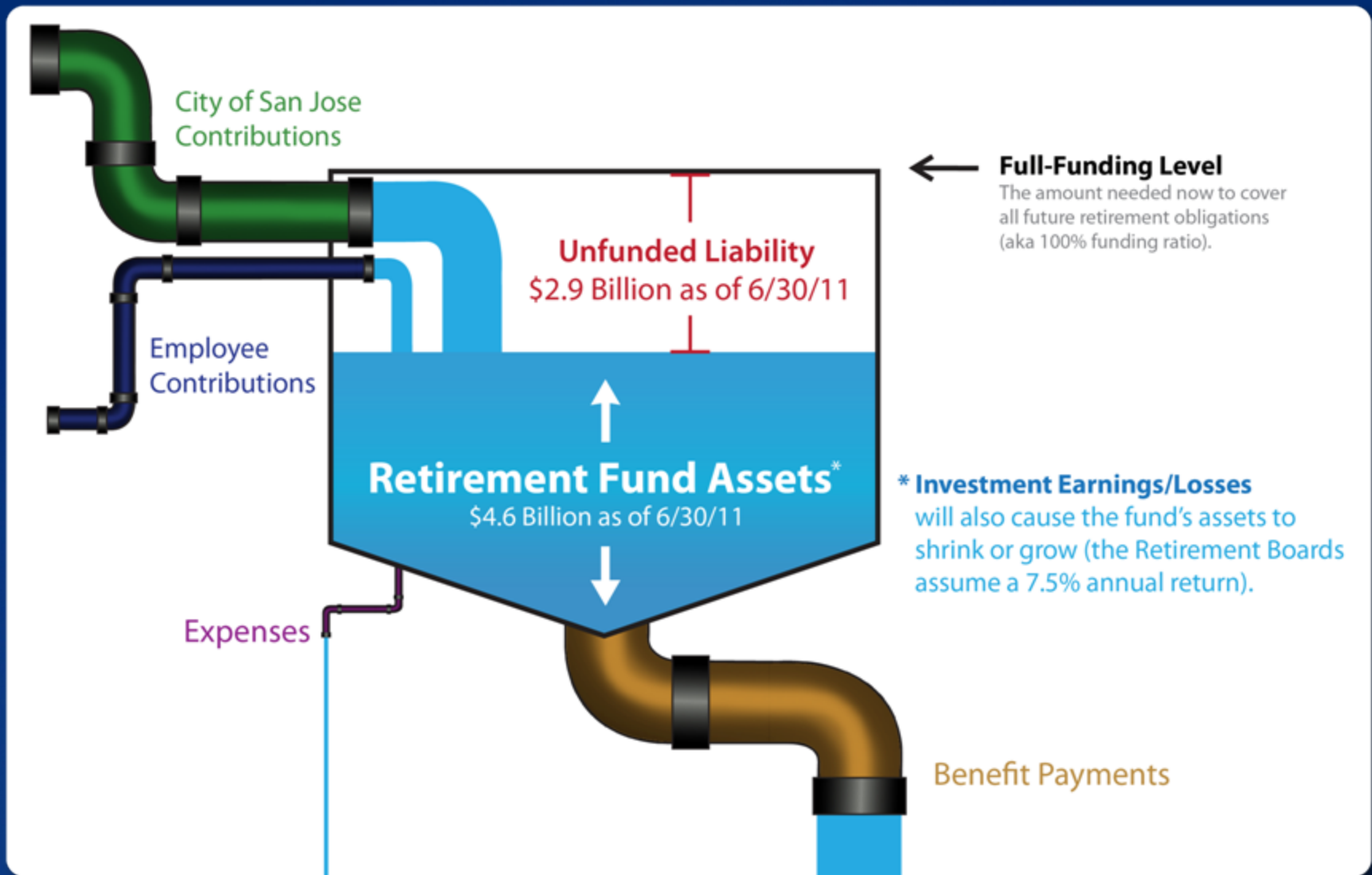


Mayor Reed's 2012 Community Budget Meeting Presentation

San José's Retirement Systems Funding Overview

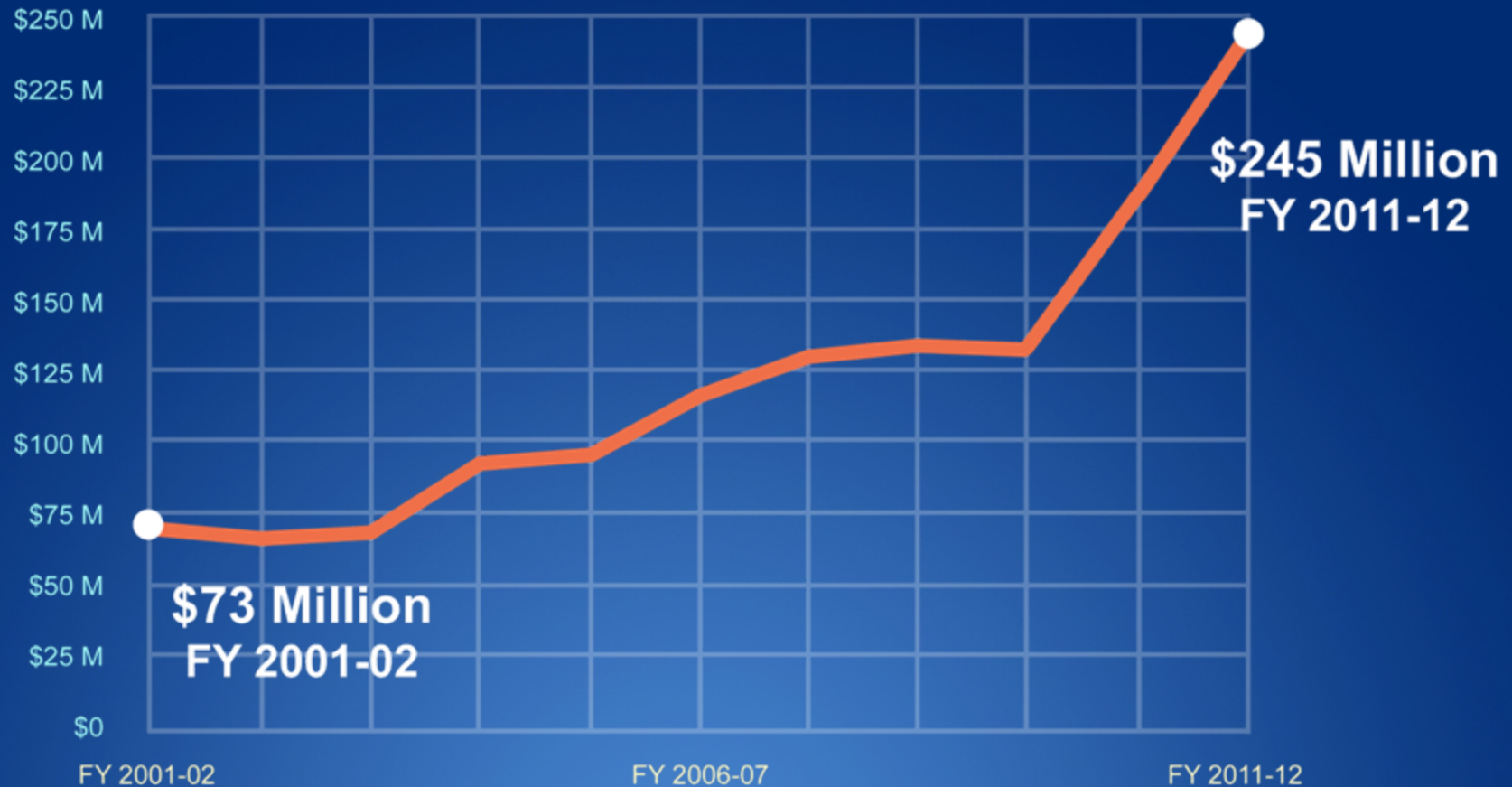


The Retirement Systems' Unfunded Liabilities

| | As of June 30, 2010 | As of June 30, 2011 |
|--------------------|------------------------|------------------------|
| Pension | \$1.435 billion | \$1.492 billion |
| Retiree Healthcare | \$1.309 billion | \$1.397 billion |
| GRAND TOTAL | \$2.744 billion | \$2.889 billion |

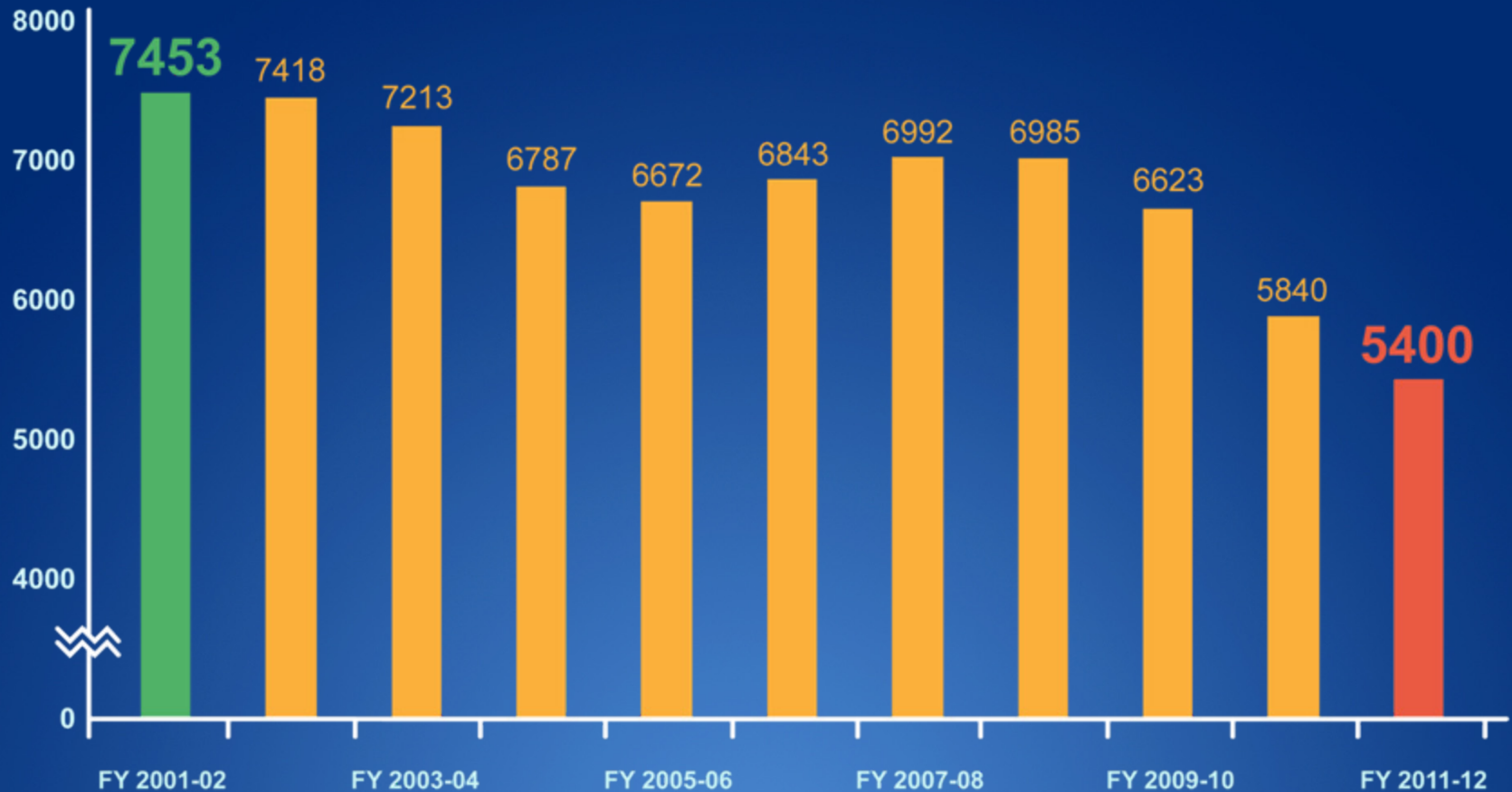
Includes both the Federated & Police/Fire Plans
Source: Cheiron Actuarial Valuation Reports for June 30, 2011

The City's Skyrocketing Retirement Costs



SOURCES: Retirement System Comprehensive Annual Financial Reports (01-02 through 10-11); City Manager's Fiscal Reform Plan (May 2011); OMB ABS Report - Salary and Fringe Benefit Costs by Union Code & Fund for the 2011-2012 Adopted Budget (Sep. 2011)

A Shrinking Number of City Employees

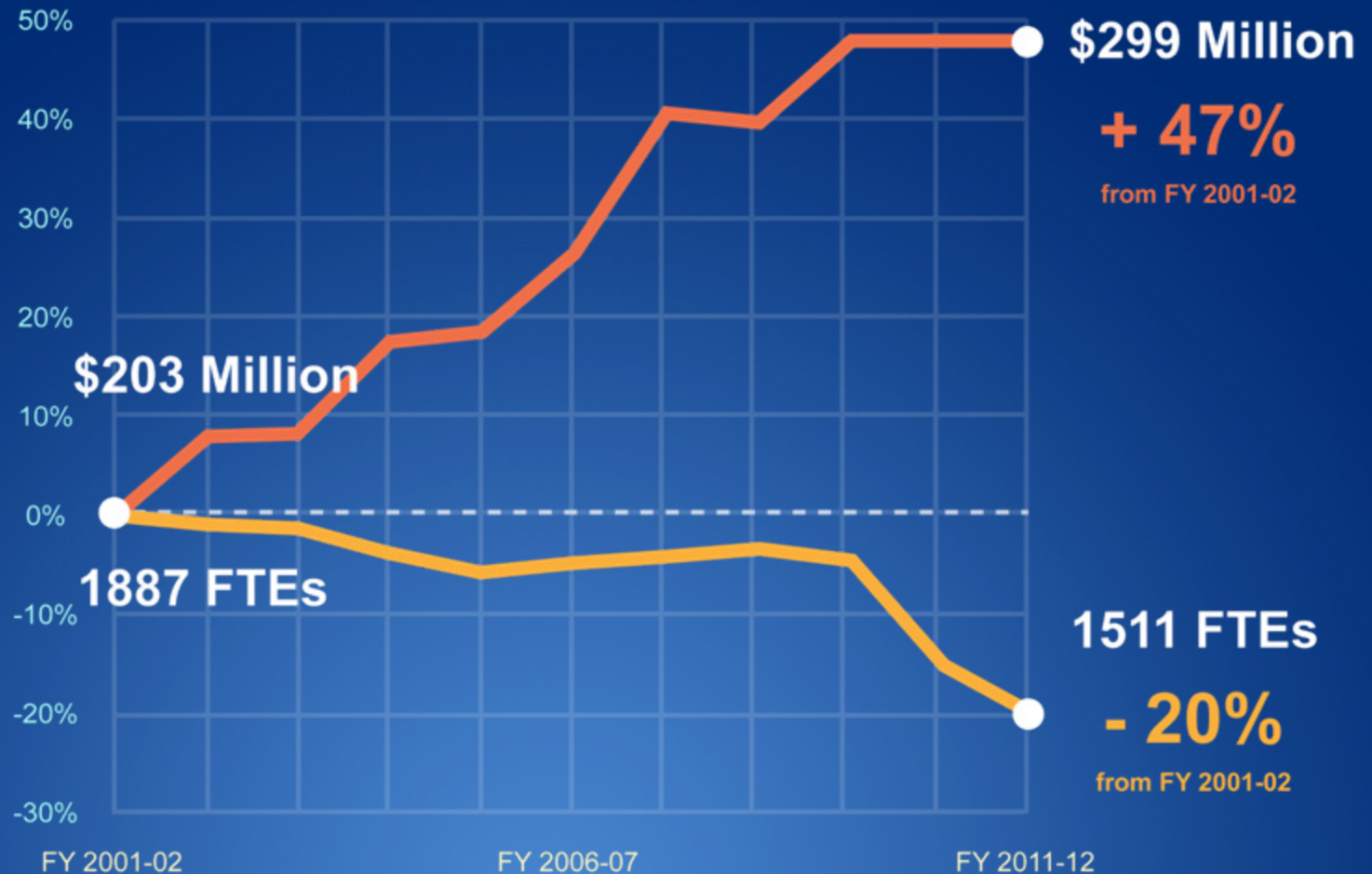


Source: City of San Jose Adopted Operating Budgets, FY 2001-02 through FY 2011-12

Police Department Budget and Staffing Since FY2001-02

**SJPD
Budget**

**SJPD
Staffing**



Source: City of San Jose Adopted Operating Budgets, FY 2001-02 through FY 2011-12

FY 2012-2013 Budget

1% cushion in the budget will minimize cuts.

Additional funding for...

- Newly-Built Libraries & Community Center
- Gang Prevention
- Maintenance for Priority Street Network

Set aside funds for FY 2013-14 deficit (\$22M).

Future Retirement Costs

Cheiron Five-Year Projections (Feb. 8, 2012 & Feb. 21, 2012)

| | FY 12-13 | FY 13-14 | FY 14-15 | FY 15-16 | FY 16-17 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| TOTAL (All Funds) | \$251.2M | \$298.8M | \$319.0M | \$320.1M | \$325.0M |

Factors that could increase costs:

- Investment losses
- Longer life expectancy
- Higher growth in wages
- Lower than expected investment returns
- Higher increases in medical costs
- Fully-funding retiree healthcare contribution

As a result, retirement costs could grow hundreds of millions of dollars higher than currently projected.*

** According to data prepared by the City's actuary, Bartel Associates, and presented during a March 29 Study Session*

Additional Challenges

Other Factors Impacting the City's Fiscal Situation

Growth in the Retirement Plans'
Unfunded Liabilities:

\$145 million / yr.

Unfunded Annual Maintenance and
Infrastructure Needs:

\$100 million / yr.

Cost to Restore Most Services to
January 2011 levels:

\$30 million / yr.