



Investment Program

CITY COUNCIL AND RETIREMENT BOARDS' JOINT MEETING

Office of Retirement Services

1737 N. 1st Street, Suite 600

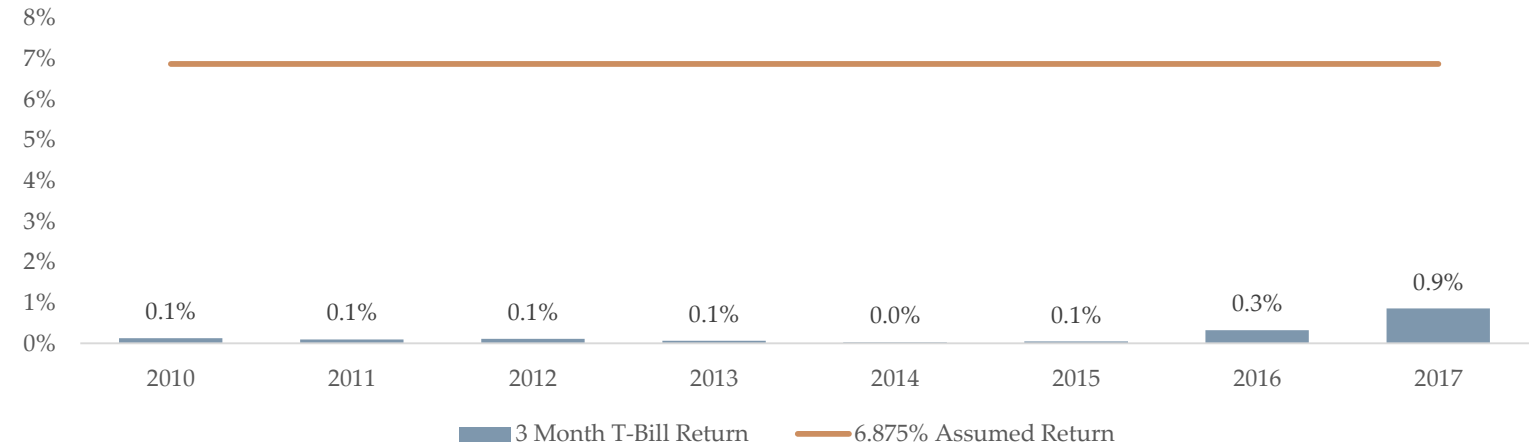
San Jose, CA 95112

Investment Objectives

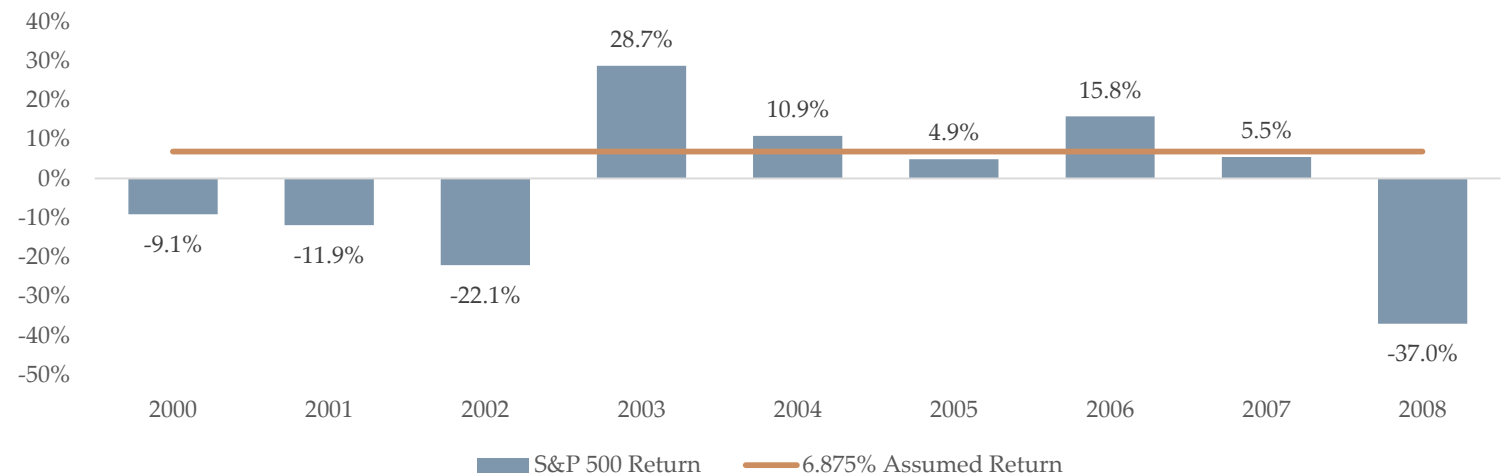
- The primary objective of the investment portfolio is to satisfy the System's obligations to pay benefits to members of the System and their beneficiaries. To do so, the Fund will seek to achieve long-term net returns in excess of the actuarial investment return assumption while maintaining a reasonable level of investment risk.
- The investment portfolio also seeks to achieve a long-term net rate of return that exceeds the return of a composite benchmark of the respective long-term asset allocation targets.

What if we invested 100% in ...

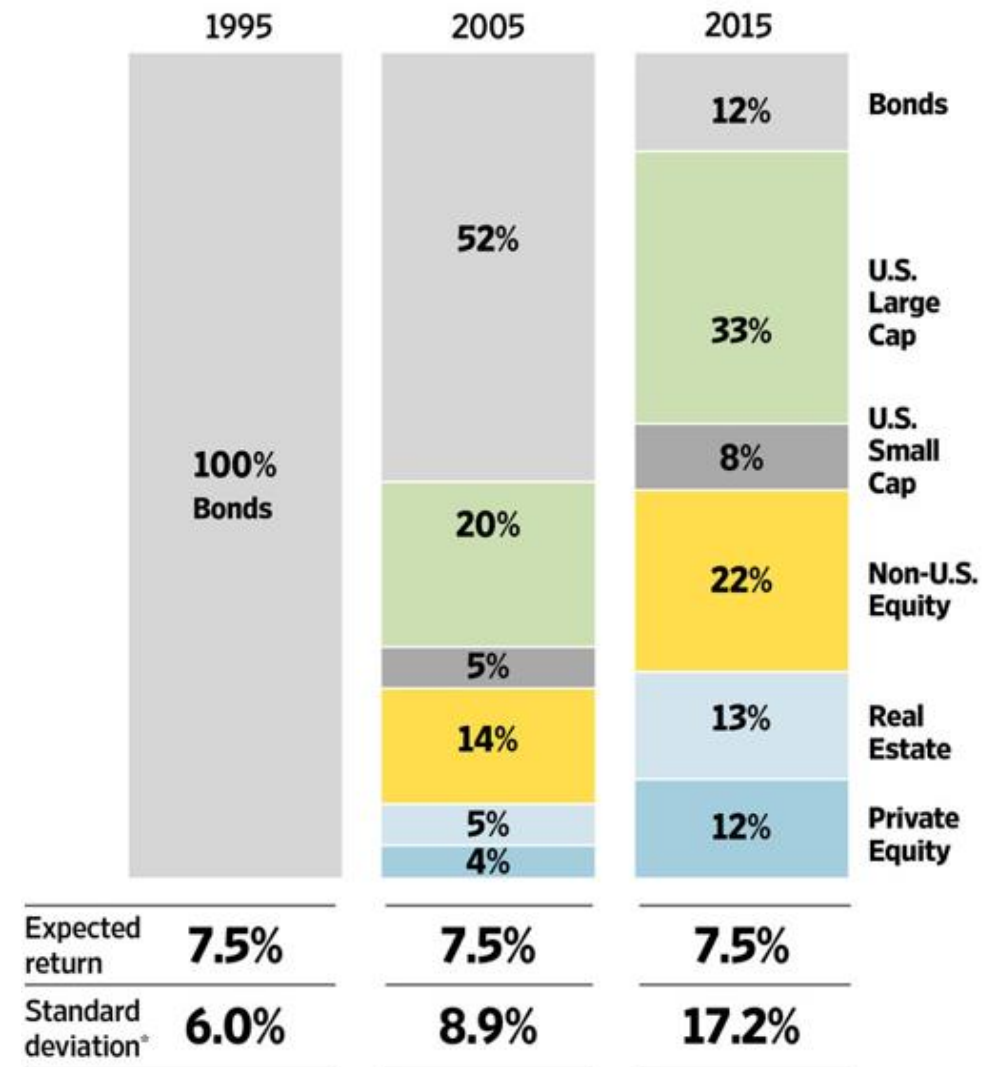
- Risk-free assets from 2010 - 2017
 - Annualized return: 0.2%



- U.S. stocks from 2000 - 2008
 - Annualized return: -1.8%



Estimates of what was needed to earn 7.5% over time



*Likely amount by which returns could vary

Source: Callan Associates

THE WALL STREET JOURNAL.

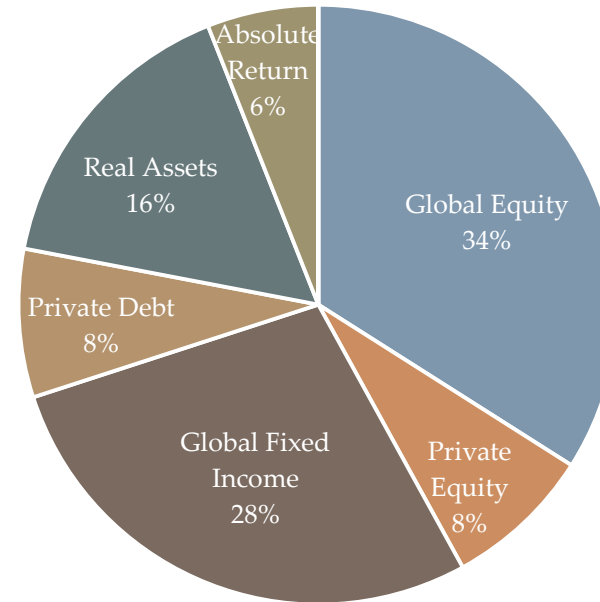
Asset Allocation Targets

As of May 1, 2018

Federated Pension



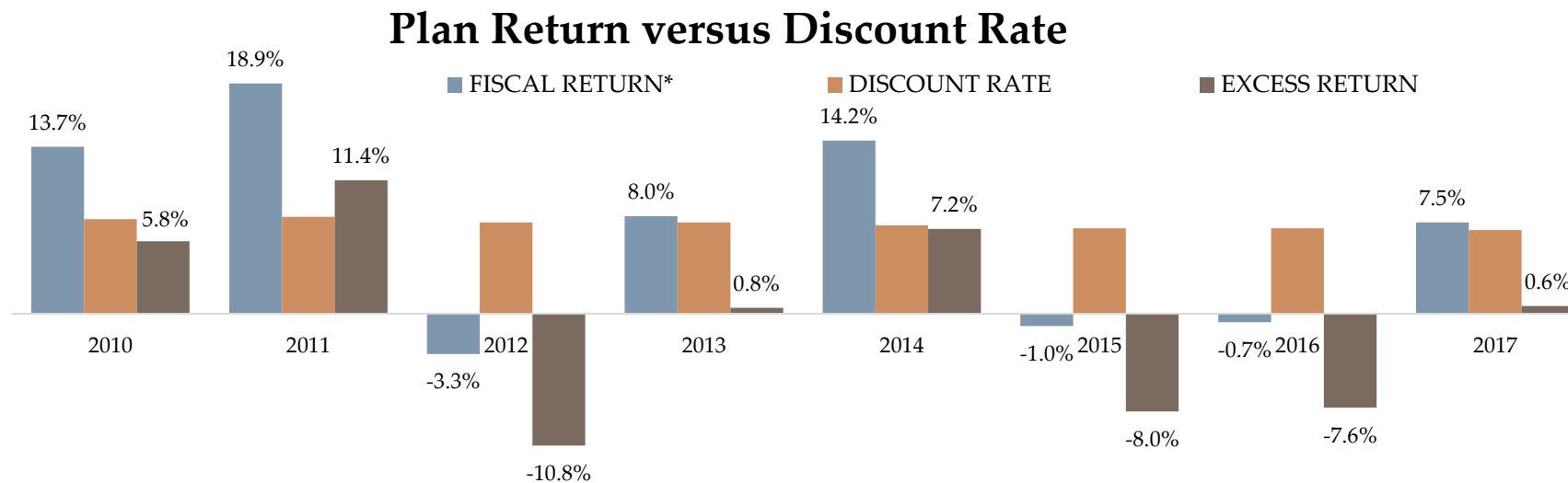
Police & Fire Pension



Federated Discount Rate History

<u>YEARS</u>	<u>FISCAL YEAR</u>	<u>10 YEAR US TREASURY RATE</u>	<u>DISCOUNT RATE</u>	<u>FISCAL YEAR RETURN*</u>	<u>EXCESS PERFORMANCE TO DISCOUNT RATE</u>
	1997	6.51%	8.25%		
1	2010	2.97%	7.95%	13.7%	5.8%
2	2011	3.18%	7.50%	18.9%	11.4%
3	2012	1.67%	7.50%	-3.3%	-10.8%
4	2013	2.52%	7.25%	8.0%	0.8%
5	2014	2.53%	7.00%	14.2%	7.2%
6	2015	2.35%	7.00%	-1.0%	-8.0%
7	2016	1.49%	6.875%	-0.7%	-7.6%
8	2017	2.31%	6.875%	7.5%	0.6%

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

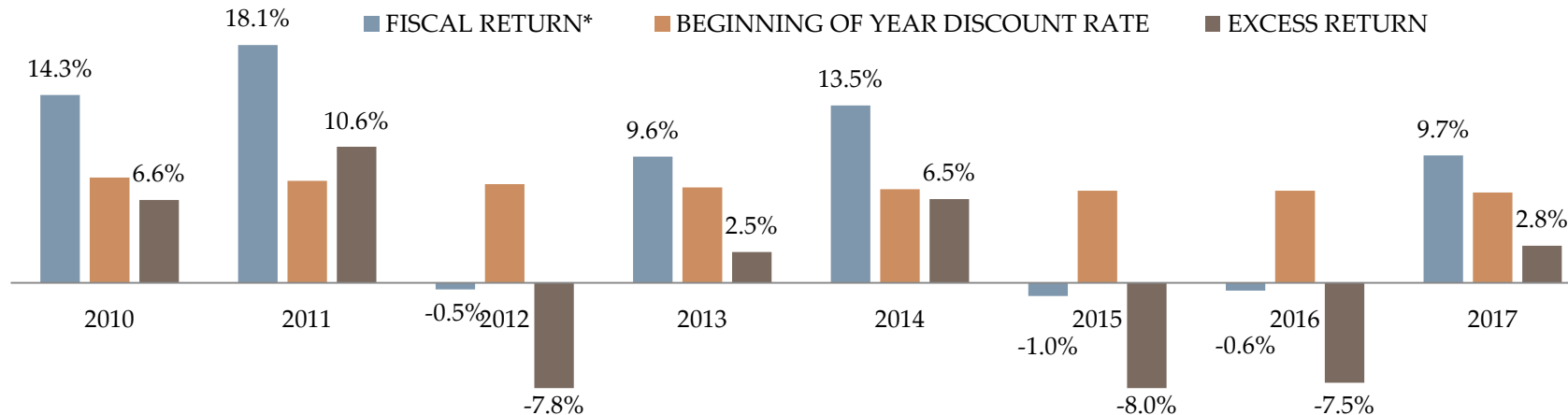


Police & Fire Discount Rate History

<u>YEARS</u>	<u>FISCAL YEAR</u>	<u>10 YEAR US TREASURY RATE</u>	<u>DISCOUNT RATE</u>	<u>FISCAL YEAR RETURN*</u>	<u>EXCESS PERFORMANCE TO DISCOUNT RATE</u>
	1997	6.51%	8.00%		
1	2010	2.97%	7.75%	14.3%	6.6%
2	2011	3.18%	7.50%	18.1%	10.6%
3	2012	1.67%	7.25%	-0.5%	-7.8%
4	2013	2.52%	7.125%	9.6%	2.5%
5	2014	2.53%	7.00%	13.5%	6.5%
6	2015	2.35%	7.00%	-1.0%	-8.0%
7	2016	1.49%	6.875%	-0.6%	-7.5%
8	2017	2.31%	6.875%	9.7%	2.8%

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

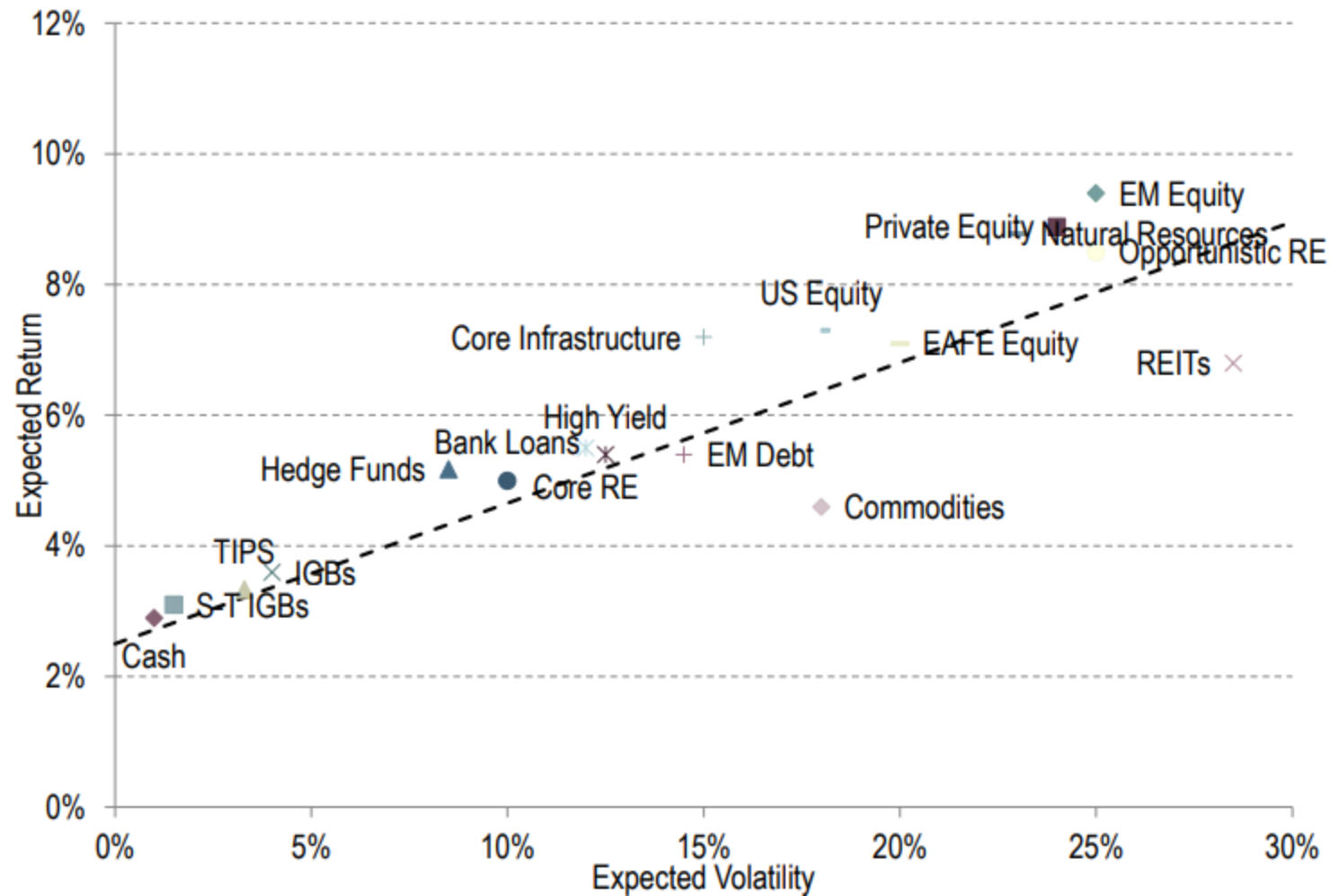
Plan Return versus Discount Rate



APPENDIX

Meketa Investment Group 2018 Annual Asset Study

20-Year Annualized Return and Volatility Expectations

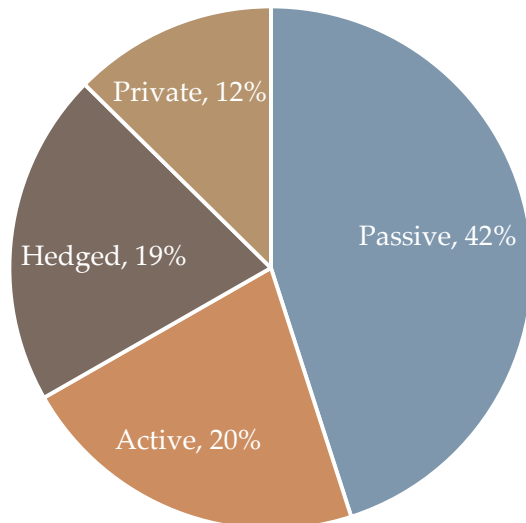


¹ Expected returns are geometrically compounded.

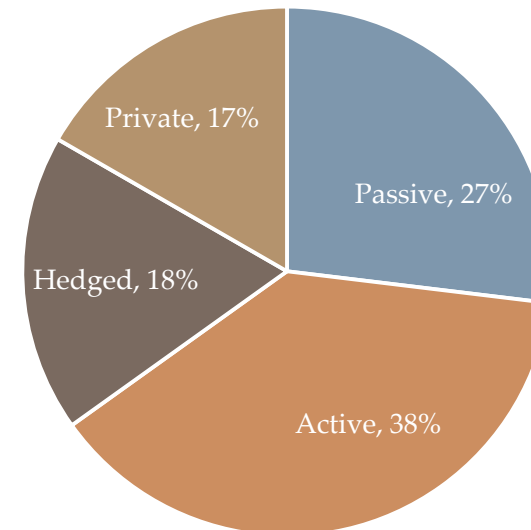
Allocation to investment fund types

As of December 31, 2017

Federated Pension



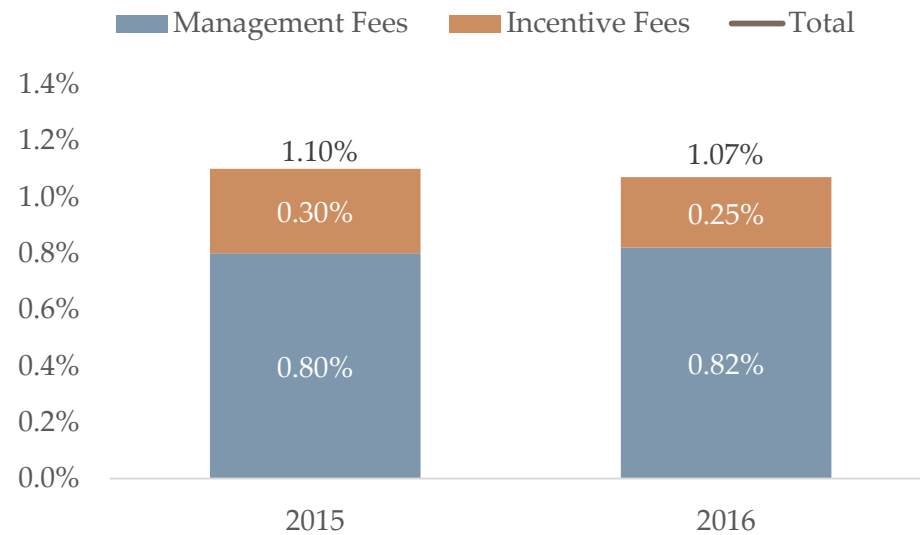
Police & Fire Pension



Fee Ratios

- Time periods shown represent calendar years
- 2017 Fee Report expected in August 2018

Federated Pension



Police & Fire Pension

