CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: Police and Fire Department Plan Audit Committee

FROM: Benjie Chua Foy

SUBJECT: CAFR

DATE: October 7, 2020

INFORMATION

Attached you will find the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020, that will be presented to the full Board at their November Board meeting, for your review and comment. Please note the CAFR has been prepared and reviewed by numerous reviewers (including external auditors, Retirement Services Staff, City Finance Department Staff, but pending Cheiron and the City Attorney's Office). As such, some content is not available for modification, specifically the audited financial section. The auditors have not completed their review of the full CAFR but will be expected to be complete by the time this goes to the Board.

The CAFR contains the audited financial statements as required by San Jose Municipal Code (SJMC) Section 3.36.440 and shall serve as the Board's Annual Report to City Council and City Manager. The audited financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB). The other sections of the CAFR is prepared to achieve the Certificate of Achievement for Excellence in Financial Reporting issued by the Governmental Finance Officers Association (GFOA) of the United States and Canada to government units and public employees retirement systems whose CAFRs achieve the highest standards in government accounting and financial reporting.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

City of San José
Police and Fire Department Retirement Plan

Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2020 and June 30, 2019

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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City of San José Police and Fire Department Retirement Plan

Roberto L. Peña
Chief Executive Officer

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

Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2020 and June 30, 2019

Office of Retirement Services
1737 North First Street, Suite 600
San José, California 95112-4505
Phone: 408-794-1000 Fax: 408-392-6732
www.sjretirement.com

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Office of Retirement Services

Police and Fire Department Retirement Plan

November 12, 2020

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

Dear Mayor, Council Members, and Plan Members:

On behalf of the members of the Board of Administration, I am pleased to present the Police and Fire Department Retirement Plan's (the Plan) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020.

The Pension Plan earned a time-weighted net of investment fees rate of return of 3.1% on investments for the fiscal year, compared to a 2.9% return for its policy benchmark but exceeded the 1.3% return for the Investment Metrics universe net median of public funds greater than $1 billion. The Plan underperformed the net rate of return of 6.75% assumed by the Board and Plan's actuary for the fiscal year ended June 30, 2020. The Plan's earned a time-weighted net of investment fees rate of return of 4.7% and 4.6% for the three-year and five-year periods ending June 30, 2020, respectively, while the Investment Metrics universe net median earned a time-weighted rate of return of 5.0% and 5.4% for the same periods.

The Healthcare Plans earned a time-weighted net of investment fees rate of return of 2.2% on investments for the fiscal year, compared to a 1.6% return for its policy benchmark. Additionally, the Healthcare Plans earned a time-weighted net of investment fees rate of return of 3.5% and 3.6% for the three-year and five-year periods ending June 30, 2020, respectively.

The Plan's net position increased from $3,774,379,000 to $3,910,552,000 (see the Financial Section beginning on page 14). The net increase in the Plan's net position for fiscal year 2019-2020 was $136,173,000.

The Investment Program continued to manage portfolio investments and move initiatives forward during the fiscal year through the leadership of our CEO and an CIO. During fiscal year 2019-20, the Board implemented a comprehensive investment-governance framework as well as a revised strategic asset allocation program. With the COVID-19 shock, March markets were gripped by fears that an economic crisis would become a financial crisis. The impact on the financial markets was extreme. The spread of the virus has prompted additional volatility in the financial markets. As a result, on March 17, 2020, at the special Board meeting during the height of COVID-19, the Board voted to shift its asset allocation policy to prepare for this unprecedented time.

Board Chair Letter *(continued)*

The Board believes that the professional services rendered by the staff, investment consultant, actuary, and counsel have produced a sound fund capable of sustained growth over the long term. The Board of Administration and Retirement Services staff are available to provide additional information as requested.

Sincerely,

Andrew Gardanier, Chair
Board of Administration

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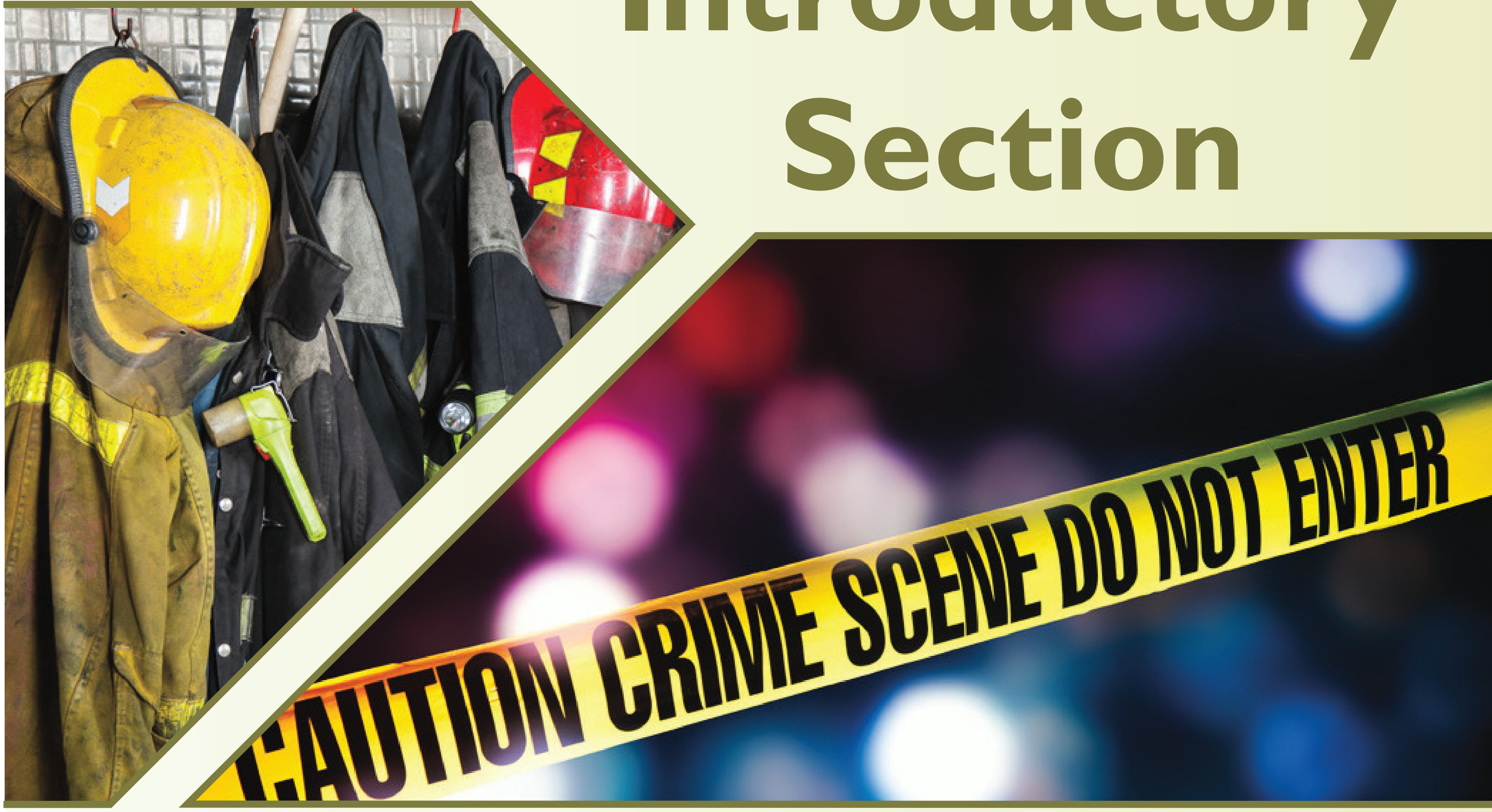
Introductory Section



CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

City of San José
Police and Fire Department Retirement Plan
Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2020 and June 30, 2019

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Office of Retirement Services

Police and Fire Department Retirement Plan

November 5, 2020

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

Dear Trustees:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the San José Police and Fire Department Retirement Plan (Plan) for the fiscal year ended June 30, 2020. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Plan's management.

This CAFR was prepared to conform to the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB) and the reporting requirements prescribed by the Government Finance Officers' Association of the United States and Canada (GFOA). Transactions of the Plan are reported on an accrual basis of accounting. For an overview and analysis of the financial activities of the Plan for the fiscal years ended June 30, 2020 and 2019, please refer to the Management's Discussion and Analysis (MD&A) on page 18.

Grant Thornton LLP, the Plan's independent auditor, has audited the accompanying financial statements. Because the cost of a control should not exceed the benefits to be derived, management believes internal control is adequate and the accompanying statements, schedules, and tables are fairly presented and free from material misstatement. Sufficient internal controls over financial reporting exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules.

The financial audit provides reasonable assurance that the Plan's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatement. The Plan recognizes that even sound and well-designed internal controls have their inherent limitations in that errors may still occur as a result of factors such as carelessness, faulty judgment, communication breakdowns, and/or that internal controls can be circumvented by internal or external collusion. The Plan continuously reviews internal controls to ensure that the Plan's operating policies and procedures are being adhered to and that the controls are adequate to ensure accurate and reliable financial reporting and to safeguard the Plan's assets.

I am proud to report that the GFOA awarded its Certificate of Achievement for Excellence in Financial Reporting to the Plan for its CAFR for the fiscal year ended June 30, 2019. This was the 20th consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Plan must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The Plan also received the Public Pension Standards Award in recognition of meeting professional standards for plan design and administration by the Public Pension Coordinating Council.

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

Funding

The Plan's funding objective for both its defined benefit pension plan and its defined benefit other post-employment benefits (OPEB) healthcare plan is to meet long-term benefit obligations through contributions and investment income. As of the most recent actuarial valuation dated June 30, 2019, the funding ratio of the defined benefit pension plan and the defined benefit Police and Fire OPEB plans were 74.3%, 28.7% and 23.6%, respectively, based on the actuarial value of assets.

For the valuation of pension and OPEB benefits, the actuarial assumption for the net rate of return to be earned by the Pension and OPEB Plans is currently 6.75% and 6.50%, respectively. The impact of the difference between the actual net rate of return earned by the Plan and the assumption rate will result in an investment gain or loss that will be reflected in the pension and OPEB unfunded liabilities in next year's CAFR, respectively. The net increase in Plan net position for fiscal year 2019-2020 was $136,173,000. Details of the components of this increase are included in the *Statement of Changes in Plan Net Position* on page 32. The defined benefit pension plan's funding progress is presented on page 148 and the defined benefit OPEB plan's funding progress is presented on pages 165 for Police and 182 for Fire.

Investment Summary

The Board of Administration has exclusive control of all investments of the Plan and is responsible for the establishment of investment objectives, strategies, and policies. Members of the Board serve in a fiduciary capacity and must discharge their duties with respect to the Plan and the investment portfolio solely in the interest of, and for the exclusive purposes of providing benefits to, members of the Plan and defraying the reasonable cost of administration.

The pandemic had a profound negative effect on financial markets across the world in first quarter of 2020, exacerbated by a swiftness in decline that took everyone by surprise. It took only twelve days to enter bear market territory (defined as a 20% decline in equity markets) which was the steepest decline ever recorded. After reaching a high of 3,393 on February 19, 2020, the S&P500 reached a low of 2,191 on March 23, 2020, registering a fall of 35%. During that time, both developed markets and emerging markets equity indices registered similar or greater declines, as did the Russell 2000, the index of small capitalization US stocks.

The Police & Fire Plan investment committees met multiple times in March and also held a special board meeting on March 18, 2020 to consider the economic ramifications of the COVID-19 pandemic as well as its effect on the portfolio. During those deliberations, trustees paid close attention to the effect of the meltdown on plan portfolio, potential impact on the sponsor, the effects of monetary and fiscal stimulus, as well as opportunities to position the portfolio for long-term success. Following these deliberations, with input from the boards' investment consultants as well as the investment team, the Board decided to increase the level of growth assets in the portfolio, balancing increased return expectations going forward with the risk tolerance of the City and instructed the investment team to implement the revised strategic asset allocation as efficiently and expeditiously as possible.

The Board had followed a deliberate policy of designing defensive portfolios, taking into account both the maturity of the plans as well as the high valuations in growth-oriented assets. The portfolio construction is built around the concept of resilient growth – maintaining an immunized cash flow portfolio to meet near-term pension payments, investing in low beta strategies that offer diversification and downside protection, and a growth portfolio that produces sufficient risk-adjusted returns to meet the funding needs. This defensive stance greatly helped minimize losses during the first quarter of 2020. While the Police & Fire Plan lost 10.5% for the quarter, the performance ranked in the 20th percentile of its peers. In comparison, the MSCI ACWI (All Country World Index), an index of global stocks, had lost 22.4% for the quarter.

While the Board decided to increase growth assets at the end of the first quarter of 2020 taking into account the increased return expectations of growth assets over the long term, the coincident market rally following unprecedented monetary and fiscal stimulus once again immensely benefitted the performance of the Plan. The Police & Fire Plan returned 9.6% for the second quarter of 2020, boosting FY 2019-20 returns to 3.1% (17th percentile). For calendar year to date through June 30th, 2020, the Plan finished in the 12th percentile of their public pension plan peers. In July 2020, the Plan continued the strong run, returning +3.91%.

Over the past fiscal year, the Plan Pension Plan's time-weighted net of investment fees rate of return was 3.1% for the fiscal year, compared to a 2.9% return for its policy benchmark and a 1.3% return for the Investment Metrics universe net median of public funds greater than $1 billion. Additionally, the Plan Pension Plan earned a time-weighted net of investment fees rate of return of 4.7% and 4.6% for the three-year and five-year periods ending June 30, 2020, respectively, while the Investment Metrics universe net median earned a time-weighted rate of return of 5.0% and 5.4% for the same periods.

The Healthcare Plans' time-weighted net of investment fees rate of return was 2.2% on investments for the fiscal year, compared to a 1.6% return for its policy benchmark. In addition, the Healthcare Plans earned a time-weighted net of investment fees rate of return of 3.5% and 3.6% for the three-year and five-year periods ending June 30, 2020, respectively.

The net position of the Plan increased from $3,774,379,000 to $3,910,552,000 (see the Financial Section beginning on page 14).

Major Initiatives

The Investment Program continued to manage portfolio investments and move initiatives forward during the fiscal year. The continuity of the Investment Program is a testament to the human capital and infrastructure that are in place. The investment team filled open positions, worked on an investment governance framework, and worked with our general consultant Meketa in implementing a revised strategic asset allocation.

In November 2016, a charter amendment to alter the pension system for public employees, known as Measure F, was approved, and on March 31, 2017, the ordinance implementing the Framework and Measure F became effective for employees in the Plan. The provisions of the Framework include, but are not limited to, revising Tier 2 benefit, allowing rehired Tier 1 employees to remain in Tier 1, creating a Voluntary Employee Beneficiary Association (VEBA) for retiree healthcare and an irrevocable opt-out of the defined benefit retiree healthcare plan for eligible employees, defining the qualifications for members of the independent medical panel, and creating a Guaranteed Purchasing Power (GPP) benefit for Tier 1 retirees. The VEBA is being administered by the City, not ORS, and therefore it is also not under the jurisdiction of the Retirement Board.

The Office of Retirement Services (ORS) implemented a new pension administration system that went live in February 2019; the implementation of the system started in March 2015. The implementation process spanned approximately 44 months and cost approximately $9 million, which was allocated to both the Police and Fire Plan and Federated System. The project completion was extended to the fall of 2019 to allow for the implementation of Measure F-related calculations in the system. One of Retirement Service's main goals has been to increase customer service through the new pension administration system. The Member Direct Portal from this upgrade was rolled out and was available to our members starting on July 27, 2020.

During fiscal year 2019-2020, the Board approved a Strategic Communications Plan that encompasses social media and other communication needs of ORS. During this same period, the first and second quarterly newsletters, *The Retirement Connection*, was mailed out to the membership.

Letter of Transmittal *(continued)*

In October 2017, the City Auditor issued report 17-06, Audit of Retirement Services: Greater Transparency Needed in the Budgeting Process, Interactions Among Stakeholders, Investment Policies, and Plan Administration. The report was published with five separate findings which are covered in 25 different recommendations and five of the 25 recommendations are addressed to the City. ORS has addressed and completed all but 3 of the recommendations over which they have control, including preparing a comprehensive annual budget report through the Manager's Budget Addendum Process (MBA) for the City Council. The other 3 recommendations have been partly implemented with a goal of completion by June 2021.

Effective January 1, 2020, seven new health plan offerings were implemented. Implementation plan involved establishing contractual obligations, payment methods, customer service protocols, member communication, transfer of all prescriptions and provider referrals and generations of medical insurance cards for members. Two health insurance providers, BlueShield of California and Sutter Health Plus, were replaced with a single provider, Anthem Blue Cross. Retirees that were enrolled in the BlueShield Medicare supplement plans were transferred to the Anthem Medicare PPO plan. In addition, the annual full-time student verification audit was conducted.

As a response to the COVID-19 pandemic, similar to many businesses and operations, a remote workforce was moblized in March 2020. Retirement Services continued to meet its core duties and operations while working remotely, ensuring that day-to-day operations; such as processing pension payments, accepting members' retirement applications, and providing quality customer service continued. In addition, regular and special Board and Committee meetings continued to be held virtually.

Conclusion

I would like to take this opportunity to thank the members of the Plan for their confidence in the Plan management during the past year. I also want to express my gratitude to the Board of Administration for its dedicated effort in supporting the staff through this past year. Finally, I would like to thank the City staff for their support and the consultants and ORS staff for their dedication, commitment to the Plan and for their diligent work to assure the Plan's continued successful operation.

Respectfully Submitted,

Roberto L. Peña

Roberto L. Peña
Chief Executive Officer
Office of Retirement Services

Certificate of Achievement for Excellence in Financial Reporting

Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

San Jose Police and Fire Department Retirement Plan
California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2019

Presented to

City of San Jose Police and Fire Department Retirement Plan

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

Board of Administration, Administration, and Outside Consultants

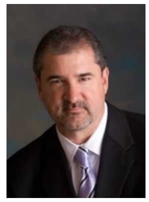
BOARD OF ADMINISTRATION

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

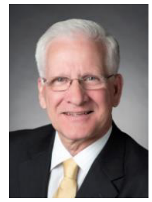
As of June 30, 2019, the members of the Board were as follows:

ANDREW GARDANIER, CHAIR
Employee representative for the Fire Department appointed to the Board in December 2015. His term ends November 2023.

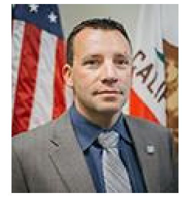
ANDREW LANZA, VICE CHAIR
Public member appointed to the Board in April 2011. His current term expires April 30, 2023.



VINCENT SUNZERI, TRUSTEE
Public member appointed to the Board in December 2010. His current term expires November 30, 2020.



NICK MUYO, TRUSTEE
Retired Plan member appointed to the Board in November 2012. His current term expires November 30,2020.



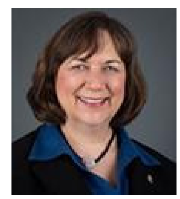
FRANCO VADO, TRUSTEE
Employee representative for the Police Department appointed to the Board in February 2016. His term expires November 30, 2021

RICHARD SANTOS, TRUSTEE
Retired Plan member appointed to the Board in March 2011. His current term expires November 30, 2022.

ESWAR MENON, TRUSTEE
Public member appointed to the Board in November 2018. His current term expires November 30, 2022.

HOWARD LEE, TRUSTEE
Public member appointed to the Board February 2020. His current term expires November 2022.

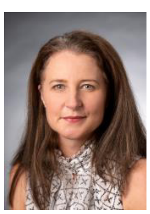
VACANT, TRUSTEE



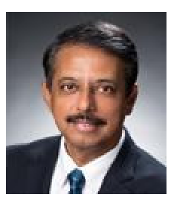
PAM FOLEY, CITY COUNCIL LIAISON TO THE BOARD
Non-voting member appointed to the Board January 2019.

OFFICE OF RETIREMENT SERVICES ADMINISTRATION

ROBERTO L. PEÑA, DIRECTOR CHIEF EXECUTIVE OFFICER



BARBARA HAYMAN, DEPUTY DIRECTOR CHIEF OPERATIONS OFFICER



PRABHU PALANI, CHIEF INVESTMENT OFFICER

STANDING PUBLIC MEETINGS

Board Meetings: First Thursday of the Month, 8:30 AM

Agendas for all public meetings are posted on the bulletin board at City Hall and on the department's website at http://sjretirement.com/PF/meetings/agendas.asp or they can be obtained from the Retirement Office at 1737 North First Street, Suite 600, San Jose, CA 95112. Meeting times and locations are subject to change; please call our office at (408) 794-1000 for current information.

OUTSIDE CONSULTANTS

ACTUARY
Cheiron, Inc.
Encinitas, CA

AUDITOR
Grant Thornton LLP
San Francisco, CA

DOMESTIC RELATIONS ORDER AND DISABILITY COUNSEL
Saltzman & Johnson Law Corporation
Alameda, CA

GENERAL & FIDUCIARY COUNSEL
Reed Smith LLP
San Francisco, CA

INVESTMENT COUNSEL
Hanson Bridgett LLP
San Francisco, CA

Reed Smith LLP
San Francisco, CA

INVESTMENT CONSULTANTS
Albourne America LLC – Absolute Return
San Francisco, CA

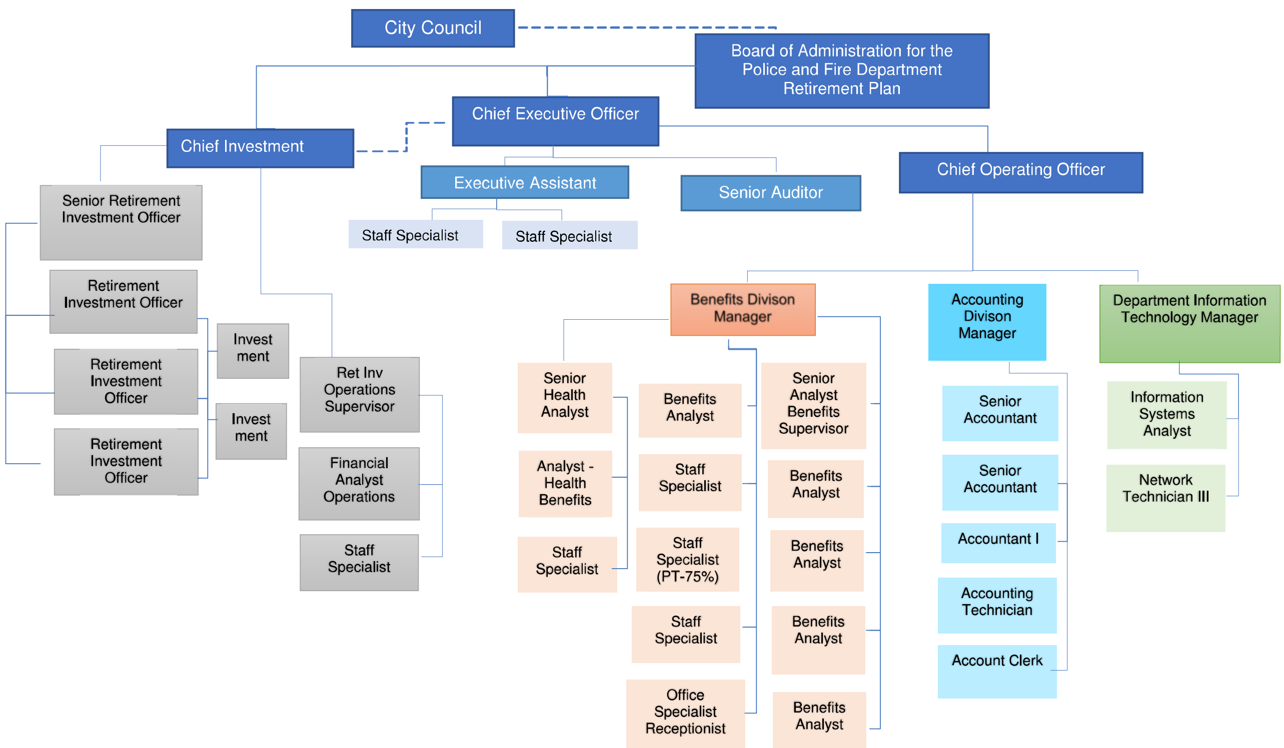
Meketa Investment Group, Inc – General Consultant
Carlsbad, CA

Verus Advisory Inc. – Risk Advisory
Seattle, WA

TAX COUNSEL
Ice Miller LLP
Indianapolis, IN

A list of investment professionals who provide services to the Pension and Postemployment Healthcare benefits can be found on page 123 of the Investment Section of this report. The Schedule of Investment Fees and Schedule of Commissions can be found on pages 133 and 134, respectively.

2020 Office of Retirement Services Organizational Chart



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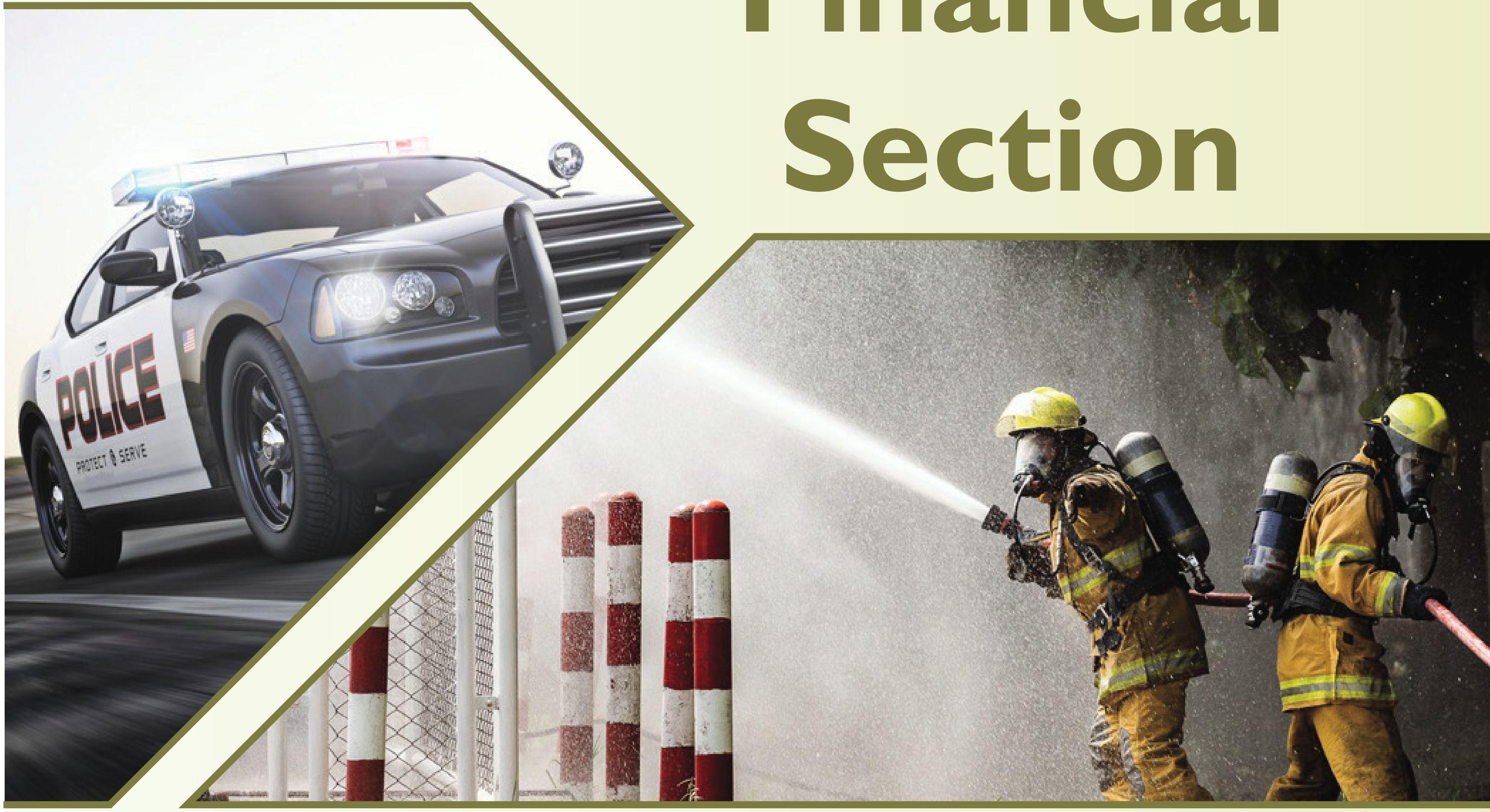
www.sjretirement.com

Financial Section



CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

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Police and Fire Department Retirement Plan
Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2020 and June 30, 2019

GRANT THORNTON LLP
101 California Street, Suite 2700
San Francisco, CA 94111

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

We have audited the accompanying financial statements of City of San José Police and Fire Department Retirement Plan (the "Plan"), a pension trust fund and postemployment healthcare trust fund of the City of San José, California, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

GrantThornton

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the Plan as of June 30, 2020 and 2019, and the changes in plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the employer's net pension liability and related ratios – defined benefit pension plan, schedule of investment returns – defined benefit pension plan, schedule of employer contributions – defined benefit pension plan, notes to schedule, schedule of changes in the employer's net pension liability and related ratios – postemployment healthcare plans, schedule of investment returns – postemployment healthcare plan, and schedule of employer contributions – postemployment healthcare plans, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other supplementary information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Plan's basic financial statements. The combining schedule of defined benefit pension plan net position as of June 30, 2020, combining schedule of changes in defined benefit pension plan net position for the year ended June 30, 2020, schedules of payments to consultants, and schedules of investment expenses for the years ended June 30, 2020 and 2019 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The introductory, investment, actuarial, and statistical sections of the Comprehensive Annual Financial Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November ____, 2020, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

GRANT THORNTON LLP

San Francisco, California
November ____, 2020

November 5, 2020

Board of Administration
San José Police and Fire Department Retirement Plan
1737 North First Street, Suite 600
San José, California 95112-4505

The Office of Retirement Services is pleased to provide this overview and analysis of the financial activities of the Police and Fire Department Retirement Plan (the Plan) for the fiscal years ended June 30, 2020 and 2019. The Plan, consisting of a single employer Defined Benefit Pension Plan and three Postemployment Healthcare Plans, was established to provide retirement benefits for sworn employees of the Police and Fire Departments of the City of San José (City). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which begins on page 5 of this report, and in the financial section which follows this discussion.

Financial Highlights for Fiscal Year 2020

- As of June 30, 2020, the Plan had $3,910,552,000 in plan net position restricted for pension benefits and postemployment healthcare benefits. Plan net position of $3,702,020,000 restricted for pension benefits is available to meet the Plan's ongoing obligations to plan participants and their beneficiaries. The Postemployment Healthcare Plans' net position of $208,532,000 is available for the exclusive use of retiree medical benefits.

- The Plan's total net position held in trust for pension benefits and postemployment healthcare benefits increased during the fiscal year ended June 30, 2020 by approximately $136,173,000 or 3.6% from the prior fiscal year, primarily as a result of the appreciation in the fair value of investments caused by favorable market conditions during the fiscal year, as well as the increase in contributions during the fiscal year.

- Additions to plan net position during fiscal year ended June 30, 2020 were $397,939,000, which includes employer and employee contributions of $215,831,000 and $40,780,000, respectively, and net investment income of $141,328,000. This represents an increase of $32,365,000 or 8.9% of total additions from the prior fiscal year amount of $365,574,000.

- Deductions from plan net position for fiscal year ended June 30, 2020 increased from $249,906,000 to $261,766,000 over the prior fiscal year, or approximately 4.7%, due to a combination of an increase in retirement benefit payments and a slight decrease in healthcare insurance premiums. The increase in retirement benefits payments was attributable to an increased number of retired members and beneficiaries, while the decrease in healthcare insurance premiums was due to lower implicit subsidy.

Overview of the Financial Statements

The Plan's financial statements, notes to the financial statements, required supplementary and other supplemental information for the year ended June 30, 2020, were prepared in conformity with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB) and the reporting requirements prescribed by the Government Finance Officers' Association of the United States and Canada (GFOA). The following discussion and analysis are intended to serve as an introduction to the Plan's financial statements, which are comprised of these components:

1. Statements of Plan Net Position
2. Statements of Changes in Plan Net Position
3. Notes to Basic Financial Statements

Please note, however, that this report also contains required supplementary information and other supplemental information in addition to the basic financial statements themselves.

The ***Statements of Plan Net Position*** are a snapshot of account balances at fiscal year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The ***Statements of Changes in Plan Net Position***, on the other hand, provide a view of current year additions to and deductions from the Plan.

Both statements are in compliance with accounting principles generally accepted in the United States of America (GAAP) as set forth by the GASB. GAAP requires state and local government pension plans and other postemployment benefit plan reports to use the full accrual method of accounting and make certain disclosures. The Plan complies with all significant requirements of these pronouncements.

The *Statements of Plan Net Position* and the *Statements of Changes in Plan Net Position* report information about the Plan's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which recognizes contributions as revenue when currently due pursuant to legal requirements and benefits and refunds of contributions when due and payable under the provisions of the Plan. All of the fiscal year's additions and deductions are taken into account regardless of when cash is received or paid. All realized gains and losses are reported at the trade date, not the settlement date. In addition, both realized and unrealized gains and losses on investments are reported.

These two statements report the Plan's net position held in trust for pension benefits and postemployment healthcare benefits (net position)—the difference between assets and liabilities. Over time, increases and decreases in the Plan's net position are one indicator of whether its financial health is improving or deteriorating. Other factors, such as the net pension liability and the net OPEB liability, should also be considered in measuring the Plan's overall health.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements (see Notes to Basic Financial Statements beginning on page 34 of this report).

Required Supplementary Information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning employer contributions and the Plan's progress in funding its obligations to provide pension and other postemployment healthcare benefits to members and beneficiaries (see Required Supplementary Information beginning on page 76 of this report). *The Schedule of Changes in the Employer's Net Pension Liability and Related Ratios of the Defined Benefit Pension Plan* was prepared using the Plan's net position.

Other Supplemental Information. The Combining Schedules of Defined Benefit Pension Plan Net Position and Changes in Defined Benefit Pension Plan Net Position, Schedules of Administrative Expenses and Other, Payments to Consultants, and Investment Expenses are presented immediately following the Required Supplementary Information.

Financial Analysis

As previously noted, plan net position may serve over time as a useful indication of the Plan's financial position (see Tables 1a and 1c on pages 20 - 21). At the close of fiscal years 2020 and 2019, the Plan's total assets exceeded the Plan's total liabilities. The Plan's financial statements do not include the total pension liability or the total OPEB liability for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans, respectively.

The Pension Plan's net position as a percentage of the total pension liability and the Postemployment Healthcare Plan's total OPEB liability should also be considered when evaluating the Plan's financial health. Based on the June 30, 2019 actuarial valuation rolled forward to June 30, 2020, the net position of the Defined Benefit Pension Plan was 71.5% of the total pension liability, and the net position of the Other Postemployment Employee Benefit Plan was 30.3% for Police and 26.1% for Fire. For more information on the results and impact of the June 30, 2019 actuarial valuations. Please see Notes 4 and 5 to the financial statements beginning on page 66.

NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 1a)
As of June 30, 2020 and 2019 (Dollars in Thousands)

	2020	2019	Increase Amount	Increase Percent
Receivables	$ 127,537	$ 46,864	$ 80,673	172.1 %
Investments at fair value	3,587,886	3,544,827	43,059	1.2 %
Capital assets, net	3,494	3,031	463	15.3 %
Total Assets	**3,718,917**	**3,594,722**	**124,195**	**3.5 %**
Current liabilities	16,897	6,300	10,597	168.2 %
Total Liabilities	**16,897**	**6,300**	**10,597**	**168.2 %**
Plan Net Position	**$ 3,702,020**	**$ 3,588,422**	**$ 113,598**	**3.2 %**

NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 1b)
As of June 30, 2019 and 2018 (Dollars in Thousands)

	2019	2018	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	$ 46,864	$ 9,900	$ 36,964	373.4 %
Investments at fair value	3,544,827	3,491,602	53,225	1.5 %
Capital assets, net	3,031	1,726	1,305	75.6 %
Total Assets	**3,594,722**	**3,503,228**	**91,494**	**2.6 %**
Current liabilities	6,300	7,037	(737)	(10.5)%
Total Liabilities	**6,300**	**7,037**	**(737)**	**(10.5)%**
Plan Net Position	**$ 3,588,422**	**$ 3,496,191**	**$ 92,231**	**2.6 %**

NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 1c)
As of June 30, 2020 and 2019 (Dollars in Thousands)

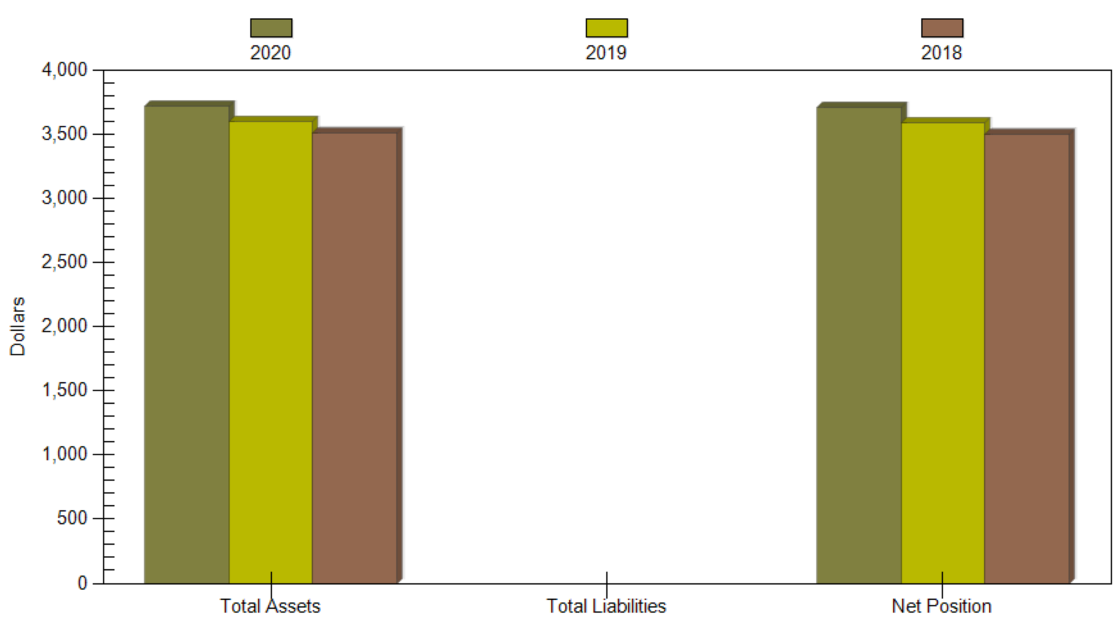
	2020	2019	Increase Amount	Increase Percent
Receivables	$ 9,450	$ 4,775	$ 4,675	97.9 %
Investments at fair value	201,764	182,307	19,457	10.7 %
Capital assets, net	51	46	5	10.9 %
Total Assets	**211,265**	**187,128**	**24,137**	**12.9 %**
Current liabilities	2,733	1,171	1,562	133.4 %
Total Liabilities	**2,733**	**1,171**	**1,562**	**133.4 %**
Plan Net Position	**$ 208,532**	**$ 185,957**	**$ 22,575**	**12.1 %**

NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 1d)
As of June 30, 2019 and 2018 (Dollars in Thousands)

	2019	2018	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	$ 4,775	$ 18,295	$ (13,520)	(73.9)%
Investments at fair value	182,307	152,091	30,216	19.9 %
Capital assets, net	46	29	17	58.6 %
Total Assets	**187,128**	**170,415**	**16,713**	**9.8 %**
Current liabilities	1,171	7,895	(6,724)	(85.2)%
Total Liabilities	**1,171**	**7,895**	**(6,724)**	**(85.2)%**
Plan Net Position	**$ 185,957**	**$ 162,520**	**$ 23,437**	**14.4 %**

DEFINED BENEFIT PENSION PLAN NET POSITION (Tables 1a and 1b)
As of June 30, 2020 , 2019 and 2018

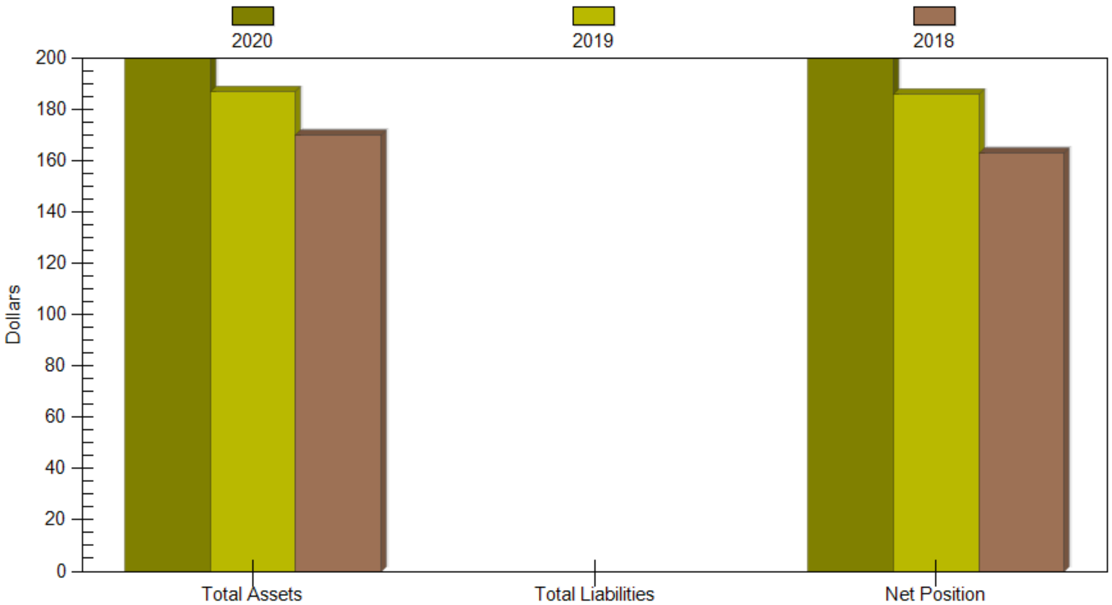
(Dollars in Millions)



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

As of June 30, 2020 , 2019 and 2018

(Dollars in Millions)



As of June 30, 2020, $3,702,020,000 and $208,532,000 in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1a and 1c on pages 20 - 21). Plan net position restricted for pension benefits of $3,702,020,000 is available to meet the Plan's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of $208,532,000 is available for the exclusive use of retiree medical benefits.

As of June 30, 2020, total net position restricted for pension benefits and for the postemployment healthcare benefits increased by 3.2% and 12.1% from the prior year, primarily due to the net appreciation in the fair value of investments of $122,193,000 and $4,674,000 for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively. The appreciation in the fair value of investments was caused by favorable market conditions during the fiscal year. The Plan's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 51.

As of June 30, 2019, $3,588,422,000 and $185,957,000, in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1b and 1d on pages 20 - 21). Plan net position restricted for pension benefits of $3,588,422,000 was available to meet the Plan's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of $185,957,000 was available for the exclusive use of retiree medical benefits.

As of June 30, 2019, total net position restricted for pension benefits increased by 2.6% and increased by 14.4% for the postemployment healthcare benefits plan from the prior year, primarily due to the net appreciation in the fair value of investments of $101,239,000 and $5,034,000 for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively. The appreciation in the fair value of investments was caused by favorable market conditions during the fiscal year. The Plan's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 51.

As of June 30, 2020, receivables increased by $80,673,000 or 172.1% in the Defined Benefit Pension Plan and by $4,675,000 or 97.9% in the Postemployment Healthcare Plans. Receivables in the Defined Benefit Pension Plan and the Postemployment Healthcare Plans increased mainly due to pending investment trades at year end, causing an increase in receivables from brokers and other and accrued investment income receivables. In the previous year, receivables for the Defined Benefit Pension Plan increased by $36,964,000 or 373.4% due to an increase in receivables from brokers and others for year-end investment trades and decreased by $(13,520,000) or (73.9)% in the Postemployment Healthcare Plans due to a decrease in receivables from brokers and others for year-end investment trades.

As of June 30, 2020, total liabilities for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans increased by $10,597,000, or 168.2% and $1,562,000 or 133.4%, respectively, compared with June 30, 2019, mainly due to an increase in payables to brokers and others for year-end investment trades as a result of the timing of investment transactions. In the previous year, total liabilities for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans decreased by $(737,000), or (10.5)% and $(6,724,000) or (85.2)%, respectively, compared with June 30, 2018, due to a decrease in payables to brokers and others for year-end investment trades.

POLICE AND FIRE PLAN ACTIVITIES

In the fiscal year ended 2020, the Plan's combined Defined Benefit Pension Plan and Postemployment Healthcare Plans net position increased by $136,173,000, or 3.6%, primarily due to the favorable market conditions during the fiscal year. Overall, net plan position increased, but the impact of COVID-19 led to a decrease in the net investment income. Key elements of the Plan's financial activities are described in the sections that follow.

Additions to Plan Net Position

The assets needed to fund retirement benefits are accumulated through the collection of employer and employee contributions along with earnings on investments (net of investment expense). Additions to the Defined Benefit Pension Plan and Postemployment Healthcare Plans for the fiscal year ended June 30, 2020, were $350,211,000 and $47,728,000, respectively (see Tables 2a and 2c on pages 25 - 26).

For the fiscal year ended June 30, 2020, total additions for the Defined Benefit Pension Plan increased by $34,603,000 or 11.0% but decreased by $(2,238,000) or (4.5)%, for the Postemployment Healthcare Plans. The primary cause of the increase from prior year in the Defined Benefit Pension Plan was a combination of the increase in net investment income of $19,906,000 and the increase in contributions of $14,697,000, due to the better market conditions throughout the first two quarters, the asset allocation change, and the increase in employer contributions. The primary cause of the decrease from prior year in the Postemployment Healthcare Plans is the decrease in employer contributions of $(1,394,000). The impact of COVID-19 on the financial markets was extreme. As result, the Retirement Plan's Board voted to shift its Asset Allocation Policy to prepare for the volatility in the financial markets. However, the market conditions still had an impact on the Plan and did not result in the same amount of gains as prior years, even causing a decrease in the Healthcare Plans.

The Plan's time-weighted net rate of return, as determined by the Plan's investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2020 for the Defined Benefit Pension Plan, was 3.1% compared to 7.3% for fiscal year 2019.

For the fiscal year ended June 30, 2019, total additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plans decreased by $(99,420,000) and increased by $1,386,000, or (24.0)% and 2.9%, respectively. The primary cause of the decrease from the prior year was combination of the decrease e of $(119,296,000) and increase of $836,000 in net investment income and the increase in City contributions of $18,906,000 and $3,362,000 in the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively.

The decrease in investment income was due to less than favorable market conditions during the fiscal year as compared to prior year, and the increase in employer contributions is due to the increase in City contribution rates of around 15% for Tier 1 and 5% for Tier 2. While the City contributions increased, employee contributions decreased for the Postemployment Healthcare Plans as a result of the implementation of the VEBA, which stopped contributions for those who opted in to the VEBA.

The Plan's time-weighted gross rate of return, as determined by the Plan's investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2019, for the Defined Benefit Pension Plan was 7.3% compared to 10.3% for fiscal year 2018. On a net of investment fee basis, the Plan's time-weighted rate of return for the fiscal year ended June 30, 2019, was 6.9% compared to 9.7% for fiscal year 2018.

Deductions from Plan Net Position

The Plan was created to provide a monthly pension allowance, survivor benefits, permanent disability benefits, and postemployment healthcare benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments and healthcare premium payments, as designated by the San José Municipal Code, refunds of contributions to terminated employees, and the cost of administering the Plan.

Deductions for the fiscal year ended June 30, 2020, totaled $236,613,000 and $25,153,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively. Deductions for the Defined Benefit Pension Plan increased by $13,236,000 or 5.9% from the previous year due to an increase in benefit payments (see Table 2a on page 25). The increase in benefit payments is primarily due to continued increases in the number of retirees and beneficiaries with higher final average salaries and added cost of living adjustments. Deductions for the Postemployment Healthcare Plans decreased by $(1,376,000) or (5.2)% from the previous year mainly due to the decrease in implicit subsidy. (see Table 2c on page 26).

Deductions for the fiscal year ended June 30, 2019, totaled $223,377,000 and $26,529,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively. Deductions for the Defined Benefit Pension Plan increased 5.3% from the previous year due to an increase in benefit payments. The increase in benefit payments is primarily due to continued increases in the number of retirees and beneficiaries with higher final average salaries and added cost of living adjustments (see Table 2b on page 25). Deductions for the Postemployment Healthcare Plans decreased by (25.8)% from the previous year due to the net result of a decrease in healthcare insurance premiums from the implementation of a new lowest cost health plan for the year and the increase in the transfer of VEBA assets for the fiscal year. (see Table 2d on page 26).

CHANGES IN PLAN NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 2a)

For the Fiscal Years Ended June 30, 2020 and 2019 (Dollars in Thousands)

	2020	2019	Increase Amount	Increase Percent
Employee contributions	$ 27,645	$ 24,811	$ 2,834	11.4 %
Employer contributions	188,481	176,618	11,863	6.7 %
Net investment income[1]	134,085	114,179	19,906	17.4 %
Total Additions	**350,211**	**315,608**	**34,603**	**11.0 %**
Retirement benefits	216,206	204,652	11,554	5.6 %
Death benefits	14,238	13,162	1,076	8.2 %
Refund of contributions	564	194	370	190.7 %
Administrative expenses	5,605	5,369	236	4.4 %
Total Deductions	**236,613**	**223,377**	**13,236**	**5.9 %**
Net Increase in Plan Net Position	**113,598**	**92,231**	**21,367**	**23.2 %**
Beginning Net Position	**3,588,422**	**3,496,191**	**92,231**	**2.6 %**
Ending Net Position	**$ 3,702,020**	**$ 3,588,422**	**$ 113,598**	**3.2 %**

[1] *Net of investment expenses of $15,628 and $17,661 in 2020 and 2019, respectively.*

CHANGES IN NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 2b)

For the Fiscal Years Ended June 30, 2019 and 2018 (Dollars in Thousands)

	2019	2018	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 24,811	$ 23,841	$ 970	4.1 %
Employer contributions	176,618	157,712	18,906	12.0 %
Net investment income[1]	114,179	233,475	(119,296)	(51.1)%
Total Additions	**315,608**	**415,028**	**(99,420)**	**(24.0)%**
Retirement benefits	204,652	194,139	10,513	5.4 %
Death benefits	13,162	12,102	1,060	8.8 %
Refund of contributions	194	389	(195)	(50.1)%
Administrative expenses	5,369	5,464	(95)	(1.7)%
Total Deductions	**223,377**	**212,094**	**11,283**	**5.3 %**
Net Increase in Plan Net Position	**92,231**	**202,934**	**(110,703)**	**(54.6)%**
Beginning Net Position	**3,496,191**	**3,293,257**	**202,934**	**6.2 %**
Ending Net Position	**$ 3,588,422**	**$ 3,496,191**	**$ 92,231**	**2.6 %**

[1] *Net of investment expenses of $17,661 and $18,845 in 2019 and 2018, respectively.*

CHANGES IN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 2c)

For the Fiscal Years Ended June 30, 2020 and 2019 (Dollars in Thousands)

	2020	2019	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 13,135	$ 13,315	$ (180)	(1.4)%
Employer contributions	27,350	28,744	(1,394)	(4.8)%
Net investment income [1]	7,243	7,907	(664)	(8.4)%
Total Additions	**47,728**	**49,966**	**(2,238)**	**(4.5)%**
Healthcare insurance premiums	25,031	26,403	(1,372)	(5.2)%
Administrative expenses	122	126	(4)	(3.2)%
Total Deductions	**25,153**	**26,529**	**(1,376)**	**(5.2)%**
Net Increase in Plan Net Position	**22,575**	**23,437**	**(862)**	**(3.7)%**
Beginning Net Position	**185,957**	**162,520**	**23,437**	**14.4 %**
Ending Net Position	**$ 208,532**	**$ 185,957**	**$ 22,575**	**12.1 %**

[1] *Net of investment expenses of $336 and $347 in 2020 and 2019, respectively.*

CHANGES IN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 2d)

For the Fiscal Years Ended June 30, 2019 and 2018 (Dollars in Thousands)

	2019	2018	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 13,315	$ 16,127	$ (2,812)	(17.4)%
Employee contributions	28,744	25,382	3,362	13.2 %
Net investment income[1]	7,907	7,071	836	11.8 %
Total Additions	**49,966**	**48,580**	**1,386**	**2.9 %**
Healthcare insurance premiums	26,403	27,686	(1,283)	(4.6)%
Administrative expenses	126	159	(33)	(20.8)%
VEBA transfer	-	7,897	(7,897)	(100.0)%
Total Deductions	**26,529**	**35,742**	**(9,213)**	**(25.8)%**
Net Increase in Plan Net Position	**23,437**	**12,838**	**10,599**	**82.6 %**
Beginning Net Position	**162,520**	**149,682**	**12,838**	**8.6 %**
Ending Net Position	**$ 185,957**	**$ 162,520**	**$ 23,437**	**14.4 %**

[1] *Net of investment expenses of $347 and $405 in 2019 and 2018, respectively.*

Reserves

The Plan is required by the City of San José Municipal Code to establish various reserves in the Plan's net position. The Plan's net position is allocated between the Defined Benefit Pension Plan (which includes the Retirement Fund and the Cost-of-Living Fund) and the Postemployment Healthcare Plans (which include the Postemployment Healthcare 401(h) Plan, the Police Department Postemployment 115 Healthcare Subtrust and the Fire Department Postemployment 115 Healthcare Subtrust). The Defined Benefit Pension Plan Retirement Fund and the Defined Benefit Cost-of-Living Fund both have a General Reserve and an Employee Contributions Reserve. The Postemployment Healthcare 401(h) and 115 Subtrust Funds have a General Reserve only (see table on page 54 for a complete listing and year-end balances of the Plan's reserves).

The Plan's reserves are established from employer and employee contributions and the accumulation of investment income, after satisfying investment and administrative expenses. Additionally, the appreciation or depreciation in the fair value of investments is held in the unrealized gain/loss account, a component of each Plan's General Reserve.

With the implementation of Measure F, a medical in-lieu component of the General Reserves was created to account for those members who elected to be in the medical in-lieu credit program. These members are retirees who are eligible for medical insurance and/or dental insurance but who opt not to take it and instead elect to be in the in-lieu credit program. These members are given credits worth 25% of the lowest cost plan, which can be used in future years if the retiree opts to enroll in a City medical or dental plan.

The Plan's Fiduciary Responsibilities

The Plan's Board of Administration is the fiduciary trustee of the Defined Benefit Pension Plan and Postemployment Healthcare Plans. Under the California Constitution and the San José Municipal Code, Plan assets may only be used for the exclusive benefit of providing benefits to plan participants and their beneficiaries and defraying reasonable costs of administration.

Economic Factors and Rates Affecting Next Year

The City and the bargaining units representing sworn Police and Fire members engaged in settlement discussions concerning litigation arising out of a voter-approved ballot measure, known as Measure B, which was approved in 2012. On July 15, 2015, the City and sworn Police and Fire bargaining units reached an Alternative Pension Reform Settlement Framework (Framework) which was approved by the City Council and the bargaining units' memberships. A ballot measure (Measure F) was presented to the public for voting in the November 2016 election, which determined whether the terms of the Framework will be implemented. Measure F passed, and on March 31, 2017, the ordinance implementing the Framework and Measure F became effective for employees in the Plan.

The provisions of the Framework included, but are not limited to, revising Tier 2 benefit, allowing rehired Tier 1 employees to remain in Tier 1, creating a Voluntary Employee Beneficiary Association (VEBA) for retiree healthcare and an irrevocable opt-out of the defined benefit retiree healthcare plan for eligible employees, defining the qualifications for members of the independent medical panel, and creating a Guaranteed Purchasing Power benefit for Tier 1 retirees. All Tier 1 employees were eligible to opt-in to the VEBA and rehired employees with healthcare contributions will also have the option through calendar year 2022. The VEBA is being administered by the City, not ORS and therefore it is also not under the jurisdiction of the Retirement Board.

The Plan's actuarial valuations as of June 30, 2019, were used to determine the contribution rates and dollar amounts effective June 28, 2020, for fiscal year 2020-2021. The annual determined contribution rates and dollar amounts were adopted by the Board in June 2020. Because of the impact of COVID-19 on the City's budget, the City decided that prefunding Tier 1 pension contributions for fiscal year 20-21 would add significant budgetary savings. The June 30, 2019 actuarial valuations include Board adopted actuarial assumption changes recommended by the Plan's actuary in the June 30, 2019 Preliminary Valuation Results and Economic Assumption Review presented in October and November 2019.

Defined Benefit Pension Plan

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. The Plan's actuarial valuation for funding purposes uses a five-year smoothing method for investment gains and losses. This means that the current year's gains or losses compared to the actuarially assumed rate of return, as calculated at year-end, are recognized over five years. The unfunded actuarial liability (UAL) of $1,282.1 million, as of June 30, 2019, does not include the impact of approximately $117.9 million of net deferred investment losses yet to be recognized, primarily resulting from unfavorable investment returns during fiscal years 2016 and 2019. It is anticipated that future actuarial valuations will recognize these remaining deferred net investment losses as described above and the smoothing of any new gains or losses over a five-year period.

The Plan is exposed to general investment market risk. In a pension plan context, this is the risk that the long-term rate of return earned on the pension plan assets could be below the actuarially assumed rate of return, which is 6.75%, net of investment expenses, in the actuarial valuation as of June 30, 2019. With all other actuarial variables being equal, underperforming the assumed rate of return would increase the UAL and decrease the funded status of the Plan, thereby increasing required contributions to the Plan. Conversely, with all other actuarial variables being equal, overperforming the assumed rate of return would decrease the UAL and increase the funded status of the Plan, thereby decreasing required contributions to the Plan.

The actuarial assumptions may be adjusted where it is determined that current assumptions will not provide the most accurate expectation of what may happen in the future. The Board approved to make changes to the June 30, 2019 actuarial valuation as a result of the demographic experience study presented in October 2019. The next experience study is scheduled to be conducted in 2021. See Actuarial section for the effects of these changes.

Contribution rates for fiscal year 2020-2021, as determined by the June 30, 2019 actuarial valuation, included the impact of the changes stated above and the recognition of smoothed deferred investment gains and losses.

Postemployment Healthcare Plans

With the passage of Measure F, the Framework became effective as of March 31, 2017. A VEBA for retiree healthcare was created and Tier 1 members were eligible for an irrevocable opt-out of the defined benefit retiree healthcare plan, while Tier 2 members were required to move out of the defined benefit retiree healthcare plan and into the VEBA. The VEBA opt-in election period was October 18, 2017 through December 15, 2017, and the healthcare contributions of members who opted in to the VEBA was transferred out of the Postemployment Healthcare Plan in March 2018.

Historically, members and City contributions to the Plan have been negotiated through collective bargaining separately for Police and Fire and have not been actuarially determined. With the implementation of Measure F, member contributions were fixed at 8.0% of pay; the City's contribution toward the explicit subsidy (or premium subsidy) will be actuarially determined separately for Police and Fire; and, the City will also pay the implicit subsidy (difference between the expected claims cost for a retiree or spouse and the total (retiree plus City premium) on pay-as-you-go basis as part of active health premiums. In addition, the City has an option to limit its contribution for the explicit subsidy to 11% of Police and Fire payroll.

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

In March 2018, the Board approved the contribution policy that sets the City health care contributions as a flat dollar amount, beginning with fiscal year 2019.

Requests for Information

This financial report is designed to provide the Board of Administration, Mayor and City Council, our membership, taxpayers, and stakeholders, with a general overview of the Plan's finances and to account for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Police and Fire Department Retirement Plan
1737 North First Street, Suite 600
San José, California 95112-4505

Respectfully Submitted,

Roberto L. Peña

Roberto L. Peña

Chief Executive Officer
Office of Retirement Services

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STATEMENTS OF PLAN NET POSITION

As of June 30, 2020 and 2019 (In Thousands)

	2020				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ASSETS					
Receivables					
Employee contributions	$ 1,281	$ 589	$ -	$ -	$ 1,870
Employer contributions	8,927	-	681	444	10,052
Brokers and others	16,249	2,874	514	736	20,373
Accrued investment income	101,080	987	1,626	999	104,692
Total Receivables	**127,537**	**4,450**	**2,821**	**2,179**	**136,987**
Investments, at fair value					
Securities and other:					
Public equity	1,689,261	12,318	61,858	38,350	1,801,787
Private equity	354,363	2,583	-	-	356,946
Investment grade bonds	322,934	2,355	-	-	325,289
Private debt	195,225	1,423	-	-	196,648
Immunized cash flows	162,426	1,184	-	-	163,610
Core real estate	142,477	1,039	8,039	4,984	156,539
Growth real estate	127,301	928	-	-	128,229
Market neutral strategies	118,727	866	-	-	119,593
Emerging market bonds	116,209	847	-	-	117,056
Long-term government bonds	110,643	807	-	-	111,450
Treasury inflation-protected securities	74,271	542	-	-	74,813
High yield bonds	73,751	538	-	-	74,289
Cash and cash equivalents	66,509	485	1,269	787	69,050
Short-term investment grade bonds	-	-	31,636	19,613	51,249
Private real assets	33,810	246	-	-	34,056
Commodities	-	-	5,597	3,470	9,067
International currency contracts, net	(21)	-	-	-	(21)
Total Investments	**3,587,886**	**26,161**	**108,399**	**67,204**	**3,789,650**
Capital Assets, net	3,494	51	-	-	3,545
TOTAL ASSETS	**3,718,917**	**30,662**	**111,220**	**69,383**	**3,930,182**
LIABILITIES					
Payable to brokers	15,250	1,196	665	829	17,940
Other liabilities	1,647	17	14	12	1,690
TOTAL LIABILITIES	**16,897**	**1,213**	**679**	**841**	**19,630**
PLAN NET POSITION - RESTRICTED FOR					
Pension benefits	3,702,020	-	-	-	3,702,020
Postemployment healthcare benefits	-	29,449	110,541	68,542	208,532
TOTAL PLAN NET POSITION	**$ 3,702,020**	**$ 29,449**	**$ 110,541**	**$ 68,542**	**$ 3,910,552**

See accompanying notes to basic financial statements *(continued)*

STATEMENTS OF PLAN NET POSITION (continued)

As of June 30, 2020 and 2019 (In Thousands)

	2019				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ASSETS					
Receivables					
Employee contributions	$ 1,058	$ 541	$ -	$ -	$ 1,599
Employer contributions	9,767	-	615	349	10,731
Brokers and others	29,443	3,052	-	-	32,495
Accrued investment income	6,596	17	126	75	6,814
Total Receivables	**46,864**	**3,610**	**741**	**424**	**51,639**
Investments, at fair value					
Securities and other:					
Public equity	1,092,126	10,509	51,431	31,714	1,185,780
Investment grade bonds	674,084	6,486	25,850	15,940	722,360
Private equity	456,024	4,388	-	-	460,412
Market neutral strategies	260,702	2,509	-	-	263,211
Private debt	187,398	1,803	-	-	189,201
Immunized cash flows	177,270	1,706	-	-	178,976
Core real estate	134,038	1,290	8,261	5,094	148,683
Emerging market bonds	115,169	1,108	-	-	116,277
Sovereign bonds ex US	101,880	980	-	-	102,860
Growth real estate	100,609	968	-	-	101,577
Commodities	72,144	694	4,328	2,669	79,835
Treasury inflation-protected securities	73,493	707	-	-	74,200
Cash and cash equivalents	47,968	464	1,799	1,109	51,340
Private real assets	34,348	331	-	-	34,679
High yield bonds	17,510	168	-	-	17,678
International currency contracts, net	64	1	-	-	65
Total Investments	**3,544,827**	**34,112**	**91,669**	**56,526**	**3,727,134**
Capital Assets	3,031	46	-	-	3,077
TOTAL ASSETS	**3,594,722**	**37,768**	**92,410**	**56,950**	**3,781,850**
LIABILITIES					
Payable to brokers	4,613	888	124	76	5,701
Other liabilities	1,687	30	31	22	1,770
TOTAL LIABILITIES	**6,300**	**918**	**155**	**98**	**7,471**
PLAN NET POSITION - RESTRICTED FOR					
Pension benefits	3,588,422	-	-	-	3,588,422
Postemployment healthcare benefits	-	36,850	92,255	56,852	185,957
TOTAL PLAN NET POSITION	**$ 3,588,422**	**$ 36,850**	**$ 92,255**	**$ 56,852**	**$ 3,774,379**

See accompanying notes to basic financial statements *(concluded)*

STATEMENTS OF CHANGES IN PLAN NET POSITION
For the Fiscal Years Ended June 30, 2020 and 2019 (In Thousands)

	2020				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ADDITIONS					
Contributions					
Employee	$ 27,645	$ 13,135	$ -	$ -	$ 40,780
Employer	188,481	3,347	14,595	9,408	215,831
Total Contributions	**216,126**	**16,482**	**14,595**	**9,408**	**256,611**
Net appreciation in fair value of investments	122,193	1,096	2,209	1,369	126,867
Interest income	18,108	187	240	148	18,683
Dividend income	9,412	97	1,382	851	11,742
Less: investment expense	(15,628)	(160)	(109)	(67)	(15,964)
Net Investment Income	**134,085**	**1,220**	**3,722**	**2,301**	**141,328**
TOTAL ADDITIONS	**350,211**	**17,702**	**18,317**	**11,709**	**397,939**
DEDUCTIONS					
Retirement benefits	216,206	-	-	-	216,206
Healthcare insurance premiums	-	25,031	-	-	25,031
Death benefits	14,238	-	-	-	14,238
Refund of contributions	564	-	-	-	564
Administrative expenses and other	5,605	72	31	19	5,727
TOTAL DEDUCTIONS	**236,613**	**25,103**	**31**	**19**	**261,766**
NET INCREASE / (DECREASE)	**113,598**	**(7,401)**	**18,286**	**11,690**	**136,173**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS					
BEGINNING OF YEAR	**3,588,422**	**36,850**	**92,255**	**56,852**	**3,774,379**
END OF YEAR	**$ 3,702,020**	**$ 29,449**	**$ 110,541**	**$ 68,542**	**$ 3,910,552**

See accompanying notes to basic financial statements *(continued)*

STATEMENTS OF CHANGES IN PLAN NET POSITION (continued)

For the Fiscal Years Ended June 30, 2020 and 2019 (In Thousands)

	2019				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Subtrust	Fire Department Healthcare Subtrust	Total
ADDITIONS					
Contributions					
Employee	$ 24,811	$ 13,315	$ -	$ -	$ 38,126
Employer	176,618	5,716	14,086	8,942	205,362
Total Contributions	**201,429**	**19,031**	**14,086**	**8,942**	**243,488**
Investment income					
Net appreciation in fair value of investments	101,239	1,120	2,408	1,506	106,273
Interest income	23,063	300	48	29	23,440
Dividend income	7,538	97	1,716	1,030	10,381
Less: investment expense	(17,661)	(229)	(73)	(45)	(18,008)
Net Investment Income	**114,179**	**1,288**	**4,099**	**2,520**	**122,086**
TOTAL ADDITIONS	**315,608**	**20,319**	**18,185**	**11,462**	**365,574**
DEDUCTIONS					
Retirement benefits	204,652	-	-	-	204,652
Healthcare insurance premiums	-	26,403	-	-	26,403
Death benefits	13,162	-	-	-	13,162
Refund of contributions	194	-	-	-	194
Administrative expenses and other	5,369	80	28	18	5,495
TOTAL DEDUCTIONS	**223,377**	**26,483**	**28**	**18**	**249,906**
NET INCREASE / (DECREASE)	**92,231**	**(6,164)**	**18,157**	**11,444**	**115,668**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS					
BEGINNING OF YEAR	**3,496,191**	**43,014**	**74,098**	**45,408**	**3,658,711**
END OF YEAR	**$ 3,588,422**	**$ 36,850**	**$ 92,255**	**$ 56,852**	**$ 3,774,379**

See accompanying notes to basic financial statements *(concluded)*

Notes to the Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the City of San José Police and Fire Department Retirement Plan (the Plan) is provided for financial reporting purposes only. Readers should refer to the City of San José Municipal Code for more complete information.

(a) General

The Plan was established in 1961 to provide retirement benefits for certain employees of the City of San José (City). The current Plan consists of a single employer Defined Benefit Pension Plan and three Postemployment Healthcare Plans. On January 27, 2011, the Plan requested a compliance statement and favorable determination letter from the Internal Revenue Service (IRS) under the streamline procedures of the voluntary compliance program for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans. The most recent favorable determination letter from the IRS is dated August 26, 2016.

The Postemployment Healthcare 401(h) Plan, which was established under Internal Revenue Code (IRC) Section 401(h), is an account within the pension plan which is used for the funding and payment of the retiree healthcare benefits. As a 401(h) plan, the healthcare benefits must be subordinate to the pension plan benefits. The medical benefits are considered subordinate if, when ignoring contributions for past service benefit, the contributions for medical benefits are no greater than 25% of the actual contributions to both the pension and medical benefits. Periodic reviews and projections of the IRC 25% subordination test are performed by the Plan's actuary.

A new IRC Section 115 Trust was established on May 22, 2012 by the San José City Council (Ordinance number 29065) to provide an alternative to the existing 401(h) account. The healthcare trust was clarified by the San José City Council (Ordinance number 29260) on June 12, 2013, which declared that the Police Department Postemployment Healthcare Plan and the Fire Department Postemployment Healthcare Plan may be structured as two wholly separate sub-trusts of one trust. Employer contributions to the new trust funds began in fiscal year 2013. On August 6, 2013, the City obtained a private letter ruling from the IRS assuring the pre-tax treatment of employee contributions to the new trust funds. On July 9, 2014, the Plan received a private letter ruling from the IRS on the tax qualification of the new Section 115 Trust. As of this date, it has not been determined if or when employee contributions will begin to go into the Section 115 subtrusts.

The City and the bargaining units representing sworn Police and Fire members engaged in settlement discussions concerning litigation arising out of a voter-approved ballot measure, known as Measure B, which passed in 2012. On August 25, 2015, the City Council approved the terms of the Alternative Pension Reform Settlement Framework (Public Safety Framework) for the two sworn bargaining units, the San Jose Police Officers' Association (SJPOA) and the San Jose Firefighters International Association of Fire Fighters, Local 230 (IAFF). The Public Safety Framework included an agreement that a ballot measure would be placed on the November 8, 2016 election for the voters to replace Measure B.

On November 8, 2016, the voters approved the Alternative Pension Reform Act known as Measure F. Measure F included, among other things, prohibiting any enhancements to defined retirement benefits without voter approval; codifying the Tier 2 pension benefit; closing the defined benefit retiree healthcare plan; and prohibiting retroactive defined retirement benefit enhancements. The City Council approved Ordinance number 29879 on February 14, 2017, amending the San Jose Municipal Code to reflect the terms of Measure F and the Public Safety Framework, and the changes to the Municipal Code became effective thirty (30) days after February 14, 2017. Most terms of Measure F and the Public Safety Framework were implemented on June 18, 2017. The provisions of the Public Safety Framework include, but are not limited to, revising Tier 2 benefits; allowing rehired Tier 1 employees to remain in Tier 1; creating a defined contribution Voluntary Employee Beneficiary Association (VEBA) for retiree healthcare (medical and dental) and a one-time irrevocable election to opt in to the defined contribution VEBA from the defined benefit retiree healthcare plan for eligible employees; defining the qualifications

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(a) General (continued)

for members of the independent medical panel; and creating a Guaranteed Purchasing Power benefit for Tier 1 retirees. All Tier 1 employees were eligible to opt-in to the VEBA, while all Tier 2 employees and Tier 1 employees who enter the Plan after June 18, 2017, with "Classic" membership in California Public Employees' Retirement System (CalPERS) were required to move in to the defined contribution VEBA.

The VEBA opt-in election period was October 18, 2017 through December 15, 2017, and the Internal Revenue Service issued favorable private letter rulings to each of the Section 115 Trusts on February 7, 2018. The IRS ruled that allowing the contributions to the VEBA to be made from the Sections 115 Trusts is consistent with Code Section 115(1) and will not compromise the Section 115 Trusts' status under Code Section 115. The contributions for the members who opted in to the VEBA and opted out of the defined benefit healthcare plan were transferred in March 2018 for the initial opt-in period. The IRS approved allowing eligible employees who are rehired into the City from calendars years 2018 through 2022 to opt-in to the VEBA if they were not employed during the initial opt-in period. The VEBA is being administered by the City, not the Office of Retirement Services, and therefore it is also not under the jurisdiction of the Retirement Board.

The Plan is considered to be a part of the City's financial reporting entity and is included in the City's basic financial statements as a pension and postemployment healthcare trust fund. The Plan is administered by the Chief Executive Officer of the Office of Retirement Services, an employee of the City, who serves at the pleasure of the Police and Fire Department Plan Board of Administration (Board of Administration). The nine-member Board of Administration is composed of two City employees elected by members of the Plan, two retired Plan members elected by the retiree associations, four public members who are not connected with the City and have significant banking or investment experience, and another public member who is selected by the eight Board members and approved by the City Council. The Board is appointed by the City Council and serves in accordance with Section 2.08, Part 12 of the San José Municipal Code. The contribution and benefit provisions and all other requirements are established by City ordinance. The Plan is responsible for all direct administrative costs except for certain support services, which are provided and funded directly by the City. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

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

With the passage of Measure F, rehires with prior Tier 1 City service who were in Tier 2, became part of the Tier 1 membership in the Defined Benefit Pension Plan effective June 18, 2017. In addition, employees in Tier 2 who have "Classic" membership with CalPERS may be moved to Tier 1 subject to the identification of these employees and confirmation of "Classic" membership with CalPERS. The Plan members are categorized into four membership types based on when they entered the Plan. Police Tier 1 members are those members who entered the Plan prior to August 4, 2013, Tier 1 rehires who did not take a return of contributions, or "Classic" CalPERS members. Fire Tier 1 members are those members who entered the Plan prior to January 2, 2015, Tier 1 rehires who did not take a return of contributions, or "Classic" CalPERS members. Police Tier 2 members are those employees who were newly hired on or after August 4, 2013. Fire Tier 2 members are those employees who were newly hired on or after January 2, 2015.

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(a) General (continued)

The following table summarizes the Plan members as of June 30, 2020 and 2019, respectively.

As of June 30, 2020	Retirees and Beneficiaries[1]		Terminated Vested Members Entitled to Future Benefits		Active Members		
Defined Benefit Pension Plan	**Tier 1**	**Tier 2**	**Tier 1**	**Tier 2**	**Tier 1**	**Tier 2**	**Total**
Police							
Pension & Medical [2]	-	-	-	-	-	-	-
Pension only [3]	-	-	-	-	-	-	-
Police Total	-	-	-	-	-	-	-
Fire							
Pension & Medical [2]	-	-	-	-	-	-	-
Pension only [3]	-	-	-	-	-	-	-
Fire Total	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Postemployment Healthcare Plans	**Tier 1[4]**		**Tier 1**		**Tier 1**		**Total**
Police	-		-		-		-
Fire	-		-		-		-
Total	**-**		**-**		**-**		**-**

As of June 30, 2019	Retirees and Beneficiaries [1]		Terminated Vested Members Entitled to Future Benefits		Active Members		
Defined Benefit Pension Plan	**Tier 1**	**Tier 2**	**Tier 1**	**Tier 2**	**Tier 1**	**Tier 2**	**Total**
Police							
Pension & Medical [2]	1,322	-	14	-	630	-	1,966
Pension only [3]	110	-	200	74	41	367	792
Police Total	1,432	-	214	74	671	367	2,758
Fire							
Pension & Medical [2]	831	-	2	-	512	-	1,345
Pension only [3]	55	-	38	5	29	121	248
Fire Total	886	-	40	5	541	121	1,593
Total	**2,318**	**-**	**254**	**79**	**1,212**	**488**	**4,351**
Postemployment Healthcare Plans	**Tier 1 [4]**		**Tier 1**		**Tier 1**		**Total**
Police	1,322		14		630		1,966
Fire	831		2		512		1,345
Total	**2,153**		**16**		**1,142**		**3,311**

[1] *Retiree counts do not include combined domestic relations orders*

[2] *Members are eligible for full retiree medical benefits*

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

[4] *Payees that have health and/or dental coverage*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(b) Pension, Disability and Healthcare Benefits

Effective September 30, 1994, the Plan entered into an agreement with CalPERS that extends reciprocal retirement benefits to members. In certain situations, this agreement could result in improved retirement benefits for members who move from one eligible retirement system to another.

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

	Police Tier 1 [1]	Police Tier 1 Classic [2]	Police Tier 2 [3]
Contributions			
Employee	18.70% of base salary (Pension: 10.70%, Retiree Healthcare: 8.00%) as of 6/30/2019	15.22% of base salary (Pension: 11.22%, VEBA: 4.00%) as of 6/30/2019	18.06% of base salary (Pension: 14.06%, VEBA: 4.00%) as of 6/30/2019
City	31.43% of base salary (Normal cost) + Flat dollar amount (UAL) as of 6/30/2019	31.43% of base salary (Normal cost) + Flat dollar amount (UAL) as of 6/30/2019	14.06% of base salary (Pension: 14.06%) as of 6/30/2019
Service required to leave contributions in retirement plan	10 years of service (20 years must have elapsed from date of entry into retirement plan to collect pension)	10 years of service (20 years must have elapsed from date of entry into retirement plan to collect pension)	5 years service with the City in the Police and Fire Department Plan (Years of Service = 2080 hours worked within applicable 12-month period)
Service Retirement			
Age / years of service	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	57 with 5 years of service with the City in the Plan 50 with 5 years of service with the City in the Plan (A reduction factor of 7.0% per year for each year between age 57 and Tier 2 member's age at retirement, prorated to the closest month)
Early retirement	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	N/A
Deferred vested retirement	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying members can begin receiving benefits at age 50 with at least 25 years of service.)	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying members can begin receiving benefits at age 50 with at least 25 years of service.)	At least 5 years of service with the City in the Plan (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.) Can begin at age 50 with reduction factor of 7.0% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Police Tier 1 [1]	Police Tier 1 Classic [2]	Police Tier 2 [3]
Allowance	First 20 years of City service: 50% of Final Compensation (2.5% per year) Next 21-30 years of City service: 4% per year of service x Final Compensation (90% max)	First 20 years of City service: 50% of Final Compensation (2.5% per year) Next 21-30 years of City service: 4% per year of service x Final Compensation (90% max)	First 20 years of service: 2.4% per year of service x Final Compensation Beginning of 21st year of service: 3.0% per year of service x Final Compensation Beginning of 26th year of service: 3.4% per year of service x Final Compensation Final Compensation is the average annual base pay plus any premium pays authorized by ordinance for the highest 3 consecutive years of service Maximum benefit is 80% of Final Compensation
Disability Retirement (Service Connected)			
Minimum service	None	None	None
Allowance	<20 years of service: 50% of Final Compensation Next 21-30 years of service: 4% per year of service x Final Compensation (90% max)	<20 years of service: 50% of Final Compensation Next 21-30 years of service: 4% per year of service x Final Compensation (90% max)	An individual who is granted a service-connected disability retirement is entitled to a monthly allowance equal to the greater of: i. 50% of Final Compensation ii. A service retirement allowance, if he or she qualified for such or iii. An actuarially reduced factor, as determined by the plan's actuary, for each quarter year that his or her service age is less than 50 years, multiplied by number of years of service subject to the applicable formula, if not qualified for a service retirement
Disability Retirement (Non-Service Connected)			
Minimum service	2 years of service	2 years of service	5 years of service

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Police Tier 1 [1]	Police Tier 1 Classic [2]	Police Tier 2 [3]
Allowance	<20 years of service: 32% of Final Compensation plus 1% for each full year in excess of 2 years. (50% max) >20 years of service: 2.5% x first 20 years of service x Final Compensation Next 21-30 years of service: 4% per year of service x Final Compensation (90% max)	<20 years of service: 32% of Final Compensation plus 1% for each full year in excess of 2 years. (50% max) >20 years of service: 2.5% x first 20 years of service x Final Compensation Next 21-30 years of service: 4% per year of service x Final Compensation (90% max)	An individual who is granted a non service-connected disability retirement is entitled to a monthly allowance equal to the greater of: i. If less than age 50: 1.8% per year of service or ii. if older than age 50: The amount of service pension benefit as calculated based upon the service pension formula
Medical Benefits [4]			
Eligibility	Retired for disability or service directly from active service with either 15 years of San Jose service or receive allowance that is at least 37.5% of Final Compensation. Also eligible if member separates from service after 7/5/92 but prior to retirement with 20 years San Jose service and leaves contributions in the retirement plan and former member receives allowance (i.e., applies & qualifies for retirement)	All Police Tier 1 Classic members are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA	All Police Tier 2 members are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA
Premiums	Retirement Plan pays 100% of lowest cost plan that is available to active City employees. If member does not choose the lowest cost plan, member pays the difference between that premium and the premium of the lowest cost plan	N/A	N/A
Medicare Eligibility	At age 65, members will be required to enroll in Medicare parts A & B. If a member does not meet this requirement within 6 months of the date member turns 65, health care benefits will cease until such requirement are met	N/A	N/A

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Police Tier 1 [1]	Police Tier 1 Classic [2]	Police Tier 2 [3]
Dental Benefits [4]			
Eligibility	Retired for disability or service from active service with either 15 years of service or receive allowance that is at least 37.5% of Final Compensation. Also eligible if member leaves City service after 7/5/92 but prior to retirement with 20 years San Jose service and leaves contributions in retirement plan and former member receives allowance. (i.e., applies for retirement)	All Police Tier 1 Classic employees are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA	All Police Tier 2 employees are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA
Premiums	Fully paid by retirement fund	N/A	N/A
Reciprocity			
Reciprocity	As of September 30, 1994, the City of San Jose adopted a reciprocal agreement with CALPERS. This may result in improved benefits for members who transfer between CALPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement	As of September 30, 1994, the City of San Jose adopted a reciprocal agreement with CALPERS. This may result in improved benefits for members who transfer between CALPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement	As of September 30, 1994, the City of San Jose adopted a reciprocal agreement with CALPERS. This may result in improved benefits for members who transfer between CALPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement
Cost-of-Living Adjustments (COLA)			
COLA	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA	Retirees are eligible for an annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San Jose-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 2.0% per year. The first COLA will be prorated based on the number of months retired

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

2 *Employees with "Classic" membership from a CalPERS or reciprocal agency. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013. 2. AND is hired by the City of San Jose after a break in service of less than six months. 3 AND did not have concurrent (overlapping) service with the other agency. City of San Jose Reciprocity election form must be submitted within thirty days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.*

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

4 *Employees who opted-in to the VEBA are not eligible for the Defined Benefit Retiree Healthcare Plan (Medical or Dental Benefits.)*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

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

	Fire Tier 1 [1]	Fire Tier 1 Classic [2]	Fire Tier 2 [3]
Contributions			
Employee	19.46% of base salary (Pension: 11.46%, Retiree Healthcare: 8.00%) as of 6/30/2019	15.98% of base salary (Pension: 11.98% VEBA: 4.00%) as of 6/30/2019	19.39% of base salary (Pension: 15.39%, VEBA: 4.00%) as of 6/30/2019
City	32.25% of base salary (Normal cost) + Flat dollar amount (UAL) as of 6/30/2019	32.25% of base salary (Normal cost) + Flat dollar amount (UAL) as of 6/30/2019	15.39% of base salary (Pension: 15.39%) as of 6/30/2019
Service required to leave contributions in retirement plan	10 years (20 years must have elapsed from date of entry into Plan to collect pension)	10 years (20 years must have elapsed from date of entry into Plan to collect pension)	5 years of service with the City in the Plan (Year of Service = 2080 hours worked in the applicable 12-month period)
Service Retirement			
Age/ years of service	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	57 with 5 years of service with the City in the Plan 50 with 5 years of service with the City in the Plan. A reduction factor of 7% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month
Early retirement	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	N/A
Deferred vested retirement	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying member can begin receiving benefits at age 50 with at least 25 years of service)	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying member can begin receiving benefits at age 50 with at least 25 years of service)	At least 5 years of service with the City in the Plan. (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.) Can begin at age 50 with reduction factor of 7% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Fire Tier 1 [1]	Fire Tier 1 Classic [2]	Fire Tier 2 [3]
Allowance	First 20 years of service: 50% of Final Compensation (2.5% per year) Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max) – All years convert to 3% after 20 years of service	First 20 years of City service: 50% of Final Compensation (2.5% per year) Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max) – All years convert to 3% after 20 years of service	First 20 years of service: 2.4% per year of service x Final Compensation Beginning of 21st year of service: 3.0% per year of service x Final Compensation Beginning of 26th year of service: 3.4% per year of service x Final Compensation Final Compensation is the average annual base pay plus any premium pays authorized by ordinance for the highest 3 consecutive years of service Maximum benefit is 80% of Final Compensation
Disability Retirement (Service Connected)			
Minimum service	None	None	None
Allowance	< 20 yrs of service: 50% of Final Compensation Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max) >20 years of service: 3% for each full year x Final Compensation (90% max)	< 20 yrs of service: 50% of Final Compensation Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max)	An individual who is granted a service connected disability retirement is entitled to a monthly allowance equal to the greater of: i. 50% of Final Compensation ii. A service retirement allowance, if he or she qualified for such or iii. An actuarially reduced factor, as determined by the Plan's actuary, for each quarter year that his or her service age is less than 50 years, multiplied by the number of years of service subject to the applicable formula, if not qualified for a service retirement
Disability Retirement (Non-Service Connected)			
Minimum service	2 years of service	2 years of service	5 years of service
Allowance	<20 years service: 32% of Final Compensation plus 1% for each full year in excess of 2 years. (50% max) Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max)	<20 years service: 32% of Final Compensation plus 1% for each full year in excess of 2 years. (50% max) Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max)	An individual who is granted a non service-connected disability retirement is entitled to a monthly allowance equal to the greater of: i. If less than age 50: 1.8% per year of service or ii. If older than age 50: the amount of service pension benefit as calculated based upon the service pension formula

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Fire Tier 1 [1]	Fire Tier 1 Classic [2]	Fire Tier 2 [3]
Medical Benefits [4]			
Eligibility	Retired for disability or service directly from active service with either 15 years of San Jose service or receive allowance that is at least 37.5% of Final Compensation. Also eligible if member separates from service after 7/5/92 but prior to retirement with 20 years of San Jose service and leaves contributions and former member receives allowance (i.e., applies & qualifies for retirement)	All Fire Tier 1 Classic employees are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA	All Fire Tier 2 employees are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA
Premiums	Retirement plan pays 100% of lowest cost plan that is available to active City employees. If member does not choose the lowest cost plan, member pays the difference between that premium and the premium of the lowest cost plan	N/A	N/A
Medicare Eligibility	At age 65, members will be required to enroll in Medicare Part A & B. If a member does not meet this requirement within 6 months of the date member turns 65, health care benefits will cease until such requirements are met	N/A	N/A
Dental Benefits[4]			
Eligibility	Retired for disability or service directly from active service with either 15 years of service or receive allowance that is at least 37.5% of Final Compensation. Also eligible if member leaves City service after 7/5/92 but prior to retirement with 20 years of San Jose service and leaves contributions in retirement plan and former member receives allowance (i.e., applies for retirement)	All Fire Tier 1 Classic employees are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA	All Fire Tier 2 employees are mandated to contribute 4.00% of base salary to the VEBA. The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs on a pre-tax basis. There is no "vesting period" for the VEBA
Premiums	Fully paid by retirement fund	N/A	N/A

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Fire Tier 1 [1]	Fire Tier 1 Classic [2]	Fire Tier 2 [3]
Reciprocity			
Reciprocity	As of September 30, 1994, the City of San Jose adopted a reciprocal agreement with CALPERS. This may result in improved benefits for members who transfer between CALPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement	As of September 30, 1994, the City of San Jose adopted a reciprocal agreement with CALPERS. This may result in improved benefits for members who transfer between CALPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement	As of September 30, 1994, the City of San Jose adopted a reciprocal agreement with CALPERS. This may result in improved benefits for members who transfer between CALPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement
Cost-of-Living Adjustment (COLA)			
COLA	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA	Retirees are eligible for an annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San Jose-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 2.0% per year. The first COLA will be prorated based on the number of months retired

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

2 *Employees with "Classic" membership from a CalPERS or reciprocal agency. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013, 2. AND is hired by the City of San Jose after a break in service of less than six months, 3. AND did not have concurrent (overlapping) service with the other agency. City of San Jose Reciprocity Election Form must be submitted within thirty days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.*

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

4 *Employees who opted-in to the VEBA are not eligible for the Defined Benefit Retiree Healthcare Plan (Medical or Dental Benefits).*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits

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

	Police Tier 1 / Tier 1 Classic
Death Before Retirement	
Non-service connected death with less than 2 years of service	Return of contributions, plus interest, to surviving spouse/domestic partner, surviving children, or estate or $1,000, whichever is greater
Non-service connected death with more than 2 years of service, but not eligible for a service retirement	To surviving spouse/domestic partner: 24% + 0.75% for each year in excess of 2 years x Final Compensation (37.5% maximum) And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000 whichever is greater
Non-service connected death before retirement, but while eligible for service retirement	To surviving spouse/domestic partner: 37.5% to 42.5% of member's Final Compensation depending on the years of service For example: Member's benefit = 76.0% Survivorship benefit = 38.0% of Final Compensation Member's benefit = 80.0% Survivorship benefit = 40.0% of Final Compensation Member's benefit = 82.0% Survivorship benefit = 41.0% of Final Compensation Member's benefit = 85.0% Survivorship benefit = 42.5% of Final Compensation And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater
Service connected death regardless of years of service	To surviving spouse/domestic partner: 37.5% to 42.5% of member's Final Compensation depending on years of service And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 50.0% 3 or more children: Final Compensation x 75.0% If no surviving spouse/domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater
Death After Retirement	
Service retirement and service connected disability retirees	To surviving spouse/domestic partner: 37.5% to 42.5% of member's Final Compensation depending on years of service And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: $1,000 death benefit to estate

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

	Police Tier 1 / Tier 1 Classic
Non-service connected disability retirees	To surviving spouse/domestic partner: **Police Tier 1:** 37.5% to 42.5% of member's Final Compensation depending on the years of service and date of retirement **Police Tier 1 Classic:** Final Compensation x 24.0% + 0.75% for each year in excess of 2 years (37.5% maximum) And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: $1,000 death benefit to estate
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse/domestic partner
Post-Retirement Marriage	
Post-retirement marriage	If a retiree marries after retirement, the retiree can elect to take a reduction on their pension benefit in order to allow for a survivorship benefit to the surviving spouse/domestic partner. This election must be made within 30 days of marriage or establishment of domestic partnership

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

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

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

Notes to the Basic Financial Statements *(continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

	Police Tier 2
Non-service connected death before retirement, but while eligible for service retirement	To surviving spouse/domestic partner: 37.5% to 42.5% of member's Final Compensation depending on the years of service For example: Member's benefit = 76.0% Survivorship benefit = 38.0% of Final Compensation Member's benefit = 80.0% Survivorship benefit = 40.0% of Final Compensation Member's benefit = 82.0% Survivorship benefit = 41.0% of Final Compensation Member's benefit = 85.0% Survivorship benefit = 42.5% of Final Compensation And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% If no surviving spouse/domestic partner nor surviving children, to the estate: Return of contributions, plus interest, or $1,000, whichever is greater
Service Connected Death	
Service connected death regardless of years of service	To surviving spouse/domestic partner: 37.5% to 42.5% of member's Final Compensation depending on years of service And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 50.0% 3 or more children: Final Compensation x 75.0% There is an 80.0% cap on Final Compensation that can be paid to survivors If no surviving spouse/domestic partner nor surviving children, to the estate: Return contributions, plus interest, or $1,000 whichever is greater
Death After Retirement	
Service retirees	To surviving spouse/domestic partner: Survivorship allowance equal to 50.0% joint and survivor annuity as determined by the plan's actuaries
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse/domestic partner
Post-Retirement Marriage	
Post-retirement marriage	If a retiree marries after retirement, the retiree can elect to take a reduction on their pension benefit in order to allow for a survivorship benefit to the surviving spouse/domestic partner

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

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

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

	Fire Tier 1 / Tier 1 Classic
Death Before Retirement	
Non-service connected death with less than 2 years of service	Return of contributions, plus interest, to surviving spouse/domestic partner, surviving children, or estate or $1,000, whichever is greater
Non-service connected death with more than 2 years of service, but not eligible for a service retirement	To surviving spouse/domestic partner: 24% to 75% for each year in excess of 2 x Final Compensation (45% maximum) And to surviving children : 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater
Non-service connected death before retirement, but while eligible for service retirement	To surviving spouse/domestic partner: 37.5% to 45.0% of member's Final Compensation depending on years of service For example: Member's benefit = 81.0% Survivorship benefit = 40.5% of Final Compensation Member's benefit = 84.0% Survivorship benefit = 42.0% of Final Compensation Member's benefit = 87.0% Survivorship benefit = 43.5% of Final Compensation Member's benefit = 90.0% Survivorship benefit = 45.0% of Final Compensation And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater
Service connected death regardless of years of service	To surviving spouse/domestic partner : 37.5% to 45% for member's Final Compensation depending on the years of service And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater
Death After Retirement	
Service retirees and service connected disability retirees	To surviving spouse/domestic partner: 37.5% to 45.0% of member's Final Compensation depending on years of service And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: $1,000 death benefit to estate

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

	Fire Tier 1 / Tier 1 Classic
Non-service connected disability retirees	To surviving spouse/domestic partner: **Fire Tier 1:** 37.5% to 45% of member's Final Compensation depending on the years of service and date of retirement **Fire Tier 1 Classic:** Final Compensation x 24.0% + 0.75% for each year in excess of 2 years (37.5% maximum) And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: $1,000 death benefit to estate
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse/domestic partner
Post-Retirement Marriage	
Post-retirement marriage	If a retiree marries after retirement, the retiree can elect to take a reduction of their pension benefit in order to allow for a survivorship benefit to the surviving spouse/domestic partner

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

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

	Fire Tier 2
Death Before Retirement	
Service connected death regardless of years of service	To surviving spouse/domestic partner: 37.5% to 45.0% of member's Final Compensation depending on the years of service And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 50.0% 3 or more children: Final Compensation x 75.0% There is an 80.0% cap on Final Compensation that can be paid to survivors If no surviving spouse/domestic partner nor surviving children, to the estate: Return of contributions, plus interest, or $1,000, whichever is greater
Non-service connected death with less than 2 years of service	Greater of: (1) Return of contributions, plus interest, to surviving spouse/domestic partner; where there is no surviving spouse/domestic partner to member's surviving children, or where there are no surviving children either, to the member's estate, or (2) $1,000, whichever is greater

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

Fire Tier 2	
Non-service connected death with more than 2 years of service, but not eligible for a service retirement	To surviving spouse/domestic partner: 24.0% + 0.75% for each year in excess of 2 years x Final Compensation (45% maximum) And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50.0% There is an 80.0% cap on Final Compensation that can be paid to survivors If no surviving spouse/domestic partner nor surviving children to the estate: Return of contributions, plus interest, or $1,000 whichever is greater
Non-service connected death before retirement, but while eligible for service retirement	To surviving spouse/domestic partner: 37.5% to 45.0% of member's Final Compensation depending on the years of service For example: Member's benefit = 81.0% Survivorship benefit = 40.5% of Final Compensation Member's benefit = 84.0% Survivorship benefit = 42.0% of Final Compensation Member's benefit = 87.0% Survivorship benefit = 43.5% of Final Compensation Member's benefit = 90.0% Survivorship benefit = 45.0% of Final Compensation And to surviving children: 1 Child: Final Compensation x 25.0% 2 Children: Final Compensation x 37.5% 3 or more children: Final Compensation x 50% If no surviving spouse/domestic partner nor surviving children, to the estate: Return of contributions, plus interest, or $1,000, whichever is greater
Death After Retirement	
Service retirees	To surviving spouse/domestic partner: Survivorship allowance equal to 50.0% joint and survivor annuity as determined by the Plan's actuaries
Non-service connected disability retirees	To surviving spouse/domestic partner: Survivorship allowance equal to 50.0% joint and survivor annuity as determined by the Plan's actuaries
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse/domestic partner
Post-Retirement Marriage	
Post-retirement marriage	If a retiree marries after retirement, the retiree can elect to take a reduction on their pension benefit in order to allow for a survivorship benefit to the surviving spouse/domestic partner

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying financial statements present only the financial activities of the Plan in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements of the Plan are intended to present only the plan net position and changes in plan net position of the Plan. They do not purport to, and do not, present fairly the financial position of the City of San José, California, as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended in conformity with U.S. GAAP. The Plan is reported in a pension and postemployment healthcare trust fund in the City of San José's basic financial statements.

(b) Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting. Contributions are recognized as revenue when due pursuant to legal requirements. Benefits and refunds of contributions are recognized when currently due and payable under the provisions of the Plan. Activities of the Defined Benefit Pension Plan and the Postemployment Healthcare Plans are accounted for separately. It is required by the Municipal Code that transactions of the Defined Benefit Pension Plan be accounted for in two funds: a Retirement Fund and a Cost-of-Living Fund.

The preparation of the financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(c) Investments

The City of San José Municipal Code Charter Section 3.36.530 delegates authority to the Board of Administration to invest the monies of the Plan as provided in Section 3.36.540. The Board has adopted detailed investment guidelines consistent with conditions and limitations set forth in Section 3.36.540.

For the year ended June 30, 2020 and 2019, the Defined Benefit Pension Plan investment policy was updated, as shown in the following table, which the Board reviewed and approved on May 7, 2020 and on April 4, 2019, respectively. The new asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the Plan's adopted actuarial assumed rate of return as utilized in the June 30, 2019 valuations.

The Plan's investment allocation for year ended June 30, 2020 and 2019 are as follows:

PENSION					
As of June 30,					
Asset Class	2020 Target Asset Allocation	2019 Target Asset Allocation	Asset Class	2020 Target Asset Allocation	2019 Target Asset Allocation
Public equity	46%	31%	Long-term government bonds	3%	0%
Investment grade bonds	12%	20%	Market neutral strategies	3%	7%
Private equity	6%	8%	Private debt	3%	4%
Core real estate	5%	5%	Private real assets	3%	3%
Immunized cash flows	5%	5%	High yield bonds	2%	0%
Venture / growth capital	4%	4%	Treasury inflation-protected securities	2%	2%
Emerging market bonds	3%	3%	Commodities	0%	2%
Growth real estate	3%	3%	Sovereign bonds ex US	0%	3%

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments (continued)

On April 4, 2018, the Board adopted the following asset allocation for the 115 healthcare trusts. The Postemployment Healthcare plan investment policy was originally approved August 7, 2014. While the investment policy has not been updated, the presentation of investments throughout the financial statements for 2020 and 2019 have been reclassified to reflect the pension's asset allocation for easier presentation and comparison. The asset classes in the healthcare policy are broad classifications which were further broken down to more specific allocation to align with the pension asset classification.

HEALTHCARE						
	As of June 30, 2020			As of June 30, 2019		
Asset Class	Minimum Allocation	Target Asset Allocation	Maximum Allocation	Minimum Allocation	Target Asset Allocation	Maximum Allocation
Global equity	25%	43%	50%	25%	43%	50%
Real assets	12%	22%	25%	12%	22%	25%
Global tactical asset allocation	0%	20%	25%	0%	20%	25%
Global fixed income	5%	15%	25%	5%	15%	25%
Cash and cash equivalents	0%	0%	5%	0%	0%	5%

The real assets category includes allocations to commodities, real estate, and other infrastructure assets. The global tactical asset category is currently comprised of two global tactical asset allocation managers who run unconstrained global portfolios.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates, if applicable. Investments that do not have an established market, such as private equity, commingled real estate funds and certain pooled fund investments, are reported at estimated fair value based on the most recently available investor reports or audited financial statements issued by the manager of those funds. The fund manager provides an estimated unrealized gain/loss of the fund based on the most recently available audited financial statements and other fund information. See Note 3 starting on page 56 for more detailed information on the fair value of investments.

The fair value of derivative investments that are not exchange traded, such as swaps and rights is determined by the Plan's custodian bank based on the base market value of similar instruments. Futures contracts are marked-to-market at the end of each trading day, and the settlement of gains or losses occur on the following business day through variation margins. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated based on the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned. Rental income is recognized as earned, net of expenses.

Investment expenses presented within the accompanying financial statements consist of management and performance fees and other investment-related fees. Other investment-related fees include expenses for shared investment-related administration, consultants, custody, and legal services. These fees are disclosed within the Investment Expenses in the Statement of Changes in Plan Net Position and detailed in the Investment Expenses Schedule in the Other Supplemental Information section.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments (continued)

The investment expenses do not include the commissions and fees paid to transact public securities. Partnership management fees paid for the private equity program are drawn from the committed capital and reported as an increase in the cost basis. These fees and costs are included within the net asset value (NAV) or public securities cost and are also reported in the net appreciation/(depreciation) in fair value of investments line items on the financial statements.

For the years ended June 30, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.98% and 4.00%, respectively. For the year ended June 30, 2020 and 2019, the annual money-weighted rate of return on healthcare plan investments, net of healthcare plan investment expenses, was 1.95% and 4.86%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(d) Capital Assets

Capital assets are recorded at cost and comprise of all costs related to the development of a new pension administration system. The capital asset went into production on February 1, 2019 and is being amortized using the straight line method of amortization over a 10 year period ending 2029. For fiscal year ended 2020 and 2019, the amortization expense was $408,727 and $133,809, respectively . It is being amortized per GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

Capital asset and accumulated amortization	As of June 30, 2019	Additions	Deletions	As of June 30, 2020
Capital assets, amortizable:				
Pension administration system	$ 3,211	$ 876	$ -	$ 4,087
Total capital asset, cost	**3,211**	**876**	**-**	**4,087**
Less accumulated amortization for:				
Pension administration system	(134)	(408)	-	(542)
Total accumulated amortization	**(134)**	**(408)**	**-**	**(542)**
Capital assets, net of accumulated amortization	**$ 3,077**	**$ 468**	**$ -**	**$ 3,545**

Capital asset and accumulated amortization	As of June 30, 2018	Additions	Deletions	As of June 30, 2019
Captial assets, amortizable:				
Pension administration system	$ 1,755	$ 1,456	$ -	$ 3,211
Total capital asset, cost	**1,755**	**1,456**	**-**	**3,211**
Less accumulated amortization for:				
Pension administration systems	-	(134)	-	(134)
Total accumulated amortization	**-**	**(134)**	**-**	**(134)**
Captial assets, net of accumulated amortization	**$ 1,755**	**$ 1,322**	**$ -**	**$ 3,077**

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

The Plan is required by the City of San José Municipal Code to establish various reserves in the plan net position. The plan net position is allocated between the Defined Benefit Pension Plan (which includes the Retirement Fund and the Cost-of-Living Fund) and the Postemployment Healthcare Plans (which include the 401(h) and the two 115 Subtrusts).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

As of June 30, 2020 and 2019, plan net position totaling $3,910,552,000 and $3,774,379,000, respectively, is allocated as follows (in thousands):

	Retirement Fund	Cost-of-Living Fund	Total Defined Benefit Pension Plan	Post-employment Health - care 401(h)	Police Department Health - care Subtrust	Fire Department Health - care Subtrust	Total OPEB	Grand Total
June 30, 2020								
Employee contributions reserve	$ 357,559	$ 87,243	$ 444,802	$ -	$ -	$ -	$ -	$ 444,802
General reserve	1,825,941	1,431,277	3,257,218	28,747	110,541	68,542	207,830	3,465,048
Retiree healthcare in-lieu premium credit	-	-	-	702	-	-	702	702
Total	**$2,183,500**	**$1,518,520**	**$3,702,020**	**$ 29,449**	**$ 110,541**	**$ 68,542**	**$ 208,532**	**$3,910,552**
June 30, 2019								
Employee contributions reserve	$ 344,518	$ 84,510	$ 429,028	$ -	$ -	$ -	$ -	$ 429,028
General reserve	1,801,715	1,357,679	3,159,394	36,508	92,255	56,852	185,615	3,345,009
Retiree healthcare in-lieu premium credit	-	-	-	342	-	-	342	342
Total	**$2,146,233**	**$1,442,189**	**$3,588,422**	**$ 36,850**	**$ 92,255**	**$ 56,852**	**$ 185,957**	**$3,774,379**

Employee Contributions Reserve represents the total accumulated employee contributions of current active and deferred members plus credited interest. The reserve is accounted for separately due to the possibility of a return of accumulated employee contributions, plus credited interest, to the member upon separation from City employment. Terminated members' returns of contributions are paid from the Defined Benefit Pension Plan only. No employee contributions are paid out of the healthcare plans' reserves.

General Reserve is a reserve that represents net earnings resulting from interest earnings, employer contributions, and realized and unrealized investment gains and losses. It also represents an accumulation of funds necessary to pay all accumulated vested retirement obligations.

(f) Allocation of Investment Income

Earnings on investments, excluding unrealized gains and losses, are recorded first in the general reserve category of plan net position. An allocation is made semi-annually from the general reserve category to the employee contributions category of plan net position based on the balance in that account at an annual rate of 2%, as specified by the City of San José Municipal Code.

(g) Implementation of Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 92, *Omnibus 2020* was issued by January 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: 1) The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, Leases, for interim financial reports, 2) Reporting of intra-entity

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Implementation of Governmental Accounting Standards Board (GASB) Statements (continued)

transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan, 3) The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits, 4) The applicability of certain requirements of Statement No. 84, *Fiduciary Activities, to postemployment benefit arrangements*, 5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, 6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, 7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and 8) Terminology used to refer to derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020, except Statement No. 87 which is effective upon issuance. Based on the GASB Statement No. 95, the Plan will adopt the provisions of Statement No. 92 for the fiscal year beginning with July 1, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued in March 2020. The objective of this Statement is to address those and other accounting and financial reporting implications that result from replacement of an IBOR. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Based on the GASB Statement No. 95, the Plan will adopt the provisions of Statement No. 93 for the fiscal year beginning with July 1, 2021.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued in May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: 1) Statement No. 83, *Certain Asset Retirement Obligations*, 2) Statement No. 84, *Fiduciary Activities*, 3) Statement No. 88, *Certain Disclosures Related to Debt*, *including Direct Borrowings and Direct Placements*, 4) Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, 5) Statement No. 90, *Majority Equity Interests*, 6) Statement No. 91, *Conduit Debt Obligations*, 7) Statement No. 92, *Omnibus 2020*, and 8) Statement No. 93, *Replacement of Interbank Offered Rates*. The effective date of GASB Statement No. 87, *Leases*, are postponed by 18 months. Each affected GASB Statement reflects the postponement effective date within the above Statement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Implementation of Governmental Accounting Standards Board (GASB) Statements (continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in Mary 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Plan will adopt the provisions of Statement No. 95 for the fiscal year beginning with July 1, 2021.

NOTE 3 - INVESTMENTS

Investments are subject to certain types of risks, including interest rate risk, custodial credit risk, credit quality risk, foreign currency risk, and concentration of credit risk. The following describes those risks:

Interest Rate Risk – The fair value of fixed income investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest-sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, and other general interest rate conditions. Certain fixed income investments have call provisions that could result in shorter maturity periods. The Plan does not have a policy regarding interest rate risk. However, the Plan does settle on a transaction plus one day basis (T+1), therefore limiting the Plan's exposure to counterparty risk.

Market Risk - General market risk factors exist that could cause depreciation or appreciation of the Plan's investment portfolio. These risks include general, economic, political and regulatory risks. The Plan's investments may be impacted by changes caused by global and domestic market conditions and industry-specific economic and regulatory conditions. With the recent volatility of the global financial markets amidst the COVID-19 pandemic, such market risks of growing unemployment, changes in consumer behavior, volatility in various other financial market rates and general economic slowdown of all sectors may have a significant impact to the underling investments within the Plan's investment portfolio.

NOTE 3 - INVESTMENTS (continued)

The following tables provide the segmented time distribution for fixed income investments based on expected maturity (in months and years) as of June 30, 2020 and 2019.

INVESTMENT MATURITIES AT FAIR VALUE

As of June 30, 2020 (In Thousands)

	0 - 3 Months	3 - 6 Months	6 Months - 1 Year	1 - 5 Years	5 - 10 Years	More than 10 Years	Total Fair Value	Cost
Investment grade bonds	$ 3,268	$ 1,037	$ 2,232	$ 24,275	$ 276,967	$ 17,510	$ 325,289	$ 320,793
Immunized cash flows	9,925	12,826	23,486	117,373	-	-	163,610	157,873
Emerging market bonds	-	-	-	-	117,056	-	117,056	82,252
Long-term government bonds	-	-	-	-	-	111,450	111,450	113,000
Treasury inflation-protected securities	3,448	-	8,926	62,439	-	-	74,813	71,729
High yield bonds	72	-	-	74,217	-	-	74,289	75,000
Cash and cash equivalents	69,050	-	-	-	-	-	69,050	69,050
Short-term investment grade bonds	51,249	-	-	-	-	-	51,249	51,248
TOTAL FIXED INCOME	**$ 137,012**	**$ 13,863**	**$ 34,644**	**$ 278,304**	**$ 394,023**	**$ 128,960**	**$ 986,806**	**$ 940,945**

INVESTMENT MATURITIES AT FAIR VALUE

As of June 30, 2019 (In Thousands)

	0 - 3 Months	3 - 6 Months	6 Months - 1 Year	1 - 5 Years	5 - 10 Years	More than 10 Years	Total Fair Value	Cost
Immunized cash flows	$ 5,802	$ 9,320	$ 15,209	$ 148,645	$ -	$ -	$ 178,976	$ 178,363
Emerging market bonds	-	-	-	-	116,277	-	116,277	91,077
Treasury inflation-protected securities	2,171	-	9,312	62,717	-	-	74,200	73,190
High yield bonds	90	-	-	17,588	-	-	17,678	2,555
Cash and cash equivalents	51,340	-	-	-	-	-	51,340	51,340
Short-term investment grade bonds	722,360	-	-	-	-	-	722,360	722,342
Sovereign bonds ex US	-	-	-	35,724	27,602	39,534	102,860	103,681
TOTAL FIXED INCOME	**$ 781,763**	**$ 9,320**	**$ 24,521**	**$ 264,674**	**$ 143,879**	**$ 39,534**	**$1,263,691**	**$1,222,548**

Custodial Credit Risk – Custodial credit risk is the risk that the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party, if that outside party fails. The Plan does not have a policy regarding custodial credit risk. As of June 30, 2020 and 2019, all of the Plan's investments are held in the Plan's name and/or are not exposed to custodial credit risk.

NOTE 3 - INVESTMENTS (continued)

Credit Quality Risk – The Plan's investment policy allows for investments in a wide variety of domestic and international debt securities that may carry a high rating, low rating, or be unrated. Investment managers may, as part of their investment strategy, invest in securities where the issuer's ability or willingness to pay is limited. At times, these debt securities may be converted into other debt, equity, or hybrid securities that have different risk and return characteristics than the securities initially purchased. The Plan may hedge against the possible adverse effects of currency fluctuations on the Plan's portfolio of international fixed income obligations when it is considered appropriate. This is typically achieved using forward currency contracts. Short-term investments may consist of commercial paper rated at least A1 or P1, repurchase agreements, short-term U.S. securities, and other money market investments. Nationally recognized statistical rating organizations provide ratings of debt securities' quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations.

The following tables provide information for the portfolio as of June 30, 2020 and 2019 concerning credit risk. These tables reflect only securities held in the Plan's name.

RATINGS OF FIXED INCOME INVESTMENTS

As of June 30, 2020 and 2019 (Dollars in Thousands)

	2020		2019	
S&P Quality Rating	Fair Value	Fair Value as a % of Total Fixed Income	Fair Value	Fair Value as a % of Total Fixed Income
AAA	$ 141,146	14.30 %	$ 16,917	1.34 %
AA+	90,497	9.17	297,773	23.56
AA	4,921	0.50	703,117	55.64
AA-	2,777	0.28	-	-
A+	511	0.05	1,008	0.08
A	3,711	0.38	34,080	2.70
A-	1,222	0.12	841	0.07
BBB+	2,738	0.28	-	-
BBB	1,496	0.15	10,171	0.80
BBB-	1,168	0.12	-	-
BB+	-	-	716	0.06
BB	-	-	34	-
BB-	3,682	0.37	-	-
B+	2,547	0.26	-	-
Not Rated	730,390	74.02	199,034	15.75
TOTAL	**$ 986,806**	**100.00 %**	**$ 1,263,691**	**100.00 %**

Foreign Currency Risk – This is the risk that changes in the exchange rates will adversely affect the fair value of underlying investments. To mitigate this risk, the Plan's investment policy permits individual investment managers to mitigate the impact of currency fluctuation on the underlying asset value. The Plan's investment managers enter into international forward currency contracts, which are commitments to purchase or sell stated amounts of international currency. The Plan utilizes these contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2020 and 2019, the Plan's net position in these contracts is recorded at fair value as international currency contract investments. The fair values of international currency contracts are determined by quoted currency prices from national exchanges. The Plan's commitments relating to international currency contracts are settled on a net basis.

NOTE 3 - INVESTMENTS (continued)

The following tables provide information as of June 30, 2020 and 2019, concerning the fair value of investments that are subject to foreign currency risk:

FOREIGN CURRENCY RISK ANALYSIS
As of June 30, 2020 (In Thousands)

Currency Name	Cash	Public Equity	Global Fixed Income	International Currency Contracts, Net	Growth Real Estate	Total Exposure
Australian dollar	$ -	$ 6,212	$ -	$ -	$ -	$ 6,212
Canadian dollar	-	7,109	-	-	-	7,109
Danish krone	-	1,055	-	-	-	1,055
Euro member countries	426	25,716	-	-	24,260	50,402
Hong Kong dollar	4	7,837	19	-	-	7,860
Japanese yen	-	23,058	-	-	-	23,058
Korean (South) won	-	12,003	-	-	-	12,003
Norwegian krone	-	387	-	-	-	387
Switzerland Franc	-	31,491	-	-	-	31,491
Swedish krona	-	8,472	-	-	-	8,472
United Kingdom pound	-	32,675	-	-	-	32,675
China yuan renminbi	-	-	-	(21)	-	(21)
TOTAL	**$ 430**	**$ 156,015**	**$ 19**	**$ (21)**	**$ 24,260**	**$ 180,703**

FOREIGN CURRENCY RISK ANALYSIS
As of June 30, 2019 (In Thousands)

Currency name	Cash	Public Equity	Global Fixed Income	International Currency Contracts, Net	Growth Real Estate	Total Exposure
Australian dollar	$ 8	$ 7,183	$ 2,827	$ -	$ -	$ 10,018
Canadian dollar	40	8,446	2,743	-	-	11,229
Chinese yuan renminbi	-	-	-	65	-	65
Danish krone	2	722	757	-	-	1,481
Euro member countries	81	22,005	54,538	-	23,096	99,720
Hong Kong dollar	-	2,176	-	-	-	2,176
Japanese yen	46	8,368	32,877	-	-	41,291
Korea (South) won	-	13,461	-	-	-	13,461
Mexican peso	42	-	1,059	-	-	1,101
Norwegian krone	14	911	350	-	-	1,275
Poland zolty	22	-	878	-	-	900
Singapore dollar	2	-	1,216	-	-	1,218
South African rand	9	-	785	-	-	794
Swedish krona	7	3,035	506	-	-	3,548
Swiss franc	-	25,031	-	-	-	25,031
United Kingdom pound	32	27,714	9,017	-	-	36,763
TOTAL	**$ 305**	**$ 119,052**	**$ 107,553**	**$ 65**	**$ 23,096**	**$ 250,071**

NOTE 3 - INVESTMENTS (continued)

Investment Concentration Risk – The Plan's investment policy specifies that investments shall be diversified with the intent to minimize the risk of large investment losses. The total portfolio shall be constructed in a way to provide prudent diversification with regard to the concentration of holdings in individual asset classes, issues, issuers, geographies or industries. In addition, assets will be assigned to a variety of investment managers that employ a range of investment management strategies. No single investment management firm shall be authorized to manage more than 15% of the Plan's assets without Board approval, with the exception of passive management where the Plan's assets are not held in the Plan's name at the Plan's custody bank. In such cases, there is no concentration limit. As a general rule, Plan assets placed with an investment manager should not represent more than 10% of the total assets managed by that firm, without prior Board approval. As of June, 30, 2020 and 2019, the Plan did not hold investments in any one issuer, excluding U.S. government guaranteed investments, that represented five percent or more of the total plan net position or total investments.

Derivatives – The Plan's investment policy allows for investments in derivative instruments that comply with the Plan's objectives of providing a cost effective means of managing portions of a portfolio and to manage risk through hedging activities. The Plan is currently authorized to use derivative strategies to equitize cash during portfolio transitions until physical securities are in place and to reproduce or replicate a physical holding that corresponds to a Board approved policy benchmark. In addition to the Plan's internal derivative policies, it is understood that the mandates of certain investment managers retained by the Plan may use derivatives.

Derivative investments are reported at fair value. Derivative instruments traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates, if applicable. Futures contracts are marked-to-market at the end of each trading day, and the settlement of gains or losses occur on the following business day through variation margins. As a result, futures have no fair value as of June 30, 2020 or 2019.

The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated based on the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

The fair values and notional amounts for derivative instruments outstanding as of June 30, 2020 and 2019, classified by type, and the changes in fair value of such derivative instruments for the years then ended as reported in the 2020 and 2019 financial statements are as follows (amounts in thousands):

	Net Appreciation / (Depreciation) in Fair Value of Investments through June 30, 2020		Fair Value at June 30, 2020		
Investment Derivative Instruments	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount / Shares**
Fixed income futures long	Investment income	$ (374)	Futures	-	126,800
Fixed income futures short	Investment income	(164)	Futures	-	(9,800)
FX forwards	Investment income	63	Long term instruments	$ (21)	$ 6,665
Index futures long	Investment income	4,617	Futures	-	29
Index futures short	Investment income	(4,505)	Futures	-	(11)
Total Derivative Instruments		**$ (363)**		**$ (21)**	

NOTE 3 - INVESTMENTS (continued)

	Net Appreciation / (Depreciation) in Fair Value of Investments through June 30, 2019		Fair value at June 30, 2019		
Investment Derivative Instruments	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount / Shares**
Fixed income futures long	Investment income	$ (51)	Futures	-	-
Fixed income futures short	Investment income	28	Futures	-	-
FX forwards	Investment income	(4,770)	Long term instruments	$ 65	$ 6,244
Index futures long	Investment income	2,892	Futures	-	10
Index futures short	Investment income	(1,112)	Furtures	-	-
Rights	Investment income	3	Common stock	-	-
Total Derivative Instruments		**$ (3,010)**		**$ 65**	

Derivative investments are also subject to counterparty credit risk (non-exchange traded). The following describes the risks applicable to the investment derivative instruments that are reported as of June 30, 2020 and 2019.

Counterparty Credit Risk - The Plan is exposed to credit risk on derivative instruments that are in asset positions and non-exchange traded. The Plan's investments in forward currency contracts bear counterparty credit risk in that parties to the contracts may fail to perform according to the terms of the contract. As of June 30, 2020, total commitments in forward currency contracts to purchase and sell international currencies were $6,665,000, with fair values of $6,673,000 and $6,694,000, respectively, held by counterparties with S&P rating of at least AA-. As of June 30, 2019, total commitments in forward currency contracts to purchase and sell international currencies were $6,244,000 with fair values of $6,262,000 and $6,197,000, respectively, held by counterparties with S&P rating of at least AA-.

Fair Value Measurements - The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; 3) inputs other than quoted prices that are observable for the asset or liability; and 4) market-corroborated inputs.

Level 3 inputs are unobservable inputs for an asset or liability where there are little market activities. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimation.

NOTE 3 - INVESTMENTS (continued)

The Plan has the following recurring fair value measurements as of June 30, 2020 and June 30, 2019:

Investments Measured At Fair Value As of June 30, 2020		Fair Value Measurement Using			
(In Thousands)	Total	Level 1	Level 2	Level 3	Net Assets Value (NAV)
Investments by Fair Value Level					
Public equity	$ 1,801,787	$ 376,896	$ -	$ -	$ 1,424,891
Private equity	356,946	-	-	10,507	346,439
Investment grade bonds	325,289	6,679	68,232	-	250,378
Private debt	196,648	-	-	6,149	190,499
Immunized cash flows	163,610	81,228	82,382	-	-
Core real estate	156,539	-	-	-	156,539
Growth real estate	128,229	-	-	-	128,229
Market neutral strategies	119,593	-	-	-	119,593
Emerging market bonds	117,056	-	-	-	117,056
Long-term government bonds	111,450	-	-	-	111,450
Treasury inflation-protected securities	74,813	74,813	-	-	-
High yield bonds	74,289	71	-	-	74,218
Cash and cash equivalents	69,050	69,050	-	-	-
Short-term investment grade bonds	51,249	51,249	-	-	-
Private real assets	34,056	-	-	-	34,056
Commodities	9,067	-	-	-	9,067
International currency contracts, net	(21)	(21)	-	-	-
Total investments measured at fair value	**$ 3,789,650**	**$ 659,965**	**$ 150,614**	**$ 16,656**	**$ 2,962,415**

Investments Measured at Fair Value As of June 30, 2019		Fair Value Measurement Using			
(In Thousands)	Total	Level 1	Level 2	Level 3	Net Asset Value (NAV)
Investments by Fair Value Level					
Public equity	$ 1,185,780	$ 341,883	$ -	$ -	$ 843,897
Short-term investment grade bonds	722,360	722,360	-	-	-
Private equity	460,412	-	-	2,580	457,832
Market neutral strategies	263,211	-	-	-	263,211
Private debt	189,201	-	10,332	8,493	170,376
Immunized cash flows	178,976	96,983	81,993	-	-
Core real estate	148,683	6,304	-	-	142,379
Emerging market bonds	116,277	-	-	-	116,277
Soveregin bonds ex US	102,860	-	102,860	-	-
Growth real estate	101,577	-	-	-	101,577
Commodities	79,835	-	-	-	79,835
Treasury inflation-protected securities	74,200	74,200	-	-	-
Cash and cash equivalents	51,340	51,340	-	-	-
Private real estate	34,679	-	-	-	34,679
High yield debt	17,678	89	-	-	17,589
International currency contracts, net	65	65	-	-	-
Total investments measured at fair value	**$ 3,727,134**	**$ 1,293,224**	**$ 195,185**	**$ 11,073**	**$ 2,227,652**

NOTE 3 - INVESTMENTS (continued)

Equity and Fixed Income Securities

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices for similar securities that are observable in the market place. Debt and equity securities classified in Level 3 are securities whose inputs to valuation techniques are unobservable by the market place. Many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading date of the period. These prices are obtained from various pricing sources by the custodian bank.

Alternative Investments

Alternative investments include public equity, private equity, core real estate, growth real estate, high yield debt, market neutral strategies, emerging market bonds, commodities, private debt, and private real assets. These are investments for which exchange quotations are not readily available and are valued at estimated fair value, as determined in good faith by the General Partner (GP) of each investment firm retained by the Plan. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results and other factors deemed relevant by the GP. The assets in the alternative investment program are classified as Level 3 assets or at the NAV. A more detailed explanation of the Level 3 and NAV valuation methodologies follows.

Investments in non-public equity securities are valued by the GP using one or more valuation methodologies outlined in GASB Statement No. 72, Fair Value Measurement and Application, depending upon the availability of data required by each methodology. In some cases, the GP may use multiple approaches to estimate a valuation range. For the immediate time period following a transaction, the determination of the fair value for equity securities, in which no liquid trading market exists, can generally be approximated based on the transaction price (absent any significant developments). Thereafter, or in the interim, if significant developments relating to such portfolio company or industry occur which may suggest a material change in value, the GP should value each investment by applying generally accepted valuation methods including: (1) the market approach (such as market transaction and comparable public company multiples, which are based on a measurement of the company's historical and projected financial performance with typical metrics including enterprise value / latest 12 months EBITDA or projected fiscal year EBITDA) or (2) the income or discounted cash flow approach.

The determination of fair value using these methodologies should take into consideration a range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading value on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. Because of the subjective nature of estimated fair value of the private investments, such value may differ significantly from the values that would have been used had a ready market existed for these investments. These financial instruments have been classified as Level 3 or NAV in the fair value hierarchy provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with GAAP requirements. These investments are not categorized within the fair value hierarchy.

NOTE 3 - INVESTMENTS (continued)

The following tables present the category, fair value, unfunded commitments, redemption frequency and redemption notice period for investments for which fair value is presented using the NAV as of June 30, 2020 and 2019:

Investments Measured at the NAV As of June 30, 2020 (In Thousands)	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Public equity	$ 1,424,891	$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	346,439	38,600	Daily, N/A	1 Day, N/A
Investment grade bonds	250,378	-	Daily	3 Days
Private debt	190,499	99,100	N/A	N/A
Core real estate	156,539	43,880	Quarterly	90 Days
Growth real estate	128,229	98,300	N/A	N/A
Market neutral strategies	119,593	-	Monthly, Bi-Annual	45 - 65 Days
Emerging market bonds	117,056	-	Daily, Quarterly	1 - 45 days
Long-term government bonds	111,450	-	Daily	3 Days
High yield bonds	74,218	-	Daily	3 Days
Private real assets	34,056	20,000	N/A	N/A
Commodities	9,067	-	Daily	3 Days
Total investments measured at NAV	**$ 2,962,415**	**$ 299,880**		

Investments Measured at the NAV As of June 30, 2019 (In Thousands)	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Public equity	$ 843,897	$ -	Daily, Monthly, Quarterly	1 - 90 Days
Private equity	457,832	-	Daily, N/A	30 Day, N/A
Market neutral strategies	263,211	-	Weekly, Monthly, Quarterly	14 - 75 Days
Private debt	170,376	88,855	N/A	N/A
Core real estate	142,379	14,880	Quarterly, N/A	14 - 60 Days, N/A
Emerging market bonds	116,277	-	Daily, Quarterly	45 - 60 Days
Growth real estate	101,577	77,123	N/A	N/A
Commodities	79,835	-	Daily	3 Days
Private real assets	34,679	15,188	N/A	N/A
High yield bonds	17,589	-	Quarterly	14 - 60 Days, N/A
Total investments measured at NAV	**$ 2,227,652**	**$ 196,046**		

Public equity - This type includes investments in eleven commingled investment funds. Public equities are shares of ownership of a firm listed on an exchange; the Plan holds global public equities in order to benefit from their total return (capital appreciation plus current yield) over a long-term horizon. The commingled funds liquidity ranges from daily to monthly and the notice periods are between one day and thirty days.

Private equity - This type includes investments in one commingled investment fund and eighteen private equity limited partnership funds, which generally invest in privately held companies. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market. The commingled investment offers daily liquidity with a one day notice.

NOTE 3 - INVESTMENTS (continued)

Investment grade bonds - This type includes investments in two separate accounts and one commingled fund. The purpose of core bonds is to produce returns and income for the Plan by providing exposure to rates and credit risk. The commingled fund offers daily liquidity with a notice period of three days.

Private debt - This type includes investments in eleven private debt limited partnership funds. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market.

Core real estate - This type includes investments in two open ended real estate commingled funds. Core real estate funds typically invest in physical properties. The goal of core real estate is to produce the Plan price appreciation and income while maintaining a low correlation to stocks and bonds held by the Plan. The open-end real estate funds offer quarterly redemptions with notice periods of ninety days.

Growth real estate - This type includes fifteen limited partnership real estate funds which generally invests in physical properties. The goal of growth real estate is to produce the Plan price appreciation and income while maintaining a low correlation to stocks and bonds. The only way to exit these funds is through a sale in a secondary market.

Market neutral strategies - This type includes investments in four limited partnership hedge funds that invest both long and short in a wide array of securities, including listed and OTC derivatives, and typically use leverage and hedging to capture directional market movements or relative market mispricing. The redemption frequencies range from monthly to bi-annual with notice periods of forty five days to sixty five days. Two funds have 25% investor-level redemption gates, while the remaining two funds have no gates.

Emerging market bonds - This type includes investments in two limited partnership funds. Emerging market bonds funds typically invest in contractual cash flows of governments and other sovereign entities, corporations, securitizations, and derivatives thereof in emerging market countries with a sovereign rating less than BBB-. One partnership has quarterly redemption period with a notice period of forty five days; the other has a daily redemption period with a one day notice period.

Long-term government bonds - This type includes investments in a commingled fund. The purpose of the long-term government bonds is to provide a positive return in highly stressed market environments, with a low correlation to equity risk. The commingled fund offers daily liquidity with a notice period of three days.

High yield bonds - This type includes an investment in one commingled fund. The primary purpose of high yield bonds is to provide the Plan with exposure to high yielding corporate debt. The commingled fund offers daily liquidity with a notice period of three days.

Private real assets - This type includes five limited partnership real asset funds. Private real assets are physical or tangible assets that have value due to their substance and properties. The goal of real assets is to help the portfolio maintain purchasing power through periods of inflation. The only way to exit these funds is through a sale in a secondary market.

Commodities - This type includes investments in one limited partnership commodities fund. Commodities are physical or tangible assets that have value due to their substance and properties. The goal of commodities is to help the portfolio maintain purchasing power through periods of inflation. The commodities fund offers daily liquidity with three business days' notice.

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

Net Pension Liability. The components of the net pension liability (i.e., the total pension liability determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, less the plan net position) as of June 30, 2020 and 2019, were as follows (dollars in thousands):

	2020	2019
Total pension liability	$ 5,177,016	$ 4,872,791
Plan fiduciary net position	3,702,020	3,588,422
Net pension liability	$ 1,474,996	$ 1,284,369
Plan fiduciary net position as a percentage of the total pension liability	**71.5 %**	**73.6 %**

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and investment return. Experience studies are performed by the Board's actuary to determine appropriate revision to the actuarial assumptions, as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed in October 2019.

The total pension liability as of June 30, 2020 and 2019 is based on results of an actuarial valuation date of June 30, 2019 and 2018, respectively, and rolled-forward to June 30, 2020 and 2019 using standard roll forward procedures. A summary of the actuarial assumptions used to determine the total pension liability is shown below.

Actuarial Assumptions		
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019
Inflation rate	2.50%	2.75%
Discount rate	6.75% per annum (net of investment expenses) The long-term expected return on assets based on Meketa's capital market assumptions for a 10-year time horizon is 7.2%. The Board applied a margin for adverse deviation to improve the probability of achieving the discount rate.	6.75% per annum (net of investment expenses) The long-term expected return on assets based on Meketa's capital market assumptions for a 20-year time horizon is 7.0%. The Board applied a margin for adverse deviation to improve the probabity of achieving the discount rate.
Post-retirement mortality		
(a) Healthy retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy male and female retirees projected using MP-2019 on a generational basis from the base year of 2010	CALPERS 2009 Healthy Annuitant Mortality Table multiplied by 0.948 for males and 1.048 for females and projected using SOA MP-2017 on a generational basis from the base year of 2009
(b) Disability retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees projected using MP-2019 on a generational basis from the base year of 2010	CALPERS 2009 Industrial Disability Mortality Table for males and females multiplied by 0.903 and projected using SOA MP-2017 on a generational basis from the base year of 2009
(c) Benficiaries	0.948 times the CalPERS 2009 Healthy Annuitant Mortality Table for males and 1.048 times the CalPERS 2009 Healthy Annuitant Mortiality Table for females	

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

Actuarial Assumptions		
Rate of service retirement, withdrawal, death, disability retirements	Based upon the June 30, 2019, actuarial experience analysis	Based upon the June 30, 2017, actuarial experience analysis
Salary increase		
Wage inflation	3.25% per annum (0.75% real wage growth)	3.25% per annum (0.50% real wage growth)
Merit increase	Merit component added based on an individual year's of service ranging from 6.50% to 0.50%	Merit component added based on an individual year's of service ranging from 6.00% to 0.50%
Cost-of-living adjustment	Tier 1 - 3% per year Tier 2 - 2% per year	Tier 1 - 3% per year Tier 2 - 2% per year

The assumption for the long-term expected rate of return on pension plan investments of 6.75% for the valuation years ended June 30, 2019 and 2018, respectively, was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the Board, including nominal expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2020 and 2019, (see the discussion of the Plan's investment policy) are summarized in the following table:

2020

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return	Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	46%	5.4%	Growth real estate	3%	6.1%
Investment grade bonds	12%	(0.1)%	Long-term government bonds	3%	0.2%
Private equity	6%	6.8%	Market neutral strategies	3%	2.1%
Core real estate	5%	3.5%	Private debt	3%	4.4%
Immunized cash flows	5%	(0.9)%	Private real assets	3%	5.0%
Venture / growth capital	4%	6.6%	High yield bonds	2%	2.6%
Emerging market bonds	3%	2.0%	Treasury inflation-protected securities	2%	(0.1)%

2019

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return	Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	31%	6.2%	Venture / growth capital	4%	7.2%
Short-term investment grade bonds	20%	0.8%	Emerging market bonds	3%	2.6%
Private equity	8%	7.3%	Growth real estate	3%	5.3%
Market neutral strategies	7%	2.7%	Private real assets	3%	6.7%
Core real estate	5%	3.1%	Sovereign bonds ex US	3%	(0.3)%
Immunized cash flows	5%	0.8%	Commodities	2%	2.3%
Private debt	4%	4.6%	Treasury inflation-protected securities	2%	1.0%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.75% for the measurement years ended June 30, 2020 and 2019, respectively. It is assumed that Plan member contributions and City contributions will be made based on the actuarially determined rates based on the Board's funding policy. Based on those assumptions, the Plan's net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in Discount Rate. In accordance with GASB Statement No. 67 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the City, as of June 30, 2020 and 2019, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.0% lower (5.750%) or 1.0% higher (7.750%) than the current rate (in thousands):

	2020			2019		
	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Total pension liability	$ 5,933,919	$ 5,177,016	$ 4,565,907	$ 5,582,819	$ 4,872,791	$ 4,298,441
Plan fiduciary net position	3,702,020	3,702,020	3,702,020	3,588,422	3,588,422	3,588,422
Net pension liability	$ 2,231,899	$ 1,474,996	$ 863,887	$ 1,994,397	$ 1,284,369	$ 710,019
Plan fiduciary net position as a percentage of the total pension liability	**62.4 %**	**71.5 %**	**81.1 %**	**64.3 %**	**73.6 %**	**83.5 %**

On June 24, 2008, the City Council adopted Ordinance No. 28332 amending Chapter 3.36 of Title 3 of the San José Municipal Code to provide the City with the option to make lump sum payments of City required contributions to the Plan (referred to as prefunding).

In January 2011, the Board adopted a funding policy (referred to as the floor methodology) setting the City's funding policy contribution amount to be the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

In October 2014, the Board approved implementing an incremental reduction approach to determining "actuarial equivalence" for the prefunding when the economic expansion has exceeded 58 months in duration and/or the S&P 500 has returns in excess of 130%. This approach will ensure that as business expansions and/or market valuation mature and exceed historic norms, the Plan reduces the incentive for the City to prefund its contributions. The incremental reduction to the discount rate that is used to calculate the prefunding is 15% per year, up to a maximum of 45%, which was the reduction for fiscal year June 30, 2020.

In February 2016, the Board approved the City's request that the floor methodology for Tier 1 be used only for the annual employer Normal Cost contribution (which includes administrative expenses) and that the annual employer Unfunded Actuarial Liability (UAL) contribution be set at the dollar amount recommended by the actuary and adopted by the Board in the annual actuarial valuation report beginning fiscal year 2017.

San Jose City Council Ordinance No. 29266 and Ordinance No. 29511 implemented the terms of a stipulated arbitration award for Police Tier 2 and Fire Tier 2 pension benefits, respectively. Police Tier 2 members are any new Plan members hired on or after August 4, 2013; Fire Tier 2 members are any new Plan members hired on or after January 2, 2015. The new tiers include significant benefit changes from the existing Police Tier 1 and Fire Tier 1 plans as described in Note 1. In addition, the contribution rates for Police Tier 2 and Fire Tier 2 members include a change in the cost sharing between the City and

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

active Police Tier 2 and Fire Tier 2 members which is a 50/50 split of all costs, including UAL. Currently, Police Tier 1 and Fire Tier 1 members split normal cost with 8/11 paid by the City and 3/11 paid by Police Tier 1 and Fire Tier 1 members. The responsibility for funding the UAL is generally not shared with the Police Tier 1 and Fire Tier 1 employees.

Beginning September 2014, the Board approved the City's request to exclude Tier 2 from the floor methodology to ensure that the City does not pay more than the actuarially determined contribution (ADC). Therefore, the contribution rate determined by the actuary multiplied by the actual payroll will be used to determine the contribution.

On April 4, 2019, the Board approved the City decision to not prefund Tier 1 contributions for the fiscal year ending June 30, 2020. The City decided that the amount required to prefund, at the discount rate, would not result in beneficial savings to the City for this fiscal year.

The City's contributions for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2020 and 2019 were as follows.

Fiscal Year			2020		
Actuarial Valuation Year			**2018**		
(In Thousands)	**Police Tier 1**	**Fire Tier 1**	**Police Tier 2**	**Fire Tier 2**	**Total**
Actual payroll	$96,582	$75,571	$44,315	$13,933	$230,401
City normal cost rate for pension and COLA	31.43%	32.25%	14.06%[1]	15.39%[1]	
Regular contributions paid throughout the year	30,356	24,372	6,231	2,144	63,103
Unfunded Actuarial contribution paid throughout the year	70,024	55,031	-	-	125,055
Adjustments and accruals	122	124	64	13	323
Total contributions for the fiscal year	**$100,502**	**$79,527**	**$6,295**	**$2,157**	**$188,481**

[1] *Police Tier 2 and Fire Tier 2 CIty contribution rates include UAL percentages of 0.04% and 0.05%, respectively*

Fiscal Year			2019		
Actuarial Valuation Year			**2017**		
(In Thousands)	**Police Tier 1**	**Fire Tier 1**	**Police Tier 2**	**Fire Tier 2**	**Total**
Actual payroll	$100,809	$74,542	$32,807	$10,461	$218,619
Actuarial payroll	92,624	74,845	N/A	N/A	N/A
Actual payroll in excess of actuarial payroll	8,185	-	N/A	N/A	N/A
City normal cost rate for pension and COLA	30.28%	-	N/A	N/A	N/A
Additional contributions due to the floor methodology	2,478	-	N/A	N/A	2,478
Prefunded contributions amount (BOY)[1]	88,684	72,363	N/A	N/A	161,047
Regular contributions paid throughout the year	-	-	4,449	1,570	6,019
Adjustments and accruals	4,047	2,944	69	14	7,074
Total contributions for the fiscal year	**$95,209**	**$75,307**	**$4,518**	**$1,584**	**$176,618**

[1] *Beginning of year*

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

Contributions to the Defined Benefit Pension Plan are actuarially determined to provide adequate asset to pay benefits when due. The City's Tier 1 UAL contribution is actuarially determined as a minimum dollar amount. All other contributions are an actuarially determined percentage of each member's covered payroll. The contribution rates and amounts for fiscal years ended June 30, 2020 and 2019 were based on the actuarial valuations performed as of June 30, 2018 and 2017, respectively.

The City and the participating member's contribution rates in effect for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2020 and 2019 were as follows:

	City-Board Adopted						Member[2]			
Period	Police Tier 1	Minimum Dollar Amount[3]	Police Tier 2	Fire Tier 1	Minimum Dollar Amount[3]	Fire Tier 2	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2
06/28/2020-06/30/2020	31.80%		14.18%	33.18%		15.53%	10.72%	14.18%	11.72%	15.53%
07/01/2019-06/27/2020	31.43%	$ 70,024,000	14.06%	32.25%	$ 55,031,000	15.39%	10.70%	14.06%	11.46%	15.39%
07/01/2018-06/30/2019[1]	30.28%	$ 62,305,500	13.71%	31.20%	$ 50,725,182	15.13%	10.28%	13.71%	11.09%	15.13%

1 *The actual contribution rates paid by the City for fiscal year ended June 30, 2019 differed from what is above for Tier 1 due to the City funding the actuarially determined contribution amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.*

2 *Under Measure F, certain Tier 2 members who had previous Tier 1 service or prior service with a reciprocal employer were reclassified to Tier 1. Ordinance No. 30145, which became effective October 12, 2018, amended the Municipal Code to reflect these changes. Effective 3/24/2019, reclassified Tier 1 members paid an additional 1.96% in contributions, members with prior Federated Service reclassified to Tier 1 paid an additional 0.87% in contributions, and Classic Tier 1 members paid an additional 0.47% in contributions.*

3 *Contributions are structured as a normal cost, plus a payment on the Unfunded Actuarial Liability (UAL). City contributions are administered as a contribution rate plus a minimum dollar amount based on actuarial payroll.*

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

Net OPEB Liability. The components of the net Other Postemployment Benefit (OPEB) liability of the Plan, including all of the healthcare sub-trusts, (i.e., the Plan's liability determined in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* less the plan fiduciary net position) as of June 30, 2020 and 2019, were as follows (dollars in thousands):

	Police		Fire	
	2020	2019	2020	2019
Total OPEB liability	$ 454,500	$ 493,128	$ 271,288	$ 290,954
Plan fiduciary net position	137,789	124,990	70,743	60,967
Net OPEB liability	$ 316,711	$ 368,138	$ 200,545	$ 229,987
Plan fiduciary net position as a percentage of the total OPEB liability	**30.3 %**	**25.4 %**	**26.1 %**	**21.0 %**

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

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

Examples include assumptions about future employment, mortality and investment return. Experience studies are performed by the Board's actuary to determine appropriate revisions to the actuarial assumptions, as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed in October 2019.

The total OPEB liability as of June 30, 2020 and 2019 is based on results of an actuarial valuation date of June 30, 2019 and 2018, and rolled-forward to June 30, 2020 and 2019 using generally accepted actuarial procedures.

A summary of the actuarial assumptions used to determine the total OPEB liability is shown below.

Actuarial Assumptions		
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019
Actuarial cost method	Entry age normal, level of percentage of pay	Entry age normal, level of percentage of pay
Discount rate	6.50%	6.50%
Inflation rate	2.50%	2.75%
Projected payroll increases		
Wage inflation rate	3.25% for FY 2020 and for all years.	3.25% for FY 2019 and for all years.
Merit increase	Merit component added based on an individual's years of service ranging from 6.50% to 0.50%.	Merit component added based on an individual's years of service ranging from 6.00% to 0.50%.
Rates of Mortality	Mortality is projected from 2010 on a generational basis using the SOA MP-2019	Mortality is projected from 2009 on generational basis using the SOA MP-2017 scale
Healthy retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010 (A)) for healthy male and female retirees	0.948 times the CALPERS 2009 Healthy Annuitant Mortality Table for males and 1.048 times the CalPERS 2009 Healthy Annuitant Mortality Table for females
Disabled retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees	0.903 times the CalPERS 2009 Industrial Disability Mortality Table for males and females
Beneficiaries	0.948 times the CalPERS 2009 Healthy Annuitant Mortality Table for males and 1.048 times the CalPERS 2009 Healthy Annuitant Mortality Table for females.	
Healthy non-annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy males and females	0.948 times the CalPERS 2009 Employee Mortality Table for males and 1.048 times the CalPERS 2009 Employee Mortality Table for females
Healthcare Cost Trend Rates		
Medical	The valuation assumes that future medical inflation will be at a rate of 7.66% to 3.94% per annum graded down over a 55 year period for medical pre-age 65 and 4.11% to 3.94% per annum for medical post-age 65.	The valuation assumes that future medical inflation will be at a rate of 8.00% to 4.25% per annum graded down over a 15 year period for medical pre-age 65 and 6.00% to 4.25% per annum graded down over a 15 year period for medical post-age 65.
Dental	Dental inflation is assumed to be 3.50%	Dental inflation is assumed to be 3.50%

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

The assumption for the long-term expected rate of return on OPEB plan investments of 6.50% for the valuation years ended June 30, 2019 and 2018, respectively, was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the Board, including nominal expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2020 and 2019, are summarized in the following table. The assets are invested in both a 401(h) within the pension plan and in 115 subtrusts. The table refers only to the 115 subtrusts. The allocation for the 401(h) is described above in Note 4 (see the discussion of the Plan's investment policy).

	2020		2019	
Asset Class	**Target Asset Allocation**	**Long-Term Expected Real Rate Return**	**Target Asset Allocation**	**Long-Term Expected Real Rate of Return**
Public equity	56.0%	5.4%	56.0%	6.1%
Short-term investment grade bonds	29.0%	(0.5)%	29.0%	0.8%
Core real estate	10.0%	4.7%	10.0%	4.3%
Commodities	5.0%	1.7%	5.0%	2.3%
Cash and cash equivalents	0.0%	(0.9)%	0.0%	0.3%

Discount Rate. The discount rate used to measure the total OPEB liability was 6.5% for the measurement years ended June 30, 2020 and 2019, respectively, and is based on the long-term expected rate of return on investments. It is assumed that Plan member contributions are 8.0% of pay for employees eligible to participate in the postemployment healthcare plan and the City contributes the actuarially determined contribution toward the explicit subsidy up to maximum of 11.0% of the total Police and Fire payroll and also contributes the implicit subsidy on a pay-as-you-go basis. Based on those assumptions, the Plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in Discount Rate. In accordance with GASB Statement No. 74 regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following presents the net OPEB liability of the City, as of June 30, 2020 and 2019, calculated using the discount rate of 6.50%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	Police					
	2020			2019		
	1% Decrease (5.50%)	**Discount Rate (6.50%)**	**1% Increase (7.50%)**	**1% Decrease (5.50%)**	**Discount Rate (6.50%)**	**1% Increase (7.50%)**
Total OPEB liability	$ 525,742	$ 454,500	$ 397,475	$ 567,205	$ 493,128	$ 433,426
Plan fiduciary net position	137,789	137,789	137,789	124,990	124,990	124,990
Net OPEB liability	$ 387,953	$ 316,711	$ 259,686	$ 442,215	$ 368,138	$ 308,436
Plan fiduciary net position as a percentage of the total OPEB liability	**26.2 %**	**30.3 %**	**34.7 %**	**22.0 %**	**25.3 %**	**28.8 %**

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

	Fire					
	2020			2019		
	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Total OPEB liability	$ 312,599	$ 271,288	$ 238,081	$ 333,050	$ 290,954	$ 256,838
Plan fiduciary net position	70,743	70,743	70,743	60,967	60,967	60,967
Net OPEB liability	$ 241,856	$ 200,545	$ 167,338	$ 272,083	$ 229,987	$ 195,871
Plan fiduciary net position as a percentage of the total OPEB liability	**22.6 %**	**26.1 %**	**29.7 %**	**18.3 %**	**21.0 %**	**23.7 %**

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1.0% lower (6.66% decreasing to 2.50%) or 1.0% higher (8.66% decreasing to 4.50%) than the current healthcare cost trend rates (dollar amounts in thousands):

	Police					
	2020			2019		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$ 391,661	$ 454,500	$ 533,054	$ 427,512	$ 493,128	$ 574,712
Plan fiduciary net position	137,789	137,789	137,789	124,990	124,990	124,990
Net OPEB liability	$ 253,872	$ 316,711	$ 395,265	$ 302,522	$ 368,138	$ 449,722
Percentage of the total OPEB liability	**35.2 %**	**30.3 %**	**25.8 %**	**29.2 %**	**25.3 %**	**21.7 %**

	Fire					
	2020			2019		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$ 233,967	$ 271,288	$ 318,077	$ 252,507	$ 290,954	$ 338,863
Plan fiduciary net position	70,743	70,743	70,743	60,967	60,967	60,967
Net OPEB liability	$ 163,224	$ 200,545	$ 247,334	$ 191,540	$ 229,987	$ 277,896
Percentage of the total OPEB liability	**30.2 %**	**26.1 %**	**22.2 %**	**24.1 %**	**21.0 %**	**18.0 %**

For the fiscal year ended June 30, 2020, Police Department and Fire Department employer contributions were made to the Police Department Postemployment 115 Healthcare Plan and the Fire Department Postemployment 115 Healthcare Plan, respectively. Employee postemployment healthcare contributions were made to the Postemployment Healthcare 401(h) Plan. It is unknown at this time when employee contributions to the Police Department Postemployment 115 Healthcare Plan and the Fire Department Postemployment 115 Healthcare Plan will begin, even though the Plan received an IRS private letter ruling on the tax qualification of the Section 115 Trust on July 9, 2014. The Postemployment Healthcare Plan is comprised of the 401(h) Plan and the two 115 Subtrusts.

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

On June 24, 2008, the City Council adopted Ordinance No. 28332 amending Chapter 3.36 of Title 3 of the San José Municipal Code to provide the City with the option to make lump sum payments of City required contributions to the Plan (referred to as prefunding).

In January 2011, the Board adopted a funding policy (referred to as the floor methodology) setting the City's funding policy contribution amount to be the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

In September 2014, the Board approved the City's request to exclude all forms of Tier 2 from the floor methodology to ensure that the City does not pay more than the actuarially determined contribution (ADC) and the contributions are based on the ADC percentages developed by the actuary. Instead, the contribution rate determined by the actuary multiplied by the actual payroll is what will be used.

In October 2014, the Board approved implementing an incremental reduction approach to determining "actuarial equivalence" for the prefunding when the economic expansion has exceeded 58 months in duration and/or the S&P 500 has returns in excess of 130%. This approach will ensure that as business expansions and/or market valuation mature and exceed historic norms, the Plans reduce the incentive for the City to prefund its contributions. The incremental reduction to the discount rate that is used to calculate the prefunding is 15% per year, up to a maximum of 45%, which was the reduction for fiscal year June 30, 2019.

Historically, member and City contributions to the Plan have been negotiated through collective bargaining separately for Police and Fire and have not been actuarially determined. No amount was determined on an actuarial basis for the Trusts prior to fiscal year 2019.

With the passage of Measure F, the Alternative Pension Reform Settlement Framework became effective as of June 16, 2017. A Voluntary Employee Beneficiary Association (VEBA) for retiree healthcare was created and Tier 1 members were eligible for a irrevocable opt-out of the defined benefit retiree healthcare plan. The VEBA opt-in election period was October 18, 2017 through December 15, 2017, and the healthcare contributions of members who opted in to the VEBA was transferred out of the Postemployment Healthcare Plan in March 2018, after the IRS issued a private letter ruling to the Trusts allowing this. The VEBA is being implemented by the City, not ORS, and therefore it is also not under the jurisdiction of the Retirement Board.

With the implementation of Measure F, Tier 1 member contributions became fixed at 8.0% of pay effective March 25, 2018, when the VEBA was implemented. Beginning with fiscal year 2018-2019, the City's contribution toward the explicit subsidy became actuarially determined separately for Police and Fire, and the City also paid the implicit subsidy on a pay-as-you-go basis as a part of the active health premiums. In addition, the City has an option to limit its contribution for the explicit subsidy to 11.0% of Police and Fire payroll. The explicit subsidy (or premium subsidy) is paid by the Plan and is the premium for health coverage selected by the retiree, up to 100% of the premium for the lowest cost plan offered to active employees. The implicit subsidy is the difference between the expected claims cost for a retiree or spouse and the total (retiree plus City) premium.

With the implementation of Measure F and VEBA, Tier 2 members were automatically placed into the VEBA. The City and the bargaining units agreed that the City Manager should, pursuant to Municipal Code section 3.36.576(c), terminate the existing Tier 2 retiree medical benefits plan effective July 30, 2017, such that Tier 2 members shall not be provided benefits or make contributions to the Healthcare Plan. The City will, however, continue to make the same retiree healthcare contributions that it was already making in order to ensure that payment towards the unfunded liability would continue and to ensure that the healthcare plan receives its full annual required contribution each year.

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

In March 2018, the Board approved the contribution policy that sets the City health care contributions as a flat dollar amount, beginning with fiscal year 2019. The City's contribution for the Postemployment Heathcare Plan during the fiscal year ended June 30, 2020, was $27,350,000, $24,003,000 in City explicit subsidy contributions, $3,347,000 in implicit subsidy, and $(161,000) in adjustments and accruals. The City's contribution for the Postemployment Heathcare Plan during the fiscal year ended June 30, 2019, $28,744,000, $22,062,000 in City explicit subsidy contributions, $5,716,000 in implicit subsidy, and $966,000 in adjustments and accruals.

The City and the participating member's contribution rates in effect for the Postemployment Healthcare Plans during the fiscal years ended June 30, 2020 and 2019 were as follows:

	City-Board Adopted		Member			
Period	Police Tier 1 / Tier 2	Fire Tier 1 / Tier 2	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2
07/01/2019-06/30/2020	$14,595,000[2]	$9,408,000[2]	8.00 %	0.00 %	8.00 %	0.00 %
07/01/2018-06/30/2019	$13,471,000[1]	$8,591,000[1]	8.00 %	0.00 %	8.00 %	0.00 %

[1] *Beginning of year, explicit subsidy amount*

[2] *Throughout the year, explicit subsidy amount*

NOTE 6 - COMMITMENTS

Commitments – As of June 30, 2020 and June 30, 2019, the Plan had unfunded commitments to contribute capital for investments in the amount of $299,880,000 and $196,046,000, respectively.

NOTE 7 - LITIGATION

The Plan handles various claims and legal actions in the ordinary course of its business. In the opinion of management and independent legal counsel, the ultimate disposition of these matters is not likely to have a material adverse effect on the Plan's financial position as a whole.

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS - DEFINED BENEFIT PENSION PLAN (unaudited)

(Dollars in Thousands)

Total Pension Liability	2020	2019	2018	2017	2016	2015	2014
Service cost (middle of year)	$ 87,641	$ 81,883	$ 75,481	$ 72,760	$ 74,531	$ 74,895	$ 75,030
Interest (includes interest on service cost)	329,612	313,565	300,378	290,961	274,487	262,738	251,701
Changes of benefit terms	-	-	178	5,752	-	-	-
Differences between expected and actual experience	37,127	(17,011)	33,082	67,557	(8,673)	21,457	-
Change of assumptions	80,852	76,425	(100,328)	72,680	90,179	56,311	-
Benefit payments, including refunds of member contributions	(231,007)	(218,008)	(206,630)	(196,032)	(186,939)	(176,253)	(167,397)
Net Change in Total Pension Liability	**304,225**	**236,854**	**102,161**	**313,678**	**243,585**	**239,148**	**159,334**
Total Pension Liability - Beginning	**4,872,791**	**4,635,937**	**4,533,776**	**4,220,098**	**3,976,513**	**3,737,365**	**3,578,031**
Total Pension Liability - Ending	**$ 5,177,016**	**$ 4,872,791**	**$ 4,635,937**	**$ 4,533,776**	**$ 4,220,098**	**$ 3,976,513**	**$ 3,737,365**
Plan Fiduciary Net Position							
Contributions - employer	$ 188,481	$ 176,618	$ 157,712	$ 136,957	$ 132,480	$ 129,279	$ 123,583
Contributions - employee	27,645	24,811	23,841	20,580	21,508	20,747	21,115
Net investment income	134,085	114,179	233,475	292,734	(29,206)	(27,690)	404,977
Benefit payments, including refunds of member contributions	(231,008)	(218,008)	(206,630)	(196,032)	(186,939)	(176,253)	(167,397)
Administrative expense	(5,605)	(5,369)	(5,464)	(4,635)	(4,254)	(4,191)	(3,631)
Net Change in Plan Fiduciary Net Position	**$ 113,598**	**$ 92,231**	**$ 202,934**	**$ 249,604**	**$ (66,411)**	**$ (58,108)**	**$ 378,647**
Plan Fiduciary Net Position - Beginning	**3,588,422**	**3,496,191**	**3,293,257**	**3,043,653**	**3,110,064**	**3,168,172**	**2,789,525**
Plan Fiduciary Net Position - Ending	**$ 3,702,020**	**$ 3,588,422**	**$ 3,496,191**	**$ 3,293,257**	**$ 3,043,653**	**$ 3,110,064**	**$ 3,168,172**
Net Pension Liability - Ending	**$ 1,474,996**	**$ 1,284,369**	**$ 1,139,746**	**$ 1,240,519**	**$ 1,176,445**	**$ 866,449**	**$ 569,193**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**71.51 %**	**73.64 %**	**75.41 %**	**72.64 %**	**72.12 %**	**78.21 %**	**84.77 %**
Covered Payroll	**$ 230,401**	**$ 218,619**	**$ 203,164**	**$ 188,177**	**$ 186,874**	**$ 180,226**	**$ 180,083**
Net Pension Liability as a Percentage of Covered Payroll	**640.19 %**	**587.49 %**	**561.00 %**	**659.23 %**	**629.54 %**	**480.76 %**	**316.07 %**

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

SCHEDULE OF INVESTMENT RETURNS - DEFINED BENEFIT PENSION PLAN (unaudited)

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	2.98%	4.00%	6.89%	9.68%	(0.85)%	0.85%	13.0%

The rate shown above is based on the Defined Benefit and 401(h) only and does not include the 115 subtrusts. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Required Supplementary Information

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

(Dollars in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 188,481	$ 176,618	$ 157,712	$ 136,957	$ 132,480	$ 129,279	$ 123,583	$ 105,234	$ 121,008	$ 77,918
Contributions in relation to actuarially determined contribution	188,481	176,618	157,712	136,957	132,480	129,279	123,583	105,234	121,008	77,918
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 230,401	$ 218,619	$ 203,164	$ 188,177	$ 186,874	$ 180,226	$ 180,083	$ 180,333	$ 184,750	$ 222,464
Contributions as a percentage of covered payroll	81.81%	80.79%	77.63%	72.78%	70.89%	71.73%	68.63%	58.36%	65.50%	35.02%

Actuarial valuations have been performed biennially through June 30, 2007. Effective with the June 30, 2009 valuation, which determined contributions rates for fiscal year 2011, the plan transitioned to annual actuarial valuations.

NOTES TO SCHEDULE

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Fiscal Year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Valuation Date	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Actuarial cost method	Entry age	Entry Age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Amortization method	Actuarial gains and losses and plan changes are amortized over a 15-year periods. Methods and assumptions are amortized over closed 20-year periods. All amortizations are a level percent of payroll.	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll
Discount rate	6.75%	6.875%	6.875%	7.0%	7.0%	7.125%	7.25%	7.5%	7.75%	8.0%

Required Supplementary Information *(continued)*

NOTES TO SCHEDULE (continued)

Fiscal Year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Valuation Date	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Salary increases	3.25% per annum (.75% real wage growth) plus merit component based on length of service ranging from 6.00% for new hires to 0.50% for members with 10 or more years of service	3.25% plus merit component based on length of service ranging from 6.75% for new hires to 1.00% for members with 10 or more years of service	3.25% plus merit component based on length of service ranging from 6.00% for new hires to .50% for members with 10 or more years of service	3.25% plus merit component based on length of service ranging from 6.75% for new hires to 1.00% for members with 10 or more years of service	3.25% plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service	2.00% for FY 2015, and 3.50% thereafter plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service	0.00% for FY 2014, and 3.50% thereafter plus merit component based on length of service ranging from 8.00% for new hires to 2.25% for members with 10 or more years of service	0.00% for FY 2013 and 2014, and 3.50% thereafter plus merit component based on length of service ranging from 8.00% for new hires to 2.25% for members with 10 or more years of service	4.25% plus merit component based on length of service ranging from 5.50% for new hires to 1.75% for members with 8 or more years of service	4.25% plus merit component based on length of service ranging from 5.50% from new hires to 1.75% for members with 8 or more years of service
Amortization growth rate	3.25%	3.25%	3.25%	3.25%	3.25%	3.5%	3.5%	4.25%	4.25%	4.25%
Mortality	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using SOA MP-2015 on a generational basis Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using SOA MP-2015 on a generational basis	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP-2015 on a generational basis Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using Scale MP-2015 on a generational basis	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back four years	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back four years, are set forward one year

[1] *Actuarial valuations were performed biennially through June 30, 2007. Effective June 30, 2009, the Plan transitioned to annually.*

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

(Dollars in thousands)

Total OPEB Liability	2020		2019		2018		2018	
	Police	Fire	Police	Fire	Police	Fire	Police	Fire
Service cost (middle of year)	$ 6,848	$ 5,965	$ 8,168	$ 6,835	$ 6,970	$ 6,031	$ 9,218	$ 6,894
Interest (includes interest on service cost)	28,017	16,659	30,378	17,830	28,805	16,509	29,674	17,100
Changes of benefit terms	-	-	-	-	(43,208)	(26,226)	-	-
Differences between expected and actual experience	(64,507)	(34,812)	(3,712)	311	7,881	6,996	-	-
Change of assumptions	6,817	1,750	25,022	13,821	13,450	7,793	-	-
Benefit payments, including refunds of member contributions	(15,803)	(9,228)	(17,235)	(9,168)	(17,113)	(10,573)	(14,931)	(9,868)
Net Change in Total OPEB Liability	**$ (38,628)**	**$ (19,666)**	**$ 42,621**	**$ 29,629**	**$ (3,215)**	**$ 530**	**$ 23,961**	**$ 14,126**
Total OPEB Liability - Beginning	**493,128**	**290,954**	**450,507**	**261,325**	**453,722**	**260,795**	**429,761**	**246,669**
Total OPEB Liability - Ending	**$ 454,500**	**$ 271,288**	**$ 493,128**	**$ 290,954**	**$ 450,507**	**$ 261,325**	**$ 453,722**	**$ 260,795**
Plan Fiduciary Net Position								
Contributions - employer	16,522	10,828	17,785	10,959	14,964	10,418	11,701	8,966
Contributions - employee	7,331	5,804	7,635	5,680	9,294	6,833	10,344	7,772
Net investment income	4,826	2,417	5,232	2,675	5,148	1,923	8,844	3,610
Benefit payments, including refunds of member contributions	(15,803)	(9,228)	(17,235)	(9,168)	(17,113)	(10,573)	(14,931)	(9,868)
Administrative expense	(77)	(45)	(86)	(40)	(115)	(44)	(123)	(58)
VEBA Transfer	-	-	-	-	(5,276)	(2,621)	-	-
Net Change in Plan Fiduciary Net Position	**$ 12,799**	**$ 9,776**	**$ 13,331**	**$ 10,106**	**$ 6,902**	**$ 5,936**	**$ 15,835**	**$ 10,422**
Plan Fiduciary Net Position - Beginning	**$ 124,990**	**$ 60,967**	**$ 111,659**	**$ 50,861**	**$ 104,757**	**$ 44,925**	**$ 88,922**	**$ 34,503**
Plan Fiduciary Net Position - Ending	**$ 137,789**	**$ 70,743**	**$ 124,990**	**$ 60,967**	**$ 111,659**	**$ 50,861**	**$ 104,757**	**$ 44,925**
Net OPEB Liability - Ending	**$ 316,711**	**$ 200,545**	**$ 368,138**	**$ 229,987**	**$ 338,848**	**$ 210,464**	**$ 348,965**	**$ 215,870**
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	**30.32 %**	**26.08 %**	**25.35 %**	**20.95 %**	**24.79 %**	**19.46 %**	**23.09 %**	**17.23 %**
Covered Payroll	**$ 140,897**	**$ 89,504**	**$ 133,617**	**$ 85,002**	**$ 121,585**	**$ 81,579**	**$ 108,424**	**$ 79,752**
Net OPEB Liability as a Percentage of Covered Payroll	**224.78 %**	**224.06 %**	**275.52 %**	**270.57 %**	**278.69 %**	**257.99 %**	**321.85 %**	**270.68 %**

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

SCHEDULE OF INVESTMENT RETURNS - POSTEMPLOYMENT HEALTHCARE PLAN (unaudited)

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	1.95%	4.86%	3.56%	7.17%

The rate shown above is based on the 115 subtrusts only and does not include the 401(h). Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - POSTEMPLOYMENT HEALTHCARE PLANS (unaudited)

Beginning in FYE 2010 for Police and FYE 2012 for Fire members, actual contributions were intended to phase in to the full Annual Required Contribution (ARC) as defined in the bargaining agreements and consistent with the parameters of GASB Statement No. 45, but the contribution rates were capped before the full ARC was reached. With the contribution rates capped, the ARC has been determined as the minimum amount that was consistent with the parameters of GASB Statement No. 45. No amount has been determined on an actuarial basis to fund the plan, and consequently, the schedule of employer contributions was not provided in prior years.

With the implementation of Measure F, fiscal year ending June 30, 2019 is the first year for which an Actuarially Determined Contribution was determined.

	2020		2019	
	Police	Fire	Police	Fire
Actuarially determined contributions (ADC)	$ 16,522	$ 10,828	$ 17,785	$ 10,959
Contributions in relation to ADC	16,522	10,828	17,785	10,959
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 140,897	$ 89,504	$ 133,617	$ 85,002
Contributions as a percentage of covered employee payroll	11.73%	12.10%	13.31%	12.89%

(Dollars in thousands)

NOTES TO SCHEDULE

Fiscal Year	2020	2019
Valuation Date	**2018**	**2017**
Timing	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year
Key Methods and Assumptions used to Determine Contribution Rates:		
Actuarial cost method	Individual entry age	Individual entry age
Asset valuation method	Market value of assets	Market value of assets
Amortization method	25-year layered amortizations with 3-year phase-in and phase-out	25-year layered amortization with 3-year phase-in and phase-out
Discount rate	6.50%	6.875%
Amortization growth rate	3.25%	3.25%
Ultimate rate of medical inflation	4.25%	4.25%
Salary increases	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service
Rates of mortality	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale	Adjusted 2009 CALPERS mortality tables projected on a generational basis with the SOA MP-17 projection scale

A complete description of the methods and assumptions used to determine contributions for the year ending June 30, 2020 and June 30, 2019 can be found in the June 30, 2018 and June 30, 2017 actuarial valuation report, respectively.

Other Supplemental Information

COMBINING SCHEDULE OF DEFINED BENEFIT PENSION PLAN NET POSITION
As of June 30, 2020 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ASSETS			
Receivables			
Employee contributions	$ 923	$ 358	$ 1,281
Employer contributions	4,696	4,231	8,927
Brokers and others	8,765	7,484	16,249
Accrued investment income	60,940	40,140	101,080
Total Receivables	**75,324**	**52,213**	**127,537**
Investments, at fair value			
Securities and other:			
Public equity	996,626	692,635	1,689,261
Private equity	209,066	145,297	354,363
Investment grade bonds	190,524	132,410	322,934
Private debt	115,178	80,047	195,225
Immunized cash flows	95,828	66,598	162,426
Core real estate	84,058	58,419	142,477
Growth real estate	75,105	52,196	127,301
Market neutral strategies	70,046	48,681	118,727
Emerging market bonds	68,561	47,648	116,209
Long-term government bonds	65,277	45,366	110,643
Treasury inflation-protected securities	43,818	30,453	74,271
High yield bonds	43,512	30,239	73,751
Cash and cash equivalents	39,239	27,270	66,509
Private real assets	19,947	13,863	33,810
International currency contracts, net	(12)	(9)	(21)
Total Investments	**2,116,773**	**1,471,113**	**3,587,886**
Capital Assets, net	2,170	1,324	3,494
TOTAL ASSETS	**2,194,267**	**1,524,650**	**3,718,917**
LIABILITIES			
Payable to brokers	9,783	5,467	15,250
Other liabilities	984	663	1,647
TOTAL LIABILITIES	**10,767**	**6,130**	**16,897**
PLAN NET POSITION - RESTRICTED FOR			
Pension benefits	2,183,500	1,518,520	3,702,020
TOTAL PLAN NET POSITION	**$ 2,183,500**	**$ 1,518,520**	**$ 3,702,020**

COMBINING SCHEDULE OF CHANGES IN DEFINED BENEFIT PENSION PLAN NET POSITION

For Fiscal Year Ended June 30, 2020 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ADDITIONS			
Contributions			
Employee	$ 19,868	$ 7,777	$ 27,645
Employer	98,954	89,527	188,481
Total Contributions	**118,822**	**97,304**	**216,126**
Investment income			
Net appreciation in fair value of investments	72,519	49,674	122,193
Interest income	10,831	7,277	18,108
Dividend income	5,629	3,783	9,412
Less: investment expense	(9,346)	(6,282)	(15,628)
Net Investment Income	**79,633**	**54,452**	**134,085**
TOTAL ADDITIONS	**198,455**	**151,756**	**350,211**
DEDUCTIONS			
Retirement benefits	149,943	66,263	216,206
Death benefits	7,420	6,818	14,238
Refund of contributions	460	104	564
Administrative expenses and other	3,364	2,241	5,605
TOTAL DEDUCTIONS	**161,187**	**75,426**	**236,613**
NET INCREASE	**37,268**	**76,330**	**113,598**
PLAN NET POSITION - RESTRICTED FOR PENSION BENEFITS			
BEGINNING OF YEAR	**2,146,232**	**1,442,190**	**3,588,422**
END OF YEAR	**$ 2,183,500**	**$ 1,518,520**	**$ 3,702,020**

Other Supplemental Information *(continued)*

SCHEDULES OF ADMINISTRATIVE EXPENSES AND OTHER

For the Fiscal Years Ended June 30, 2020 and 2019

	2020			2019
	Original Budget	Actual	Under Budget	Actual
Personnel services	$ 3,898,000	$ 3,553,452	$ 344,548	$ 3,334,302
Non-personnel/equipment[1]	1,408,000	1,063,503	344,497	1,026,381
Professional services	1,063,000	700,695	362,305	1,000,776
Amortization expense [2]	-	408,727	-	133,809
TOTAL ADMINISTRATIVE EXPENSES & OTHER	**$ 6,369,000**	**$ 5,726,377**	**$ 1,051,350**	**$ 5,495,268**

[1] *$279,000 and $416,715 of investment-related expenses including data processing were included in the budget approved by the Board for FY 19-20 and FY18-19, respectively. The actual amounts spent for those items are included in the Schedule of Investment Expenses - Other Investment Fees.*

[2] *Amortization expense is excluded from the budget totals since it is a non-cash item.*

SCHEDULES OF PAYMENTS TO CONSULTANTS

For the Fiscal Years Ended June 30, 2020 and 2019

Firm	Nature of Service	2020	2019
Cheiron, Inc.	Actuarial consultant	$ 227,386	$ 247,484
Cortex	Governance consultant	45,270	35,869
Grant Thornton LLP	External auditors	55,427	101,343
Ice Miller, LLC	Tax counsel	18,693	4,356
Levi, Ray, & Shoup	Web development and maintenance	4,624	16,832
Levi, Ray, & Shoup	Programming changes and business continuance services	4,520	8,739
Medical Director/Other Medical	Medical consultants	97,410	180,789
Pension Benefit Information	Reports on deceased benefit recipients	2,319	2,100
Reed Smith, LLP	Legal counsel	144,070	121,776
Saltzman & Johnson	Legal counsel	50,336	95,501
Trendtec, Inc	Temporary staff	50,452	185,687
Other Consultants	Miscellaneous professional services	188	300
TOTAL		**$ 700,695**	**$ 1,000,776**

SCHEDULES OF INVESTMENT EXPENSES

For the Fiscal Years Ended June 30, 2020 and 2019

Investment Managers' Fees	2020	2019
Public equity	$ 3,251,035	$ 3,165,499
Private equity	1,942,699	2,188,269
Investment grade bonds	112,562	-
Growth real estate	2,763,498	-
Private debt	2,104,933	1,292,738
Immunized cash flows	87,559	-
Core real estate	1,161,454	5,166,700
Market neutral strategies	2,108,335	1,896,557
Global fixed income	-	527,819
Treasury inflation-protected securities	36,556	-
High yield bonds / emerging market bonds	68,876	1,263,210
Short-term investment grade bonds	53,801	-
Private real assets	948,208	1,058,508
Sovereign bonds ex US	39,584	-
Commodities	243,411	428,715
Total investment managers' fees	**14,922,511**	**16,988,015**

Other Investment Fees		
Investment consultants	580,000	592,500
Custodian bank	307,702	316,824
Investment legal fees	136,954	93,828
Other investments fees	16,630	17,328
Total other investment fees	**1,041,286**	**1,020,480**
TOTAL INVESTMENT EXPENSES	**$ 15,963,797**	**$ 18,008,495**

Investment Section

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

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

City of San José
Police and Fire Department Retirement Plan
Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2020 and June 30, 2019

MEKETA
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August 27, 2020

Mr. Roberto L. Peña
Director
The City of San Jose Police and Fire Department Retirement Plan
1737 North First Street, Suite 600
San Jose, CA 95112-4505

Dear Mr. Peña:

Please find below a summary of the market environment and Plan performance through June 30, 2020.

Fiscal Year 2020 Year in Review

The past year has seen remarkable shifts in economic and financial market performance. We entered fiscal year 2020 facing considerable uncertainty regarding the path of fiscal and monetary policies, elevated valuations, declining growth in China, a general slowdown in global growth, the potential for additional trade issues, and political uncertainty in Europe (Italy, Greece, Brexit). All of these concerns weighed heavily on most investors' minds. Fast forward to where we sit today at the close of the 2020 fiscal year, and much has changed in the world.

The start of the fiscal year was characterized by widespread concerns regarding slowing global growth. This backdrop of uncertainty prompted major central banks to continue their pivot toward more accommodative policies. Here in the US, ongoing concerns regarding a decline in growth and the trade standoff between the US and China played a key role in the Federal Reserve's decision to cut rates several times, and eventually settle at a range of 1.50-1.75% by December 2019. Considering that the Fed had previously embarked on what was characterized as a fairly aggressive rate-hiking cycle until late 2018 given improvements in the economy, this represented a stark reversal of course. Fed Chairman Jerome Powell indicated that these so called "insurance cuts" were to combat recent weakness in the economy and were not necessarily a part of a longer cycle of interest rate cuts.

Outside of the US, major central banks, notably the European Central Bank ("ECB") and the Bank of Japan, affirmed similar accommodative policy stances. ECB President Mario Draghi, in one of his last formal acts as President, re-initiated the ECB's quantitative easing program, prior to being succeeded by Christine Lagarde in November 2019. Continued monetary accommodation, and increasing whispers of more formal fiscal support, set the stage for strong performance in global equities and other risk assets at the end of 2019.

In the third calendar quarter of 2019, markets experienced mixed results with US stocks and bonds posting gains, while international assets, smaller company stocks, and commodities declined. The calendar year finished strong though as a result of broadly accommodative policy stances, coupled with

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optimism about the pass-through of easier monetary policy to better economic prospects. US equities led the way in the second half of calendar 2020, with the Russell 3000 posting a return of 10.4%, followed by emerging market equities (MSCI Emerging Markets Index) producing a return of 7.1%, and developed international markets (MSCI EAFE) generating a return of 7.0%. With interest rates declining toward multi-decade lows, spread sectors within bond markets enjoyed strong performance as well. Local currency emerging markets debt, US investment grade corporate debt, and US high yield debt led the way; the JP Morgan GBI-EM Global Diversified, Bloomberg Barclays US Corporate Investment Grade, and Bloomberg Barclays US Corporate High Yield indices generated total returns of 4.4%, 4.3%, and 4.0%, respectively in the second half of 2019. The VIX Index (a measure of volatility expectations), which saw a jump in Q4 2019 above 30.0 before ending the year at 25.4, fell markedly as the year came to a close, ending 2019 at an extremely benign level of 13.8. Gold ended the year with a reasonably strong gain, trading at $1,519.50 at the end of 2019, up from $1,278.30 at the end of 2018. WTI Crude ended 2019 at $61.10, an increase from its year-end 2018 level of $45.15.

By most accounts, global financial markets entered calendar year 2020 on relatively strong footing. Equity markets continued their march higher early in the year, despite elevated valuations, as investors increasingly began to price in a reflationary growth impulse, as suggested by leading economic indicators in global developed and emerging markets. However, a relatively optimistic backdrop underwent a remarkably rapid shift over the course of just a few weeks.

In January, the first COVID-19 case was acknowledged by Chinese authorities, reportedly originating in Wuhan, China. The actual timeline of the spread of the virus and its origination continue to be the subject of much speculation. With limited historical precedent, market participants leaned on China's relative success in containing SARS as indicative of the path of COVID-19. By March, the virus began to spread globally, particularly in Europe, with Italy and Spain reporting massive spikes in infections and, sadly, mortality rates, so markets changed course. Clearly, where SARS was quickly contained, COVID-19's infection rate had exploded globally. By virtue of greater freedom of travel and 21st century globalization, the virus spread far more quickly than was initially expected based on previous viral outbreaks. In March, in an effort to contain the spread, countries responded by enacting stringent lockdowns, or "stay at home orders" leading to an abrupt halt in production and consumption. Layoffs expanded dramatically and swiftly, as businesses were forced to close down in an effort to stop the disease from spreading.

The impact on financial markets was extreme. Global equity markets rapidly entered bear market territory, and continued their path downward throughout the month of March, as market participants attempted to price in the impact of the cessation of a large portion of global economic activity. With limited data on COVID-19, the pendulum clearly swung toward pessimism regarding the virus' impact and the likely path of activity going forward. After ending 2019 below 14, the VIX spiked above its prior peak during the Global Financial Crisis, briefly breaching 80 in early March. In the US, circuit breakers were triggered at the New York Stock Exchange, with markets opening limit down, on March 9th and March 16th. At the depth of the drawdown from January 1, 2020 to March 23, 2020, the Russell 3000 was down -31.6%, the MSCI EAFE Index (developed market equities) was down -33.2%, and the MSCI

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Emerging Markets Index (emerging market equities) was down -31.8%. The perception of acute stress in credit markets, both in the US and abroad, led to solvency fears; the Barclays High Yield index fell -19.8%. Investors universally fled risk assets, in all forms, during the selloff in favor of perceived safer assets like US Treasuries.

Over this same time period, the spread between large cap stocks, which went into the shock with stronger financial positions and have tended to experience less volatility in drawdowns, and small cap stocks, which are more pro-cyclical and volatile, widened during the selloff. Whereas the Russell 1000 fell by -31.1%, the Russell 2000 fell by -39.7%, a spread of nearly 10%. Going further, the ever-widening performance gap between growth and value, which we have highlighted in past CAFR reviews, persisted. The spread between large cap growth and small cap value expanded during the selloff, with the Russell 1000 Growth declining 25.1% and the Russell 2000 Value falling 44.3%, for a spread of nearly 20%.

The rapid unwind of risk in early 2020, which was one of the fastest market selloffs in modern financial history, reinforced the importance of diversification. While equity and credit markets fell precipitously, bonds provided an offset for investors. The Bloomberg Barclays US Aggregate generated a return of 1.0% over the course of the drawdown noted above, and long-term treasuries, measured by the Bloomberg Barclays Long US Government index, generated a return of 20.2%.

The volatility of the pandemic was exacerbated by volatility in oil prices, which experienced a rapid collapse early in 2020. The COVID-19 related restrictions weighed heavily on demand, with Saudi Arabia's untimely decision to flood the market with oil to gain market share creating further stress on prices. Oil futures briefly traded at negative price levels during the depths of the crisis, as demand collapsed and storage capacity dwindled. The May WTI futures contract briefly changed hands at nearly -$40 per barrel. Commodity and natural resource asset classes both participated in the broader market selloff; the Bloomberg Commodity Index and the S&P Global Natural Resources Index were down -23.4% and -44.6% at the trough, respectively. While the futures curve has since normalized, the oil supply/demand dynamic remains in flux. OPEC+ (inclusive of additional key producers such as Russia) reached a supply cut agreement in April that supported prices and stabilized the market.

To combat the expected, significant decline in economic activity, global fiscal and monetary authorities responded with immediate and historic stimulus measures. The Federal Reserve, in the midst of the March drawdown, immediately cut the Fed Funds Target Rate effectively to zero, and subsequently introduced aggressive stimulus measures, including backstop liquidity, funding programs, and trillions of dollars in promised asset purchases. Meanwhile, fiscal authorities released over $2.4 trillion in targeted stimulus, with the promise of additional measures in the future. Importantly, both the speed and breadth of the response, made the joint monetary/fiscal stimulus unprecedented. In Japan and Europe, similarly aggressive monetary and fiscal measures were implemented, although it should be noted that they entered the crisis with no room to cut policy rates, so their focus was on quantitative easing and fiscal measures.

Robust stimulus across global developed and emerging economies, coupled with incremental positive news regarding the spread of COVID-19 and economies slowly reopening, set the stage for a relatively

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rapid rebound in risk assets in the second quarter. While the pace of the deceleration in economic activity was rapid, and data for the second calendar quarter of 2020 has been relatively dire in absolute terms, market participants are largely taking a longer-term view with expectations for a recovery in economic activity later this year and into 2021. In the second calendar quarter of 2020, the Russell 3000 (US equities), the MSCI EAFE, (developed market equities), and the MSCI Emerging Markets (emerging market equities) generated total returns of 22.0%, 14.9%, and 18.1%, respectively. Given support from the Federal Reserve and increased risk appetite, credit recovered rapidly as well, with the Bloomberg Barclays US High Yield index generating a return of 10.2%. The broader fixed income market, as measured by the Bloomberg Barclays US Aggregate, benefitted from monetary stimulus, producing a 2.9% total return. While the VIX remained elevated relative to its pre-crisis levels at 30.4 as of June 2020, it had fallen significantly since the peak of the crisis in the first calendar quarter. Equally, bond market volatility as measured by the MOVE Index fell to nearly a record low.

An investor who had not been following current events over the past year and only chose to look at US equity market performance could be forgiven for thinking that little had changed regarding the prevailing market regime. Despite a massive risk-off event in the first quarter of 2020 associated with a global pandemic, risk assets have, in some cases, posted moderately positive returns over the past fiscal year. US equities, as represented by the Russell 3000 Index, finished the fiscal year with a 6.5% return. Emerging markets (MSCI Emerging Markets) delivered -3.4% for the year. The MSCI EAFE Index was the worst performer among the headline global regions, posting a total return of -5.1%.

Several important trends underneath the headline results merit emphasis. In the US, the spread between large cap stocks and small cap stocks remains extremely wide. The Russell 1000 produced a total return of 7.5% over the fiscal year, whereas the Russell 2000 generated a total return of -6.6%. The spread between growth and value also remains stubbornly wide; the Russell 1000 Growth's return of 23.3% during the fiscal year far outpaced the Russell 1000 Value's total return of -8.8%. Key to the persistent spread between value and growth has been the sector composition of the Value and Growth indices. The Russell 1000 Value's large financials and utilities overweights, as well as large information technology and consumer discretionary underweights, relative to the Russell 1000 Growth, were key contributors. The two benchmarks' relative allocations to financials and information technology alone generated a performance spread of 14.1% in favor of the growth index. An even starker contrast can be observed between large cap growth (Russell 1000 Growth at 23.3%) and small cap value (Russell 2000 Value at -17.5%) where the total return spread was a massive 40.8%!

Within international developed markets, the MSCI EAFE opportunity set, of which Japan, the UK, and the Eurozone are featured most heavily, underperformed relative to the US and emerging markets. This can largely be attributed to the weak footing on which they entered the crisis to begin with, the robust spread of COVID-19, and the stringency of lockdowns in many of these economies. Within emerging markets, an extremely wide spread between countries that were able to manage the virus' spread and deployed aggressive countermeasures (e.g., China: 9.9% return) relative to countries facing already-dire economic circumstances (e.g., Brazil: -33.4%, Mexico: -25.2%, and South Africa: -24.9%) was relatively extreme. The same style regime observed in the US, with growth outperforming value, persisted in both developed and

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emerging international markets. Again, the relative performance of financials and information technology and consumer stocks were key drivers of the spread between value and growth indices.

Fixed income markets generated relatively strong results, due to a collapse in global yield curves coupled with a robust liquidity backstop from central banks. The Bloomberg Barclays US Aggregate produced a total return of 8.7% over the past year. High yield bonds retraced their earlier losses, with the Bloomberg Barclays US High Yield index finishing flat over the fiscal year. However, the standout performer within fixed income has been long maturity Treasuries, with the Bloomberg Barclays Long US Government index gaining an impressive 25.1% over the past year.

While equities, and especially large cap growth equities, as well as fixed income, produced relatively strong results despite the COVID-19 shock, we have seen mixed results from other asset classes. While energy prices recovered to some extent, with WTI Crude Oil trading at $39.28 at the end of the fiscal year, the current level still represents a significant drawdown relative to even a year ago, when it traded at $58.20. Natural resource stocks and commodities, on account of uncertainty regarding supply gluts, especially in the oil market, and the uncertainty regarding the recovery of demand, produced weak total returns. The S&P Global Natural Resources Index returned -16.8% while the Bloomberg Commodity Index returned -17.4%. One of the hardest hit asset classes in markets in 2020 has been real estate, where fears regarding utilization rates in commercial real estate have prevented the asset class from participating in the recovery to the same extent as other asset classes. The MSCI U.S. REIT Index returned -12.9%.

Elsewhere, an increasingly robust acceleration in money supply growth, widening fiscal deficits on account of unprecedented stimulus measures, and an environment of stagnating growth expectations manifesting in a collapse in real yields, resulted in a significant increase in demand for physical gold. Over the course of the fiscal year, the price of gold increased from $1,409.40 per ounce to $1,793.00, an increase of 27.2%. With investors increasingly fearing the potential ramifications of fiat currency devaluation as a result of monetary de-basement by the Federal Reserve and other global central banks, they have turned to gold as a potential hedge.

Fiscal 2020 Outlook

Looking ahead, we acknowledge the wide breadth of new issues being presented by the pandemic, including: 1) economies opening up too soon from virus-related restrictions, and ultimately having to retract and "close down" again, 2) consumers permanently, or for an extended time, changing economic behaviors; 3) persistently high unemployment due to a significant number of companies not surviving the economic downturn; 4) virus-related fears negatively impacting the future of globalization, 5) an increase in sovereign debt risk due to the record issuance by governments; and 6) knock-on effects of unprecedented central bank intervention, including over-extended equity markets and the risk of unexpected inflation.

Globally, countries continue to tentatively ease their lockdown measures, as politicians face increasing pressure to get economic growth and employment back on track after a rapid and severe disruption.

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As a result, local outbreaks of the virus have arisen in the US and abroad, forcing local restrictive measures in harder-hit areas. The continued need for careful management of the spread of the virus is likely to prompt additional volatility in financial markets. This will only accelerate as we approach the end of the warm summer months in parts of the world and enter the traditional "flu season" of fall and winter. This brings many potential risks, including a spike in infections and hospitalizations, the mutation of the virus in an unfavorable manner, or even a concurrent outbreak and a severe flu season alongside COVID-19. Since market participants remain focused on developments regarding COVID-19, its trajectory will be a key driver of market volatility in the near-term.

We have already observed a rapid change in consumption preferences in the US in the wake of the initial COVID-19 shock. The US savings rate spiked to an unprecedented level, and remains elevated when compared to historical trends. This represents a potential opportunity, as it could represent pent-up demand and, eventually increased spending and consumption. However, consumer confidence has not fully recovered, and without certainty regarding the path of the virus, survey data suggest that most people in the US have chosen to build cash as a defense against further issues with COVID-19, rather than spend aggressively. Importantly, survey data also suggest that stimulus checks were not used for durable goods purchases, and instead were either saved or spent on necessary staples. Until consumers build more confidence in the path of COVID-19, the testing regime improves, and the outlook for a vaccine becomes less opaque, it is likely that consumer confidence, and thus consumption itself, will remain muted relative to pre-crisis levels, placing a damper on the prospective economic recovery.

Unemployment, despite a gradual re-opening of the US economy over the past quarter, remains stubbornly high after spiking to a post-World War II record. Unemployment as of the end of the fiscal year remained at 11.1%. The Bureau of Labor Statistics has also cautioned that considerable uncertainty exists around data quality; the actual numbers could be far better than reported, or far worse. A continued decline in unemployment from its current level will follow an easing of COVID-19 related restrictions, especially in the hard-hit service sector, as well as additional fiscal support. Conversely, companies continue to right-size their workforces to cope with a collapse in their top-lines and increasing solvency risk. The longer that uncertainty regarding the virus persists and leads to measures that are likely to stifle economic activity, the weaker business confidence will continue to be. This increases the risk that many layoffs, which might have been perceived as temporary, could become permanent, resulting in a higher equilibrium rate of unemployment.

COVID-19 has had a meaningful impact on the already-tapering long-term trend toward globalization in the 21st century. In some cases, local trade conflicts have arisen and have been resolved, but the trend toward the re-localization of supply chains is likely to accelerate in the wake of the crisis. The most obvious example of this trend is the continued, protracted conflict between the US and China. While the conflict was set aside in the early stages of COVID-19, it has been rekindled in recent months. The current US presidential administration's foreign policy approach has increasingly shifted toward a more aggressive anti-China stance. COVID-19 also exposed the reliance of some countries on choke-points in global supply chains that they will undoubtedly seek to address going forward. Global policymakers, such as ECB President Christine Lagarde, have acknowledged that de-globalization is

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likely to persist in the wake of the virus, beyond the US/China conflict. The risk is most severe for countries that have become reliant on foreign investment and export-driven growth. If global economies increasingly focus on domestic products, export-oriented economies are likely to suffer inordinately in this type of environment.

Historically, crisis periods have often witnessed concurrent periods of either voluntary or involuntary deleveraging, at the sovereign, corporate, and consumer levels. In 2008, for example, the US experienced a rapid de-leveraging in the mortgage market that quickly spread to corporates and consumers. In 2020, while consumers entered the crisis in a reasonable financial position, corporates and sovereigns did not. In the US, for example, corporate solvency was a meaningful source of uncertainty even prior to the crisis, as debt built up in the US corporate debt market. With the COVID-19 shock, March markets were gripped by fears that an economic crisis would become a financial crisis, where in the GFC the opposite had been the case. The Federal Reserve, seeking to prevent this outcome, chose to intervene by essentially backstopping corporate credit. As a result, corporate leverage has rapidly *increased*, where the opposite was true in previous cycles. Alongside this trend, the US government has massively increased the size of the fiscal deficit in order to support those people facing temporary income loss due to unemployment. Suddenly, the US faces the need to finance a widening budget deficit; a large slate of debt issuance will test global investors' willingness to finance a weakening US fiscal position, which could have considerable knock-on effects for interest rates and thus global risk assets. The US, within both the corporate and sovereign sector, continues to push the boundary of investors' appetite for debt.

The evolution of economic growth and inflation bear close monitoring going forward. In addition to widening deficits, unprecedented asset purchases by central banks run the risk of creating longer-term distortions in markets. There can be little doubt that the Federal Reserve's actions have boosted market confidence, and thus asset prices, in recent months. While they execute these policies in the hope of creating a virtuous feedback loop in order to stimulate growth, the pass through is indirect, at best. The Fed is increasingly facing a tightrope walk, backstopping market risk while trying not to lose the market's confidence in its ability to do so with an increasingly narrow set of policy tools. Given that interest rates are probably near a lower bound, at least for now, that leaves them with quantitative easing, which might increasingly become permanent rather than temporary. As evidenced by the path of nominal interest rates across the yield curve, growth expectations remain incredibly weak, while inflation expectations have begun to tick higher, resulting in a collapse in real interest rates. In addition, the Fed has increasingly signaled that it is likely to revise its inflation target, in the interest of allowing inflation to "run hot" in order to focus on achieving growth and full employment, with the added benefit of reducing the US sovereign debt burden. The potential for unexpected inflation within this regime means that asset allocation care is warranted; assets with low yields, like US Treasuries, could experience diminished long-term return prospects, requiring shifts in allocation decisions.

We will continue to monitor these issues and others, as they arise.

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Since the end of the fiscal year, global markets have evolved significantly. The impact of COVID-19 and the extraordinary policy response have engendered profound significant changes in financial markets that have continued to play out since the end of the fiscal year. The evolution of COVID-19, with respect to its spread and the prospect for an eventual definitive healthcare solution, will continue to impact markets going forward.

Plan Investment Results and Asset Allocation for the Retirement Plan[1,2]

The City of San Jose Police and Fire Department Retirement Plan had $3.71 billion in assets at the end of the fiscal year. For the fiscal year, the Retirement Plan returned +3.1% net of fees, outperforming the Policy Benchmark (+2.0%), and the Investable Benchmark (+2.4). The Retirement Plan's return fell short of the 6.75% assumed actuarial rate of return, though it has exceeded that rate in three of the past seven fiscal years. The Retirement Plan's standard deviation of returns was 10.4%, exhibiting lower volatility than the peer median (12.1%).

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

- *Asset Allocation*: On April 2, 2020, at a Board Meeting during the height of the COVID-19 market selloff, the Retirement Plan Board voted to shift its asset allocation policy. This shift resulted in an increase of the Growth aggregate target to 70% of Plan assets, from 64%, with a 7% increase in policy toward Public Equity. In the second quarter of 2020 following this shift, Public Equity returned +21.6%, outperforming the Public Equity Benchmark return of +20.0%.
- *Growth:* The Retirement Plan's Growth allocation represented 70.8% of the portfolio as of the end of the fiscal year. Growth returned +2.6% for the fiscal year, versus the Growth Benchmark return of +1.7% over the same period. Within the Growth aggregate, Public Equity represented 46.5% of the Plan, Private Markets 19.1%, Emerging Markets Debt 3.2%, and High Yield Bonds representing the remaining 2.0%. High Yield Bonds were a new allocation added during the fiscal year.
- *Low Beta:* The Retirement Plan's Low Beta aggregate represented 10.6% of the Plan as of the end of the fiscal year. Low Beta returned +3.6% for the fiscal year, versus the Low Beta Benchmark return of +2.5% over the same period. Within the Low Beta aggregate, Market Neutral Strategies represented 3.2% of the Plan, Immunized Cash Flows 4.4%, and Cash 3.0%.
- *Other:* The Retirement Plan's Other aggregate represented 17.9% of the Plan as of the end of the fiscal year. Other returned -1.8% for the fiscal year, in-line with the Other Benchmark. Within the Other aggregate, Core Real Estate represented 3.9%, TIPS 2.0%, Investment Grade Bonds, 9.1%, and Long-Term Government Bonds 3.0%. Investment Grade Bonds and Long-Term Government Bonds were new allocations added during the fiscal year.

[1] Performance figures calculated by custodian bank are the basis of presentation for the data in the investment section.
[2] Time-weighted rate of return based on the market rate of return is used as the basis for the calculation.

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Plan Investment Results and Asset Allocation for the Health Care Trust[3,4]

The City of San Jose Police and Fire Department Retirement Plan Health Care Trust had $178.0 million in assets at the end of the fiscal year. For the fiscal year, the Health Care Trust returned +2.2% net of fees, outperforming the Policy Benchmark (+1.6%). As a percentage of the Health Care Trust, Growth represented 56.3%, Low Beta 31.3%, and Other 12.4%. Growth, comprising of three passively managed funds, returned +1.1% versus the Growth Benchmark return of +1.2%. Low Beta returned +1.7% versus the ICE BofA 91 Days T-Bills TR return of +1.6%, with slight outperformance from the passive investment manager within Short-Term Investment Grade Bonds, which represents 29.0% of the Health Care Trust. Other returned -1.0%, outperforming the Other benchmark by 360 basis points over the fiscal year period. Within Other, Core Real Estate represented 7.3% of the Health Care Trust and outperformed its benchmark by 40 basis points, while Commodities represented 5.1% and outperformed its benchmark by 980 basis points.

Summary[5]

Performance for the City of San Jose Police and Fire Department Retirement Plan over the fiscal year exceeded both its Policy and Investible Benchmarks. Compared to the Public Peer Group over $1 Billion Net Return, performance over the fiscal year was very strong and ranked in the 17th percentile, while also taking on less risk than peers. We believe that the Retirement Plan has recently been enhanced and has a high probability of achieving the actuarial rate over the long-term, while exhibiting lower volatility than peers. We are looking forward to continuing our work with Staff and the Board of Administration to assist the Retirement Plan in meeting its obligations to participants.

Sincerely,

Laura Wirick, CFA, CAIA
Principal

Chris Theordor, CAIA
Consultant

Hannah Schriner
Consultant

Jared Pratt, CFA
Investment Analyst

LBW/CJT/HS/JP/jls

3 Performance figures calculated by custodian bank are the basis of presentation for the data in the investment section.
4 Time-weighted rate of return based on the market rate of return is used as the basis for the calculation.
5 Time-weighted rate of return based on the market rate of return is used as the basis for the calculation.

Statement of Investment Policy

PENSION - INCLUDES THE 401 (H) INVESTMENTS

EXECUTIVE SUMMARY

The purpose of this document is to set forth the goals and objectives of the San Jose Police and Fire Department Retirement Plan, and to establish guidelines for the implementation of investment strategy.

This document will be reviewed at least annually by the Board of Administration of the San Jose Police and Fire Department Retirement Plan ("Board"). Any revisions to this document may be made only with the approval of the Board.

The Board of Administration recognizes that a stable, well-articulated investment policy is crucial to the long-term success of the Plan. As such, the Board members have developed this Investment Policy Statement with the following goals in mind.

- To clearly and explicitly establish the objectives and constraints that govern the investment of the Plan's assets,
- To establish a long-term asset allocation with a high likelihood of meeting the Plan's objectives given the explicit constraints, and
- To protect the financial health of the Plan through the implementation of this stable long-term investment policy.

This document includes detail on the Plan's adopted asset allocation policy (summarized in Appendix A) and process, including the selected Functional asset class structure and the Plan benchmarks approved by the Board. It also includes the Plan's policy on manager selection, retention, evaluation, and termination, as well as the Plan's adopted risk policy, with specific risk parameters summarized in Appendix B.

Throughout this document, expected returns and volatilities were based on capital market assumptions from the general consultant.

I. SAN JOSE POLICE AND FIRE DEPARTMENT RETIREMENT PLAN GOALS

The San Jose Police and Fire Department Retirement Plan was established to provide retirement income for San Jose Police and Fire Department Retirement Plan employees and their families. The Plan's assets are structured to provide growth from capital gains and income, while maintaining sufficient liquidity to meet beneficiary payments.

II. INVESTMENT OBJECTIVES

The investment strategy of the San Jose Police and Fire Department Retirement Plan is designed to ensure the prudent investment of Plan assets in such a manner as to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss.

A. Risk Objectives

1. To accept the optimal level of risk required to achieve the Plan's return objective as stated immediately below.
2. To target total portfolio investment risk consistent with the investment beliefs and strategic goals set forth by the San Jose Police and Fire Department Retirement Board.
3. To consider the financial health of the Sponsor when assuming investment risks.
4. To use diversification to minimize exposure to company and industry-specific risks in the aggregate investment portfolio.

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

B. Return Objective

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

III. INVESTMENT CONSTRAINTS

A. Legal and Regulatory

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

B. Time Horizon

The Plan will be managed on a going-concern basis. The assets of the Plan will be invested with a long-term time horizon (ten to twenty years or more), consistent with the participant demographics and the purpose of the Plan.

C. Liquidity

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

D. Tax Considerations

The Plan is a tax-exempt entity. Therefore, investments and strategies will be evaluated only on the basis of expected risks and potential returns.

IV. RISK AND RETURN CONSIDERATIONS

The Board members accept the risks associated with investing in the capital markets (market risks), but will minimize wherever possible those risks for which the Plan is unlikely to be compensated (non-market or diversifiable risks).

V. DIVERSIFICATION

The Board members of the San Jose Police and Fire Department Retirement Plan recognize that an important element of risk control is diversification. Therefore, investments will be allocated across multiple classes of assets, chosen in part for their low correlation of expected returns. Within each asset type, investments will be distributed across many individual holdings, with the intention of further reducing volatility.

The specific degrees of diversification within asset classes will be addressed in each separate account manager’s investment guidelines, or in each commingled manager’s fund documents.

The purpose of the functional classifications and major asset classes are defined in the language and table below.

A. Functional Sub-portfolios

The investment strategy for the Investment Program employs three functional sub-portfolios to construct the comprehensive asset allocation. The allocation to the sub-portfolios is assessed at least annually and is based on projected capital market assumptions. The Chief Investment Officer (“CIO”) shall review the relative size and composition of these sub-portfolios and advise the Investment Committee (“IC”) of any necessary revisions to the allocation among the sub-portfolios.

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

1. **Growth Sub-portfolio:** The purpose of the Growth Sub-portfolio is to grow invested assets over the long term in order to pay future benefits. This portfolio is characterized by a long investment horizon and can, therefore, accept a higher level of volatility. Assets in this portfolio may be volatile, have reduced liquidity, and derive the bulk of their return from capital appreciation. These assets include public and private equity, corporate and other debt with credit risk premiums, private real estate and other private assets. The success of this portfolio will be measured primarily by compounded annual growth rates in conjunction with the annualized standard deviation of returns as the primary measure of risk. Performance evaluation will, therefore, focus on the long-term total risk-adjusted return of the portfolio.
2. **Low Beta Sub-Portfolio:** The purpose of the Low Beta Sub-portfolio is to ensure that the overall (total portfolio) a) is relatively immune from market fluctuations while providing a source of alpha, b) is a source of capital for purchasing undervalued assets in the Growth sub-portfolio, and c) has adequate assets available to pay benefits over an extended timeframe (the immunized cash portfolio). It will contain an “absolute return” program that invests in risk assets in isolation but whose combined long and short betas are relatively neutral to market movements, an immunized cash portfolio, as well as cash and cash-like assets such as short-term bonds, derivatives, and other investments that provide fixed, contractual cash flows with a minimum level of credit risk. For the immunized cash portfolio, the Board has established a target allocation amount of up to 60 months’ worth of projected benefit payments in the Low Beta Sub-portfolio, which will be drawn down and replenished annually. The Low Beta portfolio is expected to provide a stable offset to the rest of the portfolio during periods of severe market stress and to effectively dampen the market volatility across the entire portfolio. The success of the Low Beta Sub-portfolio will be measured by its ability to offset declines in value in the Growth Sub-portfolio, as well as its ability to provide liquidity during times of market stress.
3. **Other Sub-Portfolio:** The purpose of the Other Sub-portfolio is to ensure that the overall portfolio is specifically protected against inflation risks while also providing for further diversification. The success of the Other sub-portfolio will be measured by its ability to protect the portfolio from inflation risk while also providing an additional source of return and diversification.

B. Interaction between the Functional Sub-Portfolios

The allocations to the Growth, Low Beta, and Other sub-portfolios will vary over time. When Growth assets are undervalued, the Low Beta Sub-portfolio will act as a source of funds and when Growth assets are overvalued the Low Beta sub-portfolio will act as a use for harvested growth portfolio returns. The Growth and Other sub-portfolios will be subject to the volatility of the markets in which each functional sub-portfolio invests. In order to reallocate between the functional sub-portfolios, the CIO and the General Consultant will conduct an annual capital review to assess the relative value and risks associated with each asset class and deliver a review of the capital markets to the Board. The Consultant will provide the Board current forward-looking risk and return assumptions for all major asset classes. In conjunction with this review, the CIO will provide a recommendation of how best to allocate assets within each functional sub-portfolio. If necessary, the CIO will recommend changes in target allocations to the underlying asset classes in order to deploy the Investment Program’s assets effectively in the upcoming year. While considering changes to the allocation to each functional sub-portfolio, the CIO will view the totality of all functional portfolios, and consider the impact of changes to the overall risk and return profile of the total portfolio.

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

Public Equity - *Growth*	
The purpose of Public Equity is to provide the Plan exposure to the total return due to equity capital owners, including exposure to capital appreciation from economic growth, while managing volatility relative to the equity market.	
Private Markets - *Growth*	
The purpose of Private Markets is to provide the Plan exposure to asset growth and income while diversifying the portfolio and capturing an illiquidity premium.	
Emerging Market Bonds - *Growth*	
The primary purpose of Emerging Market Bonds is to provide the Plan exposure to rates and credit risk within emerging markets.	
High Yield Bonds - *Growth*	
The primary purpose of High Yield Bonds is the provide the System with exposure to high yielding corporate debt.	
Market Neutral Strategies - *Low Beta*	
The purpose of Market Neutral Strategies is to produce alpha based returns while reducing overall Plan volatility and increasing Sharpe ratio.	
Immunized Cash Flows - *Low Beta*	
The purpose of Bonds (Immunized Cash Flows) is to provide liquid funds for expected outflows and allow for other assets to be invested in an illiquid fashion.	
Treasury Inflation - Protected Securities (TIPS) - *Other*	
The purpose of TIPS is to provide exposure to inflation in addition to interest rates.	
Core Real Estate - *Other*	
The purpose of Core Real Estate is to produce the Plan income and price appreciation while maintaining a low correlation to both stocks and bonds.	
Long-Term Government Bonds - *Other*	
The purpose of Long-Term Government Bonds is to provide a positive return in highly stressed market environments, with a low correlation to equity risk.	
Core Bonds - *Other*	
The purpose of Core Bonds is to produce returns and income for the Plan by providing exposure to rates and credit risk.	

VI. ASSET ALLOCATION POLICY

Asset Allocation and Portfolio Construction

A. The Board recognizes that establishing an appropriate strategic asset allocation (SAA) portfolio is critical to the long-term success of the investment program, as asset allocation is the single biggest determinant of the expected risk and return of the Plan.

B. In arriving at the SAA, the Board shall follow a building block approach whereby it approves a series of benchmark portfolios, each offering expected risk and return characteristics that are preferable to the one before it. This building block approach is further explained below:

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

1. *Liability Benchmark Portfolio (LBP)*. As the first step in the portfolio construction process, the Board shall approve a LBP. The LBP is the portfolio that offers the lowest possible expected funding risk, where funding risk is defined as the risk that assets will grow at a slower rate than the system's liabilities. The LBP is expected to consist solely of bonds that match the duration of the liabilities.
2. *Low-Cost Passive Portfolio (LCPP)*. If the Board believes a portfolio can be constructed that offers expected return/risk characteristics that are preferable to those of the LBP, but does not wish to invest significant resources in staff and consultants, the Board would then approve a LCPP. The LCPP would be simple to construct and implement and would consist only of public market asset classes managed on a passive basis. It would exclude private market asset classes and hedge funds, which are complex and costlier to implement.
3. *Strategic Asset Allocation Portfolio (SAAP)*. If the Board believes an even more diversified portfolio would enhance the risk-adjusted return characteristics of the Plan and justify a meaningful investment in staff and consulting resources, the Board would then develop and approve an SAAP. The SAAP would be more complex than the LCPP because it would likely include private market asset classes and/or hedge funds. The staff and consulting resources required to manage such a portfolio would significantly increase the cost and administrative complexity of the Plan.
4. *Investable Benchmark Portfolio (IBP)*. The Benchmark Portfolio would include the same underlying benchmarks as the SAAP, but would use an actual invested weight for each asset class. This will account for weighting differences to the SAAP in asset classes that take more than one year to invest (private markets asset classes).

C. The Board believes the above building-block approach represents a thoughtful way of approaching its asset allocation decisions, as it makes each step in the portfolio construction process clear and explicit. It also requires the Board to consider and confirm the rationale for accepting the potential incremental risk, complexity and cost introduced by moving from one portfolio model to the next. Their relative merits would include evaluation on a net-of-expenses basis.

D. The benchmarks approved by the Board as of the date of this document, and the expected return of each, are described below:

1. A LBP consisting of a market benchmark with a duration profile similar to the Plan's liabilities. The expected return for the LBP is 3.1% (20 years/geometric mean) as of the date of this document.
2. A LCPP consisting of the following asset classes and targets, and the broad, commonly-used market indices that could be used for each asset class, are shown in Appendix A. The expected return for the LCPP is 6.3% (20 years/geometric mean) as of the date of this document.
3. A SAAP consisting of the following asset classes and targets shown in Appendix A. The expected return of the SAAP is 7.1% (20 years/geometric mean) as of the date of this document.

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

Asset Allocation Tools & Methods

A. The LBP will be re-evaluated annually following the results of the annual actuarial study. LCPP and SAPP shall be established and modified based on the results of formal asset allocation studies performed approximately every three years or when a significant market correction occurs. The capital market assumptions (CMA) used in such studies shall be reviewed and updated annually or when the S&P 500 experiences a decrease of more than 20% from peak. The Board shall consult with the general investment consultant in connection with such asset allocation studies and CMA reviews.

B. Asset allocation studies shall be designed to ensure rigorous and objective analysis, and minimize decision-making bias by:

1. Requiring the use of a portfolio construction engine ("Engine"); and
2. Requiring that the Board and IC always focus first on establishing the most reasonable and defensible inputs to the Engine. That is, if the Board is uncomfortable with the results of the Engine, it shall respond by reviewing the reasonableness of the inputs to the Engine, rather than simply modifying the results.

C. When arriving at the LCPP and the SAAP, asset allocation studies shall include the four basic steps outlined below:

1. Step 1: Inputs
   a. For each study, the Board shall approve the inputs to the Engine including:
      - Permitted asset classes (Permitted asset classes for the LCPP shall include only public markets and permitted asset classes for the SAA Portfolio shall include both public and private markets);
      - CMAs; and
      - Material constraints (e.g. maximum allocations to certain asset classes), along with supporting rationale.

   b. The CIO shall propose the inputs to the IC, with prior input from the Board's general investment consultant, and work with the investment consultant throughout the process to make subsequent revisions to inputs, based on feedback from the IC.

   c. The Board, IC, CIO and investment consultant are expected to reach a consensus regarding the above inputs and the Board shall formally approve them. Staff shall document the process by which it arrives at its recommended inputs.

2. Step 2: Modeling and Analysis
   a. The investment consultant will incorporate the approved inputs into the Engine to be used to identify and analyze potential asset allocation choices for each study and present the results to the CIO.

   b. The Board expects that the Engine will rely on mean-variance optimization ("MVO").

   c. The Board shall also consider the results of the MVO analysis under additional constraints to ensure adherence with approved risk limits including:
      - Stress testing, including historical scenario analysis and factor-specific testing;

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

- Liquidity analysis under normal and stressed conditions; and
- Cash flow management requirements for the immunization of certain projected benefits and expenses.

3. Step 3: Recommendations

a. The CIO will present the current asset allocation and a number of reasonable alternatives along the so-called "efficient frontier" for the Board to consider.

b. In presenting the alternatives, the CIO initially will present only the return/risk characteristics of each alternative and will not reveal the underlying asset class allocations (i.e. “blind” format). This will allow the Board/IC to focus initially on the return/risk implications of each alternative, rather than the underlying asset allocations.

c. After the Board has engaged in a preliminary discussion and analysis of the alternatives, the underlying asset allocations of each alternative will be revealed for further consideration.

d. The Board/IC may provide feedback to the CIO and investment consultant, which may required further analysis and a request for revised recommendations for the Board/IC to consider.

4. Step 4: Approvals

a. The Board/IC will review the final analyses and recommendation from the CIO and general consultant and approve:

- Low Cost Portfolio Benchmark weights; and
- Strategic Asset Allocation Portfolio weights, target and ranges (maximum-minimum).

Rebalancing

A. The CIO shall adhere to the SAAP asset and sub-asset class “targets” approved by the Board and shall rebalance to within the approved range at least quarterly if the actual weights at the sub-asset class levels are not within 10% of the approved target, considering the cost of more frequent rebalancing. For example, if the target allocation for an asset class is 20%, re-balancing will be triggered quarterly when the actual allocation for the asset class deviates by +/- 2% (i.e. 10% x 20%, reaching 18% or 22%).The CIO may use discretion to rebalance to within the approved range at more frequent intervals than quarterly, and when actual weights are within 10% of the approved target, subject to an assessment of market risk, active risk, and transactions costs. When a change to the SAAP is made by the Board, the CIO and the investment team will rebalance to the new target weights as expeditiously as possible, or in tranches if directed by the Board. The CIO shall also use his discretion in rebalancing to the new SAAP in the event that instant liquidation of managers within an asset class may work against the interests of the System. Changes to the weights of illiquid asset classes may take several quarters to implement, and the CIO shall keep the IC apprised of the progress toward the new SAAP. Synthetic rebalancing through an overlay provider may also be used when appropriate. The Immunized Cash Flows portfolio is exempt from this rebalancing provision, as it is amortizing by design.

B. Total plan active risk (i.e. tracking error) is to be maintained below 3%. While asset class exposures may fall within acceptable capital allocation ranges as noted above, total plan tracking error is not to exceed this 3% threshold.

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

Evaluating Asset Allocation Decisions

A. The Board shall periodically evaluate the effectiveness of its asset allocation decisions using the above portfolio benchmarks (i.e. Liability Portfolio Benchmark, Low-Cost Passive Portfolio, and Strategic Asset Allocation Portfolio).

B. The following table uses hypothetical returns to illustrate how the above benchmarks shall be used to evaluate the Board's asset allocation decisions.

Portfolio Benchmark	Net Return (%)	Value Added (%)	Conclusions
A. Liability Benchmark Portfolio	3.1%	n/a	
B. Low Cost Passive Portfolio	6.3%	3.2% (B-A)	By deviating from a portfolio with modest funding risk to a low-cost, passive portfolio that does not require significant staff or consulting resources, the Board shall have added net value of 3.2%
C. SAA Portfolio	7.1%	0.8% (C-B)	By enhancing the passive portfolio with investments in private markets and hedge funds, the Board added net value of 0.8%

C. The Board will evaluate two additional benchmarks in order to assess the value added by the CIO, investment staff, and the investment consultants:

1. **Actual Portfolio:** This is the actual portfolio implemented by the CIO and investment staff with support from investment consultants. The Actual Portfolio includes private markets and hedge funds and reflects any active management exercised by the CIO and the underlying investment managers, subject to Board-approved policies and CIO-approved procedures.

2. **Investable Benchmark Portfolio:** The Investable Benchmark Portfolio is identical to the SAAP but is adjusted for the fact that the SAAP is not constantly "investable" with respect to private market asset classes. For private markets, the Investable Benchmark Portfolio would apply the best available private market benchmarks and, for weighting purposes, would reflect the pacing plans for private markets (assuming the pacing plans are reasonable). For example, if the private equity pacing plan called for 12% to be invested in private equity by the end of the performance measurement period, then the Investable Benchmark Portfolio would reflect a 12% allocation to private equity, even though the SAA Portfolio calls for 22% to be invested in private equity.

The following table illustrates how the performance of the CIO would be evaluated. Again, the returns are hypothetical and for illustration purposes only.

Portfolio Benchmark	Net Return (%)	Value Added (%)	Conclusions
A. Actual Portfolio	7.5	0.5% (A-B)	CIO outperformed the Benchmark Portfolio from these sources: i) manager selection (including security selection effects) and ii) other effects
B. Benchmark Portfolio	7.0	n/a	

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

D. For the benefit of stakeholders, the Board shall also measure and report for comparison purposes, on a quarterly basis, the actual portfolio return relative to the return of the LCPP and relative to commonly cited benchmarks, including:

1. A 60% equity and 40% fixed income portfolio ("60/40 Portfolio") comprised of 60% MSCI ACWI IMI (net, unhedged) and 40% Bloomberg Barclays Global Aggregate Bond Index; and
2. A peer group benchmark consisting of other U.S. public pension plans similar in size to the system, as reported in the InvestorForce Public DB > $1B Net.

VII. MANAGER SELECTION, RETENTION, EVALUATION & TERMINATION POLICY

Background

A. The Board has delegated to the CIO the authority to select and terminate all investment managers of the Plan subject to constraints and parameters contained herein. Such authority shall be further subject to Manager Selection, Retention, Evaluation & Termination Procedures ("Procedures"), approved by the CIO, that provide more detailed constraints and parameters.

B. It is the Board's intention that the CIO shall have the necessary authority and resources to effectively select, retain, evaluate, and terminate investment managers with the exceptions of venture capital and co-investments (due to the nascent nature of the venture capital program and investment concentration risk of co-investments). The Venture Capital program shall be approved by the Investment Committee and the Board prior to its implementation. These exceptions do not pertain to funds where an external manager has discretion.

C. Accordingly, the CIO shall have the authority to:

1. Manage the Investment Personnel of the Plan, including:
   a. Recommending to the CEO the appointment and duties of all professional, technical, and clerical employees of the Investment Division;
   b. Directing and supervising all Investment Personnel on a day-to-day basis; and
   c. Evaluating all Investment Personnel and managing their professional development.
2. Select and terminate investment consultants to assist in the selection, retention, evaluation, and termination of investment managers.
   a. The CIO may use the services of the general investment consultant appointed by the Board. Alternatively, if the services of the general consultant can be unbundled to separate manager research services, the CIO may select a consultant(s) of his or her choice to carry out manager research services that would otherwise have been included in the general investment consultant scope of services.
   b. The CIO shall ensure that the total fees and expenses associated with the consultants he or she selects are reasonable and shall provide a report of such fees and expenses to the Investment Committee and the Board on at least a quarterly basis.
   c. While the CIO shall have the authority to select and terminate investment consultants to assist staff in selecting, retaining, evaluating and terminating investment managers, the Board shall approve all contracts with investment consultants selected by the CIO to ensure such contracts reflect fair and reasonable value for the Plan.

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

3. Delegation of authority to the CIO to select and terminate investment managers reflects the Board's desire to:

a. Promote efficiency and effectiveness in the manager selection and termination processes;

b. Focus the Board's time and attention on investment policy, asset allocation, and oversight, rather than manager selection and termination; and

c. Establish clear accountability on the part of the CIO and investment staff for manager selection, retention, evaluation, and termination.

General Constraints and Parameters

A. The CIO's authority to select and terminate investment managers shall be subject to the following general constraints and parameters:

1. Investment managers shall meet the following **minimum qualifications** to be selected to manage any assets of the fund:

a. Be registered as an **investment advisor** under the Investment Advisor's Act of 1940 or comparable legislation, unless the manager represent and warrants that it is exempt from such registration under applicable law.

b. Agree to enter into a contract with the Plan requiring them to perform their services consistent with the fiduciary services established under (a) the Investment Advisor's Act of 1940; (b) California law applicable to fiduciaries of public employee retirement systems, which includes the California State Constitution, Art. XVI sec. 17 and the San Jose Municipal Code and/or (c) terms and conditions substantially comparable to the foregoing that are satisfactory to the Plan.

2. The nature and size of the manager's mandate shall be consistent with:

a. The asset allocation policy of the Plan;

b. Applicable constraints (e.g. **manager or strategy concentrations**) contained in this Investment Policy Statement; and the total Plan **active risk limit(s)[1] contained in the risk section of this IPS.**

[1] Active risk or tracking error limits may apply at the total fund level, or another aggregation (e.g. public markets assets only, excluding private markets). Risk limits may also be based on concentration, expressed for example, as a percentage (%) of some total amount of risk.

3. Notwithstanding paragraph 2) b) above, the CIO shall not approve the selection of an investment management firm for mandates that exceed the following limits:

4. When a market movement is the cause of a breach in the following limits, it should be reported to the IC at the earliest of a mutually agreed-upon time during which the Investment Committee could convene with a quorum, or at the next regularly scheduled Investment Committee meeting, along with a report on how the breach was addressed, or a recommendation to address the breach.

Statement of Investment Policy *(continued)*

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

Basis*	Description	Management Firm Concentration Limit [2]
Vehicle	Separately managed accounts (active)	15%
	Commingled funds and SMAs (public, passive)	No limit [3]
	Commingled funds (public, active)	15%
	Commingled funds (hedge funds)	15%
	Commingled funds (private strategies)	15%[4]
Public Markets[5]	Passive strategies	No limit
	Active strategies (excluding hedge funds)	10%
	Hedge funds	10%
		Transaction Limit [6]
Public Markets (excluding venture capital)	Total $ commitment to asset class (e.g. Private Debt)	150% of Board-approved pacing plan (cumulative)[7]
	Primary fund commitment (1st allocation to mgr.)	2%**
	Primary fund commitment (follow-on)	3%**
	Secondary fund investment	1%**

1 Active risk or tracking error limits may apply at the total fund level, or another aggregation (e.g. public markets assets only, excluding private markets). Risk limits may also be based on concentration, expressed for example, as a percentage (%) of some total amount of risk

2 Percentage (%) of total Plan assets allowable per investment manager

3 Rationale: Fund is constrained by the asset allocation. This is the "default" option for investing, and scale determines pricing

4 For private strategies, limit applied to the capital invested plus future callable commitments

5 Some of these limits related to public markets may be "interim", to be replaced by risk-based limits for example

6 Percentage (%) of total Plan assets allowable per investment manager.

7 This would allow, for example, a commitment that in Year 1 that is 50% above "plan". The "cumulative" provision would allow for a "catch-up" for any slower-than-planned investments in prior years

* To be selected, the manager must satisfy the "Vehicle" constraint and the appropriate "Public Markets" or "Private Markets" constraints

** Percentage (%) of total plan assets

Manager Selection

A. The process used to select an investment manager shall, at a minimum, include the following elements:

1. Imposition of a Quiet Period/No Contact policy. Board members and staff shall not have contact with individuals or entities who are seeking engagement by the Plan in response to an RFP, RFI, purchase order, or other solicitation or contracting process, except in accordance with the published terms of the contracting process or except for, and limited to, contact necessary in connection with ongoing Plan business with an individual or entity. The Plan’s RFPs, RFIs, and other contract solicitations shall include notice that a “quiet period” will be in place from the beginning of the contracting process until the selection of the successful party such that these communications shall not occur, except as provided above. As part of the contracting process, potential contracting parties shall be required to disclose potential conflicts of interest. Board members and staff shall not use or attempt to use influence, outside of the individual authority to cause the organization to enter into a contract with any individual or entity. Board members and staff may refer individuals or entities for consideration for contracting to the appropriate Plan staff member(s) responsible for the particular procurement or contract process.

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

2. Identification of a mandate to implement the Board's SAA Policy Portfolio.
3. Comprehensive **operational due diligence** performed by the investment staff, qualified investment consultant, or qualified quasi-discretionary investments manager;
4. In the case of private markets, comprehensive operational due diligence performed by the investment staff, qualified investment consultant, or qualified quasi-discretionary investment manager;
5. **Legal review** by qualified investment counsel of the manager agreement and related documentation;
6. **An internal meeting of investment officers, including the CIO** and the officer responsible for the asset class in question, during which staff's due diligence analysis is reviewed and debated and a staff recommendation is made;
7. **Approval by the CIO;**
8. **Concurrence by a qualified investment consultant** or quasi-discretionary investment manager as to the reasonableness of the selection decision; and
9. Written affirmation to the Investment Committee by the CIO that the process used to select the manager complied with applicable policies and the procedures. Such affirmation shall be submitted to the Investment Committee at the next regularly scheduled Investment Committee meeting following the selection of the manager.

B. The procedures shall include any **checklists** and **templates** to be used in the due diligence process. Such procedures shall be presented to the Investment Committee for review and input at least every three years, or sooner upon request of the Investment Committee or any member of the Board.

C. Whenever amendments are made to the procedures, a copy shall be provided to the Investment Committee at its next regularly scheduled meeting.

D. Should any Investment Officer responsible for performing manager due diligence and preparing manager selection and termination recommendations to the CIO cease to be employed by the City for any reason, the CIO shall inform the Investment Committee immediately.

E. The selection of an investment manager that would contravene a provision of this policy or the procedures shall require Investment Committee approval.

F. A file or files shall be established to serve as a permanent record of the due diligence process for each investment manager hired and shall contain a summary of the due diligence information and analysis generated during the search process, as well as the legal documentation.

G. The **internal audit plan** of the internal auditor shall include a review of a random sample of investment manager selection decisions at least once per year to confirm compliance with this policy and the procedures approved by the CIO, the scope of which shall not include the investment performance of such selection decisions. The results of such review shall be reported to the Audit Committee and the Investment Committee.

H. A “**Watch List**” will be established for underperforming managers and managers under extraordinary review for qualitative reasons, and will be maintained by the General Consultant.

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

1. Quantitative criteria for underperformance which would trigger placement on the Watch List includes manager underperformance versus the appropriate benchmark over a three and/or five year period.
2. Potential actions resulting from placement on the Watch List include finding appropriate resolution of outstanding issues, renewed confidence in the manager or strategy, or determination that the termination of the manager or strategy is appropriate.
3. Investment staff will identify underperforming managers in conjunction with consultants.
4. As necessary, nuanced investment strategies or fund types may require customized review.

I. The Plan will seek alignment of interests when negotiating fees while pursuing the best net of fees performance results. Investment costs shall be monitored, controlled, and whenever possible negotiated to ensure cost effectiveness. The Board shall give consideration to the impact of administrative expenses, external management fees and performance fees when establishing the asset mix policy of the Plan. The Board will be provided reports on investment costs of the Plan at least annually.

J. The Plan's staff, in coordination with its investment consultants and legal counsel, will negotiate, monitor, and report on fees with investment managers regularly to ensure market competitiveness and appropriateness.

K. The Plan will seek to ensure that excessive fees are not being paid for alternative assets by reviewing manager fees at least annually. Fee structures could incorporate fixed fees, performance based fees, high water marks, waterfall, hurdles, floors and caps. The Plan may also incorporate multi-year performance periods with clawbacks as needed.

Manager Termination Procedures

A. City of San Jose Office of Retirement Services investment staff is aware that the ongoing review and analysis of investment managers is just as important as the due diligence implemented during the investment manager selection process. The performance of the investment managers will be monitored on an ongoing basis and it is at the CIO's discretion to take corrective action by terminating and/or replacing an investment manager if it is deemed appropriate at any time for any reason.

The CIO, in agreement with the appropriate consultant for the manager/asset class in question, may terminate an investment manager or product due to a variety of reasons. These reasons can include but are not limited to the following:

1. Plan asset allocation change
2. limited market opportunity
3. style drift
4. violation of policies and guidelines
5. key personnel turnover
6. failure to achieve performance or risk objectives
7. legal or regulatory action
8. any change deemed likely to impact or impair investment performance

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

9. any other material adverse events, whether reputational or financial, that could be expected to cause significant headline risk.

Termination of private funds is typically not possible. If the CIO wishes to exit a private fund, they may evaluate opportunities for secondary market sales of fund interests.

The CIO will report any termination actions at the next Committee meeting, detailing the rationale for action.

XIII. RISK POLICY

Purpose and Scope

The purpose of this Risk Policy is to ensure that the total portfolio investment risk is consistent with the investment beliefs and strategic goals set forth by the San Jose Police and Fire Retirement Board. This document defines the roles and responsibilities for maintaining this Risk Policy, management of the investment risks of the Plan, and monitoring the results. It also articulates the Board's philosophy towards investment risk. The Plan intends to use risk management to make more informed decisions and improve the likelihood of achieving its strategic goals and objectives within the appendix, specific risk targets and limits are established.

The Risk Policy will cover investment risk, liquidity risk, credit risk, and funding risk. The Risk Policy will not cover enterprise risk concepts such as operational risk, regulatory risk, legal risk, and counterparty risks.

Objectives

The objective of the risk management program are:

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

Definitions

To aid with the interpretation of this policy, a glossary of terms is included in the Appendix D, which defines all the technical terms use in this policy.

Governance

Consistent with the Board's governance model, which delegates specific authority, responsibility, and accountability to others based on areas of expertise, this Risk Policy defines the following roles and responsibilities. The Board retains sole responsibility of governing the Plan, setting investment policy and risk policy, and monitoring the Investment Program. The Board delegates specific areas of responsibility while retaining appropriate oversight of the delegated activity.

Board of Administration

The Board maintains the sole and plenary authority and fiduciary responsibility for the Investment Program. The Board also understands it may delegate certain responsibilities under the Investment Program for purposes of administrative efficiency and expertise. The areas of the Investment Program the Board may not delegate include:

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

- **A.** Engaging Board consultants and service providers
- **B.** The governance model of the Investment Program
- **C.** Monitoring the Investment Program
- **D.** Establishing and maintaining investment policy, including:
  1. The Investment Policy Statement ("IPS")
  2. This Risk Policy
  3. Investment objectives
  4. Strategic asset allocation
  5. Allocation-level performance benchmarks
  6. Risk philosophy

Investment Committee

The Investment Committee ("IC") is a subset of the Board assigned to review investment related matters in greater detail. The IC has been assigned authority to assist the Board in its duties by meeting on at least a quarterly basis regarding matters of investment policy, risk management, portfolio structure, vendor selection, real estate operations, human resources, reporting, and monitoring. Please refer to the IC Charter for specific detail.

Staff

San Jose Retirement Services Staff ("Staff"), including the Chief Executive Officer (CEO) and Chief Investment Officer (CIO), is broadly responsible for supporting the Board in the effective execution of the Investment Program. The CIO has been delegated authority to execute specific elements of the Investment Program as outlined herein. Staff risk operating zones are defined in Appendix C.

General Investment Consultant

The General Investment Consultant ("GC") is appointed by the Board to provide independent, objective investment advice. The GC is a fiduciary to the Plan under California law. The GC works with Staff and specialty consultants in the development of recommendations while recognizing its fiduciary duty is to provide prudent investment advice to the Board. The GC provides advice without discretionary authority to execute on its advice. With regard to this Risk Policy, the GC contributes to the following:

- **A.** Asset allocation recommendations among classes and subclasses
- **B.** Investment manager selection, evaluation and termination
- **C.** Investment performance monitoring
- **D.** Investment risk monitoring
- **E.** Capital markets projections
- **F.** Coordination with the Plan's actuary in conducting periodic asset/liability studies and other required reporting
- **G.** Recommend changes to the actual portfolio to achieve compliance with this Risk Policy
- **H.** Board education

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

Specialty Investment Consultants

A. Absolute Return Consultant

The Absolute Return Consultant ("AC") is appointed by the Board to provide independent, objective investment advice. The AC is a fiduciary to the Plan under California law. The AC works with Staff and the other consultants in the development of recommendations while recognizing its fiduciary duty is to provide prudent investment advice to the Board. The AC provides advice without discretionary authority to execute on its advice. With regard to this Risk Policy, the AC contributes to the following:

1. Assists with providing transparency into the absolute return investment strategies, including recent holdings and transactions.
2. Assists with the analysis of recommended investment strategies that have not yet been incorporated into the Plan including recent holdings and transactions.
3. Board education

B. Risk Advisory Consultant

The Risk Advisory Consultant ("RC") is appointed by the Board to provide independent, objective investment advice. The RC is a fiduciary to the Plan under California law. The RC works with Staff and the other consultants in the development of recommendations while recognizing its fiduciary duty is to provide prudent investment advice to the Board. The RC provides advice without discretionary authority to execute on its advice. With regard to this Risk Policy, the RC contributes to the following:

1. Asset allocation recommendations among classes and subclasses
2. Investment manager evaluation
3. Risk policy development and maintenance
4. Investment risk monitoring
5. Recommend changes to the actual portfolio to achieve compliance with this Risk Policy
6. Board education

Investment Managers

Investment Managers are delegated the responsibility of investing and managing Plan assets in accordance with the IPS, Risk Policy, and all other applicable laws and the terms of the applicable investment documents evidencing the Plan's acquisition of an interest in an investment vehicle, and other controlling documents. Investment Managers are responsible for making all investment decisions on a discretionary basis regarding assets placed under their jurisdiction and will be accountable for achieving their investment objectives. Such discretion shall include decisions to buy, hold, and sell investments in amounts and proportions that are reflective of the stated investment mandate.

Custodian Bank

The Custodian Bank, selected by the Board to act as the principal custodian of assets of the trust, is delegated the responsibility of holding the assets and evidence of interests owned by the Plan in investment vehicles and cash (and equivalents). The Board may authorize the Custodian Bank to invest in temporary short-term fixed income investments both for the investment strategies and as a part of the cash portion of Plan assets. Such investments will be managed in general accordance with short-term fixed income investment guidelines as detailed in the Custodial Agreement. Cash managed for investment strategies shall be considered to be sub-portions of the assets managed by the directing Investment Managers.

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

Philosophy

An institutional investment program is inherently exposed to many types of risk. This Risk Policy focuses primarily on the investment risks caused by the markets to which the Plan is exposed (e.g. domestic equities, real estate, domestic fixed income, and others). Related risks such as counterparty, geo-political, and fraudulent or unethical behavior, among others, are not addressed in this Risk Policy.

This Risk Philosophy represents the foundational principles on which the Investment Program is based. Every investment decision should be made with these foundational principles in mind to promote the fulfillment of fiduciary obligations. The statements below set forth the Board's Risk Philosophy, in order of importance:

Investment risk policy should consider the financial health of the sponsor

Contribution volatility (i.e. the volatility of annual contributions made to the Plan by the Sponsor) represents a significant budgetary constraint on the Sponsor's financial planning with important implications for taxpayers. The Investment Program shall, therefore, assume a level of volatility that can be tolerated by the Sponsor in both normal as well as stressed market conditions.

The funded status (i.e. funded ratio), viewed as a general proxy for the health of the Plan, is reviewed on both actuarial and market value of assets bases. While a higher funded ratio is always preferred, the Investment Program shall not accept a level of risk that for a given probability could cause the funded ratio to fall below the limit identified in Appendix B.

The Plan will manage funding risk in three main ways:

- **A. Actuarial review:** The actuary will periodically review the Plan's liabilities
- **B. Asset/Liability studies:** The general consultant will periodically perform this study to identify changes in the relationship between assets and liabilities
- **C. Asset Allocation:** The Plan will periodically conduct asset allocation studies to ensure:
  1. portfolio diversification
  2. expected portfolio returns over the long-term (i.e. 10 years or more) in combination with projected contributions are sufficient to meet expected liabilities

Volatility and drawdown are the primary measures of investment risk

Because the Plan must satisfy long-term liabilities and receives regular contributions from the Sponsor, the Investment Program invests for the long-term appreciation of assets. It is, therefore, able to withstand short-term volatility spikes without undue impairment of capital. For this reason, long-term volatility (i.e. 8 years or more) is considered the appropriate timeframe. Volatility is forecasted through the Plan's strategic asset allocation and risk reporting processes and is measured and monitored as outlined in Appendix B and C.

Market corrections due to economic recession, geo-political instability, and other causes have historically proven detrimental to the funded status of the Plan. Drawdown and tail-risk metrics are designed to assess potential investment returns during such periods of market stress. Historical drawdown scenario analysis provides insight into how the portfolio would respond if it were exposed to prior stressed market conditions. Tail-risk analysis provides insight into the probabilities of experiencing a negative investment return with a small (e.g. 5%) probability. These metrics provide insight into how much may be lost during a stressed market environment. Because market corrections are statistically infrequent and typically caused by unforeseen events, neither approach can be used with certainty, but each provides insight into the potential impact a worst-case scenario may represent to the Plan and Sponsor.

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

Active risk, factor exposures, and liquidity must be monitored

Implementation of any strategic asset allocation introduces deviations between the Plan's actual portfolio and its policy index. While it is generally desired to minimize these differences to achieve efficiency, deviations from the policy index may be desirable for various reasons. To ensure the actual portfolio is appropriately adhering to the policy index, active risk must be measured and monitored through tracking error statistics.

Factor exposures capture the underlying economic drivers supporting asset class returns. While the policy index and actual portfolio are constructed primarily through asset class forecasts, factor exposures provide important insight into the underlying economic drivers supporting the Investment Program. Each security owned within each investment strategy has some exposure to various economic drivers. The Investment Program's total exposure to the economic drivers is, therefore, driven by the exposures inherent in those securities as well as the correlations across the factor exposures. To understand better the Plan's exposure to the economic drivers and anticipate how the Investment Program will perform under various economic environments, factor exposures must be measured and monitored.

In addition to benefit payments, the Plan must meet its obligations to pay its expenses and satisfy capital calls. Generally, these cash outflows are predictable and can be met through the normal administration of the Plan. Under stressed market conditions, however, liquidity within the Investment Program can change significantly and with little advance notice while the Plan must continue to meet its obligations. Liquidity must, therefore, be monitored and measured to ensure that the Plan can continue to meet its financial obligations during periods of market stress without being forced to sell assets at stressed prices.

Monitoring

Reporting processes are designed to provide the Board with the information needed to execute its oversight function. As such, the Board has developed the following monitoring structure.

The Investment Committee, CIO and RC will monitor the Investment Program's risk exposures quarterly. This detailed review process will include security-level exposure analysis of the Investment Program's factor exposures; asset class exposures; tracking error; tail-risk and drawdown scenario analysis, and geographic exposures.

The Board, Staff, and RC will monitor the Investment Program's adherence to this Risk Policy on a quarterly basis. This review process will summarize the detailed reporting used by the Investment Committee and also include the ranges and targets outlined in **Appendix B**.

Management

Aside from liquidity management responsibilities assigned to the CIO in the Plan's IPS, the Board retains full authority and responsibility for ensuring adherence of the Investment Program to this Risk Policy.

The Plan's risk management function is expected to evolve through time. The objective of the risk management function is to ensure the Plan operates within the Board's agreed risk tolerance and limits. The main goals of the risk management function are:

- **A.** **Identify:** risks that will impact the Plan's ability to meet its goals and objectives;
- **B.** Estimate the significant risks to which the Plan is exposed;
- **C.** **Manage:** risk must be managed and should be commensurate with the rewards;
- **D.** **Communicate:** risks must be reported and monitored on a regular basis.

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

To a large extent, many factors that impact future benefits and contributions are uncontrollable, however, the potential impacts are considered in strategy development. The Plan uses three approaches (actuarial valuation, asset/liability studies, and asset allocation studies, as discussed above) to address and manage risk.

The Board may delegate authority to the CIO and Staff for certain functions as detailed below. Delegation of authority will be coordinated with workflow, compliance and reporting procedures that are clearly defined, reviewed, and approved. The Board shall be notified timely of all investment decisions made by the CIO and their implications to the Plan.

A. Rebalancing

Portfolio rebalancing may occur by adjusting allocations to individual investment strategies or managers or through the use of an overlay provider using derivatives.

B. Relative Risk

While the Board recognizes that the majority of investment risk over the long term is dependent on the asset allocation decision, it recognizes the cost of precisely matching the strategic asset allocation is considerable and not always optimal. In addition to asset class weightings versus policy, annualized tracking error will be used to measure the disparity of returns between the actual positions in the Investment Program compared to the strategic asset allocation. Annualized tracking error, as measured quarterly by the RC, shall adhere to the targets and ranges outlined in **Appendix C**.

IX. INVESTMENT COSTS

The Board members intend to monitor and control investment costs at every level of the San Jose Police and Fire Department Retirement Plan.

A. Professional fees will be negotiated whenever possible.

B. Where appropriate, passive portfolios will be used to minimize management fees and portfolio turnover.

C. If possible, assets will be transferred in-kind during manager transitions and Plan restructurings to eliminate unnecessary turnover expenses.

D. Managers will be instructed to minimize brokerage and execution costs.

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

Appendix A

ASSET ALLOCATION TARGETS [8]

	Target (%)	SAAP Asset Class Benchmarks	LCPP Asset Class Benchmarks	Tracking Error Target Range (basis points)
Growth	**70**			
Public Equity	46	Custom Public Equity Benchmark[9]	LCPP Custom Public Equity Benchmark[9]	0-400
Total Private Markets	19	Actual Return		N/A
Private Equity	6		Russell 3000	
Venture/Growth Capital	4		Russell 3000	
Private Debt	3		Bloomberg Barclays Aggregate	
Growth Real Estate	3		Global NAREIT	
Private Real Assets	3		S&P Global Natural Resources	
Emerging Market Bonds	3	50/50 JPM EMBI GD/JPM GBI-EM GD	50/50 JPM EMBI GD/JPM GBI-EM GD	0-300
High Yield Bonds	2	Bloomberg Barclays High Yield	Bloomberg Barclays High Yield	0-300
Low Beta	**8**			
Market Neutral Strategies	3	0	0	0
Immunized cash flows	5	0	0	0
Other	**22**			
TIPS	2	Bloomberg Barclays 0-5 Year TIPS	Bloomberg Barclays 0-5 Year TIPS	0 - 100
Core Real Estate	5	NCREIF ODCE Equal Weighted	Global NAREIT	0 - 400
Investment Grade Bonds	12	Custom IG Bonds Benchmark[10]	Custom IG Bonds Benchmark[10]	0 - 200
Long-Term Government Bonds	3	Bloomberg Barclays Treasury 10+	Bloomberg Barclays Treasury 10+	0 - 100

LIABILITY BENCHMARK PORTFOLIO: Bloomberg Barclays U.S. Long Treasury Index

8 Approved by the Board of Administration in March 2020.

9 23% MSCI US IMI, 11% MSCI World ex US IMI, 12% MSCI EM IMI.

10 25% Bloomberg Barclays 1-3 Year Government/Credit, 56% US Aggregate, 19% US Securitized MBS/ABS/CMBS.

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

Appendix B — SCHEDULE OF OPERATING RANGES AND LIMIT TARGETS

		Operating Range		Board Approved
Characteristic	**Measurement**	**Min.**	**Max.**	**Limit**
Funded ratio	Probability that the Actuarial funded ratio will fall below the Board Approved Limit	80%	n.m.	5% probability of falling below 60%
Sponsor contributions	Probability that Sponsor contributions in a single year will exceed a specified limit	$160mm	$220mm	5% probability of exceeding $150mm
Interest on UAL	Probability that the Interest cost of unfunded actuarial liability will increase above a specified limit	$35 mm	$80mm	5% probability of exceeding $150mm
Total fund absolute volatility	Forecast Annualized standard deviation of returns of the actual portfolio	8%	10%	12%
Total fund relative volatility	Forecast Tracking error of the actual portfolio vs. the strategic asset allocation policy index	1%	2%	4%
Drawdown exposure	Average of three worst historical scenario drawdown events	n/a	n/a	-30%
Liquidity	Liquidity Coverage Ratio (LCR) 5-yr projection	2.0	3.0	1.2

Appendix C — FORECASTED RISK OPERATING ZONES

Risk Guideline	CIO	IC	Board
Total Portfolio	8 - 11%	<8%; 11-12%	>12%
Total Portfolio Forecast Beta	0.5 - 0.8,	0.3-0.5; 0.8-1	<0.3; >1
Total Portfolio Duration	0-3 years	3-5 years	> 5 years
Total Portfolio Credit Spread Duration	0-3 years	3-5 years	> 5 years
Total Portfolio Relative Risk	< I 10% I	I 10% I - I 20%I	> I 20% I
Equity Factor Relative Risk	< I 10% I	I 10% I - I 20%I	> I 20% I
Interest Rate Factor Relative Risk	< I 10% I	I 10% I - I 20%I	> I 20% I
Credit Factor Relative Risk	< I 10% I	I 10% I - I 20%I	> I 20% I
Currency Factor Relative Risk	< I 10% I	I 10% I - I 20%I	> I 20% I
Portfolio Active Risk	0.5 - 3%	0-0.5%; 3-4%	> 4%
Average Drawdown Risk	0 - 25%	25-30%	<-30%

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

Appendix D DEFINITIONS

Actuarial Assumptions: Assumptions made by the actuary that influence the valuation of liabilities

Active Risk: Measures the volatility of an investment strategy versus its benchmark.

Concentration Risk: Lack of diversification in exposure to markets or managers.

Confidence Interval: A range of values so defined that there is a specified probability that the value of a parameter lies within it.

Counterparty Risk: The risk that a party in a transaction does not fulfill its contractual obligation. Both sides of a contract are exposed to this risk

Credit Risk: Also referred to as default risk. This is the risk the borrower fails to repay a loan or meet a contractual obligation.

Currency Risk: The potential loss on the price of an asset due to fluctuating foreign currency exchange rates.

Drawdown: A measure of both returns and time over which an investment experienced a decline in value from a peak to a trough. It is based on actual historical results.

Duration: Measures how long (in years) it takes to be repaid the bond's price by the bond's total cash flows. This measure is used to determine the interest rate sensitivity of the portfolio.

Funded Ratio: The ratio of assets to liabilities. Assets can be defined in terms of the market value of assets or the actuarial value of assets. Liabilities are defined as all future benefit payments discounted at the actuarial assumed return,

Funding Risk: Also referred to as surplus risk, this is the risk of assets and liabilities not matching Inflation Risk: The risk that general prices of goods and services are rising, which erodes the purchasing power of money.

Interest Rate Risk: The risk that an investment will decline in value as a result of a change in interest rates. This risk is measured by its duration.

Investment Risk: The risk associated with investing in capital markets

Liquidity: Is comprised of both the time required to complete the transaction and the impact that the transaction has on the price of the asset. There are two types of liquidity risk: Market liquidity risk and funding liquidity risk. Market liquidity risk refers to the risk that an asset cannot be sold without loss of value. Funding liquidity risk refers to the risk that the plan will not be able to meet financial obligations as they come due.

Liquidity Coverage Ratio: The ratio of liquidity available to liquidity needs.

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

Portfolio Construction Engine: A software program relying on mean-variance optimization. Portfolio optimization requires inputs of asset class returns, standard deviations, and correlations in order to develop an output of total portfolio expected returns and standard deviations, which can be compared along with their Sharpe Ratios.

Risk: The uncertainty of an event occurring

Standard Deviation: The square root of the average squared deviation of the returns from its mean

Strategic Asset Allocation: The asset classes and weights that are targeted for the policy benchmark

Tail Risk: Tail-risk measures both the probability and expected returns of a significant loss. When assuming normally distributed returns, tail-risk is the left tail of the return distribution. The normal distribution used for mean-variance optimization underestimates the risk of rare events when markets exhibit fat tails (for example, during the Global Financial Crisis).

Volatility: The standard deviation of returns. Standard deviation (SD) is the square root of the average squared deviation of the returns from its mean.

Statement of Investment Policy

HEALTHCARE - 115 SUBTRUSTS

1) This investment policy statement governs investments for the City of San José Police and Fire Department Retiree Health Care Trust Fund (the “Health Care Trust”). The Health Care Trust is an Internal Revenue Code Section 115 trust that was established on June 24, 2012. The Health Care Trust is separate from the City of San José Police and Fire Department Retirement Plan (the “Plan”), and contributed assets are to be used for the sole purpose of providing healthcare benefits to Plan beneficiaries. The Health Care Trust was established to provide an alternative to the existing 401(h) account, which is included within the Plan.

2) The Fund will be managed as an ongoing concern with a long-term investment time horizon.

INVESTMENT OBJECTIVES

3) The Health Care Trust’s sole and exclusive objective is to provide a funding source for the health and welfare benefits for retirees and dependents of the City of San José Police and Fire Department Retirement Plan.

4) To achieve the goal detailed above, the Health Care Trust’s assets will be managed:

   a) To achieve a high level of return with a prudent level of risk;

   b) To provide sufficient liquidity to meet all cash needs;

   c) To provide sufficient diversification in an effort to avoid significant losses and preserve capital.

FIDUCIARY STANDARDS

5) The Board of Administration is subject to the following duties under law:

   a) The assets of the Health Care Trust are trust funds and shall be held for the exclusive purposes of providing benefits to members of the Plan and their beneficiaries and defraying reasonable expenses of administering the Health Care Trust;

   b) The Board shall discharge their duties with respect to the Health Care Trust solely in the interest of, and for the exclusive purposes of providing benefits to, members of the Plan and their beneficiaries, and defraying reasonable expenses of administering the Health Care Trust. The Board’s duties to the members and their beneficiaries shall take precedence over any other duty;

   c) The Board shall discharge their duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims.

6) Investment staff, investment consultants, investment managers, custodians and all other parties charged with handling the Health Care Trust’s assets shall utilize the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims, and shall comply with all applicable laws, rules and regulations.

FUND GOVERNANCE

7) The governance structure of the Health Care Trust is described in the City Charter and in various governance policies established by the Board of Administration, including but not limited to:

Statement of Investment Policy *(continued)*

HEALTHCARE - 115 SUBTRUSTS (continued)

a) Policy on the Role of the Board of Administration;

b) Policy on the Role of the Investment Committee;

c) Policy on the Role of the Director of Retirement Services;

d) Policy on the Role of the Chief Investment Officer;

e) Policy on Roles in Vendor Selection.

ASSET ALLOCATION

8) The long-term asset allocation of the Health Care Trust will be determined based on the results of an asset allocation study.

9) The current asset allocation policy of the Health Care Trust (at market value) as of August 1, 2014 is set out below:

Broad Asset Class	Minimum	Target	Maximum
Equity	25%	43%	50%
Fixed income	5	15	25
Inflation-linked	12	22	25
Absolute return / Global tactical asset allocation	-	20	25
Cash	-	-	5
Total		**100%**	

10) The Board is committed to implementing and maintaining the above asset allocation policy, but also recognizes that circumstances may arise where it is not possible or practical to timely implement or maintain the policy. In such circumstance, the Trustees will monitor the status of the asset allocation policy and seek to comply with the policy when it is possible and prudent to do so.

11) The long-term asset allocation of the Health Care Trust will be reviewed at a minimum every five years, also based on the results of an asset allocation study. Such studies may also be performed on an interim basis, as necessary. The Board may review the current asset allocation targets at any time in light of market conditions, and make changes as it deems necessary.

12) The Board will also approve an Investment Structure, which provides additional detail as to the allocation of assets to categories of investment within the broad asset classes that comprise the asset allocation policy. The Investment Structure and any changes thereto do not necessarily require that an asset allocation study be performed.

REBALANCING

13) The asset allocation of the Health Care Trust will be monitored on a monthly basis and the assets of the Health Care Trust are to be rebalanced to within the target ranges when fluctuations in fair values cause the portfolio to fall outside the guideline ranges set out above. Such re-balancing shall occur as soon as practical unless the approval of the Investment Committee is obtained.

14) When re-balancing, funds will generally be taken from accounts that are most significantly above their approved ranges and will be transferred to accounts that are most significantly below their approved ranges until the allocation is within the guideline ranges.

HEALTHCARE - 115 SUBTRUSTS (continued)

DIVERSIFICATION

15) Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, issuers, or industries. Furthermore, assets will be assigned to a variety of investment managers that employ a range of investment management strategies.

16) Consistent with paragraph 15 above:

a) No single investment management firm shall be authorized to manage more than 15% of the Health Care Trust's actively managed assets without Board approval. There is no limit on the amount of passively managed assets that an investment management firm shall be authorized to managed;

b) As a general rule, Health Care Trust assets placed with an investment manager should not represent more than 10% of the total assets managed by that firm, without Board approval.

LIQUIDITY MANAGEMENT

17) The projected cash flow needs of the Health Care Trust are to be reviewed at least quarterly and the custodian and investment managers of the Health Care Trust are to be informed in writing in a timely manner of the liquidity needs of the Health Care Trust Fund. If necessary, cash flow needs will be coordinated through the Health Care Trust's rebalancing provisions contained herein.

PROXY VOTING

18) Proxies must be voted in the best interest of shareholders in this case the Health Care Trust and its members and beneficiaries. The Health Care Trust may engage the services of one or more third parties, including but not limited to its custodian, investment managers, and consultants, to vote proxies for common stocks owned in its portfolios. Such parties must exercise their authority to vote as fiduciaries to the Health Care Trust and in accordance with applicable standards of prudence. The Board may establish proxy voting guidelines to further guide the voting of the Health Care Trust's proxies. Any third parties retained to vote the proxies of the Health Care Trust shall provide periodic reports to the Health Care Trust on their activities.

19) As of the date of this Policy, the Board has delegated its proxy voting authority on all domestic securities to a dedicated proxy voting advisor. Investment managers for international securities are responsible for voting the proxies on international securities, as are hedge fund managers.

HIRING & TERMINATING INVESTMENT MANAGERS

20) Investment managers should meet the following criteria in order to be considered to manage the assets of the Fund.

a) Be capable of providing adequate and satisfactory information on the history of the firm, key personnel, key clients, fee schedules, and support personnel. Such information must demonstrate acceptable financial and staff stability and longevity;

b) Be able to clearly articulate the investment strategy that will be followed and demonstrate that the strategy has been successfully adhered to over time;

c) Have no past or outstanding legal judgments against them, which reflect negatively upon the firm or call into question the ability of the firm to serve as a fiduciary of the Health Care Trust.

HEALTHCARE - 115 SUBTRUSTS (continued)

21) Staff-level procedures shall be prepared detailing the additional criteria and processes to be used in conducting investment manager due diligence and in arriving at recommendations to select or terminate an investment manager. Such procedures shall be reviewed with the Investment Committee and the Board from time to time.

22) The procedures noted in paragraph 21 above shall require at a minimum that recommendations to appoint or terminate an investment manager shall be accompanied by a report, prepared by an external investment advisor and/or investment staff, containing investment staff's and/or the investment advisor's recommendations and summary analysis.

MONITORING INVESTMENT MANAGERS

23) The Health Care Trust's investment managers will be monitored on an ongoing basis and may be terminated by the Health Care Trust at any time due to performance or other developments that call into question the manager's ability to continue to effectively manage assets of the Health Care Trust.

24) The majority of the Health Care Trust's assets are currently passively managed, in which case the manager should be expected to produce long-term returns that are reasonably close to those of the relevant benchmark. For any active investment managers, quarterly performance will be measured and evaluated relative to appropriate long-term performance benchmark and objectives, though it is understood that investment managers will, from time to time, underperform their benchmarks and objectives. Persistent underperformance by an investment manager, however, will be viewed as the basis for an extraordinary review of that manager and the manager's potential termination.

25) Certain other events may also trigger an extraordinary review, and possible termination, of an investment manager. These include, but are not limited to:

    a) Failure to adhere to the terms of a contract between the manager and the Health Care Trust;
    b) Loss of an investment professional(s) directly responsible for managing the Health Care Trust's assets, or who is/are so significant to the firm's overall investment process as to call into question the future efficacy of that process;
    c) The sale of the investment management firm to another entity, or other change in ownership;
    d) The purchase of another entity by the investment management firm;
    e) Significant account losses and/or extraordinary addition of new accounts;
    f) Regulatory actions against the firm, particularly any that represent violations of securities laws and regulations;
    g) Any other event which may impair the manager's ability to perform in a satisfactory manner or puts the Health Care Trust's assets at undue risk of loss.

DERIVATIVE SECURITIES

26) Derivative securities are financial instruments that "derive" their value from an underlying commodity, index, or security. Examples include futures, options and forward contracts. Derivatives can provide a cost-effective means of managing portions of a portfolio and to manage risk through hedging activities. Examples of such uses include:

    a) Equitizing cash during portfolio transitions until "physical" securities are in place;
    b) Managing asset allocation on a temporary basis;
    c) Hedging foreign currency risk, subject to approved limits.

HEALTHCARE - 115 SUBTRUSTS (continued)

27) In general, the use of derivatives for the purposes noted above, and similar risk management purposes, is supported by the Investment Committee and the Board. Speculative positions in derivatives, however, are not authorized under any circumstances.

28) Given the nature of many investment managers' mandates, it is recognized and understood that investment managers retained by the Health Care Trust may use derivatives that are contrary to paragraphs 26 and 27 above.

29) This policy allows for the use of derivatives within the specific portfolios being managed by the investment managers retained by the Health Care Trust. Use of derivatives at the Health Care Trust level (i.e. Total Fund) must be authorized by this Investment Policy Statement prior to being utilized within the Health Care Trust.

INVESTMENT RESTRICTIONS

30) Health Care Trust assets are currently invested primarily in mutual fund investment vehicles, given the current asset size of the Health Care Trust. The type of investment vehicles utilized by the Health Care Trust will be revisited as the asset size of the portfolio increases. In instances when the Health Care Trust invests through a commingled fund or separate account, investment management agreements will be established for each investment manager retained by the Health Care Trust. Such agreements shall specify any policies, risk controls, portfolio characteristics, reporting requirements, and other requirements or restrictions that may be applicable to the manager.

INVESTMENT COSTS

31) Investment costs shall be monitored, controlled, and whenever possible negotiated to ensure cost effectiveness. The Board shall give consideration to the impact of administrative expenses, external management fees and performance fees when establishing the asset mix policy of the Health Care Trust.

32) The Board will be provided reports on investment costs of the Health Care Trust at least annually.

VALUATION OF INVESTMENTS

33) The Health Care Trust's investments shall be valued using fair values or other suitable methods of valuation. The frequency of valuation shall be dependent upon the nature of the asset.

34) Where a public market price is not available for an investment, a suitable method of valuation shall be used including the use of: discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. Independent, qualified appraisers may be used to provide valuations or verify the reasonableness of internal valuations.

OTHER

35) Appendix A contains the Long-term Policy Benchmark.

36) Exceptions to this Investment Policy Statement must be approved by the Board of Administration of the Health Care Trust.

POLICY REVIEW & HISTORY

37) This policy will be reviewed at least annually.

38) This policy was most recently reviewed by the Investment Committee on June 6, 2013.

Statement of Investment Policy *(continued)*

HEALTHCARE - 115 SUBTRUSTS (continued)

Appendix A

LONG-TERM BENCHMARK

Asset Class	Benchmark	Target (%)
Equity	MSCI ACWI IMI (Net)	43
Fixed Income	BC Aggregate	15
Inflation-Linked	MSCI U.S. REIT	10
	Bloomberg Commodity Index	12
Absolute Return/GTAA	60% MSCI World / 40% CITI WGBI	20

Investment Professionals

As of June 30, 2020

	PUBLIC EQUITY	
Artisan Partners	Dimensional Fund Advisors	Northern Trust Asset Management
Cove Street Capital	GQG Partners	Oberweis Asset Management
	PRIVATE EQUITY	
57 Stars LLC	Industry Ventures	Portfolio Advisors LLC
CCMP Capital Investors	Innovation Endeavors	Siguler Guff & Company, LP
Crescent Capital Group	Neuberger Berman	TCW
Francisco Partners	Northern Trust Asset Management	TPG Capital
HarbourVest Partners	Pantheon Ventures	Warburg Pincus LLC
	GROWTH REAL ESTATE	
Blackstone Group	KSL Capital Partners, LLC	Torchlight Investors
Brookfield Asset Management	Sculptor Capital Management LLC	Tristan Capital Partners
DRA Advisors LLC	Orion Capital Managers LLP	
GEM Realty Capital	TA Associates Realty	
	PRIVATE DEBT	
Arbour Lane Capital Management	Eagle Point	Shoreline Capital
Blackstone Group	Medley Capital LLC	White Oak Global Advisors
Crestline Investors Inc	Octagon Credit Investors	
Cross Ocean Partners	Park Square Capital, LLP	
	PRIVATE REAL ASSETS	
Brookfield Asset Management	Global Infrastructure Partners	Lime Rock Partners
	EMERGING MARKET BONDS	
Blue Bay Asset Management	Wellington Management	
	HIGH YIELD DEBT	
	BNY Mellon Asset Management	
	INVESTMENT GRADE BONDS	
Northern Trust Asset Management	Voya Investment Management	
	MARKET NEUTRAL STRATEGIES	
D.E. Shaw & Co., LP	JD Capital	Pine River Captial Management LP
Hudson Bay Capital Managmenet	Kepos Capital LP	
	IMMUNIZED CASH FLOWS	
	Insight Investment	
	TREASURY INFLATION-PROTECTED SECURITIES (TIPS)	
	Northern Trust Asset Management	
	CORE REAL ESTATE	
BlackRock Financial Management Inc.		Clarion Partners
	COMMODITIES	
	Credit Suisse Asset Management	
	CONSULTANTS	
Albourne America LLC (Absolute Return)	Meketa Investment Group (General Consultant)	Verus Advisory Inc. (Risk Advisory Services)
	CUSTODIAN	
	State Street Bank & Trust Company	
	PORTFOLIO OVERLAY SERVICES	
	Russell Investments	

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

NET PERFORMANCE SUMMARY BY ASSET CLASS

For Period Ended June 30, 2020

	One Year	Three Years	Five Years	Ten Years
Total Fund with Overlay (net of manager fees)	**3.1%**	**4.7%**	**4.6%**	**6.2%**
Policy Benchmark	2.9%	5.0%	5.1%	6.7%
InvMetrics Public DB > $1B Net Median	1.3%	5.0%	5.4%	7.8%
Total Public Equity	**1.2%**	**5.2%**	**6.0%**	**8.9%**
Public Equity Benchmark	0.3%	5.4%	6.0%	9.3%.
Total Private Equity	**8.3%**	**12.2%**	**10.9%**	**11.7%**
San Jose Custom Total Private Equity Benchmark	(1.8)%	8.6%	8.9%	11.5%
Total Private Real Assets	**(5.6)%**	**2.6%**	**N/A**	**N/A**
Total Private Debt	**(4.4)%**	**(0.8)%**	**N/A**	**N/A**
S&P Global Leveraged Loan + 2%	(0.5)%	3.6%	N/A	N/A
Total Immunized Cash Flows	**4.6%**	**N/A**	**N/A**	**N/A**
Immunized Cash Flow Benchmark	**4.6%**	**N/A**	**N/A**	**N/A**
Total Core Real Estate	**3.6%**	**6.0%**	**7.5%**	**N/A**
NCREIF ODCE Equal Weighted (Net)	1.7%	5.1%	6.7%	N/A
Total Emerging Market Bonds	**8.7%**	**6.2%**	**5.7%**	**N/A**
eV All Emg Mkts Fixed Inc Net Median	(1.2)%	2.4%	4.3%	5.1%
Total Growth Real Estate	**0.1%**	**7.6%**	**7.2%**	**N/A**
NCREIF ODCE Equal Weighted	2.6%	6.0%	7.6%	N/A
Total Market Neutral Strategies	**0.0%**	**3.8%**	**2.5%**	**N/A**
Market Neutral Strategies	1.6%	1.5%	0.8%	N/A
Total Long Term Govenment Bonds	**N/A**	**N/A**	**N/A**	**N/A**
Long Term Government Bonds Benchmark	N/A	N/A	N/A	N/A
Treasury Inflation-Protected Securities (TIPS)	**3.5%**	**N/A**	**N/A**	**N/A**
BBgBarc US Treasury TIPS 0-5 Yr TR	3.4%	N/A	N/A	N/A
Total Cash and Cash Equivalents	**1.9%**	**1.8%**	**1.2%**	**0.7%**
ICE BofA 91 Days T-Bills TR	1.6%	1.8%	1.2%	0.1%
Total High Yield Bonds	**N/A**	**N/A**	**N/A**	**N/A**
BBgBarc US Corporate High Yield TR	N/A	N/A	N/A	N/A

Basis of Calculation : *Time-Weighted Rate of Retun*

Source: *Meketa Investment Group's Fund Evaluation Report dated June 30, 2020*

Schedule of Investment Results of Healthcare Trust - 115 Subtrusts

NET PERFORMANCE SUMMARY BY ASSET CLASS

For Period Ended June 30, 2020

	One Year	Three Years	Five Years	Ten Years
Total Fund (net of manager fees)	**2.2%**	**3.5%**	**3.6%**	**N/A**
Policy Benchmark	1.6%	4.5%	4.8%	N/A
Total Public Equity	**1.1%**	**6.1%**	**6.6%**	**N/A**
Public Equity Benchmark	1.2%	5.8%	6.3%	N/A
Total Short-Term Investment Grade Bonds	**1.7%**	**N/A**	**N/A**	**N/A**
ICE BofA 91 Days T-Bills TR	1.6%	N/A	N/A	N/A
Total Core Real Estate	**2.1%**	**5.0%**	**7.0%**	**N/A**
Core Real Estate Benchmark	1.7%	5.4%	7.3%	N/A
Total Commodities	**(7.6)%**	**(2.0)%**	**(3.3)%**	**N/A**
Bloomberg Commodity Index TR USD	(17.4)%	(6.1)%	(7.7)%	N/A
Total Cash and Cash Equivalents	**1.5%**	**1.5%**	**1.0%**	**N/A**
ICE BofA 91 Days T-Bills TR	1.6%	1.8%	1.2%	N/A

Basis of Calculation: *Time-Weighted Rate of Return*

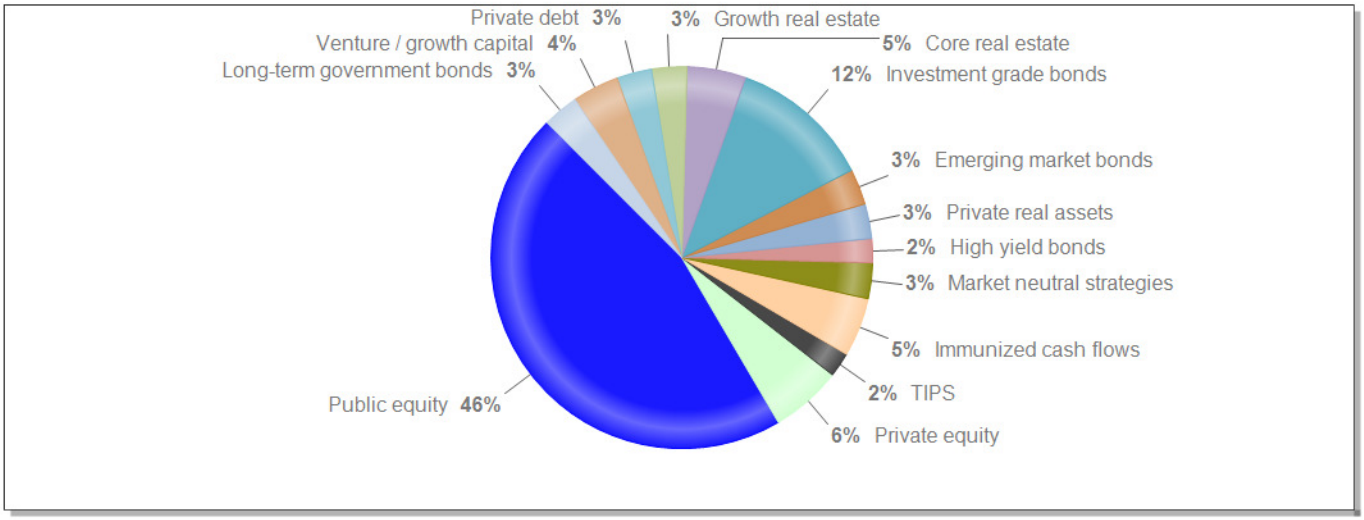
Source: *Meketa Investment Group's Fund Evaluation Report dated June 30, 2020*

Pension Investment Review

INCLUDES THE 401(H) INVESTMENTS

TARGET ASSET ALLOCATION

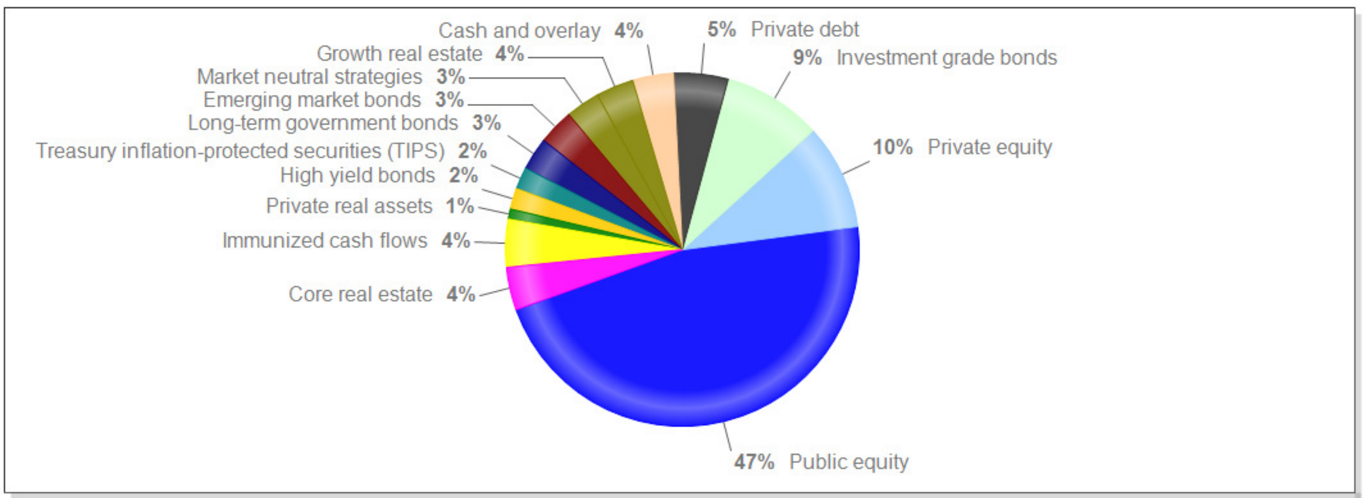
As of June 30, 2020



ACTUAL ASSET ALLOCATION

As of June 30, 2020

Non-GAAP Basis

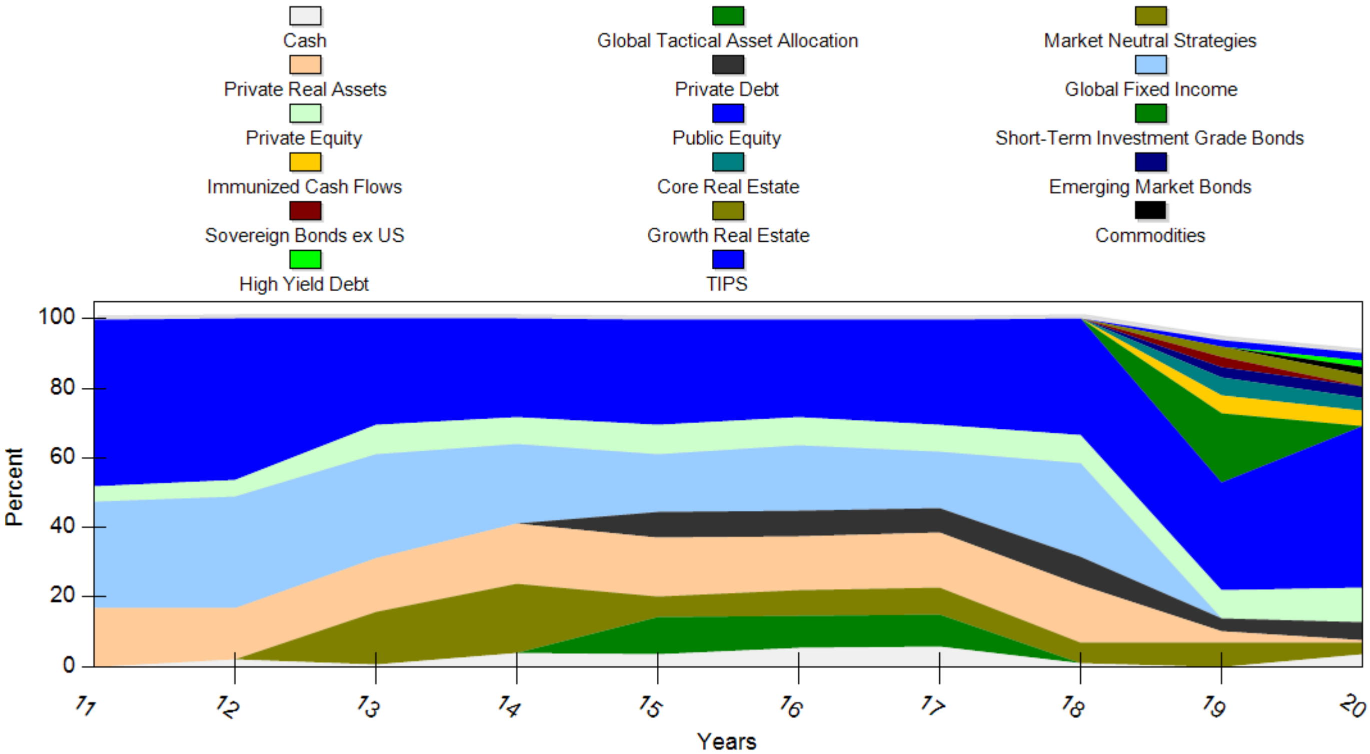


Asset Class	$ Millions
Public equity	$1,725.6
Private equity	359.5
Investment grade bonds	335.0
Private debt	187.0
Immunized cash flows	163.5
Core real estate	145.0
Cash and overlay	136.0
Growth real estate	128.2
Market neutral strategies	118.0
Emerging market bonds	117.0
Long-term government bonds	111.0
Treasury inflation-protected securities (TIPS)	75.0
High yield bonds	74.1
Private real assets	34.0
TOTAL	**$3,708.9**

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

HISTORICAL ASSET ALLOCATION (Actual)

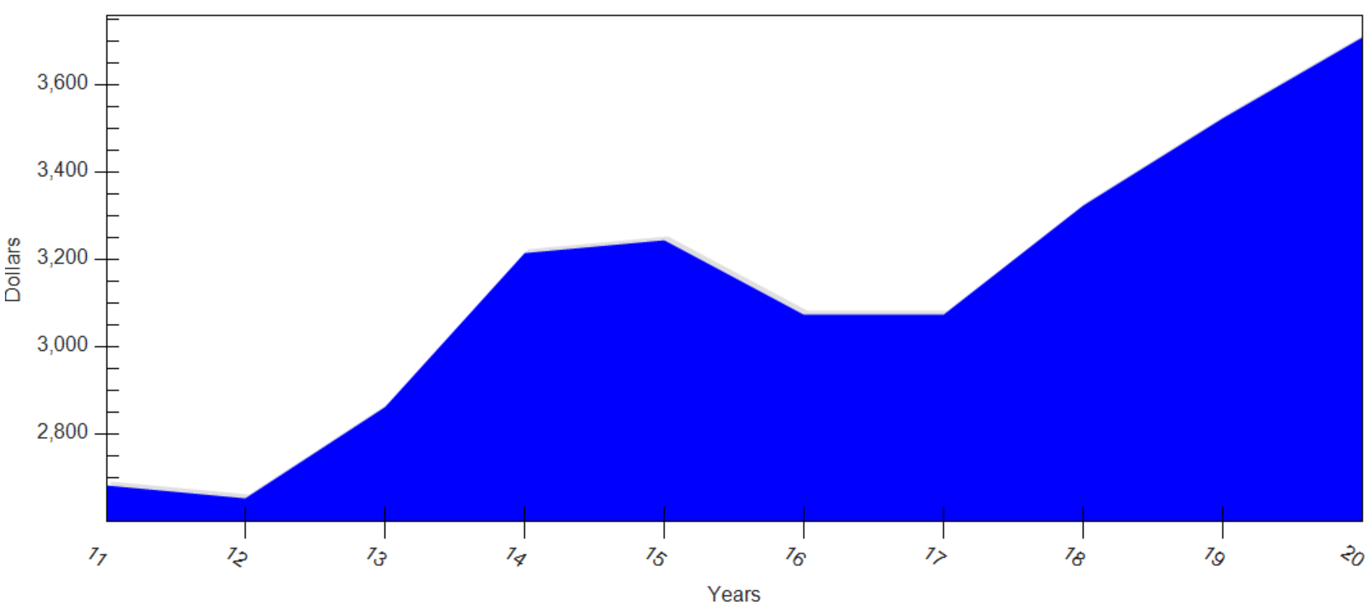
As of June 30,2011 - June 30,2020



MARKET VALUE GROWTH OF PLAN ASSETS

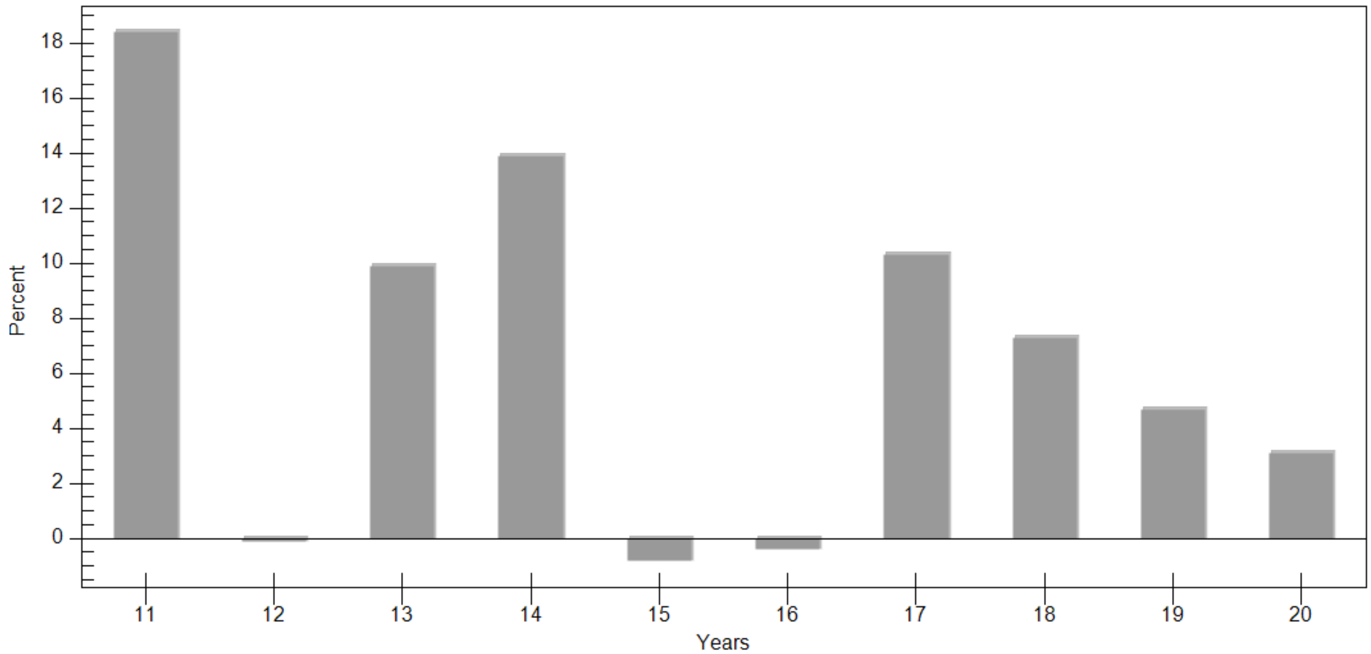
For Ten Years Ended June 30, 2020

(Dollars in Millions)

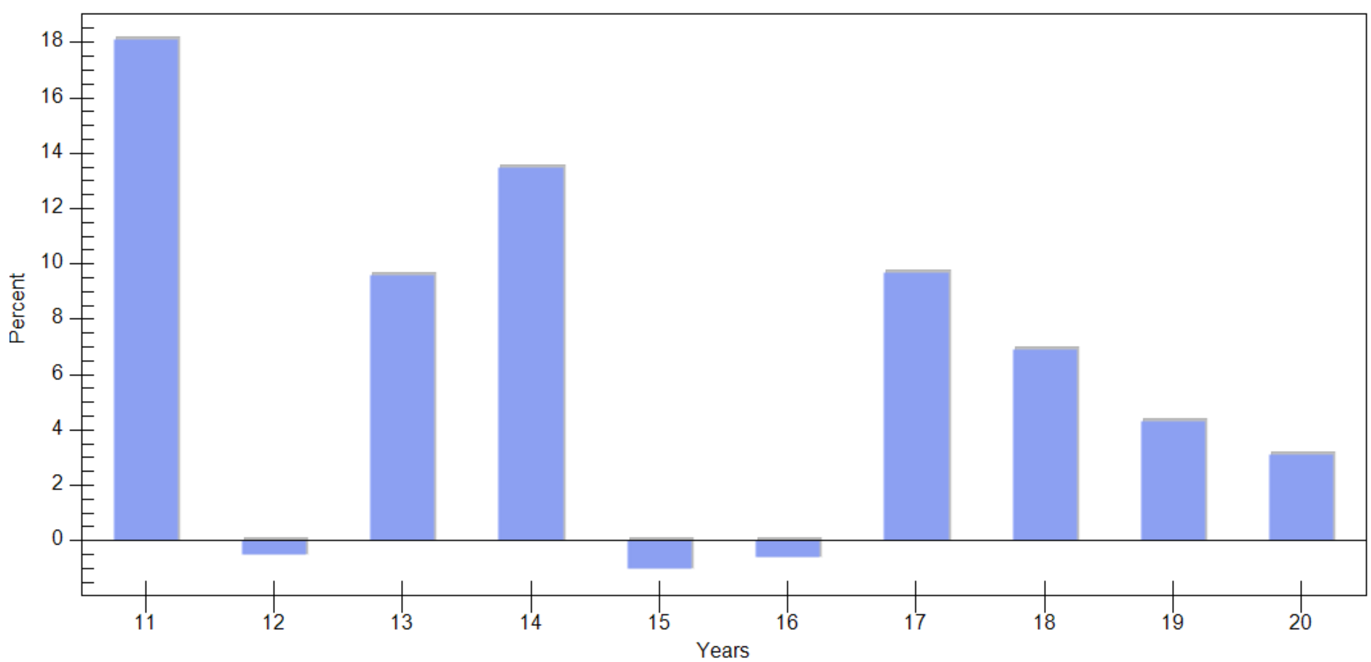


INCLUDES THE 401(H) INVESTMENTS *(continued)*

HISTORY OF GROSS PERFORMANCE
For Fiscal Years 2011 - 2020
(Based on Fair Value)



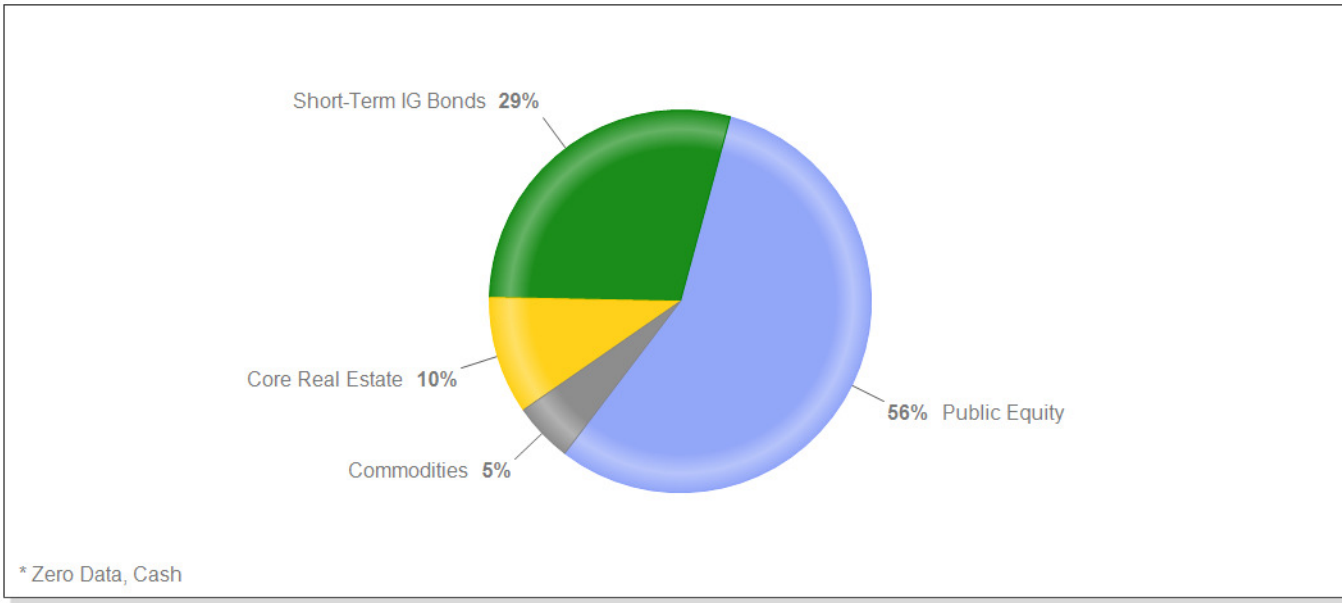
HISTORY OF NET PERFORMANCE
For Fiscal Years 2011 - 2020
(Based on Fair Value)



115 SUBTRUSTS

TARGET ASSET ALLOCATION

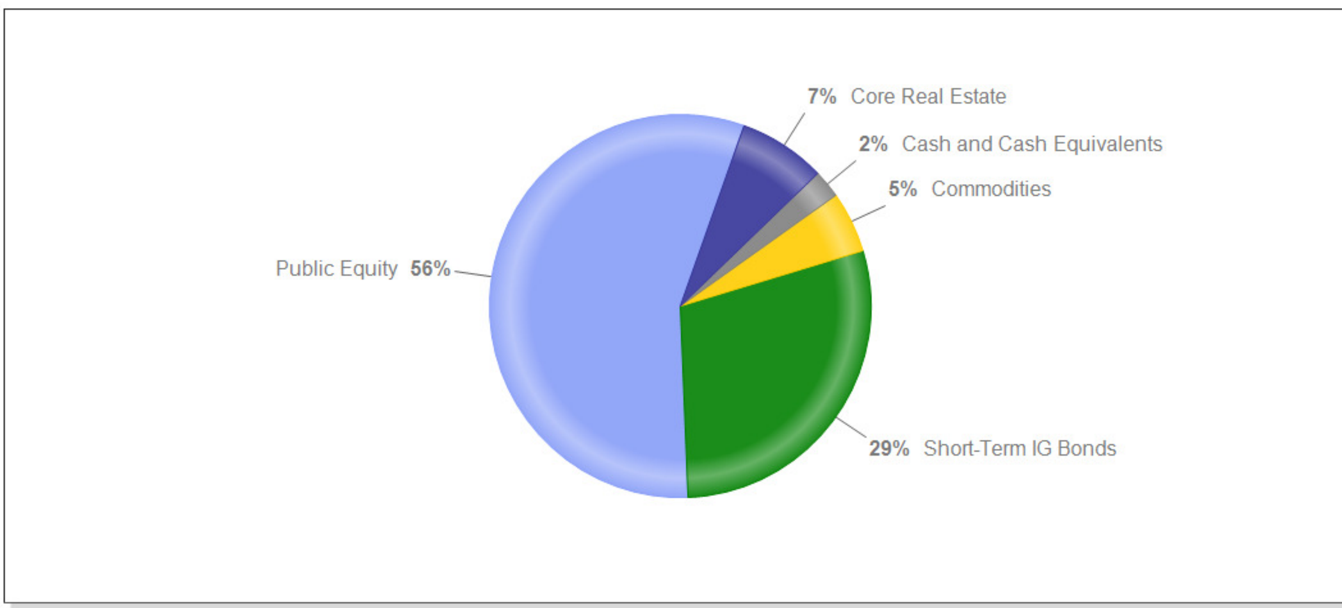
As of June 30, 2020



ACTUAL ASSET ALLOCATION

As of June 30, 2020

Non-GAAP Basis

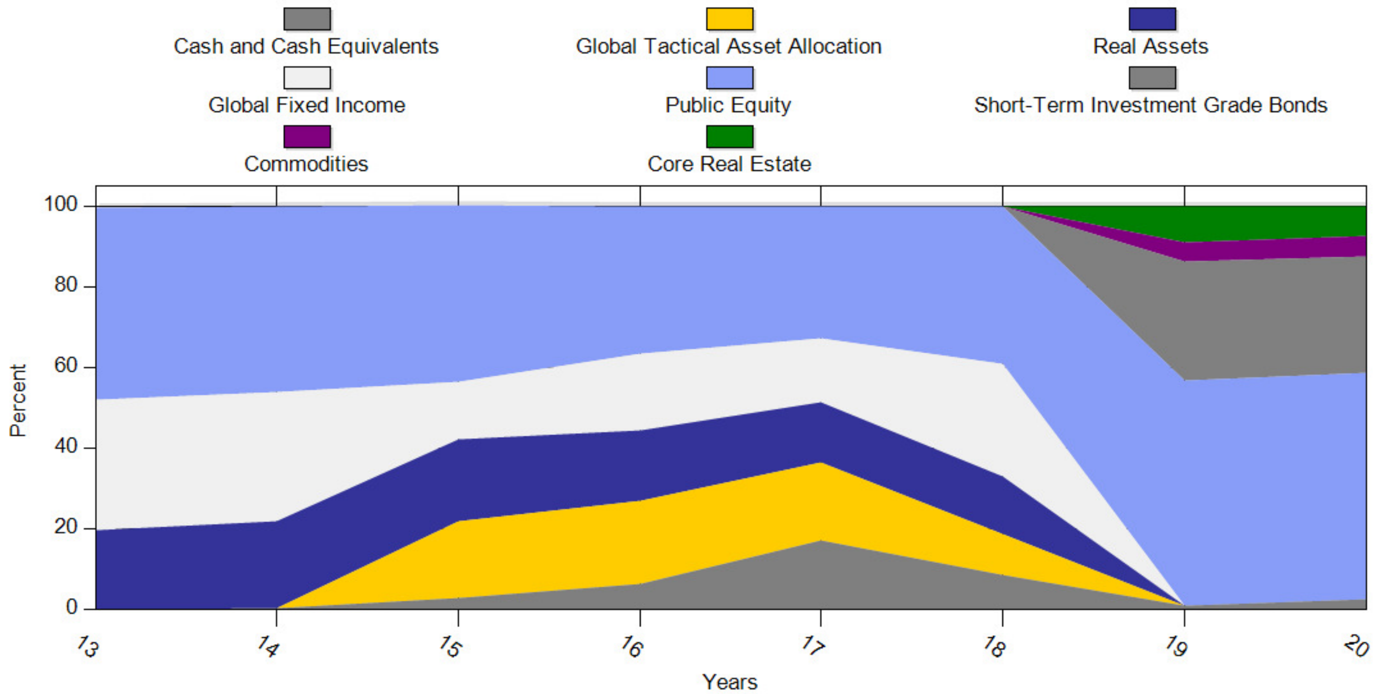


Asset Class	$ Millions
Public equity	$100.2
Short-term investment grade bonds	51.5
Core real estate	13.0
Commodities	9.1
Cash and cash equivalents	4.1
TOTAL	**$177.9**

115 SUBTRUSTS *(continued)*

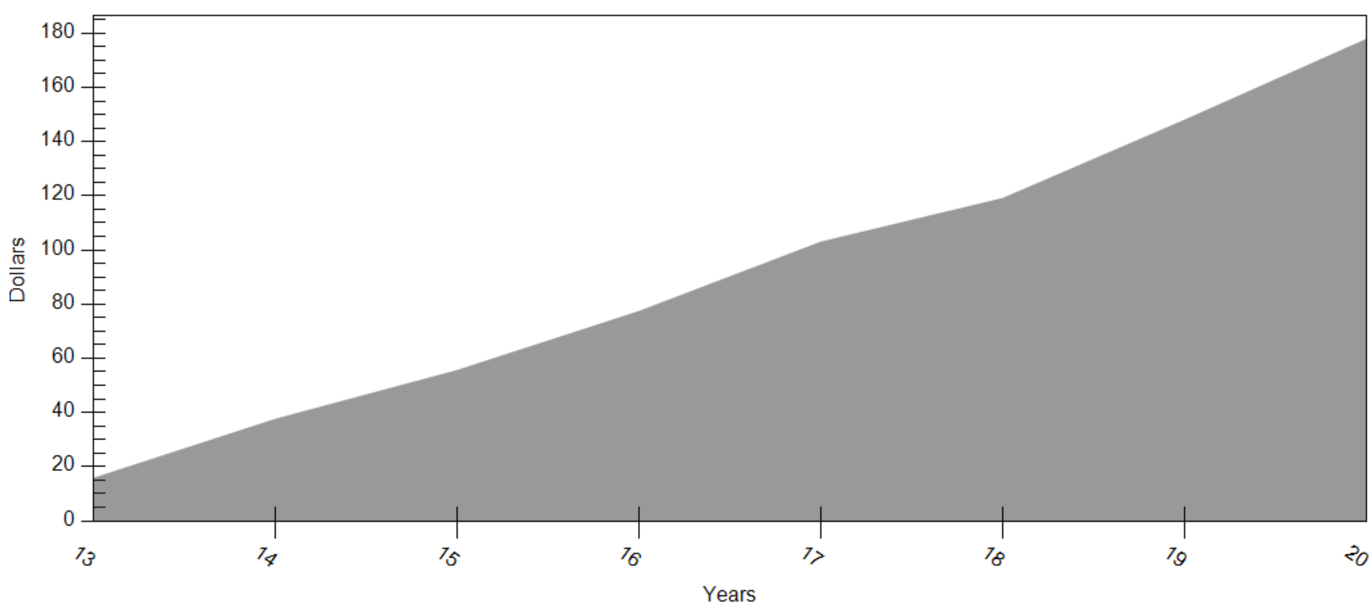
HISTORICAL ASSET ALLOCATION (Actual)

As of June 30, 2013 - June 30, 2020



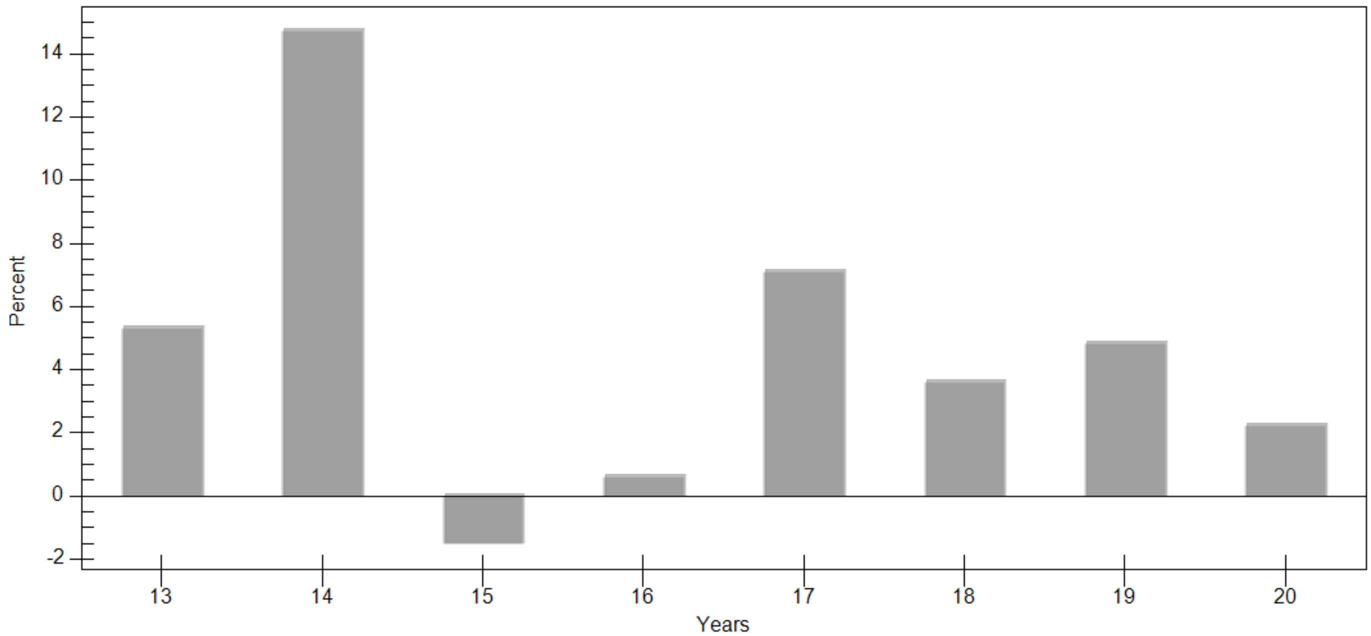
MARKET VALUE GROWTH OF PLAN ASSETS

For Seven Years Ended June 30, 2020
(Dollars in Millions)

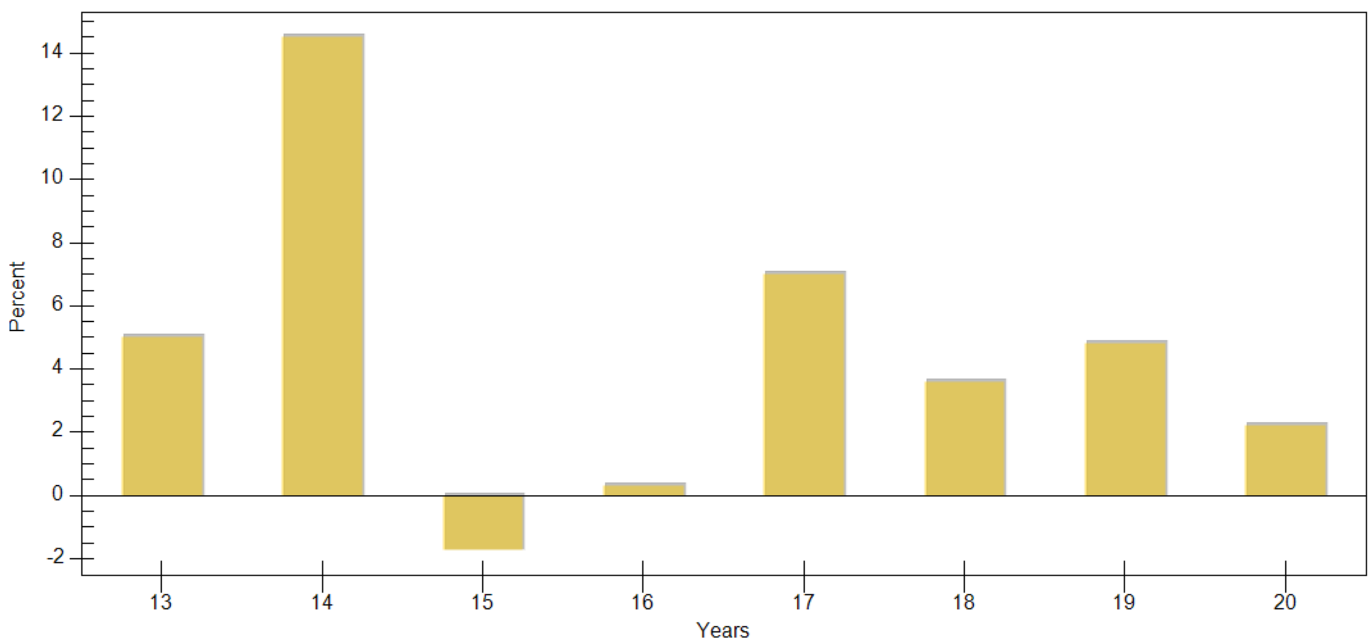


115 SUBTRUSTS *(continued)*

HISTORY OF GROSS PERFORMANCE
For Fiscal Years 2013 - 2020
(Based on Fair Value)



HISTORY OF NET PERFORMANCE
For Fiscal Years 2013 - 2020
(Based on Fair Value)



List of Largest Asset Held

LARGEST DISCLOSABLE STOCK HOLDINGS (By Fair Value) For Pension

As of June 30, 2020

Description	County	Shares	Fair Value ($US)
SAMSUNG ELECTRONICS CO LTD	Korea, Republic of	273,450	$ 12,003,292
FACEBOOK INC CLASS A	United States	44,410	$ 10,084,179
UBS GROUP AG REG	Switzerland	847,047	$ 9,748,348
COGNIZANT TECH SOLUTIONS A	United States	164,827	$ 9,365,470
FEDEX CORP	United States	66,699	$ 9,352,534
CIE FINANCIERE RICHEMONT REG	Switzerland	141,635	$ 9,034,267
ORACLE CORP	United States	163,260	$ 9,023,380
BANK OF NEW YORK MELLON CORP	United States	231,770	$ 8,957,911
ALPHABET INC CL A	United States	6,173	$ 8,753,623
NXP SEMICONDUCTORS NV	Netherlands	75,745	$ 8,637,960

A complete list of portfolio holdings is available upon request.

LARGEST DISCLOSABLE BOND HOLDINGS (By Fair Value) For Pension

As of June 30, 2019

Security Name	Country	Maturity Date	Interest Rate	Par Value	Fair Value ($US)
FEDERAL HOME LOAN BANK	United States	9/8/2023	3.375%	$ 6,835,000	$ 7,502,711
US TREASURY N/B	United States	8/15/2023	2.500%	$ 6,879,000	$ 7,375,320
US TREASURY N/B	United States	6/30/2023	1.375%	$ 6,892,000	$ 7,138,596
US TRESURY N/B	United States	9/30/2023	1.375%	$ 6,680,900	$ 6,938,983
US TREASURY N/B	United States	3/31/2023	1.500%	$ 6,625,000	$ 6,865,951
US TREASURY N/B	United States	9/30/2022	1.875%	$ 6,589,000	$ 6,841,227
US TREASURY N/B	United States	1/31/2023	1.750%	$ 6,563,000	$ 6,828,342
FEDERAL HOME LOAN BANK	United States	3/10/2023	2.125%	$ 6,485,000	$ 6,799,263
STRIPS	United States	5/15/2023	0.000%	$ 6,681,000	$ 6,641,716
STRIPS	United States	11/15/2022	0.000%	$ 6,667,000	$ 6,637,265

A complete list of portfolio holdings is available upon request.

Schedule of Investment Fees

For Fiscal Year Ended June 30, 2020

Includes the 401 (h) and 115 Subtrusts

	Assets Under Management at Fair Value[1]	Fees	Basis Points
Investment Managers' Fees			
Public equity	$ 1,825,818	$ 3,251,035	17,806
Private equity	359,550	1,942,699	54,031
Investment grade bonds	334,617	112,562	3,364
Growth real estate	128,222	2,763,498	215,524
Private debt	187,315	2,104,933	112,374
Immunized cash flows	163,697	87,559	5,349
Core real estate	157,769	1,161,454	73,617
Market neutral strategies	118,239	2,108,335	178,311
Treasury inflation-protected securities	74,784	36,556	4,888
High yield bonds / Emerging market bonds	191,275	68,876	3,601
Long-term government bonds	111,451	-	-
Short-term investment bonds	51,533	53,801	10,440
Private real estate	33,804	948,208	280,502
Sovereign bonds ex US	-	39,584	-
Commodities	9,068	243,411	268,429
Cash and cash equilavents	139,672	-	-
TOTAL INVESTMENT MANAGERS' FEES	**$ 3,886,814**	**$ 14,922,511**	**38,393**

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

	Fees
Other Investment Fees	
Investment consultants	$ 580,000
Custodian bank	307,702
Investment legal fees	136,954
Other investment fees	16,630
TOTAL OTHER INVESTMENT FEES	**$ 1,041,286**

Schedule of Commissions

For the Fiscal Year Ended June 30, 2020

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
A			
APEX CLEARING CORPORATION	15,689	222.07	0.0142
B			
BANK J. VONTOBEL UND CO. AG	1,800	269.62	0.1498
BANK OF AMERICA CORPORATION	1,548	80.73	0.0522
BANK OF AMERICA MERRILL LYNCH SECUR INC	48,485	683.60	0.0141
BARCLAYS CAPITAL	416,755	4,132.43	0.0099
BARCLAYS CAPITAL INC	26,397	687.80	0.0261
BMO CAPITAL MARKETS CORP	20,174	553.32	0.0274
BNP PARIBAS SECURITIES SERVICES	632,127	1,599.76	0.0025
BNP PARIBAS SECURITIES SERVICES AUSTR BR	349,674	1,646.12	0.0047
BNP PARIBAS SECURITIES SERVICES SA	85,200	1,309.64	0.0154
B OF A SECURITIES, INC	834,702	100,142.65	0.1200
BTIG LLC	10,700	214.00	0.0200
C			
CACEIS BANK DEUTSCHLAND GMBH	7,387	538.33	0.0729
CANACCORD GENUITY CORP.	106,900	1,635.89	0.0153
CANTOR CLEARING SERVICES	200	4.00	0.0200
CANTOR FITZGERALD EUROPE	5,945	48.69	0.0082
CARNEGIE A S	31,800	424.18	0.0133
CARNEGIE INVESTMENT BANK AB	121,900	5,765.52	0.0473
CARNEGIE SECURITIES FINLAND	21,900	777.36	0.0355
CHINA INTERNATIONAL CAPITAL CO	272,500	1,951.91	0.0072
CICC US SECURITIES INC	4,382	175.28	0.0400
CITIBANK N.A.	23,434	512.24	0.0219
CITIGROUP GLOBAL MARKET INC.	149,909	323.28	0.0022
CITIGROUP GLOBAL MARKETS LIMITED	117,281	731.94	0.0062
CLSA SECURITIES KOREA LTD	2,878	356.59	0.1239
CLSA SINGAPORE PRE LTD.	33,200	1,843.41	0.0555
COWEN AND COMPANY, LLC	56,335	1,217.76	0.0216
CRAIG - HALLUM	3,100	62.00	0.0200
CREDIT INDUSTRIEL ET COMMERCIA	33,600	705.06	0.0210
CREDIT LYONNAIS SECURITIES (USA) INC	27,368	754.36	0.0276
CREDIT LYONNAIS SECURITIES (ASIA) INC	165,500	1,013.91	0.0061
CREDIT MUTUEL-CIC BANQUES	43,600	1,796.61	0.0412
CREDIT SUISSE SECURITIES (EUROPE) LTD	196,556	1,858.51	0.0095
CREDIT SUISSE SECURITIES (USA) LLC	1,335,420	9,410.11	0.0070
D			
DAIWA SECURITIES AMERICA INC	422,900	22,073.60	0.0522

Schedule of Commissions *(continued)*

For the Fiscal Year Ended June 30, 2020

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
DAIWA SECURITIES COMPANY LTD	13,839	764.79	0.0553
DANSKE BANK A.S.	60,300	2,019.68	0.0335
DNB MARKETS CUSTODY, A BUSINESS UNIT OF	13,970	100.31	0.0072
E			
ELECTRONIC BROKERAFE SYSTEMS LLC	26,819	214.55	0.0080
EXANE S.A.	13,220	707.04	0.0535
G			
GOLDMAN SACHS & CO LLC	1,791,305	22,443.14	0.0125
GOLDMAN SACHS INTERNATIONAL	27,915	377.57	0.0135
H			
HAITONG INTL SECS COMPANY LTD	21,800	445.66	0.0204
HSBC BANK PLC	371,641	1,978.13	0.0053
I			
ICHIYOSHI SECURITIES CO., LTD.	69,000	4,709.46	0.0683
INDUSTRIAL AND COMMERICAL BANK	200	4.00	0.0200
INSTINET	1,883,229	19,296.29	0.0102
INSTINET PACIFIC LIMITED	451,600	1,828.75	0.0040
INSTINET U.K. LTD	71,100	3,414.02	0.0480
INVESTEC BANK PLC	3,870	115.66	0.0299
J			
J.P. MORGAN SECURITIES INC	30,669	625.07	0.0204
J.P. MORGAN CLEARING CORP.	148,276	1,186.20	0.0080
J.P. MORGAN SECURITIES LIMITED	6,975	272.22	0.0390
J.P. MORGAN SECURITIES LLC	7,112	56.90	0.0080
J.P. MORGAN SECURITIES PLC	1,570,514	22,169.09	0.0141
J.P. MORGAN SECURITIES (FAR EAST) LTD SEOUL	3,651	105.55	0.0289
JPMORGAN SECURITIES (ASIA PACIFIC) LTD	317,200	1,380.63	0.0044
JEFFERIES & COMPANY INC.	349,215	6,402.40	0.0183
JEFFERIES HONG KONG LIMITED	143,900	299.18	0.0021
JEFFERIES INTERNATIONAL LTD	337,466	950.09	0.0028
JOH BERENBERG GOSSLER AND CO KG	162,714	5,499.21	0.0338
JONES TRADING INSTITUTIONAL SERVICES LLC	7,100	213.00	0.0300
JONES TRADING INSTITUTIONAL SERVICES LLC	37,700	564.71	0.0150
K			
KEPLER EQUITIES PARIS	64,879	3,098.72	0.0478
KOREA INVESTMENT AND SECURITIES CO LTD	2,537	314.82	0.1241
L			

Schedule of Commissions *(continued)*

For the Fiscal Year Ended June 30, 2020

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
LIQUIDNET CANADA INC	749,187	7,201.39	0.0096
LIQUIDNET EUROPE LIMITED	1,667,187	7,701.33	0.0046
LIQUIDNET INC	185,000	2,419.00	0.0131
M			
MACQUARIE BANK LIMITED	957,860	5,679.14	0.0059
MACQUARIE CAPITAL (USA) INC	2,224	88.96	0.0400
MAINFIRST BANK DE	1,650	213.41	0.1293
MERRILL LYNCH INTERNATIONAL	7,105,789	24,528.59	0.0035
MITSUBSHI UFJ SECURITIES (USA)	55,400	2,717.39	0.0491
MIZUHO SECURITIES USA INC	79,200	4,029.65	0.0509
MIZUHO SECURITIES USA INC	4,572	182.88	0.0400
MORGAN STANLEY AND CO INTERNATIONAL	1,911	25.71	0.0135
MORGAN STANLEY CO INCORPORATED	1,945,457	12,768.62	0.0066
N			
NATIONAL FINANCIAL SERVICES CORPORATION	35,862	206.39	0.0058
NBC CLEARING SERVICES INCORPORATED	6,100	91.24	0.0150
NEEDHAM & COMPANY LLC	19,900	398.00	0.0200
NOMURA FINANCIAL INVESTMENT KOREA CO LTD	31,436	2,456.92	0.0782
NUMIS SECURITIES INC	541,000	6,282.58	0.0116
O			
ODDO ET CIE	64,510	823.65	0.0128
P			
PAREL	39,966	1,887.03	0.0472
PEEL HUNT LLP	219,200	2,148.76	0.0098
PERSHING SECURITIES LIMITED	882,134	11,349.64	0.0129
PIPER JAFFRAY & CO.	500	10.00	0.0200
PIPER JAFFRAY & HOPWOOD	955	19.10	0.0200
R			
RBC DOMINION SECURITIES INC	5,890	189.20	0.0321
REDBURN (EUROPE) LIMITED	96,288	1,451.22	0.0151
ROBERT W. BAIRD CO. INCORPORATED	26,005	641.96	0.0247
ROYAL BANK OF CANADA EUROPE LTD	1,349	128.59	0.0953
S			
SAMSUNG SECURITIES CO LTD	1,068	207.10	0.1939
SANFORD C BERNSTEIN AND CO. LLC	32,618	757.52	0.0232
SANFORD C BERNSTEIN LTD	7,754	725.46	0.0936
SANTANDER SECURITIES SERVICES SA	3,479	335.33	0.0964
SCOTIA CAPITAL (USA) INC	4,365	87.30	0.0200

Schedule of Commissions *(continued)*

For the Fiscal Year Ended June 30, 2020

Brokerage Firm	Shares / Par	Base Commissions	Base Comm Cost / Share
SCOTIA CAPITAL INC.	8,729	67.26	0.0077
SKANDINAVISKA ENSKILDA BANKEN	71,800	2,075.49	0.0289
SKANDINAVISKA ENSKILDA BANKEN LONDON	23,500	660.80	0.0281
SMBC SECURITIES INC	114,400	5,900.87	0.0516
SOCIETE GENERALE	16,337	276.51	0.0169
SOCIETE GENERALE LONDON BRANCH	2,573,452	20,849.85	0.0081
STIFEL, NICOLAUS AND COMPANY, INC	34,403	739.86	0.0215
STIFEL, NICOLAUS AND COMPANY, INCORPORATED	1,500	16.20	0.0108
SUNTRUST CAPITAL MARKETS, INC.	11,200	224.00	0.0200
SVENSKA HANDELSBANKEN	149,142	2,481.79	0.0166
T			
THE HONGKONG AND SHANGHAI BANK	3,101	49.41	0.0159
TORONTO DOMINION SECURITIES INC	30,900	463.34	0.0150
U			
UBS AG	32,473	1,298.45	0.0400
UBS AG LONDON BRANCH	7,162	637.46	0.0890
UBS SECURITIES PTE.LTD., SEOUL	31,500	2,998.25	0.0952
W			
WELLS FARGO BANK N.A.	138,634	3,138.76	0.0226
WILLIAM BLAIR & T COMPANY LLC	5,551	222.04	0.0400
WINTERFLOOD SECURITIES LTD	21,065	42.47	0.0020
TOTAL	**31,687,627**	**$ 406,974.99**	**$ 0.0128**

Investment Summary

PENSION - INCLUDES THE 401(H) INVESTMENTS
As of June 30, 2020 (Dollars in Thousands)

Type of Investments	Fair Value	% of Portfolio
Public equity	$ 1,725,610	46.5%
Private equity	359,550	9.6
Investment grade bonds	334,615	9.0
Private debt	187,314	5.1
Immunized cash flows	163,700	4.4
Core real estate	144,750	3.9
Cash and cash equivalents	135,530	3.7
Growth real estate	128,221	3.5
Market neutral strategies	118,240	3.2
Emerging market bonds	117,060	3.2
Long-tern government bonds	111,450	3.0
Treasury inflation-protected securities (TIPS)	74,783	2.0
High yield bonds	74,217	2.0
Private real assets	33,803	0.9
TOTAL FAIR VALUE	**$ 3,708,843**	**100.0%**

The amounts presented above may vary from the amounts presented in the financial statements, due to the investment summary presenting amounts at the manager level and the financial statements presenting amounts at the security level.

Includes cash to support synthetic exposure.

HEALTHCARE - 115 SUBTRUSTS
As of June 30, 2020 (Dollars in Thousands)

Type of Investments	Fair Value	% of Portfolio
Public equity	$ 100,208	56.3%
Short-term investment grade bonds	51,532	29.0
Core real estate	13,023	7.3
Commodities	9,067	5.1
Cash and cash equivalents	4,141	2.3
TOTAL FAIR VALUE	**$ 177,971**	**100.0%**

The amounts presented above may vary from the amounts presented in the financial statements, due to the investment summary presenting amounts at the manager level and the financial statements presenting amounts at the security level.

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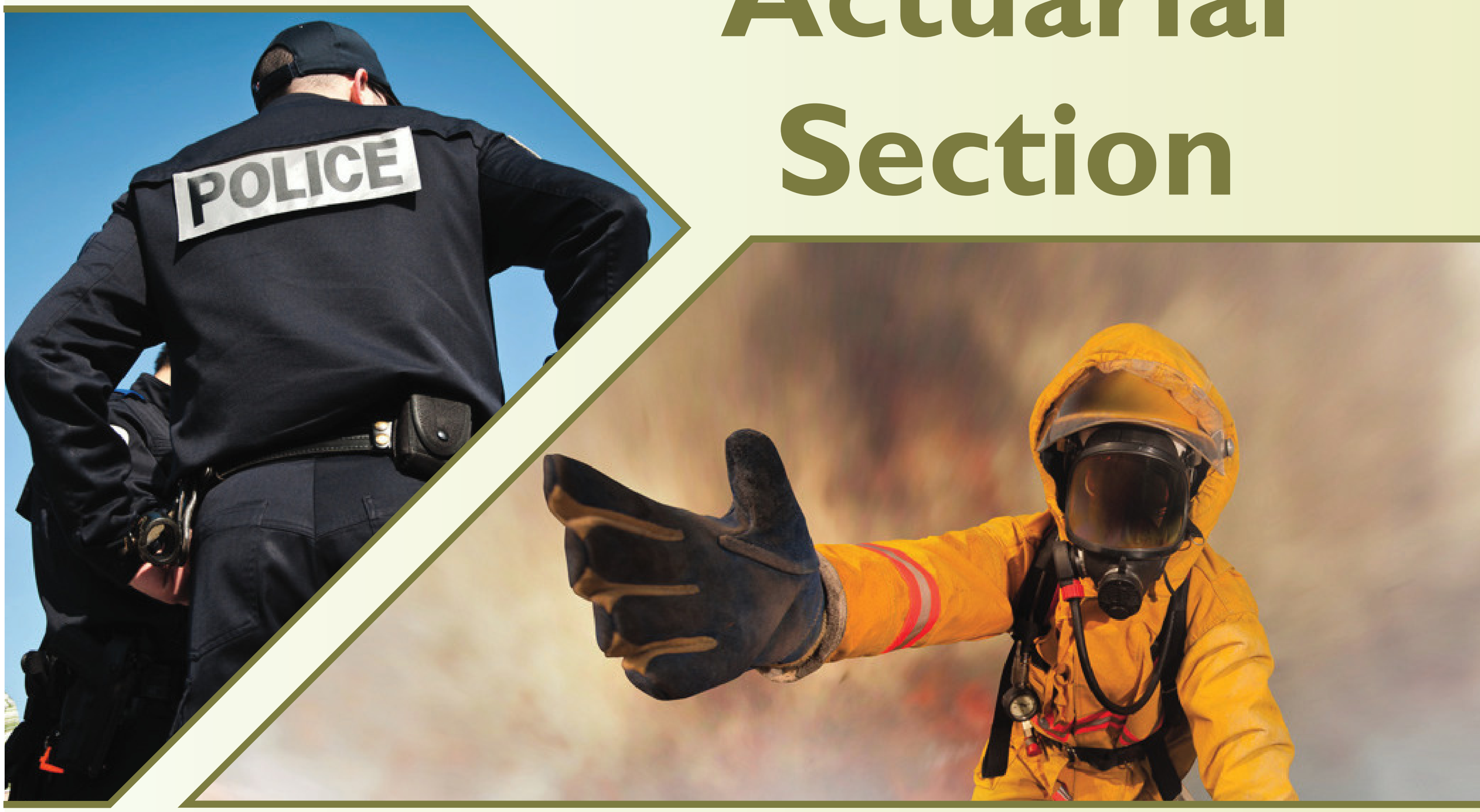
Actuarial Section



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

City of San José
Police and Fire Department Retirement Plan
Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2020 and June 30, 2019

Classic Values, Innovative Advice

September 9, 2020

Board of Administration
City of San José Police and Fire Department Retirement Plan
1737 North 1st Street, Suite 580
San José, CA 95112

Dear Members of the Board:

The purpose of this letter is to provide the certification for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the City of San José Police and Fire Department Retirement Plan (Plan) with respect to pension benefits.

Actuarial Valuation Used for Funding Purposes

Actuarial valuations are performed annually. The most recent actuarial valuation was performed as of June 30, 2019. Please refer to that report for additional information related to the funding of the Plan.

We prepared the following schedules for inclusion in the Actuarial Section of the CAFR based on the June 30, 2019 actuarial valuation. All historical information prior to the June 30, 2011 actuarial valuation shown in these schedules is based on information reported by the prior actuary, The Segal Group, Inc.

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Analysis of Financial Experience
- Schedule of Funded Liabilities by Type
- Schedule of Funding Progress
- Summary of Plan Provisions

The funding ratios shown in the schedule of funded liabilities by type and the schedule of funding progress exhibits are ratios compared to the funding target and are for the purpose of evaluating funding progress in a budgeting context. These ratios are not appropriate for measuring or assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan’s benefit obligations.

The Board of Administration is responsible for establishing and maintaining the contribution policy for the Plan. The actuarial methods and assumptions used in the actuarial valuation are adopted by the Board of Administration with advice from the actuary. In our opinion, the assumptions and methods used in the actuarial valuation for funding purposes are consistent with applicable Actuarial Standards of Practice. The actuarial cost method and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes.

www.cheiron.us 1.877.CHEIRON (243.4766)

Board of Administration
September 9, 2020
Page 2

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2019 actuarial valuation updated to the measurement date of June 30, 2020. The Board changed some of the demographic assumptions used in the June 30, 2019 valuation based on an experience study. These changes are reflected effective July 1, 2019 for financial reporting purposes. There were no significant events between the valuation date and the measurement date, so the update procedures only include the addition of service cost and interest cost offset by actual benefit payments.

Please refer to our GASB 67/68 report as of June 30, 2020 for additional information related to the financial reporting of the Plan. We prepared the following schedules for inclusion in the Financial Section of the CAFR based on the June 30, 2020, GASB 67/68 report.

- Change in Net Pension Liability
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Net Pension Liability and Related Ratios
- Notes to the Schedule of Employer Contributions

Reliance on the Information Provided by the Plan and Compliance with ASOPs and GAAP

In preparing our valuations and the schedules for the CAFR, we relied on information (some oral and some written) supplied by the City of San José Office of Retirement Services. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements for funding and financial reporting purposes may differ significantly from the current measurements presented in this CAFR due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and, changes in plan provisions or applicable law.

This letter and the schedules named above have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. The schedules provided for financial reporting purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter and these exhibits. This letter does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

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Board of Administration
September 9, 2020
Page 3

This letter and the schedules named above were prepared for the Plan for the purposes described herein. Other users of this information are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Sincerely,
Cheiron

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

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

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

CHEIRON

Actuarial Assumptions and Methods

DEFINED BENEFIT PENSION

Actuarial Assumptions

The discount rate used in this report was adopted by the Board of Administration with our input at the November 1, 2018 Board meeting. All other assumptions were adopted at the November 7, 2019 Board meeting based on recommendations from our experience study covering plan experience through June 30, 2019. Please refer to the experience study for the rationale for each of the assumptions.

1) Discount Rate

6.75% net of investment expenses. The long-term expected return on assets based on Meketa's capital market assumptions for a 10-year time horizon is 7.2%. The Board applied a margin for adverse deviation to improve the probability of achieving the discount rate.

2) Wage Inflation 3.25% per annum (0.75% real wage growth).

3) Price Inflation 2.50% per annum.

4) Merit Salary Increase Rate

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

Table B-1 Salary Merit Increases					
Years of Service	Merit / Longevity	Years of Service	Merit / Longevity	Years of Service	Merit / Longevity
0	6.50%	4	4.50%	8	1.25%
1	6.25%	5	3.75%	9	1.00%
2	5.75%	6	2.75%	10	0.75%
3	5.25%	7	1.75%	11 +	0.50%

5) Family Composition

Percentage married is shown in the following Table B-2. Women are assumed to be three years younger than men.

Table B-2 Percentage Married		
	Males	Females
Percentage	85%	85%

6) Rates of Termination

Rates of termination are shown in the following Table B-3. 75% of terminating employees are assumed to subsequently work for a reciprocal employer and receive 3.25% pay increases per year.

Table B-3 Rates of Termination								
Service	Police	Fire	Service	Police	Fire	Service	Police	Fire
0	13.75%	8.50%	7	5.50%	0.80%	14	2.75%	0.50%
1	11.75%	4.00%	8	5.00%	0.70%	15	2.25%	0.50%
2	10.00%	2.75%	9	4.75%	0.60%	16	1.75%	0.50%
3	8.50%	1.75%	10	4.50%	0.50%	17	1.50%	0.50%
4	7.50%	1.25%	11	4.25%	0.50%	18	1.25%	0.50%
5	6.75%	1.00%	12	3.75%	0.50%	19+	1.00%	0.50%
6	6.00%	0.90%	13	3.25%	0.50%			

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

DEFINED BENEFIT PENSION (continued)

7) Rates of Disability

For Police, disability rates are equal to the CalPERS police industrial and non-industrial rates for public agencies multiplied by 90% for ages under 50 and 140% for ages 50 and older. For Fire, disability rates are equal to the CalPERS fire industrial and non-industrial rates for public agencies multiplied by 90% for ages under 50 and 180% for ages 50 and older. Sample disability rates of active participants are provided in Table B-4. 100% of disabilities are assumed to be duty related.

Table B-4 Rates of Disability at Selected Ages

Age	25	30	35	40	45	50	55	60	65
Police	0.16%	0.45%	0.74%	1.03%	1.32%	2.70%	6.88%	8.71%	10.47%
Fire	0.03%	0.08%	0.15%	0.28%	0.50%	5.08%	7.54%	10.77%	14.84%

8) Rates of Mortality

Mortality rates for actives, retirees, beneficiaries, terminated vested, and reciprocals are based on the sex-distinct employee and annuitant mortality tables shown below. Future mortality improvements are reflected by applying the SOA MP-2019 projection scale on a generational basis from the base year of 2010 (2009 for beneficiary tables). It is assumed that 50% of active deaths are service related.

Table B-5 Base Mortality Table

Category	Male	Female
Healthy Retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees
Disabled Retiree	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees
Beneficiaries	0.948 times the CALPERS 2009 Healthy Annuitant Mortality Table	1.048 times the CALPERS 2009 Healthy Annuitant Mortality Table
Healthy Non-Annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees

9) Rates of Retirement

Rates of retirement are based on age and service according to the following Table B-6, B-7, and B-8. Tier 1 rates only apply when the member is eligible for unreduced benefits.Tier 1 vested terminated members are assumed to retire at age 50 if they have 25 or more years of service or at age 55 if they have less than 25 years of service. Tier 2 vested terminated members are assumed to retire at age 60.

Table B-6 Tier 1 Rates of Retirement by Age and Service

	Police		Fire	
Age	**<30 Years**	**30+ Years**	**<30 Years**	**30+ Years**
50	55.0%	100.0%	35.0%	100.0%
51	45.0%	100.0%	35.0%	100.0%
52	40.0%	100.0%	35.0%	100.0%
53	30.0%	100.0%	35.0%	100.0%
54	30.0%	100.0%	35.0%	100.0%
55	30.0%	100.0%	30.0%	100.0%
56	30.0%	100.0%	25.0%	100.0%
57	30.0%	100.0%	20.0%	100.0%
58 - 61	50.0%	100.0%	27.5%	100.0%
62+	100.0%	100.0%	100.0%	100.0%

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION (continued)

Table B-7 Police Tier 2 Rates of Retirement by Age and Service				
Age	**5-19 Years**	**20 - 24 Years**	**25 - 29 Years**	**30+ Years**
50 - 56	2.0%	2.0%	2.0%	5.0%
57 - 59	7.5%	10.0%	20.0%	100.0%
60 - 61	10.0%	20.0%	35.0%	100.0%
62 - 64	25.0%	50.0%	75.0%	100.0%
65+	100.0%	100.0%	100.0%	100.0%

Table B-8 Fire Tier 2 Rates of Retirement by Age and Service				
Age	**5-19 Years**	**20 - 24 Years**	**25 - 29 Years**	**30+ Years**
50 - 56	1.0%	1.0%	1.0%	2.5%
57 - 59	5.0%	7.5%	15.0%	100.0%
60 - 61	7.5%	15.0%	25.0%	100.0%
62 - 64	20.0%	35.0%	50.0%	100.0%
65+	100.0%	100.0%	100.0%	100.0%

10) Administrative Expenses

For FYE 2020, administrative expenses are assumed to equal $1,275 per member and are assumed to increase at the wage inflation assumption of 3.25% per annum. Historically, the administrative expenses were assumed to reduce the investment return assumption by 10 basis points which resulted in a higher normal cost. To maintain the same historic division of Tier 1 member and City contributions for administrative expenses for this valuation, members were allocated a portion of the administrative expenses equal to 3/11ths of the difference in normal cost that a 10 basis point reduction in the investment return assumption would cause. Tier 2 members pay 50 percent of administrative expenses.

11) Changes Since Last Valuation

New demographic assumptions were adopted by the Board at the meeting on November 7, 2019. A full detail of the changes can be found in the report on the experience study.

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. All components of the contribution allocation procedure were established prior to the June 30, 2011 actuarial valuation except as specifically noted below.

1) Actuarial Cost Method

The Entry Age actuarial cost method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and assumed retirement. The actuarial liability is the difference between the present value of future benefits and the present value of future normal cost. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

2) Asset Valuation Method

For the purposes of determining the employer's contribution, we use an actuarial value of assets. The asset smoothing method dampens the volatility in asset values that could occur because of the fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process. Assets are assumed to be used exclusively for the provision of retirement benefits and expenses.

DEFINED BENEFIT PENSION (continued)

The actuarial value of assets is calculated by recognizing the deviation of actual investment returns compared to the expected return (6.875% for fiscal year end 2018 and 2017, 7.00% for fiscal year end 2016 and 2015, and 7.125% for fiscal year end 2014) over a five-year period. The dollar amount of the expected return on the market value of assets is determined using the actual contributions and benefit payments during the year. Any difference between this amount and the actual net investment earnings is considered a gain or loss.

Finally, the actuarial value of assets is restricted to a corridor between 80 percent and 120 percent of the market value of assets.

3) Amortization Method

Actuarial gains and losses and plan changes are amortized over a 15-year period (16 years for gains and losses prior to June 30, 2016) beginning with the valuation date in which they first arise. Changes in methods and assumptions are amortized over a 20-year period (16 years for changes prior to June 30, 2011) beginning with the valuation date on which they are effective. Amortization payments are assumed to increase 2.50% each year. In this section, some prior amortization periods were adjusted to smooth the pattern of future contributions.

SCHEDULE OF ACTIVE MEMBER DATA

Valuation Year	Active Count	Annual Payroll	Monthly Average Pay	Percentage Change in Average Pay
2019	1,701	$ 235,818,000	$ 11,553	3.96%
2018	1,638	218,429,000	11,113	1.02%
2017	1,544	203,816,000	11,000	12.69%
2016	1,577	184,733,000	9,762	2.96%
2015	1,654	188,189,000	9,481	5.18%
2014	1,707	184,645,000	9,014	(1.13)%
2013	1,718	187,959,000	9,117	(0.48)%
2012	1,735	190,726,000	9,161	(11.51)%
2011	2,021	251,058,000	10,352	1.39%
2010	2,083	255,223,000	10,211	14.92%

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

Period	Beginning of Period		Added to Rolls		Removed from Rolls		End of Period		% Increase In Annual Allowances[1]	Average Annual Allowances
	Count	Annual Allowances	Count	Annual Allowance	Count	Annual Allowances	Count	Annual Allowances		
2018-2019	2,250	$ 211,220	122	$ 17,005	54	$ 3,922	2,318	$ 224,303	6.2%	$ 96,766
2017-2018	2,192	200,197	120	15,558	62	4,535	2,250	211,220	5.5%	93,876
2016-2017	2,149	190,897	87	11,816	44	2,516	2,192	200,197	4.9%	91,331
2015-2016	2,108	182,185	72	10,843	31	2,131	2,149	190,897	4.8%	88,831
2014-2015	2,032	170,872	115	13,700	39	2,387	2,108	182,185	6.6%	86,426
2013-2014	1,994	162,716	73	10,142	35	1,986	2,032	170,872	5.0%	84,091
2012-2013	1,942	154,381	91	10,259	39	1,924	1,994	162,716	5.4%	81,603
2011-2012	1,885	144,139	88	11,583	31	1,341	1,942	154,381	7.1%	79,496
2010-2011	1,810	131,014	133	15,384	58	2,259	1,885	144,139	10.0%	76,466
2009-2010	1,700	115,573	152	17,238	42	1,797	1,810	131,014	13.4%	72,383
2007-2009	1,477	90,061	276	27,537	53	2,025	1,700	115,573	28.3%	67,984
2005-2007	1,385	76,071	143	15,913	51	1,923	1,477	90,061	18.4%	60,976
2003-2005	1,271	62,314	161	15,619	47	1,862	1,385	76,071	22.1%	54,925

[1]Years prior to 2009-2010 are increases over a two-year period, not an annual increase

Annual allowances in thousands

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION (continued)

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

ANALYSIS OF FINANCIAL EXPERIENCE					
Gain or (Loss) for Year(s) Ending on Valuation Date Due To:					
Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Non-Recurring Items	Total Experience
6/30/2019	$ (116,232)	$ (27,406)	$ (143,638)	$ (80,853)	$ (224,491)
6/30/2018	(53,615)	13,448	(40,167)	(76,425)	(116,592)
6/30/2017	(50,882)	(57,971)	(108,853)	127,571	18,718
6/30/2016	(106,785)	(54,528)	(161,313)	(72,680)	(233,993)
6/30/2015	2,806	7,291	10,097	(90,004)	(79,907)
6/30/2014	78,462	(14,678)	63,784	(55,787)	7,997
6/30/2013	(92,499)	11,115	(81,384)	(28,233)	(109,618)
6/30/2012	(172,759)	39,432	(133,327)	(75,220)	(208,548)
6/30/2011	(96,473)	278,051	181,578	12,360	193,938
6/30/2010	(149,621)	43,880	(105,741)	(104,240)	(209,981)

Amounts prior to June 30, 2011 calculated by prior actuary *Dollar amounts in thousands*

SCHEDULE OF FUNDED LIABILITIES BY TYPE							
	Actuarial Liability for:						
Actuarial Valuation	Active Member Contributions	Retirees, Beneficiaries and Other Inactives	Remaining Active Members' Liability	Reported Assets	Portion of Actuarial Liabilities Covered by Reported Assets		
Date	(A)	(B)	(C)		(A)	(B)	(C)
6/30/2019	$308,023	$3,446,977	$1,233,427	$3,706,302	100%	99%	0%
6/30/2018	304,454	3,227,859	1,164,115	3,596,590	100%	100%	6%
6/30/2017	299,933	3,050,871	1,113,598	3,439,922	100%	100%	8%
6/30/2016	294,535	2,999,773	1,061,682	3,303,550	100%	100%	1%
6/30/2015	285,538	2,819,410	953,462	3,212,776	100%	100%	11%
6/30/2014	288,227	2,585,611	939,987	3,025,101	100%	100%	16%
6/30/2013	280,727	2,452,728	844,576	2,771,924	100%	100%	5%
6/30/2012	276,047	2,310,295	811,450	2,703,539	100%	100%	14%
6/30/2011	260,172	2,174,044	761,791	2,685,721	100%	100%	33%
6/30/2010	246,356	1,907,931	1,076,169	2,576,705	100%	100%	39%

Amounts prior to June 30, 2011 calculated by prior actuary *Dollar amounts in thousands*

Actuarial Assumptions and Methods *(continued)*

DEFINED BENEFIT PENSION (continued)

SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	**Actuarial Value of Assets**	**Actuarial Liability (AL)**	**Unfunded Actuarial Liability**	**Funded Ratio**	**Covered Payroll**	**Unfunded AL as a % of Covered Payroll**
6/30/2019	$3,706,302	$4,988,427	$1,282,125	74.3%	$235,818	543.7%
6/30/2018	3,596,590	4,696,428	1,099,838	76.6%	218,429	503.5%
6/30/2017	3,439,922	4,464,402	1,024,480	77.1%	203,816	502.6%
6/30/2016	3,303,550	4,355,990	1,052,440	75.8%	194,072	542.3%
6/30/2015	3,212,776	4,058,410	845,634	79.2%	184,733	457.8%
6/30/2014	3,025,101	3,813,825	788,724	79.3%	188,189	419.1%
6/30/2013	2,771,924	3,578,031	806,107	77.5%	184,645	436.6%
6/30/2012	2,703,539	3,397,792	694,253	79.6%	187,959	369.4%
6/30/2011	2,685,721	3,196,007	510,286	84.0%	190,726	267.5%
6/30/2010	2,576,705	3,230,456	653,751	79.8%	251,058	260.4%

Amounts prior to June 30, 2011 were calculated by the prior actuary *Dollar amounts in thousands*

Summary of Pension Plan Provisions - Tier 1

1) Membership Requirement

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

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

Persons eligible for Tier 1 membership include:

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

2) Final Compensation

The highest 12 consecutive months of compensation in covered employment. However, in determining final compensation, no compensation in the last 12 months of employment that exceeds 108% of compensation during the 12 months immediately preceding the last 12 months shall be considered. Compensation excludes overtime pay and expense allowances.

3) Credited Service

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

4) Contributions

a. Member:

The amount needed to fund 3/11ths of normal cost calculated under the Entry Age actuarial cost method plus the amortization payment on the February 4, 1996 benefit improvement. For Police members, there is an additional amortization payment for member contributions not made for the last 6 months of 2006.

b. Employer:

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

5) Service Retirement

Eligibility

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

Benefit

Police: 2.5% of final compensation for each year of credited service up to 20 years plus 4.0% of final compensation for each year of credited service in excess of 20, subject to a maximum of 90% of final compensation.

Fire: For members with less than 20 years of service, 2.5% of final compensation for each year of credited service. For members with 20 or more years of service, 3.0% of final compensation for each year of service, subject to a maximum of 90% of final compensation.

6) Service Connected Disability Retirement

Eligibility

No age or service requirement.

Benefit

Police: 50% of final compensation plus 4.0% of final compensation for each year of credited service in excess of 20, subject to a maximum of 90% of final compensation.

Fire: For members with less than 20 years of service, 50% of final compensation. For members with 20 or more years of service, 3.0% of final compensation for each year of service, subject to a maximum of 90% of final compensation.

7) Non-Service Connected Disability Retirement

Eligibility

Two years of service.

Benefit

For members with less than 20 years of service, 32% of final compensation plus 1% of final compensation for each year of service in excess of two. For members with 20 or more years of service, the benefit amount equals the amount that would be calculated under the service retirement formula.

8) Non-Service Connected Death

Less than 2 years of service:

Lump sum benefit equal to the greater of accumulated employee contributions with interest or $1,000.

Disabled retirees or members ineligible for service retirement:

Spouse receives 24.0% of final compensation plus 0.75% of final compensation for each year of service in excess of two, subject to a maximum of 37.5% of final compensation. If a member has eligible dependent children, an additional benefit is payable as follows:

1 Child:	25.0% of final compensation
2 Children:	37.5% of final compensation
3+ Children:	50.0% of final compensation

The total benefit payable to a family is limited to 75.0% of final compensation.

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

Service retirees or members eligible for service retirement:

Spouse receives the greater of 37.5% of final compensation or 50.0% of the member's service retirement benefit, subject to a maximum of 42.5% of final compensation for Police and 45% of final compensation for Fire. Eligible dependent children will receive the same benefit as defined under the non-service connected death for disabled retirees or members ineligible for service retirement. The total benefit payable to a family is limited to 75.0% of final compensation.

9) Service-Connected Death

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

10) Termination Benefits

Less than 10 years of service:

Lump sum benefit equal to the accumulated employee contributions with interest at 2.0% per annum.

10 or more years of credited service:

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

11) Post-retirement Cost-of-Living Benefit

Benefits are increased every February 1 by 3.0%.

12) Changes Since Last Valuation

None.

Summary of Pension Plan Provisions - Tier 2

1) Membership Requirement

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

2) Final Compensation

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

3) Credited Service

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

4) Member Contributions

50.0% of total Tier 2 contributions to the pension plan, including, but not limited to administrative expenses, normal cost and unfunded actuarial liability. Increases in members' unfunded actuarial liability contribution are limited to one-third of one percent of compensation each year. Contributions cannot be less than 50% of normal cost.

5) Unreduced Service Retirement

Eligibility:

Age 57 with 5 years of service.

Benefit - Member:

2.4% of final compensation for each year of credited service up to 20 years, plus 3.0% of final compensation for each year of credited service between 20 years and 25 years, plus 3.4% of final compensation for each year of credited service in excess of 25 years, subject to a maximum of 80.0% of final compensation.

Benefit - Survivor:

50.0% joint and survivor annuity.

6) Early Service Retirement

Eligibility:

Age 50 with 5 years of service.

Benefit - Member:

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

7) Service-Connected Disability Retirement

Eligibility:

No age or service requirement.

Benefit - Member:

The greater of:

- Monthly benefit equivalent to 50% of final compensation.
- The service retirement benefit, if eligible for service retirement.
- A service retirement benefit actuarially reduced from age 50, if not eligible for service retirement.

8) Non-Service Connected Disability Retirement

Eligibility:

Five years of service.

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

Benefit - Member:

1.8% of final compensation for each year of credited service if less than age 50, or the service pension benefit if older than age 50.

9) Death Before Retirement

If death occurs before retirement eligibility is reached and after two years of service:

Monthly benefit equal to 24% of final compensation plus 0.75% of final compensation for each year of service in excess of two, up to a maximum of 37.5% of final compensation.

If death occurs after retirement eligibility is reached:

Benefit equivalent to what the employee would have received if retired at the time of death.

Employees killed in the line of duty:

Monthly benefit equal to the greater of:

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

10) Withdrawal Benefits

Less than five years of credited service:

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

Five or more years of credited service:

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

11) Benefit Forms

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

12) Post-retirement Cost-of-Living Benefit

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

13) Changes Since Last Valuation

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

CHEIRON
Classic Values, Innovative Advice

September 22, 2020

Board of Administration
City of San José Police and Fire Department Retirement Plan
1737 North 1st Street, Suite 580
San José, CA 95112

Dear Members of the Board:

The purpose of this letter is to provide the certification for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the City of San José Police and Fire Department Retirement Plan with respect to Other Postemployment Benefits (OPEB) provided through the City of San José Police Department Postemployment Healthcare Plan ("Plan").

Actuarial Valuation Used for Funding Purposes

Actuarial valuations are performed annually, and the most recent actuarial valuation was performed as of June 30, 2019. Please refer to that report for additional information related to the funding of the Plan.

We prepared the following schedules for inclusion in the Actuarial Section of the CAFR based on the June 30, 2019 actuarial valuation. All historical information prior to the June 30, 2011 actuarial valuation shown in these schedules is based on information reported by the prior actuary, The Segal Group, Inc.

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Member Benefit Coverage Information
- Analysis of Financial Experience
- Schedule of Funding Progress
- Summary of Key Substantive Plan Provisions

The funding ratios shown in the member benefit coverage information and the schedule of funding progress exhibits are ratios compared to the funding target and are for the purpose of evaluating funding progress in a budgeting context. These ratios are not appropriate for measuring or assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations.

Historically, member and City contributions to the plan have been negotiated through collective bargaining and have not been actuarially determined. With the implementation of Measure F, member contributions are fixed at 8.0% of pay; the City's contribution toward the explicit subsidy is actuarially determined; and the City also pays the implicit subsidy on a pay-as-you-go basis as a part of active health premiums. In addition, the City has the option to limit its contribution for the explicit subsidy to 11% of the total Police and Fire payroll.

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Board of Administration
September 22, 2020
Page 2

The actuarial methods and assumptions used in the actuarial valuation are adopted by the Board of Administration with advice from the actuary. In our opinion, the assumptions and methods used in the actuarial valuation for funding purposes are consistent with applicable Actuarial Standards of Practice. The actuarial cost method and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes.

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total OPEB Liability is based on the June 30, 2019 actuarial valuation updated to the measurement date of June 30, 2020. The Board changed some economic and demographic assumptions for the June 30, 2019 valuation based on an experience study. These changes are detailed in the actuarial assumptions and methods attachment of this letter. These changes are reflected effective July 1, 2019 for financial reporting purposes. Consequently, the update was based upon the Total OPEB Liability as of the valuation date reflecting the new assumptions, and projected to the measurement date with the addition of service cost and interest cost offset by actual benefit payments.

Please refer to our GASB 74/75 report as of June 30, 2020 for additional information related to the financial reporting of the Plan. We prepared the following schedules for inclusion in the Financial Section of the CAFR as shown in the June 30, 2020, GASB 74/75 report.

- Change in Net OPEB Liability
- Sensitivity of Net OPEB Liability to Changes in Discount Rate and Healthcare Cost Trend Rates
- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of Employer Contributions

Reliance on the Information Provided by the System and Compliance with GAAP

In preparing our valuations and the schedules for the CAFR, we relied on information (some oral and some written) supplied by the City of San José Office of Retirement Services. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements for funding and financial reporting purposes may differ significantly from the current measurements presented in this CAFR letter due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and, changes in plan provisions or applicable law.

This letter and the schedules named above have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of

Board of Administration
September 22, 2020
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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 letter and these exhibits. This letter does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This letter and the schedules named above were prepared for the Plan for the purposes described herein. Other users of this information are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

This letter and the exhibits named above do not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.

Sincerely,
Cheiron

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

Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary

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

Actuarial Assumptions and Methods

POLICE POSTEMPLOYMENT HEALTHCARE

Economic Assumptions

The expected return on plan assets and per person cost trend assumptions shown below were adopted by the Board of Administration with the actuary's input at the January 9, 2020 Board meeting.

1) Expected Return on Plan Assets

6.50% per year. The Board expects a long-term rate of return of 7.6% based on Meketa's 20-year capital market assumptions and the Plan's current investment policy.

2) Per Person Cost Trends

Medical trends were developed using the 2019 Getzen model published by the Society of Actuaries using the following parameter:

Initial trend rate: Non-Medicare Eligible:	8.0%	Medicare Eligible:	4.0%
Inflation:	2.5%	*Real GDP per Capita:*	1.4%
Excess Medical Cost Growth:	1.0%	*Expected GDP Share in 2028:*	20.5%
Resistance Point:	20.0%	*Year limited to GDP growth:*	2075

Police Department - Annual Increase %

Calendar Year	2020[1]	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Pre-Medicare	0.00	7.66	7.33	6.99	6.66	6.32	5.98	5.65	5.31	4.97	4.81	4.78	4.76	4.74	4.72
Medicare Eligible	0.00	4.11	4.22	4.32	4.43	4.54	4.65	4.76	4.87	4.97	4.81	4.78	4.76	4.74	4.72
Dental	0.00	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Part B	0.00	3.73	0.04	0.06	0.06	5.97	5.90	6.18	8.02	7.73	7.44	7.16	6.87	6.58	6.29
Calendar Year	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Pre-Medicare	4.71	4.69	4.68	4.66	4.65	4.64	4.63	4.61	4.60	4.59	4.58	4.57	4.56	4.55	4.55
Medicare Eligible	4.71	4.69	4.68	4.66	4.65	4.64	4.63	4.61	4.60	4.59	4.58	4.57	4.56	4.55	4.55
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Part B	6.00	5.72	5.43	5.14	4.85	4.56	4.28	3.99	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Calendar Year	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064
Pre-Medicare	4.54	4.53	4.52	4.51	4.51	4.50	4.49	4.48	4.48	4.47	4.46	4.46	4.45	4.44	4.44
Medicare Eligible	4.54	4.53	4.52	4.51	4.51	4.50	4.49	4.48	4.48	4.47	4.46	4.46	4.45	4.44	4.44
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Part B	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Calendar Year	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076+			
Pre-Medicare	4.43	4.42	4.37	4.32	4.27	4.22	4.17	4.12	4.07	4.03	3.98	3.94			
Medicare Eligible	4.43	4.42	4.37	4.32	4.27	4.22	4.17	4.12	4.07	4.03	3.98	3.94			
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50			
Part B	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70			

[1]*Actual premiums used*

Actual premium increases for 2020 were reflected in the valuation. Deductibles, co-payments, out-of-pocket maximums, and annual maximum (where applicable) are assumed to increase at the above trend rates.

3) Changes Since Last Valuation

The per-person cost trends were updated.

Actuarial Assumptions and Methods *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

Demographic Assumptions

The postemployment healthcare assumptions were adopted by the Board of Administration at the January 9, 2020 Board meeting based on our recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 7, 2019 Board meeting based on recommendations from our experience study covering Plan experience through June 30, 2019. Please refer to the full experience study report for details, including the rationale for each assumption

1) Retirement Rates

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

Police Tier 1 Rates of Retirement by Age and Service							
Age	50	51	52	53-55	56-57	58-61	62+
<30 years	55.0%	45.0%	40.0%	30.0%	30.0%	50.0%	100.0%
30+ years	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Police Tier 2 Rates of Retirement by Age and Service					
Age	50-56	57-59	60-61	62-64	65+
5-19 years	2.0%	7.5%	10.0%	25.0%	100.0%
20-24 years	2.0%	10.0%	20.0%	50.0%	100.0%
25-29 years	2.0%	20.0%	35.0%	75.0%	100.0%
30+ years	5.0%	100.0%	100.0%	100.0%	100.0%

2) Disability Rates

Disability rates are equal to the CalPERS police industrial and non-industrial rates for public agencies multiplied by 90% for ages under 50 and 140% for ages 50 and older. 100% of disabilities are assumed to be duty related. Sample disability rates of active participants are provided in the table below:

Police Department - Rates of Disability at Selected Ages									
Age	25	30	35	40	45	50	55	60	65
Police	0.16%	0.45%	0.74%	1.03%	1.32%	2.70%	6.88%	8.71%	10.47%

3) Rates of Mortality

Mortality rates for actives, retirees, beneficiaries, terminated vested and reciprocals are based on the sex-distinct employee and annuitant mortality tables shown below. Future mortality improvements are reflected by applying the SOA MP-2019 projection scale on a generational basis from the base year of 2010 (2009 for beneficiary tables).

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

Police Department - Base Mortality Table		
Category	**Male**	**Female**
Healthy Retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees
Disabled Retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees
Beneficiaries	0.948 times the CALPERS 2009 Healthy Annuitant Mortality Table	1.048 times the CALPERS 2009 Healthy Annuitant Mortality Table
Healthy Non-Annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees

4) Rates of Termination

Sample rates of refund/termination are shown in the following table.

Police Department - Rates of Termination							
Service	**Police**	**Service**	**Police**	**Service**	**Police**	**Service**	**Police**
0	13.75%	**5**	6.75%	**10**	4.50%	**15**	2.25%
1	11.75%	**6**	6.00%	**11**	4.25%	**16**	1.75%
2	10.00%	**7**	5.50%	**12**	3.75%	**17**	1.50%
3	8.50%	**8**	5.00%	**13**	3.25%	**18**	1.25%
4	7.50%	**9**	4.75%	**14**	2.75%	**19+**	1.00%

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

5) Salary Increase Rate

Wage inflation component: 3.25%.

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

Police Department - Merit Salary Increases					
Years of Service	**Merit / Longevity**	**Years of Service**	**Merit / Longevity**	**Years of Service**	**Merit / Longevity**
0	6.50%	**4**	4.50%	**8**	1.25%
1	6.25%	**5**	3.75%	**9**	1.00%
2	5.75%	**6**	2.75%	**10**	0.75%
3	5.25%	**7**	1.75%	**11+**	0.50%

6) Percent of Retirees Electing Coverage

70% of active members are assumed to elect coverage upon retirement and 30% are assumed to enter the In-Lieu credit program. 50% of term vested members are assumed to elect coverage upon retirement and 50% are assumed to enter the In-Lieu credit program. Retirees are assumed to continue in their current plan.

Members who elect to receive the In-Lieu credits are assumed to remain in the In-Lieu credit program for 5 years, after which they are assumed to elect coverage and use their In-Lieu credits. Their medical tier election assumptions are provided in the following table.

Actuarial Assumptions and Methods *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

Assumed Medical Tier Elections for Future Retirees who Elect In-Lieu Coverage[1]			
Pre-Medicare Retirees	**% Electing**	**Medicare-Eligible Retirees**	**% Electing**
Retiree only	25%	Retiree only	60%
Retiree plus spouse	25%	Retiree plus spouse	40%
Retiree plus family	50%	Retiree plus family	0%

[1] *Eligible for coverage*

The Sutter Health and Blue Shield plans will no longer be offered as of January 1, 2020. They are replaced with Anthem plan options effective January 1, 2020.

Retirees who are not yet age 65 are assumed to be eligible for Medicare when they reach age 65 and are assumed to enroll in the Medicare-eligible plan corresponding to their current pre-Medicare plan election. Future retirees are assumed to elect plans in the proportion shown in the following table.

Police Department - Assumed Plan Elections For Future Retirees[1]			
Pre-Medicare Medical Plans	**% Electing**	**Medicare-Eligible Medical Plans**	**% Electing**
Kaiser DHMO	8%	Kaiser Senior Advantage	41%
Kaiser $25 co-pay	56%	Anthem Medicare HMO	6%
Kaiser HDHP	5%	Anthem Medicare PPO	53%
Anthem DHMO	1%		
Anthem $20 co-pay	7%		
Anthem HDHP PPO	0%	**Dental Plans (All Retirees)**	
Anthem Select PPO	0%	Delta Dental PPO	99%
Anthem Classic PPO	23%	DeltaCare HMO	1%

[1] *Eligible for coverage and elect coverage*

7) Enrollment by Rating Tier

For current retirees, their actual enrollment by rating tier is used to value the explicit subsidy. 100% of employees with a spouse will elect spouse coverage in a dental plan at retirement. For future retirees, the following assumptions are used:

Police Department - Assumed Rating Tier Elections for Future Retirees				
Pre-Medicare Medical Pla	**Single**	**Employee/Spouse**	**Employee/Child**	**Family**
Males	20%	34%	7%	39%
Females	52%	13%	22%	13%
Medicare Medical Plans				
Males	27%	73%	0%	0%
Females	74%	26%	0%	0%

8) Married Percentage

Police Department - Percentage Married		
	Males	**Females**
Percentage	85%	85%

Actuarial Assumptions and Methods *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

9) Dependent Age

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

10) Administrative Expenses

For FYE 2021, trust administrative expenses are assumed to equal $41 per full benefit member and are assumed to increase at the wage inflation assumption of 3.25% per annum.

11) Changes Since Last Valuation

In-Lieu elections and the administrative expense assumption were updated.

Demographic assumptions were updated based on the most recent experience study covering the period through June 30, 2019. Please refer to the full experience study report for detail on the specific changes.

Claim and Health Plan Benefit Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the January 9, 2020 Board meeting based upon the actuary's recommendations.

The claims costs are based on the fully insured premiums charged to the City for the active and retiree population in 2019 and 2020. For non-Medicare adults, the premiums for each coverage tier (retiree only, retiree plus spouse, retiree plus child(ren), and retiree plus family) were blended based on enrollment data for the 2019 calendar year. The same process was used for Medicare adults, except only Medicare-eligible retirees were included. The resulting per person per month (PPPM) cost was then adjusted using age curves. The pre-Medicare adult claims curves were then loaded for the cost of children; the load for children decreases by retiree age since older retirees have fewer children. The impact of children on Medicare costs was assumed to be de minimis. All claims costs are developed separately for the Federated, Police, and Fire Postemployment Healthcare Plans of the City of San José.

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

1) Average Annual Claims and Expense Assumptions

The following claim and expense assumptions were developed as of July 1, 2019 based on the premiums for 2019 and 2020. The explicit subsidy amount (100% of the premium for the lowest cost health plan available to active City employees) is assumed to grow based on the pre-Medicare cost trend rates.

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

POLICE DEPARTMENT - SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE						
	Kaiser DHMO		Kaiser $25 Co-Pay		Kaiser HDHP	
Age	Male	Female	Male	Female	Male	Female
40	$ 6,607	$ 8,184	$ 10,184	$ 12,496	$ 6,594	$ 8,053
45	6,817	8,036	10,392	12,178	6,692	7,819
50	7,273	8,264	10,959	12,412	7,016	7,933
55	8,123	8,821	12,105	13,129	7,705	8,352
60	9,567	9,326	14,122	13,768	8,944	8,721
64	11,315	9,207	16,604	13,515	10,484	8,534

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

POLICE DEPARTMENT - SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE						
	Sutter / Anthem DHMO		Sutter / Anthem $20 Co-Pay		Blue Shield / Anthem PPO	
Age	Male	Female	Male	Female	Male	Female
40	$ 9,456	$ 11,559	$ 10,701	$ 13,118	$ 14,575	$ 18,382
45	9,606	11,230	10,908	12,775	15,360	18,301
50	10,082	11,402	11,489	13,008	16,736	19,127
55	11,083	12,014	12,676	13,747	19,064	20,750
60	12,876	12,555	14,773	14,403	22,825	22,243
64	15,101	12,292	17,359	14,129	27,265	22,179

POLICE DEPARTMENT - SAMPLE CLAIMS COSTS - MEDICARE ELIGIBLE						
	Kaiser Senior Adv		BS / Anthem Med PPO		BS / Anthem HMO	
Age	Male	Female	Male	Female	Male	Female
65	$ 3,288	$ 2,900	$ 5,607	$ 4,946	$ 5,936	$ 5,236
70	3,491	2,957	5,954	5,043	6,303	5,338
75	4,013	3,326	6,843	5,671	7,245	6,004
80	4,557	3,771	7,770	6,431	8,226	6,808
85	4,921	4,121	8,392	7,028	8,884	7,440

POLICE DEPARTMENT - SAMPLE CLAIMS COSTS - DENTAL				
	Delta Dental PPO		DeltaCare HMO	
Age	Male	Female	Male	Female
All	$ 727	$ 727	$ 316	$ 316

2) Medicare Part D Subsidy

Per GASB guidance, the Part D Subsidy has not been reflected in this valuation.

3) Medicare Part B

All Medicare eligible retirees are assumed to participate in Medicare Part B.

4) Medicare Eligibility

All retirees who turn age 65 are assumed to be eligible for Medicare.

5) Annual Limits

Assumed to increase at the same rate as trend.

6) Lifetime Maximums

Are not assumed to have any financial impact.

7) Geography

Implicitly assumed to remain the same as current retirees.

8) Retiree Contributions

Retirees pay the difference between the actual premium for the elected medical plan and the lowest cost medical plan available to active members, if the retiree is eligible to receive the explicit subsidy. No

Actuarial Assumptions and Methods *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

retiree contributions are required for dental.

9) Changes Since Last Valuation

All claims costs were updated to reflect the changes in plan premiums and the populations covered.

Contribution Allocation Procedure

The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below.

1) Actuarial Cost Method

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

2) Asset Valuation Method

The Actuarial Value of Assets equals the 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 Unfunded Actuarial Liability as of June 30, 2017 was amortized as a level percent of payroll over a closed 25-year period. All future amortization bases will be amortized over 25-year periods with a 3-year phase-in and phase-out.

4) Contributions

The City will contribute the annual implicit subsidy as part of active employee health premiums and will prefund the explicit subsidy based on the normal cost, administrative expenses and amortization payment described above less expected employee contributions. The City has the option to limit its contribution to no more than 11% of total payroll.
Active members that are eligible for full benefits will contribute 8% of pay.

5) Changes Since Last Valuation

None.

POLICE DEPARTMENT - SCHEDULE OF ACTIVE MEMBER DATA						
	Active Member Counts			Annual	Average	Change in
Valuation Date	Under Age 65	Age 65+	Total	Payroll	Annual Pay	Average Pay
6/30/2019	1,039	0	1,039	$ 146,865,241	$ 141,352	4.4%
6/30/2018	974	0	974	131,888,184	135,409	1.0%
6/30/2017	897	0	897	120,299,327	134,113	10.0%
6/30/2016	911	0	911	111,028,782	121,876	3.1%
6/30/2015	929	0	929	109,868,577	118,265	4.4%
6/30/2014	997	0	997	112,946,895	113,287	6.1%
6/30/2013	1,028	0	1,028	109,783,295	106,793	6.5%
6/30/2012	1,076	0	1,076	107,929,300	100,306	(7.6)%
6/30/2011	1,122	0	1,122	121,735,722	108,499	(10.8)%
6/30/2010	1,295	0	1,295	157,605,258	121,703	

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

POLICE DEPARTMENT - SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS										
	Beginning of Period		Added to Rolls	Removed from Rolls	End of Period		Net Change		% Increase	Average
Period	Count	Annual Subsidy	Count	Count	Count	Annual Subsidy	Count	Annual Subsidy	in Annual Subsidy	Annual Subsidy
Medical										
2018-19	1,233	$ 10,632,870	69	60	1,242	$ 11,216,786	9	$ 583,916	5.5%	$9,031
2017-18	1,198	12,718,518	73	38	1,233	10,632,870	35	(2,085,648)	(16.4)%	8,624
2016-17	1,169	12,037,441	56	27	1,198	12,718,518	29	681,078	5.7%	10,616
2015-16	1,141	11,640,679	60	32	1,169	12,037,441	28	396,761	3.4%	10,297
2014-15	1,106	11,899,604	71	36	1,141	11,640,679	35	(258,925)	(2.2)%	10,202
2013-14	1,083	11,801,848	50	27	1,106	11,899,604	23	97,756	0.8%	10,759
2012-13	1,037	12,823,451	66	20	1,083	11,801,848	46	(1,021,603)	(8.0)%	10,897
2011-12	991	12,266,722	77	31	1,037	12,823,451	46	556,729	4.5%	12,366
2010-11	N/A	N/A	N/A	N/A	991	12,266,722	N/A	N/A	N/A	N/A
2009-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dental										
2018-19	1,269	$ 1,625,889	70	24	1,315	$ 1,693,224	46	$ 67,335	4.1%	$ 1,288
2017-18	1,248	1,605,396	59	38	1,269	1,625,889	21	20,493	1.3%	1,281
2016-17	1,220	1,509,608	50	22	1,248	1,605,396	28	95,789	6.3%	1,286
2015-16	1,199	1,497,139	42	21	1,220	1,509,608	21	12,468	0.8%	1,237
2014-15	1,139	1,428,059	79	19	1,199	1,497,139	60	69,081	4.8%	1,249
2013-14	1,111	1,352,967	45	17	1,139	1,428,059	28	75,092	5.6%	1,254
2012-13	1,070	1,384,063	53	10	1,111	1,352,967	41	(31,096)	(2.2)%	1,218
2011-12	1,028	1,330,289	50	11	1,070	1,384,063	42	53,774	4.0	1,294
2010-11	N/A	N/A	N/A	N/A	1,028	1,330,289	N/A	N/A	N/A	N/A
2009-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Annual subsidies are explicit amounts

Police Department - Member Benefit Coverage Information					
	Actuarial Liability				
Actuarial Valuation Date	Retirees and Vested Terminated	Active Members	Market Value of Assets[1]	Portion of Liability Covered by Actuarial Value of Assets	
	(A)	(B)		(A)	(B)
6/30/2019	$ 293,344	$ 142,094	$ 124,990	43%	0%
6/30/2018	305,606	166,211	111,659	37%	0%
6/30/2017	280,546	150,792	99,926	36%	0%
6/30/2016	307,941	188,002	97,412	32%	0%
6/30/2015	290,354	179,969	85,322	29%	0%
6/30/2014	275,902	180,568	70,102	25%	0%
6/30/2013	268,633	183,266	57,832	22%	0%
6/30/2012	374,949	268,590	49,797	13%	0%
6/30/2011	381,819	262,855	43,108	11%	0%
6/30/2010	358,073	252,508	N/A	N/A	N/A

[1] *Actuarial value of assets for 6/30/2016 and earlier* — *Dollar amounts in thousands*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

POLICE DEPARTMENT - ANALYSIS OF FINANCIAL EXPERIENCE					
Gain or (Loss) for the Year Ending on Valuation Date Due to:					
Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Assumption Changes	Total Experience
6/30/2019	$ (2,839)	$ 64,974	$ 62,135	$ (6,817)	$ 55,318
6/30/2018	(2,442)	3,712	1,270	(22,819)	(21,549)
6/30/2017	2,647	(15,108)	(12,461)	29,245	16,784
6/30/2016	(2,914)	(2,728)	(5,642)	4,864	(778)
6/30/2015	582	7,990	8,572	(3,449)	5,123
6/30/2014	2,802	16,222	19,024	13,689	32,713
6/30/2013	2,437	(4,536)	(2,099)	258,939	256,840
6/30/2012	(6,011)	4,760	(1,251)	58,173	56,922
6/30/2011	(2,661)	5,967	3,306	1,146	4,452
6/30/2010	(3,067)	(11,242)	(14,309)	(122,599)	(136,908)

The analysis was combined for Police and Fire for 6/30/2017 and earlier *Dollar amounts in thousands*

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. Since the June 30, 2017 valuation, the actuarial value of assets is equal to the market value of assets.

POLICE DEPARTMENT - SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability	Unfunded Actuarial Liability (UAL)	Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a / b)	(c)	((b-a) / c)
6/30/2019	$ 124,990	$ 435,438	$ 310,448	28.7 %	$ 146,865	211 %
6/30/2018	111,659	471,817	360,158	23.7 %	131,888	273 %
6/30/2017	99,926	431,338	331,412	23.2 %	120,299	275 %
6/30/2016	97,412	495,943	398,531	19.6 %	111,029	359 %
6/30/2015	85,322	470,323	385,001	18.1 %	109,783	351 %
6/30/2014	70,102	456,470	386,368	15.4 %	112,947	342 %
6/30/2013	57,832	451,899	394,067	12.8 %	109,783	359 %
6/30/2012	49,797	643,539	593,742	7.7 %	107,929	550 %
6/30/2011	43,108	644,674	601,566	6.7 %	121,736	494 %
6/30/2010	N/A	610,581	N/A	N/A	N/A	N/A

Dollar amounts in thousands

Summary of Key Substantive Plan Provisions

POLICE POSTEMPLOYMENT HEALTHCARE

Eligibility

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

Medical/Dental:

Employees who retire (include deferred vested members) with at least 15 years of service with the City (“OPEB benefit service”), or with a monthly pension equal to at least 37.5% of final compensation, are eligible to elect medical coverage upon retirement. Tier 1 employees (hired before August 4, 2013) are eligible for unreduced service retirement at age 55 with 20 years of service, age 50 with 25 years of service, age 70 with no service requirement, or any age with 30 years of service. Reduced service retirement is available at age 50 with 20 years of service. Tier 2 employees (hired on or after August 4, 2013) are eligible for unreduced service retirement at age 60 with 10 years of service or reduced service retirement at age 50 with 10 years of service. Service credited through reciprocity agreements counts towards an employee’s required service to retire, but only service with the City counts towards the required years of service to receive OPEB benefits.

Employees who become disabled with at least 15 years of service or have a monthly pension equal to at least 37.5% of final compensation are eligible to elect medical coverage upon retirement.

Spouses or domestic partners of retired members are allowed to participate if they were enrolled in the City’s medical plan at the time of the member’s retirement. Dependent children are eligible to receive coverage until the age of 26.

Surviving spouses/domestic partners/children of deceased members are eligible for coverage if the following conditions are met:

1. The employee has 15 years of service at time of death or is entitled to a monthly pension of at least 37.5% of final compensation and,
2. Both the member and the survivors were enrolled in the active medical plan immediately before death; and,
3. The survivor will receive a monthly pension benefit.

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

Benefits for Retirees

Medical:

The Retirement Plan, through the medical benefit account, pays 100% of the premium for the lowest cost health plan available to active City employees. The member pays the difference, if another plan is elected.

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

Dental:

The Retirement Plan, through the medical benefit account, pays 100% of the dental insurance premiums.

Summary of Key Substantive Plan Provisions *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

Premiums:

Monthly premiums before adjustments for 2019 and 2020 are as follows.

POLICE DEPARTMENT - 2019 MONTHLY PREMIUMS				
	Single	Employee / Spouse	Employee / Child	Family
Medical				
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 528.20	$ 1,056.40	$ 924.36	$ 1,584.60
Kaiser $25 Co-pay	645.08	1,290.16	1,128.88	1,935.24
Kaiser HDHP	445.04	890.08	778.82	1,335.12
Blue Shield PPO $25 Co-pay	1,435.38	2,870.74	2,511.94	4,306.12
Sutter Health $20 Co-pay	652.28	1,304.56	1,141.44	1,956.78
Sutter Health DHMO	534.06	1,068.12	934.56	1,602.12
Sutter Health Vista	445.74	891.50	780.04	1,337.22
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 300.80	$ 601.60	$ 601.60	$ 902.40
Blue Shield Medicare PPO	528.57	1,057.14	1,057.14	1,585.71
Blue Shield Medicare HMO	602.56	1,205.12	1,205.12	1,807.68
Dental				
Delta Dental PPO	$ 50.88	$ 111.92	$ 122.12	$ 157.72
DeltaCare HMO	24.44	48.86	42.74	73.30

Blue Shield HMO Medicare family rates assume the children are on the Non-Medicare $20 Co-pay HMO

POLICE DEPARTMENT - 2020 MONTHLY PREMIUMS				
	Single	Employee / Spouse	Employee / Child	Family
Medical				
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 574.36	$ 1,148.72	$ 1,005.14	$ 1,723.08
Kaiser $25 Co-pay	701.46	1,402.92	1,227.54	2,104.38
Kaiser HDHP	483.94	967.88	846.90	1,451.82
Anthem HMO $20 Co-pay	671.12	1,476.46	1,208.02	2,080.46
Anthem DHMO	517.42	1,138.34	931.36	1,604.02
Anthem HDHP	905.36	1,991.82	1,629.66	2,806.66
Anthem Select PPO	1,469.66	3,233.24	2,645.38	4,555.94
Anthem Classic PPO	1,571.82	3,458.02	2,829.28	4,872.66
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 289.14	$ 578.28	$ 578.28	$ 867.42
Anthem Medicare PPO	508.56	1,017.12	1,017.12	1,525.68
Anthem Medicare HMO	453.55	907.10	907.10	1,360.65
Dental				
Delta Dental PPO	$ 50.88	$ 111.92	$ 122.12	$ 157.72
DeltaCare HMO	24.44	48.86	42.74	73.30

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

POLICE DEPARTMENT - SUMMARY OF 2020 BENEFIT PLANS								
Non-Medicare Plans:	**Kaiser High Deductible**	**Kaiser DHMO**	**Kaiser $25 Co-pay**	**Anthem $20 Co-pay HMO**	**Anthem DHMO**	**Anthem Select PPO (In-Network)**	**Anthem Classic PPO (In-Network)**	**Anthem High Deductible (In-Network)**
Annual out-of-pocket maximum (single / family)	$5,950 / $11,900	$4,000 / $8,000	$1,500 / $3,000	$1,500 / $3,000	$4,000 / $8,000	$2,100 / $4,200	$2100 / $4,200	$4,000 / $8,000
Annual deductible (single / family)	$3,000 / $6,000	$1,500 / $3,000	None	None	$1,500 / $3,000	$100 / $200	$100 / $200	$2,500 / $5,000
Office visit co-pay	30%[1]	$40	$25	$20	$20	$25	$25	20%[1]
Emergency room co-pay	30%[1]	30%[1]	$100	$100	30%[1]	$100	$100	20%[1]
Hospital care co-pay	30%[1]	30%[1]	$100	$100	30%[1]	10%[1]	10%[1]	20%[1]
Prescription Drug Retail Co-pay (30-day supply):								
Generic	$10	$10	$10	$10	$10	$10	$10	$10
Brand	30	$30	$25	$30	$30	$25	$25	$30
Non-formulary	N/A	N/A	N/A	$60	$60	$40	$40	$60

[1] *After deductible is paid*

Medicare-Eligible Plans:	**Kaiser**	**Anthem HMO**	**Anthem PPO**
Annual out-of-pocket maximum (single / family)	$1,500 / $3,000	$1,000 per member	$0
Annual deductible (single / family)	None	None	None
Office visit co-pay	$25	$25	$0
Emergency room co-pay	$50	$100	$0
Hospital care co-pay	$250	$100	$0
Prescription Drug Retail Co-pay (30-day supply):			
Generic	$10	$10	$10
Brand	$10	$25	$25
Non-formulary	N/A	$40	$40

Summary of Key Substantive Plan Provisions *(continued)*

POLICE POSTEMPLOYMENT HEALTHCARE (continued)

Cost Sharing Provisions

It is assumed for the purpose of this valuation that the City of San Jose will in the future maintain a consistent level of cost sharing for benefits with the retirees. This may be achieved by adjusting benefit provisions, contributions or both.

<u>CATASTROPHIC DISABILITY HEALTHCARE PROGRAM</u>

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

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

Medical: VEBA funds can be used to reimburse members for eligible healthcare expenses.

VEBA members on service-connected disability will receive benefits from the Postemployment Healthcare Plan only up to age 65 once VEBA funds exhausted.

CHEIRON Classic Values, Innovative Advice

September 22, 2020

Board of Administration
City of San José Police and Fire Department Retirement Plan
1737 North 1st Street, Suite 580
San José, CA 95112

Dear Members of the Board:

The purpose of this letter is to provide the certification for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the City of San José Police and Fire Department Retirement Plan with respect to Other Postemployment Benefits (OPEB) provided through the City of San José Fire Department Postemployment Healthcare Plan ("Plan").

Actuarial Valuation Used for Funding Purposes

Actuarial valuations are performed annually, and the most recent actuarial valuation was performed as of June 30, 2019. Please refer to that report for additional information related to the funding of the Plan.

We prepared the following schedules for inclusion in the Actuarial Section of the CAFR based on the June 30, 2019 actuarial valuation. All historical information prior to the June 30, 2011 actuarial valuation shown in these schedules is based on information reported by the prior actuary, The Segal Group, Inc.

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Member Benefit Coverage Information
- Analysis of Financial Experience
- Schedule of Funding Progress
- Summary of Key Substantive Plan Provisions

The funding ratios shown in the member benefit coverage information and the schedule of funding progress exhibits are ratios compared to the funding target and are for the purpose of evaluating funding progress in a budgeting context. These ratios are not appropriate for measuring or assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations.

Historically, member and City contributions to the plan have been negotiated through collective bargaining and have not been actuarially determined. With the implementation of Measure F, member contributions are fixed at 8.0% of pay; the City's contribution toward the explicit subsidy is actuarially determined; and the City also pays the implicit subsidy on a pay-as-you-go basis as a part of active health premiums. In addition, the City has the option to limit its contribution for the explicit subsidy to 11% of the total Police and Fire payroll.

Board of Administration
September 22, 2020
Page 2

The actuarial methods and assumptions used in the actuarial valuation are adopted by the Board of Administration with advice from the actuary. In our opinion, the assumptions and methods used in the actuarial valuation for funding purposes are consistent with applicable Actuarial Standards of Practice. The actuarial cost method and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes.

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total OPEB Liability is based on the June 30, 2019 actuarial valuation updated to the measurement date of June 30, 2020. The Board changed some economic and demographic assumptions for the June 30, 2019 valuation based on an experience study. These changes are detailed in the actuarial assumptions and methods attachment of this letter. These changes are reflected effective July 1, 2019 for financial reporting purposes. Consequently, the update was based upon the Total OPEB Liability as of the valuation date reflecting the new assumptions, and projected to the measurement date with the addition of service cost and interest cost offset by actual benefit payments.

Please refer to our GASB 74/75 report as of June 30, 2020 for additional information related to the financial reporting of the Plan. We prepared the following schedules for inclusion in the Financial Section of the CAFR as shown in the June 30, 2020, GASB 74/75 report.

- Change in Net OPEB Liability
- Sensitivity of Net OPEB Liability to Changes in Discount Rate and Healthcare Cost Trend Rates
- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of Employer Contributions

Reliance on the Information Provided by the System and Compliance with GAAP

In preparing our valuations and the schedules for the CAFR, we relied on information (some oral and some written) supplied by the City of San José Office of Retirement Services. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements for funding and financial reporting purposes may differ significantly from the current measurements presented in this CAFR letter due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and, changes in plan provisions or applicable law.

This letter and the schedules named above have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of

Board of Administration
September 22, 2020
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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 letter and these exhibits. This letter does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This letter and the schedules named above were prepared for the Plan for the purposes described herein. Other users of this information are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

This letter and the exhibits named above do not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.

Sincerely,
Cheiron

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

Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary

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

CHEIRON

Actuarial Assumptions and Methods

FIRE POSTEMPLOYMENT HEALTHCARE

Economic Assumptions

The expected return on plan assets and per person cost trend assumptions shown below were adopted by the Board of Administration with the actuary's input at the January 9, 2020 Board meeting. Please refer to the presentation for that meeting for details, including the rationale for each assumption.

1) Expected Return on Plan Assets

6.50% per year. The Board expects a long-term rate of return of 7.6% based on Meketa's 20-year capital market assumptions and the Plan's current investment policy.

2) Per Person Cost Trends

Medical trends were developed using the 2019 Getzen model published by the Society of Actuaries using the following parameter:

Initial trend rate: Non-Medicare Eligible:	8.0%	Medicare Eligible:	4.0%
Inflation:	2.5%	*Real GDP per Capita:*	1.4%
Excess Medical Cost Growth:	1.0%	*Expected GDP Share in 2028:*	20.5%
Resistance Point:	20.0%	*Year limited to GDP growth:*	2075

Fire Department - Annual Increase %															
Calendar Year	**2020[1]**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
Pre-Medicare	0.00	7.66	7.33	6.99	6.66	6.32	5.98	5.65	5.31	4.97	4.81	4.78	4.76	4.74	4.72
Medicare Eligible	0.00	4.11	4.22	4.32	4.43	4.54	4.65	4.76	4.87	4.97	4.81	4.78	4.76	4.74	4.72
Dental	0.00	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Part B	0.00	3.73	0.04	0.06	0.06	5.97	5.90	6.18	8.02	7.73	7.44	7.16	6.87	6.58	6.29
Calendar Year	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**
Pre-Medicare	4.71	4.69	4.68	4.66	4.65	4.64	4.63	4.61	4.60	4.59	4.58	4.57	4.56	4.55	4.55
Medicare Eligible	4.71	4.69	4.68	4.66	4.65	4.64	4.63	4.61	4.60	4.59	4.58	4.57	4.56	4.55	4.55
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Part B	6.00	5.72	5.43	5.14	4.85	4.56	4.28	3.99	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Calendar Year	**2050**	**2051**	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**	**2059**	**2060**	**2061**	**2062**	**2063**	**2064**
Pre-Medicare	4.54	4.53	4.52	4.51	4.51	4.50	4.49	4.48	4.48	4.47	4.46	4.46	4.45	4.44	4.44
Medicare Eligible	4.54	4.53	4.52	4.51	4.51	4.50	4.49	4.48	4.48	4.47	4.46	4.46	4.45	4.44	4.44
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Part B	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Calendar Year	**2065**	**2066**	**2067**	**2068**	**2069**	**2070**	**2071**	**2072**	**2073**	**2074**	**2075**	**2076+**			
Pre-Medicare	4.43	4.42	4.37	4.32	4.27	4.22	4.17	4.12	4.07	4.03	3.98	3.94			
Medicare Eligible	4.43	4.42	4.37	4.32	4.27	4.22	4.17	4.12	4.07	4.03	3.98	3.94			
Dental	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50			
Part B	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70			

Actual premium increases for 2020 were reflected in the valuation. Deductibles, co-payments, out-of-Pocket Maximums, and Annual Maximum (where applicable) are assumed to increase at the above trend rates.

3) Changes Since Last Valuation

The per-person cost trends were updated.

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

Demographic Assumptions

The postemployment healthcare assumptions were adopted by the Board of Administration at the January 9, 2020 Board meeting based on our recommendations. The other demographic assumptions shown below were adopted at the November 7, 2019 Board meeting based on recommendations from our experience study covering the plan experience through June 30, 2019. Please refer to the full experience study report for details, including the rationale for each assumption.

1) Retirement Rates

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

Fire Department Tier 1 - Rates of Retirement by Age and Service							
Age	**50**	**51-54**	**55**	**56**	**57**	**58-61**	**62+**
<30 years	35.0%	35.0%	30.0%	25.0%	20.0%	27.5%	100.0%
30+ years	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fire Department Tier 2 - Rates of Retirement by Age Service					
Age	**50-56**	**57-59**	**60-61**	**62-64**	**65+**
5-19 years	1.0%	5.0%	7.5%	20.0%	100.0%
20-24 years	1.0%	7.5%	15.0%	35.0%	100.0%
25-29 years	1.0%	15.0%	25.0%	50.0%	100.0%
30+ years	2.5%	100.0%	100.0%	100.0%	100.0%

2) Disability Rates

Disability rates are equal to the CalPERS fire industrial and non-industrial rates for public agencies multiplied by 90% for ages under 50 and 180% for ages 50 and older. 100% of disabilities are assumed to be duty related. Sample disability rates of active participants are provided in the table below:

Fire Department - Rates of Disability at Selected Ages									
Age	**25**	**30**	**35**	**40**	**45**	**50**	**55**	**60**	**65**
Fire	0.03%	0.08%	0.15%	0.28%	0.50%	5.08%	7.54%	10.77%	14.84%

3) Rates of Mortality

Mortality rates for actives, retirees, beneficiaries, terminated vested and reciprocals are based on the sex-distinct employee and annuitant mortality tables shown below. Future mortality improvements are reflected by applying the SOA MP-2019 projection scale on a generational basis from the base year of 2010 (2009 for beneficiary tables).

Actuarial Assumptions and Methods *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

Fire Department - Base Mortality Table		
Category	**Male**	**Female**
Healthy Retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy retirees
Disabled Retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled retirees
Beneficiaries	0.948 times the CALPERS 2009 Healthy Annuitant Mortality Table	1.048 times the CALPERS 2009 Healthy Annuitant Mortality Table
Healthy Non-Annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy employees

4) Rates of Termination

Sample rates of refund/termination are shown in the following table.

Fire Department - Rates of Termination[1]							
Service	**Fire**	**Service**	**Fire**	**Service**	**Fire**	**Service**	**Fire**
0	8.50%	**5**	1.00%	**10**	0.50%	**15**	0.50%
1	4.00%	**6**	0.90%	**11**	0.50%	**16**	0.50%
2	2.75%	**7**	0.80%	**12**	0.50%	**17**	0.50%
3	1.75%	**8**	0.70%	**13**	0.50%	**18**	0.50%
4	1.25%	**9**	0.60%	**14**	0.50%	**19+**	0.50%

[1] *Termination rates do not apply once a member is eligible for unreduced retirement.*

5) Salary Increase Rate

Wage inflation component: 3.25%.

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

Fire Department - Merit Salary Increases					
Years of Service	**Merit/ Longevity**	**Years of Service**	**Merit/ Longevity**	**Years of Service**	**Merit/ Longevity**
0	6.50%	**4**	4.50%	**8**	1.25%
1	6.25%	**5**	3.75%	**9**	1.00%
2	5.75%	**6**	2.75%	**10**	0.75%
3	5.25%	**7**	1.75%	**11+**	0.50%

6) Percent of Retirees Electing Coverage

70% of active members are assumed to elect coverage upon retirement and 30% are assumed to enter the In-Lieu credit program. 50% of term vested members are assumed to elect coverage upon retirement and 50% are assumed to enter the In-Lieu credit program. Retirees are assumed to continue in their current plan.

Actuarial Assumptions and Methods *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

Members who elect to receive the In-Lieu credits are assumed to remain in the In-Lieu credit program for 5 years, after which they are assumed to elect coverage and use their In-Lieu credits. Their medical tier election assumptions are provided in the following table.

Assumed Medical Tier Elections for Future Retirees who Elect In-Lieu Coverage[1]			
Pre-Medicare Retirees	**% Electing**	**Medicare-Eligible Retirees**	**% Electing**
Retiree only	25%	Retiree only	60%
Retiree plus spouse	25%	Retiree plus spouse	40%
Retiree plus family	50%	Retiree plus family	0%

[1] *Eligible for coverage*

The Sutter Health and Blue Shield plans will no longer be offered as of January 1, 2020. They are replaced with Anthem plan options effective January 1, 2020.

Retirees who are not yet age 65 are assumed to be eligible for Medicare when they reach age 65 and are assumed to enroll in the Medicare-eligible plan corresponding to their current pre-Medicare plan election. Future retirees are assumed to elect plans in the proportion shown in the following table.

Fire Department - Assumed Plan Elections for Future Retirees[1]			
Pre-Medicare Medical Plans	**% Electing**	**Medicare - Eligible Medical Plans**	**% Electing**
Kaiser DHMO	8%	Kaiser Senior Advantage	41%
Kaiser $25 Co-pay	56%	Anthem Medicare HMO	6%
Kaiser HDHP	5%	Anthem Medicare PPO	53%
Anthem DHMO	1%		
Anthem $20 co-pay	7%		
Anthem HDHP PPO	0%	**Dental Plans (All Retirees)**	**% Electing**
Anthem Select PPO	0%	Delta Dental PPO	99%
Anthem Classic PPO	23%	DeltaCare HMO	1%

[1] *Eligible for coverage and elect coverage*

7) Enrollment by Rating Tier

For current retirees, their actual enrollment by rating tier is used to value the explicit subsidy. 100% of employees with a spouse will elect spouse coverage in a dental plan at retirement. For future retirees, the following assumptions are used:

Fire Department - Assumed Rating Tier Elections for Future Retirees				
Pre-Medicare Medical Pla	**Single**	**Employee / Spouse**	**Employee / Child**	**Family**
Males	20%	34%	7%	39%
Females	52%	13%	22%	13%
Medicare Medical Plans				
Males	27%	73%	0%	0%
Females	74%	26%	0%	0%

8) Married Percentage

Fire Department - Percentage Married		
	Males	**Females**
Percentage	85%	85%

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

9) Dependent Age

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

10) Administrative Expenses

For FYE 2021, trust administrative expenses are assumed to equal $41 per full benefit member and are assumed to increase at the wage inflation assumption of 3.25% per annum.

11) Changes Since Last Valuation

In-Lieu elections and the administrative expense assumption were updated.

Demographic assumptions were updated based on the most recent experience study covering the period through June 30, 2019. Please refer to the full experience study report for detail on the specific changes.

Claim and Health Plan Benefit Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the January 9, 2020 Board meeting based upon the actuary's recommendations.

The claims costs are based on the fully insured premiums charged to the City for the active and retiree population in 2019 and 2020. For non-Medicare adults, the premiums for each coverage tier (retiree only, retiree plus spouse, retiree plus child(ren), and retiree plus family) were blended based on enrollment data for the 2019 calendar year. The same process was used for Medicare adults, except only Medicare-eligible retirees were included. The resulting per person per month (PPPM) cost was then adjusted using age curves. The pre-Medicare adult claims curves were then loaded for the cost of children; the load for children decreases by retiree age since older retirees have fewer children. The impact of children on Medicare costs was assumed to be de minimis. All claims costs are developed separately for the Federated, Police, and Fire Postemployment Healthcare Plans of the City of San José.

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

1) Average Annual Claims and Expense Assumptions

The following claim and expense assumptions were developed as of July 1, 2019 based on the premiums for 2019 and 2020. The explicit subsidy amount (100% of the premium for the lowest cost health plan available to active City employees) is assumed to grow based on the pre-Medicare cost trend rates.

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

FIRE DEPARTMENT - SAMPLE CLAIMS COSTS - NON- MEDICARE ELIGIBLE						
	Kaiser DHMO		Kaiser $25 Co-Pay		Kaiser HDHP	
Age	Male	Female	Male	Female	Male	Female
40	$ 6,607	$ 8,184	$ 10,184	$ 12,496	$ 6,594	$ 8,053
45	6,817	8,036	10,392	12,178	6,692	7,819
50	7,273	8,264	10,959	12,412	7,016	7,933
55	8,123	8,821	12,105	13,129	7,705	8,352
60	9,567	9,326	14,122	13,768	8,944	8,721
64	11,315	9,207	16,604	13,515	10,484	8,534

Actuarial Assumptions and Methods *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

FIRE DEPARTMENT - SAMPLE CLAIMS COSTS-NON-MEDICARE ELIGIBLE						
	Sutter / Anthem DHMO		Sutter / Anthem $20 Co-Pay		Blue Shield / Anthem PPO	
Age	Male	Female	Male	Female	Male	Female
40	$ 9,456	$ 11,559	$ 10,701	$ 13,118	$ 14,575	$ 18,382
45	9,606	11,230	10,908	12,775	15,360	18,301
50	10,082	11,402	11,489	13,008	16,736	19,127
55	11,083	12,014	12,676	13,747	19,064	20,750
60	12,876	12,555	14,773	14,403	22,825	22,243
64	15,101	12,292	17,359	14,129	27,265	22,179

FIRE DEPARTMENT - SAMPLE CLAIMS COSTS - MEDICARE ELIGIBLE						
	Kaiser Senior Adv		Blue Shield / Anthem Med PPO		Blue Shield / Anthem HMO	
Age	Male	Female	Male	Female	Male	Female
65	$ 3,288	$ 2,900	$ 5,607	$ 4,946	$ 5,936	$ 5,236
70	3,491	2,957	5,954	5,043	6,303	5,338
75	4,013	3,326	6,843	5,671	7,245	6,004
80	4,557	3,771	7,770	6,431	8,226	6,808
85	4,921	4,121	8,392	7,028	8,884	7,440

FIRE DEPARTMENT - SAMPLE CLAIMS COSTS - DENTAL				
	Delta Dental PPO		DeltaCare HMO	
Age	Male	Female	Male	Female
All	$ 727	$ 727	$ 316	$ 316

2) Medicare Part D Subsidy

Per GASB guidance, the Part D Subsidy has not been reflected in this valuation.

3) Medicare Part B

All Medicare eligible retirees are assumed to participate in Medicare Part B.

4) Medicare Eligibility

All retirees who turn age 65 are assumed to be eligible for Medicare.

5) Annual Limits

Assumed to increase at the same rate as trend.

6) Lifetime Maximums

Are not assumed to have any financial impact.

7) Geography

Implicitly assumed to remain the same as current retirees.

8) Retiree Contributions

Retirees pay the difference between the actual premium for the elected plan and the lowest cost medical plan available to active members, if the retiree is eligible to receive the explicit subsidy. No retiree contributions are required for dental.

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

9) Changes Since Last Valuation

All claims costs were updated to reflect the changes in plan premiums and the populations covered.

Contribution Allocation Procedure

The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below.

1) Actuarial Cost Method

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

2) Asset Valuation Method

The Actuarial Value of Assets equals the 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 Unfunded Actuarial Liability as of June 30, 2017 was amortized as a level percent of payroll over a closed 25-year period. All future amortization bases will be amortized over 25-year periods with a 3-year phase-in and phase-out.

4) Contributions

The City will contribute the annual implicit subsidy as part of active employee health premiums and will prefund the explicit subsidy based on the normal cost, administrative expenses and amortization payment described above less expected employee contributions. The City has the option to limit its contribution to no more than 11% of total payroll.

Active members that are eligible for full benefits will contribute 8% of pay.

5) Changes Since Last Valuation

None.

FIRE DEPARTMENT - SCHEDULE OF ACTIVE MEMBER DATA

	Active Member Counts			Annual	Average	Percent Change
Valuation Date	Under Age 65	Age 65+	Total	Payroll	Annual Pay	in Average Pay
6/30/2019	662	-	662	$ 88,952,979	$ 134,370	3.1%
6/30/2018	664	-	664	86,541,114	130,333	1.0%
6/30/2017	646	-	646	83,370,711	129,057	4.3%
6/30/2016	671	-	671	83,043,310	123,761	7.5%
6/30/2015	648	-	648	74,613,261	115,144	0.5%
6/30/2014	657	-	657	75,241,817	114,523	3.9%
6/30/2013	679	-	679	74,861,955	110,253	9.4%
6/30/2012	642	-	642	64,696,203	100,773	(10.5)%
6/30/2011	613	-	613	68,990,536	112,546	(12.6)%
6/30/2010	725	1	726	93,453,215	128,723	

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

FIRE DEPARTMENT - SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS										
	Beginning of Period		Added to Rolls	Removed from Rolls	End of Period		Net change		% Increase	Average
Period	Count	Annual Subsidy	Count	Count	Count	Annual Subsidy	Count	Annual Subsidy	in Annual Subsidy	Annual Subsidy
Medical										
2018-19	803	$ 6,518,064	27	31	799	$ 6,790,517	(4)	$ 272,453	4.2%	$ 8,499
2017-18	776	7,455,411	47	20	803	6,518,064	27	(937,347)	(12.6)%	8,117
2016-17	752	6,976,403	42	18	776	7,455,411	24	479,008	6.9%	9,607
2015-16	758	6,965,107	28	34	752	6,976,403	(6)	11,296	0.2%	9,277
2014-15	743	7,095,176	35	20	758	6,965,107	15	(130,068)	(1.8)%	9,189
2013-14	749	7,736,739	29	35	743	7,095,176	(6)	(641,564)	(8.3)%	9,549
2012-13	752	8,665,479	28	31	749	7,736,739	(3)	(928,740)	(10.7)%	10,329
2011-12	745	8,838,250	30	23	752	8,665,479	7	(172,771)	(2.0)%	11,523
2010-11	N/A	N/A	N/A	N/A	745	8,838,250	N/A	N/A	N/A	N/A
2009-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dental										
2018-19	828	$ 961,884	26	26	828	$ 963,334	0	$ 1,450	0.2%	$ 1,163
2017-18	808	942,196	39	19	828	961,884	20	19,688	2.1%	1,162
2016-17	798	893,441	30	20	808	942,196	10	48,756	5.5%	1,166
2015-16	793	891,245	23	18	798	893,441	5	2,195	0.2%	1,120
2014-15	778	875,826	29	14	793	891,245	15	15,420	1.8%	1,124
2013-14	779	948,537	23	24	778	875,826	(1)	(72,711)	(7.7)%	1,126
2012-13	785	1,014,672	18	23	779	948,537	(6)	(66,135)	(6.5)%	1,218
2011-12	770	994,744	20	7	785	1,014,672	15	19,928	2.0%	1,293
2010-11	N/A	N/A	N/A	N/A	770	994,744	N/A	N/A	N/A	N/A
2009-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Annual subsidies are explicit amounts

Actuarial Assumptions and Methods *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

FIRE DEPARTMENT - MEMBER BENEFIT COVERAGE INFORMATION					
	Actuarial Liability				
Actuarial Valuation Date	Retirees and Vested Terminated	Active Members	Market Value of Assets[1]	Portion of Liability Covered by Actuarial Value of Assets	
	(A)	(B)		(A)	(B)
6/30/2019	$ 154,885	$ 103,007	$ 60,967	39%	0%
6/30/2018	161,946	113,510	50,861	31%	0%
6/30/2017	147,204	101,704	42,591	29%	0%
6/30/2016	164,063	118,866	37,795	23%	0%
6/30/2015	161,381	108,049	29,243	18%	0%
6/30/2014	153,132	97,108	23,503	15%	0%
6/30/2013	153,366	95,261	17,203	11%	0%
6/30/2012	225,919	127,862	16,587	7%	0%
6/30/2011	240,872	118,249	17,600	7%	0%
6/30/2010	210,538	125,189	N/A	N/A	N/A

[1]*Actuarial value of assets for 6/30/2016 and earlier* *Dollar amounts in thousands*

FIRE DEPARTMENT - ANALYSIS OF FINANCIAL EXPERIENCE					
Gain or (Loss) for the Year Ending on Valuation Date Due to:					
Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Assumption Change	Total Experience
6/30/2019	$ (1,205)	$ 34,915	$ 33,710	$ (1,749)	$ 31,961
6/30/2018	(1,548)	(311)	(1,859)	(13,568)	(15,427)
6/30/2017	2,647	(15,108)	(12,461)	29,245	16,784
6/30/2016	(2,914)	(2,828)	(5,642)	4,864	(778)
6/30/2015	582	7,990	8,572	(3,449)	5,123
6/30/2014	2,802	16,222	19,024	13,689	32,713
6/30/2013	2,437	(4,536)	(2,099)	258,939	256,840
6/30/2012	(6,011)	4,760	(1,251)	58,173	56,922
6/30/2011	(2,661)	5,967	3,306	1,146	4,452
6/30/2010	(3,067)	(11,242)	(14,309)	(122,599)	(136,908)

The analysis was combined for Police and Fire for 6/30/2017 and earlier *Dollar amount in thousands*

Actuarial Assumptions and Methods *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. Since the June 30, 2017 valuation, the actuarial value of assets is equal to the market value of assets.

FIRE DEPARTMENT - SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability	Unfunded Actuarial Liability (UAL)	Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a / b)	(c)	((b-a) / c)
6/30/2019	$ 60,967	$ 257,891	$ 196,925	23.6%	$ 88,953	221%
6/30/2018	50,861	275,456	224,595	18.5%	86,541	260%
6/30/2017	42,591	248,908	206,317	17.1%	83,517	247%
6/30/2016	37,795	282,929	245,134	13.4%	83,043	295%
6/30/2015	29,243	269,430	240,187	10.9%	74,950	320%
6/30/2014	23,503	250,239	226,736	9.4%	75,242	301%
6/30/2013	17,203	248,627	231,424	6.9%	74,862	309%
6/30/2012	16,587	353,781	337,194	4.7%	64,696	521%
6/30/2011	17,600	359,121	341,521	4.9%	68,991	495%
6/30/2010	N/A	335,727	N/A	N/A	N/A	N/A

Dollar amounts in thousands

Summary of Key Substantive Plan Provisions

FIRE POSTEMPLOYMENT HEALTHCARE

Eligibility

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

Medical/Dental:

Employees who retire (include deferred vested members) with at least 15 years of service with the City ("OPEB benefit service"), or with a monthly pension equal to at least 37.5% of final compensation, are eligible to elect medical coverage upon retirement. Tier 1 employees (hired before August 4, 2013) are eligible for unreduced service retirement at age 55 with 20 years of service, age 50 with 25 years of service, age 70 with no service requirement, or any age with 30 years of service. Reduced service retirement is available at age 50 with 20 years of service. Tier 2 employees (hired on or after August 4, 2013) are eligible for unreduced service retirement at age 60 with 10 years of service or reduced service retirement at age 50 with 10 years of service. Service credited through reciprocity agreements counts towards an employee's required service to retire, but only service with the City counts towards the required years of service to receive OPEB benefits.

Employees who become disabled with at least 15 years of service or have a monthly pension equal to at least 37.5% of final compensation are eligible to elect medical coverage upon retirement.

Spouses or domestic partners of retired members are allowed to participate if they were enrolled in the City's medical plan at the time of the member's retirement. Dependent children are eligible to receive coverage until the age of 26.

Surviving spouses/domestic partners/children of deceased members are eligible for coverage if the following conditions are met:

1. The employee has 15 years of service at time of death or is entitled to a monthly pension of at least 37.5% of final compensation; and,
2. Both the member and the survivors were enrolled in the active medical plan immediately before death; and,
3. The survivor will receive a monthly pension benefit.

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

Benefits for Retirees

Medical:

The Retirement Plan, through the medical benefit account, pays 100% of the premium for the lowest cost health plan available to active City employees. The member pays the difference, if another plan is elected.

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

Dental:

The Retirement Plan, through the medical benefit account, pays 100% of the dental insurance premiums.

Summary of Key Substantive Plan Provisions *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

Premiums:

Monthly premiums before adjustments for 2019 and 2020 are as follows.

FIRE DEPARTMENT - 2019 MONTHLY PREMIUMS				
	Single	Employee / Spouse	Employee / Child	Family
Medical				
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 528.20	$ 1,056.40	$ 924.36	$ 1,584.60
Kaiser $25 Co-pay	645.08	1,290.16	1,128.88	1,935.24
Kaiser HDHP	445.04	890.08	778.82	1,335.12
Blue Shield PPO $25 Co-pay	1,435.38	2,870.74	2,511.94	4,306.12
Sutter Health $20 Co-pay	652.28	1,304.56	1,141.44	1,956.78
Sutter Health DHMO	534.06	1,068.12	934.56	1,602.12
Sutter Health Vista	445.74	891.50	780.04	1,337.22
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 300.80	$ 601.60	$ 601.60	$ 902.40
Blue Shield Medicare PPO	528.57	1,057.14	1,057.14	1,585.71
Blue Shield Medicare HMO	602.56	1,205.12	1,205.12	1,807.68
Dental				
Delta Dental PPO	$ 50.88	$ 111.92	$ 122.12	$ 157.72
DeltaCare HMO	24.44	48.86	42.74	73.30

Blue Shield HMO Medicare family rates assume the children are on the Non-Medicare $20 Co-pay HMO.

FIRE DEPARTMENT - 2020 MONTHLY PREMIUMS				
	Single	Employee / Spouse	Employee / Child	Family
Medical				
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 574.36	$ 1,148.72	$ 1,005.14	$ 1,723.08
Kaiser $25 Co-pay	701.46	1,402.92	1,227.54	2,104.38
Kaiser HDHP	483.94	967.88	846.90	1,451.82
Antherm HMO $25 co-pay	671.12	1,476.46	1,208.02	2,080.46
Anthem DHMO	517.42	1,138.34	931.36	1,604.02
Anthem HDHP	905.36	1,991.82	1,629.66	2,806.66
Anthem Selelct PPO	1,469.66	3,233.24	2,645.38	4,555.94
Anthem Classic PPO	1,571.82	3,458.02	2,829.28	4,872.66
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 289.14	$ 578.28	$ 578.28	$ 867.42
Anthem Medicare PPO	508.56	1,017.12	1,017.12	1,525.68
Anthem Medicare HMO	453.55	907.10	907.10	1,360.65
Dental				
Delta Dental PPO	$ 50.88	$ 111.92	$ 122.12	$ 157.72
DeltaCare HMO	24.44	48.86	42.74	73.30

Summary of Key Substantive Plan Provisions *(continued)*

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

FIRE DEPARTMENT - SUMMARY OF 2020 BENEFIT PLANS								
Non-Medicare Plans:	Kaiser High Deductible	Kaiser DHMO	Kaiser $25 Co-Pay	Anthem $20 Co-pay HMO	Anthem DHMO	Anthem Select PPO (In-Network)	Anthem Classic PPO(In-Network)	Anthem High Deductible (In-Network)
Annual out-of-pocket maximum (single / family)	$5,950 / $11,900	$4,000 / $8,000	$1,500 / $3,000	$1,500 / $3,000	$4,000 / $8,000	$2,100 / $4,200	$2,100 / $4,200	$4,000 / $8,000
Annual deductible (single / family)	$3,000 / $6,000	$1,500 / $3,000	None	None	$1,500 / $3,000	$100 / $200	$100 / $200	$2,500 / $5,000
Office visit co-pay	30%[1]	$40	$25	$20	$20	$25	$25	20%[1]
Emergency room co-pay	30%[1]	30%[1]	$100	$100	30%[1]	$100	$100	20%[1]
Hospital care co-pay	30%[1]	30%[1]	$100	$100	30%[1]	10%[1]	10%[1]	20%[1]
Prescription Drug retail co-pay (30-day supply):								
Generic	$10	$10	$10	$10	$10	$10	$10	$10
Brand	$30	$30	$25	$30	$30	$25	$25	$30
Non-formulary	N/A	N/A	N/A	$60	$60	$40	$40	$60

[1] *After deductible is paid*

Medicare-Eligible Plans:	Kaiser	Anthem HMO	Anthem PPO
Annual out-of-pocket maximum (single / family)	$1,500 / $3,000	$1,000 per person	$0
Annual deductible	None	None	None
Office visit co-pay	$25	$25	$0
Emergency room co-pay	$50	$100	$0
Hospital care co-pay	$250	$100	$0
Prescription Drug retail co-pay (30-day supply)			
Generic	$10	$10	$10
Brand	$10	$25	$25
Non-formulary	N/A	$40	$40

FIRE POSTEMPLOYMENT HEALTHCARE (continued)

Cost Sharing Provisions

It is assumed for the purpose of this valuation that the City of San Jose will in the future maintain a consistent level of cost sharing for benefits with the retirees. This may be achieved by adjusting benefit provisions, contributions or both.

CATASTROPHIC DISABILITY HEALTHCARE PROGRAM

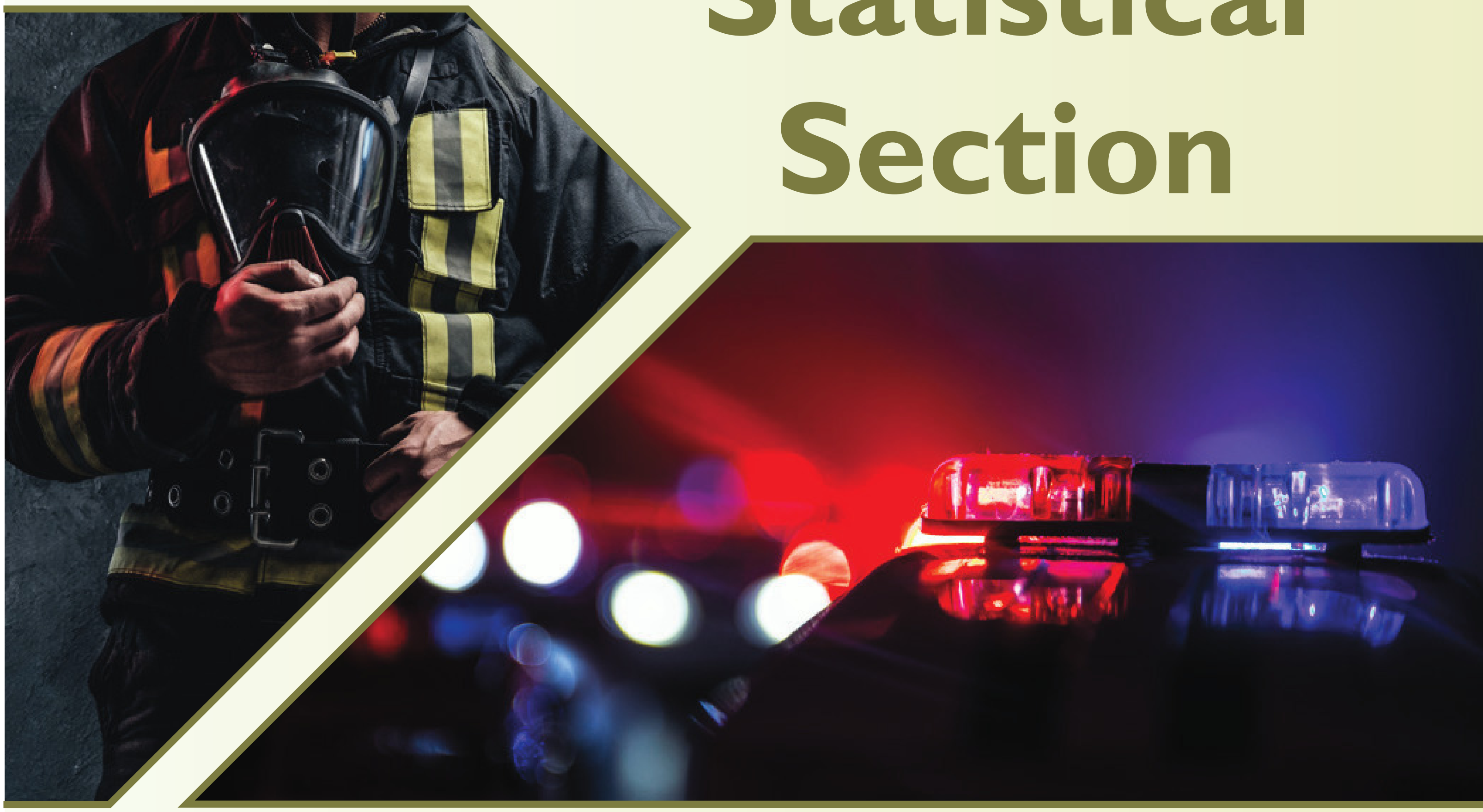
Eligibility: Employees hired after June 2013 or employees who elected to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

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

Medical: VEBA funds can be used to reimburse members for eligible healthcare expenses.

VEBA members on service-connected disability will receive benefits from the Postemployment Healthcare Plan only up to age 65 once VEBA funds exhausted.

Statistical Section



The Statistical Section provides additional historical perspective, context, and detail in order to provide a more comprehensive understanding of this fiscal year's financial statements, note disclosures, and supplementary information, which covers Pension Plan and Postemployment Healthcare Plans, including 401(h) and 115. This section also provides a multi-year trend of financial and operating information to facilitate comprehensive understanding of how the organization's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for the Plan's net assets, benefits, refunds, contribution rates, and different types of retirement benefits. The financial and operating trend information is located on the following pages.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

City of San José
Police and Fire Department Retirement Plan
Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2020 and June 30, 2019

CHANGES IN PLAN NET POSITION FOR FISCAL YEARS 2011 - 2020 *(In Thousands)*

DEFINED BENEFIT PENSION PLAN (Schedule 1a)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Additions										
Employee contributions	$ 27,645	$ 24,811	$ 23,841	$ 20,580	$ 21,508	$ 20,747	$ 21,115	$ 20,227	$ 19,345	$ 29,629
Employer contributions	188,481	176,618	157,712	136,957	132,480	129,279	123,583	105,234	121,009	77,918
Investment income / (loss) [1]	134,085	114,179	233,475	292,734	(29,206)	(27,690)	404,978	248,725	(34,341)	396,377
Total additions to plan net position	**350,211**	**315,608**	**415,028**	**450,271**	**124,782**	**122,336**	**549,676**	**374,186**	**106,013**	**503,924**
Deductions										
Benefit payments	216,206	204,652	194,139	184,596	176,029	166,331	157,635	150,811	142,314	129,472
Death benefits	14,238	13,162	12,102	11,072	10,083	9,220	8,738	8,005	7,480	7,213
Refunds	564	194	389	364	828	702	1,024	886	1,926	435
Administrative expenses and other	5,605	5,369	5,464	4,635	4,254	4,191	3,631	3,423	3,556	3,127
Total deductions from plan net position	**236,613**	**223,377**	**212,094**	**200,667**	**191,194**	**180,444**	**171,028**	**163,125**	**155,276**	**140,247**
Changes in Plan Net Position	**$ 113,598**	**$ 92,231**	**$ 202,934**	**$ 249,604**	**$ (66,412)**	**$ (58,108)**	**$ 378,648**	**$ 211,061**	**$ (49,263)**	**$ 363,677**

[1] *Net of Expenses*

Statistical Review *(continued)*

CHANGES IN PLAN NET POSITION FOR FISCAL YEARS 2011 - 2020 (In Thousands)

POST EMPLOYMENT HEALTHCARE PLANS (Schedule 1b)

	2020			2019			2018			2017		
	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust
Additions												
Employee contributions	$ 13,135	$ -	$ -	$ 13,315	$ -	$ -	$ 16,127	$ -	$ -	$18,116	$ -	$ -
Employer contributions	3,347	14,595	9,408	5,716	14,086	8,942	5,716	11,265	8,401	1,599	10,905	8,163
Investment income / (loss) [1]	1,220	3,722	2,301	1,288	4,099	2,520	3,058	2,511	1,502	4,278	5,220	2,955
Total additions	**17,702**	**18,317**	**11,709**	**20,319**	**18,185**	**11,462**	**24,901**	**13,776**	**9,903**	**23,993**	**16,125**	**11,118**
Deductions												
Healthcare insurance premiums	25,031	-	-	26,403	-	-	27,686	-	-	24,799	-	-
Administrative expenses and other	72	31	19	80	28	18	75	55	29	69	71	42
VEBA transfer	-	-	-	-	-	-	-	5,276	2,621	-	-	-
Total deductions	**25,103**	**31**	**19**	**26,483**	**28**	**18**	**27,761**	**5,331**	**2,650**	**24,868**	**71**	**42**
Change in Plan Net Position	**$ (7,401)**	**$ 18,286**	**$ 11,690**	**$ (6,164)**	**$ 18,157**	**$ 11,444**	**$ (2,860)**	**$ 8,445**	**$ 7,253**	**$ (875)**	**$(16,054)**	**$ 11,076**

	2016			2015			2014			2013			2012	2011
	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Fire Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Police Dept Health-care Sub-trust	Post-employ-ment Health-care 401(h)	Post-employ-ment Health-care 401(h)	Post-employ-ment Health-care 401(h)
Additions														
Employee contributions	$ 18,007	$ -	$ -	$ 17,017	$ -	$ -	$ 15,674	$ -	$ -	$ 13,498	$ -	$ -	$ 11,474	$ 11,229
Employer contributions	1,389	11,576	8,100	-	13,073	7,837	-	11,712	5,555	-	11,074	4,734	21,205	17,001
Investment income / (loss) [1]	(465)	(798)	(420)	(499)	(753)	(363)	7,942	3,210	1,443	5,613	588	246	(805)	8,966
Total additions	**18,931**	**10,778**	**7,680**	**16,518**	**12,320**	**7,474**	**23,616**	**14,922**	**6,998**	**19,111**	**11,662**	**4,980**	**31,874**	**37,196**
Deductions														
Healthcare insurance Premiums	23,449	-	-	24,205	-	-	22,510	-	-	23,934	-	-	28,479	28,273
Administrative expenses and other	74	44	21	82	24	17	73	15	15	78	-	-	87	73
Total deductions	**23,523**	**44**	**21**	**24,287**	**24**	**17**	**22,583**	**15**	**15**	**24,012**	**-**	**-**	**28,566**	**28,346**
Change in Plan Net position	**$ (4,592)**	**$ 10,734**	**$ 7,659**	**$ (7,769)**	**$ 12,296**	**$ 7,457**	**$ 1,033**	**$ 14,907**	**$ 6,983**	**$ (4,901)**	**$ 11,662**	**$ 4,980**	**$ 3,308**	**$ 8,850**

[1] *Net of expenses*

BENEFIT AND REFUND DEDUCTIONS FROM PLAN NET POSITION BY TYPE *(In Thousands)*

PENSION BENEFITS (Schedule 2a)

Type of Benefit	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Age and Service Benefits										
Retirees - service	$ 119,030	$ 109,078	$ 101,338	$ 96,317	$ 90,944	$ 86,672	$ 83,664	$ 80,902	$ 77,239	$ 68,780
Retirees - deferred vested	6,171	5,499	4,983	4,352	3,730	3,056	2,873	2,522	2,184	1,948
Survivors - service	4,556	3,870	3,321	2,815	2,537	2,201	1,826	1,566	1,402	1,301
Survivors - deferred vested	201	99	110	105	97	78	62	60	59	51
Death in Service Benefits	**1,772**	**1,721**	**1,722**	**1,713**	**1,606**	**1,493**	**1,396**	**1,502**	**1,366**	**1,246**
Disability Benefits										
Retirees - duty	86,198	84,239	81,874	78,801	76,440	71,980	66,865	63,410	59,108	55,998
Retirees - non-duty	1,607	1,876	1,130	973	928	903	903	748	770	674
Survivors - duty	7,355	7,072	6,567	6,076	5,532	5,135	5,022	4,587	4,328	3,888
Survivors - non-duty	323	318	312	266	230	235	274	265	266	124
Ex-Spouse Benefits	3,231	4,042	4,884	4,249	4,068	3,798	3,488	3,254	3,072	2,675
Total Benefits	**230,444**	**217,814**	**206,241**	**195,667**	**186,112**	**175,551**	**166,373**	**158,816**	**149,794**	**136,685**
Type of Refund										
Separation	564	194	389	364	828	1,024	886	1,926	435	196
Total Refunds	**$ 564**	**$ 194**	**$ 389**	**$ 364**	**$ 828**	**$ 1,024**	**$ 886**	**$ 1,926**	**$ 435**	**$ 196**

Source*: Pension Administration System*

Statistical Review *(continued)*

BENEFIT AND REFUND DEDUCTIONS FROM PLAN NET POSITION BY TYPE *(In Thousands)*

POSTEMPLOYMENT HEALTHCARE BENEFITS (Schedule 2b)

Type of Benefit	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Age and Service Benefits										
Retirees - service										
Medical	$ 9,430	$ 8,703	$ 9,300	$ 9,892	$ 9,258	$ 9,450	$ 8,318	$ 10,090	$ 10,361	$ 9,468
Dental	1,313	1,251	1,215	1,162	1,099	988	1,005	1,013	1,031	968
Retirees - deferred vested [1]										
Medical	271	261	319	369	315	275	245	264	250	236
Dental	50	49	49	45	39	30	31	29	27	26
Survivors - service										
Medical	324	266	289	268	235	238	205	231	214	229
Dental	45	38	35	30	27	24	33	44	42	41
Survivors - deferred vested [1]										
Medical	20	54	16	17	16	13	9	11	10	11
Dental	3	2	2	2	2	1	2	2	3	3
Death in Service Benefits										
Medical	133	139	165	184	176	185	170 *	243	(38)	252
Dental	23	23	25	25	24	22	28	41	59	42
Disability Benefits										
Retirees - duty										
Medical	7,921	7,757	8,402	9,033	8,809	8,985	7,794	9,673	9,604	9,852
Dental	1,116	1,137	1,151	1,128	1,116	992	993	1,038	1,043	1,068
Retirees - non-duty										
Medical	194	199	183	228	202	210	192	206	221	201
Dental	31	30	25	25	24	23	22	23	25	25
Survivors - duty										
Medical	685	654	668	679	615	623	560	650	667	715
Dental	94	92	89	83	78	69	105	152	159	169
Survivors - non-duty										
Medical	26	27	32	26	21	23	31	41	40	21
Dental	5	5	5	5	4	4	8	11	11	7
Implicit Subsidy										
Medical	3,347	5,716	5,716	1,598	1,389	2,050	2,759	172	4,750	4,939
Total Benefits	**$ 25,031**	**$ 26,403**	**$ 27,686**	**$ 24,799**	**$ 23,449**	**$ 24,205**	**$ 22,510**	**$ 23,934**	**$ 28,479**	**$ 28,273**

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

Source: *Pension Administration System*

EMPLOYER AND EMPLOYEE CONTRIBUTION RATES FOR FISCAL YEARS 2011-2020 (Schedule 3)

Fiscal Year Ended	Police Tier 1 Employee Rate %	Police Tier 2 Employee Rate %	Fire Tier 1 Employee Rate %	Fire Tier 2 Employee Rate %
2020	18.70%	14.06%	19.46%	15.53%
2019	18.28%	13.71%	19.09%	15.13%

	Police Employer Rate				Fire Employer Rate			
Fiscal Year Ended	Tier 1 Pension %	Tier 1 Minimum Dollar Amount	Tier 2 Pension %	Tier 1 / Tier 2 OPEB $	Tier 1 Pension %	Tier 1 Minimum Dollar Amount	Tier 2 Pension %	Tier 1 / Tier 2 OPEB $
2020	31.43%	$30,375,726	14.06%	$14,595,078	32.25%	$23,917,358	15.53%	$9,407,688
2019	97.55%	N/A	13.71%	$13,471,000	98.49%	N/A	15.13%	$8,591,000

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

	Police Department Rate				Fire Department Rate			
	Tier 1		Tier 2		Tier 1		Tier 2	
Fiscal Year Ended	Employee Rate	Employer Rate	Employee Rate	Employer Rate	Employee Rate	Employer Rate	Employee Rate	Employer Rate
	%	%	%	%	%	%	%	%
2018	18.88	105.62	15.17	25.48	19.38	106.68	16.26	26.88
2017	20.10	90.71	20.48	21.28	20.81	92.23	20.35	21.23
2016	20.77	83.32	20.78	21.58	21.57	85.57	20.90	21.79
2015	21.26	83.14	20.80	21.80	20.13	82.75	19.43	20.21
2014	21.15	75.63	20.49	21.29	19.07	74.75	N/A	N/A
2013	19.39	65.53	N/A	N/A	17.32	65.05	N/A	N/A
2012	17.47	56.90	N/A	N/A	15.62	56.32	N/A	N/A
2011	15.57	44.58	N/A	N/A	13.70	44.16	N/A	N/A

Retired Members by Type of Benefit

PENSION BENEFITS
As of June 30, 2020

		Type of Retirement[1]								Option Selected [2]				
Monthly Benefit Amount	Number of Retirees & Beneficiaries	1	2	3	4	5	6	7	8	A	B	C	D	Total
$1 - 500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$501 - 1,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$1,001 - 1,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$1,501 - 2,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$2,001 - 2,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$2,501 - 3,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$3,001 - 3,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$3,501 - 4,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$4,001 - 4,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$4,501 - 5,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$5,001 - 5,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$5,501 - 6,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$6,001 - 6,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$6,501 - 7,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$7,001 - 7,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$7,501 - 8,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$8,001 - 8,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$8,501 - 9,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$9,001 - 9,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$9,501 - 10,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$10,001 - 10,500	-	0	0	0	0	0	0	0	0	0	0	0	0	-
$10,501 - 11,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
Over $11,000	-	0	0	0	0	0	0	0	0	0	0	0	0	-
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-

[1] **Retirement Codes**

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

[2] **Option Descriptions**

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

POSTEMPLOYMENT HEALTHCARE BENEFITS
As of June 30, 2020

	Type of Subsidy	
Average Monthly Benefit	Health	Dental
Ineligible/Deferred	$ -	$ -
$1 - 60	-	-
$61 - 250	-	-
$251 - 500	-	-
$501 - 1,000	-	-
Over $1,000	-	-
Totals	**$ -**	**$ -**

Source : Pension Administration System

Retired Members by Type of Benefit *(continued)*

PENSION BENEFITS BY FAMILY UNIT

As of June 30, 2020

		Type of Retirement[1]							
Monthly Benefit Amount	Number of Retirees & Beneficiaries	1	2	3	4	5	6	7	8
$0 - 999	34	0	0	3	0	0	2	4	25
$1,000 - 1,999	72	0	0	1	0	3	3	13	52
$2,000 - 2,999	130	12	0	3	1	4	44	18	48
$3,000 - 3,999	154	28	1	1	2	13	72	16	21
$4,000 - 4,999	150	52	4	3	14	5	49	7	16
$5,000 - 5,999	194	107	5	8	28	1	30	5	10
$6,000 - 6,999	236	132	7	4	68	1	18	6	0
$7,000 - 7,999	229	93	3	3	114	3	9	2	2
$8,000 - 8,999	284	106	2	1	166	2	3	3	1
$9,000 - 9,999	244	74	5	2	156	2	3	2	0
$10,000 - 10,999	206	80	0	0	117	0	1	8	0
$11,000 - 11,999	204	82	0	0	118	0	1	3	0
$12,000 - 12,999	128	49	0	0	72	0	2	5	0
$13,000 - 13,999	83	24	1	0	53	0	2	3	0
$14,000 - 14,999	46	17	2	0	25	0	0	2	0
$15,000 - 15,999	21	7	0	0	14	0	0	0	0
$16,000 - 16,999	17	4	0	0	12	0	0	1	0
$17,000 - 17,999	20	3	0	0	16	0	0	1	0
$18,000 - 18,999	7	1	0	0	6	0	0	0	0
$19,000 - 19,999	5	0	0	0	5	0	0	0	0
$20,000 - 20,999	3	0	0	0	3	0	0	0	0
$21,000 - 23,999	4	1	0	0	3	0	0	0	0
$24,000 +	0	0	0	0	0	0	0	0	0
TOTAL	**2,471**	**872**	**30**	**29**	**993**	**34**	**239**	**99**	**175**

[1]**Retirement Codes**

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

Source : Pension Administration System

Average Benefit Payment Amounts

PENSION BENEFITS

As of June 30, 2020

	Years of Service Credit						
Time Periods	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
As of June 30, 2020							
Average monthly benefit[1]	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Average final average salary [2]	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of retired members[3]	-	-	-	-	-	-	-
Average monthly benefit (No FAS)[1]	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of retired members[2]	-	-	-	-	-	-	-
As of June 30, 2019							
Average monthly benefit[1]	$ 2,268	$ 3,922	$ 4,587	$ 5,922	$ 8,193	$ 10,502	$ 11,396
Average final average salary[2]	$ 7,038	$ 5,624	$ 7,384	$ 8,987	$ 9,499	$ 9,428	$ 8,657
Number of retired numbers[3]	15	50	122	192	487	814	134
Average monthly benefit (No FAS)[1]	$ -	$ 2,175	$ 1,799	$ 3,421	$ 5,324	$ 7,858	$ 8,943
Number of retired members[2]	-	3	2	9	25	98	21
As of June 30, 2018							
Average monthly benefit[1]	$ 2,595	$ 3,902	$ 4,487	$ 5,630	$ 7,934	$ 10,174	$ 10,961
Average final average salary[2]	$ 6,169	$ 5,522	$ 7,284	$ 8,701	$ 9,285	$ 9,262	$ 8,558
Number of retired members[3]	12	49	122	183	461	791	160
Average monthly benefit (No FAS)[1]	$ -	$ 2,112	$ 1,747	$ 3,290	$ 5,030	$ 7,580	$ 8,683
Number of retired members[2]	-	3	2	8	27	101	21
As of June 30, 2017							
Average monthly benefit[1]	$ 2,514	$ 3,724	$ 4,359	$ 5,451	$ 7,703	$ 9,851	$ 10,627
Average final average salary[2]	$ 5,836	$ 4,876	$ 7,204	$ 8,414	$ 9,110	$ 9,103	$ 8,482
Number of retired members[3]	12	50	121	170	436	788	161
Average monthly benefit (No FAS)[1]	$ -	$ 2,050	$ 1,696	$ 3,192	$ 4,778	$ 7,303	$ 8,374
Number of retired members[2]	-	3	2	9	29	105	22
As of June 30, 2016							
Average monthly benefit [1]	$ 2,308	$ 3,631	$ 4,203	$ 5,271	$ 7,469	$ 9,546	$ 10,280
Average final average salary[2]	$ 4,623	$ 4,620	$ 6,694	$ 8,302	$ 8,940	$ 8,979	$ 8,416
Number of retired members[3]	10	51	114	166	422	773	166
Average monthly benefit (No FAS)[1]	$ -	$ 1,991	$ 1,348	$ 3,099	$ 4,618	$ 7,080	$ 8,043
Number of retired members[2]	-	3	3	9	30	107	23
As of June 30, 2015							
Average monthly benefit [1]	$ 2,477	$ 3,462	$ 4,004	$ 5,051	$ 7,004	$ 8,940	$ 9,657
Average final average salary[2]	$ 4,014	$ 4,222	$ 6,433	$ 7,649	$ 8,124	$ 7,765	$ 7,206
Number of retired members[3]	10	51	113	151	403	774	168
Average monthly benefit (No FAS)[1]	$ -	$ 1,933	$ 1,523	$ 3,009	$ 4,478	$ 6,858	$ 7,794
Number of retired members[2]	-	3	4	9	31	110	24

Average Benefit Payment Amounts *(continued)*

PENSION BENEFITS

As of June 30, 2020

	Years of Service Credit						
Time Periods	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
As of June 30, 2014							
Average monthly benefit[1]	$ 4,060	$ 3,383	$ 3,904	$ 4,897	$ 6,763	$ 8,671	$ 9,392
Average final average salary[2]	$ 4,166	$ 4,097	$ 6,123	$ 7,384	$ 7,846	$ 7,637	$ 7,151
Number of retired members[3]	23	47	103	132	365	755	145
Average monthly benefit (No FAS)[1]	$ 2,852	$ 3,187	$ 3,706	$ 4,725	$ 6,511	$ 8,399	$ 9,011
Number of retired members[2]	1	3	4	9	32	115	25
As of June 30, 2013							
Average monthly benefit[1]	$ 2,852	$ 3,187	$ 3,706	$ 4,725	$ 6,511	$ 8,399	$ 9,011
Average final average salary[2]	$ 3,993	$ 3,758	$ 5,746	$ 6,988	$ 7,620	$ 7,552	$ 7,006
Number of retired members[3]	11	47	98	125	344	755	150
Average monthly benefit (No FAS)[1]	$ -	$ 1,822	$ 1,321	$ 3,233	$ 4,197	$ 6,486	$ 7,398
Number of retired members[2]	-	3	5	11	32	117	27
As of June 30, 2012							
Average monthly benefit [1]	$ 2,304	$ 3,101	$ 3,395	$ 4,465	$ 6,248	$ 8,101	$ 8,676
Average final average salary[2]	$ 1,540	$ 3,368	$ 4,931	$ 6,555	$ 7,431	$ 7,398	$ 6,940
Number of retired members[3]	6	44	81	115	341	749	154
Average monthly benefit (No FAS)[1]	$ -	$ 1,769	$ 1,282	$ 3,023	$ 4,075	$ 6,302	$ 7,020
Number of retired members[2]	-	3	5	12	32	120	28
As of June 30, 2011							
Average monthly benefit[1]	$ 2,199	$ 3,028	$ 3,310	$ 4,509	$ 5,872	$ 8,035	$ 8,573
Average final average salary[2]	$ 1,540	$ 3,402	$ 4,695	$ 6,818	$ 7,309	$ 8,344	$ 8,094
Number of retired members[3]	6	44	74	102	278	714	157
Average monthly benefit (No FAS)[1]	$ -	$ 1,688	$ 1,455	$ 2,989	$ 3,956	$ 6,051	$ 6,766
Number of retired members[2]	-	3	5	12	36	129	30

1 *Includes cost-of-living increases*

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

3 *Does not include survivors and ex-spouses*

Source: Pension Administration System

Average Benefit Payment Amounts *(continued)*

POSTEMPLOYMENT HEALTHCARE BENEFITS
As of June 30, 2020

	Years of Service Credit						
Time Periods	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
As of June 30, 2020							
Average health subsidy	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of health participants[1]	-	-	-	-	-	-	-
Average dental subsidy	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of dental participants[1]	-	-	-	-	-	-	-
As of June 30, 2019							
Average health subsidy	$ 683	$ 738	$ 848	$ 757	$ 785	$ 778	$ 689
Number of health participants[1]	7	38	81	143	471	922	155
Average dental subsidy	$ 93	$ 107	$ 115	$ 111	$ 108	$ 109	$ 102
Number of dental participants[1]	8	43	93	156	494	952	159
As of June 30, 2018							
Average health subsidy	$ 600	$ 693	$ 797	$ 701	$ 759	$ 749	$ 654
Number of health participants[1]	7	39	88	154	465	890	173
Average dental subsidy	$ 93	$ 105	$ 116	$ 112	$ 109	$ 109	$ 103
Number of dental participants[1]	8	44	92	157	476	906	175
As of June 30, 2017							
Average health subsidy	$ 910	$ 878	$ 1,060	$ 940	$ 949	$ 901	$ 743
Number of health participants[1]	7	42	83	140	437	869	169
Average dental subsidy	$ 93	$ 103	$ 117	$ 113	$ 109	$ 110	$ 102
Number of dental participants[1]	8	47	93	150	455	905	173
As of June 30, 2016							
Average health subsidy	$ 934	$ 865	$ 991	$ 903	$ 909	$ 861	$ 719
Number of health participants[1]	6	39	81	138	427	862	172
Average dental subsidy	$ 95	$ 102	$ 111	$ 108	$ 105	$ 105	$ 98
Number of dental participants[1]	7	46	89	147	441	894	179
As of June 30, 2015							
Average health subsidy	$ 899	$ 811	$ 985	$ 860	$ 894	$ 857	$ 727
Number of health participants[1]	7	42	83	124	407	874	178
Average dental subsidy	$ 89	$ 101	$ 112	$ 108	$ 107	$ 105	$ 99
Number of dental participants[1]	8	50	91	132	424	899	181
As of June 30, 2014							
Average health subsidy	$ 549	$ 779	$ 845	$ 779	$ 896	$ 879	$ 746
Number of health participants[1]	19	44	87	121	384	843	166
Average dental subsidy	$ 67	$ 97	$ 96	$ 97	$ 106	$ 106	$ 99
Number of dental participants[1]	21	47	91	128	396	865	169

Average Benefit Payment Amounts *(continued)*

POSTEMPLOYMENT HEALTHCARE BENEFITS
As of June 30, 2020

	Years of Service Credit						
Time Periods	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
As of June 30, 2013							
Average health subsidy	$ 519	$ 783	$ 769	$ 785	$ 924	$ 932	$ 844
Number of health participants[1]	8	44	81	118	366	855	174
Average dental subsidy	$ 84	$ 96	$ 85	$ 92	$ 101	$ 101	$ 102
Number of dental participants[1]	9	47	86	124	375	872	177
As of June 30, 2012							
Average health subsidy	$ 776	$ 850	$ 839	$ 865	$ 1,018	$ 1,055	$ 928
Number of health participants[1]	6	42	66	110	357	850	177
Average dental subsidy	$ 109	$ 106	$ 88	$ 97	$ 107	$ 108	$ 108
Number of dental participants[1]	6	46	70	114	372	869	182
As of June 30, 2011							
Average health subsidy	$ 730	$ 918	$ 1,050	$ 1,019	$ 1,052	$ 1,086	$ 1,029
Number of health participants[1]	6	40	59	96	273	709	29
Average dental subsidy	$ 110	$ 110	$ 110	$ 110	$ 109	$ 109	$ 110
Number of dental participants[1]	6	43	63	98	278	714	30

[1] *Does not include survivors and ex-spouses.*

Source: *Pension Administration System*

Retirements During Fiscal Year 2019-2020

SERVICE RETIREMENTS		
POLICE DEPARTMENT		FIRE DEPARTMENT
Alvares, Mark S.	Mizgorski, Richard J.	Abasolo, Joseph
Archer, Matthew J.	Navarro, Daniel	Gamban, Daniel C.
Baldwin, Glenn W.	Nelms, Steven D.	Gonzales, Alan F.
Becerra, William	Nieves, Rafael	Gutierrez, Robert V.
Birch, Lawrence P.	Payne, Vanessa V.	Hernandez, Eric J.
Bustillos, Mark C.	Pedreira, Eduardo M.	Katsuyoshi, Wade N.
Crooker, Colin L.	Pineda, Mark A.	King, George D.
Finnie, Robert	Plamenco, Roberto C.	Miller, Charles T.
Fittreau, Kevin B	Ramirez, Anastacio D.	Morton, Howard R.
Foster, Richard R.	Rodriguez, Aurelio	Moseley, David M.
Gaines, Eugene	Rodriguez, Gerardo	Murphy, Christopher L.
Gonzales, Jaime A.	Schnutenhaus, Thomas P.	Mushock, Jeffrey R.
Guggiana, Steven T.	Serenil, Arthur J.	Polverino, Victor E.
Gutierrez, David C..	Sivertsen, Jeannette P.	Schmidt, Douglas R.
Iglesias, Jose M.	Speaks, Nicholas L.	Tom, James Q.
Jackson, Lyle T.	Starkey, Ronald S.	Una Dia, Jeffrey
Jackson, Timothy	Stewart, Joseph K.	Welch, Jeffrey L.
Keller, Alexander S.	Tabron, Ronald	Zamora, Eleazar
Kyono, Kevin M.	Trias, Gerardo M.	
La Cap, Tedy V.	Valdes, Alberto M.	
Magdaleno, Robert	Vasquez, Hector M.	
Mc Millin, Kevin P.	Williams, Shawny K.	
Melloch, Barbara J.	Yeung, Wilson.	
Milliken, Bertrand Y.	Young, Bruce A.	
Mills, Fred A.		
EARLY RETIREMENTS		
POLICE DEPARTMENT		FIRE DEPARTMENT
None		None
DEFERRED VESTED		
POLICE DEPARTMENT		FIRE DEPARTMENT
Braxton, Nathaniel	Misener, Brian E.	Gutierrez, Mary F.
Chrisman, Paul A.	Nguyen, Alex T.	
Deras, Joseph H.	Phan, Minh N.	
Fenn, Randy	Rangel, Humberto	
Hathaway, Parker L.	Sims, James W.	
Lee, Alan M.		
SERVICE-CONNECTED DISABILITY RETIREMENTS		
POLICE DEPARTMENT		FIRE DEPARTMENT
Oliveri, Marcello J.		None
Sarmento, Manuel L.		
NON SERVICE-CONNECTED DISABILITY RETIREMENTS		
POLICE DEPARTMENT		FIRE DEPARTMENT
None		Wheeler, Dennis

Deaths During Fiscal Year 2019-2020

DEATHS AFTER RETIREMENT		
POLICE DEPARTMENT		FIRE DEPARTMENT
Adams, Eugene C.	Nunes, John P.	Carriere, Melvin
Avila, Robert G.	Oiseth, Edmund R.	Croyle, Philip G.
Baker, Irwin C.	Pierce, Mervin E.	Flair, Gary L.
Barker, Kenneth W.	Raul Marcella E.	Gallagher, Timothy J.
Blackmore, Charles R.	Rolen, Dalton C.	La Mar, James A.
Cadenasso, Richard B.	Rosendin, Gregg	Lane, Gaylord R.
Demkowski, Lawrence T.	Shigemasa, Thomas K.	MC Quaide, William J.
Ewing, Donald E.	Springer, George J.	Newman, Don M.
Hernandez, Victor	Thomas, Richard F.	Richardson, Harold
Hunter, Richard D.	Trussler, Phyllis	Spinler, Jack
Kennedy, Tommy J.		Sutton, Randall R.
Martorano, John D.		Torguson, Donald L.
DEATHS BEFORE RETIREMENT		
POLICE DEPARTMENT		FIRE DEPARTMENT
Sandez, Margaret A.		None

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