

CITY OF SAN JOSE
2023-2024 ADOPTED OPERATING BUDGET

SUMMARY OF CONTRIBUTIONS TO RETIREMENT FUNDS

The table below summarizes the total employer and employee contributions to the Federated Retirement System and Police and Fire Retirement Plans, comparing the City’s contribution calculations that are incorporated into the 2023-2024 Adopted Budget and the contributions that can be found in the five Retirement Source and Use of Funds Statements included for display purposes in the Source and Use of Funds Statement section of this document, including Federated Retirement Fund, Federated Retiree Health Care Trust Fund, Fire Retiree Health Care Trust Fund, Police and Fire Retirement Fund, and Police Retiree Health Care Trust Fund. Not shown in the table below is the split of the City contributions between pension and retiree healthcare.

	2023-2024 Adopted City Calculated Contributions	2023-2024 Adopted Retirement Calculated Contributions
Federated Retirement Fund (134)		
Employer Contributions	\$244,988,641	\$216,118,000
Employee Contributions	\$48,493,316	\$30,832,000
Federated Retiree Healthcare Trust Fund (124)		
Employer Contributions	Included in Fund 134	\$18,500,000
Employee Contributions	Included in Fund 134	\$8,578,000
Fire Retiree Healthcare Trust Fund (126)		
Employer Contributions	Included in Fund 135	\$10,926,000
Police and Fire Retirement Fund (135)		
Employer Contributions	\$232,762,301	\$201,766,000
Employee Contributions	\$50,522,503	\$45,644,000
Police Retiree Healthcare Trust Fund (125)		
Employer Contributions	Included in Fund 135	\$17,428,000
Total Employer Contributions	\$477,750,942	\$464,738,000
Total Employee Contributions	\$99,015,819	\$85,054,000
Total Contributions	\$576,766,761	\$549,792,000

The employer and employee contribution amounts included in the Retirement Fund Source and Use Statements are different from the City. The contribution amounts included in the Retirement Fund Source and Uses Statements are calculated by the actuary for both Retirement Boards of Administration. The actuary calculates the contribution amount based on actual payroll for the prior year and multiplied by the calculated contribution rates to determine the Annual Required Contribution. The actual payroll does not take into consideration vacant positions that are included in the City contribution calculation.

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For the approved amounts, beginning in 2010-2011, the City began using the Retirement Boards adopted annual required contribution methodology that established that the City's contribution to the retirement systems be based on a dollar value that is the greater of 1) the employer Annual Required Contribution (ARC) amount contained in the actuarial valuation (applied in cases where the City's payroll is at or lower than the payroll assumed by the actuary) or 2) the contribution rate contained in the actuarial valuation multiplied by the actual payroll for the Fiscal Year (applied in cases where the City's payroll is above the amount assumed by the actuary). This concept is referred to as the "floor methodology". In January 2016, at the City's recommendation, the Retirement Boards approved a change in the methodology used to calculate the Federated and Police and Fire pension contributions. This methodology, applied to the Federated Tier 1 and Police and Fire Tier 1 plans, uses different calculations for the unfunded actuarial liability (UAL) portion of the contribution and for the normal cost portion of the contribution. The UAL portion is calculated as a dollar amount and the normal cost (including the administrative expense) is calculated as a percent of pay. This change decreases the disparity between retirement contribution calculations that arise from different City and actuarial payroll projections to avoid a potential overpayment of the UAL by the City in any given year.

The following chart provides a historical perspective on the annual retirement costs paid by the General Fund. The rise over the 20-year period is primarily attributable to the UAL for Tier 1 plans.