

**CITY OF SAN JOSE
VOLUNTARY EMPLOYEE BENEFICIARY
ASSOCIATION PLANS**

Independent Auditor's Report,
Management's Discussion and Analysis, and
Basic Financial Statements

For the Years Ended June 30, 2023 and 2022



Certified
Public
Accountants

CITY OF SAN JOSE
VOLUNTARY EMPLOYEE BENEFICIARY ASSOCIATION PLANS
For the Years Ended June 30, 2023 and 2022

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Independent Auditor's Report

VEBA Advisory Committee
City of San José VEBA Plans
San José, California

Opinions

We have audited the financial statements of the two Voluntary Employee Beneficiary Association (VEBA) Plans of the City of San José, California (City) – the City of San José Federated VEBA Health Savings Plan and the City of San José Police and Fire VEBA Health Savings Plan (collectively “the VEBA Plans”), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the VEBA Plans’ basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial positions of the VEBA Plans as of June 30, 2023 and 2022, and the respective changes in financial positions for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the VEBA Plans and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The VEBA Plans’ Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the VEBA Plans’ ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the VEBA Plans' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the VEBA Plans' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Macias Gini & O'Connell LLP

Walnut Creek, California
September 29, 2023

CITY OF SAN JOSE
VOLUNTARY EMPLOYEE BENEFICIARY ASSOCIATION PLANS

Management's Discussion and Analysis
For the Years Ended June 30, 2023 and 2022
(Unaudited)

The following discussion and analysis of the City of San José's (City) Police and Fire VEBA Health Savings Plan (PFD Plan) and Federated VEBA Health Savings Plan (FED Plan) (collectively as Plans) financial performance provides an overview of their basic financial activities for the fiscal years ended June 30, 2023 and 2022. Please read it in conjunction with the Plans' financial statements, which begin on page 7. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rest solely with the management of the Plans. To the best of our actual knowledge and belief, the financial statements, as presented, are accurate in all material respects.

Financial Highlights – 2023

PFD Plan

- At the close of the fiscal year, June 30, 2023, the net position due to PFD Plan participants was \$26.7 million. This represents an increase of \$5.7 million from the prior year ending balance.
- Investment earnings and contributions exceeding the payments to participants and for administrative fees were the primary reasons for an increase to net position.

FED Plan

- At the close of the fiscal year, June 30, 2023, the net position due to FED Plan participants was \$32.7 million. This represents an increase of \$5.2 million from the prior year ending balance.
- Investment earnings and contributions exceeding the payments to participants and for administrative fees were the primary reasons for an increase to net position.

Financial Highlights – 2022

PFD Plan

- At the close of the fiscal year, June 30, 2022, the net position due to PFD Plan participants was \$21.0 million. This represents an increase of \$2.6 million from the prior year ending balance.
- Investment earnings and contributions exceeding the payments to participants and for administrative fees were the primary reasons for an increase to net position.

FED Plan

- At the close of the fiscal year, June 30, 2022, the net position due to FED Plan participants was \$27.5 million. This represents an increase of \$2.3 million from the prior year ending balance.
- Investment earnings and contributions exceeding the payments to participants and for administrative fees were the primary reasons for an increase to net position.

CITY OF SAN JOSE
VOLUNTARY EMPLOYEE BENEFICIARY ASSOCIATION PLANS
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2023 and 2022
(Unaudited)

Financial Statements

The financial reports for the Plans include management's discussion and analysis (MD&A), a statement of net position due to participants, a statement of changes in net position due to participants, and notes to financial statements. These financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting.

The following table indicates the net position due to participants as of June 30, 2023, 2022 and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<i>PFD Plan</i>			
Investments at fair value	\$ 26,746,190	\$ 21,005,095	\$ 18,435,151
Net position due to participants	<u>\$ 26,746,190</u>	<u>\$ 21,005,095</u>	<u>\$ 18,435,151</u>
<i>FED Plan</i>			
Investments at fair value	\$ 32,729,883	\$ 27,501,478	\$ 25,164,797
Net position due to participants	<u>\$ 32,729,883</u>	<u>\$ 27,501,478</u>	<u>\$ 25,164,797</u>

The following table indicates the changes in net position for the fiscal years ended June 30, 2023 and 2022 and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<i>PFD Plan</i>			
Additions	\$ 5,974,689	\$ 2,771,663	\$ 5,147,861
Deductions	(233,594)	(201,719)	(128,348)
Net increase	5,741,095	2,569,944	5,019,513
Net position, beginning of year	21,005,095	18,435,151	13,415,638
Net position, end of year	<u>\$ 26,746,190</u>	<u>\$ 21,005,095</u>	<u>\$ 18,435,151</u>
<i>FED Plan</i>			
Additions	\$ 6,005,074	\$ 3,043,663	\$ 5,430,473
Deductions	(776,669)	(706,982)	(632,108)
Net increase	5,228,405	2,336,681	4,798,365
Net position, beginning of year	27,501,478	25,164,797	20,366,432
Net position, end of year	<u>\$ 32,729,883</u>	<u>\$ 27,501,478</u>	<u>\$ 25,164,797</u>

CITY OF SAN JOSE
VOLUNTARY EMPLOYEE BENEFICIARY ASSOCIATION PLANS
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2023 and 2022
(Unaudited)

2023 Analysis

PFD Plan

The net position due to participants increased by \$5.7 million, or 27.3 percent, in fiscal year 2022-2023. This change in net position is mainly due to investment income and contributions exceeding the payments to participants and for administration fees.

The total additions to net position of \$6.0 million in fiscal year 2022-2023 increased by \$3.2 million from \$2.8 million in fiscal year 2021-2022. The increase is mainly due to an increase in investment earnings of \$2.7 million and an increase in participant contributions of \$0.5 million. Total deductions from net position of \$233.6 thousand in fiscal year 2022-2023 increased by \$31.9 thousand from \$201.7 thousand in fiscal year 2021-2022. The change is mainly due to the increase in payments to participants.

FED Plan

The net position due to participants increased by \$5.2 million, or 19.0 percent, in fiscal year 2022-2023. This change in net position is mainly due to investment income and contributions exceeding the payments to participants and for administration fees.

The total additions to net position of \$6.0 million in fiscal year 2022-2023 increased by \$3.0 million from \$3.0 million in fiscal year 2021-2022. The increase is mainly due to an increase in investment earnings of \$2.3 million and an increase in participant contributions of \$0.7 million. Total deductions from net position of \$776.6 thousand in fiscal year 2022-2023 increased by \$69.6 thousand from \$707.0 thousand in fiscal year 2021-2022. The change is mainly due to the increase in payments to participants.

2022 Analysis

PFD Plan

The net position due to participants increased by \$2.6 million, or 13.9 percent, in fiscal year 2021-2022. This change in net position is mainly due to contributions exceeding the payments to participants and for administration fees.

The total additions to net position of \$2.8 million in fiscal year 2021-2022 decreased by \$2.3 million from \$5.1 million in fiscal year 2020-2021. The decrease is mainly due to a decrease in investment earnings of \$3.1 million, offset by an increase in participant contributions of \$0.7 million. Total deductions from net position of \$201.7 thousand in fiscal year 2021-2022 increased by \$73.4 thousand from \$128.3 thousand in fiscal year 2020-2021. The change is mainly due to the increase in payments to participants.

FED Plan

The net position due to participants increased by \$2.3 million, or 9.3 percent, in fiscal year 2021-2022. This change in net position is mainly due to contributions exceeding the payments to participants and administration fees.

The total additions to net position of \$3.0 million in fiscal year 2021-2022 decreased by \$2.4 million from \$5.4 million in fiscal year 2020-2021. The decrease is mainly due to a decrease in investment earnings of \$2.7 million, offset by an increase in participant contributions of \$0.3 million. Total deductions from net position of \$707.0 thousand in fiscal year 2021-2022 increased by \$74.9 thousand from \$632.1 thousand in fiscal year 2020-2021. The change is mainly due to the increase in payments to participants.

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CITY OF SAN JOSE
VOLUNTARY EMPLOYEE BENEFICIARY ASSOCIATION PLANS
Statements of Net Position Due to Participants
June 30, 2023 and 2022

<i>PFD Plan</i>	<u>2023</u>	<u>2022</u>
Assets		
Investments at fair value		
Short Term Funds	\$ 15,469,084	\$ 13,342,014
Bonds Funds	40,650	30,414
Global International Funds	200,679	154,327
Assets Allocation Funds	8,323,598	5,552,691
Large Cap Growth Funds	996,735	654,356
Large Cap Value Funds	1,058,449	788,583
Small- Cap/Mid-Cap Funds	656,995	482,710
Total investments at fair value	<u>26,746,190</u>	<u>21,005,095</u>
Net position due to participants	<u>\$ 26,746,190</u>	<u>\$ 21,005,095</u>
<i>FED Plan</i>	<u>2023</u>	<u>2022</u>
Assets		
Investments at fair value		
Short Term Funds	\$ 23,588,759	\$ 20,689,615
Bonds Funds	143,141	140,130
Global International Funds	320,770	250,367
Assets Allocation Funds	5,705,725	4,236,230
Large Cap Growth Funds	521,367	340,749
Large Cap Value Funds	1,533,784	1,160,478
Small- Cap/Mid-Cap Funds	916,337	683,909
Total investments at fair value	<u>32,729,883</u>	<u>27,501,478</u>
Net position due to participants	<u>\$ 32,729,883</u>	<u>\$ 27,501,478</u>

See accompanying notes to the financial statements.

CITY OF SAN JOSE
VOLUNTARY EMPLOYEE BENEFICIARY ASSOCIATION PLANS
Statements of Change in Net Position Due to Participants
For the Years Ended June 30, 2023 and 2022

<i>PFD Plan</i>	<u>2023</u>	<u>2022</u>
Additions		
Employee contributions	\$ 4,533,937	\$ 3,988,721
Investment income	<u>1,440,752</u>	<u>(1,217,058)</u>
Total additions	5,974,689	2,771,663
Deductions		
Payments to participants	(209,330)	(142,900)
Administration fees	<u>(24,264)</u>	<u>(58,819)</u>
Total deductions	(233,594)	(201,719)
Change in net position	5,741,095	2,569,944
Net position due to participants		
Beginning of year	<u>21,005,095</u>	<u>18,435,151</u>
End of year	<u>\$ 26,746,190</u>	<u>\$ 21,005,095</u>
<i>FED Plan</i>	<u>2023</u>	<u>2022</u>
Additions		
Employee contributions	\$ 4,755,675	\$ 4,041,205
Investment income	<u>1,249,399</u>	<u>(997,542)</u>
Total additions	6,005,074	3,043,663
Deductions		
Payments to participants	(691,711)	(584,885)
Administration fees	<u>(84,958)</u>	<u>(122,097)</u>
Total deductions	(776,669)	(706,982)
Change in net position	5,228,405	2,336,681
Net position due to participants		
Beginning of year	<u>27,501,478</u>	<u>25,164,797</u>
End of year	<u>\$ 32,729,883</u>	<u>\$ 27,501,478</u>

See accompanying notes to the financial statements.

CITY OF SAN JOSE
VOLUNTARY EMPLOYEE BENEFICIARY ASSOCIATION PLANS
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE 1 – PLANS DESCRIPTION

The following description of the City of San José's (City's) Voluntary Employee Beneficiary Association Plans (VEBA Plans) provides only general information. Participants should refer to the VEBA Plans' agreement and the Municipal Codes for a more complete description of the VEBA Plans provisions.

A VEBA is a tax-exempt trust instrument authorized by Internal Revenue Code 501(c)(9) through which eligible healthcare benefits, such as post-retirement healthcare premiums, prescriptions, co-pays, and other healthcare related expenses, can be reimbursed. Members of the VEBA Plans can use their account assets after retirement to pay for premiums in the City's healthcare and dental plans. These assets may also be used for any other expenses permitted by the plan, including paying premiums for other plans nationwide or internationally.

As a part of the City's Alternative Pension Reform Frameworks, employees who are a part of the current Defined Benefit Retiree Healthcare plan were provided with a one-time irrevocable opportunity to voluntarily choose to opt-in to the VEBA Plans or stay in the Defined Benefit Retiree Healthcare plan. This was an irrevocable election. Employees who elected to opt-in to the VEBA Plans are no longer eligible for and have waived any entitlement to receive any Defined Benefit Retiree Healthcare plan benefits to which they might have been entitled. Employees who do not sign the VEBA Election Form remain covered by the Defined Benefit Retiree Healthcare plan under the currently applicable collective bargaining agreement or compensation plan.

Effective November 1, 2017, the City maintains two VEBA Plans: City of San Jose Federated VEBA Health Savings Plan (FED Plan) and the City of San Jose Police and Fire VEBA Health Savings Plan (PFD Plan). The following is a brief description of the City's two VEBA Plans:

- FED Plan is described in Chapter 3.58 of the San José Municipal Code. All full-time Federated Tier 2B are mandated to join the VEBA, with the exception of Unit 99. Unit 99 employees had a one-time option to receive the one-time contribution of funds into an individual VEBA account from the Retiree Healthcare 115 Trust, but are not eligible to contribute a percentage of pay into the VEBA on an ongoing basis. VEBA contribution rate is 2.5% for mandated Federated Tier 2B employees, such as CAMP, AEA, AMSP, and ALP, and 3.5% for opted-in Federated Tier 1 and 2A employees such as MEF, CEO, IBEW, OE#3, and ABMEI. Federated VEBA Plan currently utilizes Voya Retirement Insurance and Annuity Company (VRIAC) as its investment administrator.
- PFD Plan is described in Chapter 3.57 of the San José Municipal Code. All full-time Police and Fire Tier 2 employees are mandated to join the VEBA. VEBA contribution rate is 4.0% for Police and Fire Tier 2 employees. The Sworn VEBA Plan currently utilizes VRIAC as its investment administrator.

The assets of the VEBA Plans are held in trust and administered by the VEBA Advisory Committee (VAC). The VAC consists of five members – one active member of the San José Firefighters, one active member of the San José Police Officers' Association, two active members of the Federated Unions, and one active member of unrepresented employees. The VAC uses Conduent Consultants as their investment consultant. Conduent Consultants performs tasks such as helping formulate an Investment Policy, provide investment performance reports, conduct manager searches, and attend VAC meetings.

CITY OF SAN JOSE
VOLUNTARY EMPLOYEE BENEFICIARY ASSOCIATION PLANS
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

NOTE 1 – PLANS DESCRIPTION (Continued)

Contributions – Members in the VEBA Plans are mandated to contribute a specific percentage of their base pay into the VEBA Plans as stated in the brief descriptions of the plans above. The eligible employees can contribute only the above stated percentages into the VEBA Plans. There are no required contributions by the City to the VEBA Plans.

Participant Accounts – Separate accounts are established for each participant. As VEBA Plans are provided by VRIAC and TASC/Genesis, the third-party administrators of the program, VRIAC provides investment management services and TASC/Genesis provides individual account management and claims processing services. Effective November 2023, VRIAC will be the VEBA Plans' third-party administrators.

Payment of Benefits – The VEBA Plans reimburse eligible medical expenses for individuals who have either 1) terminated City service and have reached the required retirement age based on their retirement tier and system or 2) retired for service, service-connected disability, or non-service connected disability. If an employee becomes a member of a reciprocal retirement system, the VEBA funds can be accessed after retirement from that system. The VEBA Plans reimburse out-of-pocket healthcare costs (including but not limited to insurance premiums, co-pays and deductibles, prescription costs, Medicare Part B premiums, supplemental insurance premiums, and most over-the-counter medications and supplies, etc.) incurred by employees, their spouses and qualifying dependents. As a defined contribution plan, the only funds available in the VEBA Plans are the contributions made while employed and any investment returns on those funds. Once the funds in the VEBA Plans are exhausted, the employee will no longer be able to reimburse their eligible healthcare expenses. If an employee or former employee passes away prior to using all of the funds, eligible survivors can use the funds in accordance with IRS rules. VEBA funds may only be used for eligible medical expenses for the employee and/or eligible dependents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying statements of net position due to participants and changes in net position due to participants present only the VEBA Plans and are not intended to present the financial position of the City and the changes in its financial position in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting – The financial statements of the VEBA Plans are reported using the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as additions when due (at the end of each pay period). Payments to participants are recognized as deductions when due and payable under the provisions of the VEBA Plans.

Investment Valuation – The Plans' investments are stated at fair value. Investments valued at the net asset value (NAV) are investments in the VRIAC separate accounts and pooled separate accounts.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the VEBA Plans' administrators to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

CITY OF SAN JOSE
VOLUNTARY EMPLOYEE BENEFICIARY ASSOCIATION PLANS
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

NOTE 3 – INVESTMENTS

VEBA Plans' participants may direct contributions into any of the investment options offered by the VEBA Plans' investment administrator, which include various VRIAC separate and pooled separate accounts. It is the Plans' policy to permit participants to establish different investment strategies, which have varying return and volatility characteristics to meet each participant's long-term retirement savings strategy.

The VEBA Plans categorize their fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The following levels indicate the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 – Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 – Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
- Level 3 – Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

All investments are valued at NAV. Descriptions for each fund type are listed on page 14.

CITY OF SAN JOSE
VOLUNTARY EMPLOYEE BENEFICIARY ASSOCIATION PLANS

Notes to the Financial Statements (Continued)

For the Years Ended June 30, 2023 and 2022

NOTE 3 – INVESTMENTS (Continued)

The following presents investments at June 30, 2023 with the information related to interest rate risk, credit risk, concentration of credit risk and fair value measurement within the fair value hierarchy established by generally accepted accounting principles on its investments:

Investments	Average Effective Maturity	Credit Rating	PFD Plan June 30, 2023	FED Plan June 30, 2023	
Investments measured at the net asset value (NAV)					
Short-Term Funds					
Voya Fixed Account	7.0 - 7.5 years	A	\$ 15,467,990 *	\$ 23,587,701 *	**
Voya Government Money Market Class A	0.10 years	AAA	1,094	1,058	
Bonds Funds					
Loomis Sayles Core Plus Bd F N	9.61 years	A	36,854	128,822	**
Fidelity US Bond Index Fund	6.18 years	AA	3,796	14,319	**
Global International Funds					
Vanguard Tot Intl St Indx Fd Inst	n/a	n/a	68,964	223,368	**
American Funds EuroPacific R6	n/a	n/a	127,609	78,640	**
Vanguard Intl Value Fund Inv	n/a	n/a	4,106	18,762	**
Asset Allocation Funds					
Vanguard Target Retirement Income	7.49 years	A	213,240	166,993	**
Vanguard Target Retirement 2020	7.73 years	A	266,422	161,615	**
Vanguard Target Retirement 2025	8.30 years	A	864,646	1,163,532	**
Vanguard Target Retirement 2030	8.90 years	A	254,990	559,116	**
Vanguard Target Retirement 2035	8.90 years	A	532,928	865,811	**
Vanguard Target Retirement 2040	8.90 years	A	1,705,706 *	978,243	**
Vanguard Target Retirement 2045	8.90 years	A	1,259,196	454,676	**
Vanguard Target Retirement 2050	8.90 years	A	1,478,779 *	497,800	**
Vanguard Target Retirement 2055	8.90 years	A	1,425,011 *	544,913	**
Vanguard Target Retirement 2060	8.90 years	A	237,491	212,478	**
Vanguard Target Retirement 2065	8.90 years	A	85,189	100,034	**
Vanguard Target Retirement 2070	8.90 years	A	-	514	**
Large Cap Growth Funds					
T. Rowe Price Large Cap Growth I	n/a	n/a	996,735	521,367	**
Large Cap Value Funds					
Vanguard FTSE Social Index Fund Inst	n/a	n/a	62,216	109,578	**
Vanguard Institutl Index Inst Plus	n/a	n/a	787,823	1,117,853	**
Vanguard Equity Income Fund Adm	n/a	n/a	208,410	306,353	**
Small-Cap/Mid-Cap Funds					
Vanguard Sml-Cap Index-Instl	n/a	n/a	100,422	210,856	**
Vanguard Mid-Cap Index-Instl	n/a	n/a	204,023	365,483	**
DFA U.S. Targeted Value Portfolio I	n/a	n/a	70,138	37,328	**
Janus Henderson Enterprise Fund N	n/a	n/a	229,000	82,375	**
MFS Mid Cap Value Class R6	n/a	n/a	13,200	99,565	**
Hood River Small-Cap Growth Fund Ret	n/a	n/a	40,212	120,730	**
Total VEBA Plan investments measured at fair value			\$ 26,746,190	\$ 32,729,883	

* Represents 5% or more of the Plan's total investments.

** Represents funds holding international investments

CITY OF SAN JOSE
VOLUNTARY EMPLOYEE BENEFICIARY ASSOCIATION PLANS

Notes to the Financial Statements (Continued)

For the Years Ended June 30, 2023 and 2022

NOTE 3 – INVESTMENTS (Continued)

The following presents investments at June 30, 2022 with the information related to interest rate risk, credit risk, concentration of credit risk and fair value measurement within the fair value hierarchy established by generally accepted accounting principles on its investments:

<u>Investments</u>	<u>Average Effective Maturity</u>	<u>Credit Rating</u>	<u>PFD Plan June 30, 2022</u>	<u>FED Plan June 30, 2022</u>	
Investments measured at the net asset value (NAV)					
Short-Term Funds					
Voya Fixed Account	7.00 - 7.50 years	A	\$ 13,341,985	\$ 20,689,228	*
Voya Government Money Market Class A	0.18 years	AAA	29	387	
Bonds Funds					
Loomis Sayles Core Plus Bd FN	8.94 years	BBB	26,999	129,094	**
Fidelity U.S. Bond Index Fund	6.35 years	AA	3,415	11,036	
Global International Funds					
American Funds EuroPacific R5	n/a	n/a	100,990	61,532	**
Vanguard International Value F	n/a	n/a	2,801	9,957	**
Vanguard Tot Intl St Indx Fd Inst	n/a	n/a	50,536	178,878	**
Asset Allocation Funds					
Vanguard T Retirement Income	7.52 years	A	174,040	157,183	**
Vanguard T Retirement 2015	7.50 years	A	-	7,630	**
Vanguard T Retirement 2020	7.84 years	A	237,295	86,068	**
Vanguard T Retirement 2025	8.58 years	A	791,470	1,039,653	**
Vanguard T Retirement 2030	9.02 years	A	219,085	479,400	**
Vanguard T Retirement 2035	9.02 years	A	488,563	704,254	**
Vanguard T Retirement 2040	9.02 years	A	1,415,260	795,341	**
Vanguard T Retirement 2045	9.03 years	A	618,658	308,419	**
Vanguard T Retirement 2050	9.03 years	A	803,699	306,638	**
Vanguard T Retirement 2055	9.03 years	A	676,582	283,052	**
Vanguard T Retirement 2060	9.03 years	A	91,007	47,259	**
Vanguard T Retirement 2065	9.03 years	A	37,032	21,333	**
Large Cap Growth Funds					
T Rowe Price Large-Cap Growth	n/a	n/a	654,356	340,749	**
Large Cap Value Funds					
Vanguard Equity Income Fund Adm	n/a	n/a	232,078	242,123	**
Vanguard FTSE Social Index Fund	n/a	n/a	28,960	70,682	**
Vanguard Institutl Index (Inst)	n/a	n/a	527,545	847,673	**
Small-Cap/Mid-Cap Funds					
DFA U.S. Targeted Value Portfolio I	n/a	n/a	55,568	29,160	**
Hood River Small Cap Growth	n/a	n/a	9,843	97,730	**
Janus Henderson Enterprise Fund N	n/a	n/a	159,921	61,167	**
MFS Mid Cap Value Fund	n/a	n/a	12,574	65,748	**
Vanguard Sml-Cap Index-Instl	n/a	n/a	76,161	149,781	**
Vanguard Mid-Cap Index-Instl	n/a	n/a	168,643	280,323	**
Total VEBA Plan investments measured at fair value			<u>\$ 21,005,095</u>	<u>\$ 27,501,478</u>	

* Represents 5% or more of the Plan's total investments.

** Represents funds holding international investments

CITY OF SAN JOSE
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Notes to the Financial Statements (Continued)

For the Years Ended June 30, 2023 and 2022

NOTE 3 – INVESTMENTS (Continued)

Short-Term Funds. This type includes investments in two separate accounts that invest in a diversified portfolio of fixed income assets and short-term money market instruments. The fair value of the investments in this type have been determined using the NAV per share of the investments. Investments in this type do not have any unfunded commitments. Investments in this type can be redeemed daily, and there is not any restriction on redemption notice period.

Bond Funds. This type includes investments in two pooled separate accounts that invest in bonds and grade securities. Under normal market conditions, the funds will invest at least 80% of its net assets in bonds. The funds might invest some of its net assets in foreign securities. The VRIAC pooled separate accounts are valued at NAV. Investments in this type do not have any unfunded commitments. Investments in this type can be redeemed daily, and there is not any restriction on redemption notice period.

Global International Funds. This type includes investments in three pooled separate accounts that invest in common stocks of issuers throughout the world. The VRIAC pooled separate accounts are valued at NAV. Investments in this type do not have any unfunded commitments. Investments in this type can be redeemed daily, and there is not any restriction on redemption notice period.

Assets Allocation Funds. This type includes investments in twelve pooled separate accounts that invest in funds according to their asset allocation strategies designed for investors planning to retire at their respective target years. The fair value of the investments in this type have been determined using the NAV per share of the investments. The VRIAC pooled separate accounts are valued at NAV. Investments in this type do not have any unfunded commitments. Investments in this type can be redeemed daily, and there is not any restriction on redemption notice period.

Large Cap Growth Funds. This type includes investments in one pooled separate account invest primarily in common stocks and seek to invest in companies that appear to offer superior opportunities for growth of capital. The VRIAC pooled separate accounts are valued at NAV. Investments in this type do not have any unfunded commitments. Investments in this type can be redeemed daily, and there is not any restriction on redemption notice period.

Large Cap Value Funds. This type includes investments three pooled separate accounts that invest primarily in domestic equity securities of large and medium companies regularly traded on the New York Stock Exchange and NASDAQ. The management of each fund may invest its assets in foreign equity securities. The VRIAC pooled separate accounts are valued at NAV. Investments in this type do not have any unfunded commitments. Investments in this type can be redeemed daily, and there is not any restriction on redemption notice period.

Small-Cap/Mid-Cap Funds. This type includes investments in six pooled separate accounts that invest primarily in equity securities of small and medium U.S. companies. The VRIAC pooled separate accounts are valued at NAV. Investments in this type do not have any unfunded commitments. Investments in this type can be redeemed daily, and there is not any restriction on redemption notice period.

CITY OF SAN JOSE
VOLUNTARY EMPLOYEE BENEFICIARY ASSOCIATION PLANS

Notes to the Financial Statements (Continued)

For the Years Ended June 30, 2023 and 2022

NOTE 3 – INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Since all investments are participant directed, all risks exist at the participant level. The maturities of the VEBA Plans' investments are identified on page 12 and 13.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Since all investments are participant directed, all risks exist at the participant level. The credit ratings of the VEBA Plans' investments are identified on page 12 and 13.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The VEBA Plans allow the option of investment in the separately managed accounts that invest outside the U.S. The individual funds which hold foreign investments are identified on page 12 and 13.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the VEBA Plans will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. All deposits of the VEBA Plans are held on behalf of the VEBA Plans by VRIAC in accordance with the formal deposit policy for custodial credit risk and are not exposed to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the VEBA Plans' investments in a single issuer. The VEBA Plans' investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the DCAC. The investments that exceed 5% of the VEBA Plans' total investments are identified on page 12 and 13. Since all investments are participant directed, all risks exist at the participant level.