

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

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

For the Years Ended June 30, 2021 and 2020



Certified
Public
Accountants

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
For the Years Ended June 30, 2021 and 2020

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Independent Auditor's Report

Deferred Compensation Advisory Committee
City of San José Deferred Compensation Plans
San José, California

We have audited the accompanying financial statements of the 457 and the PTC Deferred Compensation Plans (Plans) of the City of San José, California (City), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Plans' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Plans' management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the Plans as of June 30, 2021 and 2020, 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.

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, 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

October 13, 2021

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Management's Discussion and Analysis
For the Years Ended June 30, 2021 and 2020
(Unaudited)

The following discussion and analysis of the City of San José's (City) 457 and PTC Deferred Compensation Plans' (Plans) financial performance provides an overview of their basic financial activities for the fiscal years ended June 30, 2021 and 2020. 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 – 2021

457 Plan

- At the close of the fiscal year, June 30, 2021, the net position due to 457 Plan participants was \$1.4 billion. This represents an increase of \$271.7 million from the prior year ending balance.
- Investment earnings and contributions exceeding the payments to participants were the primary reasons for an increase to net position.

PTC Plan

- At the close of the fiscal year, June 30, 2021, the net position due to PTC Plan participants was \$27.2 million. This represents an increase of \$1.4 million from the prior year ending balance.
- Employer and employee contributions as well as investment earnings exceeding payments to participants contributed to the change.

Financial Highlights – 2020

457 Plan

- At the close of the fiscal year, June 30, 2020, the net position due to 457 Plan participants was \$1.1 billion. This represents an increase of \$43.1 million from the prior year ending balance.
- Investment earnings and contributions exceeding the payments to participants were the primary reasons for an increase to net position.

PTC Plan

- At the close of the fiscal year, June 30, 2020, the net position due to PTC Plan participants was \$25.8 million. This represents an increase of \$2.0 million from the prior year ending balance.
- Employer and employee contributions as well as investment earnings exceeding payments to participants contributed to the change.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Management's Discussion and Analysis
For the Years Ended June 30, 2021 and 2020
(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, 2021, 2020 and 2019 (dollars in thousands):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>457 Plan</i>			
Investments at fair value	\$ 1,339,548	\$ 1,067,171	\$ 1,023,991
Loans receivable from participants	11,950	12,656	12,712
Total assets	<u>1,351,498</u>	<u>1,079,827</u>	<u>1,036,703</u>
Net position due to participants	<u>\$ 1,351,498</u>	<u>\$ 1,079,827</u>	<u>\$ 1,036,703</u>
<i>PTC Plan</i>			
Investments at fair value	\$ 27,137	\$ 25,768	\$ 23,794
Loans receivable from participants	38	32	-
Total assets	<u>27,175</u>	<u>25,800</u>	<u>23,794</u>
Net position due to participants	<u>\$ 27,175</u>	<u>\$ 25,800</u>	<u>\$ 23,794</u>

The following table indicates the changes in net position for the fiscal years ended June 30, 2021, 2020 and 2019 (dollars in thousands):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>457 Plan</i>			
Additions	\$ 331,151	\$ 86,891	\$ 91,499
Deductions	<u>(59,480)</u>	<u>(43,767)</u>	<u>(47,257)</u>
Net increase	271,671	43,124	44,242
Net position, beginning of year	<u>1,079,827</u>	<u>1,036,703</u>	<u>992,461</u>
Net position, end of year	<u>\$ 1,351,498</u>	<u>\$ 1,079,827</u>	<u>\$ 1,036,703</u>
<i>PTC Plan</i>			
Additions	\$ 2,981	\$ 3,504	\$ 3,291
Deductions	<u>(1,606)</u>	<u>(1,498)</u>	<u>(1,185)</u>
Net increase	1,375	2,006	2,106
Net position, beginning of year	<u>25,800</u>	<u>23,794</u>	<u>21,688</u>
Net position, end of year	<u>\$ 27,175</u>	<u>\$ 25,800</u>	<u>\$ 23,794</u>

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Management's Discussion and Analysis
For the Years Ended June 30, 2021 and 2020
(Unaudited)

2021 Analysis

457 Plan

The net position due to participants increased by \$271.7 million, or 25.2 percent, in fiscal year 2020-2021. This change in net position is mainly due to investment income and contributions exceeding the payments to participants.

The total additions to net position of \$331.2 million in fiscal year 2020-2021 increased by \$244.3 million from \$86.9 million in fiscal year 2019-2020. The increase was mainly due to a \$243.8 million increase in net investment income at fair value and \$0.5 million increase in contributions. The increase in net investment income is mainly due to increase in investment return in fiscal year 2020-2021. Total deductions from net position of \$59.5 million in fiscal year 2020-2021 increased by \$15.7 million from \$43.8 million in fiscal year 2019-2020. The change is mainly due to the increase in the number of participants that terminated their employment during the fiscal year resulting in an increase in distributions from the Plan to participants, and the increase of administration fees of \$2.2 million.

PTC Plan

The net position due to participants increased by \$1.4 million, or 5.3 percent, in fiscal year 2020-2021. This change in net position is mainly due to investment income and contributions exceeding the payments to participants.

Total additions to net position of \$3.0 million in fiscal year 2020-2021 decreased by \$0.5 million from the \$3.5 million in fiscal year 2019-2020. The decrease was due to the decreases in contributions from participants, and the investment returns were less favorable for fixed income investments in fiscal year 2020-2021. Total deductions from net position of \$1.6 million in fiscal year 2020-2021 increased by \$0.1 million from \$1.5 million in fiscal year 2019-2020. The change is mainly due to the amount of distribution participants are entitled, resulting in an increase in distributions.

2020 Analysis

457 Plan

The net position due to participants increased by \$43.1 million, or 4.2 percent, in fiscal year 2019-2020. This change in net position is mainly due to investment income and contributions exceeding the payments to participants.

The total additions to net position of \$86.9 million in fiscal year 2019-2020 decreased by \$4.6 million from \$91.5 million in fiscal year 2018-2019. The decrease was mainly due to a \$8.0 million decrease in net investment income at fair value offset by a \$3.5 million increase in contributions. Total deductions from net position of \$43.8 million in fiscal year 2019-2020 decreased by \$3.5 million from \$47.3 million in fiscal year 2018-2019. The change is mainly due to the decrease in the number of participants that terminated their employment during the fiscal year resulting in a decrease in distributions from the Plan to participants.

PTC Plan

The net position due to participants increased by \$2.0 million, or 8.4 percent, in fiscal year 2019-2020. This change in net position is mainly due to investment income and contributions exceeding the payments to participants.

Total additions to net position of \$3.5 million in fiscal year 2019-2020 increased by \$0.2 million from the \$3.3 million in fiscal year 2018-2019. The increase is due to a rise in contributions received due to an increase in the number of participants. Total deductions from net position of \$1.5 million in fiscal year 2019-2020 increased by \$0.3 million from \$1.2 million in fiscal year 2018-2019. The change is mainly due to the amount of distribution participants are entitled, resulting in an increase in distributions.

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CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Statements of Net Position Due to Participants
June 30, 2021 and 2020
(Dollars in Thousands)

<i>457 Plan</i>	<u>2021</u>	<u>2020</u>
Assets		
Investments at fair value	\$ 1,339,548	\$ 1,067,171
Loans receivable from participants	<u>11,950</u>	<u>12,656</u>
Total assets	<u>1,351,498</u>	<u>1,079,827</u>
Net position due to participants	<u>\$ 1,351,498</u>	<u>\$ 1,079,827</u>
<i>PTC Plan</i>	<u>2021</u>	<u>2020</u>
Assets		
Investments at fair value	\$ 27,137	\$ 25,768
Loans receivable from participants	<u>38</u>	<u>32</u>
Total assets	<u>27,175</u>	<u>25,800</u>
Net position due to participants	<u>\$ 27,175</u>	<u>\$ 25,800</u>

See accompanying notes to the financial statements.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Statements of Changes in Net Position Due to Participants
For the Years Ended June 30, 2021 and 2020
(Dollars in Thousands)

457 Plan	2021	2020
Additions		
Employee contributions	\$ 38,986	\$ 37,042
Rollover from other institutions	1,691	3,805
Miscellaneous	1,019	385
Net investment income and adjustments to fair value	<u>289,455</u>	<u>45,659</u>
Total additions	331,151	86,891
Deductions		
Payments to participants	(57,103)	(43,643)
Administration fees	<u>(2,377)</u>	<u>(124)</u>
Total deductions	<u>(59,480)</u>	<u>(43,767)</u>
Change in net position	271,671	43,124
Net position due to participants		
Beginning of year	<u>1,079,827</u>	<u>1,036,703</u>
End of year	<u>\$ 1,351,498</u>	<u>\$ 1,079,827</u>
PTC Plan	2021	2020
Additions		
Contributions		
Employer	\$ 1,206	\$ 1,437
Employee	1,206	1,437
Miscellaneous	<u>26</u>	<u>8</u>
Total contributions	2,438	2,882
Net investment income and adjustments to fair value	<u>543</u>	<u>622</u>
Total additions	2,981	3,504
Deductions		
Payments to participants	(1,571)	(1,498)
Administration fees	<u>(35)</u>	<u>-</u>
Total deductions	<u>(1,606)</u>	<u>(1,498)</u>
Change in net position	1,375	2,006
Net position due to participants		
Beginning of year	<u>25,800</u>	<u>23,794</u>
End of year	<u>\$ 27,175</u>	<u>\$ 25,800</u>

See accompanying notes to the financial statements.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE 1 – PLANS DESCRIPTION

The following description of the City of San José Deferred Compensation Plan (457 Plan) and the City of San José PTC Deferred Compensation Plan (PTC Plan) (collectively, Plans) provides only general information. Participants should refer to the Plans' agreements and the Municipal Code for a more complete description of the Plans' provisions.

The City of San José (City) maintains two eligible deferred compensation plans in accordance with Section 457 of the Internal Revenue Code (IRC 457). The Plans permit employees to defer a portion of their compensation until future years. Under the Plans, participants are not generally taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at death, retirement, termination, disability or certain unforeseen emergencies.

The following is a brief description of the City's two deferred compensation plans:

- The City of San José, California, Deferred Compensation Plan is described in Chapter 3.48 of the San José Municipal Code. The 457 Plan is available to all City employees on a voluntary basis. An employee who elects to participate must enter into a participation agreement that specifies the amount of the deferral and the investment options selected by the participant. The 457 Plan currently utilizes Voya Retirement Insurance and Annuity Company (VRIAC) as its investment administrator. Effective January 1, 2013, 457 Plan participants can choose to make contributions on a pre-tax basis to the traditional 457 Plan, on an after-tax basis to the Roth 457 Plan, or a combination of the two contributions basis.
- The City of San José, California, PTC Deferred Compensation Plan is described in Chapter 3.50 of the San José Municipal Code. The PTC Plan is a mandatory plan in lieu of Social Security for those employees who are not eligible for membership in either the Federated City Employees' Retirement System or the Police and Fire Department Retirement Plan. The participants defer 3.75% of salary and the City makes a matching contribution (with the total capped by the maximum allowed under IRC 457). The PTC Plan currently utilizes VRIAC as its investment administrator. PTC Plan participants can only make contributions on a pre-tax basis.

Benefited part-time employees who were hired before October 1, 2006 were given the option to invest PTC contributions in the same investment options as the 457 Plan participants based on their Participation Agreements. After October 1, 2006 when the City transitioned the investment administrator services to VRIAC, those part-time employees' PTC accounts were transferred to the 457 Plan in order for them to continue having the ability to invest in various investment options, instead of only the Stable Value Fund offered in the PTC Plan.

For all new part-time employees hired on and after October 1, 2006, their PTC contributions are deposited and invested in the Stable Value Fund in the PTC Plan.

The assets of the Plans are held in trust and administered by the Deferred Compensation Advisory Committee (DCAC). The DCAC is comprised of seven members – one member representing management employees, one member representing police department employees, one member representing fire department employees, two members representing the other five employee organizations, and two members appointed by the City Manager.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

NOTE 1 – PLANS DESCRIPTION (Continued)

Contributions – During each payroll period in which an employee is a participant in the Plans, the City will defer payment of the employee’s compensation (as specified by the participating employee). The maximum that each participant may defer under the Plans for any taxable year shall not exceed the lesser of:

1. The dollar amount permitted under IRC 457; or
2. The percentage limitation applied to the participant’s includible compensation.

In addition, the maximum deferral described above is not applicable for one or more of the participant’s last three taxable years ending before the attainment of normal retirement age. In that instance, the maximum shall be the lesser of:

1. Twice the dollar amount permitted under IRC 457; or
2. The sum of:
 - a. The maximum deferral amount established for the purposes of Section 3.48.040.A or 3.50.040.B of the Municipal Code for the taxable year (determined without regard to Section 3.48.040.B or 3.50.040.C); plus
 - b. The maximum deferral amount established for the purposes of Section 3.48.040.A or 3.50.040.B of the Municipal Code for taxable years beginning after December 31, 1978, and before the taxable year as has not previously been used under Section 3.48.040.A or 3.50.040.B, or under Section 3.48.040.B or 3.50.040.C.

Furthermore, beginning January 1, 2002, a participant who has attained the age of fifty years before the close of the tax year, and with respect to whom no other elective deferrals may be made to the plan for the year by reason of the limitations set forth under Section 3.48.040A, may specify in the participation agreement that the participant elects to make deferrals in addition to those permitted by Section 3.48.040A in the amount not to exceed:

1. The dollar amount permitted under Section 414(v)(2)(B) of the Internal Revenue Code (IRC) as adjusted for the cost-of-living in accordance with Section 414(v)(2)(C) of the IRC; or
2. The portion of the participants compensation (as defined in Section 415(C)(3) of the IRC) that is in excess of any other elective deferrals of the participant for such year as are made without regard to Section 3.48.040.B.

Participants in the 457 Plan may also contribute amounts representing distributions from other qualified IRC 457 deferred compensation plans of any local government, state or tax-exempt organization.

Participant Accounts – The account of each participant is credited with the participant’s contribution and allocations of the Plans’ earnings and charged with an allocation of administrative expenses. Allocations are based on participant earnings on account balances. The account of each PTC participant is also credited with the City’s matching contribution.

Vesting – Participants are immediately vested in the employee and employer contributions plus actual earnings thereon.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

NOTE 1 – PLANS DESCRIPTION (Continued)

Payment of Benefits – On termination of service due to death, disability, or retirement, a participant (or a participant’s beneficiary) may elect to receive either a lump-sum amount equal to the value the participant’s interest in his or her account or periodic installments during the lifetime of the participant less any federal or state income tax required to be withheld.

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 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 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 Plans.

Investment Valuation – The Plans’ investments are stated at fair value. Investments valued at the net asset value are investments in the VRIAC separate accounts and pooled separate accounts. The VRIAC pooled separate accounts are also valued at the net asset value (NAV). The VRIAC separate accounts are valued based on fair value of the underlying investments without an expense adjustment.

Loans Receivable from Participants – The IRC permits and the City allows participants in the 457 Plan to participate in a loan program. The loans are secured by the remaining balance in the participant’s account and must be repaid over a period that does not exceed five years, except that if the loan is for the purchase of a principal residence, the loan may be repaid over a period not to exceed twenty years. The maximum amount of loans to participants is the lesser of \$50,000 or 50% of the participant’s vested account balance as of the day immediately preceding the date on which the loan is approved. The maximum number of loans that can be outstanding at one time for a participant is two.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the 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
DEFERRED COMPENSATION PLANS
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

NOTE 3 – INVESTMENTS

457 Plan participants may direct contributions into any of the investment options offered by the Plans' investment administrator, which include various VRIAC separate and pooled separate accounts. It is the 457 Plan's 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 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 pages 15 and 16.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

NOTE 3 – INVESTMENTS (Continued)

The following presents investments at June 30, 2021 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 (dollars in thousands):

Investments	Average Effective Maturity	Credit Rating	June 30, 2021
457 Plan			
Investments measured at the net asset value (NAV)			
Short-Term Funds			
Stable Value Option Fund	4.78 years	AA+	\$ 263,628 *
Bonds Funds			
Loomis Sayles Core Plus Bd FN	7.70 years	BBB	40,564 **
Templeton Global Bond Fd R6	2.53 years	BB	6,011 **
Global International Funds			
American Funds EuroPacific R5	n/a	n/a	32,065 **
Invesco Oppenheimer Developing Mkts FY	n/a	n/a	12,045 **
DFA Int'l Small CO - Class	n/a	n/a	4,277 **
Vanguard Tot Intl St Indx Fd Admiral	n/a	n/a	7,583 **
Asset Allocation Funds			
Moderate Custom Lifestyle Port	n/a	n/a	134,426 * **
Aggressive Custom Lifestyle Port	n/a	n/a	119,888 * **
Conservative Custom Lifestyle Port	n/a	n/a	27,401 **
Vanguard T Retirement Income	7.40 years	AA	2,786 **
Vanguard Tgt Ret 2015 - Inv	7.45 years	AA	2,940 **
Vanguard Tgt Ret 2020 - Inv	7.79 years	AA	8,221 **
Vanguard Tgt Ret 2025 - Inv	8.73 years	A	12,263 **
Vanguard Tgt Ret 2030 - Inv	8.86 years	A	7,645 **
Vanguard Tgt Ret 2035 - Inv	8.86 years	A	11,505 **
Vanguard Tgt Ret 2040 - Inv	8.86 years	A	7,551 **
Vanguard Tgt Ret 2045 - Inv	8.85 years	A	10,146 **
Vanguard Tgt Ret 2050 - Inv	8.87 years	A	13,225 **
Vanguard Tgt Ret 2055 - Inv	8.86 years	A	17,587 **
Vanguard Tgt Ret 2060 - Inv	8.85 years	A	2,293 **
Vanguard Tgt Ret 2065 - Inv	8.79 years	AA	635 **
Large Cap Growth Funds			
American Funds Growth End R5	n/a	n/a	158,874 * **
Fidelity Adv New Insights I	n/a	n/a	39,733 **
Large Cap Value Funds			
AMG Yacktman Fund I	n/a	n/a	39,393 **
Parnassus Core Equity Fund Inst	n/a	n/a	10,150 **
Vanguard Equity Income Fund Adm	n/a	n/a	26,175 **
Vanguard Institutl Index (Inst)	n/a	n/a	48,980 **
Vanguard Tot Stok mrkt Ind-Instl	n/a	n/a	79,623 * **
Small-Cap/Mid-Cap Funds			
Emerald Growth Fund Inst	n/a	n/a	8,276
Janus Henderson Enterprise Fund N	n/a	n/a	28,417 **
Janus Henderson Small cap Value Fund I	n/a	n/a	3,413 **
JPMorgan Md Cap Value Fund Cls L Shr	n/a	n/a	6,073
Vanguard Mid-Cap Index-Instl	n/a	n/a	24,660 **
Vanguard Sml-Cap Index-Instl	n/a	n/a	27,437 **
Specialty Fund - Real Estate			
VY Clarion Real Est Fund I	n/a	n/a	7,363
Total investments measured at the NAV			1,253,252
Other assets - TD Ameritrade SDBA			85,301 *
Annuities			995
Total 457 Plan investments measured at fair value			<u>\$ 1,339,548</u>
PTC Plan			
Stable Value Option Fund	4.26 years	AA+	<u>\$ 27,137 *</u>

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

** Represents funds holding international investments

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

NOTE 3 – INVESTMENTS (Continued)

The following presents investments at June 30, 2020 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 (dollars in thousands):

Investments	Average Effective Maturity	Credit Rating	June 30, 2020
457 Plan			
Investments measured at the net asset value (NAV)			
Short-Term Funds			
Stable Value Option Fund	4.26 years	AA+	\$ 247,333 *
Vanguard Federal Money Market	n/a	Not Rated	19,526
Bonds Funds			
Loomis Sayles Core Plus Bd FN	10.15 years	BBB	37,965 **
Templeton Global Bond Fd R6	2.35 years	BBB	7,112 **
Global International Funds			
American Funds EuroPacific R5	n/a	n/a	21,333 **
Invesco Oppenheimer Developing Mkts FY	n/a	n/a	9,974 **
DFA Int'l Small CO - Class	n/a	n/a	3,335 **
Vanguard Tot Intl St Indx Fd Admiral	n/a	n/a	6,208 **
Asset Allocation Funds			
Moderate Custom Lifestyle Port	n/a	n/a	112,034 * **
Aggressive Custom Lifestyle Port	n/a	n/a	92,707 * **
Conservative Custom Lifestyle Port	n/a	n/a	23,666 **
Vanguard T Retirement 2025	8.61 years	A	7,022 **
Vanguard Tgt Ret 2020 - Inv	7.69 years	AA	6,255 **
Vanguard T Retirement 2035	8.64 years	A	7,163 **
Vanguard T Retirement 2015	7.31 years	AA	2,834 **
Vanguard T Retirement 2045	8.65 years	A	7,039 **
Vanguard Tgt Ret 2055 - Inv	8.67 years	A	10,827 **
Vanguard Tgt Ret 2030 - Inv	8.64 years	A	4,956 **
Vanguard T Retirement Income	7.20 years	AA	2,264 **
Vanguard Tgt Ret 2050 - Inv	8.67 years	A	8,613 **
Vanguard Tgt Ret 2040 - Inv	8.62 years	A	4,423 **
Vanguard Tgt Ret 2060 - Inv	8.63 years	A	897 **
Vanguard Tgt Ret 2065 - Inv	8.62 years	AA	254 **
Large Cap Growth Funds			
American Funds Growth End R5	n/a	n/a	113,202 * **
Fidelity Adv New Insights I	n/a	n/a	31,019 **
Large Cap Value Funds			
Vanguard Tot Stok mrkt Ind-Instl	n/a	n/a	56,981 * **
Vanguard Institutl Index (Inst)	n/a	n/a	39,092 **
AMG Yacktman Fund I	n/a	n/a	28,892 **
Vanguard Equity Income Fund Adm	n/a	n/a	19,264 **
Parnassus Core Equity Fund Inst	n/a	n/a	7,238 **
Small-Cap/Mid-Cap Funds			
Janus Henderson Enterprise Fund N	n/a	n/a	26,764 **
Vanguard Sml-Cap Index-Instl	n/a	n/a	16,248 **
Vanguard Mid-Cap Index-Instl	n/a	n/a	16,633 **
JPMorgan Md Cap Value Fund Cls L Shr	n/a	n/a	5,400
Janus Henderson Small cap Value Fund I	n/a	n/a	3,147 **
Emerald Growth Fund Inst	n/a	n/a	4,410
Specialty Fund - Real Estate			
VY Clarion Real Est Fund I	n/a	n/a	5,331
Total investments measured at the NAV			1,017,361
Other assets - Ameritrade SDBA			48,851
Annuities			959
Total 457 Plan investments measured at fair value			<u>\$ 1,067,171</u>
PTC Plan			
Stable Value Option Fund	4.26 years	AA+	<u>\$ 25,768 *</u>

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

** Represents funds holding international investments

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

NOTE 3 – INVESTMENTS (Continued)

457 Plan's Investments

Short-Term Funds. This type includes investments in one pooled separate account (two separate accounts and one pooled separate account as of June 30, 2020) 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. 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.

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 four 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 three separate accounts and 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 two pooled separate accounts that 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 in five 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.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

NOTE 3 – INVESTMENTS (Continued)

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.

Specialty Fund – Real Estate. This type includes investments in one pooled separate account that invests primarily in common and preferred stocks of U.S. real estate investment trusts and real estate 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.

Other Assets. This type includes investments in one separate account (none as of June 30, 2020) that allow investments outside of the core retirement offering such as mutual funds, ETFs, stocks, and bonds, to supplement a retirement plan's offering. Investments in this type can be redeemed daily, and there is not any restriction on redemption notice period. The fair value of the investments in this type have been determined using the market price of the investments.

Annuities. This includes two types of annuities, fixed annuities and variable annuities. The fixed annuities invest through a group annuity contract issued by VRIAC. The value of the Fixed Accounts is determined by the daily crediting of interest which is subject to minimum contractual guarantees. The Fixed Accounts do not have a maturity date. Variable annuities invest in the following investment portfolios: Voya Growth and Income, Voya Index Plus Large Cap Growth, Voya Balanced and Voya Intermediate Bond. 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.

PTC Plan's Investments

Stable Value Option Fund. This fund invests in a diversified portfolio of fixed income assets in order to preserve participant account balances and to return steady growth over time without daily functions. The VRIAC pooled separate accounts are valued at NAV. Investments in this fund do not have any unfunded commitments. Investments in this fund can be redeemed daily, and there is not any restriction on redemption notice period.

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 Plans' investments are identified on pages 13 and 14.

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 Plans' investments are identified on pages 13 and 14.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

NOTE 3 – INVESTMENTS (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The 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 pages 13 and 14.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the 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 Plans are held on behalf of the 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 Plans' investments in single issuer. The 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 Plans' total investments are identified on pages 13 and 14. Since all investments are participant directed, all risks exist at the participant level.