



**Minutes of the Meeting
of the Board of Trustees of the
Fire and Police Retiree Health Care Fund, San Antonio
August 31, 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, and Cecilia Puga, Retiree Health Care;
Frank Burney and Jon Lowe, Martin & Drought, P.C.;
Charlie Ricketts and Michael Trainer, Retirees Association.

At 10:50 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 July 27, 2026, were reviewed and unanimously approved upon motion by Trustee Gutierrez and second by Trustee Despres.

EXECUTIVE

SESSION: The Board went into Executive Session at 11:25 a.m. to discuss:

- 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, including but not limited to, 2027 Legislative Agenda and Audit of the Health Fund.**
- c. **Pending or Contemplated Litigation.**
- d. **Government Code §551.074- Personnel Matters involving Senior Executive Staff and Employees of Health Fund.**
- e. **Government Code 551.078 and .0785: Deliberation Involving Individuals' Medical or Psychiatric Records.**

The Executive Session adjourned at 12:20 p.m. No action was taken.

MEMBERS
TO BE

HEARD: Mr. Rankin requested that future meetings occur at the offices of the Pension Fund.

ACTION
ITEMS:

1. Investments: No report.
2. Personnel/Audit:
 - a. Garza & Gonzalez: A representative of Garza & Gonzales presented the audit of the Health Fund as of December 31, 2025. The auditor provided its report as to a "clean opinion." There were no difficulties in performing the audit, no internal controls raised, no significant adjustments, and no uncorrected misstatements. Upon motion by Trustee Sanchez and second by Trustee Carse, the 2025 Audit was unanimously approved.
 - b. Foster & Foster: Upon motion by Trustee Sanchez and second by Trustee Despres, the annual actuarial valuation was unanimously approved.
 - c. Contribution Rates for Active Members and COSA: The Board reviewed the actuary's opinion of contributions by active members for next fiscal year. No Board action since required by governing statute.
3. Benefits: No report.
4. Legislative:
 - a. 2027 Legislative Proposals for the Texas Legislature—Consideration of revisions to Health Fund Statute (Article 6243q Revised Civil Statutes):
 - (i) Changes to Maximum Lifetime Benefits;
 - (ii) Spousal Benefits for Post-retirement Marriages;
 - (iii) Refund of Member Contributions (pre-and post-vesting);
 - (iv) 30 Year Maximum Cap on contributions; and.
 - (v) Effect on Audit and Actuarial Impact.

Chair Carse presented the Committee's recommendations to the Board (approval of Scenario I and III and further analysis of post-marriage spouses' access to the clinics.) Upon motion by Trustee Carse and

second by Trustee Gutierrez, the Board approved inclusion of Scenario I and III in the legislative proposal for 2027.

- b. Revision to timeline for submission of Actives and COSA Contribution Rates. No action.

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.

6. Consultant Report:

- a. Legal:
 - (i) Securities Policy: Mr. Burney reported on Amendments to Class Action Securities Litigation Policy. Upon motion by Trustee Despres and second by Trustee Gutierrez, the Class Action Securities Litigation Policy was unanimously approved.
 - (ii) Mr. Burney advised the Board of a policy that could regulate the number of open records request. Upon motion by Trustee Sanchez and second by Trustee Lutton, the Board unanimously instructed Mr. Burney to draft a policy for Board's consideration.
 - (iii) Designation of Emergency Rooms: No action.
 - (iv) Response of COSA for request to include new actuarial contribution increases to COSA Budget for FY 26-27. Rejected.

7. Educational Opportunities:

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

- NCPERS: 2026 Public Safety Conference October 25-28, 2026

8. Next Meeting: Trustee Carse requested moving Board meetings either first or third Monday of the month. Chair Berry asked staff to make

recommendations for future meeting locations and dates for Board meetings. The next regularly scheduled meeting will be September 28, 2026 at 10:00 a.m. subject to change.

ADJOURNMENT: There being no further business, a motion was made by Trustee Carse and second by Trustee Despres that the meeting adjourn. The motion carried unanimously. The meeting adjourned at 12:26 p.m.

Enclosures

- Financial Statement
- List of approved claims and expenses
- Agenda
- Minutes
- Securities Class Action Litigation Policy
- Actuarial Valuation
- Foster & Foster – Payroll Contributions for Fiscal Year 26-27

- Audit Communication Letter
- Financial Statements – Years Ended December 31, 2025 and 2024
- Audit Summary

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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 AUGUST 31, 2026.

1. The executive session began with the following announcement by the presiding officer: "Health Fund is now in executive session August 31, 2026 at 11:25 a.m."
2. SUBJECT MATTER OF EACH DELIBERATION:
 - 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, including but not limited to, 2027 Legislative Agenda and Audit of the Health Fund.
 - c. Pending or Contemplated Litigation.
 - d. Government Code §551.074- Personnel Matters involving Senior Executive Staff and Employees of Health Fund.
 - e. Government Code 551.078 and .0785: Deliberation Involving Individuals' Medical or Psychiatric Records.
3. No further action was taken.
4. The executive session ended with the following announcement by the presiding officer: "This executive session ended on August 31, 2026 at 12:20 p.m."

Presiding Officer

July 31, 2026	December 31, 2025
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Cash - City	\$	0.00	\$	0.00
Cash - Trust		191,639.68		4,577.45
Leasehold Improvements		32,514,570.46		41,076,490.48
Investments - Trust		736,224,067.02		678,251,559.12
Accrued Interest - Trust		3,639,922.33		4,743,196.89
Pre-paid Expenses		1,417,981.01		37,274.30
Total Assets		773,988,180.50		724,113,098.24

Claims Payable	7,742,169.97	7,548,903.20
Accounts Payable	680,423.36	1,370,516.64
Security Lending Collateral	0.00	0.00
Total Liabilities	8,422,593.33	8,919,419.84

Net Assets Held in Trust	\$	765,565,587.17	\$	715,193,678.40
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F&P Retiree Health Care Fund - Calendar
Statement of Changes in Plan Net Assets
For the Seven Months Ending July 31, 2026

	Current Month	Current Budget	Year to Date	YTD Budget
Additions				
Contributions:				
City of San Antonio	\$ 6,854,236.90	4,866,833.32	\$ 36,554,269.17	34,067,833.24
Active	3,437,279.23	2,433,333.32	18,465,385.68	17,033,333.24
Retirees less than 30	93,656.40	116,249.99	745,394.76	813,749.93
COBRA	988.73	4,166.66	4,048.92	29,166.62
Children	81,175.00	76,500.00	553,350.00	535,500.00
	<u>10,467,336.26</u>	<u>7,497,083.29</u>	<u>56,322,448.53</u>	<u>52,479,583.03</u>
Total Contributions				
Investment Income:				
Interest	620,507.53	405,833.33	3,662,975.74	2,840,833.31
Net Appreciation of Inves	(169,649.58)	3,449,999.90	27,248,582.09	24,149,999.30
Other Income	2,331.57	1,666.66	741,596.80	11,666.62
Less Investment Expense	(54,233.33)	(32,749.75)	(311,989.31)	(229,248.25)
	<u>398,956.19</u>	<u>3,824,750.14</u>	<u>31,341,165.32</u>	<u>26,773,250.98</u>
Net Investment Income				
	<u>10,866,292.45</u>	<u>11,321,833.43</u>	<u>87,663,613.85</u>	<u>79,252,834.01</u>
Total Additions				
Deductions				
Members Benefit Paymen	5,114,308.67	5,776,249.99	33,816,986.02	40,433,749.93
COBRA Benefit Payment	2,369.76	4,166.66	2,465.09	29,166.62
Children's Benefit Payme	90,592.26	76,500.00	612,430.37	535,500.00
General and Administrati	601,518.23	345,916.55	2,859,823.60	2,421,415.85
	<u>5,808,788.92</u>	<u>6,202,833.20</u>	<u>37,291,705.08</u>	<u>43,419,832.40</u>
Total Deductions				
	<u>5,057,503.53</u>	<u>5,119,000.23</u>	<u>50,371,908.77</u>	<u>35,833,001.61</u>
Net Increase				



AGENDA
BOARD OF TRUSTEES MEETING
FIRE AND POLICE RETIREE HEALTH CARE FUND

MEETING TO BE HELD AT:
Fountain Grass Garden Room at the
Hilton Garden Inn San Antonio Airport
12828 San Pedro Avenue
San Antonio, TX 78216

Monday, August 31, 2026
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 comments 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 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, Mayoral Appointee Edward Mungia, Councilperson Jalen Mokee-Rodriguez, Councilperson Misty Spears
 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, including but not limited to, 2027 Legislative Agenda and Audit of the Health Fund.
- c. Pending or Contemplated Litigation.
- d. Government Code §551.074- Personnel Matters involving Senior Executive Staff and Employees of Health Fund.

- e. **Government Code 551.078 and .0785: Deliberation Involving Individuals' Medical or Psychiatric Records.**

4. Minutes (Discussion and possible action):

- Board Meeting Minutes for July 27, 2026

5. Public Comment:

6. Committee Reports (discussion and possible action):

a. Investments:

b. Personnel/Audit:

- Presentation of December 31, 2025, Audit by Garza & Gonzalez
- Adoption of January 1, 2026, Actuarial Valuation by Foster & Foster
- Contribution Rates for Active Members and COSA

c. Benefits:

d. Legislative:

- 2027 Legislative Proposals for the Texas Legislature—Consideration of revisions to Health Fund Statute (Article 6243q Revised Civil Statutes):
 - (i) Changes to Maximum Lifetime Benefits;
 - (ii) Spousal Benefits for Post-retirement Marriages;
 - (iii) Refund of Member Contributions (pre-and post-vesting);
 - (iv) 30 Year Maximum Cap on contributions; and,
 - (v) Effect on Audit and Actuarial Impact.
- Revision to timeline for submission of Actives and COSA Contribution Rates.

7. Administrative report (discussion and possible action):

- a. Draft financial reports for July 2026
- b. Discussion of Strategic Business Planning Committee Meeting

8. Consultant Reports (discussion and possible action):

a. Legal: Report by Frank Burney

- Texas Public Information Requests (Discussion and Possible Action): under section 552.275, a governmental body can establish monthly and yearly limits on the amount of time spent producing public information without recovering costs.
- Designation of Preferred Emergency Rooms.
- Amendments to Securities Class Action Litigation Policy and selection of securities litigation firms to monitor Health Fund's portfolio.
- Response from COSA to incorporate Police Collective Bargaining Salary increases.

9. Educational Opportunities (discussion and possible action):

- 2026 Public Funds Forum Montage Laguna Beach September 8-10, 2026
- NCPERS; 2026 Public Safety Conference October 25-28, 2026

10. Adjournment:

NOTE:

Under the Americans with Disabilities Act, an individual with a disability has equal opportunity for effective communication and participation in public meetings. Upon request, the Health Fund will consider accommodations to insure meaningful access to its meetings. Those requesting assistance should notify the contact person listed below as soon as possible for an accommodation but at least four (4) business days before the meeting by telephone or by email to ensure availability:

James Bounds
Telephone: (210) 494-6500
Email: jbounds@thefundsa.org



**Minutes of the Meeting
of the Board of Trustees of the
Fire and Police Retiree Health Care Fund, San Antonio
July 27, 2026**

PRESENT: Frank Gutierrez, Fire Department Retiree Representative;
Mike Despres, Retired Police Representative;
Steve Carse, Fire Department Representative;
Doug Berry, Fire Department Representative;
Jason Sanchez, Police Department Representative;
Councilperson Misty Spears, City of San Antonio.

ABSENT: Councilperson Edward Mungia, City of San Antonio;
Councilperson Jalen McKee-Rodriguez, City of San Antonio;
Chris Lutton, Police Department Representative.

OTHERS PRESENT: James Bounds, Executive Director, and Cecilia Puga, Retiree Health Care;
Frank Burney and Jon Lowe, Martin & Drought, P.C.; and
Charlie Ricketts and Michael Trainer, Retirees Association.

At 10 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 June 25, 2026 and June 29, 2026, were reviewed and unanimously approved upon motion by Trustee Sanchez and second by Trustee Despres.

The Board also congratulated its Board Members that negotiated a new Police CBA.

EXECUTIVE

SESSION: The Board went into Executive Session at 11:00 a.m. to discuss legal issues regarding litigation. The Executive Session adjourned at 11:40 a.m. No action was taken.

**MEMBERS
TO BE**

HEARD: See list attached:

1. Mark Kochheiser (retired Police): related positive stories on services provided by Health by Design.
2. Perry Smith (retired Police): positive recommendation of Health by Design.
3. Mike Trainer (retired Police): supports retirees and their health care—strong supporter of Health by Design.
4. Wayne Harwell (retired Police): strong supporter of Health by Design.

5. Walter Yates (retired Fire): questioned why Board took no action on possible purchase of Health by Design; wanted to know returns of Health Fund;
6. Mike Rankin (retired Fire): raised questions about Health Fund's compliance with Texas Open Meetings Act and Public Information Act. Also supports acquisition of Health by Design.
7. Conrad Gonzales (retired Fire): supports Health by Design
8. Steve Peterson (retired Police): supports Health by Design and wants to continue its services to the Health Fund.
9. Charlie Ricketts (retired Police): strong supporter of Health by Design and encourages Board to reconsider acquisition of Health by Design. If Board wants to pursue a RFP, then quality of care should be of utmost importance.

ACTION
ITEMS:

1. Investments: Meeting is scheduled for August 3, 2026 at 3:00 pm.
2. Personnel/ Audit: A final audit should be final in the next few weeks.
3. Benefits:
 - a. Eligibility Question/Issue: no action.
 - b. PBM Market Check Proposal: Ms. Puga advised the Board of a proposed study by Foster & Foster to evaluate the PBM market for pricing of drugs and prescriptions at a cost of \$30,000 (net cost of \$20,000). Upon by motion by Trustee Carse and second by Trustee Despres, the Board unanimously approved the PBM pricing market study.
4. Legislative: Chair Carse briefed the Board on initial actuarial report for legislative issues that will be addressed at the August 13, 2026 meeting at 10:00 am.
5. Administrative Report:
 - a. Expenses: Mr. Bounds presented the expenditures for the Fund. Upon motion by Trustee Despres and second by Trustee Gutierrez, a list of expenses and claims and the Financial Report were unanimously approved by the Board. Trustee Sanchez requested information on costs of members' services and prescriptions.
 - b. Strategic Business Planning Committee Meeting: none
6. Consultant Report:
 - a. Legal: none

7. Educational Opportunities:

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

- IFEBP: 72nd Employee Benefits Conference, October 23-25, 2026
- iDEC: 5th Annual Global Summit on Talent Maximization, September 22-25, 2026
- NPPFA: 2026 National Round Table Conference, August 24-26, 2026

8. Next Meeting: The next regularly scheduled meeting will be tentatively set for August 17, 2026 at 10 am (moved by Trustee Sanchez and second by Trustee Spears) and August 31, 2026 at 10:00 a.m.

ADJOURNMENT: There being no further business, a motion was made by Trustee Gutierrez and second by Trustee Spears, that the meeting adjourn. The motion carried unanimously. The meeting adjourned at 11:44 a.m.

Enclosures

- Financial Statement
- List of approved claims and expenses
- Agenda
- Minutes
- Memo from Rankin on TPIA and Open Meetings Act

Board Meeting Sign-In Sheet

July 27, 2026

10:AM

Name	Organization/Title	Phone/Email
Michael F. Rankin	SAFD Ret	210-843-7171
Conrad Conner	SAFD Ret	210-421-5660
Roy E. Willbourn	SAFD Ret	210 273 5726
Walter Yates	" "	210-854-7285
Wayne Horvath	SAFD Ret	210-849 4520
Perry Smith	SAFD Ret	210-268-6700
Steven Peters	SAFD	210 379 5522
Mark Kochheim	SAFD Ret	210-215-4444
Elizabeth Jackson	DA Intern	(210)994-0199 ^{Council} ^{Misty} ^{Spears}
Bruce Wenine	DA Intern	210-372-6528 ^{Council} ^{Misty} ^{Spears}
Jerry Coker	SAFD Ref	210-825-4565
Mundo Perez	SAFD	210 391 7666
Cor Perez	"	"
Jim Norst	SAFD	210 396 9495

F&P Retiree Health Care Fund - Calendar
Statement of Plan Net Assets
June 30, 2026

June 30, 2026 December 31, 2025

ASSETS

Cash - City	\$	0.00	\$	0.00
Cash - Trust		183,158.03		4,577.45
Leasehold Improvements		32,514,570.46		41,076,490.48
Investments - Trust		731,724,349.97		678,251,559.12
Accrued Interest - Trust		2,959,388.14		4,743,196.89
Pre-paid Expenses		1,390,395.01		37,274.30
Total Assets		768,771,861.61		724,113,098.24

LIABILITIES

Claims Payable		7,454,770.26		7,548,903.20
Accounts Payable		823,442.35		1,370,516.64
Security Lending Collateral		0.00		0.00
Total Liabilities		8,278,212.61		8,919,419.84

Net Assets Held in Trust	\$	<u>760,493,649.00</u>	\$	<u>715,193,678.40</u>
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F&P Retiree Health Care Fund - Calendar
Statement of Changes in Plan Net Assets
For the Six Months Ending June 30, 2026

	Current Month	Current Budget	Year to Date	YTD Budget
Additions				
Contributions:				
City of San Antonio	\$ 4,558,642.20	4,866,833.32	\$ 29,700,032.27	29,200,999.92
Active	2,285,336.40	2,433,333.32	15,028,106.45	14,599,999.92
Retirees less than 30	134,424.48	116,249.99	651,738.36	697,499.94
COBRA	824.92	4,166.66	3,060.19	24,999.96
Children	81,600.00	76,500.00	472,175.00	459,000.00
Total Contributions	<u>7,060,828.00</u>	<u>7,497,083.29</u>	<u>45,855,112.27</u>	<u>44,982,499.74</u>
Investment Income:				
Interest	512,241.66	405,833.33	3,042,468.21	2,434,999.98
Net Appreciation of Inves	2,183,543.66	3,449,999.90	27,418,231.67	20,699,999.40
Other Income	1,313.69	1,666.66	750,340.23	9,999.96
Less Investment Expense	<u>(54,833.33)</u>	<u>(32,749.75)</u>	<u>(265,999.98)</u>	<u>(196,498.50)</u>
Net Investment Income	<u>2,642,265.68</u>	<u>3,824,750.14</u>	<u>30,945,040.13</u>	<u>22,948,500.84</u>
Total Additions	<u>9,703,093.68</u>	<u>11,321,833.43</u>	<u>76,800,152.40</u>	<u>67,931,000.58</u>
Deductions				
Members Benefit Paymen	4,762,252.72	5,776,249.99	28,702,867.99	34,657,499.94
COBRA Benefit Payment	0.00	4,166.66	95.33	24,999.96
Children's Benefit Payme	190,688.42	76,500.00	521,838.11	459,000.00
General and Administrati	367,772.74	345,916.55	2,275,380.37	2,075,499.30
Total Deductions	<u>5,320,713.88</u>	<u>6,202,833.20</u>	<u>31,500,181.80</u>	<u>37,216,999.20</u>
Net Increase	<u>4,382,379.80</u>	<u>5,119,000.23</u>	<u>45,299,970.60</u>	<u>30,714,001.38</u>



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, July 27, 2026-10:00 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 comments 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 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, Mayoral Appointee Edward Mungia, Councilperson Jalen Mekec-Rodriguez, Councilperson Misty Spears

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, including but not limited to, tax qualification of the Fund.
- c. Pending or Contemplated Litigation including, but not limited to, PBM contractors.
- d. Government Code §551.074- Personnel Matters involving Senior Executive Staff and Employees of Health Fund.
- e. Government Code 551.078 and .0785: Deliberation Involving Individuals' Medical or Psychiatric Records.

4. Minutes (Discussion and possible action):

- Board Meeting Minutes for June 29, 2026

5. Public Comment:
6. Committee Reports (discussion and possible action):
 - a. Investments:
 - b. Personnel/Audit:
 - Update on Audit
 - c. Benefits:
 - Eligibility question/issue
 - PBM Market Check Proposal
 - d. Legislative:
7. Administrative report (discussion and possible action):
 - a. Draft financial reports for June 2026
 - b. Discussion of Strategic Business Planning Committee Meeting
8. Consultant Reports (discussion and possible action):
 - a. Legal: Report by Frank Burney
9. Educational Opportunities (discussion and possible action):
 - IFEBP: 72nd Employee Benefits Conference October 23-25, 2026
 - iDAC; 5th Annual Global Summit on Talent Maximization September 22-25, 2026
 - NPPFA: 2026 National Round Table Conference August 24-26, 2026
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.



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 JULY 27, 2026.

1. The executive session began with the following announcement by the presiding officer: "Health Fund is now in executive session July 27, 2026 at 11:00 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 legal matters with counsel.
3. No further action was taken.
4. The executive session ended with the following announcement by the presiding officer: "This executive session ended on July 27, 2026 at 11:40 a.m."

Presiding Officer

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Minutes of the Meeting
of the Board of Trustees of the
Fire and Police Retiree Health Care Fund, San Antonio
June 29, 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;
Jason Sanchez, Police Department Representative; and
Councilperson Misty Spears, City of San Antonio.

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

OTHERS: James Bounds, Executive Director, and Cecilia Puga, Retiree Health Care;
PRESENT: Frank Burncy, Martin & Drought, P.C.; and
Charlie Ricketts and Michael Trainer, Retirees Association.

At 10:03 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 May 26, 2026, and June 25, 2026, were reviewed and unanimously approved upon motion by Trustee Sanchez and second by Trustee Gutierrez.

EXECUTIVE
SESSION: None.

MEMBERS
TO BE
HEARD: See attached.

ACTION
ITEMS:

1. Investments: Chair Lutton reported on minor changes to the Investment Policy Statement. Upon motion by Trustee Lutton and second by Trustee Spears, the Investment Policy Statement was unanimously approved.
2. Personnel/ Audit: Mr. Bounds reported that the final audit will likely be finished by July Board meeting.
3. Benefits: No report.
4. Legislative: Chair Carse presented the Legislative Program for 2027. Actuarial review on the proposed changes is expected in the next two weeks.

5. Administrative Report:

- a. Expenses: Mr. Bounds presented the expenditures for the Fund. Upon motion by Trustee Sanchez and second by Trustee Spears, a list of expenses and claims and the Financial Report were unanimously approved by the Board.
- b. Strategic Business Planning Committee: None.
- c. Administrative Building: Mr. Bounds reported on architectural plans by November for new headquarters.
- d. Health By Design: Chair Berry reported that all discussions regarding possible acquisition have terminated.

6. Consultant Report:

- a. Legal: Mr. Burney reported on recent NAPPA Conference Legal Issues facing Pension and Health Funds.
- b. Financial Disclosure 2026: COSA Trustees need to submit their financials.

7. Educational Opportunities:

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

- Ccrity Partners: Institutional Client Summit, July 20-21, 2026
- TEXPERS: Summer Education Forum, August 2-4, 2026

8. Next Meeting: The next regularly scheduled meeting will be July 27, 2026 at 10:00 a.m. A Benefits Meeting will be held at 11:30 a.m. to discuss Continuous Glucose Monitors.

ADJOURNMENT: There being no further business, a motion was made by Trustee Despres and second by Trustee Spears that the meeting adjourn. The motion carried unanimously. The meeting adjourned at 11:05 a.m.

Enclosures

- Financial Statement
- List of approved claims and expenses
- Agenda
- Minutes of May 26, 2026 and June 25, 2026 Meetings of the Board

Members to Be Heard

1. Michael Rankin: expects Board to respond to Retirees' questions. Also raised concern with the practice of approving minutes.
2. Patricia Rankin
3. Wally Yates: Asked what action was taken in regards to Health by Design.
4. Kenneth Hagen: Appreciates clinics and Board.
5. Roy Willborn
6. Jana Willborn
7. David Montalvo: wants fairness and transparency by the Board and its members.
8. Nikki Montalvo
9. Javier Pailan
10. Jim Wueste
11. Tylan Weisetz
12. Patsy Rogers
13. Anthony Rogers: does not support any recall. Based on his background, wants due diligence for medical treatments.
14. Bart Moczygemba: appreciates the work by the Board based on his past role as a Pension Trustee.
15. Michael Helle: as a retiree, appreciates the health care benefits retirees receive. All experiences with the clinics have been excellent. Appreciates the hard work that the Board does.
16. Keith Cruske
17. Armando Perez
18. Jimmy Rodriguez: supports the Board and the clinics.
19. Larry Reed: appropriate to raise the CGM issue and satisfied with Board decision. Recommends that the Board review record-keeping. Finally, supports the clinics and the job they are doing. Absolutely opposed to any recall of the Board.

20. Joe Carrillo

21. Robert McConnauey

22. Charlie Ricketts (President – Pensioner's Association): proud that all parties are working together to resolve issues.

23. Mike Trainer: Past President of Pensioners' Association. Keeping minutes is not a total recitation of everything that accrued – just important discussion and actions of the Board. Strong supporter of clinics.

**Minutes of the Special Meeting
of the Board of Trustees of the
Fire and Police Retiree Health Care Fund, San Antonio
June 25, 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;
Jason Sanchez, Police Department Representative; and
Councilperson Jalen McKee-Rodriguez, City of San Antonio.

ABSENT: Councilperson Misty Spears, City of San Antonio; and
Councilperson Edward Mungia, City of San Antonio.

OTHERS James Bounds, Executive Director, and Cecilia Puga, Retiree Health Care;
PRESENT: Frank Burney, Martin & Drought, P.C.;
Charlie Ricketts and Michael Trainer, Retirees Association; and
Numerous Fire and Police Retirees.

At 10:00 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 10:18 a.m. to discuss legal issues regarding litigation. The Executive Session adjourned at 11:15 a.m. No action was taken.

MEMBERS

TO BE

- HEARD:**
1. Wally Yates: Health by Design:
 - i. Requested information on background on possible acquisition of Health by Design.
 - ii. Will the members be engaged on their opinion on the acquisition.
 - iii. Requested that the Board table the Health by Design acquisition.
 2. Anthony Rogers: Requested additional information on the acquisition of Health by Design and process for Trustee recall.
 3. Mike Rankin: Questioned the notice for Executive Session discussion for consultation with Fund's attorneys.

4. Keith Crusius: Questions whether the Board has the expertise to negotiate and consummate the acquisition by Health by Design.

ACTION
ITEMS:

Health by Design: Upon motion by Trustee Carse and second by Trustee McKee-Rodriguez, the Board unanimously voted to reconsider the Board vote on May 26, 2026 to move forward with the acquisition of Health by Design.

Upon motion by Trustee Carse and second by Trustee Lutton, the Board unanimously voted to terminate all and any negotiations related to the acquisition of Health by Design.

NEXT

MEETING: July 27, 2026 at 10:00 a.m.

The Chair announced that a Special Board Meeting after the regular July Board meeting on July 27, 2026, will likely be scheduled to discuss the topic of Continuous Glucose Monitors.

ADJOURNMENT: There being no further business, a motion was made by Trustee Gutierrez and second by Trustee Despres that the meeting adjourn. The motion carried unanimously. The meeting adjourned at 11:18 a.m.

Enclosures
- Agenda

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Two Misstated Texas Open Meetings Act Rules

Healthcare Fund Board - Executive Session and Member Questions

June 4, 2026

Purpose. This document addresses two Texas Open Meetings Act rules that appear to be misstated or applied too broadly in connection with Healthcare Fund Board meetings: (1) the attorney-consultation executive-session rule, and (2) the rule governing member questions raised under “members to be heard.” The concern is not that the Board must deliberate every issue on demand. The concern is that the rules appear to be used as a shield to avoid public accountability, factual answers, and meaningful member participation.

Rule 1 - Texas Government Code § 551.071

Sec. 551.071. CONSULTATION WITH ATTORNEY; CLOSED MEETING.

A governmental body may not conduct a private consultation with its attorney except:

(1) when the governmental body seeks the advice of its attorney about:

(A) pending or contemplated litigation; or

(B) a settlement offer; or

(2) on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this chapter.

Strong Summary

The Board may consult with its attorney in executive session for legal advice. But § 551.071 is not a blanket permission slip to move substantive Board business behind closed doors simply because counsel is present. The rule is limited. It allows legal consultation; it does not authorize private deliberation over the merits, cost, actuarial assumptions, benefit design, financial policy, political handling, or final direction of CGM coverage unless another specific closed-session exception applies.

The misstatement. If counsel is advising that the Board may enter executive session whenever it is “seeking the advice of counsel,” even when the discussion is actually substantive, that statement is incomplete and dangerous. The legal-advice exception cannot be used to conceal the real policy discussion from members.

Proper closed-session legal advice may include: whether agenda wording is legally sufficient; whether litigation is pending or contemplated; whether the plan documents authorize an action; whether the Board faces legal exposure; or what legal obligations apply under TOMA, ADA, fiduciary principles, or the governing documents.

Improper use would include: privately debating whether CGMs should be covered, whether Foster & Foster’s analysis should be accepted, whether projected costs or savings are persuasive, whether the Board should adopt or reject the proposal, how trustees are leaning, or how to handle member pressure.

Applicable authority. The Texas Attorney General has stated that a governmental body may receive legal advice in executive session on legal issues, but may not engage in general policy discussion of nonlegal matters merely because an attorney is present. Attorney General Opinion JC-0233 applies that principle directly. The Texas Attorney General Open Meetings Handbook likewise explains that § 551.071 does not allow matters outside the legal-advice exception to be discussed merely under the cover of counsel’s presence.

Bottom line. The Board may receive legal advice in private. It may not use the attorney-client exception as a device to deliberate the substance of the CGM issue in private.

Rule 2 - Texas Government Code § 551.042

Sec. 551.042. INQUIRY MADE AT MEETING.

(a) If, at a meeting of a governmental body, a member of the public or of the governmental body inquires about a subject for which notice has not been given as required by this subchapter, the notice provisions of this subchapter do not apply to:

- (1) a statement of specific factual information given in response to the inquiry; or
- (2) a recitation of existing policy in response to the inquiry.

(b) Any deliberation of or decision about the subject of the inquiry shall be limited to a proposal to place the subject on the agenda for a subsequent meeting.

Strong Summary:

The instruction that trustees “cannot speak on anything that is not on the agenda” is too broad. Section 551.042 does not impose total silence. It prohibits unposted deliberation or decision-making, but it expressly permits specific factual information, recitation of existing policy, and a proposal to place the matter on a future agenda.

The misstatement. If counsel instructs trustees that they may not answer questions or talk about anything not on the agenda, that converts a limited anti-deliberation rule into a gag rule. That is not what the statute says. The Board may not debate or vote on an unposted issue, but it may answer factual questions and state existing policy.

Permissible factual or policy responses include: when the Foster & Foster report was presented; whether the CGM issue was separately posted; whether the issue was discussed in executive session; what the current policy is for member-requested agenda items; who controls agenda placement; and whether a trustee will propose placing the issue on a subsequent agenda.

Improper unposted deliberation would include: debating whether CGMs should be covered, arguing the merits of the actuarial analysis, deciding whether the Board should approve or reject coverage, or taking action on the substance of the issue without proper notice.

Applicable authority. The Texas Attorney General Open Meetings Handbook explains that § 551.042 allows a limited response to an inquiry about an unposted subject: specific factual information, existing policy, and a proposal to place the matter on a future agenda. Attorney General Opinion JC-0169 describes the statute as allowing limited responses while preventing deliberation or decision on the unposted subject. Attorney General Opinion GA-0668 likewise recognizes that factual information and existing-policy recitations are permitted in response to an inquiry.

Bottom line. “Members to be heard” does not allow the Board to decide unposted business, but it also does not allow counsel to silence trustees from giving factual answers or stating existing policy.

Combined Concern

The pattern is serious. One overstated rule is being used to move substantive matters into executive session. The other overstated rule is being used to stop trustees from answering factual questions in open session. Used together, these interpretations can create a closed loop: substantive discussion occurs privately, members cannot get answers publicly, and future agenda placement remains controlled by the same process that prevents open discussion.

That is not transparency. It is an overbroad use of TOMA to avoid the accountability TOMA is intended to protect.

Statement for the Record

I am not asking the Board to violate the Texas Open Meetings Act. I am asking the Board to follow it correctly. Section 551.071 allows private legal advice; it does not allow private substantive deliberation merely because counsel is present. Section 551.042 prevents unposted deliberation or action; it does not prohibit factual answers, existing-policy explanations, or a proposal to place the matter on a future agenda. If counsel is instructing trustees that they cannot speak at all about anything not on the agenda, that instruction appears to misstate the statute and improperly prevents transparency, accountability, and meaningful member participation.

Sources Referenced

- Texas Government Code § 551.071, Consultation with Attorney; Closed Meeting.
- Texas Government Code § 551.042, Inquiry Made at Meeting.
- Texas Attorney General, Open Meetings Act Handbook 2026.
- Texas Attorney General Opinion JC-0233.
- Texas Attorney General Opinion JC-0169.
- Texas Attorney General Opinion GA-0668.

Respectfully submitted,

Michael F. Rankin

Healthcare Fund Member

SAN ANTONIO POLICE AND FIRE RETIREE HEALTH CARE FUND
BOARD INFORMATION MEMORANDUM

Documented San Antonio Precedent Under TOMA and TPIA

Prepared for consideration by the Healthcare Fund Board

Subject	Prior City of San Antonio matters involving the Texas Open Meetings Act and Texas Public Information Act
Purpose	To provide a concise, accurate warning that local governmental bodies are subject to enforceable transparency requirements.
Important distinction	A judicial finding of a TOMA violation is different from a disclosure ruling requiring release under TPIA. Both are significant, but they should not be described as identical legal findings.

Executive Summary

Yes. There is a reported federal decision expressly finding that the City of San Antonio violated the Texas Open Meetings Act. There are also reported court decisions and Attorney General open-records rulings in which San Antonio's attempts to withhold information were rejected and disclosure was required. The TOMA precedent is the clearest confirmed violation; the TPIA authorities demonstrate that withholding positions are reviewable and may be overruled, but not every adverse disclosure ruling should automatically be labeled an intentional statutory violation.

1. Confirmed TOMA Violation

Esperanza Peace & Justice Center v. City of San Antonio, 316 F. Supp. 2d 433 (W.D. Tex. 2001).

What occurred. Before a public budget vote, the mayor and councilmembers participated in successive gatherings of fewer than a quorum. The city manager tracked attendance so that a physical quorum would not be present at one time. Through those meetings, a council majority developed a consensus concerning the budget and the elimination of funding for certain organizations. The agreement was reflected in a written consensus memorandum and was implemented at the next day's public meeting.

Court's holding. The federal district court found that the City and its officials violated TOMA. The court treated the serial meetings as a deliberate effort to accomplish privately what the Act required to occur in an open meeting. It also held that the later public vote did not effectively cure or ratify the action reached through the unlawful process.

Continuing significance. The Texas Court of Criminal Appeals later cited Esperanza as a clear example of a prohibited walking-quorum arrangement: successive less-than-quorum communications used to form a majority consensus before the formal public vote.

SAN ANTONIO POLICE AND FIRE RETIREE HEALTH CARE FUND

2. TPIA Matters Involving San Antonio

San Antonio has repeatedly been a party to Public Information Act disputes. In some reported cases and Attorney General rulings, the City's asserted basis for withholding records was rejected and the City was required to release information. These authorities show that a governmental body does not have final authority to decide for itself that records are confidential.

- **City of San Antonio v. Texas Attorney General, 851 S.W.2d 946 (Tex. App.-Austin 1993, writ denied).** A reported Public Information Act case involving the City's effort to withhold information. The litigation is part of the body of law defining the limits of statutory disclosure exceptions and the Attorney General's review authority.
- **City of San Antonio v. San Antonio Express-News, 47 S.W.3d 556 (Tex. App.-San Antonio 2000, pet. denied).** A reported dispute over access to governmental information. The case demonstrates that confidentiality claims are subject to judicial review and must fit a recognized statutory exception.
- **Attorney General Open Records Letter No. OR2011-00953.** The City asserted law-enforcement exceptions for several offense reports. The Attorney General concluded that the City had not established the claimed exception for the remaining reports and directed that the nonconfidential information be released.
- **Austin v. City of San Antonio, 630 S.W.2d 391 (Tex. App.-San Antonio 1982, writ re'f'd n.r.e.).** An early open-records case addressing the scope of the deliberative-process exception. It remains cited in Attorney General guidance concerning the limited protection for advice, opinion, and recommendation relating to policymaking.

Necessary caution. An Attorney General direction to release records, or an appellate decision rejecting an exception, establishes that the withholding position was not legally sustained. It does not necessarily establish that an official knowingly or criminally violated TPIA. A knowing failure to comply, missed statutory deadlines, destruction or concealment of records, or refusal to obey a final ruling presents a different and potentially more serious issue.

3. Relevance to the Healthcare Fund Board

- The Fund should not rely on a series of private conversations, committee briefings, attorney communications, or less-than-quorum meetings to develop a board consensus on substantive Fund business outside a properly posted meeting.
- Executive-session authority is limited. The presence of an attorney does not convert ordinary policy, financial, medical, actuarial, governance, or operational deliberation into privileged legal advice.
- A later public vote should not be treated as a safe cure when the actual deliberation and consensus occurred privately. Esperanza specifically warns against a public vote that merely formalizes a privately reached result.
- Public records should be produced promptly unless a specific exception applies. When an Attorney General decision is required, the Fund should follow the statutory process and deadlines rather than making an unreviewable internal determination.
- Certified agendas, recordings, notices, minutes, communications, and documents reflecting the development of board consensus should be preserved in accordance with law. Incomplete records can create the appearance that substantive deliberations occurred elsewhere.

SAN ANTONIO POLICE AND FIRE RETIREE HEALTH CARE FUND

4. Recommended Board Safeguards

1. Use agenda language that identifies the actual subject matter to be discussed, not merely the name of a consultant, attorney, or general statutory citation.
2. Require the presiding officer and counsel to state the specific legal basis before entering executive session and limit the discussion to that authorized subject.
3. Do not poll trustees, circulate proposed outcomes for agreement, or build consensus through serial communications outside a posted meeting.
4. Return to open session for all deliberation and action that is not expressly protected by a statutory exception.
5. Maintain timely, complete minutes and all required certified agendas or recordings, with clear identification of subjects considered.
6. Adopt a written TOMA/TPIA compliance protocol and require periodic training for trustees, staff, consultants, and counsel.

Conclusion

The City of San Antonio's own history demonstrates that open-government requirements are enforceable. *Esperanza* is a direct judicial finding that serial private deliberations and consensus-building violated TOMA, and that a later public vote did not cure the unlawful process. San Antonio's TPIA litigation and Attorney General rulings likewise demonstrate that claimed disclosure exceptions are subject to independent review and may be rejected. The prudent course for the Healthcare Fund Board is to conduct substantive deliberations openly, use executive sessions narrowly, preserve complete records, and resolve disclosure questions through the statutory process.

Authorities and Sources

- *Esperanza Peace & Justice Center v. City of San Antonio*, 316 F. Supp. 2d 433, 471-78 (W.D. Tex. 2001).
- *Ex parte Doyal*, 589 S.W.3d 136 (Tex. Crim. App. 2019) (discussing *Esperanza* as an example of successive communications used to form a quorum consensus).
- *City of San Antonio v. Texas Attorney General*, 851 S.W.2d 946 (Tex. App.-Austin 1993, writ denied).
- *City of San Antonio v. San Antonio Express-News*, 47 S.W.3d 556 (Tex. App.-San Antonio 2000, pet. denied).
- *Austin v. City of San Antonio*, 630 S.W.2d 391 (Tex. App.-San Antonio 1982, writ ref'd n.r.e.).
- Texas Attorney General Open Records Letter No. OR2011-00953.
- Texas Attorney General, Public Information Act Handbook and public guidance on the Attorney General review process.

Legal notice: This memorandum is an informational summary for board governance purposes and is not a substitute for independent legal advice concerning a specific meeting, record request, or alleged violation.

Criminal Penalties Under Texas Government Code Chapter 551

Texas Open Meetings Act - Summary for Review

Bottom line: Chapter 551 does not make every Open Meetings Act violation a crime. The criminal provisions are concentrated in Subchapter G and primarily address knowing conduct: prohibited serial communications, illegal closed meetings, failure to keep a certified agenda or recording for a closed meeting, and unauthorized disclosure of a closed-session record.

Criminal Penalty Summary

Section	Offense	Who can be charged	Penalty
§ 551.143	Prohibited series of communications, often called a walking quorum or serial deliberation.	A member of a governmental body.	Misdemeanor: \$100-\$500 fine, 1-6 months in county jail, or both.
§ 551.144	Knowingly calling, aiding, closing, or participating in a closed meeting that is not permitted by Chapter 551.	A member of a governmental body.	Misdemeanor: \$100-\$500 fine, 1-6 months in county jail, or both.
§ 551.145	Participating in a closed meeting while knowing that no certified agenda is being kept and no recording is being made.	A member of a governmental body.	Class C misdemeanor.
§ 551.146	Knowingly disclosing, without lawful authority, the certified agenda or recording of a lawfully closed meeting.	An individual, corporation, or partnership.	Class B misdemeanor, plus possible civil liability.

1. Prohibited Series of Communications - § 551.143

A board member commits an offense if the member knowingly participates in at least one communication in a series of communications outside a Chapter 551 meeting, the individual communications involve fewer than a quorum, but the series involves or would involve a quorum and would become deliberation once a quorum participates.

Penalty: misdemeanor punishable by a fine of \$100 to \$500, confinement in county jail for 1 to 6 months, or both.

Practical meaning: The law is aimed at secret serial discussions that accomplish outside the meeting what should have occurred in public.

2. Illegal Closed Meeting / Executive Session - § 551.144

A board member commits an offense if a closed meeting is not permitted under Chapter 551 and the member knowingly calls it, helps call or organize it, closes or helps close a regular meeting to the public, or participates in the closed meeting.

Penalty: misdemeanor punishable by a fine of \$100 to \$500, confinement in county jail for 1 to 6 months, or both.

Important defense: Section 551.144 includes an affirmative defense if the member reasonably relied on a court order or a written interpretation from a court of record, the Attorney General, or the governmental body's attorney.

3. Closed Meeting Without Certified Agenda or Recording - § 551.145

A board member commits an offense if the member participates in a closed meeting while knowing that a certified agenda is not being kept or a recording is not being made.

Penalty: Class C misdemeanor.

Note: Chapter 551 generally requires a certified agenda or recording for closed meetings, although attorney consultation under § 551.071 is treated differently under the recording/certified-agenda provisions.

4. Unauthorized Disclosure of Closed-Session Record - § 551.146

A person, corporation, or partnership commits an offense if, without lawful authority, they knowingly disclose to a member of the public the certified agenda or recording of a meeting that was lawfully closed to the public.

Penalty: Class B misdemeanor. The statute also creates civil liability for actual damages, reasonable attorney fees, court costs, and possible exemplary damages.

Key Enforcement Point

The strongest criminal exposure under Chapter 551 arises when the conduct is knowing. Criminal provisions are not limited to one type of misconduct: they reach serial communications outside a public meeting, improper executive sessions, failure to keep required closed-session records, and unlawful release of those records.

Civil Remedies Are Separate

Separate from criminal penalties, Chapter 551 also allows civil remedies. Depending on the facts, an interested person may seek mandamus or injunction, a court may void certain actions taken in violation of the Act, and attorney fees may be considered. These civil tools are different from criminal prosecution.

Sources reviewed: Texas Government Code Chapter 551, §§ 551.143-551.146; Texas Attorney General, 2026 Open Meetings Act Handbook; Texas District & County Attorneys Association overview of TOMA enforcement and penalties.

Prepared June 28, 2026. This summary is for review and discussion, not legal advice.

Securities Class Action Litigation Policy

Fire and Police Retiree Health Care Fund, San Antonio

This statement sets forth Fire and Police Retiree Health Care Fund, San Antonio ("Health Fund") policy regarding potential participation as lead plaintiff in securities class action lawsuits.

Background

In carrying out its fiduciary duties to prudently invest and manage the assets of the Health Fund, the Health Fund invests in the stock of various public companies ("issuers"). From time to time, class action lawsuits are brought against the issuers, their directors, and/or their officers for alleged violations of federal and state securities laws relating to various disclosure obligations and, in many cases, other breaches of fiduciary or other duties. As a shareholder, the Health Fund is a putative member of the alleged classes (as are most or all of the other shareholders). Frequently, the Health Fund receives advertising/information packets from attorneys who seek to represent the Health Fund as a lead plaintiff in these class action lawsuits.

Appointment as a Lead Plaintiff

Under the federal Private Securities Litigation Reform Act of 1995 (the "Act"), federal courts are required to appoint one or more members of the putative class to serve as the lead plaintiff(s) in securities class action lawsuits. See 15 U.S.C. 78u-4(a)(3)(B). The Act provides a rebuttable presumption that the lead plaintiff is to be the investor with the largest financial interest in the relief sought by the lawsuit who wants to serve as the lead plaintiff. See 15 U.S.C. § 78u-4(a)(3)(B)(iii). Typically, this means that those investors with the largest holdings in the defendant issuer's stock have the right to serve as the lead plaintiffs.

Risks and Rewards of Serving as Lead Plaintiff

There are financial risks and rewards in serving as a lead plaintiff in a securities class action lawsuit:

Risks

Serving as lead plaintiff or being designated lead plaintiff may have financial risks if the litigation is unsuccessful. Unless the lead plaintiff negotiates an allocation of potential financial risk with other named plaintiffs, the lead plaintiff could bear the costs, expenses or, potentially, attorneys' fees of the opponent if the litigation is unsuccessful or the court grants sanctions under Rule 11 of the *Federal Rules of Civil Procedure*. However, Rule 11 sanctions are unlikely in litigation brought in good faith.

In return for assuming these financial risks, the lead plaintiff does not obtain any additional financial benefit from serving as a lead plaintiff, but, instead, shares any final judgment or settlement with the class members on an equal, per share basis (although the lead plaintiff may also recover its attorney's fees, costs, and expenses if the lawsuit is successful or a settlement is obtained). See 15 U.S.C. § 78u-4(a)(4). There is also the additional administrative burden on the Health Fund and its trustees

to actively participate in the litigation, such as discovery, court appearances, and strategy sessions.

Rewards

Arguably, the Health Fund may have a fiduciary duty to pursue claims involving alleged wrongdoing in which the Health Fund has an investment. By assuming lead plaintiff status, the Health Fund is in a position to insure that any proposed settlements actually benefit the investment in the issuers by the Health Fund and maximize damages for the violation. It may also be in a position to reduce fees paid to attorneys from any settlement, thereby resulting in more return to the investors. Additionally, the Health Fund may be able to influence the terms of any settlement to include changes in management or policies of the issuer that will benefit the Health Fund through better corporate governance.

Health Fund's Policy

Based on the foregoing, it is the Health Fund's policy:

1. To identify law firms that can represent the Health Fund as lead counsel in securities litigation cases and develop a system to select which firm will represent the Health Fund.
2. To identify those situations in which the Health Fund has investment in equities of an issuer that may be the subject of alleged violations of federal or state securities laws, breaches of fiduciary duty, and/or other violations. The custodial bank and investment advisor for the Health Fund shall be requested to work with general counsel for the Health Fund and the Health Fund's chief investment officer identify those issuers that may have committed such violations.
3. If the Health Fund is determined to have a significant investment in an issuer that is or may be the subject of a claim of the type described in paragraph 1, general counsel for the Health Fund shall advise the Board as to the potential risks and rewards in serving as a lead plaintiff in securities class action litigation. A cost-benefit analysis may be performed to aid the Board that includes an evaluation of damage estimate. If the Health Fund has a significant ownership in the issuer and lead plaintiff status is determined to be in the best interests of the Health Fund, the Board shall engage counsel to pursue a claim. Negotiation of the terms and conditions of engagement of outside counsel shall be reviewed by general counsel for the Health Fund to insure that adverse risks to the Health Fund are minimized and the most cost-effective option is utilized.

Approved this 31 day of August, 2026.



FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO
OTHER POSTEMPLOYMENT BENEFITS PROGRAM

ACTUARIAL VALUATION
AS OF JANUARY 1, 2026



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

August 26, 2026

Mr. James Bounds
Executive Director
Fire and Police Retiree Health Care Fund, San Antonio
11603 W. Coker Loop, Suite 130
San Antonio, TX 78216

Re: Fire and Police Retiree Health Care Fund, San Antonio –
Actuarial Valuation as of January 1, 2026

Dear Mr. Bounds:

We are pleased to present to the Board this annual actuarial valuation of the San Antonio Fire and Police Retiree Health Care Fund's (Fund) Other Postemployment Benefits (OPEB) Program. This valuation was performed to determine the current funded status of the Plan.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects all applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel and plan design information supplied by Fund personnel, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. Because of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. Due to the limited scope of this report, we did not provide an analysis of these potential differences.

The undersigned are familiar with the immediate and long-term aspects of OPEB valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All sections of this report are considered an integral part of the actuarial opinions.

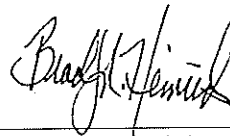
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the Fund, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Directors. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact us at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By:



Bradley R. Heinrichs, FSA, EA, MAAA

By:



Colleen M. Atchison, FSA, MAAA

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SUMMARY OF RESULTS

The annual actuarial valuation of the Fund's Other Postemployment Benefits Program as of January 1, 2026 has been performed, and the results are presented in this Report.

The following table shows the results of the January 1, 2026 valuation of the Plan and the Actuarially Determined Contribution for the plan/fiscal year ending December 31, 2026:

	January 1, 2025	January 1, 2026
(1) Actuarial Accrued Liability (AAL)	\$ 1,274,395,961	\$ 1,317,743,363
(2) Actuarial Value of Assets (AVA)	676,124,140	727,498,706
(3) Unfunded Actuarial Accrued Liability (UAAL), (1) - (2)	\$ 598,271,821	\$ 590,244,657
(4) Normal Cost contribution rate as a percent of covered payroll	8.24%	7.76%
(5) Level contribution rate required to amortize UAAL as a percent of covered payroll	8.42%	7.59%
(6) Minimum total level required contribution rate, (4) + (5)	16.66%	15.35%
(7) Current contribution rates		
(a) City of San Antonio	14.30%	14.30%
(b) Plan members	7.15%	7.15%
(c) Total	21.45%	21.45%
(8) Assumed covered payroll for year following valuation date	\$ 381,476,575	\$ 417,928,063
(9) Years to amortize UAAL with the ultimate contribution rate in Item (7) in excess of the normal cost in Item (4)	15.43	12.90

In order for the Fund to have an adequate contribution arrangement, contributions must be made that are sufficient to pay the plan's normal cost and to amortize the plan's unfunded actuarial accrued liability over 30 years or less. This requirement was added to the state law governing the Fund in 2007. Based on the results of this actuarial valuation, as shown above, the minimum total level required contribution rate as of January 1, 2026 to satisfy the objective of paying the normal cost plus a 30-year amortization of the UAAL is 15.35%. The current contribution rate is 21.45%, and was first effective on October 1, 2021. Since this rate is higher than the rate developed in the current actuarial valuation, no increase in the contribution rate is necessary.

Based on the January 1, 2026 actuarial valuation, the total contribution rate of 21.45% is adequate without additional future increases because the UAAL is expected to be amortized in 13 years at that rate.

Changes since the Prior Valuation

The following changes have been made since the prior valuation:

- The census data reflects changes in status and changes in the actual health care premiums paid on behalf of retirees for the twelve (12) month period since January 1, 2025. The impact of this change on the actuarial accrued liability was approximately +1.0%.
- Per capita health care claims costs were updated to reflect the most recent 36-month experience of the plan, with the 36-month period ending on December 31, 2025. Claims lower than expected resulted in a -3.4% change in actuarial accrued liability.
- Retiree contributions were updated to reflect actual contributions as of January 1, 2026. Contributions increased slightly more than expected, resulting in a -0.2% change in actuarial accrued liability.
- Health care trend rates were adjusted to reflect inflation expectations. This change resulted in a +1.7% increase in actuarial accrued liability.

This actuarial valuation involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to constant revision as actual experience is compared with past expectations and new estimates are made about the future.

Calculations are based upon the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

IMPACT OF CHANGES DURING THE VALUATION PERIOD

Change Description	Change in Minimum Required Contribution Rate
(1) Expected change due to passage of time and pre-funding of plan	-0.68%
(2) Investment gain due to return on assets higher than expected	-0.04%
(3) Change due to demographic experience different than expected	0.17%
(4) Gain due to favorable claims experience	-0.89%
(5) Gain due to contribution rate increasing more than expected	-0.06%
(6) Loss due to trend rate adjustment	0.19%
(7) Total	-1.31%

Minimum Required Contribution Rate as of 1/1/2025

16.66%

Minimum Required Contribution Rate as of 1/1/2026

15.35%

Change

-1.31%

30-YEAR PROJECTION OF FUND ASSETS

On the following page, we have provided a 30-year projection of Fund assets. This projection is based on the assumptions outlined in this report, along with additional assumptions regarding new entrants to the plan over time. We have assumed plan members who retire or terminate employment will be replaced so that the active membership remains level.

We have assumed that the current contribution rate of 21.45% of covered payroll remains constant in future years, and that overall payroll growth is 3.50% per year.

Note that the first four rows reflect actual fund assets, benefit payments, contributions, and net investment income. Projection Year 1 and above represent projected values.

30-Year Projection of Fund Assets

Year	Plan Year Ending	Market Value of Assets at Beginning of Year	ADDITIONS			DEDUCTIONS				Market Value of Assets at End of Year
			Contributions	Net Investment Income	Total Additions	Benefit Payments—Current Retirees	Benefit Payments—Future Retirees	Administrative Expense	Total Deductions	
	12/31/2022	\$ 564,248,277	\$ 69,526,250	\$ (43,970,063)	\$ 25,556,187	\$ 47,472,546	\$ 0	\$ 1,693,432	\$ 49,165,978	\$ 540,638,485
	12/31/2023	540,638,486	74,014,090	23,910,279	97,924,369	57,927,278	0	1,742,077	59,669,355	578,893,500
	12/31/2024	578,893,500	77,765,428	48,565,798	126,331,226	64,250,281	0	5,564,622	69,814,903	635,409,823
0	12/31/2025	635,409,823	83,122,849	66,024,317	149,147,166	63,618,795	0	5,744,515	69,363,310	715,193,679
1	12/31/2026	715,193,679	89,645,570	50,715,075	140,360,645	65,045,892	1,536,977	4,447,903	71,030,772	784,523,552
2	12/31/2027	784,523,552	92,783,164	55,479,632	148,262,796	67,204,854	4,613,981	4,879,077	76,697,912	856,088,436
3	12/31/2028	856,088,436	96,030,575	60,421,523	156,452,098	68,567,757	7,986,309	5,324,150	81,878,216	930,662,318
4	12/31/2029	930,662,318	99,391,645	65,594,885	164,986,530	69,228,276	11,560,487	5,787,937	86,576,700	1,009,072,148
5	12/31/2030	1,009,072,148	102,870,353	71,044,882	173,915,235	69,251,339	15,633,967	6,275,580	91,160,886	1,091,826,497
6	12/31/2031	1,091,826,497	106,470,815	76,790,045	183,260,860	69,102,613	20,229,671	6,790,243	96,122,527	1,178,964,830
7	12/31/2032	1,178,964,830	110,197,294	82,839,806	193,037,100	68,683,202	25,259,987	7,332,170	101,275,359	1,270,726,571
8	12/31/2033	1,270,726,571	114,054,199	89,216,621	203,270,820	68,004,047	30,554,121	7,902,851	106,461,019	1,367,536,372
9	12/31/2034	1,367,536,372	118,046,096	95,953,386	213,999,482	66,965,235	36,123,367	8,504,926	111,593,528	1,469,942,326
10	12/31/2035	1,469,942,326	122,177,709	103,082,363	225,260,072	66,243,929	41,466,257	9,141,805	116,851,991	1,578,350,407
11	12/31/2036	1,578,350,407	126,453,929	110,653,421	237,107,350	65,388,345	46,424,077	9,816,012	121,628,434	1,693,829,323
12	12/31/2037	1,693,829,323	130,879,817	118,716,777	249,596,594	64,532,826	51,563,533	10,534,194	126,630,553	1,816,795,364
13	12/31/2038	1,816,795,364	135,460,610	127,291,730	262,752,340	63,857,953	56,987,862	11,298,939	132,144,754	1,947,402,950
14	12/31/2039	1,947,402,950	140,201,732	136,389,809	276,591,541	63,149,901	62,894,829	12,111,209	138,155,939	2,085,838,552
15	12/31/2040	2,085,838,552	145,108,792	146,021,661	291,130,453	62,601,859	69,164,422	12,972,162	144,738,443	2,232,230,562
16	12/31/2041	2,232,230,562	150,187,600	156,216,361	306,403,961	61,984,070	75,457,458	13,882,597	151,324,125	2,387,310,398
17	12/31/2042	2,387,310,398	155,444,166	167,011,200	322,455,366	61,261,399	82,207,939	14,847,063	158,316,401	2,551,449,363
18	12/31/2043	2,551,449,363	160,884,711	178,446,573	339,331,284	60,362,534	89,079,518	15,867,869	165,309,921	2,725,470,726
19	12/31/2044	2,725,470,726	166,515,676	190,612,070	357,127,746	59,531,281	94,916,563	16,950,136	171,397,980	2,911,200,492
20	12/31/2045	2,911,200,492	172,343,725	203,583,368	375,927,093	58,410,154	101,561,679	18,105,219	178,077,052	3,109,050,533
21	12/31/2046	3,109,050,533	178,375,756	217,382,062	395,757,818	57,213,197	109,011,874	19,335,680	185,560,751	3,319,247,600
22	12/31/2047	3,319,247,600	184,618,907	232,046,320	416,665,227	55,785,364	116,790,965	20,642,929	193,219,258	3,542,693,569
23	12/31/2048	3,542,693,569	191,080,569	247,591,681	438,672,250	54,286,584	126,100,523	22,032,575	202,419,682	3,778,946,137
24	12/31/2049	3,778,946,137	197,768,389	263,987,782	461,756,171	52,656,357	136,994,379	23,501,867	213,152,603	4,027,549,705
25	12/31/2050	4,027,549,705	204,690,282	281,243,587	485,933,869	50,831,970	148,378,679	25,047,972	224,258,621	4,289,224,953
26	12/31/2051	4,289,224,953	211,854,442	299,388,583	511,243,025	48,846,483	160,822,968	26,675,372	236,344,823	4,564,123,155
27	12/31/2052	4,564,123,155	219,269,348	318,447,642	537,716,990	46,782,077	173,844,519	28,385,008	249,011,604	4,852,828,541
28	12/31/2053	4,852,828,541	226,943,775	338,460,740	565,404,515	44,622,691	187,490,803	30,180,513	262,294,007	5,155,939,049
29	12/31/2054	5,155,939,049	234,886,807	359,452,534	594,339,341	42,266,653	202,360,260	32,065,605	276,692,518	5,473,585,872
30	12/31/2055	5,473,585,872	243,107,845	381,445,893	624,553,738	39,849,851	217,934,559	34,041,101	291,825,511	5,806,314,099

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

Calculation of Actuarial Investment Gain/(Loss) Based on Market Value for Plan Years Ending:					
	12/31/2025	12/31/2024	12/31/2023	12/31/2022	12/31/2021
(1) Market Value of Assets as of Beginning of Year	\$ 635,409,823	\$ 578,893,500	\$ 540,638,486	\$ 564,248,277	\$ 484,060,152
(2) Contributions	83,122,849	77,765,428	74,014,090	69,526,250	64,586,666
(3) Benefit Payments	(63,618,795)	(64,250,281)	(54,488,727)	(45,070,403)	(43,643,382)
(4) Expected Investment Return	45,161,330	40,995,575	38,528,082	40,353,334	34,617,226
(5) Expected Market Value of Assets as of End of Year	\$ 700,075,207	\$ 633,404,222	\$ 598,691,931	\$ 629,057,458	\$ 539,620,662
(6) Actual Market Value of Assets as of End of Year	715,193,679	635,409,823	578,893,500	540,638,486	564,259,914
(7) Market Investment Gain/(Loss), (6) - (5)	\$ 15,118,472	\$ 2,005,601	\$ (19,798,431)	\$ (88,418,972)	\$ 24,639,252
(8) Assumed Investment Return	7.00%	7.00%	7.00%	7.00%	7.00%

Deferred Gain/(Loss) to be Recognized in Future Years				
Plan Year Ending	Investment Gain/(Loss)	Deferral Percentage	Deferred Gain/(Loss) Amount as of 12/31/2025	
2025	\$ 15,118,472	80%	\$	12,094,778
2024	2,005,601	60%		1,203,361
2023	(19,798,431)	40%		(7,919,372)
2022	(88,418,972)	20%		(17,683,794)
2021	24,639,252	0%		0
Total			\$	(12,305,027)

Development of Actuarial Value of Assets (continued)

Development of Actuarial Value of Assets as of December 31, 2025		
(1) Market Value of Assets as of December 31, 2025	\$	715,193,679
(2) Deferred Gain/(Loss) to be Recognized in the Future		(12,305,027)
(3) Preliminary Value, (1) - (2)	\$	727,498,706
(4) Corridor for Actuarial Value of Assets		
(a) 80% of Market Value (Minimum)		572,154,943
(b) 120% of Market Value (Maximum)		858,232,415
(5) Actuarial Value of Assets as of December 31, 2025	\$	727,498,706

DEVELOPMENT OF TOTAL COVERED PAYROLL

Development of Assumed Total Covered Payroll for 2026		Total
(1)	Estimated average member biweekly pay in fiscal year 2025-2026, from 2025 Payroll Contribution calculation	\$ 3,556.26
(2)	Estimated average member biweekly pay in fiscal year 2026-2027, from 2026 Payroll Contribution calculation	\$ 3,731.36
(3)	Assumed average member annual pay for calendar year 2026, [(9/12) x 3,556.26 + (3/12) x 3,731.36] x 26	\$ 93,600.91
(4)	Total assumed covered payroll for 2026, based on 4,465 active employees	\$ 417,928,063

PER-CAPITA CLAIMS COSTS

Per capita claims costs below were developed using age adjusted premiums. Age-morbidity factors were applied to develop relative age banded costs for both male and female participants relative to the age 65 male per capita claims cost. The age-morbidity factors were developed based on a study performed by Dale Yamamoto for the Society of Actuaries (https://www.healthcostinstitute.org/images/pdfs/Age-Curve-Study_0.pdf).

Per Capita Claims Cost			
Age	Male		Female
Children	\$	4,701	\$ 4,701
<20	\$	4,439	\$ 5,117
20-24	\$	3,615	\$ 5,414
25-29	\$	3,739	\$ 7,728
30-34	\$	4,554	\$ 9,622
35-39	\$	5,578	\$ 9,896
40-44	\$	6,816	\$ 10,115
45-49	\$	8,463	\$ 11,057
50-54	\$	10,973	\$ 12,911
55-59	\$	14,102	\$ 14,841
60-64	\$	17,942	\$ 17,556

Per Capita Claims Cost (Medicare Retirees)			
Age	Male		Female
65-69	\$	7,706	\$ 7,274
70-74	\$	8,412	\$ 7,940
75-79	\$	8,905	\$ 8,448
80-84	\$	9,074	\$ 8,679
85-89	\$	8,782	\$ 8,478
90-94	\$	8,251	\$ 7,827
95+	\$	7,694	\$ 6,831

PARTICIPANT DATA

	<u>12/31/2025</u>
Number of Active Participants	
Eligible for Retiree Health Benefits	1,220
Not Yet Eligible for Retiree Health benefits	<u>3,245</u>
Total	4,465
 Average Current Age	40.6
Average Age at Employment	27.0
Average Past Service	13.6
 Number of Inactives	
Retirees, Beneficiaries, and Disabled Members	3,013
Covered Spouses	<u>1,917</u>
Total	4,930
 Average Current Ages	
Retirees, Beneficiaries, and Disabled Members	69.2
Covered Spouses	65.1
Total	67.6

ACTIVE AGE AND SERVICE DISTRIBUTION

TOTAL

AGE	TOTAL PAST SERVICE										Total
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
<25	48	159	0	0	0	0	0	0	0	0	207
25 - 29	48	448	132	0	0	0	0	0	0	0	628
30 - 34	25	250	390	46	0	0	0	0	0	0	711
35 - 39	7	90	269	167	115	0	0	0	0	0	648
40 - 44	2	23	97	136	332	59	0	0	0	0	649
45 - 49	1	13	22	30	248	265	68	0	0	0	647
50 - 54	1	1	4	8	90	208	203	58	0	0	573
55 - 59	0	0	0	4	31	66	128	96	4	0	329
60 - 64	0	0	0	0	8	7	21	23	1	4	64
65+	0	0	0	0	0	2	1	0	2	4	9
Total	132	984	914	391	824	607	421	177	7	8	4,465

ACTIVE AGE AND SERVICE DISTRIBUTION

FIRE

AGE	TOTAL PAST SERVICE										Total
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
<25	14	58	0	0	0	0	0	0	0	0	72
25 - 29	19	140	20	0	0	0	0	0	0	0	179
30 - 34	8	104	116	16	0	0	0	0	0	0	244
35 - 39	1	43	145	72	44	0	0	0	0	0	305
40 - 44	0	0	51	89	146	36	0	0	0	0	322
45 - 49	0	0	0	21	131	151	26	0	0	0	329
50 - 54	0	0	0	1	32	106	105	26	0	0	270
55 - 59	0	0	0	0	0	22	62	24	2	0	110
60 - 64	0	0	0	0	0	0	7	11	1	2	21
65+	0	0	0	0	0	0	0	0	2	4	6
Total	42	345	332	199	353	315	200	61	5	6	1,858

ACTIVE AGE AND SERVICE DISTRIBUTION

POLICE

AGE	TOTAL PAST SERVICE										Total
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
<25	34	101	0	0	0	0	0	0	0	0	135
25 - 29	29	308	112	0	0	0	0	0	0	0	449
30 - 34	17	146	274	30	0	0	0	0	0	0	467
35 - 39	6	47	124	95	71	0	0	0	0	0	343
40 - 44	2	23	46	47	186	23	0	0	0	0	327
45 - 49	1	13	22	9	117	114	42	0	0	0	318
50 - 54	1	1	4	7	58	102	98	32	0	0	303
55 - 59	0	0	0	4	31	44	66	72	2	0	219
60 - 64	0	0	0	0	8	7	14	12	0	2	43
65+	0	0	0	0	0	2	1	0	0	0	3
Total	90	639	582	192	471	292	221	116	2	2	2,607

ACTUARIAL ASSUMPTIONS AND FUNDING METHODS

Valuation Date January 1, 2026.

Interest Rate 7.00%

Mortality Rates PubS-2010 Mortality Tables, with fully generational improvement using Scale MP-2021.

Retirement Rates

Years of Service	Fire	Police
20	1.5%	2.5%
21	1.5%	2.5%
22	1.5%	2.5%
23	1.5%	3.0%
24	1.5%	4.0%
25	1.5%	5.0%
26	2.5%	7.0%
27	5.0%	11.0%
28	5.0%	15.0%
29	10.0%	20.0%
30	10.0%	28.0%
31	30.0%	35.0%
32	45.0%	50.0%
33	45.0%	58.0%
34	45.0%	50.0%
35	45.0%	40.0%
36	25.0%	25.0%
37	30.0%	25.0%
38	25.0%	60.0%
39	25.0%	30.0%
40	10.0%	100.0%
41	10.0%	100.0%
42	35.0%	100.0%
43+	100.0%	100.0%

Termination Rates

Years of Service	Fire	Police
0	0.60%	1.50%
1	0.60%	1.50%
2	0.60%	1.50%
3	0.50%	1.50%
4	0.50%	1.75%
5	0.50%	2.00%
6	0.50%	2.00%
7	0.50%	2.00%
8	0.50%	1.50%
9	0.50%	1.00%
10	0.50%	1.00%
11	0.50%	1.00%
12	0.30%	1.00%
13	0.30%	1.00%
14	0.30%	0.75%
15	0.30%	0.75%
16	0.30%	0.75%
17	0.20%	0.75%
18	0.20%	0.75%
19	0.10%	0.75%
20+	0.00%	0.00%

Disability Rates

Age	Fire	Police
20	0.01%	0.01%
25	0.01%	0.01%
30	0.02%	0.02%
35	0.02%	0.02%
40	0.03%	0.03%
45	0.05%	0.05%
50	0.00%	0.00%

Salary Increases

Years of Service	Increase
1	13.75%
2	6.75%
3	5.75%
4	4.75%
5	3.75%
6	3.50%
7	3.25%
8	3.00%
9+	2.75%

Salary increases include an assumed inflation rate of 2.75%.

Healthcare Trend Rates

Year	Increase
2026	6.50%
2027	5.75%
2028	5.00%
2029	4.75%
2030	4.50%
2031	4.25%
2032+	4.00%

Healthcare Participation Rate

100% participation assumed.

Marital Status

70% assumed married at the time of retirement,
with husbands 3 years older than wives.

Payroll Growth Rate

3.50%

Amortization Method

For purposes of determining the minimum required contribution, the unfunded actuarial accrued liability (UAAL) is amortized as a level percentage of covered payroll. The UAAL is amortized over a period of 30 years, open period, beginning on the valuation date.

Actuarial Cost Method

Entry Age Normal (Level Percentage of Pay).

SUMMARY OF PLAN PROVISIONS

Eligibility for Health Care Benefits

Service retirement – Firefighters and police officers retired after 10/1/1989 and their spouses at retirement.

Disability retirement – Firefighters and police officers disabled after 10/1/1989 and their spouses at the time of disability.

Death – Surviving spouses of contributing active firefighters and police officers whose death was duty-related or who died while eligible for retirement.

Spouse at Retirement or Disability – Coverage terminates upon divorce.

Coordination with Medicare

Fund provisions are applied to the balance of (1) the Medicare-discounted amount, minus (2) the amount paid by Medicare.

Contributions by the City of San Antonio

The City contributes an amount per member each payroll period for each member being paid. The amount is determined by the Fund's actuary before each fiscal year according to the state law governing the Fund. The amount is \$508.55 for each member being paid each biweekly pay period for fiscal year 2025-2026.

Contributions by Covered Firefighters and Police Officers

Each member being paid contributes an amount each payroll period. The amount is determined by the Fund's actuary before each fiscal year according to the state law governing the Fund. The amount is \$254.27 for each biweekly pay period for fiscal year 2025-2026.

Contributions by Retirees

If retired after October 1, 2007 with less than 30 years of service, the retiree shall continue to make contributions equivalent to those being made by active members for the lesser of (1) the period preceding the date the retiree becomes eligible for Medicare, or (2) the period equal to 30 years less the retiree's years of service at retirement. The period shall not exceed 10 years for a disability retiree or surviving spouse. The amount is \$550.92 each month for fiscal year 2025-2026.

GLOSSARY OF ACTUARIAL TERMS

Actuarial Present Value is the amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

1. adjusted for the probable financial effect of certain intervening events
2. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
3. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Cost Method is a procedure for determining the Present Value of plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Liability.

Total Annual Payroll is the annual rate of pay for the fiscal year prior to the valuation date of all covered members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost is the portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Actuarial Accrued Liability is the portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by future Normal Costs.

Unfunded Actuarial Accrued Liability (UAAL) is a liability which arises when a plan is initially established or improved and such establishment or improvement is applicable to all years of past service. Under the Entry Age Normal Actuarial Cost Method, there is also a new UAAL created each year equal to the actuarial gain or loss for that year.

Actuarially Determined Contribution (ADC) represents the level of employer contribution effort that would be required on a sustained, ongoing basis to:

1. fund the Normal Cost (cost associated with new services received) each year and
2. amortize the total unfunded actuarial liabilities (or funding excess) attributed to past services over a period of time (as determined by the plan sponsor, but typically no more than thirty years).

The ADC is a basis for the allocation of the employer's projected cost of providing Other Post-Employment Benefits (OPEB) over periods that approximate the periods in which the employer receives services from the covered employees. Accordingly, the ADC may be used as the foundation on which the measurement of the employer's annual funding can be based.

August 14, 2026

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

Re: Payroll Contributions for Fiscal Year 2026-2027

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 2026-2027. The table below compares the amounts for 2026-2027 to those for 2025-2026.

	FY 2025-2026	FY 2026-2027	Increase
Biweekly Contributions per member			
• Fire and Police members	\$254.27	\$266.79	4.9%
• City of San Antonio	\$508.55	\$533.58	4.9%
Monthly Contributions for retirees with less than 30 years of service	\$550.92	\$578.05	4.9%

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 tentative collective bargaining agreement for the police includes a 4.0% across-the-board wage increase effective October 1, 2026. The current collective bargaining agreement for firefighters includes a 5.0% wage increase effective October 1, 2026. Then the weighted average was determined for both police and firefighters together.

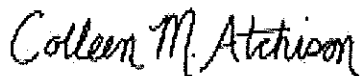
Section 4.022 was added to the state law governing the Fund in 2007 and gave 10 years to see if the original contribution rate of 9.4% for the city and the 4.7% contribution rate for the fire and police members (after an initial five-year phase in) would be adequate both to pay the Fund's normal cost 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, 2025. That report, dated September 3, 2025, indicated no additional increase in the contribution rates beginning October 1, 2026 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, 2025 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 2026-2027 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 5, 2026. 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 5, 2026 to active members	\$ 9,482,894	\$ 6,559,857	\$ 16,042,751
(2)	Number of active members	2,653	1,836	4,489
(3)	Average member biweekly pay in June 5, 2026 payroll, (1) ÷ (2)	\$ 3,574.40	\$ 3,572.91	\$ 3,573.79
(4)	Estimated annual increase in biweekly pay for fiscal year*	4.000%	5.000%	
(5)	Estimated average member biweekly pay in fiscal year 2026-2027, (3) increased by (4)	\$ 3,717.38	\$ 3,751.55	\$ 3,731.36
(6)	Biweekly contributions to the Fund for fiscal year 2026-2027			
	(a) Members, (5) x 7.15%			\$ 266.79
	(b) City, (5) x 14.30%			\$ 533.58
(7)	Monthly contributions to the Fund fiscal year 2026-2027 for retirees with less than 30 years of service, (6a) x 26 ÷ 12			\$ 578.05

* The current tentative collective bargaining agreement for police has a 4.0% across-the-board wage increase effective October 1, 2026. The current collective bargaining agreement for firefighters has a 5.0% across-the-board wage increase effective October 1, 2026. The estimated increases shown in Item 4 reflect the portion of the fiscal year the across-the-board increases will be in effect.

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

AUDIT COMMUNICATION LETTER

Year Ended December 31, 2025

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

We have audited the financial statements of the Fire and Police Retiree Health Care Fund, San Antonio (The Fund), a component unit of the City of San Antonio, Texas, as of and for the year ended December 31, 2025 and have issued our report thereon dated August 17, 2026. Professional standards require that we provide you with the following information related to our audit, which includes our responsibilities under generally accepted auditing standards and *Government Auditing Standards*.

The Auditors' Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter, dated February 4, 2026, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

As part of our audit, we considered the Fund's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Fund are described in Note II to the financial statements. The application of existing policies was not changed during the year ended December 31, 2025.

All significant transactions have been recognized in the financial statements in the proper period.

Financial Statement Disclosures

Certain financial statement disclosures; particularly, those related to the fair value measurement for the Fund's alternative investments, are sensitive because of their significance to the financial statement users. Such disclosures related to the fair value measurement for the Fund's alternative investments, are included in Note IV in the notes to the financial statements. All financial statement disclosures are neutral, consistent, and clear.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Fund's financial statements are the fair value of investments, the estimate of claims liability, depreciation/amortization, and RTU lease liabilities and RTU leased assets. Following are the bases used by management for such estimates:

- short term investments are reported at amortized cost, which approximates fair value; and, securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.
- alternative investments are reported at fair value, which is measured using the net asset value of the Fund's investment as determined by the investment's fund managers or general partners.
- claims liability is based on medical and prescription claims estimated to have occurred as of year end. Medical claims are based on a historical analysis of the timing of claims, on average, while prescriptions are based on actual claims incurred in December 2025 but paid in January 2026.
- Depreciation/amortization is based on estimated useful lives of the respective capital asset class.
- RTU lease liabilities are measured at the present value of future lease payments, using an incremental borrowing rate of 5% as the estimated interest rate that the Fund would be charged for borrowing the lease payment amounts during the lease term.
- RTU leased assets are measured at the amount of the initial measurement of the respective RTU lease liability, and are amortized over the life of the lease using the straight-line basis.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Misstatements identified during the audit, either by management or the auditors, were corrected through the preparation and adoption of adjusting journal entries.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 17, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Fund's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Information

Matters Discussed with Management Prior to Appointment

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Fund's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Required Supplementary Information

We applied certain limited procedures to the management's discussion and analysis, the schedule of changes in the net OPEB liability and related ratios, and the schedule of investment returns, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited financial statements and the auditor's report thereon. If we become aware that such documents were published, we would have a responsibility to read such information, in order to identify material inconsistencies, if any, with the audited financial statements.

Communication of No Material Weaknesses

In planning and performing our audit of the financial statements of the Fund as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of The Fund's internal control.

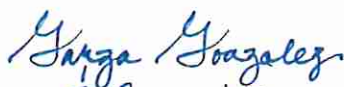
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 may exist that have not been identified.

This letter does not affect our report dated August 17, 2026, on the Fund's financial statements.

This letter is intended solely for the information and use of the Fund's Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended by the Fund's personnel during our audit.


Yanga Gozalez
F. Associates

August 17, 2026

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, 2025 and 2024



GARZA GONZALEZ & ASSOCIATES
— CERTIFIED PUBLIC ACCOUNTANTS —

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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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, 2025 and 2024, 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, 2025 and 2024, 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 \$511,992,469 (75.50% of total investments) at December 31, 2025; and, \$469,343,065 (78.79% of total investments) at December 31, 2024, 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 August 17, 2026, 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.

Yazga Gonzalez
& Associates

August 17, 2026

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, 2025, 2024, and 2023. Please read this discussion and analysis in conjunction with the Health Fund's financial statements that follow.

Financial Highlights

- During 2025, the Health Fund paid \$29,848,339 in member medical claims compared to \$23,392,815 in 2024. The 27.6% uptick reflects elevated healthcare usage, primarily stemming from increased hospitalization rates and a greater volume of high-cost claims relative to previous periods. The 2024 claims paid were an increase of 20.9% from the 2023 amount paid of \$19,348,560. The 20.9% increase reflects the underlying trend of rising healthcare costs, enrollment growth, and a higher frequency of hospitalizations.
- Net position held in trust by the Health Fund totaled \$715,193,678 at December 31, 2025 and \$635,409,822 at December 31, 2024. Net Position increased by \$79,783,856 during the twelve months ended December 31, 2025. Net Position increased by \$56,516,322 during the twelve months ended December 31, 2024, from the amount of \$578,893,500 at December 31, 2023. 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, 2025 and 2024. 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 \$81,192,434 from December 31, 2024 to December 31, 2025 and increased by \$57,740,617 from December 31, 2023 to December 31, 2024 in line with the strong financial markets.

Liabilities of the Health Fund are comprised of claims payable, accounts payable, payroll liabilities, and leases payable. Liabilities increased by \$1,408,577 from December 31, 2024 to December 31, 2025 and increased by \$1,224,295 from December 31, 2023 to December 31, 2024. These changes are primarily due to the fluctuations in estimated claims payable and increases in the right-to-use lease payable as a result of the administrative office lease extension, and the implementation of GASB Statement No. 87, *Leases*.

Below is the condensed statement of fiduciary net position at December 31, 2025; December 31, 2024; and, December 31, 2023:

Condensed Statement of Fiduciary Net Position

	Year Ended 12/31/2025	Year Ended 12/31/2024	Year Ended 12/31/2023
Cash and Short-term Investments	\$ 9,821,418	\$ 7,146,629	\$ 5,904,601
Investments, at Fair Value	668,434,719	588,609,977	531,964,297
Real Estate – Assets Held for Sale	10,777,756	11,694,383	13,152,872
Capital Assets, Net	30,298,734	32,068,187	32,218,988
Other Assets	4,780,471	3,401,488	1,939,288
Total Assets	\$ 724,113,098	\$ 642,920,664	\$ 585,180,046
Claims Payable	\$ 7,548,901	\$ 6,099,544	\$ 4,895,040
Other Liabilities	1,370,518	1,411,298	1,391,506
Total Liabilities	8,919,419	7,510,842	6,286,546
Net Position – Restricted for OPEB	\$ 715,193,679	\$ 635,409,822	\$ 578,893,500

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 7.3% during the year ended December 31, 2025. The Health Fund's investments for the year ended December 31, 2025 made an 11.1% return. For the year ended December 31, 2024, contributions increased by 5.1%. The Health Fund's investments for the year ended December 31, 2024 made an 8.4% return, compared to the 4.4% return for the fiscal year ended December 31, 2023. 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 decreased by \$1,214,144 in 2025 compared to 2024, and increased by \$10,344,212 in 2024 compared to 2023.

Below is the condensed statement of changes in fiduciary net position for the year ended December 31, 2025, December 31, 2024, and December 31, 2023:

Condensed Statement of Changes in Fiduciary Net Position

	Year Ended 12/31/2025	Year Ended 12/31/2024	Year Ended 12/31/2023
Employer Contributions	\$ 53,975,581	\$ 50,324,206	\$ 47,831,824
Plan Member Contributions	26,975,280	25,158,171	23,920,005
Other Contributions	2,171,988	2,283,051	2,262,261
Net Investment Income (Loss)	66,024,318	48,565,798	23,910,278
Total Additions	<u>149,147,167</u>	<u>126,331,226</u>	<u>97,924,369</u>
Benefits Paid	63,618,795	64,832,939	54,488,727
Administrative Expenses	5,744,515	4,981,965	5,180,628
Total Deductions	<u>69,363,310</u>	<u>69,814,904</u>	<u>59,669,355</u>
Net Increase (Decrease) in Net Position	79,783,857	56,516,322	38,255,014
Beginning Net Position – Restricted for OPEB	<u>635,409,822</u>	<u>578,893,500</u>	<u>540,638,486</u>
Ending Net Position – Restricted for OPEB	<u>\$ 715,193,679</u>	<u>\$ 635,409,822</u>	<u>\$ 578,893,500</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, 2025, 2024, and 2023 amounts to \$30,298,734, \$32,068,187, and \$32,218,989, 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 decreased by \$340,762 in 2025 due to the sale of Building 2 in Schertz. Additionally, Right-to-use leased assets decreased by \$192,095. 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 12/31/2025	Year Ended 12/31/2024	Year Ended 12/31/2023
Furniture & Equipment, Net	\$ 1,568,913	\$ 1,951,292	\$ 1,640,370
Leasehold Improvements, Net	412,898	619,346	825,792
Land	9,973,761	10,314,523	10,588,469
Construction in Progress	-	-	3,714,840
Buildings, Net	17,878,930	18,526,699	14,575,587
Right-To-Use Leased Assets, Net	464,232	656,327	873,931
Total Net Capital Assets	<u>\$ 30,298,734</u>	<u>\$ 32,068,187</u>	<u>\$ 32,218,989</u>

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, 2025 are \$508.55 for the City of San Antonio and \$254.27 for active members, per bi-weekly pay period. For December 31, 2024 the rates were \$463.17 for the City of San Antonio and \$271.58 for active members, per bi-weekly pay period. For December 31, 2023 the rates were \$452.53 for the City of San Antonio and \$226.27 for active members, per bi-weekly pay period. Effective October 1, 2026, the contribution rates will increase to \$533.58 for the City and \$266.79 for active members.

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

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,	
	2025	2024
Cash and Short-Term Investments	\$ 9,821,418	\$ 7,146,629
Investments, at Fair Value	668,434,719	588,609,977
Total Cash and Investments	678,256,137	595,756,606
Interest Receivable	509,685	320,910
Other Receivable	4,233,512	3,029,771
Prepaid Expenses	37,274	50,807
Real Estate - Held for Sale	10,777,756	11,694,383
Capital Assets, Net	30,298,734	32,068,187
Total Assets	\$ 724,113,098	\$ 642,920,665
LIABILITIES	December 31,	
	2025	2024
Claims Payable	\$ 7,548,901	\$ 6,099,544
Accounts Payable	799,487	622,174
Accrued Payroll and Payroll Liabilities	30,656	60,015
Leases Payable - Current	202,306	188,734
Leases Payable - Noncurrent	338,069	540,375
Total Liabilities	8,919,419	7,510,843
Net Position - Restricted for OPEB	\$ 715,193,679	\$ 635,409,822

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,

	2025	2024
Additions		
Contributions		
Employer	\$ 53,975,581	\$ 50,324,206
Plan Members	26,975,280	25,158,171
Dependent Healthcare Premiums and Retiree Contributions	2,171,988	2,283,051
Total Contributions	<u>83,122,849</u>	<u>77,765,428</u>
Investment Income		
<i>From Investment Activities</i>		
Net Appreciation in Fair Value of Investments	61,863,196	45,595,322
Interest and Dividends	4,411,768	2,977,273
Other Income	119,186	329,774
Less: Investment Expenses	<u>(369,832)</u>	<u>(336,571)</u>
Net Income from Investing Activities	<u>66,024,318</u>	<u>48,565,798</u>
Total Additions	<u>149,147,167</u>	<u>126,331,226</u>
Deductions		
Benefits		
Medical	30,386,316	25,947,336
Pharmacy	14,708,213	22,492,183
Clinic Operations	18,524,266	16,393,420
Administrative Expenses		
Salaries and Benefits	1,218,141	1,123,646
Professional Fees	2,360,464	1,844,656
Depreciation/Amortization	1,437,392	1,399,549
Interest	32,169	41,488
Other	<u>696,349</u>	<u>572,626</u>
Total Deductions	<u>69,363,310</u>	<u>69,814,904</u>
Net Increase in Net Position	79,783,857	56,516,322
Net Position-Restricted for OPEB - Beginning	<u>635,409,822</u>	<u>578,893,500</u>
Net Position-Restricted for OPEB - Ending	<u>\$ 715,193,679</u>	<u>\$ 635,409,822</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, 2025 and 2024

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 Capital Rx, Inc., 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, 2025 and 2024

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, 2026 and 2027 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 2024-2025 and 2025-2026 fiscal years. For the active fire and police employees, the contributions required were 7.15% of the average covered pay for the City's 2024-2025, and 2025-2026 fiscal years. Based on the January 1, 2025 and 2026 actuarial valuations, the contribution rates will continue to be 14.30% and 7.15% of average covered pay for the City's 2025-2026 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, 2025, the money-weighted rate of return on plan investments was 11.10%. For the year ending December 31, 2024, the money-weighted rate of return on plan investments was 8.40%. 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, 2025 (1)		Year Ended December 31, 2024 (2)	
Actuarial Valuation Date	January 1, 2026		January 1, 2025	
Biweekly Contributions:				
Active Members	\$	254.27	\$	231.58
City of San Antonio per Active Member		508.55		463.17
Monthly Contributions:				
Retirees with Less Than 30 Years of Service		550.92		501.76
Dependent Children		350.00		350.00

- (1) Contributions effective from October 1, 2025 through December 31, 2025 of the Health Fund's fiscal year ended December 31, 2025.
- (2) Contributions effective from January 1, 2025 through September 30, 2025 of the Health Fund's fiscal year ended December 31, 2025.

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, 2025 and 2024

I. Plan Description (Continued)

Plan Membership (As of the Actuarial Valuation Date)		
Actuarial Valuation Date	Year Ended December 31, 2025	Year Ended December 31, 2024
	January 1, 2026	January 1, 2025
Inactive Plan Members, or Beneficiaries currently receiving benefits	3,013	2,962
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-	-
Active Plan Members	4,465	4,300
Total Membership	7,478	7,262

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.

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, 2025 and 2024

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.

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, 2025 and 2024

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

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.

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, 2025 and 2024

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

G. Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* 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. The Health Fund had no material subscription-based arrangements in the current year.

III. Cash and Investments

Deposits

At December 31, 2025, the bank balance was \$222,315 and the carrying amount was \$133,071. At December 31, 2024, the bank balance was \$564,936 and the carrying amount was \$77,745. 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, 2025, the bank balances were fully covered by FDIC insurance. At December 31, 2024, the bank balances exceeded FDIC coverage by \$314,936.

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.

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, 2025 and 2024

III. Cash and Investments (Continued)

As of December 31, 2025, and 2024, the Health Fund's cash and investments are comprised of the following:

	December 31, 2025	December 31, 2024
Cash and Short-Term Investments:		
Cash	\$ 133,071	\$ 77,745
Money Market Mutual Funds	9,688,347	7,068,884
Total Cash and Short-Term Investments	<u>\$ 9,821,418</u>	<u>\$ 7,146,629</u>
Investments, at Fair Value:		
Fixed Income – Corporate Debt	\$ 19,215,300	\$ 14,531,295
Mutual Funds		
Mutual Fund – Fixed Income (High Yield)	4,392,258	4,162,010
Mutual Fund – Fixed Income	79,712,712	55,760,413
Mutual Fund – International Equity	22,872,328	11,578,064
Mutual Fund – Common Stock	30,249,652	33,235,130
Alternative Investments, at Net Asset Value (NAV):		
Real Estate – Limited Partnerships	52,503,704	35,544,264
Natural Resources – Limited Partnerships	17,368,200	23,620,203
Private Equity – Limited Partnerships	165,038,358	147,894,755
Private Debt – Limited Partnerships	110,829,176	97,103,337
Global & Domestic Equity	37,218,708	44,017,178
Index Funds – Domestic Equity	96,196,680	88,413,666
Index Funds – International Equity	20,286,172	18,083,923
Index Funds – TIPS	12,551,471	14,665,739
Total Investments, at Fair Value	<u>\$ 668,434,719</u>	<u>\$ 588,609,977</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, 2025 and 2024, the weighted average maturity of the money market mutual funds was forty days and thirty-one days, respectively. The Health Fund places no limit on maturities of Mutual Funds – Fixed Income. The Health Fund also invests in fixed-income corporate debt securities including, but not limited to, corporate notes and bonds, asset-backed securities non-MBS, private placement bonds, U.S. currency foreign bonds, and foreign private placement bonds. These securities are subject to interest rate risk due to the possibility that prevailing interest rates could change before the securities reach maturity.

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, 2025 and 2024

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, 2025 and 2024:

	December 31, 2025		December 31, 2024	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Baird	\$ 49,591,743	7.57	\$ 28,805,729	7.84
Payden	22,750,762	9.60	11,858,873	10.70
Vanguard	7,370,207	2.50	15,095,811	2.50
Barrow Hanley	4,392,258	4.90	4,162,010	5.20
	<u>\$ 84,104,970</u>		<u>\$ 59,992,423</u>	

The Health Fund's investments in Fixed Income – Corporate Debt Securities comprised of the following as of December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
	Fair Value	Fair Value
Corporate Notes & Bonds	\$ 593,305	\$ 623,213
Asset-Backed Securities Non-MBS	598,689	252,187
Private Placement Bonds (144A)	16,161,832	12,405,442
U.S. Currency Foreign Bonds	519,035	385,249
Foreign Private Placement Bonds	1,342,439	865,204
	<u>\$ 19,215,300</u>	<u>\$ 14,531,295</u>

The weighted average maturity of Fixed Income – Corporate Debt securities was 4.9 years and 5.2 years as of December 31, 2025 and 2024, respectively, and had an average quality rating of B by Standard and Poor's (S&P).

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, 2025 and 2024, 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. The Mutual Fund – Fixed Income (High Yield) is rated B by S&P as of December 31, 2025 and 2024.

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.

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, 2025 and 2024

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, 2025 and 2024, the Health Fund held the following investments that exceeded 5% of total investments:

Investment	Balance		% of Total	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
SSgA Russell 1000 Index Fund	\$96,196,680	\$88,413,666	14.39%	15.02%
Portfolio Advisers Secondary Fund IV	\$37,994,754	\$38,770,797	5.68%	6.59%
Portfolio Advisers Credit Strategies Fund	\$43,251,718	\$41,352,124	6.47%	7.03%

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, 2025, one of the Health Fund's investments totaling \$1,322,346 or 0.20% of total investments, and as of December 31, 2024, one of the Health Fund's investments totaling \$1,291,059 or 0.22% 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.

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, 2025 and 2024

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, 2025, the Health Fund's fair value measurements for its investments were as follows:

	December 31, 2025	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	\$ 9,688,347	\$ 9,688,347	\$ -	\$ -
Fixed Income – Corporate Debt	19,215,300	19,215,300	-	-
Mutual Funds				
Mutual Fund – Fixed Income (High Yield)	4,392,258	4,392,258	-	-
Mutual Fund – Fixed Income	79,712,712	79,712,712	-	-
Mutual Fund – International Equity	22,872,328	22,872,328	-	-
Mutual Fund – Common Stock	30,249,652	30,249,652	-	-
Total Investments by Fair Value Level	<u>\$ 166,130,597</u>	<u>\$ 166,130,597</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at the Net Asset Value (NAV)				
Real Estate Funds	\$ 52,503,704			
Natural Resources Funds	17,368,200			
Private Equity Funds	165,038,358			
Private Debt Funds	110,829,176			
Global & Domestic Equity Funds	37,218,708			
Index Funds – Domestic Equity	96,196,680			
Index Funds – International Equity	20,286,172			
Index Funds – TIPS	12,551,471			
Total Investments Measured at the NAV	<u>511,992,469</u>			
Total Investments Measured at Fair Value	<u>\$ 678,123,066</u>			

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Years Ended December 31, 2025 and 2024

IV. Investments – Fair Value Measurement (Continued)

Investments Measured at the Net Asset Value as of December 31, 2025:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Estate Funds (1)	\$ 52,503,704	\$ 22,309,372	-	-
Natural Resources Funds (2)	17,368,200	3,124,364	Annually	90-120 Days
Private Equity Funds (3)	165,038,358	64,074,111	-	-
Private Debt Funds (4)	110,829,176	42,702,550	Quarterly	30 Days
Global & Domestic Equity Funds (5)	37,218,708	-	Monthly	15-30 Days
Index Funds (6)	129,034,323	-	Monthly	3 days
	<u>\$ 511,992,469</u>	<u>\$ 132,210,397</u>		

At December 31, 2024, the Health Fund's fair value measurements for its investments were as follows:

	December 31, 2024	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	\$ 7,068,884	\$ 7,068,884	\$ -	\$ -
Fixed Income – Corporate Debt Mutual Funds	14,531,295	14,531,295	-	-
Mutual Fund – Fixed Income (High Yield)	4,162,010	4,162,010		
Mutual Fund – Fixed Income	55,760,413	55,760,413	-	-
Mutual Fund – International Equity	11,578,064	11,578,064	-	-
Mutual Fund – Common Stock	33,235,130	33,235,130	-	-
Total Investments by Fair Value Level	<u>\$ 126,335,796</u>	<u>\$ 126,335,796</u>	<u>\$ -</u>	<u>\$ -</u>

Investments Measured at the Net Asset Value (NAV)

Real Estate Funds	\$ 35,544,264
Natural Resources Funds	23,620,203
Private Equity Funds	147,894,755
Private Debt Funds	97,103,337
Global & Domestic Equity Funds	44,017,178
Index Funds – Domestic Equity	88,413,666
Index Funds – International Equity	18,083,923
Index Funds – TIPS	14,665,739
Total Investments Measured at the NAV	<u>469,343,065</u>
Total Investments	<u>\$ 595,678,861</u>

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IV. Investments – Fair Value Measurement (Continued)

Investments Measured at the Net Asset Value as of December 31, 2024:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Estate Funds	\$ 35,544,264	\$ 30,965,915	-	-
Natural Resources Funds	23,620,203	3,759,447	Annually	90-120 Days
Private Equity Funds	147,894,755	82,536,326	-	-
Private Debt Funds	97,103,337	43,566,550	Quarterly	30 Days
Global & Domestic Equity Funds	44,017,178	-	Monthly	15-30 Days
Index Funds	121,163,328	-	Monthly	3 days
	<u>\$ 469,343,065</u>	<u>\$ 160,828,238</u>		

(1) *Real Estate Funds.* The Health Fund is invested in nine real estate funds at December 31, 2025. 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 7.7% 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 \$14,484,739 or 27.6%) is eligible for redemption on an annual basis with a 90-day formal notice. Management estimates that one investment (representing \$585,303 or 1.1%) will liquidate within three years; two investments (representing \$978,658 or 1.9%) will liquidate within five years; four investments (representing \$25,404,125 or 48.4%) will liquidate within nine years; and one investment (representing \$11,050,879 or 21.0%) will liquidate within ten years.

(2) *Natural Resources Funds.* The Health Fund is invested in six natural resources investment funds at December 31, 2025. 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 2.6% 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 two investments (representing \$1,715,096 or 9.87%) will liquidate within three years; one investment (representing \$1,677,546 or 9.7%) will liquidate within five years; and, three investments (representing \$13,975,558 or 80.5%) will liquidate within nine years.

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Years Ended December 31, 2025 and 2024

IV. Investments – Fair Value Measurement (Continued)

(3) *Private Equity Funds.* The Health Fund is invested in sixteen private equity investment funds at December 31, 2025. Strategies for these funds include seven diverse fund-to-funds, two private debt funds, three secondary funds, one venture capital funds, one co-investment fund, one direct fund, and one 50/50 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 24.3% 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. Management estimates that one investment (representing \$78,433 or .1%) will liquidate within 3 years; one investment (representing \$12,461,862 or 7.6%) will liquidate within two to five years; three investments (representing \$17,090,359 or 10.4%) will liquidate within five years; one investment (representing \$22,236,639 or 13.5%) will liquidate within five to seven years; four investments (representing \$21,258,384 or 12.9%) will liquidate within nine years; two investments (representing \$19,981,886 or 12.1%) will liquidate within three to nine years; one investment (representing \$7,746,088 or 4.7%) will liquidate within 10 years; and, three investments (representing \$64,184,709 or 38.9%) will liquidate within 15 years.

(4) *Private Debt Funds.* The Health Fund is invested in seven private debt investment funds at December 31, 2025. 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 16.3% of the Health Fund's portfolio. One investment fund (representing \$43,251,718 or 39.0%) is eligible for redemption on a quarterly basis with a 30-day formal notice. Management estimates that one investment (representing \$6,344,770 or 5.7%) will liquidate within seven years; and five investments (representing \$61,232,688 or 55.3%) 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, 2025, 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 \$37,218,708 represent 5.5% 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, 2025, 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 \$129,034,323 represent 19.0% of the Health Fund's portfolio. All funds are eligible for redemption with a three-day notice.

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO
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V. Real Estate – Assets Held for Sale

Real Estate – Assets Held for Sale consist of three properties (Buildings 1, 3, and 5) located at Westover Hills, and consist of land and buildings constructed by the Health Fund. During fiscal year 2025, one property (Building 2) located at Schertz was sold. These assets are carried at cost, and are not depreciated. The balances at December 31, 2025 and 2024 were \$10,777,756 and \$11,694,383, respectively.

VI. Capital Asset Activity

Capital asset activity for the year ended December 31, 2025 was as follows:

	Balance January 1, 2025	Additions	Retirements	Balance December 31, 2025
Capital Assets, Not Being Depreciated/Amortized:				
Land	\$ 10,314,523	\$ -	\$ (340,762)	\$ 9,973,761
Total Capital Assets, Not Being Depreciated/Amortized	10,314,523	-	(340,762)	9,973,761
Capital Assets, Being Depreciated/Amortized:				
Buildings	19,676,943	8,701	-	19,685,644
Furniture, Office	271,500	-	-	271,500
Leasehold Improvements, Office	1,032,241	-	-	1,032,241
Furniture, Clinic	1,927,013	-	-	1,927,013
Computers and Equipment, Clinic	463,526	-	-	463,526
Leasehold Improvements, Clinic	-	-	-	-
Right-To-Use Leased Assets	1,152,573	-	-	1,152,573
Total Capital Assets, Being Depreciated/Amortized	24,523,796	8,701	-	24,532,497
Less Accumulated Depreciation/Amortization for:				
Buildings	(1,150,244)	(656,470)	-	(1,806,714)
Furniture and Equipment, Office	(108,600)	(54,300)	-	(162,900)
Leasehold Improvements, Office	(412,895)	(206,448)	-	(619,343)
Furniture, Clinic	-	-	-	-
Computers and Equipment, Clinic	(602,147)	(328,079)	-	(930,226)
Leasehold Improvements, Clinic	-	-	-	-
Right-To-Use Leased Assets	(496,246)	(192,095)	-	(688,341)
Total Accumulated Depreciation/Amortization	(2,770,132)	(1,437,392)	-	(4,207,524)
Total Capital Assets, Being Depreciated/Amortized, Net	21,753,664	(1,428,691)	-	20,324,973
Total Capital Assets, Net	\$ 32,068,187	\$ (1,428,691)	\$ (340,762)	\$ 30,298,734

Depreciation expense totaled \$1,245,297, and amortization expense related to right-to-use leased assets totaled \$192,095 for the year ended December 31, 2025.

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VI. Capital Asset Activity (Continued)

Capital asset activity for the year ended December 31, 2024 was as follows:

	Balance January 1, 2024	Additions	Retirements	Balance December 31, 2024
Capital Assets, Not Being Depreciated/Amortized:				
Land	\$ 10,588,469	\$ -	\$ (273,946)	\$ 10,314,523
Construction in Progress	3,714,840	829,390	(4,544,230)	-
Total Capital Assets, Not Being Depreciated/Amortized	14,303,309	829,390	(4,818,176)	10,314,523
Capital Assets, Being Depreciated/Amortized:				
Buildings	15,132,713	4,544,230	-	19,676,943
Furniture, Office	271,500	-	-	271,500
Leasehold Improvements, Office	1,032,241	-	-	1,032,241
Furniture, Clinic	1,281,674	693,304	(47,965)	1,927,013
Computers and Equipment, Clinic	520,637	-	(57,111)	463,526
Leasehold Improvements, Clinic	540,996	-	(540,996)	-
Right-To-Use Leased Assets	1,407,663	-	(255,090)	1,152,573
Total Capital Assets, Being Depreciated/Amortized	20,187,424	5,237,534	(901,162)	24,523,796
Less Accumulated Depreciation/Amortization for:				
Buildings	(557,127)	(593,117)	-	(1,150,244)
Furniture and Equipment, Office	(54,300)	(54,300)	-	(108,600)
Leasehold Improvements, Office	(206,447)	(206,448)	-	(412,895)
Furniture, Clinic	(47,963)	-	47,963	-
Computers and Equipment, Clinic	(331,178)	(328,080)	57,111	(602,147)
Leasehold Improvements, Clinic	(540,998)	-	540,998	-
Right-To-Use Leased Assets	(533,732)	(217,604)	255,090	(496,246)
Total Accumulated Depreciation/Amortization	(2,271,745)	(1,399,549)	901,162	(2,770,132)
Total Capital Assets, Being Depreciated/Amortized, Net	17,915,679	3,837,985	-	21,753,664
Total Capital Assets, Net	\$ 32,218,988	\$ 4,667,375	\$ (4,818,176)	\$ 32,068,187

Depreciation expense totaled \$1,181,945, and amortization expense related to right-to-use leased assets totaled \$217,604 for the year ended December 31, 2024.

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.

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VII. Subscribed Capital Commitments (Continued)

Following are the changes in subscribed capital commitments for the year ended December 31, 2025 and 2024:

	Year Ended December 31, 2025	Year Ended December 31, 2024
Beginning Commitment Balance – January 1	\$ 160,828,238	\$ 164,097,414
Add: Amount Committed in Current Year	25,000,000	38,000,000
Less: Other Changes / Expiration of Commitments	-	(26,500,000)
Less: Amount Called in Current Year	(53,617,841)	(14,769,176)
Ending Commitment Balance	<u>\$ 132,210,397</u>	<u>\$ 160,828,238</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, 2025, employee contributions totaled \$55,301 and the Health Fund recognized pension expense of \$110,602. For the year ended December 31, 2024, employee contributions totaled \$51,307 and the Health Fund recognized pension expense of \$102,614.

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.

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IX. Clinic Operations (Continued)

For the years ended December 31, 2025 and 2024, the Health Fund incurred expenses of \$18,524,266 and \$16,393,420 respectively, 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 2025 and 2024 were \$188,734 and \$204,147, respectively. Total interest incurred during 2025 and 2024 was \$32,169 and \$41,488, 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
2026	\$ 202,306	\$ 22,473	\$ 224,779
2027	240,786	11,445	252,231
2028	97,283	1,219	98,502
Total	\$ 540,375	\$ 35,137	\$ 575,512

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Years Ended December 31, 2025 and 2024

X. Right-To-Use Leases (Continued)

Changes in long-term liabilities for the year ended December 31, 2025 were as follows:

	Balance January 1, 2025	Additions	Retirements	Balance December 31, 2025	Due Within One Year
Right-to-Use Lease Liability	\$ 729,109	\$ -	\$ (188,734)	\$ 540,375	\$ 202,306
Total	\$ 729,109	\$ -	\$ (188,734)	\$ 540,375	\$ 202,306

Changes in long-term liabilities for the year ended December 31, 2024 were as follows:

	Balance January 1, 2024	Additions	Retirements	Balance December 31, 2024	Due Within One Year
Right-to-Use Lease Liability	\$ 933,256	\$ -	\$ (204,147)	\$ 729,109	\$ 188,734
Total	\$ 933,256	\$ -	\$ (204,147)	\$ 729,109	\$ 188,734

XI. Net OPEB Liability and Related Information

A. Net OPEB Liability

The City's 2025 net OPEB liability of \$602,549,684 was measured as of December 31, 2025, and was determined by an actuarial valuation as of January 1, 2026.

Total OPEB liability	\$ 1,317,743,363
Plan fiduciary net position	715,193,679
City's Net OPEB liability	<u>\$ 602,549,684</u>

Plan fiduciary net position as a percentage of
the total OPEB liability 54.27%

The City's 2024 net OPEB liability of \$638,986,138 was measured as of December 31, 2024, and was determined by an actuarial valuation as of January 1, 2025.

Total OPEB liability	\$ 1,274,395,961
Plan fiduciary net position	635,409,823
City's Net OPEB liability	<u>\$ 638,986,138</u>

Plan fiduciary net position as a percentage of
the total OPEB liability 49.86%

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XI. Net OPEB Liability and Related Information (Continued)

B. Actuarial Assumptions

The total OPEB liability for 2025 and 2024, as reported in the December 31, 2025, and 2024 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	2025: 6.50%, 2024: 6.25%
Ultimate Trend Rate	2025: 4.00%, 2024: 4.25%
Years to Ultimate	2025: 7 years, 2024: 4 years
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:

December 31, 2025 Valuation Date:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	20%	12.3%
Developed Market Equity	4	9.5
Emerging Market Equity	6	9.3
Private Equity	20	4.4
Real Estate	10	3.2
High Yield Bonds	4	5.9
Bank Loans	5	6.0
Investment Grade Bonds	6	2.4
TIPS	3	3.6
Emerging Markets Debt	3	4.9
Private Debt	18	9.4
Cash Equivalents	1	0.0
Total	100%	

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XI. Net OPEB Liability and Related Information (Continued)

December 31, 2024 Valuation Date:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	20%	8.4%
International Developed Market Equity	6	8.7
International Emerging Market Equity	8	8.7
Private Equity	20	11.2
Real Estate	10	8.5
High Yield Bonds	4	7.1
Bank Loans	5	6.8
Investment Grade Bonds	5	5.3
TIPS	4	5.0
Emerging Markets Debt	3	7.1
Private Debt	14	9.1
Cash Equivalents	1	3.1
Total	100%	

C. Discount Rate

For fiscal years 2025 and 2024, 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 2025 and 2024.

			Current Discount		
			1% Decrease (6%)	Rate (7%)	1% Increase (8%)
12/31/25 Net OPEB Liability	\$	799,244,239	\$	602,549,684	\$ 442,859,805
12/31/24 Net OPEB Liability	\$	832,676,736	\$	638,986,138	\$ 482,202,801

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XI. Net OPEB Liability and Related Information (Continued)

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

The following shows the City's 2025 and 2024 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 (5.50% decreasing to 3.00%) or 1-percentage-point higher (7.50% decreasing to 5.00%) than the assumed health benefit costs trend rates:

	1% Decrease (5.50% decreasing to 3.00%)	Assumed Rates (6.50% decreasing to 4.00%)	1% Increase (7.50% decreasing to 5.00%)
12/31/25 Net OPEB Liability \$	426,897,343	\$ 602,549,684	\$ 824,129,525
12/31/24 Net OPEB Liability \$	466,361,861	\$ 638,986,138	\$ 857,334,116

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, 2025 and 2024.

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO
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REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS*

December 31,

	2025	2024	2023	2022
Total OPEB Liability				
Total OPEB Liability - Beginning	\$ 1,274,395,961	\$ 1,184,955,492	\$ 1,117,540,528	\$ 1,117,052,243
Service cost	\$ 31,444,437	\$ 27,905,441	\$ 25,994,265	\$ 29,107,342
Interest	89,219,830	82,689,539	78,172,586	78,680,387
Changes of benefit provisions	-	-	-	-
Differences between expected and actual experience	12,952,800	25,029,066	8,670,660	26,009,743
Changes of Assumptions	(26,650,870)	18,066,704	9,066,180	(88,238,784)
Benefit Payments	(63,618,795)	(64,250,281)	(54,488,727)	(45,070,403)
Net Change	<u>\$ 43,347,402</u>	<u>\$ 89,440,469</u>	<u>\$ 67,414,964</u>	<u>\$ 488,285</u>
Total OPEB Liability - Ending	<u>\$ 1,317,743,363</u>	<u>\$ 1,274,395,961</u>	<u>\$ 1,184,955,492</u>	<u>\$ 1,117,540,528</u>
Plan Fiduciary Net Position				
Plan Fiduciary Net Position - Beginning	\$ 635,409,823	\$ 578,893,500	\$ 540,638,486	\$ 564,248,277
Contributions - employer (claims + additional funding)	\$ 53,975,581	\$ 50,324,206	\$ 47,831,824	\$ 45,073,429
Contributions - employee	26,975,280	25,158,171	23,920,005	22,532,636
Net investment income	66,024,317	48,565,798	23,910,279	(43,970,063)
Benefit payments	(63,618,795)	(64,250,281)	(54,488,727)	(45,070,403)
Administrative expenses	(5,744,515)	(5,564,622)	(5,180,628)	(4,095,575)
Other contributions	2,171,988	2,283,051	2,262,261	1,920,185
Net change in plan fiduciary net position	<u>\$ 79,783,856</u>	<u>\$ 56,516,323</u>	<u>\$ 38,255,014</u>	<u>\$ (23,609,791)</u>
Plan Fiduciary Net Position - Ending	<u>\$ 715,193,679</u>	<u>\$ 635,409,823</u>	<u>\$ 578,893,500</u>	<u>\$ 540,638,486</u>
Net OPEB Liability	<u>\$ 602,549,684</u>	<u>\$ 638,986,138</u>	<u>\$ 606,061,992</u>	<u>\$ 576,902,042</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.3%	49.9%	48.9%	48.4%
Covered Payroll	\$ 404,543,449	\$ 391,935,928	\$ 337,830,784	\$ 326,309,106
Net OPEB Liability as a Percentage of Covered Payroll	148.9%	163.0%	179.4%	176.8%

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

See accompanying independent auditor's report.

Required Supplementary Information

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 1,106,683,693	\$ 1,114,498,740	\$ 991,905,600	\$ 972,646,273	\$ 943,479,376
\$ 28,868,748	\$ 29,001,089	\$ 26,077,507	\$ 25,345,174	\$ 24,288,792
78,093,928	78,947,823	72,602,216	71,055,867	68,946,656
-	-	-	-	-
2,387,313	14,615,553	28,123,914	2,168,944	(5,164,947)
(59,131,630)	(99,031,947)	28,935,971	(43,489,622)	(25,343,991)
(39,849,809)	(31,347,565)	(33,146,468)	(35,821,036)	(33,559,613)
<u>\$ 10,368,550</u>	<u>\$ (7,815,047)</u>	<u>\$ 122,593,140</u>	<u>\$ 19,259,327</u>	<u>\$ 29,166,897</u>
<u>\$ 1,117,052,243</u>	<u>\$ 1,106,683,693</u>	<u>\$ 1,114,498,740</u>	<u>\$ 991,905,600</u>	<u>\$ 972,646,273</u>
\$ 484,060,152	\$ 402,513,801	\$ 364,439,129	\$ 376,808,122	\$ 345,047,217
\$ 42,029,806	\$ 39,479,614	\$ 35,233,515	\$ 30,891,718	\$ 27,242,387
21,012,086	19,726,524	17,605,469	15,441,863	13,615,721
59,256,479	55,638,245	19,867,431	(21,628,954)	25,294,156
(39,849,809)	(31,347,565)	(33,146,468)	(35,821,036)	(33,559,613)
(3,793,573)	(3,463,835)	(3,055,823)	(3,069,876)	(2,660,544)
1,544,773	1,513,368	1,570,548	1,817,291	1,828,798
<u>\$ 80,199,762</u>	<u>\$ 81,546,351</u>	<u>\$ 38,074,672</u>	<u>\$ (12,368,994)</u>	<u>\$ 31,760,905</u>
<u>\$ 564,259,914</u>	<u>\$ 484,060,152</u>	<u>\$ 402,513,801</u>	<u>\$ 364,439,128</u>	<u>\$ 376,808,122</u>
<u>\$ 552,792,329</u>	<u>\$ 622,623,541</u>	<u>\$ 711,984,939</u>	<u>\$ 627,466,472</u>	<u>\$ 595,838,151</u>
50.5%	43.7%	36.1%	36.7%	38.7%
\$ 350,757,833	\$ 347,776,258	\$ 328,795,544	\$ 318,037,955	\$ 308,101,315
157.6%	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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Annual money-weighted rate of return, net of investment expense**	11.10%	8.40%	4.40%	-7.80%	11.98%

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.

Compliance Section

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
13.39%	5.32%	-5.67%	7.26%	5.94%

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, 2025, 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 August 17, 2026.

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.

Gargu Gonzalez
& Associates

August 17, 2026

FIRE AND POLICE RETIREE HEALTH CARE FUND

San Antonio, Texas

AUDIT SUMMARY

Year Ended December 31, 2025



GARZA GONZALEZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

FIRE AND POLICE RETIREE HEALTH CARE FUND

AUDIT SUMMARY

YEAR ENDED DECEMBER 31, 2025

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* (75.50% at 12/31/2025 vs 78.79% at 12/31/2024) – 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. 35-36)
- No Material Weaknesses; Significant Deficiencies; Noncompliance Required to be Reported in FS.

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

	December 31, 2025	December 31, 2024
Total Cash & ST Investments	\$ 9,821,418	\$ 7,146,629
Investments at Fair Value	668,434,719	588,609,977
Total Cash and Investments	678,256,137	595,756,606
Real Estate - Held for Sale	10,777,756	11,694,383
Capital Assets, Net	30,298,734	32,068,187
Other Assets	4,780,471	3,401,488
Total Assets	\$ 724,113,098	\$ 642,920,664
Claims Payable	7,548,901	6,099,544
Other Liabilities	830,143	682,189
Right to Use - Leases Payable	540,375	729,109
Total Liabilities	\$ 8,919,419	\$ 7,510,842
Net Position:		
Restricted for OPEB	\$ 715,193,679	\$ 635,409,822

- a. Cash and Short-term Investments increased \$2,674,789, or 37%.
- b. Investments increased \$79,824,742, or 14%.
- c. Real Estate – Held for Sale decreased \$916,627 related to Schertz Bldg. 2.
- d. Capital Assets – Net decrease of \$1,769,453. Depreciation expense of \$1,437,392. Deletions related to sale of land for Schertz Building 2.

FIRE AND POLICE RETIREE HEALTH CARE FUND
AUDIT SUMMARY
YEAR ENDED DECEMBER 31, 2025

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

	Year Ended 12/31/2025	Year Ended 12/31/2024
Employer Contributions	\$ 53,975,581	\$ 50,324,206
Plan Member Contributions	26,975,280	25,158,171
Other Contributions	2,171,988	2,283,051
Net Investment Income	66,024,318	48,565,798
Total Additions	<u>149,147,167</u>	<u>126,331,226</u>
Benefits Paid	63,618,795	64,832,939
Administrative Expenses	5,744,515	4,981,965
Total Deductions	<u>69,363,310</u>	<u>69,814,904</u>
Net Increase in Net Position	79,783,857	56,516,322
Beginning Net Position - Restricted for OPEB	<u>635,409,822</u>	<u>578,893,500</u>
Ending Net Position - Restricted for OPEB	<u>\$ 715,193,679</u>	<u>\$ 635,409,822</u>

a. Net Income from Investment Income – \$66,024,318

- Due primarily to the \$61,863,196 increase in the FV of investments, due to market conditions during the fiscal year ended December 31, 2025.

b. Employer contributions increased \$3,651,375 (7.3%) and Plan Member contributions increased \$1,817,109 (7.2%).

c. Total Benefits provided decreased year over year by \$1,214,144 (1.9%). Medical costs increased \$4,438,980 (17.1%), drug costs decreased \$7,783,970 (34.6%) and clinic expenses increased \$2,130,846 (13.0%).

d. Net increase in Net Position was \$79,783,857 compared to \$56,516,322 for 2024. Increase in net position added 12.6% to Net Position.

FIRE AND POLICE RETIREE HEALTH CARE FUND
AUDIT SUMMARY
YEAR ENDED DECEMBER 31, 2025

Audit Communication Letter

1. No difficulties encountered in performing the audit.
2. No significant adjustments identified during the audit. Adjustments were proposed during the audit to adjust right-to-use leases, to correct the pharmacy rebate receivable, and to reflect more current investment balances based on best available information.
3. No significant uncorrected misstatements in the current year.
4. No internal control or other matters noted during the audit.