THE FUND | RETIREE HEALTH & WELLNESS
SAN ANTONIO FIRE AND POLICE

Minutes of the Annual Meeting
of the Board of Trustees of the
Fire and Police Retiree Health Care Fund, San Antonio
February 18, 2026

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; and
Jason Sanchez, Police Department Representative;

ABSENT: Councilperson Jalen McKee-Rodriguez, City of San Antonio;
Councilperson Misty Spears, City of San Antonio; and
Councilperson Edward Mungia, City of San Antonio

OTHERS PRESENT: James Bounds (Executive Director),
Cecilia Puga and Christen Landolt, Retiree Health Care
Frank Burney, Martin & Drought, P.C.
Representatives of Meketa and Foster & Foster attended.

At 8 a.m., Chair Berry called the meeting to order. The roll was called, and a quorum was declared present.

EXECUTIVE SESSION: The Board went into Executive Session at 2:24 p.m. to discuss legal issues with legal counsel on pending contracts. The Executive Session adjourned at 2:57 p.m. No action taken.

MEMBERS TO BE HEARD: None.

ACTION ITEMS:

1. **Presentation by Meketa Investment Group:** Meketa provided its analysis on 2025 performance and market outlook for 2026.

   a. **Small Cap Equity Search:**

   Meketa advised the Board of its recommendation for a US Small Cap Equity Manager Search with 5 candidates, all substantially exceeding the Russell 2000 returns.

MOTION: On the recommendation of Meketa and motion by Trustee Despres with a second by Trustee Berry, the Board unanimously requested Zoom interviews with DFA, Seizert Capital and Oberweis for an aggregate $30M investment and liquidation of the Index Fund. Investment Committee will provide its recommendations at next Board meeting.

b. Core-plus Search:

Meketa recommended an investment of $5-10M in a Core-plus Fund by Clarion Alternative Sectors Real Estate Fund.

MOTION: On the recommendation of Meketa and motion by Trustee Sanchez with a second by Trustee Carse, the Board unanimously approved an investment in Clarion Fund of $5M with Trustee Gutierrez abstaining, based on lower fees of 50 bps.

c. Crow Holdings Realty Partners XI:

Fund has invested with Crow in earlier funds ($15M), and Meketa is recommending an investment of $12M in Fund XI value-add investment.

MOTION: On the recommendation of Meketa and motion by Trustee Despres with a second by Trustee Sanchez, the Board unanimously approved an investment in Crow Fund XI of $12M.

d. Economic and Market Update 2025:

Most major markets posted positive returns, led by Non-US Equities. Meketa reported on returns from all asset classes and global factors that affect the market.

At the end of 2025, the Fund had a market value of $672M, with most of active managers outperforming their benchmarks. Largest allocations are Private Equity, Domestic Equity, and Private Debt.

e. 2026 Capital Market Expectations and Asset Allocation:

Meketa provided a rebalancing discussion on Current Asset Allocation Policy for 2026 (50 in Growth/Equity; 30 in Credit; 10 in Rate Sensitive; and 10 in Real Assets). With current allocation, targeted return is 9%. With 2026 analysis, allocation is a targeted return of 8.4%.

Global economic outlook is slight reduction in growth, while US

outlook is slightly positive.

Based on expected additional funds from real estate sales, the Investment Committee will meet and provide any recommendations for reallocation of assets for 2026.

2. **Presentation by Foster & Foster:**

a. PBM:

Study shows plan cost decrease through better discounts, higher rebates, and better plan management (prior authorization and non-coverage). Rebates are up 151%.

New contract with CapitalRx resulted in $9.3M reduction in plan costs.

Top Therapy Classes are: diabetes, inflammatory conditions, cancer, skin conditions, and anticoagulants.

b. Trends:

More weight-loss drugs, FDA approval of non-opioid pain medication, higher diagnosis of cancer in young Americans. New cancer drugs are being introduced.

c. Conversion to Costco:

Has been successful with members going in person and mail order.

d. Glucose Monitoring (CGM):

Difficult to quantify value of CGM. Better approach may be to have a Coach that discusses how to improve health by using a CGM bi-weekly. One option is to have cost-sharing with members that depends on interaction with coaches. Suggestion to have a pilot program.

e. CMS Retiree Drug Subsidiary Program ("RDS"):

Foster & Foster presented its evaluation of possible rebates under RDS.

MOTION: Upon motion by Trustee Lutton and second by Trustee Carse, the Board unanimously engaged Foster & Foster to seek RDS payments, for a contingent fifteen (15) per cent of net recoveries, paid to Foster & Foster upon receipt.

ADJOURNMENT: There being no further business, a motion was made by Trustee Sanchez and second by Trustee Lutton that the meeting adjourn. The motion carried unanimously. The meeting adjourned at 4:40 p.m.

Enclosures
- Agenda
- Executive Session Agenda
- RDS Proposal

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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 MEETING CONDUCTED ON FEBRUARY 18, 2026.

1. The executive session began with the following announcement by the presiding officer: "Health Fund is now in executive session February 18, 2026 at 2:24 p.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 benefit issues for members, contract performance, possible litigation and personnel matters.

3. No further action was taken.

4. The executive session ended with the following announcement by the presiding officer: "This executive session ended on February 17, 2026 at 2:57 p.m."

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Presiding Officer

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THE FUND | RETIREE HEALTH & WELLNESS
SAN ANTONIO FIRE AND POLICE

AGENDA/WORKSHOP
BOARD OF TRUSTEES MEETING
FIRE AND POLICE RETIREE HEALTH CARE FUND
6535 STATE HWY 161, SUITE 100, IRVING, TX 75039
WEDNESDAY FEBRUARY 18, 2026 – 8:00 a.m.

1. Call to Order:

2. Roll call:

3. EXECUTIVE SESSION (Discussion only – Closed to Public):
   The Board of Trustees may close 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 will 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 the Health Fund in Negotiations with a Third Party;**
   b. **Government Code §551.071 - All Matters Where the 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;**
   d. **Government Code §551.074- Personnel Matters involving Senior Executive Staff and Employees of Health Fund.**

4. Presentation by Meketa Investment Group (Discussion and Possible Action):

   a. Old Business

   b. Economic and Market Update

   c. Fourth Quarter 2025 Review
      - Executive summary
      - Retiree Healthcare Fund Summary
      - Fund Detail and Portfolio Reviews

   d. 2026 Capital Market Expectations and Asset Allocation
      - Rebalancing Discussion

e. US Small Cap Equity Manager Service

f. Private Markets Review
- Pacing Studies/Development of Capital
- Program Review
- Update on Funds in Market

g. 2026 Road map

h. Appendices
- Manager Meeting Summary
- Private Markets Commitment Summary

i. Disclaimer, Glossary and Notes

5. Presentation by Foster & Foster (Discussion and Possible Action):

6. Adjournment:

FOSTER & FOSTER

Memorandum

To:	Board of Trustees, Fire and Police Retiree Health Care Fund, San Antonio, TX
From:	Wyatt J. Holliday, Senior Counsel Jonathan R. Davidson, Chief Legal Officer
Date:	February 11, 2026
Re:	Retiree Drug Subsidy, Plan Changes

Foster & Foster Consulting Actuaries, Inc. ("Foster & "Foster") has analyzed the design and benefits of the Fire and Police Retiree Health Care Fund, San Antonio, TX ("Plan") to determine if any changes would be required for the Plan to receive payments through the Centers for Medicare & Medicaid Services' (CMS) Retiree Drug Subsidy Program ("RDS"). In short, we do not recommend that any changes are needed to the Plan in order to apply for and receive payments from RDS.[1]

We want to acknowledge that this recommendation is contrary to a previous analysis of the issue, specifically surrounding coverage of so-called "Gender-Affirming Care." However, changes in the legal, regulatory and enforcement landscape have changed our analysis. This recommendation is based on the following key points:

- The regulation we previously examined does not, by court order, apply to plans in Texas.
- The Department of Health and Human Services ("HHS"), of which CMS is a part, is unlikely to continue to litigate against that court order.
- HHS will likely withdraw the regulation.

Background: Patient Protection and Affordable Care Act ("ACA")

While the ACA's "healthcare reform" mandate required most health plans to offer participants additional benefits, group health plans that provide coverage only to retirees are generally exempt from the benefits mandate.[2]

However, sections of the ACA can apply to retiree-only plans such as the Plan in some circumstances. Specifically, the ACA's nondiscrimination section, generally known as Section 1557, applies to "any health

[1] Please note, this memorandum is not legal advice. It reflects our understanding of the law and associated guidance when provided. We recommend you seek the advice of legal counsel prior making any Plan changes.
[2] 26 C.F.R. § 54.9831-1(b).

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program or activity, any part of which is receiving Federal financial assistance, including ... subsidies."[3] Discrimination on the basis of protected categories, including sex, in the provision of benefits is generally prohibited.[4] This was formalized in the April 2024 final regulation implementing Section 1557 (the "Final Rule"). Relevant here, this rule specifically indicated that any health program that receives a federal subsidy cannot exclude gender-affirming care, as doing so would be impermissible discrimination on the basis of sex.[5]

Current Legal Landscape

Should the Board of Trustees decide to pursue subsidies under RDS, the Plan would clearly be a "health program or activity ... receiving Federal financial assistance"; thus, the nondiscrimination provision would apply. The Board is obligated to follow federal and state law in its administration of the Plan; however, this obligation applies to the law as it currently is understood. As explained below, at this time, the Plan can receive RDS payments without the obligation to cover gender-affirming care.

Since the Final Rule was released, Federal courts and the Trump Administration have altered the legal landscape, leading to the following conclusions:

1. The Final Rule is not the law in Texas and does not apply to any health program in Texas.

   The states of Texas and Montana sued the Secretary of HHS in *Texas v. Becerra* (now *Texas v. Kennedy*) to challenge the Section 1557 Final Rule on several grounds. In 2024, the Judge in this case issued a national stay of the Final Rule's effective date pending resolution of an appeal by HHS of the stay; this appeal was abandoned by HHS in March 2025. This stay was affirmed in June 2025 and continues today. Thus, the Final Rule is not applicable to the Plan, as previous guidance and law do not require coverage of gender-affirming care. Further, the Administration assented to the most recent request for a continued stay, indicating an unwillingness to continue defending the Section 1557 Final Rule.

2. The Trump Administration has issued several Executive Orders that indicate opposition to gender-affirming care.

   Executive Orders 14168 ("Defending Women From Gender Ideology Extremism and Restoring Biological Truth to the Federal Government") and 14187 ("Protecting Children From Chemical And Surgical Mutilation") directly address the Administration's position on gender identity and

[3] 42 U.S.C. §18116(a).
[4] *Id.*, listing title VII of the Civil Rights Act of 1964, title IX of the Education Amendments of 1972, and the Age Discrimination Act of 1975.
[5] 89 F.R. §37522. The U.S. Supreme Court's 2020 decision in *Bostock v. Clayton County* (590 U.S. 644) held that discrimination based on sexual orientation or gender identity is discrimination "on the basis of sex" under Title VII.

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gender-affirming care. These orders define man/male, woman/female, and gender ideology and identity, and order HHS to rescind previous (Biden-era) guidance on the provision of gender-affirming care.

These first two conclusions must be read together, as they indicate the current and near-future status of the law. Put simply, while we hesitate to speak in absolutes, we do not see this Administration, nor the Kennedy-led HHS, continuing to litigate in favor of the Final Rule.

3. The Administration will likely withdraw the Final Rule.

   Executive Order 14219 instructs all federal agencies to review regulations and guidance previously issued by the agency, to produce a list of that which are unlawful, against the public interest, or inconsistent with Supreme Court rulings. The practical effect of this EO will likely be the withdrawal of regulations that are counter to the Administration's stated policy goals. This will almost certainly include the Final Rule.

Conclusion

Our review and analysis of the current legal, regulatory, and enforcement landscape suggests the following:

- The receipt of RDS payments would make the Plan subject to ACA Section 1557, as a health program receiving a federal subsidy; however,
- The ACA Section 1557 Final Rule, which precludes exclusions for gender-affirming care, does not apply to plans in Texas; thus,
- There is no current legal requirement that Texas-based plans cover gender-affirming care in order to receive payments from the RDS program.

Further, the Administration's position on gender-affirming care and its stated intent to rescind regulations in conflict with its positions indicate that the above analysis is unlikely to change in the next three years.

It is therefore our conclusion that Board of Trustees may decide to apply for payments under CMS's RDS program without making any alterations to the Plan.

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