



Classic Values, Innovative Advice

January 15, 2014

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, as requested, 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 contributions are made throughout the fiscal year.

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
2015	\$ 230.3	\$ 120.5	52.31%	\$ 26.3	11.44%	\$ 146.8	63.75%
2016	234.9	120.9	51.49%	31.7	13.51%	152.7	65.00%
2017	239.6	123.0	51.35%	33.0	13.76%	156.0	65.11%
2018	244.4	127.8	52.30%	33.7	13.80%	161.5	66.10%
2019	249.3	129.2	51.82%	34.5	13.83%	163.7	65.66%

Please note that these projections are based on the June 30, 2013 actuarial valuations, and assume that all assumptions were exactly met since June 30, 2013 and are exactly met each and every year into the future. In reality, experience will deviate from the assumptions with the expectation that overall favorable deviations will be offset by unfavorable deviations over time. Finally, except as noted above, we have not adjusted the projections for any events, transactions or experience, including investment experience, after June 30, 2013. If the Board or the City is aware of any significant event since June 30, 2013 that could alter these projections, please let us know. Please refer to the valuation reports for a description of the plan provisions, a summary of the data, a summary of the methods and assumptions used in each of the valuations, and additional disclosures that also apply to the projections reported in this letter.



The table below summarizes the estimated contributions assuming they are made at the beginning of the year as well as throughout the year and separates the pension contributions between Tier 1 and Tier 2.

San José Federated City Employees' Retirement System and Health Care Trust												
FYE	Tier 1				Tier 2				OPEB			
	<u>Contribution if Paid</u>				<u>Contribution if Paid</u>				<u>Contribution if Paid</u>			
	Payroll	July 1	the Year	Rate	Payroll	July 1	the Year	Rate	Payroll	July 1	the Year	Rate
2015	\$196.9	\$114.6	\$118.6	60.25%	\$33.4	\$1.8	\$1.8	5.53%	\$230.3	\$25.4	\$26.3	11.44%
2016	188.7	114.3	118.4	62.73%	46.2	2.5	2.6	5.52%	234.9	30.7	31.7	13.51%
2017	179.5	115.6	119.7	66.68%	60.1	3.2	3.3	5.52%	239.6	31.8	33.0	13.76%
2018	169.6	119.4	123.7	72.92%	74.8	4.0	4.1	5.52%	244.4	32.6	33.7	13.80%
2019	160.0	120.0	124.3	77.65%	89.2	4.8	4.9	5.52%	249.3	33.3	34.5	13.83%

Dollar amounts in millions

Finally, we have also 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.

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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

cc: Roberto Peña
Donna Busse
Gene Kalwarski
Jacqui King
Bethany Axtman

**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)
2015	\$ 230,295,000	\$ 120,476,000	52.3%
2016	\$ 234,901,000	\$ 120,943,000	51.5%
2017	\$ 239,599,000	\$ 123,026,000	51.3%
2018	\$ 244,391,000	\$ 127,813,000	52.3%
2019	\$ 249,278,000	\$ 129,186,000	51.8%
2020	\$ 256,383,000	\$ 131,137,000	51.1%
2021	\$ 263,690,000	\$ 133,073,000	50.5%
2022	\$ 271,205,000	\$ 135,046,000	49.8%
2023	\$ 278,934,000	\$ 137,174,000	49.2%
2024	\$ 286,884,000	\$ 139,507,000	48.6%
2025	\$ 295,060,000	\$ 142,026,000	48.1%
2026	\$ 303,469,000	\$ 144,647,000	47.7%
2027	\$ 312,118,000	\$ 147,331,000	47.2%
2028	\$ 321,014,000	\$ 150,100,000	46.8%
2029	\$ 330,163,000	\$ 152,912,000	46.3%
2030	\$ 339,572,000	\$ 155,749,000	45.9%
2031	\$ 349,250,000	\$ 158,640,000	45.4%
2032	\$ 359,204,000	\$ 162,739,000	45.3%
2033	\$ 369,441,000	\$ 140,779,000	38.1%
2034	\$ 379,970,000	\$ 133,516,000	35.1%