

**City of San Jose**  
**An Overview of the June 30, 2018 CAFR for:**

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

**January 29, 2019**  
**Presented by: Roberto L. Peña**

# 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:
  - \$113 million or 5.1%, for Federated
  - \$216 million or 6.3%, for Police & Fire
  
- ▶ Contributions:
  - Federated: Increased \$20.8 million or 10.2% to \$225.2 million, including \$189.2 million of City contributions
  - Police & Fire: Increased \$26.7 million or 13.6% to \$223.1 million, including \$183.1 million of City contributions
  
- ▶ Deductions (benefit payments and admin expenses):
  - Federated: Increased \$22.6 million or 10.3% to \$241.6 million, including \$236.6 million in benefits
  - Police & Fire: Increased \$22.2 million or 9.8% to \$247.8 million, including \$242.2 million in benefits

# Highlights

- ▶ Investment rate of return (net of fees):
  - Federated: 5.9% compared to a 7.4% for policy benchmark
  - Police & Fire: 6.9% compared to a 7.6% for policy benchmark
- ▶ Funded status as of June 30, 2017 actuarial valuations:
  - Federated: Pension down from 53.7% to 53.6%; OPEB up from 29.6% to 39.4%
  - Police & Fire: Pension up from 75.8% to 77.1%; OPEB up from 17.4% to 21.0%
- ▶ 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	
	2018	2017	2018	2017
Net change in plan fiduciary net position	\$96,541	\$113,910	\$202,934	\$249,604
Plan fiduciary net position – beginning	1,972,792	1,858,882	3,293,257	3,043,653
Plan fiduciary net position – ending (b)	\$2,069,333	\$1,972,792	\$3,496,191	\$3,293,257
Net change in total pension liability	134,138	231,063	102,161	313,678
Total pension liability – beginning	3,923,210	3,692,147	4,533,776	4,220,098
Total pension liability – ending (a)	4,057,348	3,923,210	4,635,937	4,533,776
Net pension liability – ending (a) – (b)	\$1,988,015	\$1,950,418	\$1,139,746	\$1,240,519
Plan fiduciary net position as a % of the total pension liability	51.00%	50.29%	75.41%	72.64%
Covered payroll	\$290,504	\$271,153	\$203,164	\$188,177
Net pension liability as a % of covered payroll	684.33%	719.31%	561.00%	659.23%

# SCHEDULE OF EMPLOYER CONTRIBUTIONS (in thousands)

As required by GASB 67

PENSION	FED		PF	
As of June 30,	2018	2017	2018	2017
Actuarially determined contributions (ADC)	\$156,770	\$138,483	\$157,712	\$136,957
Contributions in relation to ADC	156,770	138,483	157,712	136,957
Contribution deficiency (excess)	0	0	0	0
Covered payroll	290,504	271,153	203,164	188,177
Contributions as a % of covered payroll	53.96%	51.07%	77.63%	72.78%

# 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)	\$4,619,958	\$4,057,348	\$3,598,634	\$5,310,175	\$4,635,937	\$4,090,473
Plan fiduciary net position	2,069,333	2,069,333	2,069,333	3,496,191	3,496,191	3,496,191
Net pension liability	2,550,625	1,988,015	1,529,301	1,813,984	1,139,746	594,282
Plan fiduciary net position as a % of TPL	44.8%	51.0%	57.5%	65.8%	75.4%	85.5%

# STATISTICS – Federated

	2018				
Pension	Tier 1 Pension Only	Tier 1 Pension & Medical	Tier 2 Pension Only	Tier 2 Pension & Medical	Total
Retirees and beneficiaries	595	3,627	3	0	4,225
Terminated and/or vested	858	164	412	0	1,434
Active members	193	1,662	1,610	89	3,554
<b>Total</b>	<b>1,646</b>	<b>5,453</b>	<b>2,025</b>	<b>89</b>	<b>9,213</b>
OPEB		Tier 1		Tier 2A	Total
Retirees and beneficiaries		3,627		0	3,627
Terminated and/or vested		164		0	164
Active members		1,662		89	1,751
<b>Total</b>		<b>5,453</b>		<b>89</b>	<b>5,542</b>



# STATISTICS – Police and Fire

	2018				
Pension	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2	Total
Retirees and beneficiaries	1,373	0	877	0	2,250
Terminated and/or vested	227	53	39	4	323
Active members	717	258	561	103	1,639
<b>Total</b>	<b>2,317</b>	<b>311</b>	<b>1,477</b>	<b>107</b>	<b>4,212</b>
OPEB	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2	Total
Retirees and beneficiaries	1,272	0	830	0	2,102
Terminated and/or vested	16	0	0	0	16
Active members	684	0	534	0	1,218
<b>Total</b>	<b>1,972</b>	<b>0</b>	<b>1,364</b>	<b>0</b>	<b>3,336</b>

# Target and Asset Allocation – Federated Pension as of June 30, 2018

	Target	Actual	Variance
Global equity	28%	29%	1%
Real assets	13%	13%	–
Global fixed income	33%	32%	–1%
Absolute return	11%	12%	1%
Private equity	9%	9%	–
Private debt	6%	4%	–2%
Cash	0%	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>–</b>

# Target and Asset Allocation – Federated Pension as of Dec 31, 2018 – Prelim

	Target	Actual	Variance
Global equity	30%	30%	–
Real assets	14%	14%	–
Global Fixed Income	5%	5%	–
Absolute return	7%	8%	+1%
Private equity	15%	15%	–
Private debt	4%	3%	–1%
Short Term FI + Cash	25%	25%	–
Total	100%	100%	–

# Target and Asset Allocation – P&F Pension as of June 30, 2018

	Target	Actual	Variance
Global equity	34%	34%	–
Real assets	16%	16%	–
Global fixed income	28%	27%	–1%
Private debt	8%	8%	–
Private equity	8%	8%	–
Absolute return	6%	6%	–
Cash	–	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>–</b>

# Target and Asset Allocation – P&F Pension as of Dec 31, 2018 – Prelim

	Target	Actual	Variance
Global equity	31%	30%	–1%
Real assets	13%	13%	–
Global Fixed Income	8%	9%	+1%
Absolute return	7%	7%	–
Private equity	12%	12%	–
Private debt	4%	4%	–
Short Term FI + Cash	25%	25%	–
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>–</b>

# PERFORMANCE SUMMARY – 6/30/18

	PENSION				115 TRUST		
	One Year	Three Years	Five Years	Ten Years	One Year	Three Years	Five Years
<b>Federated</b>							
Net of Fees	5.9%	4.2%	5.0%	4.1%	4.9%	3.5%	4.6%
Policy Benchmark	7.4%	5.6%	5.9%	5.0%	7.9%	5.8%	6.0%
<b>Police &amp; Fire</b>							
Net of Fees	6.9%	5.2%	5.6%	4.6%	3.6%	3.6%	4.6%
Policy Benchmark	7.6%	6.0%	6.2%	4.9%	7.4%	6.0%	6.1%

# Prelim – PERFORMANCE SUMMARY – 12/31/18

	PENSION
	Q4 – 2018
<b>Federated</b>	
Net of Fees	–5.45%
Policy Benchmark	–5.50%
<b>Police &amp; Fire</b>	
Net of Fees	–4.85%
Policy Benchmark	–4.50%