability of **capital returning** at the precise times the capital is needed.*

Sample Glide Path: Allocations and Evaluation Statistics

As *market value* funded status improves, the policy de-risks—shifting from Return-Seeking toward Hedging assets, which lowers both expected return and funded-status volatility.

Asset Allocation by Glide Path Step

Asset Group	Step 1 (Current Policy) (%)	Step 2 (100% Funded) (%)	Step 3 (110% Funded) (%)	Step 4 (120% Funded) (%)
Return Seeking (Liquid)	49	35 (-14)	25 (-10)	15 (-10)
Return Seeking (Illiquid)	32	30 (-2)	25 (-5)	20 (-5)
Hedging	19	35 (+16)	50 (+15)	65 (+15)
Total	**100**	**100**	**100**	**100**

Evaluation Statistics

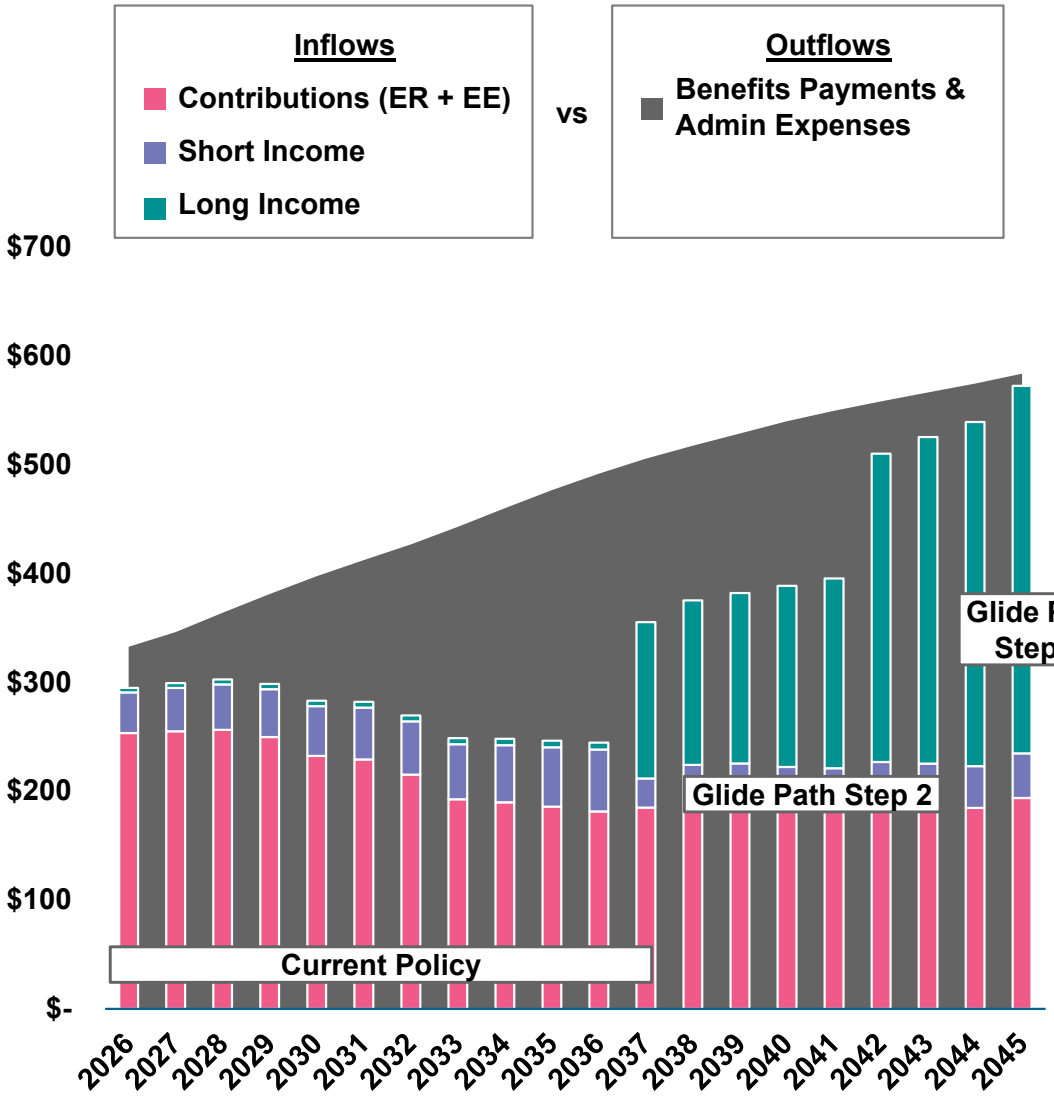
Metric	Step 1 (Current Policy) (%)	Step 2 (100% Funded) (%)	Step 3 (110% Funded) (%)	Step 4 (120% Funded) (%)
Expected Return (10 Years)	6.7	6.8	6.5	6.1
Expected Return (20 Years)	8.0	8.0	7.6	7.1
Standard Deviation	13.1	12.2	10.9	9.9
Funded Status Volatility*	13	10	8	6

Expected returns and standard deviation reflect Meketa capital markets assumptions. Allocations are illustrative policy targets for each market value funded-status step.

* The funded status volatility is the difference between the median FYE2027 funded status minus the 85th percentile FYE2027 funded status.

City of San José Police and Fire Department Retirement Plan

Liquidity Projection - Cash Outflow and Inflow Comparison



	Contributions (ER + EE) ($M)	Short Income ($M)	Long Income ($M)	Benefits Payments & Admin Expenses ($M)
2026	253	37	4	333
2027	255	40	4	346
2028	256	42	5	364
2029	250	44	5	381
2030	232	46	5	397
2031	229	48	5	412
2032	215	49	5	427
2033	193	51	6	443
2034	190	53	6	460
2035	186	55	6	477
2036	181	57	6	492
2037	185	27	144	505
2038	196	28	151	517
2039	196	29	157	529
2040	191	31	166	540
2041	189	33	174	549
2042	192	34	283	558
2043	189	36	300	566
2044	185	38	316	574
2045	194	41	338	584

Income expectations based on yields as of 12/31/2025.The short duration income generating investments are expected to have the greatest income level fluctuation over time.

Appendix –
Assumptions, Methods, Disclaimers

- Capital Market Assumptions: Meketa 2026 Capital Market Expectations – 10 and 20-year assumptions.
- Assets: Market value of assets of $6.2 billion as of June 30, 2026.
- Asset Rebalancing: Annual.
- Liabilities and normal cost: The normal cost and expected benefit payments used in this study were provided by Cheiron as of June 30, 2025.
- Funding policy: As detailed in the actuarial valuation report as of June 30, 2025, issued by Cheiron.
- Plan Provisions and Additional Assumptions: Additional details regarding provisions and assumptions are documented in the June 30, 2025, actuarial valuation report issued by Cheiron.

Asset Class Constraints

→ The constraints below were developed to provide a spectrum of expectation and risk measure outcomes.

Asset Class	Current Policy (%)	Min (%)	Max (%)
Cash Equivalents	11	2.0	24.0
Investment Grade Bonds	5	2.6	8.9
Long Duration Bonds	2	0.0	1.0
High Yield Bonds	2	1.2	5.3
Private Debt	5	5.0	7.0
Emerging Market Bonds Aggregate	2	1.2	5.3
Global Equity	42	19.4	52.0
Buyouts	10	9.0	11.7
Venture Capital	5	4.0	5.3
Core Private Real Estate	5	3.5	6.5
Value-Added Real Estate	2	1.4	2.6
Opportunistic Real Estate	2	1.4	2.6
Natural Resources (Private)	3	2.1	3.9
Infrastructure (Core Private)	1	0.7	2.3
Hedge Funds	3	0.0	6.0
TIPS	2	0.0	2.0

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