

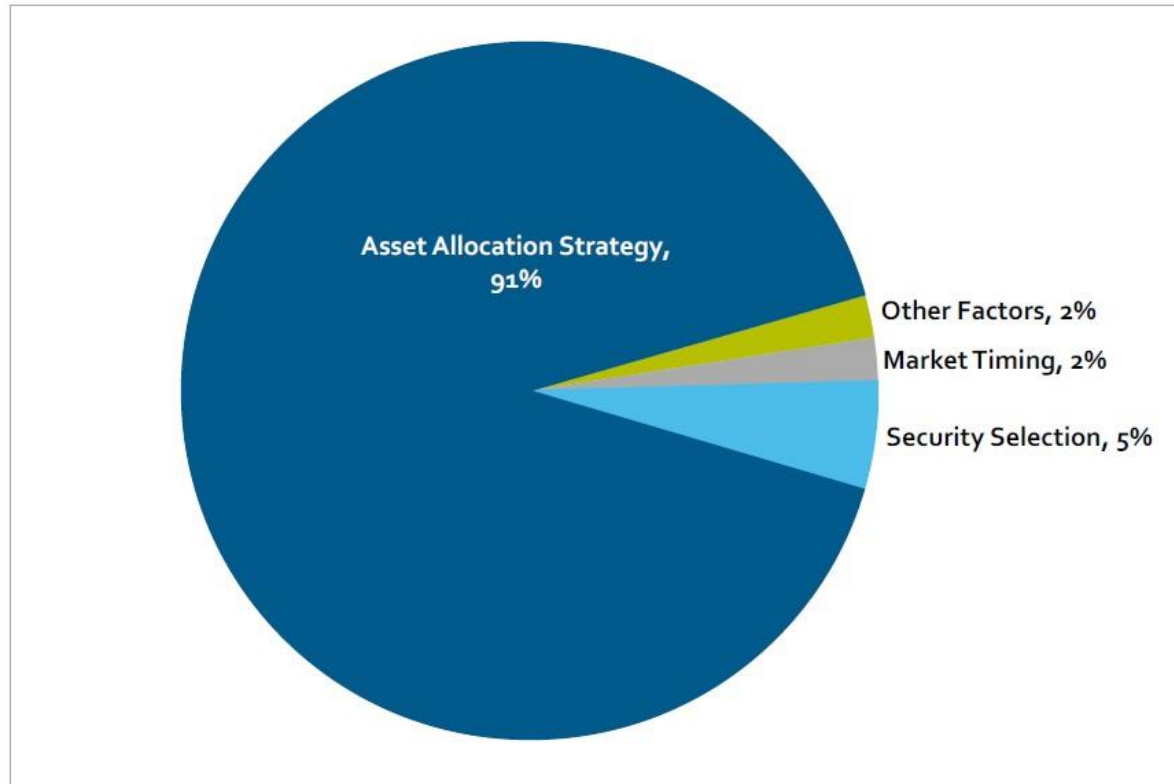
**San Jose Federated City Employees' Retirement System
San Jose Police & Fire Department Retirement Plan**

December 5, 2024

**Public Safety, Finance, and
Strategic Support Committee
(PSFSS) Meeting**

Asset Allocation—The Most Important Determinant of Return

Sources of Return Variation



Source: Roger G. Ibbotson. *Does Asset Allocation Policy Explain 10, 90 or 100 Percent of Performance?* Financial Analyst Journal, January/February 2000; Brinson, Singer and Beebower. *Determination of Performance II: An Update*, Financial Analyst Journal, May/June 1991. Based on US pension-fund data from 1977 to 1987. The asset allocation strategy includes broad market exposure.

San Jose Federated City Employees' Retirement System

Total Fund | As of June 30, 2024

Asset Class Net Performance Summary										
	Market Value \$	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund Aggregate	3,151,089,339	100.0	1.9	5.4	9.7	4.0	8.5	5.8	6.9	Jan-94
<i>Policy Benchmark</i>			2.0	5.1	9.8	4.0	8.3	5.8	7.1	
<i>Investable Benchmark Portfolio</i>			2.0	4.9	9.3	3.3	7.8	5.4	--	
<i>Low-Cost Passive Portfolio</i>			1.7	6.2	13.0	2.4	6.5	--	--	
<i>60/40 MSCI ACWI IMI/BBgBarc Global Aggregate</i>			1.0	4.8	11.2	0.7	5.5	4.9	--	
<i>Liability Benchmark Portfolio</i>			-1.8	-5.0	-5.6	-10.5	-4.3	--	--	
<i>InvMetrics All Public DB Plans > \$1B Median</i>			1.0	5.0	9.6	3.0	7.2	6.3	7.4	
<i>InvMetrics All Public DB Plans > \$1B Rank</i>			6	32	50	21	9	79	88	

→ The San Jose Federated City Employees' Retirement System investment return ranked in the top third of the peer group for the calendar year-to-date time period and at the median of the peer group for the past year. For the longer-term periods of three and five years ending June 30, 2024, the Retirement System's annualized returns ranked in the top quartile and top decile of the peer group, respectively. The peer group included 95 public defined benefit pension plans with market values over \$1 billion.

City of San Jose Police and Fire Department Retirement Plan

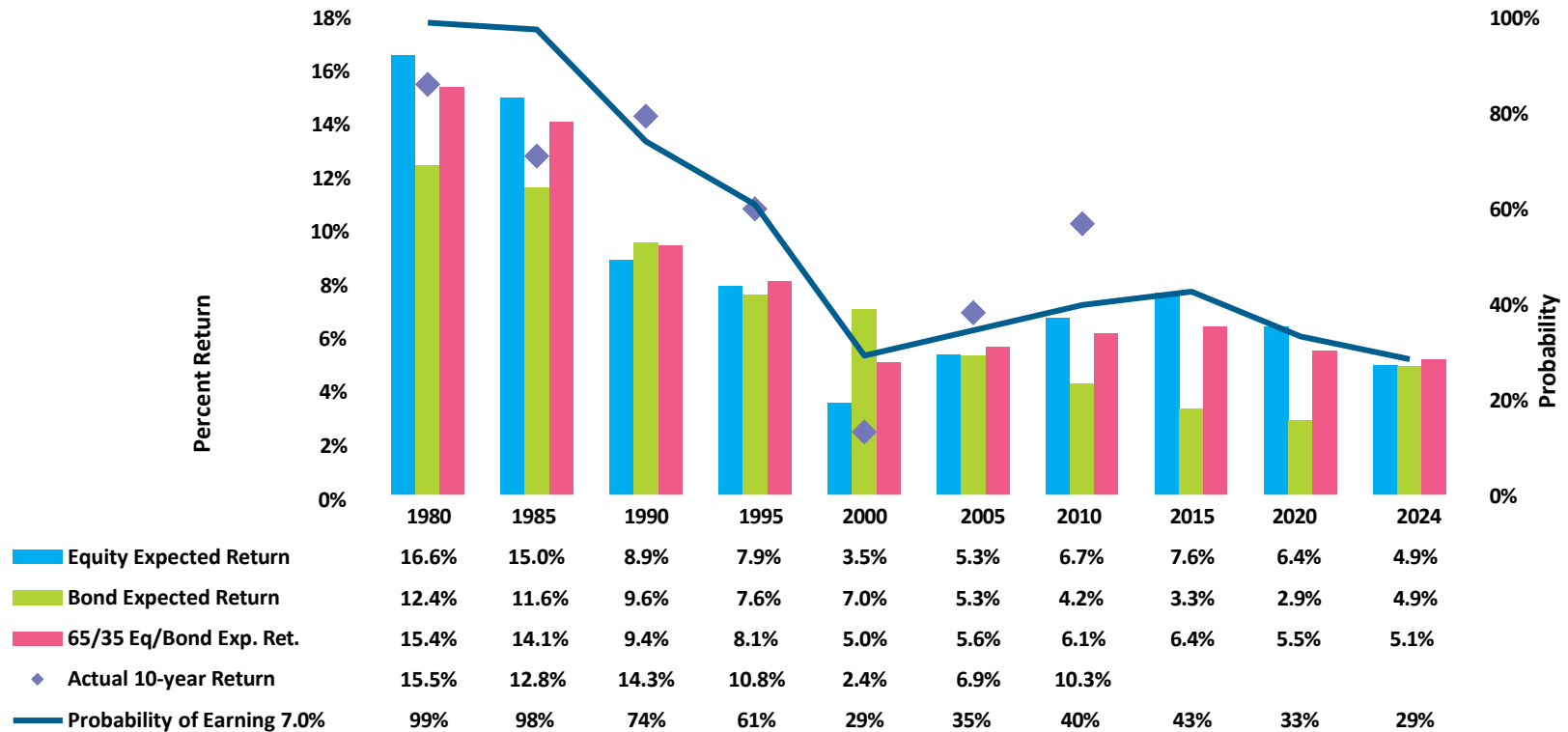
Total Fund | As of June 30, 2024

Asset Class Net Performance Summary										
	Market Value \$	% of Portfolio	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	S.I. (%)	Inception Date
Total Fund	5,088,813,440	100.0	1.8	5.3	9.7	3.9	7.8	5.8	8.3	Mar-71
<i>Policy Benchmark</i>			2.0	5.1	9.7	3.9	7.6	5.9	--	
<i>Investable Benchmark Portfolio</i>			1.9	5.0	9.6	3.3	7.2	5.6	--	
<i>Low-Cost Passive Portfolio</i>			1.5	6.0	12.7	2.5	6.4	--	--	
<i>60/40 MSCI ACWI IMI/BBgBarc Global Aggregate</i>			1.0	4.8	11.2	0.7	5.5	4.9	--	
<i>Liability Benchmark Portfolio</i>			-1.8	-5.0	-5.6	-10.5	-4.3	--	--	
<i>InvMetrics All Public DB Plans > S1B Median</i>			1.0	5.0	9.6	3.0	7.2	6.3	--	
<i>InvMetrics All Public DB Plans > S1B Rank</i>			8	38	49	27	29	78	--	

→ The City of San Jose Police and Fire Department Retirement Plan investment returns ranked in the top half of the peer group for the calendar year-to-date time period and for the past year. For the longer-term periods of three and five years ending June 30, 2024, the Retirement Plan's annualized returns ranked in the top third of the peer group. The peer group included 95 public defined benefit pension plans with market values over \$1 billion.

Appendix

There Has Been a Decline in Available Investment Returns¹

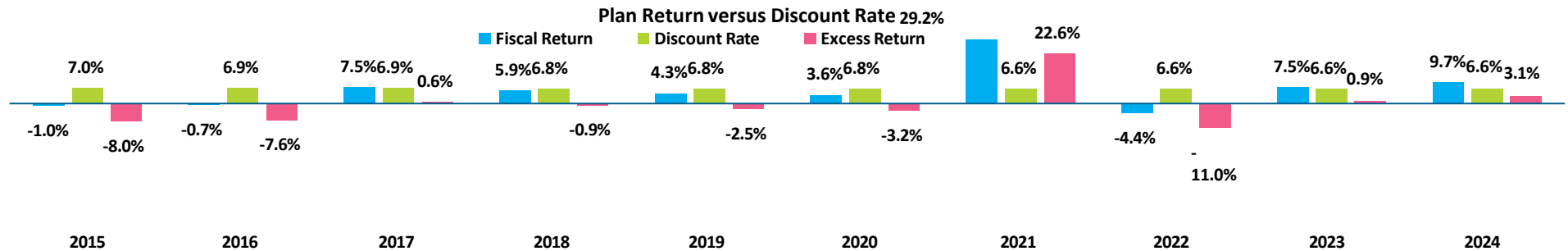


→ The chart above illustrates that a portfolio comprised of 65% domestic stocks and 35% investment grade bonds has produced diminishing expected returns, as well as actual returns, over the past 30 years.

¹ Expected return assumptions for 1) Bonds equals the yield of the ten-year Treasury plus 100 basis points, and 2) Equities equals the dividend yield plus the earnings yield of the S&P 500 index (using the inflation-adjusted trailing 10-year earnings). Probability calculation is for the subsequent ten years.

Federated Discount Rate History

Years	Fiscal Year	10 Year US Treasury Rate (%)	Discount Rate (%)	Fiscal Year Return ¹ (%)	Excess Performance to Discount Rate (%)
	1997	6.51	8.25		
1	2015	2.35	7.00	-1.0	-8.0
2	2016	1.49	6.875	-0.7	-7.6
3	2017	2.31	6.875	7.5	0.6
4	2018	2.85	6.75	5.9	-0.9
5	2019	2.00	6.75	4.3	-2.5
6	2020	0.66	6.75	3.6	-3.2
7	2021	1.45	6.625	29.2	22.6
8	2022	2.98	6.625	-4.4	-11.0
9	2023	3.81	6.625	7.5	0.9
10	2024	4.39	6.625	9.7	3.1



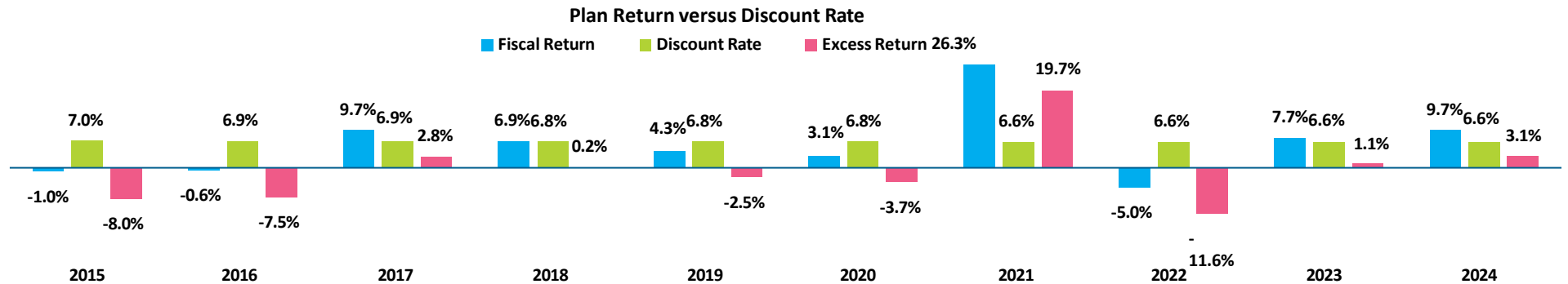
Source: ORS, Meketa.

→ The Federated System has had an average annual return for the past 10 years of 5.8%. Financial optimizers typically project a 50% probability of meeting the expected returns each year, so we would expect that approximately half of the time investments will outperform the expected return, and approximately half of the time, investments will lag the projected return.

¹ Fiscal Year Ends 6/30. Returns are net of fund management fees.

Police & Fire Discount Rate History

Years	Fiscal Year	10 Year US Treasury Rate (%)	Discount Rate (%)	Fiscal Year Return ¹ (%)	Excess Performance to Discount Rate (%)
	1997	6.51	8.00		
1	2015	2.35	7.00	-1.0	-8.0
2	2016	1.49	6.875	-0.6	-7.5
3	2017	2.31	6.875	9.7	2.8
4	2018	2.85	6.75	6.9	0.2
5	2019	2.00	6.75	4.3	-2.5
6	2020	0.66	6.75	3.1	-3.7
7	2021	1.45	6.625	26.3	19.7
8	2022	2.98	6.625	-5.0	-11.6
9	2023	3.81	6.625	7.7	1.1
10	2024	4.39	6.625	9.7	3.1



Source: ORS, Meketa.

→ The Police & Fire Plan has had an average annual return for the past 10 years of 5.8%. Financial optimizers typically project a 50% probability of meeting the expected returns each year, so we would expect that half of the time, investments will outperform the expected return, and half the time, investments will lag the projected return.

¹ Fiscal Year Ends 6/30. Returns are net of fund management fees.

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