



January 9, 2013

**VIA ELECTRONIC MAIL**

Board of Administration  
City of San José  
Federated City Employees' Retirement System  
1737 North First Street, Suite 580  
San Jose, California 95112

**Re: 5-Year Budget Projections for Federated**

Dear Members of the Board:

The purpose of this letter is to provide estimated future contributions expected to be required of the City of San José to the City of San José Federated City Employees' Retirement System (Federated Pension) and the City of San José Federated City Employees' Health Care Trust (Federated OPEB) for the next five years. The table below summarizes our estimated contributions assuming City contributions are made throughout the fiscal year.

City of San José Federated City Employees' Retirement System and Health Care Trust								
(Dollar Amounts in millions)								
FYE	Payroll	Pension		OPEB		Total		
		Amount	Rate	Amount	Rate	Amount	Rate	
2014	\$ 233.2	\$ 106.2	45.56%	\$ 27.8	11.93%	\$ 134.0	57.49%	
2015	240.8	114.9	47.73%	29.4	12.22%	144.3	59.95%	
2016	248.6	116.9	47.00%	30.4	12.21%	147.3	59.21%	
2017	256.7	120.2	46.85%	31.3	12.18%	151.5	59.03%	
2018	265.0	126.3	47.64%	32.2	12.16%	158.5	59.80%	

Please note that these projections are based on the June 30, 2012 Actuarial Valuations for the pension and OPEB plans, and assume that all assumptions were exactly met since June 30, 2012 and are exactly met each and every year into the future. In addition, the projections assume that the active population headcount remains level and the plan provisions remain unchanged. In reality, experience will deviate from the assumptions with the expectation that overall favorable deviations will be offset by unfavorable deviations over time. The Federated Pension projections reflect the new City Ordinance eliminating the Supplemental Retiree Benefit Reserve. Finally, except as noted above, we have not adjusted the projections for any events, transactions or experience, including investment experience, after June 30, 2012. If the Board or the City is aware of any circumstance that would make this assumption questionable, we would want to obtain such information and make any appropriate adjustments to these projections. Please refer to the valuation reports for a description of the plan provisions, a summary of the data, a summary of the methods and



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assumptions used in each of the valuations, and additional disclosures that also apply to the projections reported in this letter.

Also, as requested, we have attached 20-year projections of City pension contributions.

We hereby certify that, to the best of our knowledge, this letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter. This letter does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This letter was prepared exclusively for the Board of Administration and the City of San José for the purpose described herein. This letter is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

If you have any questions or need any additional information, please let us know.

Sincerely,  
Cheiron



William R. Hallmark, ASA, FCA, EA, MAAA  
Consulting Actuary



Michael W. Schionning, FSA, MAAA  
Principal Consulting Actuary

Attachment

cc: Donna Busse  
Gene Kalwarski  
Anne Harper

**CITY OF SAN JOSÉ FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM  
20-YEAR PROJECTED PENSION CONTRIBUTIONS**

City of San José Federated City Employees' Retirement System 20-Year Projections of City Pension Contributions				
Fiscal Year			Projected City Contribution	Projected City Contribution Rate
Ending	Payroll		(Middle of Year)	(% of Payroll)
2014	\$ 233,200,000		\$ 106,244,000	45.6%
2015	\$ 240,779,000		\$ 114,927,000	47.7%
2016	\$ 248,604,000		\$ 116,854,000	47.0%
2017	\$ 256,683,000		\$ 120,246,000	46.8%
2018	\$ 265,026,000		\$ 126,270,000	47.6%
2019	\$ 273,639,000		\$ 129,058,000	47.2%
2020	\$ 282,532,000		\$ 131,879,000	46.7%
2021	\$ 291,715,000		\$ 134,734,000	46.2%
2022	\$ 301,195,000		\$ 137,657,000	45.7%
2023	\$ 310,984,000		\$ 140,784,000	45.3%
2024	\$ 321,091,000		\$ 144,181,000	44.9%
2025	\$ 331,527,000		\$ 147,833,000	44.6%
2026	\$ 342,301,000		\$ 151,645,000	44.3%
2027	\$ 353,426,000		\$ 155,570,000	44.0%
2028	\$ 364,912,000		\$ 159,634,000	43.7%
2029	\$ 376,772,000		\$ 163,803,000	43.5%
2030	\$ 389,017,000		\$ 168,069,000	43.2%
2031	\$ 401,660,000		\$ 172,457,000	42.9%
2032	\$ 414,714,000		\$ 178,229,000	43.0%
2033	\$ 428,192,000		\$ 155,117,000	36.2%

