

CITY OF SAN JOSE

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

POPULAR ANNUAL FINANCIAL REPORT



**PENSION & POSTEMPLOYMENT HEALTHCARE
TRUST FUNDS OF THE CITY OF SAN JOSE, CA**
A fiduciary component unit of the City of San José, CA
For the Fiscal Year ended June 30, 2024

WHAT'S INSIDE

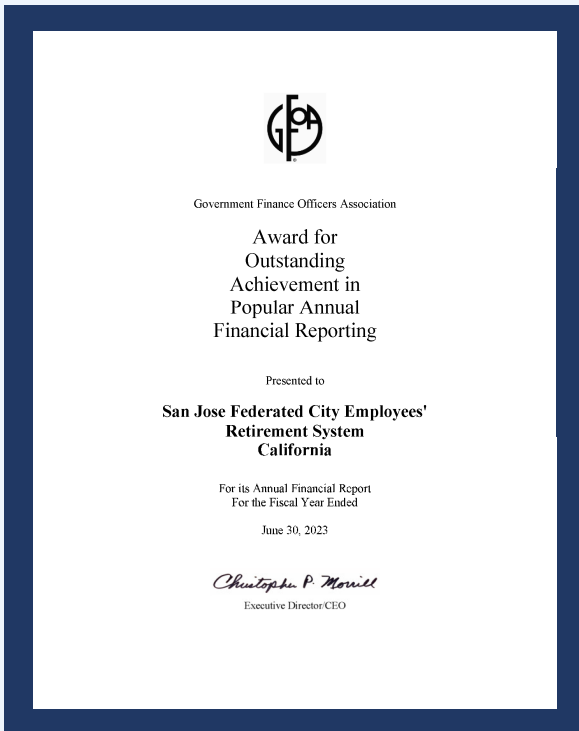
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Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Federated City Employees' Retirement System (System) for its Popular Annual Financial Report for the fiscal year ended June 30, 2023. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The System has received this award for the last eight consecutive years (fiscal years ended 2016-2023). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.



<https://www.sjretirement.com/>

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Office of Retirement Services
1737 North First Street, Suite 600
San José, CA 95112-4505
Phone: 408-794-1000 or 800-732-6477
Fax: 408-392-6732

MEET THE BOARD OF TRUSTEES



**Spencer Horowitz
Chair**



**Julie Jennings
Vice Chair**



**John Flynn
Director
Chief Executive
Officer**



**Anurag Chandra
Trustee**



**Deborah Abbott
Trustee**

The System is pleased to present the Popular Annual Financial Report (PAFR) which summarizes the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. The financial data presented in the PAFR is derived from the ACFR and is consistent with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP). The PAFR provides a concise summary of the System’s financial position, investment performance and key accomplishments throughout the fiscal year. The System is a public retirement system that provides service retirement, disability, death, and survivor benefits to its members. The System consists of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan. All regular, full time City employees are eligible for System benefits. The System is administered by the Chief Executive Officer of the Office of Retirement Services (ORS), and a seven-member Board of Administration.



**Matthew Faulkner
Trustee**



**Mark Linder
Trustee**

The System’s Annual Comprehensive Financial Report for the year ended June 30, 2024, from which the information on pages 3, 4, and 5 has been drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.



**Prachi Avasthy
Trustee**



**Devora “Dev” Davis
City Council Liaison**

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such an Annual Comprehensive Financial 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 Annual Comprehensive Financial Report continues to conform to the Certificate of Achievement Program’s requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

This report is not intended to replace the ACFR, which provides a more complete overview of the System’s financial position and operating results. For more in-depth information, we encourage you to read the ACFR by visiting:

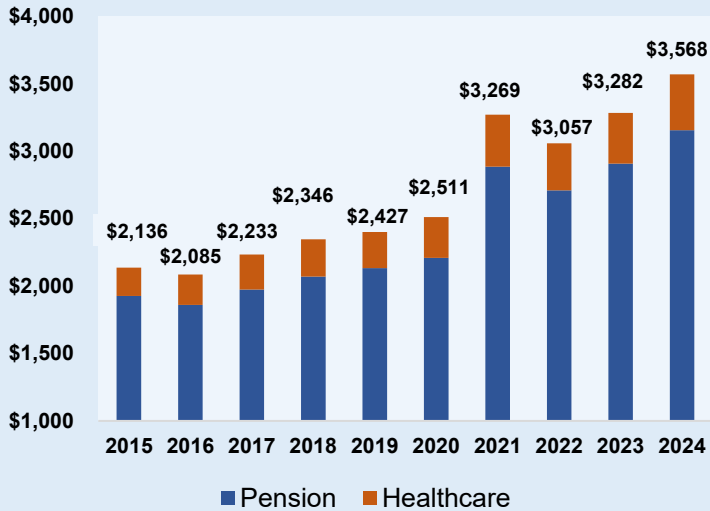
<https://www.sjretirement.com/investments-and-reports/investments-and-reports-federated/investments-and-reports-federated-financial>

FINANCIAL RESULTS

Net Position

This amount represents the total assets available for benefit payments for current and future retirees.

Total Net Position In Millions



Financial Condition

The most significant financial change that occurred this year compared to last year was the appreciation in the fair value of investments. Both public equity and high yield bonds experienced double-digit returns. The System captured this positive performance effectively, slightly underperforming compared to the Investment policy benchmark return by 0.1%.

In Thousands As of June 30,	Net Position for the Defined Benefit Plan			Net Position for the Postemployment Healthcare Plans		
	2022	2023	2024	2022	2023	2024
Receivables	61,929	18,233	16,361	14,738	2,971	2,960
Investments at fair value	2,671,917	2,920,184	3,157,626	337,262	374,248	413,405
Other assets, net	3,186	2,645	2,180	176	106	45
Total Assets	\$ 2,737,032	\$ 2,941,062	\$ 3,176,167	\$ 352,176	\$ 377,325	\$ 416,410
Current liabilities	29,005	33,747	21,724	3,055	2,717	2,872
Total Liabilities	\$ 29,005	\$ 33,747	\$ 21,724	\$ 3,055	\$ 2,717	\$ 2,872
Plan Net Position	\$ 2,708,027	\$ 2,907,315	\$ 3,154,443	\$ 349,121	\$ 374,608	\$ 413,538

In Thousands For the Period Ended June 30,	Changes in Plan Net Position for the Defined Benefit Plan			Changes in Plan Net Position for the Postemployment Healthcare Plans		
	2022	2023	2024	2022	2023	2024
Employee contributions	27,464	30,561	33,933	9,865	9,841	9,891
Employer contributions	207,598	199,440	218,313	24,787	22,997	25,357
Net investment income / (loss)	(169,129)	222,101	257,583	(38,286)	24,268	37,149
Total Additions	\$ 65,933	\$ 452,102	\$ 509,829	\$ (3,634)	\$ 57,106	\$ 72,397
Retirement benefits	219,497	228,530	236,880			
Death benefits	16,373	17,213	18,352			
Refund of contributions	1,403	1,613	1,333			
Administrative expenses	4,978	5,458	6,136	765	750	832
Healthcare insurance premiums				31,088	30,869	32,635
Total Deductions	\$ 242,251	\$ 252,814	\$ 262,701	\$ 31,853	\$ 31,619	\$ 33,467
Net Increase / (Decrease) in Plan Net Position	(176,318)	199,288	247,128	(35,487)	25,487	38,930
Beginning Net Position	\$ 2,884,345	\$ 2,708,027	\$ 2,907,315	\$ 384,608	\$ 349,121	\$ 374,608
Ending Net Position	\$ 2,708,027	\$ 2,907,315	\$ 3,154,443	\$ 349,121	\$ 374,608	\$ 413,538

BENEFIT PAYMENTS AND FUNDING PROGRESS

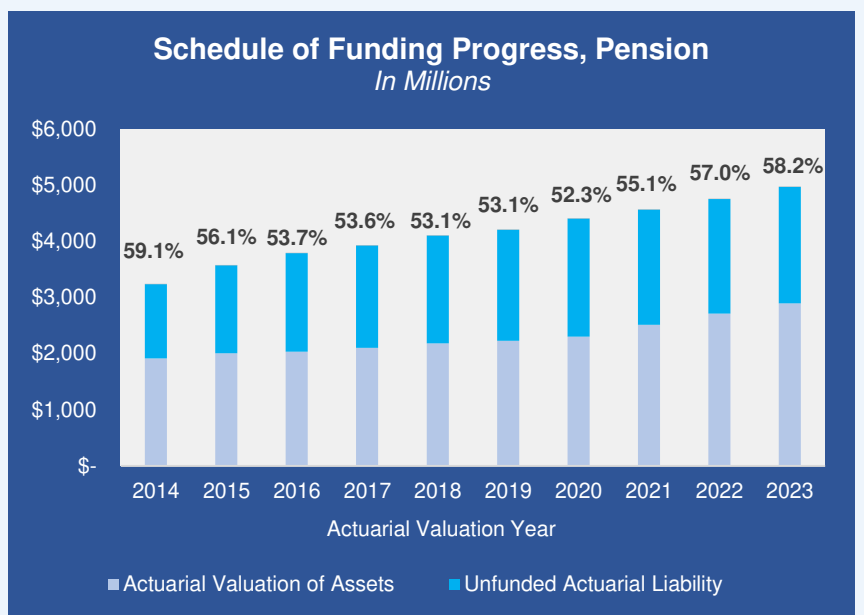


The Average Benefit Payment chart is a broad representation of average benefits paid to retirees and survivors. The Average Benefit Payment includes annual cost-of-living increases. All tiers are combined in the calculation. The chart includes all members who have retired through June 30, 2024.

Years of Credited Service	Average Monthly Final Average Salary	Average Monthly Benefit
0 - 5	8,012	1,164
6 - 10	6,634	1,899
11 - 15	6,552	3,162
16 - 20	6,870	4,420
21 - 25	7,419	5,947
26 - 30	6,997	7,340
31+	7,590	8,372



The Funding Progress ratio is a measurement of the funded status of the System. The Funded ratio is calculated by dividing the actuarial value of assets by the actuarial liabilities. The available difference is used to pay current and future retirement benefits. As the System becomes better funded, the ratio will increase.

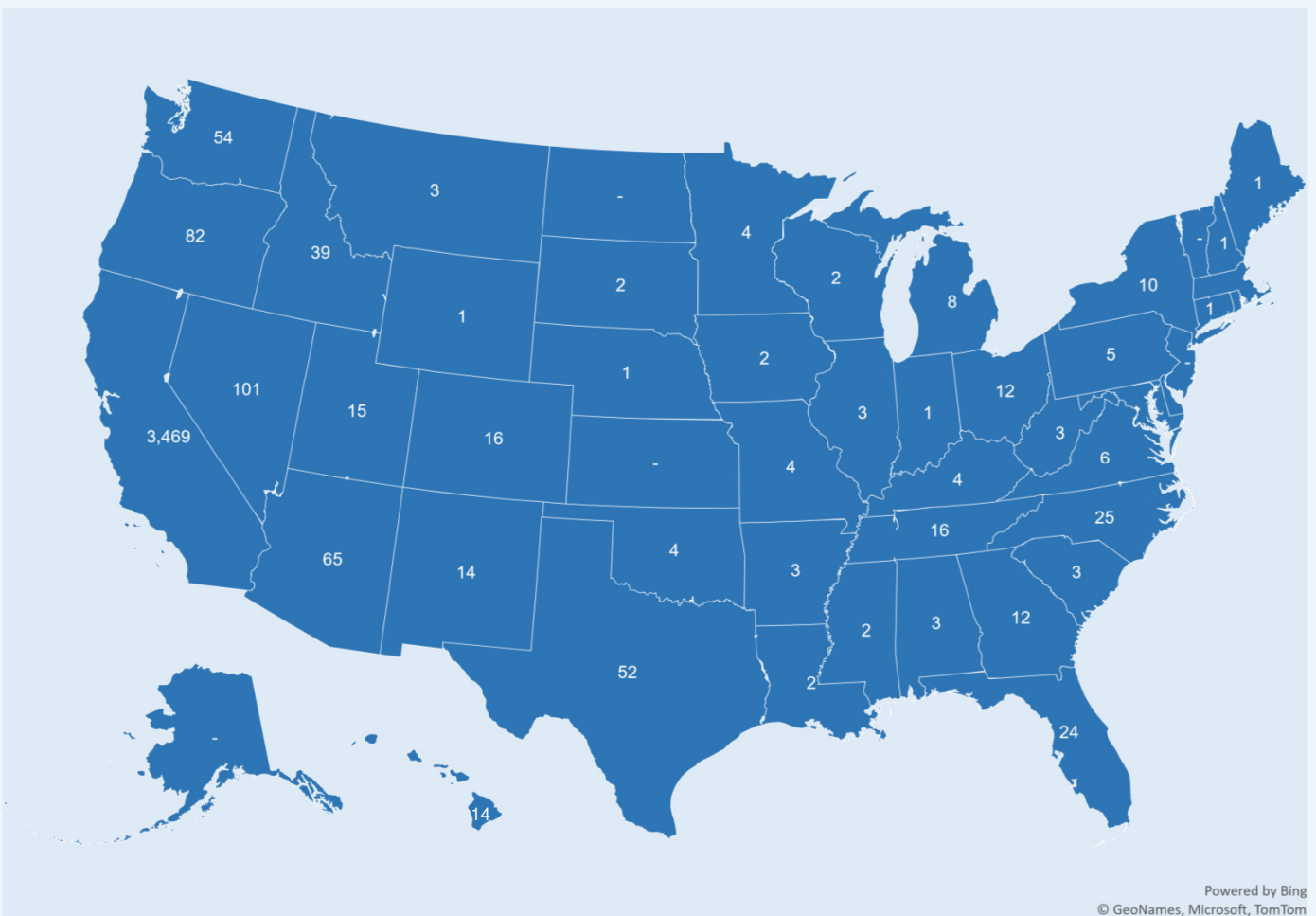


MEMBERSHIP

As of June 30, 2024

As of June 30, 2023

Retirees and Beneficiaries		Terminated Members Deferred Vested		Active Members		Total	Retirees and Beneficiaries		Terminated Members Deferred Vested		Active Members		Total
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2		Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	
4,597	60	852	1,279	1,123	3,178	11,089	4,577	49	893	1,126	1,197	2,851	10,693

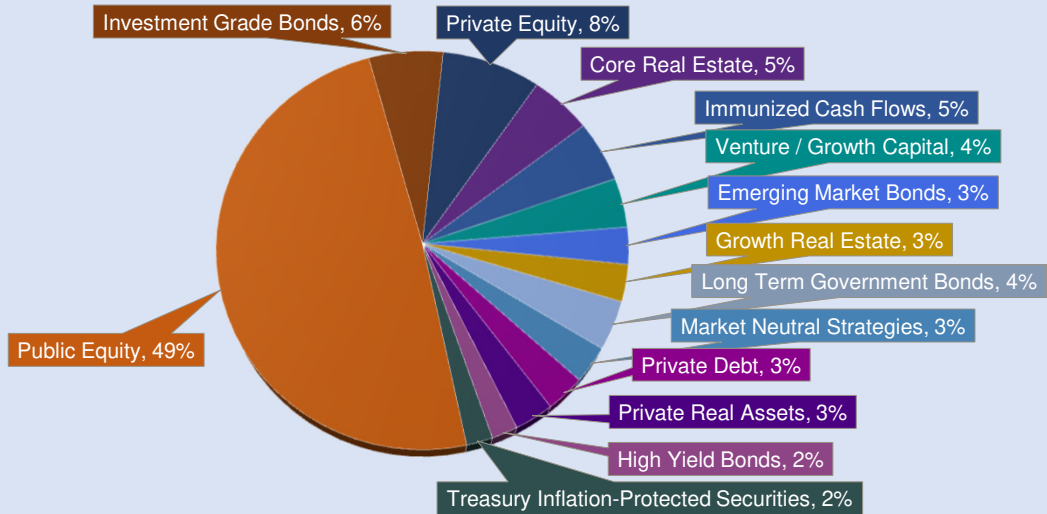


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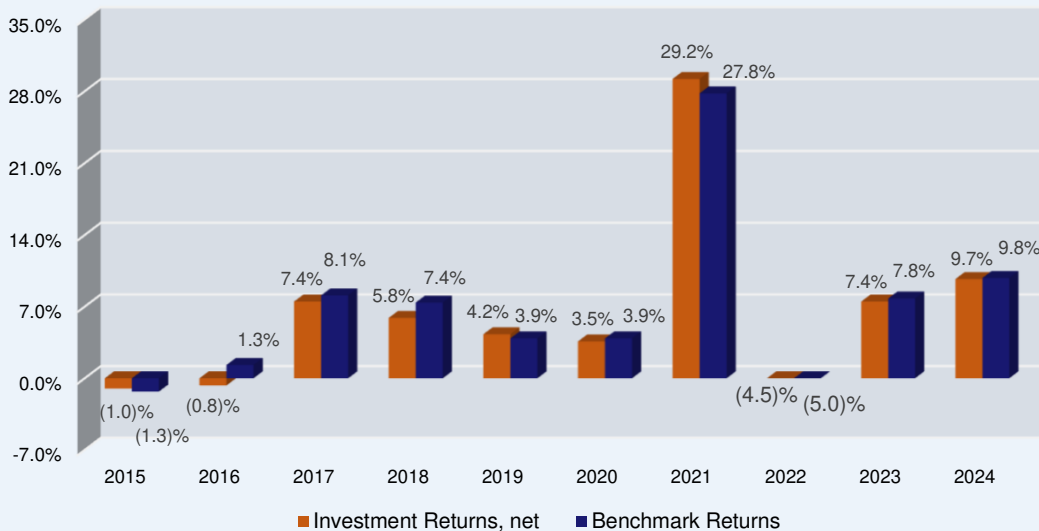
The map above is an approximate representation of where all the retirees reside within the U.S. as of June 30, 2024. There are several retirees living abroad.

INVESTMENTS

The Assets are structured to provide growth from capital gains and income, while maintaining sufficient liquidity to meet beneficiary payments.



Pension - Investment Returns Compared to Benchmark



BENCHMARK INDICES

Growth:

- Public Equity Benchmark
- San José Custom Private Equity Benchmark
- Morningstar LSTA U.S. Leveraged Loan Index +2%
- NCREIF Property Index
- 50% JPM EMBI GD / 50% JPM GBI-EM

Bloomberg U.S. Corporate High Yield Index

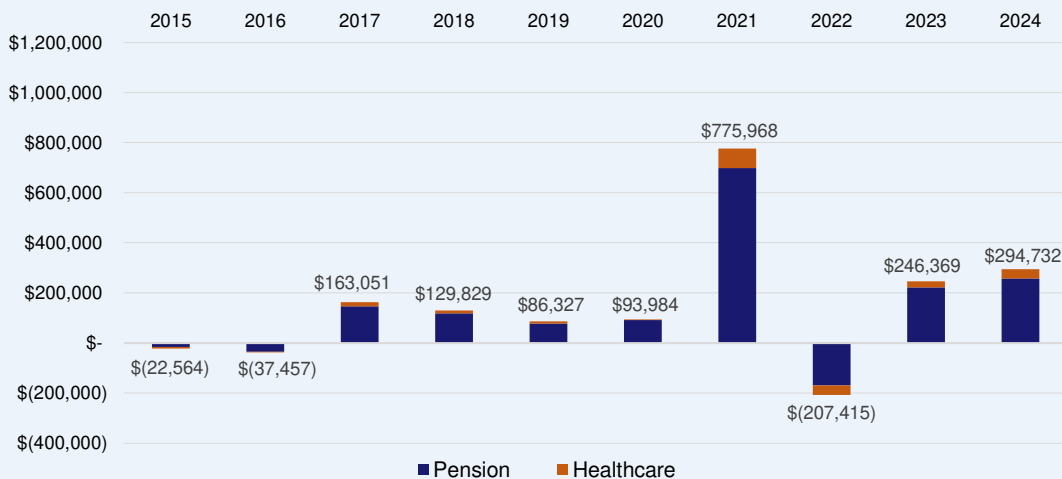
Low Beta:

- Bloomberg U.S. Govt / Credit 1-3 Year Index
- Market Neutral Strategies Benchmark

Other:

- 90 Day U.S. Treasury Bill
- Custom IG Bonds Benchmark
- Bloomberg U.S. TIPS 0-5 Year
- Core Real Estate Benchmark
- Bloomberg U.S. Treasury: Long

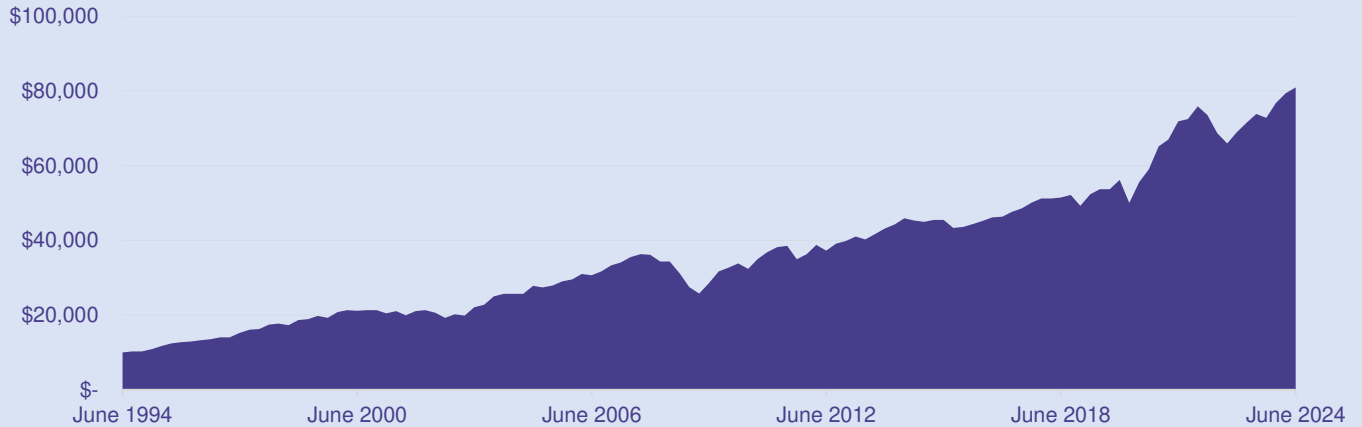
Investment Income, Net In Thousands



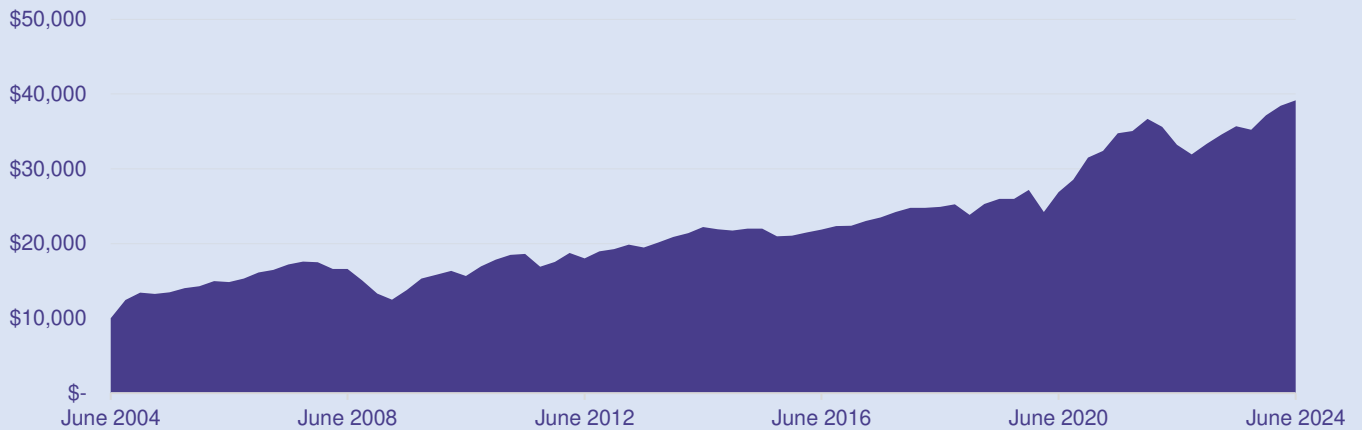
GROWTH OF \$10,000

These are graphic trends to show how much an initial investment of \$10,000 would be worth in the Retirement System's pension portfolio after 10, 20, and 30 years.

Growth of \$10,000 – 30 Years



Growth of \$10,000 – 20 Years



Growth of \$10,000 – 10 Years

