

City of San Jose
An Overview of the June 30, 2017 CAFR for:

Federated City Employees' Retirement System
Police and Fire Department Retirement Plan

February 6, 2018
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Agenda

- ▶ Highlights
- ▶ Schedules Required by GASB 67 (Pension)
 - Changes in Employer's Net Pension Liability
 - Schedule of Employer Contributions
 - Sensitivity of Net Pension Liability to Changes in Discount Rate
- ▶ Member Statistics
- ▶ Target and Asset Allocation of Investments
- ▶ History of Investment Performance

Highlights

- ▶ Total net position increased by:
 - \$148 million or 7.1%, for Federated
 - \$276 million or 8.7%, for Police & Fire

- ▶ Contributions:
 - Federated: Increased \$10.7 million or 5.5% to \$204.4 million, including \$170.4 million of City contributions
 - Police & Fire: Increased \$3.3 million or 1.7% to \$196.3 million, including \$157.6 million of City contributions

- ▶ Deductions (benefit payments and admin expenses):
 - Federated: Increased \$12.0 million or 5.8% to \$219.1 million, including \$214.4 million in benefits
 - Police & Fire: Increased \$10.9 million or 5.1% to \$225.6 million, including \$220.8 million in benefits

Highlights

- ▶ Investment rate of return (net of fees):
 - Federated: 7.5% compared to a 8.1% for policy benchmark
 - Police & Fire: 9.7% compared to a 9.5% for policy benchmark
- ▶ Funded status as of June 30, 2016 actuarial valuations:
 - Federated: Pension down from 56.1% to 53.7%; OPEB up from 25.7% to 29.6%
 - Police & Fire: Pension down from 79.2% to 75.7%; OPEB up from 15.5% to 17.4%
- ▶ Implemented GASB 74 for healthcare plans; equivalent to GASB 67 for pension plans = added disclosures
- ▶ Conclusion – Unmodified “clean” opinion from auditors

CHANGES IN EMPLOYER'S NET PENSION LIABILITY

As required by GASB 67

Plan Fiduciary Net Position (\$ in thousands)	FEDERATED		POLICE AND FIRE	
	2017	2016	2017	2016
Net change in plan fiduciary net position	\$113,910	\$(71,625)	\$249,604	\$(66,412)
Plan fiduciary net position – beginning	1,858,882	1,930,507	3,043,653	3,110,065
Plan fiduciary net position – ending (b)	\$1,972,792	\$1,858,882	\$3,293,257	\$3,043,653
Net change in total pension liability	231,063	350,897	313,678	243,585
Total pension liability – beginning	3,692,147	3,341,250	4,220,098	3,976,513
Total pension liability – ending (a)	3,923,210	3,692,147	4,533,776	4,220,098
Net pension liability – ending (a) – (b)	\$1,950,418	\$1,833,265	\$1,240,519	\$1,176,445
Plan fiduciary net position as a % of the total pension liability	50.29%	50.35%	72.64%	72.12%
Covered employee payroll	\$271,153	\$257,771	\$188,177	\$186,874
Net pension liability as a % of covered employee payroll	719.31%	711.20%	659.23%	629.54%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (in thousands)

As required by GASB 67

PENSION	FED		PF	
	2017	2016	2017	2016
As of June 30,				
Actuarially determined contributions (ADC)	\$138,483	\$129,456	\$136,957	\$132,480
Contributions in relation to ADC	138,483	129,456	136,957	132,480
Contribution deficiency (excess)	0	0	0	0
Covered employee payroll	271,153	257,771	188,177	186,874
Contributions as a % of covered employee payroll	51.07%	48.39%	72.78%	70.89%

SENSITIVITY OF NET PENSION LIABILITY TO CHANGES IN DISCOUNT RATE

	Federated			Police and Fire		
<i>In Thousands</i>	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
Total pension liability (TPL)	\$4,480,433	\$3,923,210	\$3,470,615	\$5,213,524	\$4,533,776	\$3,986,598
Plan fiduciary net position	1,972,792	1,972,792	1,972,792	3,293,257	3,293,257	3,293,257
Net pension liability	2,507,641	1,950,418	1,497,823	1,920,267	1,240,519	693,341
Plan fiduciary net position as a % of TPL	44.0%	50.3%	56.8%	63.2%	72.6%	82.6%

STATISTICS – Federated

	2017				
Pension	Tier 1	Tier 2	Tier 2B	Tier 2C	Total
Retirees and beneficiaries	4,114	0	1	0	4,115
Terminated and/or vested	1,037	65	250	0	1,352
Active members	1,991	164	1,255	0	3,297
Total	7,142	229	1,506	0	8,877
OPEB	Tier 1	Tier 2	Tier 2B	Tier 2C	Total
Retirees and beneficiaries	3,535	0	0	0	3,535
Terminated and/or vested	158	0	0	0	158
Active members	1,991	164	0	0	2,155
Total	5,684	164	0	0	5,848

STATISTICS – Police and Fire

	2017				
Pension	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2	Total
Retirees and beneficiaries	1,336	0	856	0	2,192
Terminated and/or vested	239	49	39	6	333
Active members	747	150	586	61	1,544
Total	2,322	199	1,481	67	4,069
OPEB	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2	Total
Retirees and beneficiaries	1,251	0	810	0	2,061
Terminated and/or vested	12	0	1	0	13
Active members	747	150	586	61	1,544
Total	2,010	150	1,397	61	3,618

Target and Asset Allocation – Federated Pension as of June 30, 2017

	Target	Actual	Variance
Global equity	28%	34%	6%
Real assets	23%	23%	–
Global fixed income	19%	19%	–
Absolute return	11%	13%	2%
Private equity	9%	3%	–6%
Private debt	5%	4%	–1%
Global Tactical Asset Allocation/ Opportunistic	5%	–	–5%
Cash	0%	4%	4%
Total	100%	100%	–

Target and Asset Allocation – P&F Pension as of June 30, 2017

	Target	Actual	Variance
Global equity	31%	30%	–1%
Real assets	17%	16%	–1%
Global fixed income	16%	16%	–
Private debt	11%	7%	–4%
Global Tactical Asset Allocation	10%	9%	–1%
Private equity	8%	8%	–
Absolute return	6%	8%	2%
Cash	1%	6%	5%
Total	100%	100%	–

PERFORMANCE SUMMARY – 6/30/17

	PENSION				115 TRUST		
	One Year	Three Years	Five Years	Ten Years	One Year	Three Years	Five Years
Federated							
Net of Fees	7.5%	1.9%	5.4%	3.2%	8.7%	0.9%	5.4%
Policy Benchmark	8.1%	1.9%	6.1%	3.9%	9.2%	2.0%	6.1%
Police & Fire							
Net of Fees	9.7%	2.6%	6.1%	3.2%	7.0%	1.8%	4.9%
Policy Benchmark	9.5%	3.1%	6.3%	3.7%	9.5%	3.2%	5.7%