

April 2, 2026

Bill Gold  
 Assistant to the City Manager  
 City Manager’s Office of Employee Relations  
**City of San José**

**Re: Federated City Employees’ Retirement System  
 Estimated Impact of Wage Increase Proposal**

Dear Mr. Gold:

This letter provides our analysis of the impact a 5% pensionable wage increase would have on the Federated City Employees’ Retirement System (Federated) liabilities and contribution rates for the AEA, AMSP, CAMP, and MEF bargaining units, and does not contemplate any other pensionable increases that differ from those assumed by the Federated Board in FY 2026/2027, or later.

**ANALYSIS**

The following table shows the estimated impact that a 5% pensionable wage increase on July 1, 2026 would have on the Federated retirement plan’s June 30, 2025 Actuarial Accrued Liability (AAL) and 2026/2027 contributions for each of the four bargaining units listed above.

Estimated Impact of Pensionable Wage Increase for AEA, AMSP, CAMP, and MEF							
Unit	Fiscal Year of Wage Increase	Date of Wage Increase	Wage Increase	Increase to Unfunded Actuarial Accrued Liability (\$M)	Estimated Contribution Impact		
					Fiscal Year Impact to Contribution	Increase to City Dollar Contribution Amount (\$M)	Increase to Total Dollar Contribution Amount (\$M)
AEA	2026/2027	7/1/2026	5.00% Pensionable	\$2.0	2026/2027	\$0.22	\$0.30
AMSP				\$1.8		\$0.19	\$0.27
CAMP				\$5.3		\$0.57	\$0.79
MEF				\$7.9		\$0.84	\$1.17
<b>Total (AEA, AMSP, CAMP, MEF)</b>				<b>\$17.0</b>		<b>\$1.82</b>	<b>\$2.53</b>

Please note:

- The estimates above are based on the City of San José Federated City Employees’ Retirement System Actuarial Valuation Report as of June 30, 2025 produced by Cheiron and dated December 2025, as well as budget projections prepared by Cheiron.
- To estimate the impacts on the four specific bargaining units, we first calculated the impact on the total Federated valuation results, then allocated the increased costs based on the Actuarial Accrued Liability by bargaining unit.
- The column titled “Increase to Unfunded Actuarial Accrued Liability (\$M)” shows the estimated impact

of the 5% pensionable wage increase on the 6/30/2025 Unfunded AAL. The Unfunded AAL is a measure of the present value of plan obligations for benefits earned (on an actuarial cost method basis) for past service as of the valuation date that are not covered by plan assets. The Unfunded AAL is the initial unamortized present value: it will be paid off, or amortized, as described below.

- The increase in the Unfunded AAL is amortized over the prescribed number of years for gains and losses as shown in the valuation report and, when added to the increase in the normal cost resulting from the 5% pensionable wage increase, totals to the annual contribution increase amount shown in the column "Increase to Total Dollar Contribution Amount (\$M)".
- The annual amount shown in the column "Increase in City Dollar Contribution Amount (\$M)" is an estimate of the City's portion of the total contribution increase for the fiscal year. The difference between the "Increase in Total Dollar Contribution Amount (\$M)" and the "Increase in City Dollar Contribution Amount (\$M)" is the estimated annual increase to be paid by the employees during the fiscal year.

#### **ACTUARIAL CERTIFICATION**

The estimates above are based on the City of San José Federated City Employees' Retirement System Actuarial Valuation Report as of June 30, 2025 produced by Cheiron and dated December 2025, as well as budget projections prepared by Cheiron. The estimates assume all valuation actuarial assumptions will be realized exactly except for the 2026/2027 payroll increases. The estimates also assume there will be no change in plan provisions or actuarial methodology.

The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. In reviewing the results presented in this study, it should be noted there are risks that may not be inherently apparent to the reader that should be carefully considered.

If you have any questions, or would like to discuss the results, please let us know.

Sincerely,



---

Drew Ballard, FSA, EA, MAAA  
Senior Consulting Actuary  
[drew.ballard@foster-foster.com](mailto:drew.ballard@foster-foster.com)  
(650) 377-1607



---

Braeleen Ballard, FSA, EA, MAAA  
Senior Consulting Actuary  
[braeleen.ballard@foster-foster.com](mailto:braeleen.ballard@foster-foster.com)  
(650) 377-1611