

**Minutes of the Meeting  
of the Board of Trustees of the  
Fire and Police Retiree Health Care Fund, San Antonio  
September 30, 2024**

**PRESENT:** Frank Gutierrez, Fire Department Retiree Representative;  
Chris Lutton, Police Department Representative;  
Mike Despres, Retired Police Representative;  
Steve Carse, Fire Department Representative;  
Doug Berry, Fire Department Representative;  
Jason Sanchez, Police Department Representative;  
Mayoral Appointee Tom Silliman, City of San Antonio.

**ABSENT:** Councilperson Marc Whyte, City of San Antonio;  
Councilperson Melissa Cabello Havrda, City of San Antonio;

**OTHERS** James Bounds, Executive Director;  
**PRESENT:** Cecilia Puga Retiree Health Care;  
Frank Burney, Martin & Drought, P.C.;  
Steve Klein, Frost Bank; and  
Victoria Roeder, COSA.

At 10:00 a.m., Chair Berry called the meeting to order. The roll was called, and a quorum was declared present. The minutes from the meetings held on August 26, 2024, were reviewed and unanimously approved upon motion by Trustee Carse and second by Trustee Silliman.

**EXECUTIVE**

**SESSION:** The Board went into Executive Session at 10:41 a.m. to discuss legal issues regarding litigation and competitive bidding. The Executive Session adjourned at 11:02 a.m.

**MEMBERS**

**TO BE**

**HEARD:** A representative of the Fire Fighter Union asked when the actuarial report will be completed.

**ACTION  
ITEMS:**

1. Investments: No report. Next meeting will be November 18, 2024 at 2:30 p.m.

2. Personnel/ Audit:

- a. Garza & Gonzalez: Presentation of the audit as of December 31, 2023 by Garza Gonzalez. Jason Hyde presented an unqualified opinion (no adjustments, no difficulties, and no control matters). Upon motion by Trustee Sanchez and second by Trustee Despres, the 2023 Audit was accepted.
- b. Foster & Foster: Acceptance of Actuarial Evaluation performed by Foster & Foster. Mr. Bounds reported on the actuarial report showing years to 100% funding (roughly the same) and slight loss in investment return. Upon motion by Trustee Sanchez and second by Trustee Gutierrez, the 2023 actuarial report was unanimously approved.
- c. Levi Ray & Shoup, Inc.: Ratification of Customer Agreement/Contract with Levi Ray & Shoup, Inc. for design, and hosting of Member information/contributions as recommended by the Benefits Committee. Upon motion by Trustee Sanchez and second by Trustee Despres, the Levi Ray & Shoup, Inc. contract was unanimously approved.

3. Benefits:

- a. Capital RX Contract: Prescription Benefit Management. No action.
- b. Precertification Requirements: Benefit Committee recommended changes to precertification requirements. Ms. Puga recommended (i) no precertification required if member is enrolled in Medicare Part A and B and procedure paid for by Medicare and (ii) no precertification for routine colonoscopy. Upon motion by Trustee Despres and seconded by Trustee Carse, the Plan Document was amended.
- c. Bearden: Appeal. Ms. Puga reported that five (5) doctors performed a review of Ms. Bearden's request for orthopedic process and stated that the procedure was experimental, investigational, or unproven. Benefits Committee reviewed these reports and recommended that inclusion of procedure be denied (2-1). Upon motion by Trustee Sanchez and second by Trustee Silliman, the appeal was denied. (Despres voting No).
- d. Children's Rates: Children's Rates for 2025. Mr. Bounds presented a report that the children's rates for 2025 remain at \$350.00 per month. Upon Motion by Trustee Sanchez and second by Trustee Lutton, the rate of \$350.00 for children's coverage was approved.

- e. COBRA: COBRA rates for 2025. Mr. Bounds presented an increase in the COBRA rates for 2025 to \$831.02 per person. Upon motion by Trustee Sanchez and second by Trustee Despres, the rate of \$831.02 per person was approved.

4. Legislative:

- a. 2025 Legislative Proposals: None.

5. Administrative Report:

- a. Expenses: Mr. Bounds presented the expenditures for the Fund. Upon motion by Trustee Sanchez and second by Trustee Despres, a list of expenses and claims and the Financial Report were unanimously approved by the Board.
- b. Strategic Business Planning Committee Meeting: None.
- c. Rogers Road: Sale of Building #6. Upon motion by Trustee Sanchez and second by Trustee Despres, the sale of Building #6 was unanimously approved by the Board.

6. Consultant Report:

- a. Legal: Frank Burney – no report.

7. Educational Opportunities:

Upon motion by Trustee Silliman and second by Trustee Despres, the Board approved attendance at any of the following educational opportunities:

- FS Investments + Portfolio Advisors Annual General Meeting; December 4-5, 2024

- 8. Next Meeting: The next regularly scheduled meeting will be October 28, 2024 at 10:00 a.m.

ADJOURNMENT: There being no further business, a motion was made by Trustee Gutierrez and second by Trustee Silliman that the meeting adjourn. The motion carried unanimously. The meeting adjourned at 11:09 a.m.

Enclosures

- Financial Statement
- List of approved claims and expenses
- Agenda
- Minutes
- 12/31/23 Audit
- 2025 Children's Rates
- FY 24-25 Contributions from active member and COSA
- FY 24-25 Adjustments for Max Deductible and out-of-pocket payments

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**CERTIFIED AGENDA OF CLOSED MEETING**

**HEALTH FUND**

I, DOUG BERRY, THE PRESIDING OFFICER OF HEALTH FUND, CERTIFY THAT THIS DOCUMENT ACCURATELY REFLECTS ALL SUBJECTS CONSIDERED IN AN EXECUTIVE SESSION OF THE BOARD CONDUCTED ON SEPTEMBER 30, 2024.

1. The executive session began with the following announcement by the presiding officer: "Health Fund is now in executive session September 30, 2024 at 10:41 a.m.
2. SUBJECT MATTER OF EACH DELIBERATION:
  - Discussions with attorney relating to his or her advice on legal matters related to any matter in which the duty of the attorney to Health Fund under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Open Meetings Act; and
  - Discussions regarding attorney-client discussions on legal issues and competitive bidding.
3. No further action was taken.
4. The executive session ended with the following announcement by the presiding officer: "This executive session ended on September 30, 2024 at 11:02 a.m."

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Presiding Officer

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AGENDA  
BOARD OF TRUSTEES MEETING  
FIRE AND POLICE RETIREE HEALTH CARE FUND  
LOCATED AT 11603 W. COKER LOOP, SUITE 210, SAN ANTONIO, TX 78216  
Monday, September 30, 2024-10:00 a.m.

Members of the public may provide comment on any Agenda item, consistent with procedural rules governing the Board meetings and state law. Public comment may be provided as follows:

- a. Written: Submit written comments, along with name and address, by emailing them to Leticia Deleon at [ldeleon@thefundsa.org](mailto:ldeleon@thefundsa.org) by 12:00 p.m. on the day before the meeting. Comments will be read into the record during the designated time on the agenda.
- b. In Person: Speakers shall be given the opportunity to speak at the beginning of the meeting during "Public Comment" for up to 3 minutes (6 minutes if translation is needed).

1. Call to Order:
2. Roll Call: Doug Berry, Frank Gutierrez, Steven Carse, Chris Lutton, Michael Despres, Jason Sanchez, Councilperson Melissa Cabello Havrda, Councilperson Marc Whyte, Tom Silliman.
3. EXECUTIVE SESSION (Discussion only – Closed to Public):

The Board of Trustees may recess the meeting to the public at any time and hold an Executive Session pursuant to the Texas Open Meetings Act, Chapter 551.071, of the Texas Government Code. Such Act provides for Executive Session on any matter to be considered during the meeting as it relates to consultation with attorneys, real property, personnel, and other matters. While any matter on the agenda may also be discussed, these specific matters may be discussed with counsel in Executive Session:

- a. **Government Code §551.072 – Discussions Regarding Purchase, Exchange, Lease, or Value of Real Property if Deliberation in an Open Meeting Would Have a Detrimental Effect on the Position of Health Fund in Negotiations with a Third Party;**
  - b. **Government Code §551.071 - All Matters Where Health Fund Seeks the Advice of its Attorney as Privileged Communications under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas:**
  - c. **Pending or Contemplated Litigation; and**
  - d. **Government Code §551.074- Personnel Matters involving Senior Executive Staff and Employees of Health Fund.**
4. Minutes (Discussion and possible action):
    - Board Meeting Minutes for August 26, 2024
  5. Public Comment

6. Committee Reports (discussion and possible action):

a. Investments:

b. Personnel/Audit:

- Presentation of December 31, 2023, Audit conducted by Garza & Gonzalez
- Exceptance of January 1, 2024, Actuarial Evaluation performed by Foster & Foster
- Ratification of Customer Agreement/Contract with Levi Ray & Shoup, Inc. for design, and hosting of Member information/contributions as recommended by the Benefits Committee.

c. Benefits:

- Capital RX Contract to perform prescription benefit management
- Change to Precertification requirements
- Bearden's Appeal
- Set Children's Rates for 2025
- Set COBRA Rates for 2025

d. Legislative:

- Update on 2025 Legislative Proposals for the Texas Legislature

7. Administrative report (discussion and possible action):

- a. Draft financial reports for August 2024
- b. Discussion of Strategic Business Planning Committee Meeting
- c. Selling of Building #6 at Rogers Road

8. Consultant Reports (discussion and possible action):

- a. Legal: Report by Frank Burney

9. Educational Opportunities (discussion and possible action):

- FS Investments + Portfolio Advisors Annual General Meeting  
December 4-5, 2024

10. Adjournment:

**NOTE:**

Speakers may address the Board regarding any specific Agenda Item, on any matter related to Fund business, or on matters that are within the scope of the authority and legislative functions of the Board. Speakers shall be given the opportunity to speak at the beginning of the meeting during "Public Comment" for up to 3 minutes (6 minutes if translation is needed.) Enumerated agenda items are assigned numbers for ease of reference only and will not necessarily be considered by the Board in that order. For those who need assistance due to physical challenges, accommodation can be arranged by contacting James Bounds at 210-494-6500.

**Minutes of the Meeting  
of the Board of Trustees of the  
Fire and Police Retiree Health Care Fund, San Antonio  
August 26, 2024**

**PRESENT:** Frank Gutierrez, Fire Department Retiree Representative;  
Doug Berry, Fire Department Representative;  
Chris Lutton, Police Department Representative;  
Steve Carse, Fire Department Representative;  
Mike Despres, Retired Police Representative;  
Jason Sanchez, Police Department Representative; and  
Mayoral Appointee Tom Silliman, City of San Antonio.

**ABSENT:** Councilperson Marc Whyte, City of San Antonio; and  
Councilperson Melissa Cabello Havrda, City of San Antonio.

**OTHERS** James Bounds, Executive Director and Cecilia Puga;  
**PRESENT:** Frank Burney and Jon Lowe, Martin & Drought, P.C.; and  
Victoria Roeder, COSA.

At 10:01 a.m., Chair Berry called the meeting to order. The roll was called, and a quorum was declared present. The minutes from the meeting held on July 29, 2024, were reviewed and unanimously approved upon motion by Trustee Sanchez and second by Trustee Despres.

**EXECUTIVE**

**SESSION:** The Board went into Executive Session at 10:30 a.m. to discuss with its attorneys legal issues and competitive bidding. The Executive Session adjourned at 11:10 a.m.

**MEMBERS  
TO BE  
HEARD:**

1. Tom & Josephine Bearden: Beardens presented their request that the Board consider TOPS orthoplasty procedure as a “medical necessity.” They reported that a denial for coverage was received three (3) days before scheduled for surgery (May 8). Procedure is Medicare approved according to the Beardens. (Mrs. Bearden is not Medicare-eligible). Board referred this issue to Benefits Committee for further review.



2. Dr. Rogers: He expressed appreciation for Board's support for information on Tricare to its members.

ACTION  
ITEMS:

1. Investments: Chair Lutton had no report. Next meeting is in November.
2. Personnel/ Audit:
  - a. Audit: Audit is complete waiting for actuarial report, which is due this week. Mr. Bounds recommended that the actuarial report be updated to reflect Fire Fighter's new CBA.
3. Benefits: None.
4. Legislative: Mr. Burney reported on Legislative Committee's recommendation. Upon motion by Trustee Lutton and second by Trustee Silliman, the Board unanimously approved the draft Legislative amendments as presented by the Legislative Committee, subject to final draft of the lump-sum payment of contributions.
5. Administrative Report:
  - a. Expenses: Mr. Bounds presented the expenditures for the Fund. Upon motion by Trustee Sanchez and second by Trustee Despres, a list of August expenses and claims and the Financial Report were unanimously approved by the Board.
  - b. LRS Contract: Mr. Bounds presented the draft of the LRS Contract. It will be reviewed at the next meeting.
6. Consultant Report:
  - a. Legal: None.
7. Educational Opportunities:

Upon motion by Trustee Silliman and second by Trustee Gutierrez, the Board approved attendance at any of the following educational opportunities:

  - Newbury: Annual Meeting Newbury Equity Partners Funds I-VI, November 14, 2024
8. Next Meeting: The next regularly scheduled meeting will be September 29, 2024 at 10:00 a.m.

ADJOURNMENT: There being no further business, a motion was made by Trustee Lutton and second by Trustee Sanchez that the meeting adjourn. The motion carried unanimously. The meeting adjourned at 11:11a.m.

Enclosures

- Financial Statement
- List of approved claims and expenses
- Agenda
- Minutes

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**CERTIFIED AGENDA OF CLOSED MEETING**

**HEALTH FUND**

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1. The executive session began with the following announcement by the presiding officer: "Health Fund is now in executive session September 26, 2024 at 10:30 a.m.
2. SUBJECT MATTER OF EACH DELIBERATION:
  - Discussions with attorney relating to his or her advice on legal matters related to any matter in which the duty of the attorney to Health Fund under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Open Meetings Act; and
  - Discussions regarding attorney-client discussions on legal issues and competitive bidding.
3. No further action was taken.
4. The executive session ended with the following announcement by the presiding officer: "This executive session ended on September 26, 2024 at 11:10 a.m."

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Presiding Officer

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F&P Retiree Health Care Fund - Calendar  
Statement of Plan Net Assets  
August 31, 2024

August 31, 2024

December 31, 2023

**ASSETS**

Cash - City	\$ 0.00	\$ 0.00
Cash - Trust	419,947.98	0.00
Leasehold Improvements	45,010,595.49	45,371,860.41
Investments - Trust	580,302,821.25	537,868,897.86
Accrued Interest - Trust	2,071,438.81	1,898,302.26
Pre-paid Expenses	1,141,694.00	40,985.50
	<hr/>	<hr/>
Total Assets	628,946,497.53	585,180,046.03
	<hr/>	<hr/>

**LIABILITIES**

Claims Payable	5,086,505.60	4,895,039.90
Accounts Payable	1,067,824.21	1,391,505.91
Security Lending Collateral	0.00	0.00
	<hr/>	<hr/>
Total Liabilities	6,154,329.81	6,286,545.81
	<hr/>	<hr/>
Net Assets Held in Trust	\$ 622,792,167.72	\$ 578,893,500.22
	<hr/>	<hr/>

F&P Retiree Health Care Fund - Calendar  
Statement of Changes in Plan Net Assets  
For the Eight Months Ending August 31, 2024

	Current Month	Current Budget	Year to Date	YTD Budget
<b>Additions</b>				
Contributions:				
City of San Antonio	\$ 5,786,501.11	4,136,000.00	\$ 34,493,601.10	33,088,000.00
Active	2,893,993.30	2,068,800.00	17,246,954.59	16,550,400.00
Retirees less than 30	123,052.75	136,500.00	1,031,976.25	1,092,000.00
COBRA	1,305.31	4,000.00	29,353.88	32,000.00
Children	60,200.00	55,500.00	462,700.00	444,000.00
Total Contributions	<u>8,865,052.47</u>	<u>6,400,800.00</u>	<u>53,264,585.82</u>	<u>51,206,400.00</u>
Investment Income:				
Interest	218,294.89	179,100.00	1,512,236.30	1,432,800.00
Net Appreciation of Inves	7,072,732.09	2,747,900.00	34,634,867.33	21,983,200.00
Other Income	0.00	1,660.00	133,499.11	13,280.00
Less Investment Expense	(28,233.33)	(29,660.00)	(214,366.64)	(226,480.00)
Net Investment Income	<u>7,262,793.65</u>	<u>2,899,000.00</u>	<u>36,066,236.10</u>	<u>23,202,800.00</u>
Total Additions	<u>16,127,846.12</u>	<u>9,299,800.00</u>	<u>89,330,821.92</u>	<u>74,409,200.00</u>
<b>Deductions</b>				
Members Benefit Paymen	4,561,189.42	2,883,400.00	40,009,100.95	23,067,200.00
COBRA Benefit Payment	44.98	3,900.00	35,848.51	31,200.00
Children's Benefit Payme	109,816.98	55,600.00	459,934.67	444,800.00
General and Administrati	306,000.37	1,486,450.00	4,927,270.29	11,891,600.00
Total Deductions	<u>4,977,051.75</u>	<u>4,429,350.00</u>	<u>45,432,154.42</u>	<u>35,434,800.00</u>
Net Increase	<u>11,150,794.37</u>	<u>4,870,450.00</u>	<u>43,898,667.50</u>	<u>38,974,400.00</u>

Setting 2025 Childrens Rates

	Oct-Sept		Jan-Sept	
Police	438,550.00		331,800.00	
Fire	249,900.00		191,100.00	
Contributions		688,450.00		697,182.57
Medical	420,604.94		383,731.34	
Rx	150,557.21		119,007.83	
Costs		571,162.15		670,302.14
Operating Surplus		117,287.85		26,880.43
	166		166	
Police	105		105	
Fire	61		61	
Family Count	155	166	155	166
2024 Rate		350.00		350.00
12/31/23 Surplus	8,029.94	1,244,640.78	8,029.94	1,244,640.78
12/31/24 Projected Surplus	8,132.53	1,350,000.00	8,132.53	1,350,000.00
Desired Reserve	8,433.73	1,400,000.00	8,433.73	1,400,000.00
A				
2024 cost/count	3,440.74		4,037.96	
		286.73		336.50
B				
2024 cost/count	3,440.74		4,037.96	
Debt + 1/2 Reserve	150.60		150.60	
		299.28		349.05
C				
2024 cost/count	3,440.74		4,037.96	
Debt + Reserve	301.20		301.20	
		311.83		361.60



September 23, 2024

Board of Trustees  
Fire and Police Retiree Health  
Care Fund, San Antonio  
11603 W. Coker Loop, St. 130  
San Antonio, TX 78216

Re: *Contributions for Fiscal Year 2024-2025 – Updated to Reflect Firefighters Collective Bargaining Agreement Effective October 1, 2024*

Board Members:

The State Law of Texas Article 6243q. Article 5, Section 4.02 governing the Retirement Health Trust for Firefighters and Police Officers (“Fund”) defines how contribution amounts to the Fund are determined each fiscal year, including the contribution rates for the members of the Fund and for the City of San Antonio. The contribution amounts for each fiscal year have been determined in advance of the fiscal year by the Fund’s actuary based on the above-referenced state law.

This letter provides documentation supporting the contribution amounts for fiscal year 2024-2025. The table below compares the amounts for 2024-2025 to those for 2023-2024.

	FY 2023-2024	FY 2024-2025	Increase
Biweekly Contributions per member			
• Fire and Police members	\$226.27	\$237.91	5.1%
• City of San Antonio	\$452.53	\$475.81	5.1%
Monthly Contributions for retirees with less than 30 years of service	\$490.25	\$515.47	5.1%

The included Appendix follows the two key sections of the state law governing the Fund that have been in effect each year since October 1, 2007 (Sections 4.02 and 4.021) and a third key section that has resulted in increases in the contribution rates in certain years since 2017 (Section 4.022). The first steps were to determine the estimated average member biweekly pay, one for the police and one for the firefighters, for the upcoming fiscal year reflecting anticipated pay increases. The current collective bargaining agreement for the police includes a 4.0% across-the-board wage increase effective April 1, 2025. The current collective bargaining agreement for firefighters includes a 7.0% wage increase effective October 1, 2024. Then the weighted average was determined for both police and firefighters together.

Section 4.022 was added to the state law governing the Fund in 2007 and gave 10 years to see if the original contribution rate of 9.4% for the city and the 4.7% contribution rate for the fire and police members (after an initial five-year phase in) would be adequate both to pay the Fund's normal cost and to amortize the Fund's unfunded actuarial accrued liability (UAAL) in 30 years or less. If not, then the city and member contribution rates would be mandatorily increased as often as annually commencing October 1, 2017 based on the then most recent actuarial valuation of the Fund. The maximum increase for a year is 10%.

The most recently completed actuarial valuation is as of January 1, 2023. That report, dated September 5, 2023, indicated no additional increase in the contribution rates beginning October 1, 2024 is required. There have previously been four 10% increases and a 3.9% increase as a result of Section 4.022. Without any additional contribution rate increases since October 1, 2021, the UAAL amortization period was 15 years in the January 1, 2023 actuarial valuation. Therefore, the total contribution as a percentage of pay remains at 21.45% and is unchanged from the prior year.

I certify that I am a member of the Society of Actuaries and the American Academy of Actuaries, and meet the Qualification Standards to make the actuarial opinions contained in this letter.

Please let us know if you have any questions.

Sincerely,



Colleen M. Atchison, FSA, MAAA



## Appendix

### Contributions for Fiscal Year 2024-2025 According to the Essence of Sections 4.02, 4.021, and 4.022 of Article 6243q, Vernon's Texas Civil Statutes

The City of San Antonio provided a file containing the base pay plus longevity amounts for each member of the Fund for the biweekly pay period ending on June 7, 2024. Foster & Foster Actuaries and Consultants, as the plan actuary, determined the total of the biweekly pay for all members who were active throughout the pay period. The totals below exclude any members who became inactive or withdrew during the pay period.

		Police	Fire	Total
(1)	Biweekly base pay plus longevity amounts paid on June 7, 2024 to active members	\$ 8,178,696	\$ 5,332,562	\$ 13,511,258
(2)	Number of active members	2,444	1,778	4,222
(3)	Average member biweekly pay in June 7, 2024 payroll, (1) ÷ (2)	\$ 3,346.44	\$ 2,999.19	\$ 3,200.20
(4)	Estimated annual increase in biweekly pay for fiscal year*	2.000%	7.000%	
(5)	Estimated average member biweekly pay in fiscal year 2024-2025, (3) increased by (4)	\$ 3,413.37	\$ 3,209.13	\$ 3,327.36
(6)	Biweekly contributions to the Fund for fiscal year 2024-2025			
	(a) Members, (5) x 7.15%			\$ 237.91
	(b) City, (5) x 14.30%			\$ 475.81
(7)	Monthly contributions to the Fund fiscal year 2024-2025 for retirees with less than 30 years of service, (6a) x 26 ÷ 12			\$ 515.47

\* The current collective bargaining agreement for police has a 4.0% across-the-board wage increase effective April 1, 2025. The current collective bargaining agreement for firefighters has a 7.0% across-the-board wage increase effective October 1, 2024. The estimated increases shown in Item 4 reflect the portion of the fiscal year the across-the-board increases will be in effect.

August 22<sup>th</sup>, 2024

Board of Trustees  
Fire and Police Retiree Health  
Care Fund, San Antonio  
11603 W. Coker Loop, St. 130  
San Antonio, TX 78216

*Re: Maximum Deductible and Out-of-Pocket Payments for Calendar Year 2025*

Board Members:

The State Law of Texas Article 6243q. Article 5, Section 5.01 (h) governing the Retirement Health Trust for Firefighters and Police Officers defines the dollar amount of the maximum deductible and out-of-pocket payments. The Article states that “the board shall increase the amount of the maximum deductible and out-of-pocket payments established under Subsections (f) and (g) of this section by a percentage equal to the then most recently published annual percentage increase in health care costs as set out in a published index selected by the actuary that reflects annual changes in health care costs.” The subsection limits this annual increase to 8%.

As the actuary selected by the Board, and in accordance with the state law referenced above, Foster & Foster has selected the published index to be the Medical Care category of the Consumer Price Index for all Urban Consumers (or CPI-U, published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor) from June of the prior year to June of the current year. The annual percentage increase in the Medical Care category of CPI-U from June 2023 to June 2024 is 3.3%<sup>(2)</sup>. This 3.3% increase will be applied to the 2025 maximum deductible and out-of-pocket payments.

Under current practice, if the amortization period of retiree medical liability is less than 30 years, then potential further deductible and out-of-pocket payment amount increases under Section 4.022 do not apply. Since the amortization period is in fact under 30 years, for 2025 only the Section 5 increases will apply.

The table below shows the result of the 3.3% increase applied to the 2024 maximum deductible and out-of-pocket payments to determine the 2025 amounts:

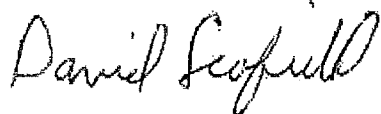
	Amount for Each Individual (In-Network)	
	CY 2024	CY 2025
Maximum Deductible	\$1,043	\$1,077
Maximum Out of Pocket		
• including maximum deductible	\$3,960	\$4,090
• excluding maximum deductible	\$2,917	\$3,013

The *Appendix* shows the 20-year history of annual changes in the CPI-U both for All Items and for the Medical Care category for 12-month periods ending in June (Exhibit I and II)<sup>(1)(2)</sup>.

I certify that I am a member of the Society of Actuaries meeting the Qualification Standards to make the actuarial opinions contained in this letter.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "David Scofield".

Dave Scofield, A.S.A.  
Dave.scofield@foster-foster.com  
(240) 246-6111

## Appendix

### Exhibit I

Year	Change in CPI-U (June to June)	
	All Items	Medical Care
2005	2.5%	4.2%
2006	4.3	4.1
2007	2.7	4.0
2008	5.0	4.0
2009	-1.4	3.2
2010	1.1	3.5
2011	3.6	2.9
2012	1.7	4.0
2013	1.8	2.1
2014	2.1	2.6
2015	0.1	2.5
2016	1.0	3.6
2017	1.6	2.7
2018	2.9	2.5
2019	1.6	2.0
2020	0.6	5.1
2021	5.4	0.4
2022	9.1	4.5
2023	3.0	0.1
2024	3.0	3.3

### Exhibit II

Rolling 12 through June	Average Increase	
	All Items	Medical Care
20 years	2.6%	2.9%
10 years	2.8	2.7

## Citations

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(1) CPI-U All Data History

- <https://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changes-from-1913-to-2008/>

(2) CPI-U Medical Data History

- <https://data.bls.gov/PDQWeb/cu>

# **FIRE AND POLICE RETIREE HEALTH CARE FUND**

San Antonio, Texas

## **AUDIT SUMMARY**

Year Ended December 31, 2023



**Garza/Gonzalez & Associates, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

# FIRE AND POLICE RETIREE HEALTH CARE FUND

## AUDIT SUMMARY

### YEAR ENDED DECEMBER 31, 2023

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#### Financial Statements

#### 1. Auditor's Report – Financial Statements (FS)

##### a. *Unmodified* Opinion (pgs. 1-3)

- *Emphasis of Matter Paragraph* – draw users' attention to a matter(s) presented or disclosed in the FS that are of such importance that they are fundamental to users' understanding of the FS.
  - *Alternative Investments* (79.75% at 12/31/2023 vs 80.79% at 12/31/2022) – fair values measured at net asset value per share, in the absence of readily available and determinable fair values.
  - Our opinion is not modified with respect to this matter.

#### 2. Auditor's Report – Government Auditing Standards

- ##### a. Internal Control Over Financial Reporting and Compliance and Other Matters in Accordance with *Government Auditing Standards* (pgs. 34-35)
- No Material Weaknesses; Significant Deficiencies; Noncompliance Required to be Reported in FS.

#### 3. Statements of Fiduciary Net Position (pg. 8)

	December 31, 2023	December 31, 2022
Total Cash & ST Investments	\$ 5,904,601	\$ 5,242,167
Investments at Fair Value	531,964,297	499,400,927
Total Cash and Investments	537,868,898	504,643,094
Real Estate - Held for Sale	13,152,872	12,236,245
Capital Assets, Net	32,218,988	28,861,900
Other Assets	1,939,288	2,207,573
Total Assets	\$ 585,180,046	\$ 547,948,813
Claims Payable	4,895,040	4,866,321
Other Liabilities	458,250	1,269,591
Right to Use - Leases Payable	933,256	1,174,415
Total Liabilities	\$ 6,286,546	\$ 7,310,327
Net Position:		
Restricted for OPEB	\$ 578,893,500	\$ 540,638,486

- a. Cash and Short-term Investments increased \$662,434, or 12.64%.
- b. Investments increased \$32,563,370, or 6.52%.
- c. Real Estate – Held for Sale increased \$916,627 related to Schertz Bldg. 2.
- d. Capital Assets – Net increase of \$3,357,088, or 11.63%.
- e. Other Liabilities decreased \$811,341, or 63.91%.

**FIRE AND POLICE RETIREE HEALTH CARE FUND**  
**AUDIT SUMMARY**  
**YEAR ENDED DECEMBER 31, 2023**

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**4. Statements of Changes in Fiduciary Net Position (pg. 9)**

	Year Ended 12/31/2023	Year Ended 12/31/2022
Employer Contributions	\$ 47,831,824	\$ 45,073,429
Plan Member Contributions	23,920,005	22,532,636
Other Contributions	2,262,261	1,920,185
Net Investment Income (Loss)	23,910,279	(43,970,063)
Total Additions	<u>97,924,369</u>	<u>25,556,187</u>
Benefits Paid	54,488,727	45,070,403
Administrative Expenses	5,180,628	4,095,575
Total Deductions	<u>59,669,355</u>	<u>49,165,978</u>
Net Increase (Decrease) in Net Position	38,255,014	(23,609,791)
Beginning Net Position – Restricted for OPEB (Restated)	<u>540,638,486</u>	<u>564,248,277</u>
Ending Net Position – Restricted for OPEB	<u>\$ 578,893,500</u>	<u>\$ 540,638,486</u>

- a. Net Income from Investment Income – \$23,910,279
  - Due primarily to the \$22,460,744 increase in the FV of investments, due to market conditions during the fiscal year ended December 31, 2023.
- b. Employer contributions increased \$2,758,395 (6.12%) and Plan Member contributions increased \$1,387,369 (6.16%).
- c. Total Benefits provided increased year over year by \$9,418,324, or 20.90%. Medical costs increase \$885,110 (4.7%), drug costs increased \$3,058,770 (18%) and clinic expenses increased \$5,474,444 (59.26%)
- d. Net increase in Net Position was \$38,255,014 compared to (\$23,609,791) for 2022. Increase in net position added 7.1% to Net Position.



**FIRE AND POLICE RETIREE HEALTH CARE FUND  
AUDIT SUMMARY  
YEAR ENDED DECEMBER 31, 2023**

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**Audit Communication Letter**

1. No difficulties encountered in performing the audit.
2. No significant adjustments identified during the audit. We proposed adjustments to reflect financial statements in accordance with GASB requirements (right-to-use leases).
3. Uncorrected misstatements overstated investment income by \$554,956 and were related to prior year unrecognized increases in fair value.
4. No internal control or other matters noted during the audit.

**FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO**  
(A Component Unit of the City of San Antonio, Texas)  
San Antonio, Texas

**FINANCIAL STATEMENTS**

Years Ended December 31, 2023 and 2022

***DRAFT***

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO  
(A Component Unit of the City of San Antonio, Texas)  
San Antonio, Texas

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***DRAFT***

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Fire and Police Retiree Health Care Fund, San Antonio  
San Antonio, Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Fire and Police Retiree Health Care Plan, San Antonio (the Health Fund), a component unit of the City of San Antonio, Texas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Health Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Health Fund, as of December 31, 2023 and 2022, and the respective changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Health Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matters***

##### Alternative Investments

As explained in Notes II.B. and IV. in the notes to financial statements, the financial statements include alternative investments valued at \$428,901,454 (79.75% of total investments) at December 31, 2023; and, \$407,432,266 (80.79% of total investments) at December 31, 2022, whose fair values have been measured by the Health Fund using the net asset value (NAV) per share, in the absence of readily available and determinable fair values. The NAV per share measurement is based upon the net position value of the Health Fund's investment in the alternative investment as determined by the alternative investment's fund managers or general partners, which could differ materially from a readily available and determinable fair value. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Health Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the “Management’s Discussion and Analysis” (MD&A) and the “Required Supplementary Information,” as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2024, on our consideration of the Health Fund’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health Fund’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Fund’s internal control over financial reporting and compliance.

September 12, 2024

**FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO**  
(A Component Unit of the City of San Antonio, Texas)

Management's Discussion and Analysis

The Fire and Police Retiree Health Care Fund (the Health Fund) is the statutory trust established under Article 6243q of Texas Civil Statutes. The purpose of the Health Fund is to provide health care benefits for persons who retired on or after October 1, 1989, from the municipal fire or police department of the City of San Antonio. This section of the Health Fund's financial report presents management's discussion and analysis of the Health Fund's financial performance during the years ended December 31, 2023, 2022, and 2021. Please read this discussion and analysis in conjunction with the Health Fund's financial statements that follow.

**Financial Highlights**

- During 2023, the Health Fund paid \$19,721,514 in member medical claims compared to \$18,836,404 in 2022. The 4.7% increase reflects the increased utilization of medical care in the fiscal year. The 2022 claims paid were a decrease of .1% from the 2021 amount paid of \$18,855,478. The .1% decrease reflects the decreased utilization of medical care in the post Covid-19 environment.
- Net position held in trust by the Health Fund totaled \$578,893,500 at December 31, 2023 and \$540,638,486 at December 31, 2022. Net Position increased by \$38,255,014 during the twelve months ended December 31, 2023. Net Position decreased by \$23,609,791 during the twelve months ended December 31, 2022 from the amount of \$564,248,277 at December 31, 2021. The net position of the Health Fund is held exclusively for the benefit of the members and retirees of the Fund, their beneficiaries, and reasonable administrative expenses for administering the Health Fund.

**Overview of the Financial Statements**

The Health Fund's financial statements are comprised of two components: 1) the financial statements and 2) the notes to the financial statements.

The financial statements are designed to give the reader an overview of the Health Fund's finances with an emphasis on the Health Fund's net position restricted for payment of healthcare benefits and the changes in the net position for the period reported.

The statement of fiduciary net position presents information on all the Health Fund's assets and liabilities with the difference reported as net position restricted for postemployment healthcare benefits. This statement provides a snapshot of account balances at the end of the fiscal year and reports the assets available for future payments of benefits and expenses. These assets, less liabilities, are intended to give the reader a clear picture of the amount of funds that are available for future payments.

The statement of changes in fiduciary net position presents information showing how the Health Fund's net position changed during the years ended December 31, 2023 and 2022. This statement identifies to the reader the source and values of the current period's additions to and deductions from the Health Fund.

The notes to the financial statements provide additional information that is essential for a full understanding of the data presented in the Health Fund's financial statements.

**FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO**  
(A Component Unit of the City of San Antonio, Texas)

Management's Discussion and Analysis

**Other Information**

In addition to the financial statement components described above, the Health Fund also presents certain required supplementary information concerning the schedule of changes in the net OPEB liability and related ratios and schedule of investment returns. This information, although not part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) as supplementary information.

**Financial Analysis**

Assets and Liabilities

The assets of the Health Fund are predominately cash, money market mutual funds, common stocks, and investments in limited liability partnerships (alternative investments). Except for alternative investments, investments are held by the custodian bank and reported at fair value. Assets increased by \$37,231,233 from December 31, 2022 to December 31, 2023 and decreased by \$21,940,202 from December 31, 2021 to December 31, 2022 in line with the financial markets.

Liabilities of the Health Fund are comprised of claims payable, accounts payable, payroll liabilities, and leases payable. Liabilities decreased by \$1,023,781 from December 31, 2022 to December 31, 2023, and increased by \$1,669,589 from December 31, 2021 to December 31, 2022. These changes are primarily due to fluctuations in estimated claims payable and changes in the right-to-use lease payable – specifically, a decrease in 2023 versus an increase in 2022 – resulting from the implementation of GASB Statement No. 87, *Leases*, related to the administrative office lease extension.

Below is the condensed statement of fiduciary net position at December 31, 2023; December 31, 2022; and, December 31, 2021:

**Condensed Statement of Fiduciary Net Position**

	Year Ended 12/31/2023	Year Ended 12/31/2022	Year Ended 12/31/2021
Cash and Short-term Investments	\$ 5,904,601	\$ 5,242,167	\$ 8,841,857
Investments, at Fair Value	531,964,297	499,400,927	544,195,483
Real Estate – Assets Held for Sale	13,152,872	12,236,245	-
Capital Assets, Net	32,218,988	28,861,900	15,234,968
Other Assets	1,939,288	2,207,573	1,616,705
Total Assets	<u>\$ 585,180,046</u>	<u>\$ 547,948,813</u>	<u>\$ 569,889,014</u>
Claims Payable	\$ 4,895,040	\$ 4,866,321	\$ 4,522,969
Other Liabilities	1,391,506	2,444,006	1,117,767
Total Liabilities	<u>6,286,546</u>	<u>7,310,327</u>	<u>5,640,737</u>
Net Position – Restricted for OPEB	<u>\$ 578,893,500</u>	<u>\$ 540,638,486</u>	<u>\$ 564,248,277</u>



**FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO**  
(A Component Unit of the City of San Antonio, Texas)

Management's Discussion and Analysis

Additions and Deductions

The major additions to the Health Fund are comprised of contributions and investment returns. Contributions increased by 6.5% during the year ended December 31, 2023. The Health Fund's investments for the year ended December 31, 2023 made a 4.4% return. For the year ended December 31, 2022, contributions increased by 7.7%. The Health Fund's investments for the year ended December 31, 2022 made a -7.8% return, compared to the 12.0% return for the fiscal year ended December 31, 2021. The results reflect the market conditions during each period.

The primary deductions from the Health Fund are for medical benefits, including costs related to clinic operations, paid on behalf of retirees, spouses, and dependents. The total of benefits incurred increased by \$9,418,324 in 2023 compared to 2022, and increased by \$5,199,117 in 2022 compared to 2021.

Below is the condensed statement of changes in fiduciary net position for the years ended December 31, 2023, December 31, 2022, and December 31, 2021:

**Condensed Statement of Changes in Fiduciary Net Position**

	Year Ended 12/31/2023	Year Ended 12/31/2022	Year Ended 12/31/2021
Employer Contributions	\$ 47,831,824	\$ 45,073,429	\$ 42,029,806
Plan Member Contributions	23,920,005	22,532,636	21,012,086
Other Contributions	2,262,261	1,920,185	1,544,773
Net Investment Income (Loss)	23,910,279	(43,970,063)	59,256,479
Total Additions	<u>97,924,369</u>	<u>25,556,187</u>	<u>123,843,144</u>
Benefits Paid	54,488,727	45,070,403	39,871,286
Administrative Expenses	5,180,628	4,095,575	3,783,733
Total Deductions	<u>59,669,355</u>	<u>49,165,978</u>	<u>43,655,019</u>
Net Increase (Decrease) in Net Position	38,255,014	(23,609,791)	80,188,125
Beginning Net Position – Restricted for OPEB (Restated)	<u>540,638,486</u>	<u>564,248,277</u>	<u>484,060,152</u>
Ending Net Position – Restricted for OPEB	<u>\$ 578,893,500</u>	<u>\$ 540,638,486</u>	<u>\$ 564,248,277</u>

**FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO**  
(A Component Unit of the City of San Antonio, Texas)

Management's Discussion and Analysis

Capital Assets

The Health Fund's capital assets at December 31, 2023, 2022, and 2021 amounts to \$32,218,988, \$28,861,900, and \$15,234,968, respectively, net of accumulated depreciation. The Health Fund invests in furniture, computers, equipment, right-to-use leased assets, and leasehold improvements for the administrative office and the medical clinics. Land did not change in 2023. Construction in progress decreased in 2023 by \$3,039,640 due to the completion of buildings at Schertz that had been constructed by the Fund and improvements completed at the Fund's administrative offices. Additional construction in progress occurred during 2023 related to buildings at Schertz and construction at the Roosevelt location totaling \$3.7 million. Right-to-use leased assets decreased by \$268,623 in 2023 due to the current year amortization of the administrative offices lease. Refer to Note, V, VI, and X of the notes to the financial statements for more detailed information on capital assets.

**Capital Assets, Net of Accumulated Depreciation**

	Year Ended 12/31/2023	Year Ended 12/31/2022	Year Ended 12/31/2021
Furniture & Equipment, Net	\$ 1,640,370	\$ 1,151,880	\$ 187,734
Leasehold Improvements, Net	825,792	-	169,506
Land	10,588,469	10,588,469	5,125,251
Construction in Progress	3,714,840	6,754,480	9,541,250
Buildings, Net	14,575,586	9,224,517	-
Right-To-Use Leased Assets, Net	873,931	1,142,554	211,227
Total Net Capital Assets	\$ 32,218,988	\$ 28,861,900	\$ 15,234,968

**Other Matters**

The contribution amounts for each fiscal year are based on contribution rates determined by the Texas State law. The contribution amounts for the year ended December 31, 2023 are \$452.53 for the City of San Antonio and \$226.27 for active members, per bi-weekly pay period. For December 31, 2022 the rates were \$441.01 for the City of San Antonio and \$220.50 for active members, per bi-weekly pay period. For December 31, 2021 the rates were \$416.01 for the City of San Antonio and \$208 for active members, per bi-weekly pay period. The rate change which will be effective October 1, 2024 has not been determined therefore the impact cannot be estimated.

**Contact Information**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Health Fund's finances and to show the Health Fund's accountability and financial fiduciary for the contributions it receives. If you have any questions about this report or need additional financial information, contact the Health Fund's office at 11603 W. Coker Loop, Suite 210, San Antonio, Texas 78216.

## **Financial Statements**

***DRAFT***

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO  
(A Component Unit of the City of San Antonio, Texas)  
San Antonio, Texas

STATEMENTS OF FIDUCIARY NET POSITION

ASSETS	December 31,	
	2023	2022
Cash and Short-Term Investments	\$ 5,904,601	\$ 5,242,167
Investments, at Fair Value	531,964,297	499,400,927
Total Cash and Investments	537,868,898	504,643,094
Interest Receivable	42,612	16,142
Other Receivable	1,855,690	2,139,648
Prepaid Expenses	40,986	51,783
Real Estate - Held for Sale	13,152,872	12,236,245
Capital Assets, Net	32,218,988	28,861,900
Total Assets	\$ 585,180,046	\$ 547,948,813
LIABILITIES		
Claims Payable	\$ 4,895,040	\$ 4,866,321
Accounts Payable	407,738	415,482
Accrued Payroll and Payroll Liabilities	50,512	40,130
Retainage Payable	-	595,979
Accrued Liabilities	-	218,000
Leases Payable - Current	204,147	241,158
Leases Payable - Noncurrent	729,109	933,257
Total Liabilities	6,286,546	7,310,327
Net Position - Restricted for OPEB	\$ 578,893,500	\$ 540,638,486

The accompanying notes to financial statements  
form an integral part of this statement.

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO  
(A Component Unit of the City of San Antonio, Texas)  
San Antonio, Texas

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years Ended December 31,

	2023	2022
<b>Additions</b>		
Contributions		
Employer	\$ 47,831,824	\$ 45,073,429
Plan Members	23,920,005	22,532,636
Dependent Healthcare Premiums and Retiree Contributions	2,262,261	1,920,185
Total Contributions	<u>74,014,090</u>	<u>69,526,250</u>
Investment Income		
<i>From Investment Activities</i>		
Net Appreciation in Fair Value of Investments	22,460,744	(46,118,321)
Interest and Dividends	1,654,431	2,464,442
Other Income	114,043	29,649
Less: Investment Expenses	(318,939)	(345,833)
Net Income from Investing Activities	<u>23,910,279</u>	<u>(43,970,063)</u>
Total Additions	<u>97,924,369</u>	<u>25,556,187</u>
<b>Deductions</b>		
Benefits		
Medical	19,721,514	18,836,404
Pharmacy	20,054,294	16,995,524
Clinic Operations	14,712,919	9,238,475
Administrative Expenses		
Salaries and Benefits	903,505	809,665
Professional Fees	2,028,054	2,004,484
Depreciation/Amortization	1,228,802	710,249
Interest	52,950	40,162
Other	967,317	531,015
Total Deductions	<u>59,669,355</u>	<u>49,165,978</u>
Net Increase/Decrease in Net Position	38,255,014	(23,609,791)
Net Position-Restricted for OPEB - Beginning (Restated)	<u>540,638,486</u>	<u>564,248,277</u>
Net Position-Restricted for OPEB - Ending	<u>\$ 578,893,500</u>	<u>\$ 540,638,486</u>

The accompanying notes to financial statements  
form an integral part of this statement.

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO  
(A Component Unit of the City of San Antonio, Texas)

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

**I. Plan Description**

**A. Type of Plan**

The Health Fund is a Texas statutory retirement health trust for firefighters and police officers of the City of San Antonio (the City). The Health Fund holds assets and liabilities of the City's Fire and Police Retiree Health Care Plan (Plan). This Plan is a single-employer defined benefit post-employment healthcare plan that was created in October 1989, in accordance with provisions established by contract with the local fire and police unions, to provide post-employment healthcare benefits to police officers and firefighters of the City retiring after October 1, 1989. Authority to establish and amend the Plan's post-employment health care benefits is based on such contracts and on regulations enacted by the Texas Legislature that control the operation of the Health Fund. The City is the only participating employer in the Plan. WEB-TPA Employer Services, LLC and WellDyneRx, respectively, serve as the medical and prescription third party administrators for the Health Fund. The Plan is operated on an advance-funded basis and has established the Health Fund as the trust for accumulating assets.

The Health Fund is governed by a Board that meets on a monthly basis. The Board consists of nine members, as follows: the Mayor of the City or representative; two members of the City Council; one retired and two active duty police officers; and, one retired and two active duty firefighters.

The Health Fund is a component unit of the City based on the criteria of Governmental Accounting Standards Board (GASB) Statement No. 61, the Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.

**B. Benefits Provided**

The Health Fund provides postretirement health benefits for employees of the fire and police departments who become eligible retirees, and their spouses. Eligible retirees are those who retire after October 1, 1989. Eligible spouses are spouses at the time of retirement of the eligible retirees and either remain married to or survive the eligible retiree. Eligible spouses also include the surviving spouses of active members whose death was duty-related or who died while eligible for retirement. Retirement eligibility is in accordance with the provisions of the Fire and Police Pension Fund, San Antonio, which requires 20 or more years of service after completing the required training to be certified.

The health benefits are indemnity style coverage with a maximum annual deductible per individual. After age 65, the benefits are coordinated with Medicare. The maximum deductible and out-of-pocket payments are indexed to the annual increase in the medical care category of the CPI-U.

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO  
(A Component Unit of the City of San Antonio, Texas)

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

**I. Plan Description (Continued)**

**C. Contributions**

Since its inception, the Health Fund has been funded primarily by contributions from the City and active firefighters and police officers, as part of the compensation for services rendered by the members, and by contributions made by retirees for their dependents. The contribution provisions of the Health Fund are in the state law in Article 6243q, Vernon's Texas Civil Statutes. As of the January 1, 2022 and 2023 valuation dates, the contributions required by the City were 14.30% of average covered pay of the combined fire and police departments for the City's 2021-2022 and 2022-2023 fiscal years. For the active fire and police employees, the contributions required were 7.15% of the average covered pay for the City's 2021-2022, and 2022-2023 fiscal years. Based on the January 1, 2022 and 2023 actuarial valuations, the contribution rates will continue to be 14.30% and 7.15% of average covered pay for the City's 2024-2025 fiscal year.

Ultimately, the funding policy also depends upon the total return of the Health Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the Health Fund's Board. The Board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending December 31, 2023, the money-weighted rate of return on plan investments was 4.40%. For the year ending December 31, 2022, the money-weighted rate of return on plan investments was -7.80%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

Actuarially Determined Contribution Amounts (As of the Actuarial Valuation Date)		
	Year Ended December 31, 2023 (1)	Year Ended December 31, 2022 (2)
Actuarial Valuation Date	January 1, 2024	January 1, 2023
Biweekly Contributions:		
Active Members	\$ 226.27	\$ 220.50
City of San Antonio per Active Member	452.53	441.01
Monthly Contributions:		
Retirees with Less Than 30 Years of Service	490.25	477.75
Dependent Children	350.00	350.00

- (1) Contributions effective from October 1, 2023 through December 31, 2023 of the Health Fund's fiscal year ended December 31, 2023.
- (2) Contributions effective from January 1, 2023 through September 30, 2023 of the Health Fund's fiscal year ended December 31, 2023.

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**I. Plan Description (Continued)**

Plan Membership (As of the Actuarial Valuation Date)		
	Year Ended December 31, 2023 January 1, 2024	Year Ended December 31, 2022 January 1, 2023
Actuarial Valuation Date		
Retirees and Beneficiaries Receiving Benefits	4,999	4,597
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	-	-
Active Plan Members	4,223	4,151
Total Membership	9,222	8,748

**II. Summary of Significant Accounting Policies and Plan Asset Matters**

**A. Basis of Accounting**

The financial statements of the Health Fund are prepared in conformity with accounting principles generally accepted in the United States of America for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The Health Fund's financial statements are prepared using the accrual basis of accounting. With the accrual basis of accounting, the City and the participant contributions are recognized as revenues in the period in which employees' contributions are withheld; retiree contributions are recognized as revenues in the period in which they are due; and, expenses for postretirement healthcare benefits are recognized as incurred.

The Health Fund is a statutory trust that holds assets for post-employment health care of the City's retired firefighters and police officers. Accordingly, its financial reporting and accounting follows GASB pronouncements applicable to special-purpose governments engaged only in fiduciary activities.

The Health Fund's financial statements are also prepared in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. As such, the financial statements disclose descriptive information about classes of plan members, plan investments, and significant assumptions used to measure the total Other Post Employment Benefit (OPEB) liability; and, includes the Required Supplementary Information schedules.

**B. Investments**

Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value.



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**II. Summary of Significant Accounting Policies and Plan Asset Matters (Continued)**

Investments in alternative investments are held in the form of nonmarketable limited partnership interests, private real estate investment trusts, hedge funds, and index funds. These investments are subject to the terms of the respective partnerships' or other types of governing documents, which may limit the Health Fund's withdrawal to specified times and conditions, and restrict the transferability of the Health Fund's interest. The fair valuation of these investments is based on net position values as set by the fund managers or general partners. These net position values may differ from the value that would have been used had a readily available market for the investments existed; and, accordingly, such differences could be material.

All investment income, including changes in the fair value of investments, is reported as additions in the statement of changes in fiduciary net position.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the Health Fund discloses the inputs employed to measure the fair value of accounts reported in the financial statements. GASB Statement No. 72 provides a hierarchy containing three levels for entities to categorize the types of inputs used to measure fair value. Refer to Note IV for more information on the inputs employed by the Health Fund to measure the fair value of its investments.

**C. Federal Income Taxes**

The Health Fund, which was established to hold the Plan's assets, is qualified pursuant to Section 501(c)(9) of the Internal Revenue Code; and, accordingly, the Health Fund's net investment income is exempt from income taxes. The Health Fund has obtained a favorable determination letter from the Internal Revenue Service and believes that it continues to qualify and to operate as designed.

**D. Capital Assets**

Capital assets are defined by the Health Fund as assets with an estimated useful life in excess of one year and with an initial, individual cost of \$200 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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Years Ended December 31, 2023 and 2022

**II. Summary of Significant Accounting Policies and Plan Asset Matters (Continued)**

Furniture, computers and equipment, buildings, and leasehold improvements of the Health Fund are depreciated/amortized using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Furniture	5-7
Computers & Equipment	3
Buildings	30
Leasehold Improvements	7

Right-to-use leased assets are amortized over the term of the respective lease contract.

**E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**F. Leases**

The Health Fund implemented GASB Statement No. 87, *Leases*, during fiscal year 2022. Under GASB 87, the Health Fund, as a lessee, is required to recognize a right-to-use (RTU) lease liability and an intangible RTU leased asset.

A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Health Fund. The RTU leased asset is initially measured as the initial amount of the RTU lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the RTU leased asset is amortized on a straight-line basis over its useful life. The RTU lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payments is recorded as an expense in the Health Fund's financial statements.

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**II. Summary of Significant Accounting Policies and Plan Asset Matters (Continued)**

**G. Accounting Standards Update**

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. The statement is based on the principle that SBITA's are financings of the right-to-use another party's information technology software, along, or in combination with tangible capital assets. This standard became effective for the Health Fund in fiscal year 2023; however, the Health Fund had no material subscription-based arrangements in the current year.

**III. Cash and Investments**

**Deposits**

At December 31, 2023, the bank balance was \$522,028 and the carrying amount was \$44,450. At December 31, 2022, the bank balance was \$594,684 and the carrying amount was \$357,412. The Federal Deposit Insurance Corporation's (FDIC) insures deposits up to \$250,000. The Health Fund's deposits may at times exceed the federally insured limits and are considered to be uncollateralized; however, it has not experienced any losses in such accounts. At December 31, 2023 and 2022, the bank balances exceeded FDIC coverage by \$272,028 and \$344,684, respectively.

**Investments**

The Health Fund's assets are invested in accordance with the Health Fund's Investment Policy, as established by the Board. The Health Fund utilizes an investment consultant who provides recommendations on the appropriate target portfolio weightings among major asset classes (e.g., stocks, mutual funds, limited liability partnerships, cash, etc.) within the Health Fund. Additionally, the Health Fund has contracted with certain investment managers who have full discretionary authority to buy, hold, and sell securities under management, in accordance with the guidelines defined in the Health Fund's Investment Policy. All of the Health Fund's cash and investments, except for alternative investments, are held by Frost National Bank, the Health Fund's custodian bank located in San Antonio, Texas.

Investments authorized by the Health Fund's Investment Policy include U.S. equities (such as common stocks, securities convertible into common stock, and open or closed-end mutual funds), international equity; certain fixed income assets (including corporate bonds and certificates of deposit), commercial paper; private equity, and alternative investments (such as real estate, absolute return hedge funds, and natural resources). The cash portion of the Health Fund is invested in a short-term money market mutual fund administered by the Health Fund's custodian bank.

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Years Ended December 31, 2023 and 2022

**III. Cash and Investments (Continued)**

As of December 31, 2023, and 2022, the Health Fund's cash and investments are comprised of the following:

	December 31, 2023	December 31, 2022
Cash and Short-Term Investments:		
Cash	\$ 44,450	\$ 357,412
Money Market Mutual Funds	5,860,151	4,884,755
Total Cash and Short-Term Investments	<u>\$ 5,904,601</u>	<u>\$ 5,242,167</u>
Investments, at Fair Value:		
U.S. Equity – Common Stock	\$ -	\$ -
Mutual Fund – Fixed Income	58,489,687	48,301,663
Mutual Fund – International Equity	11,392,257	11,153,301
Mutual Fund – Common Stock	33,180,899	32,513,697
Alternative Investments, at Net Asset Value (NAV):		
Real Estate – Limited Partnerships	31,793,355	27,523,756
Natural Resources – Limited Partnerships	28,709,852	32,800,819
Private Equity – Limited Partnerships	129,379,267	132,515,768
Private Debt – Limited Partnerships	88,545,768	80,068,498
Global & Domestic Equity	40,200,474	44,576,765
Index Funds – Domestic Equity	78,779,250	67,979,971
Index Funds – International Equity	17,106,050	18,105,051
Index Funds – TIPS	14,387,438	3,861,638
Total Investments, at Fair Value	<u>\$ 531,964,297</u>	<u>\$ 499,400,927</u>

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To limit its exposure to fair value losses arising from rising interest rates, the Health Fund's Investment Policy limits the maturities of money market mutual funds to two years at time of purchase. At December 31, 2023 and 2022, the weighted average maturity of the money market mutual funds was thirty-four days and twenty days, respectively. The Health Fund places no limit on maturities of Mutual Funds – Fixed Income.

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**III. Cash and Investments (Continued)**

The Health Fund's investments in Mutual Funds – Fixed Income had the following weighted average maturities as of December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Loomis	\$ 13,206,068	5.46	\$ 12,769,905	5.26
Baird	31,284,018	7.97	13,141,311	8.06
Payden	8,874,890	11.30	8,379,125	11.60
Vanguard	5,124,711	2.50	14,011,322	2.40
	<u>\$ 58,489,687</u>		<u>\$ 48,301,663</u>	

*Credit Risk.* Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligation, resulting in a financial loss. In accordance with the Health Fund's Investment Policy, investments in money market mutual funds must have a rating of at least A-2 by Standard and Poor's (S&P). At December 31, 2023 and 2022, the money market mutual funds were rated AAAM by S&P.

The Health Fund's investments in Mutual Funds – Fixed Income are not rated by a nationally recognized statistical rating organization.

*Custodial Credit Risk.* Custodial credit risk for investments is the risk that, in the event of a counterparty's failure in an investment transaction, a government may not be able to recover the value of its investment or collateral securities held by an outside party. The Health Fund's common stock investments were held at Frost National Bank's third-party custodian, Bank of New York. Since these investments are maintained separately from the bank's assets, they would not be affected in the event of the bank's failure.

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**III. Cash and Investments (Continued)**

*Concentration of Credit Risk* – Concentration risk is the exposure to loss that can result from failing to diversify investments. A government should disclose investments that represent 5% or more of its total investments in a single issuer. Concentration risk does not arise with U.S. government obligations and obligations explicitly guaranteed by the U.S. government; mutual funds; and similar pooled investments, which are designed in part, to provide diversification. As of December 31, 2023 and 2022, the Health Fund held the following investments that exceeded 5% of total investments:

Investment	Balance		% of Total	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Catalyst Fund Limited Partnership II	-	\$34,106,939	-	6.83%
SSgA Russell 1000 Index Fund	\$78,779,250	\$67,979,971	14.81%	13.61%
Portfolio Advisers Secondary Fund IV	\$38,835,580	\$36,877,197	7.30%	7.38%
Portfolio Advisers Credit Strategies Fund	\$42,294,023	\$44,917,820	7.95%	8.99%
Pacific Asset Management Bank Loan Fund	-	\$25,528,921	-	5.11%

Although the index funds exceed 5% of total investments, these investment portfolios are comprised of many investments.

*Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As of December 31, 2023, one of the Health Fund's investments totaling \$1,901,961 or 0.36% of total investments, and as of December 31, 2022, one of the Health Fund's investments totaling \$2,078,433 or 0.42% of total investments, is exposed to foreign currency risk. The primary currency for these investments is the Euro.

**IV. Investments – Fair Value Measurement**

The Health Fund categorizes its fair value measurements of its investments within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on valuation inputs used to measure the fair value of the investment and are classified and disclosed in one of the following categories:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets;

Level 2 – Quoted prices in markets that are not considered to be active for identical assets, quoted prices in active or inactive markets for similar assets, and inputs other than quoted prices that are directly observable or indirectly through corroboration with observable market data; and,

Level 3 – Inputs that are both significant to the fair value measurement and unobservable; including, investment specific inputs that are not derived from market data and inputs that cannot be corroborated by market data. The determination of fair value for investments included in this category requires considerable subjectivity and estimation.

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**IV. Investments – Fair Value Measurement (Continued)**

The Health Fund uses the net asset value (NAV) per share as the fair value measurement for its alternative investments since they cannot be traded; and, therefore, market-based information regarding their value does not exist. As such, these alternative investments are not categorized according to the fair value hierarchy. At December 31, 2023, the Health Fund's fair value measurements for its investments were as follows:

	December 31, 2023	Fair Value Measurements Using		
		Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value:				
Short Term Investments				
Money Market Mutual Funds	\$ 5,860,151	\$ 5,860,151	\$ -	\$ -
Equity Securities				
Mutual Fund – Fixed Income	58,489,687	58,489,687	-	-
Mutual Fund – International Equity	11,392,257	11,392,257	-	-
Mutual Fund – Common Stock	33,180,899	33,180,899	-	-
Total Investments by Fair Value Level	<u>\$ 108,922,994</u>	<u>\$ 108,922,994</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at the Net Asset Value (NAV)				
Real Estate Funds	\$ 31,793,355			
Natural Resources Funds	28,709,852			
Private Equity Funds	129,379,267			
Private Debt Funds	88,545,768			
Global & Domestic Equity Funds	40,200,474			
Index Funds – Domestic Equity	78,779,250			
Index Funds – International Equity	17,106,050			
Index Funds – TIPS	14,387,438			
Total Investments Measured at the NAV	<u>428,901,454</u>			
Total Investments Measured at Fair Value	<u>\$ 537,824,448</u>			

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**IV. Investments – Fair Value Measurement (Continued)**

Investments Measured at the Net Asset Value as of December 31, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Estate Funds (1)	\$ 31,793,355	\$ 42,216,311	-	-
Natural Resources Funds (2)	28,709,852	4,095,617	Annually	90-120 Days
Private Equity Funds (3)	129,379,267	84,939,577	-	-
Private Debt Funds (4)	88,545,768	32,845,909	Quarterly	30 Days
Global & Domestic Equity Funds (5)	40,200,474	-	Monthly	15-30 Days
Index Funds (6)	110,272,738	-	Monthly	3 days
	<u>\$ 428,901,454</u>	<u>\$ 164,097,414</u>		

At December 31, 2022, the Health Fund's fair value measurements for its investments were as follows:

	Fair Value Measurements Using			
	Quote Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	December 31, 2022 (Level 1)	(Level 2)	(Level 3)	
Investments by Fair Value:				
Short Term Investments				
Money Market Mutual Funds	\$ 4,884,755	\$ 4,884,755	\$ -	\$ -
Equity Securities				
Mutual Fund – Fixed Income	48,301,663	48,301,663	-	-
Mutual Fund – International Equity	11,153,301	11,153,301	-	-
Mutual Fund – Common Stock	32,513,697	32,513,697	-	-
Total Investments by Fair Value Level	<u>\$ 96,853,416</u>	<u>\$ 96,853,416</u>	<u>\$ -</u>	<u>\$ -</u>

Investments Measured at the Net Asset Value (NAV)

Real Estate Funds	\$ 27,523,756
Natural Resources Funds	32,800,819
Private Equity Funds	132,515,768
Private Debt Funds	80,068,498
Global & Domestic Equity Funds	44,576,765
Index Funds – Domestic Equity	67,979,971
Index Funds – International Equity	18,105,051
Index Funds – TIPS	<u>3,861,638</u>
Total Investments Measured at the NAV	<u>407,432,266</u>
Total Investments	<u>\$ 504,285,682</u>



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**IV. Investments – Fair Value Measurement (Continued)**

Investments Measured at the Net Asset Value as of December 31, 2022:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Estate Funds	\$ 27,523,756	\$ 33,094,118	-	-
Natural Resources Funds	32,800,819	-	Annually	90-120 Days
Private Equity Funds	132,515,768	77,904,754	-	-
Private Debt Funds	80,068,498	22,740,757	Quarterly	30 Days
Global & Domestic Equity Funds	44,576,765	-	Monthly	15-30 Days
Index Funds	89,946,660	-	Monthly	3 days
	<u>\$ 407,432,266</u>	<u>\$ 138,757,037</u>		

(1) *Real Estate Funds.* The Health Fund is invested in eight real estate funds at December 31, 2023. These funds are primarily diversified through fund-to-funds strategies. Portfolios include investments in assets and distressed debt for residential and commercial real estate (domestic & international). Fair values have been determined using NAV per share of investments. Real estate investment funds represent 5.9% of the Health Fund's portfolio. For each of the funds, the Health Fund receives distributions as the underlying assets of investments are sold/liquidated. One investment fund (representing \$5,000,000 or 15.7%) is eligible for redemption on an annual basis with a 90-day formal notice. Management estimates that one investment (representing \$723,473 or 2.3%) will liquidate within three years; two investments (representing \$3,705,244 or 11.6%) will liquidate within five years; three investments (representing \$20,337,874 or 64%) will liquidate within nine years; and one investment (representing \$2,026,764 or 6.4%) will liquidate within ten years.

(2) *Natural Resources Funds.* The Health Fund is invested in seven natural resources investment funds at December 31, 2023. These funds are limited partnerships that use harvesting and fund-to fund strategies. Portfolios for these funds include investments in domestic and international commodities such as: oil, gas, iron, copper, minerals, metals and energy sources. Fair values have been determined using NAV per share of investments. These natural resources investment funds represent 5.3% of the Health Fund's portfolio. These investments are not redeemable. The Health Fund receives distributions as the underlying assets of investments are sold/liquidated. One investment fund (representing \$3,427,541 or 11.9%) is eligible for redemption on an annual basis with a 90-120 day formal notice. For the other six funds, management estimates that two investments (representing \$3,719,116 or 13%) will liquidate within three years; one investments (representing \$2,873,251 or 10%) will liquidate within five years; and, three investments (representing \$18,689,944 or 65.1%) will liquidate within nine years.

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**IV. Investments – Fair Value Measurement (Continued)**

(3) *Private Equity Funds.* The Health Fund is invested in fourteen private equity investment funds at December 31, 2023. Strategies for these funds include seven diverse fund-to-funds, two private debt funds, two secondary funds, one venture capital funds, one co-investment fund, and one direct fund. Portfolios for these funds include assets in multiple domestic and international industries. Fair values have been determined using NAV per share of investments. These private equity funds represent 24.1% of the Health Fund's portfolio. These investments are not redeemable. The Health Fund receives distributions as the underlying assets of investments are sold/liquidated. Management estimates that one investment (representing \$398,696 or 0.3%) will liquidate within 3 years; one investment (representing \$13,466,425 or 10.4%) will liquidate within two to five years; three investments (representing \$25,727,520 or 19.9%) will liquidate within five years; one investment (representing \$13,331,113 or 10.3%) will liquidate within five to seven years; four investments (representing \$23,573,395 or 18.2%) will liquidate within nine years; one investment (representing \$4,178,966 or 3.2%) will liquidate within three to nine years; one investment (representing \$2,282,055 or 1.8%) will liquidate within 10 years; and, two investments (representing \$46,421,097 or 35.9%) will liquidate within 15 years.

(4) *Private Debt Funds.* The Health Fund is invested in five private debt investment funds at December 31, 2023. Strategies for these funds include: Making junior debt investments with equity participation in several private equity sponsored transactions, including leveraged buyouts, growth financings, refinancing, and recapitalizations. Fair values have been determined using NAV per share of investments. These private debt funds represent 16.5% of the Health Fund's portfolio. One investment fund (representing \$42,294,023 or 47.8%) is eligible for redemption on a quarterly basis with a 30-day formal notice. Management estimates that one investment (representing \$3,057,113 or 3.4%) will liquidate within seven years; and three investments (representing \$43,194,632 or 48.8%) will liquidate within nine years.

(5) *Global & Domestic Equity Funds.* The Health Fund is invested in two commingled global and domestic funds at December 31, 2023, which consist of bond and stock investors. Portfolios for these funds include investments in international emerging markets in various industries. Fair values have been determined using NAV per share of investments. These investment funds totaling \$40,220,474 represent 7.5% of the Health Fund's portfolio. All funds are eligible for redemption on a monthly basis with a 15-30 day formal redemption notice.

(6) *Index Funds.* The Health Fund is invested in four nonpublic index funds at December 31, 2023, consisting of domestic equities; international equities, including emerging markets and developing markets; and, treasury inflation protected securities (TIPS). Index funds seek to provide investment results that, before expenses, correspond generally to the total return of an index that tracks the performance of an investment class. Fair values have been determined using NAV per share of investments. These investment funds totaling \$110,272,738 represent 20.5% of the Health Fund's portfolio. All funds are eligible for redemption with a three-day notice.

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**V. Real Estate – Assets Held for Sale**

Real Estate – Assets Held for Sale consist of four properties (Buildings 1, 3, 5, and 6) located at Westover Hills, and consist of land and buildings constructed by the Health Fund. During fiscal-year 2023, one property (Building 2) located at Schertz was reclassified as assets held for sale. These assets are carried at cost, and are not depreciated. The balances at December 31, 2023 and 2022 were \$13,152,872 and \$12,236,245, respectively.

**VI. Capital Asset Activity**

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance January 1, 2023	Additions	Retirements	Balance December 31, 2023
Capital Assets, Not Being Depreciated/Amortized:				
Land	\$ 10,588,469	\$ -	\$ -	\$ 10,588,469
Construction in Progress	6,754,480	4,732,371	(7,772,011)	3,714,840
Total Capital Assets, Not Being Depreciated/Amortized	17,342,949	4,732,371	(7,772,011)	14,303,309
Capital Assets, Being Depreciated/Amortized:				
Buildings	9,309,571	5,823,142	-	15,132,713
Furniture, Office	173,269	135,750	(37,519)	271,500
Computers and Equipment, Office	10,057	-	(10,057)	-
Leasehold Improvements, Office	102,763	1,032,241	(102,763)	1,032,241
Furniture, Clinic	687,824	634,397	(40,547)	1,281,674
Computers and Equipment, Clinic	904,835	-	(384,198)	520,637
Leasehold Improvements, Clinic	1,130,835	-	(589,839)	540,996
Right-To-Use Leased Assets	1,407,663	-	-	1,407,663
Total Capital Assets, Being Depreciated/Amortized	13,726,817	7,625,530	(1,164,923)	20,187,424
Less Accumulated Depreciation/Amortization for:				
Buildings	(85,054)	(472,073)	-	(557,127)
Furniture and Equipment, Office	(47,576)	(54,300)	47,576	(54,300)
Leasehold Improvements, Office	(102,762)	(206,448)	102,763	(206,447)
Furniture, Clinic	(88,510)	-	40,547	(47,963)
Computers and Equipment, Clinic	(488,018)	(227,358)	384,198	(331,178)
Leasehold Improvements, Clinic	(1,130,837)	-	589,839	(540,998)
Right-To-Use Leased Assets	(265,109)	(268,623)	-	(533,732)
Total Accumulated Depreciation/Amortization	(2,207,866)	(1,228,802)	1,164,923	(2,271,745)
Total Capital Assets, Being Depreciated/Amortized, Net	\$ 11,518,951	\$ 6,396,728	\$ -	\$ 17,915,679
Total Capital Assets, Net	\$ 28,861,900	\$ 11,129,099	\$ (7,772,011)	\$ 32,218,988

Depreciation expense totaled \$960,179, and amortization expense related to right-to-use leased assets totaled \$268,623 for the year ended December 31, 2023.

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO  
(A Component Unit of the City of San Antonio, Texas)

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

**VI. Capital Asset Activity (Continued)**

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance January 1, 2022	Additions	Retirements	Balance December 31, 2022
Capital Assets, Not Being Depreciated/Amortized:				
Land	\$ 5,125,251	\$ 5,777,627	\$ (314,409)	\$ 10,588,469
Construction in Progress	9,541,250	21,395,338	(24,182,108)	6,754,480
Total Capital Assets, Not Being Depreciated/Amortized	14,666,501	27,172,965	(24,496,517)	17,342,949
Capital Assets, Being Depreciated/Amortized:				
Buildings	-	9,309,571	-	9,309,571
Furniture, Office	37,519	135,750	-	173,269
Computers and Equipment, Office	10,057	-	-	10,057
Leasehold Improvements, Office	102,763	-	-	102,763
Furniture, Clinic	88,511	599,313	-	687,824
Computers and Equipment, Clinic	441,308	463,527	-	904,835
Leasehold Improvements, Clinic	1,130,835	-	-	1,130,835
Right-To-Use Leased Assets	366,144	1,152,572	(111,053)	1,407,663
Total Capital Assets, Being Depreciated/Amortized	2,177,137	11,660,733	(111,053)	13,726,817
Less Accumulated Depreciation/Amortization for:				
Buildings	-	(85,054)	-	(85,054)
Furniture and Equipment, Office	(47,576)	-	-	(47,576)
Leasehold Improvements, Office	(102,762)	-	-	(102,762)
Furniture, Clinic	(80,968)	(7,542)	-	(88,510)
Computers and Equipment, Clinic	(261,117)	(226,901)	-	(488,018)
Leasehold Improvements, Clinic	(961,330)	(169,507)	-	(1,130,837)
Right-To-Use Leased Assets	(154,917)	(221,245)	111,053	(265,109)
Total Accumulated Depreciation/Amortization	(1,608,670)	(710,249)	111,053	(2,207,866)
Total Capital Assets, Being Depreciated/Amortized, Net	\$ 568,467	\$ 10,950,484	\$ -	\$ 11,518,951
Total Capital Assets, Net	\$ 15,234,968	\$ 38,123,449	\$ (24,496,517)	\$ 28,861,900

Depreciation expense totaled \$489,004, and amortization expense related to right-to-use leased assets totaled \$221,245 for the year ended December 31, 2022.

**VII. Subscribed Capital Commitments**

The Health Fund has non-binding commitments to invest capital in thirty-one investment companies under investment capital subscription agreements. These commitments are subject to periodic calls from the investment companies.

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO  
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Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

**VII. Subscribed Capital Commitments (Continued)**

Following are the changes in subscribed capital commitments for the year ended December 31, 2023 and 2022:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Beginning Commitment Balance – January 1	\$ 138,757,037	\$ 114,233,407
Add: Amount Committed in Current Year	55,000,000	85,000,000
Less: Other Changes / Expiration of Commitments	(10,000,000)	(47,135,345)
Less: Amount Called in Current Year	(19,659,623)	(13,341,025)
Ending Commitment Balance	<u>\$ 164,097,414</u>	<u>\$ 138,757,037</u>

**VIII. Defined Contribution Plan**

The Health Fund established a defined contribution pension plan for its employees in fiscal year 2008. The Qualified Retirement Plan and Trust (QRPT) is administered by a third-party administrator (Paychex).

Benefit terms, including contribution requirements for the QRPT are established and may be amended by the Health Fund's Board. For each employee in the QRPT, the Health Fund is required to contribute 200% of the employee's elective contribution, of a minimum of 2% to a maximum of 6% of the employee's annual salary. Employees are permitted to make contributions to the QRPT, up to applicable Internal Revenue Code limits. For the year ended December 31, 2023, employee contributions totaled \$40,750 and the Health Fund recognized pension expense of \$81,500. For the year ended December 31, 2022, employee contributions totaled \$36,790 and the Health Fund recognized pension expense of \$73,580.

Employees are immediately vested in their own and in the Health Fund's contributions, and earnings of the contributions made on their behalf. Accordingly, there is no provision for the forfeiture or the allocation of forfeitures that may affect the QRPT or the Health Fund's pension expense for current or prior periods.

**IX. Clinic Operations**

The Health Fund operates several health clinics (the Clinics) for the use by its participants. The Clinics are operated with an agreement between the Health Fund and a contractor, Health by Design Management, LLP. (Health by Design). The operation of the Clinics are designed to allow for direct access by the Health Fund's participants to the health providers, who are the employees and/or contractors of Health by Design. On a monthly basis, the Health Fund prepays certain (estimated) expected costs to Health by Design for the Clinics' operations, and are then reconciled, monthly, to actual costs, which may result in differences for unanticipated costs; such as, additional labor and other costs.

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO  
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Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

**IX. Clinic Operations (Continued)**

For the years ended December 31, 2023 and 2022, the Health Fund incurred expenses of \$14,712,919 and \$9,238,475 respectively, which were paid to Health by Design, for the Clinic's operations. The expenses incurred by the Health Fund to operate the Clinic are reported as a component of benefits in the statement of changes in fiduciary net position.

**X. Right-To-Use Leases**

On June 21, 2022, the Health Fund entered into a new office space lease agreement with SA F&P Property Holding Corp, a related party. The lease has a 60-month term with a 24-month renewal option. The monthly rent is \$17,117 for the first year, and increases each year thereafter.

In January 2017, the Health Fund entered into a lease agreement with City Base West, L.P. for a medical clinic, which is for the exclusive use of the Health Fund's participants. The lease has a 60-month term, with a minimum guaranteed rental of \$4,227 per month for the first 24 months, and \$4,973 for the remaining 36 months. Additional costs include a pro rata share for common areas, which represents a percentage of the square feet that the Health Fund occupies. The Health Fund exercised an option to extend the lease for an additional 24 months, effective May 1, 2022. The minimum guaranteed rent is \$5,346 per month for the extension period.

The lease payable is recorded at the present value of expected future lease payments using an implicit interest rate of 5%. The total principal payments made during 2023 and 2022 were \$241,159 and \$201,021, respectively. Total interest incurred during 2023 and 2022 was \$52,950 and \$40,162, respectively. The leased clinic/office space and the associated accumulated amortization are included in capital assets, as right-to-use leased assets.

Annual debt service requirement to maturity for the right-to-use leases are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 204,147	\$ 41,605	\$ 245,752
2025	188,734	32,169	220,903
2026	202,306	22,473	224,779
2027	240,786	11,445	252,231
2028	97,283	1,219	98,502
Total	<u>\$ 933,256</u>	<u>\$ 108,911</u>	<u>\$ 1,042,167</u>

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO  
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Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

**X. Right-To-Use Leases (Continued)**

Changes in long-term liabilities for the year ended December 31, 2023 were as follows:

	Balance January 1, 2023	Additions	Retirements	Balance December 31, 2023	Due Within One Year
Right-to-Use Lease Liability	\$ 1,174,415	\$ -	\$ (241,159)	\$ 933,256	\$ 204,147
Total	<u>\$ 1,174,415</u>	<u>\$ -</u>	<u>\$ (241,159)</u>	<u>\$ 933,256</u>	<u>\$ 204,147</u>

Changes in long-term liabilities for the year ended December 31, 2022 were as follows:

	Balance January 1, 2022	Additions	Retirements	Balance December 31, 2022	Due Within One Year
Right-to-Use Lease Liability	\$ 222,864	\$ 1,152,572	\$ (201,021)	\$ 1,174,415	\$ 241,158
Total	<u>\$ 222,864</u>	<u>\$ 1,152,572</u>	<u>\$ (201,021)</u>	<u>\$ 1,174,415</u>	<u>\$ 241,158</u>

**XI. Net OPEB Liability and Related Information**

**A. Net OPEB Liability**

The City's 2023 net OPEB liability of \$606,061,992 was measured as of December 31, 2023, and was determined by an actuarial valuation as of January 1, 2024.

Total OPEB liability	\$ 1,184,955,492
Plan fiduciary net position	<u>578,893,500</u>
City's Net OPEB liability	<u>\$ 606,061,992</u>

Plan fiduciary net position as a percentage of  
the total OPEB liability 48.9%

The City's 2022 net OPEB liability of \$576,902,042 was measured as of December 31, 2022, and was determined by an actuarial valuation as of January 1, 2023.

Total OPEB liability	\$ 1,117,540,528
Plan fiduciary net position	<u>540,638,486</u>
City's Net OPEB liability	<u>\$ 576,902,042</u>

Plan fiduciary net position as a percentage of  
the total OPEB liability 48.38%

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO  
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Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

**XI. Net OPEB Liability and Related Information (Continued)**

**B. Actuarial Assumptions**

The total OPEB liability for 2023 and 2022, as reported in the December 31, 2023, and 2022 actuarial valuations, were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increase Rate(s)	Varies with Service
Discount Rate	7.00%
Initial Trend Rate	6.25%
Ultimate Trend Rate	4.25%
Years to Ultimate	5
Investment Rate of Return	7.00%

All mortality rates were based on the Pub-2010 Mortality Tables projected generationally with scale MP-2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and long-term expected rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	20%	10.3%
International Developed Market Equity	6	5.5
International Emerging Market Equity	8	2.4
Private Equity	20	7.0
Real Estate	10	7.9
High Yield Bonds	4	4.2
Bank Loans	5	3.8
Investment Grade Bonds	5	1.6
TIPS	4	1.7
Emerging Markets Debt	3	2.2
Private Debt	14	9.1
Cash	<u>1</u>	0.0
Total	100%	



FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO  
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Years Ended December 31, 2023 and 2022

**XI. Net OPEB Liability and Related Information (Continued)**

**C. Discount Rate**

For fiscal years 2023 and 2022, the discount rate used to measure the total OPEB liability was 7.00%. This rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total actuarial present values, as determined in accordance with GASB Statements No. 74.

**D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the City's net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate. The discount rate was 7% for 2023 and 2022.

	Current Discount					
	1% Decrease (6%)		Rate (7%)	1% Increase (8%)		
12/31/23 Net OPEB Liability	\$	788,934,647	\$	606,061,992	\$	458,346,238
12/31/22 Net OPEB Liability	\$	749,835,168	\$	576,902,042	\$	437,224,627

**E. Sensitivity of the Net OPEB Liability to Changes in the Health Benefit Trend Rates**

The following shows the City's 2023 and 2022 net OPEB liability, calculated using the assumed health benefit costs trend rates, in comparison to what the City's net OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower (5.25% decreasing to 3.25%) or 1-percentage-point higher (7.25% decreasing to 5.25%) than the assumed health benefit costs trend rates:

			1% Decrease (5.25% decreasing to 3.25%)	Assumed Rates (6.25% decreasing to 4.25%)	1% Increase (7.25% decreasing to 5.25%)
12/31/23 Net OPEB Liability	\$	443,801,593	\$	606,061,992	\$ 811,584,157
12/31/22 Net OPEB Liability	\$	423,630,220	\$	576,902,042	\$ 771,004,613

**XII. Contingencies**

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. No such contingencies have been recorded in these financial statements for the fiscal years ended December 31, 2023 and 2022.

## **Required Supplementary Information**

***DRAFT***

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO  
(A Component Unit of the City of San Antonio, Texas)  
San Antonio, Texas

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS\*

December 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Total OPEB Liability</b>			
Total OPEB Liability - Beginning	\$ 1,117,540,528	\$ 1,117,052,243	\$ 1,106,683,693
Service cost	\$ 25,994,265	\$ 29,107,342	\$ 28,868,748
Interest	78,172,586	78,680,387	78,093,928
Changes of benefit provisions	-	-	-
Differences between expected and actual experience	8,670,660	26,009,743	2,387,313
Changes of Assumptions	9,066,180	(88,238,784)	(59,131,630)
Benefit Payments	(54,488,727)	(45,070,403)	(39,849,809)
Net Change	<u>\$ 67,414,964</u>	<u>\$ 488,285</u>	<u>\$ 10,368,550</u>
Total OPEB Liability - Ending	<u>\$ 1,184,955,492</u>	<u>\$ 1,117,540,528</u>	<u>\$ 1,117,052,243</u>
<b>Plan Fiduciary Net Position</b>			
Plan Fiduciary Net Position - Beginning	\$ 540,638,486	\$ 564,248,277	\$ 484,060,152
Contributions - employer (claims + additional funding)	\$ 47,831,824	\$ 45,073,429	\$ 42,029,806
Contributions - employee	23,920,005	22,532,636	21,012,086
Net investment income	23,910,279	(43,970,063)	59,256,479
Benefit payments	(54,488,727)	(45,070,403)	(39,849,809)
Administrative expenses	(5,180,628)	(4,095,575)	(3,793,573)
Other contributions	2,262,261	1,920,185	1,544,773
Net change in plan fiduciary net position	<u>\$ 38,255,014</u>	<u>\$ (23,609,791)</u>	<u>\$ 80,199,762</u>
Plan Fiduciary Net Position - Ending	<u>\$ 578,893,500</u>	<u>\$ 540,638,486</u>	<u>\$ 564,259,914</u>
<b>Net OPEB Liability</b>	<u>\$ 606,061,992</u>	<u>\$ 576,902,042</u>	<u>\$ 552,792,329</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	48.9%	48.4%	50.5%
<b>Covered Payroll **</b>	\$ 337,830,784	\$ 326,309,106	\$ 350,757,833
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	179.4%	176.8%	157.6%

Notes to Schedule:

\* Data is being accumulated annually to present 10 years of information. Amounts recognized in the most recent fiscal year represent changes between the current and prior measurement dates

\*\* For years 2021 and prior, covered payroll is calculated by dividing employee contributions to the Pension Fund by the employee contribution rate of 12.32%. This approach ensures consistency with the covered payroll used to determine the City's net pension liability for the Fire and Police as a percentage of covered-employee payroll.

See accompanying independent auditor's report

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$	1,114,498,740	\$ 991,905,600	\$ 972,646,273	\$ 943,479,376
\$	29,001,089	\$ 26,077,507	\$ 25,345,174	\$ 24,288,792
	78,947,823	72,602,216	71,055,867	68,946,656
	-	-	-	-
	14,615,553	28,123,914	2,168,944	(5,164,947)
	(99,031,947)	28,935,971	(43,489,622)	(25,343,991)
	(31,347,565)	(33,146,468)	(35,821,036)	(33,559,613)
\$	<u>(7,815,047)</u>	<u>122,593,140</u>	<u>19,259,327</u>	<u>29,166,897</u>
\$	<u>1,106,683,693</u>	<u>1,114,498,740</u>	<u>991,905,600</u>	<u>972,646,273</u>
\$	402,513,801	\$ 364,439,129	\$ 376,808,122	\$ 345,047,217
\$	39,479,614	\$ 35,233,515	\$ 30,891,718	\$ 27,242,387
	19,726,524	17,605,469	15,441,863	13,615,721
	55,638,245	19,867,431	(21,628,954)	25,294,156
	(31,347,565)	(33,146,468)	(35,821,036)	(33,559,613)
	(3,463,835)	(3,055,823)	(3,069,876)	(2,660,544)
	1,513,368	1,570,548	1,817,291	1,828,798
\$	<u>81,546,351</u>	<u>38,074,672</u>	<u>(12,368,994)</u>	<u>31,760,905</u>
\$	<u>484,060,152</u>	<u>402,513,801</u>	<u>364,439,128</u>	<u>376,808,122</u>
\$	<u>622,623,541</u>	<u>711,984,939</u>	<u>627,466,472</u>	<u>595,838,151</u>
	43.7%	36.1%	36.7%	38.7%
\$	347,776,258	\$ 328,795,544	\$ 318,037,955	\$ 308,101,315
	179.0%	216.5%	197.3%	193.4%

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO  
(A Component Unit of the City of San Antonio, Texas)  
San Antonio, Texas

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF INVESTMENT RETURNS\*

December 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Annual money-weighted rate of return, net of investment expense**	4.40%	-7.80%	11.98%	13.39%

Notes to Schedule:

\* Data is being accumulated annually to present 10 years of information.

\*\* The money-weighted rate of return expresses investment performance, net of investment expenses, reflecting the timing of the contributions received and the benefits paid during the year.

See accompanying independent auditor's report

2019	2018	2017	2016
5.32%	-5.67%	7.26%	5.94%

## **Compliance Section**

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Fire and Police Retiree Health Care Fund, San Antonio  
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fire and Police Retiree Health Care Fund, San Antonio (the Health Fund), a component unit of the City of San Antonio, Texas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Health Fund's basic financial statements, and have issued our report thereon dated September 12, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Health Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Health Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 12, 2024