

## Overview of Pension Plans Current Status and Expectations

November 12, 2019

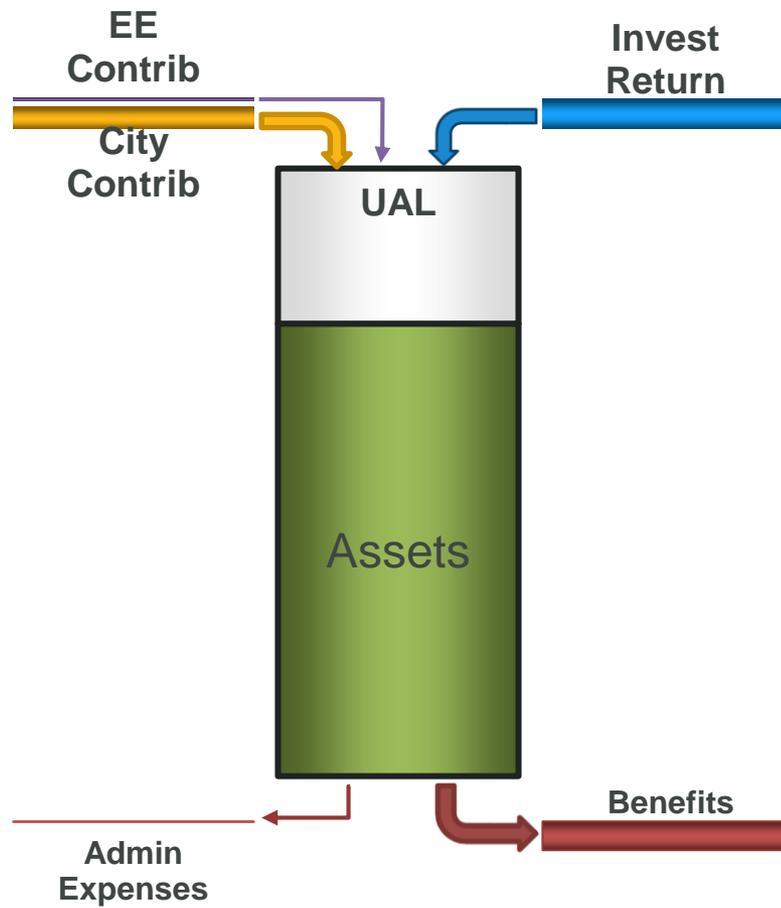
Bill Hallmark, ASA, EA, FCA, MAAA

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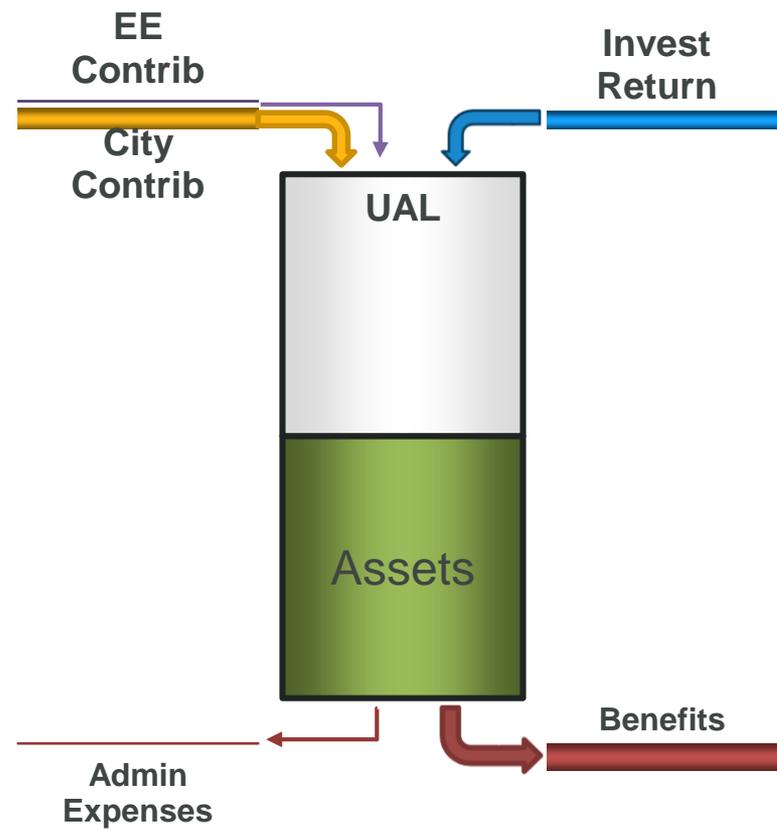
# A Dynamic System



## Police & Fire



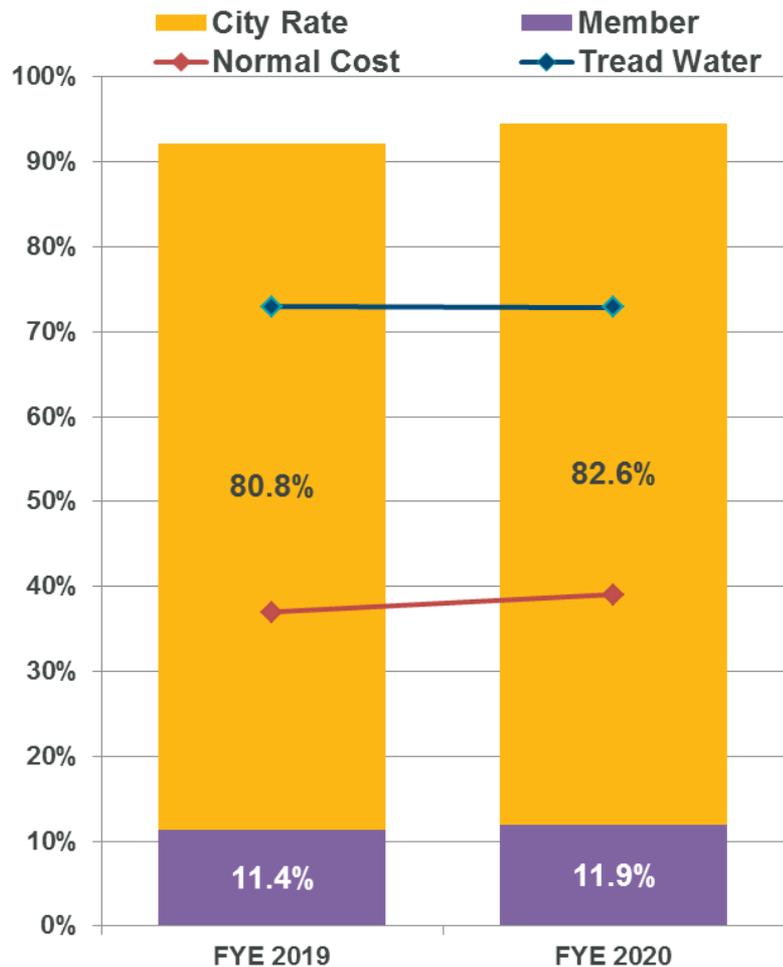
## Federated



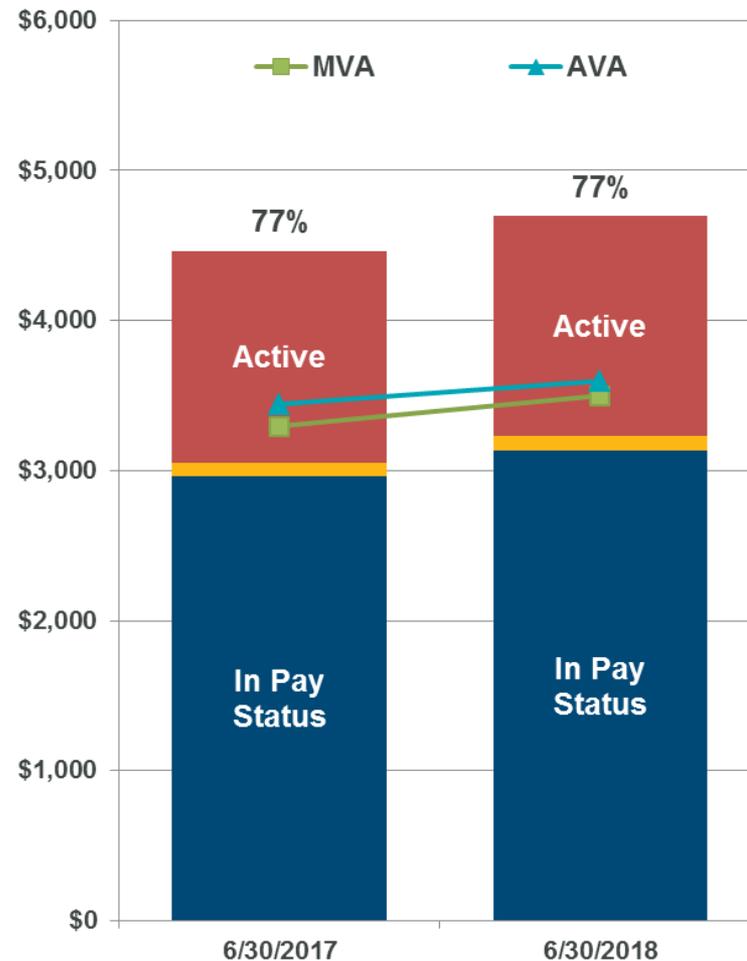
# Background – Police & Fire



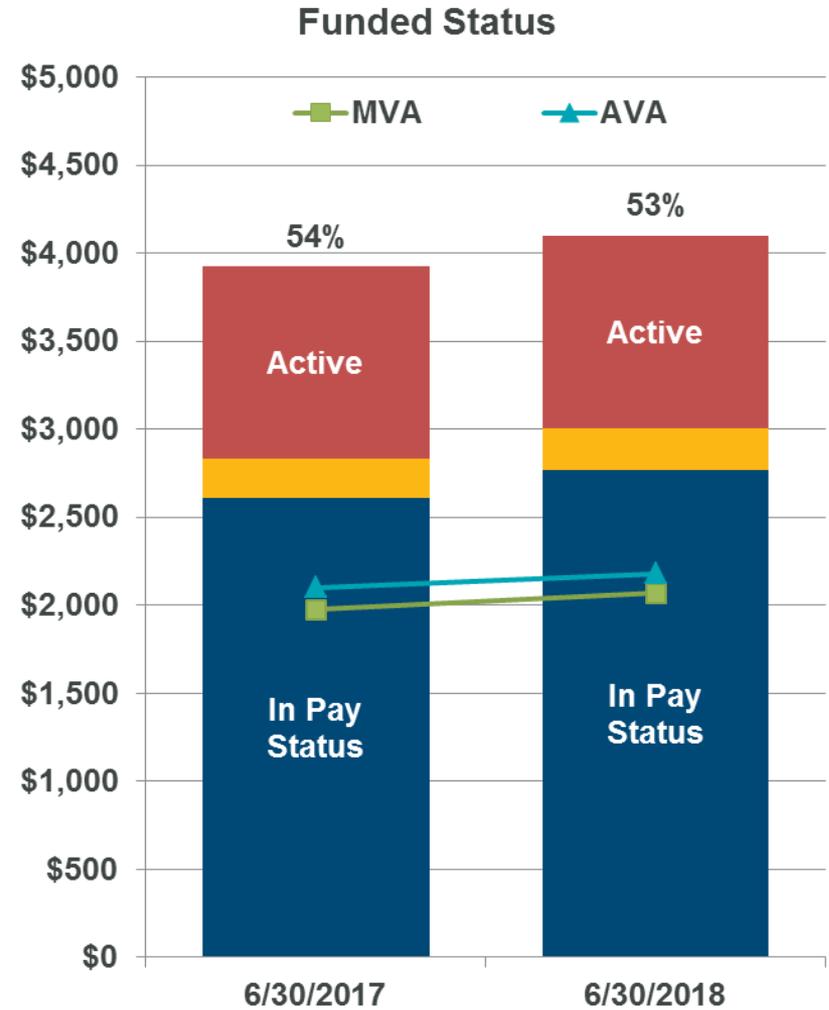
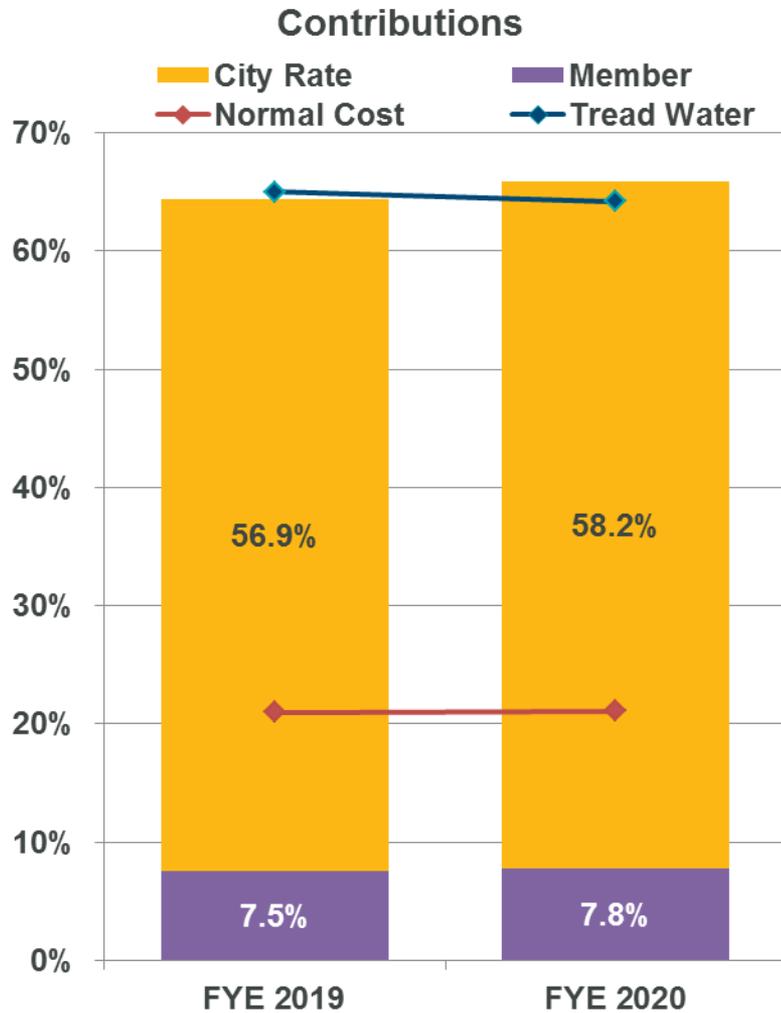
### Contributions



### Funded Status



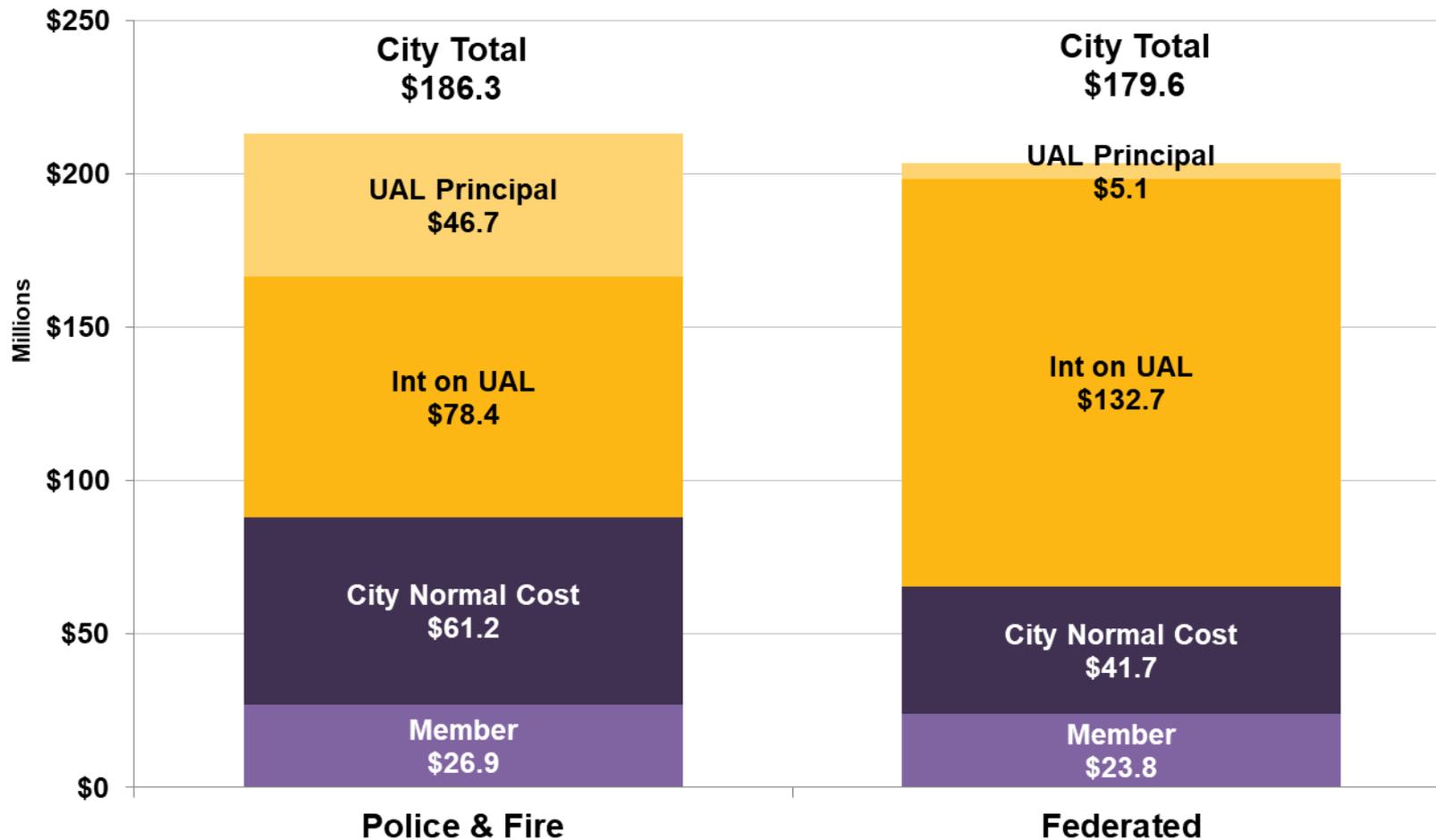
# Background – Federated



# San José FYE 2020 Contributions



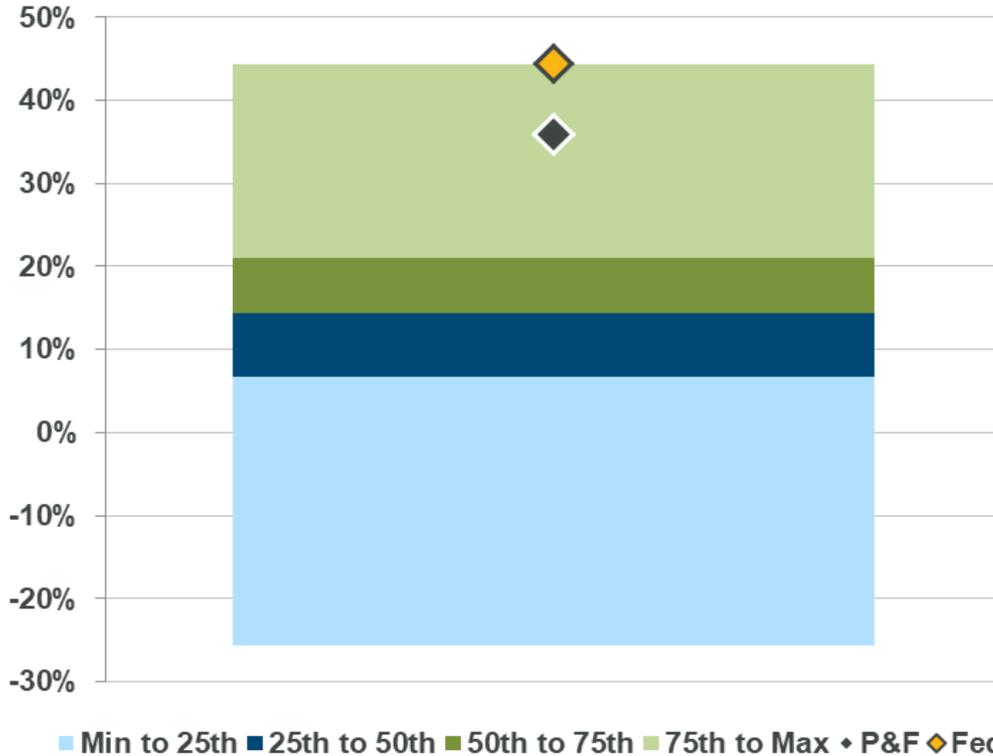
## FYE 2020 Total Contributions



# CA Public Plans Survey – Interest Cost on UAL



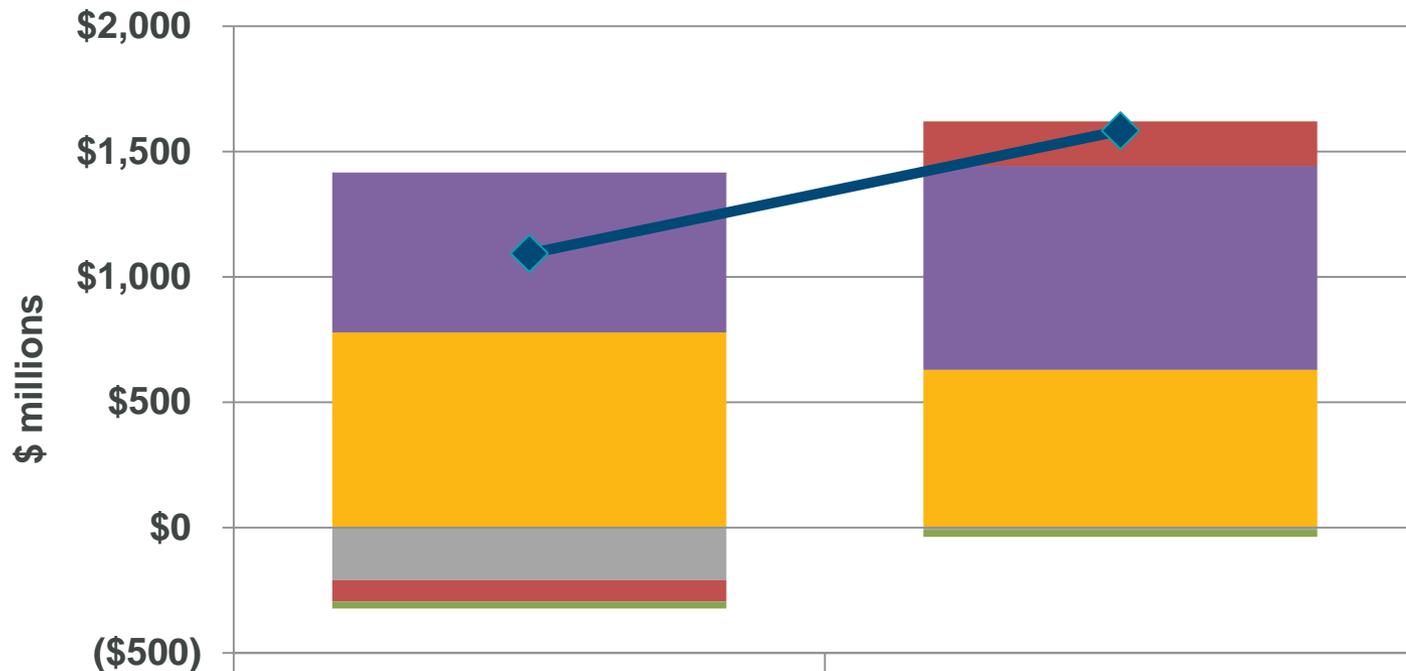
## 2018 Interest Cost Rate Distribution



## 2018 Interest Cost Rates Highest and Lowest

System	IC Rate	System	IC Rate
San José Federated	44%	Los Angeles F&P	4%
San Diego City	38%	Sonoma County	3%
San José P&F	36%	Fresno City	-16%
San Diego Transit	34%	Fresno P&F	-26%

# Sources of UAL Growth (2007-2018)

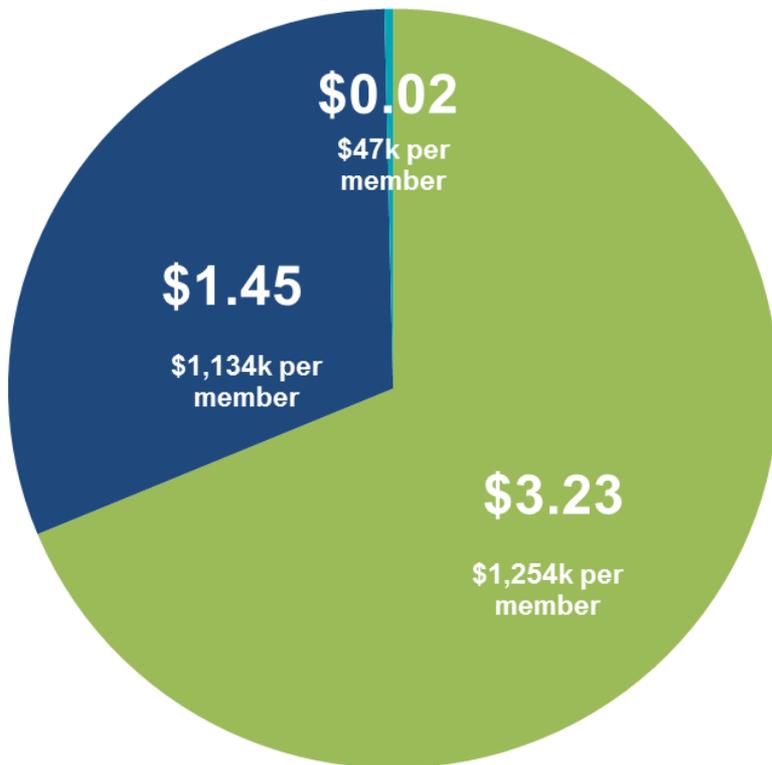


	Police & Fire	Federated
Benefits	\$(28.1)	\$(27.4)
Contributions	\$(85.0)	\$177.0
Liability Experience	\$(210.5)	\$(9.6)
Assumptions	\$638.2	\$814.6
Investment Experience	\$778.5	\$628.6
<b>Total</b>	<b>\$1,093.2</b>	<b>\$1,583.2</b>

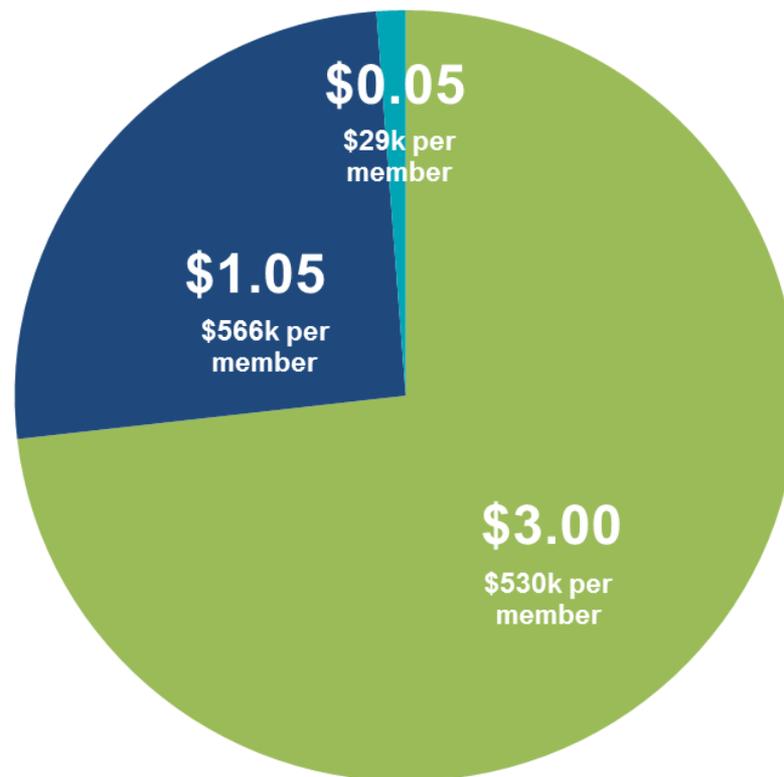
# Liability By Member Status (\$ in billions)



## Police & Fire



## Federated

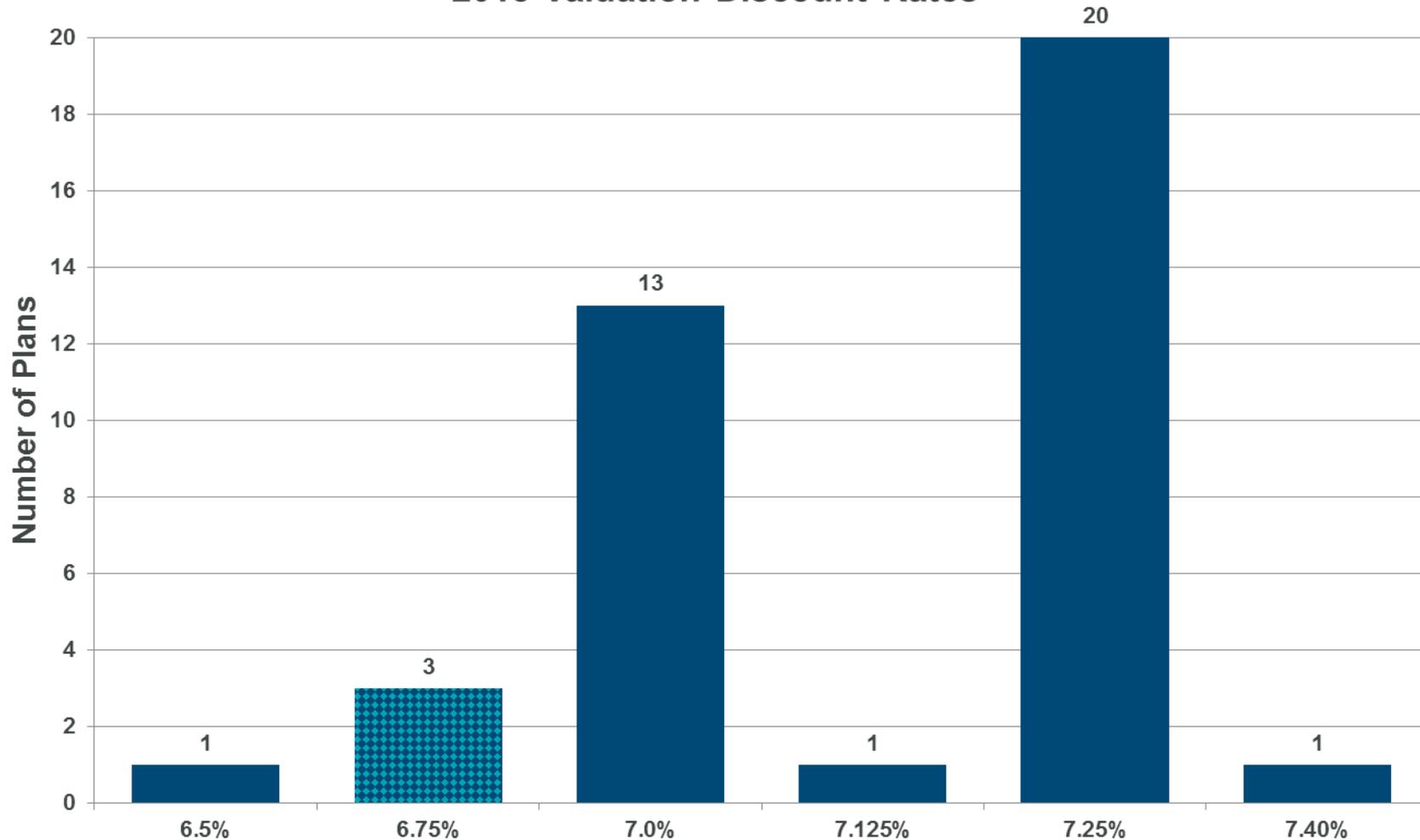


■ Retirees/Inactives ■ Tier 1 Actives ■ Tier 2 Actives

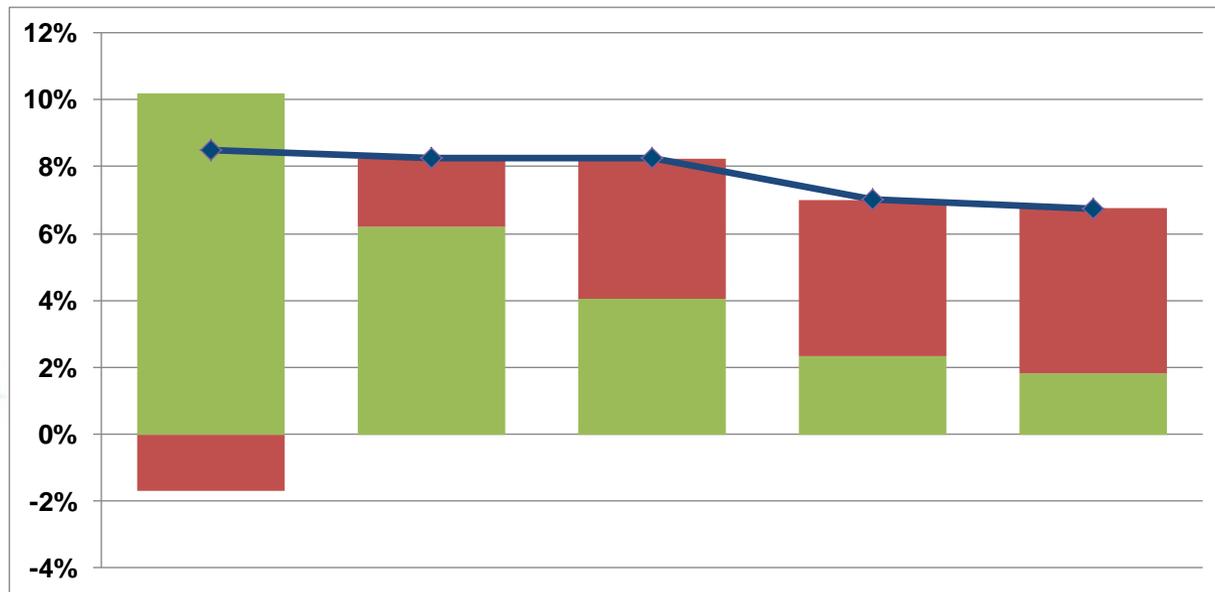
# CA Public Plans Survey – Discount Rates



## 2018 Valuation Discount Rates



# Declining Interest Rates



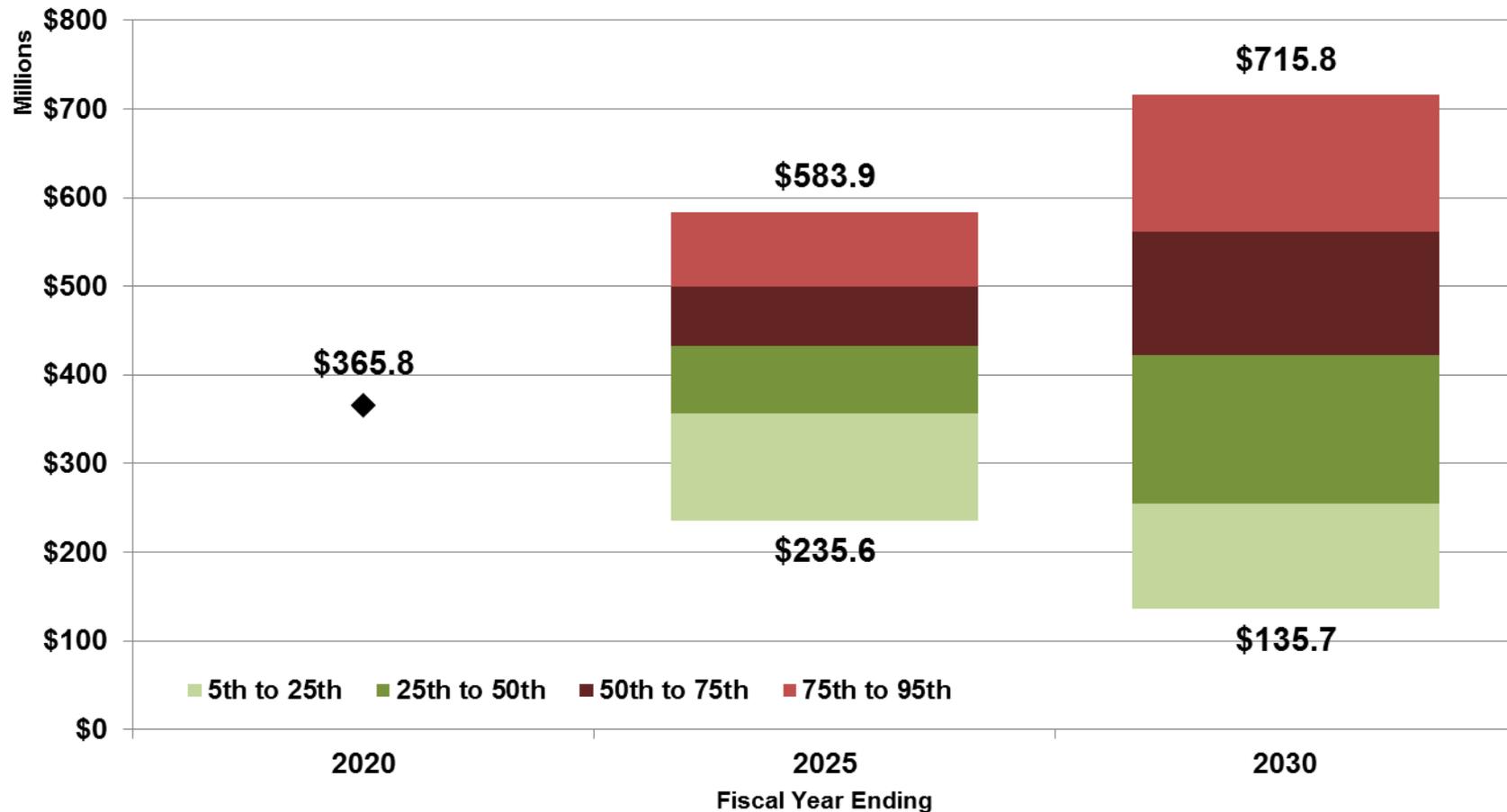
	1985	1995	2005	2015	2019
<b>Federated Discount Rate</b>	<b>8.50%</b>	<b>8.25%</b>	<b>8.25%</b>	<b>7.00%</b>	<b>6.75%</b>
<b>Yield on 10-Year Treasury</b>	<b>10.19%</b>	<b>6.21%</b>	<b>4.06%</b>	<b>2.32%</b>	<b>1.82%</b>
<b>Implied Risk Premium</b>	<b>-1.69%</b>	<b>2.04%</b>	<b>4.19%</b>	<b>4.68%</b>	<b>4.93%</b>

- As interest rates have declined, pension plans have taken on more investment risk in order to achieve their assumed return

# Risk Projections



## Projected Total City Pension Contributions Potential Range Due to Investment Returns





- The purpose of this presentation is to provide the San José City Council an overview of the current status and projections for the City of San José Police and Fire Department Retirement Plan and the Federated City Employees' Retirement System.
- In preparing our presentation, we relied on information (some oral and some written) supplied by the Office of Retirement Systems. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.
- This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.
- This presentation was prepared exclusively for the San José City Council for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

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# Appendix – Survey Data



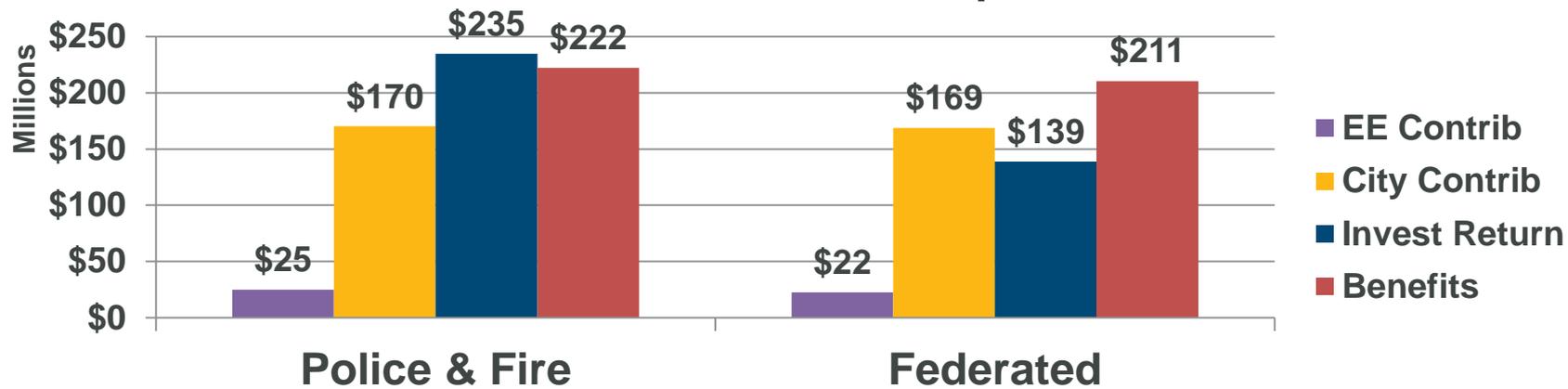
## Cheiron's 2018 Survey of Public Retirement Systems in California

System Name	Discount Rate	Funded Ratio	Interest Cost	Valuation Date	System Name	Discount Rate	Funded Ratio	Interest Cost	Valuation Date
AC Transit	7.125%	71.6%	10.6%	1/1/2018	SACRT - Sacramento Regional Transit	7.250%	71.1%	11.6%	7/1/2018
ACERA - Alameda County	7.250%	77.7%	13.3%	12/31/2017	SamCERA - San Mateo County	6.750%	88.0%	7.2%	6/30/2018
CalPERS - State	7.250%	65.1%	21.7%	6/30/2017	SBCERA - San Bernardino County	7.250%	79.9%	12.0%	6/30/2018
CalSTRS - Defined Benefit	7.000%	68.9%	19.2%	6/30/2017	SBCERS - Santa Barbara County	7.000%	77.2%	17.0%	6/30/2018
City of Fresno - Employee System	7.250%	128.7%	-15.6%	6/30/2018	SCERA - Sonoma County	7.250%	94.2%	3.2%	12/31/2017
City of Fresno - Fire & Police	7.250%	134.1%	-25.7%	6/30/2018	SCERS - Sacramento County	7.000%	82.5%	13.2%	6/30/2018
City of San Jose Federated	6.750%	50.5%	44.4%	6/30/2018	SDCERA - San Diego County	7.250%	77.9%	18.9%	6/30/2018
City of San Jose Police & Fire	6.750%	74.4%	35.9%	6/30/2018	SDCERS - San Diego City	6.500%	73.2%	37.8%	6/30/2018
Contra Costa County ERA	7.000%	90.8%	6.7%	12/31/2017	San Diego Transit	7.000%	55.4%	33.6%	7/1/2018
East Bay Municipal Utility District	7.250%	76.4%	18.7%	6/30/2018	SFERS - San Francisco	7.400%	89.8%	5.9%	7/1/2018
FCERA - Fresno County	7.000%	78.1%	20.2%	6/30/2017	SJCERA - San Joaquin County	7.250%	64.0%	24.7%	1/1/2018
Golden Gate Transit	7.000%	58.3%	21.5%	1/1/2017	SLOCPT - San Luis Obispo county	7.000%	68.9%	20.8%	1/1/2018
ICERS - Imperial County	7.250%	88.0%	6.7%	6/30/2018	StanCERA - Stanislaus County	7.000%	76.6%	15.3%	6/30/2018
KCERA - Kern County	7.250%	63.6%	27.9%	6/30/2018	TCERA - Tulare County	7.250%	89.4%	4.7%	6/30/2018
LACERA - Los Angeles County	7.250%	82.2%	10.6%	6/30/2018	University of California	7.250%	86.9%	6.2%	7/1/2018
LACERS - Los Angeles City	7.250%	71.4%	18.4%	6/30/2018	Valley Transit Authority	7.000%	76.0%	8.5%	1/1/2018
Los Angeles Fire & Police Pension	7.250%	95.9%	4.0%	6/30/2018	VCERA - Ventura County	7.250%	88.0%	6.7%	6/30/2018
Los Angeles Water and Power	7.250%	93.1%	5.9%	7/1/2018					
MCERA - Marin County	7.000%	87.1%	9.4%	6/30/2018					
MCERA - Mendocino County	7.000%	72.5%	19.6%	6/30/2018	<b>Minimum</b>	<b>6.50%</b>	<b>50.5%</b>	<b>-25.7%</b>	<b>1/1/2017</b>
MCERA - Merced County	7.250%	63.5%	24.2%	6/30/2018	<b>Median (50th Percentile)</b>	<b>7.25%</b>	<b>77.2%</b>	<b>14.3%</b>	<b>6/30/2018</b>
OCERS - Orange County	7.000%	74.6%	18.6%	12/31/2017	<b>Maximum</b>	<b>7.40%</b>	<b>134.1%</b>	<b>44.4%</b>	<b>7/1/2018</b>

# Appendix – Current Status of Plans



## FYE 2019 Cash Flow Comparison



## Funded Status as of 6/30/2018



# Appendix - Baseline Contribution Projections



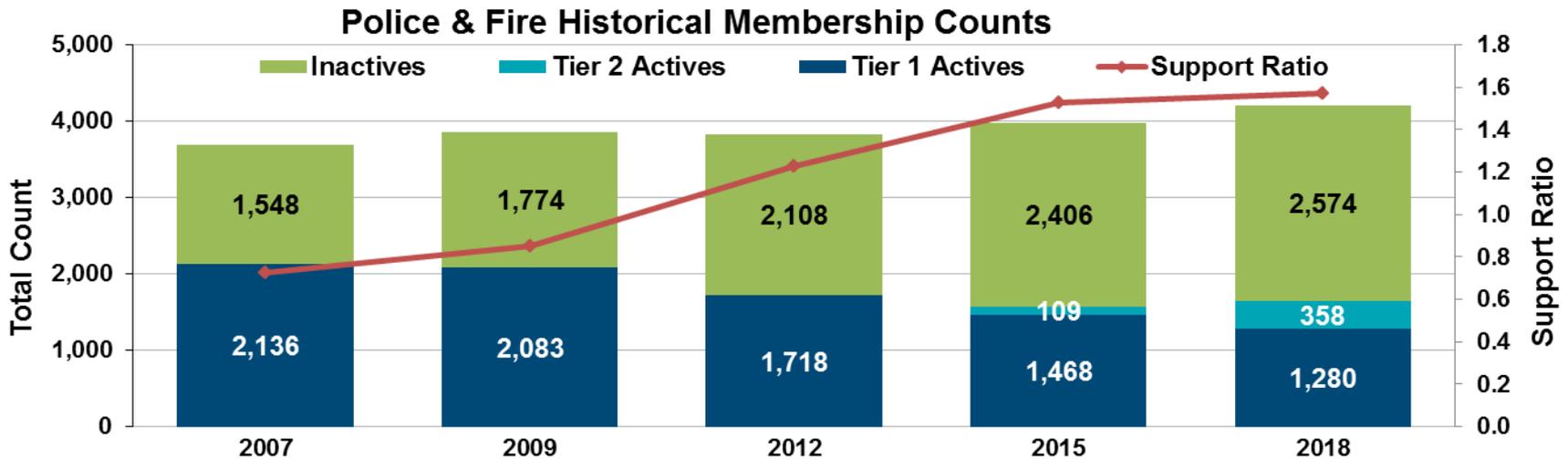
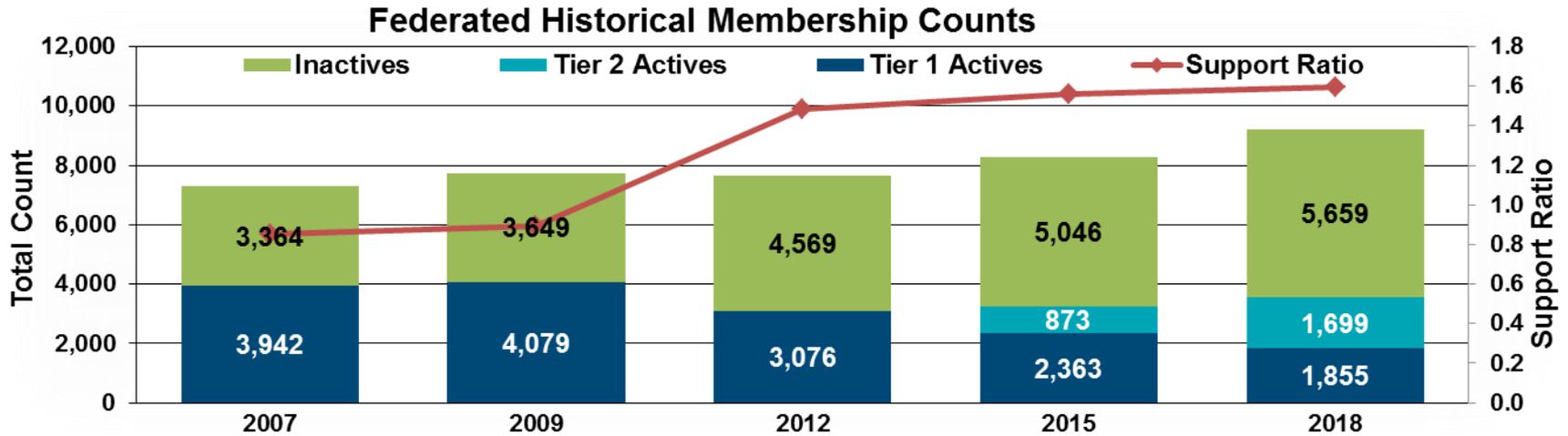
## Federated



## Police & Fire



# Appendix - Plan Maturity – Support Ratios





## 2018 Support Ratio Distribution

