



**Fire and Police Pension Fund,
San Antonio
(A Component Unit of the City
of San Antonio, Texas)**

**Financial Statements
Year Ended December 31, 2020**

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(A Component Unit of the City of San Antonio, Texas)**

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(A Component Unit of the City of San Antonio, Texas)

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Independent Auditor's Report

To the Board of Trustees
Fire and Police Pension Fund, San Antonio
San Antonio, Texas

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the Fire and Police Pension Fund, San Antonio (the Pension Fund), a component unit of the City of San Antonio, as of and for the year ended December 31, 2020, and the related notes to the financial statements which collectively comprise the Pension Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the Pension Fund as of December 31, 2020, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Pension 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 opinions.

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 Pension Fund's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



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 opinions. 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 GAAS 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 GAAS 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.
- 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 Pension 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.



Other Matters

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 listed on 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 July 28, 2021 on our consideration of the Pension 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 Pension 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 Pension Fund's internal control over financial reporting and compliance.

BDO USA, LLP

July 28, 2021

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Management's Discussion and Analysis (Unaudited)
Executive Summary
December 31, 2020
(Dollars In Thousands)

As of January 1, 2020

Valuation Date: 1/1/2020
Plan Year Ending: 12/31/2020

Membership

Number of

- Retirees and beneficiaries currently receiving benefits 2,980
- Vested terminated members entitled to but not yet receiving benefits* 30
- Active employees 4,119

Total 7,129

*Includes terminated members due a refund of contributions

Information below is presented as of December 31, 2020:

Covered payroll \$ 347,776

Net Pension Liability

Total Pension Liability \$ 4,081,599
Plan Fiduciary Net Position 3,731,197

Net Pension Liability \$ 350,402

Plan Fiduciary Net Position as a Percentage of Total Pension Liability 91.42%
Net Pension Liability as a Percentage of Covered Payroll 100.75%

Development of the Single Discount Rate

Applicable GASB No. 67 Discount Rate 7.25%
Long-Term Expected Rate of Return 7.25%
Long-Term Municipal Bond Rate N/A
Year when the Plan Fiduciary Net Position is projected to no longer be sufficient to make Projected Benefit Payments N/A

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Management's Discussion and Analysis (Unaudited)
December 31, 2020
(Dollars In Thousands)

In the discussion that follows, management provides highlights and expanded information about the financial activity and financial position of the Pension Fund. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Pension Fund exceeded its liabilities as of December 31, 2020, by \$3,731,196 (Net Position). The Net Position is held exclusively for the benefit of the members and retirees of the Fund, and their beneficiaries, and for defraying reasonable administrative expenses of the Pension Fund.
- During the year ended December 31, 2020, the Pension Fund's Net Position increased by \$322,507. Increases in Net Position come from contributions from the City of San Antonio (the City) and the active participants in the Pension Fund and from investment gains on the accumulated assets of the Pension Fund. Decreases come from investment losses on accumulated assets of the Pension Fund, benefits paid to retirees and their beneficiaries, and expenses related to the administration of the Pension Fund.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Pension Fund's basic financial statements. The Pension Fund is a *fiduciary fund* of the City, and, as such, is used to account for resources held for the benefit of the firefighters and police officers of the City. The assets held in trust in the fiduciary fund are not available to support the City's own programs. The Pension Fund's basic financial statements are comprised of two components: 1) the financial statements, and 2) the notes to the financial statements.

Financial Statements. The financial statements are designed to give the reader an overview of the Pension Fund's finances with an emphasis on the Pension Fund's Net Position Restricted for Pension Benefits and the changes in Net Position for the period reported.

The Statement of Fiduciary Net Position presents information on all of the Pension Fund's assets and liabilities, with the difference reported as Net Position Restricted for Pension Benefits.

The Statement of Changes in Fiduciary Net Position presents information showing how the Pension Fund's net position changed during the most recent fiscal year. All of the changes are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the Pension Fund's financial statements.

Other Information. In addition to the basic financial statements, including the notes to the financial statements, this report also presents certain required supplementary information concerning the annual fluctuations in the Net Pension Liability of the Pension Fund, and employer contributions required of the City to the Pension Fund. Also included are certain actuarial assumptions that have an effect on the Net Pension Liability and required contributions. This information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board as supplementary information.

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Management's Discussion and Analysis (Unaudited)
December 31, 2020
(Dollars In Thousands)

Financial Analysis

As stated earlier, Net Position of the Pension Fund is to be used exclusively for the benefit of the participants and retirees of the Pension Fund and their beneficiaries, and for defraying reasonable administrative expenses of the Pension Fund. The Net Position of the Pension Fund is invested in a diversified portfolio consisting of cash and cash equivalents, equity and fixed income marketable securities, hedge funds, real estate, private equity, private debt, and real assets. These investments make use of international diversification including emerging markets in equities, fixed income, private equity, hedge funds, private debt, real estate and real assets. The portfolio is designed to produce returns sufficient to meet the actuarial assumptions at risk levels that meet the Pension Fund's risk tolerances. A small portion of the Pension Fund's net assets, fixed assets such as leasehold improvements and office equipment, is used by the Pension Fund's administrative staff. Below is a schedule of the assets, liabilities, and net position as of December 31, 2020, compared to the information as reported as of December 31, 2019 and 2018:

Fire and Police Pension Fund, San Antonio
Net Position
(Dollars in Thousands)

<i>As of</i>	12/31/2020	12/31/2019	12/31/2018
Cash and Short-Term Investments	\$ 54,824	\$ 91,443	\$ 57,717
Securities Lending Collateral	108,469	73,915	95,325
Investments	3,648,844	3,302,354	2,954,888
Receivables	42,859	35,413	17,072
Assets Used in Plan Operations - Net	710	748	515
Total Assets	3,855,706	3,503,873	3,125,517
Accounts Payable	6,381	6,755	5,239
Payable for Securities Purchased	9,331	14,233	9,541
Accrued Expenses	329	281	255
Securities Lending Collateral	108,469	73,915	95,325
Total Liabilities	124,510	95,184	110,360
Net Position Restricted for Pension Benefits	\$ 3,731,196	\$ 3,408,689	\$ 3,015,157

The Pension Fund's two sources of income are contributions received from the City and the active members of the Pension Fund and investment income or loss earned or lost on the funds that have accumulated over the years. The Pension Fund's cash flow needs are provided for out of the contributions that are received and from the earnings on invested assets of the Pension Fund. The expected long-term investment return or the actuarially assumed rate of 7.25% is necessary to maintain the Pension Fund's Net Position sufficiently to meet the obligations of the Pension Fund.

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Management's Discussion and Analysis (Unaudited)
December 31, 2020
(Dollars In Thousands)

The Pension Fund's obligations are mainly the benefits paid to its retired members. A small amount (about 0.1% annually) of beginning Net Position is used for administrative costs of the Pension Fund.

The Pension Fund's net position increased by \$322,507 or 9.5% of beginning Net Position for the year ended December 31, 2020. Below is a schedule of additions, deductions, and the change in net position for the year ended December 31, 2020, compared to the years ended December 31, 2019 and 2018:

Fire and Police Pension Fund, San Antonio			
Change in Net Position			
(Dollars in Thousands)			
	<i>Year Ended December 2020</i>	<i>Year Ended December 2019</i>	<i>Year Ended December 2018</i>
Additions			
Contributions			
Employer	\$ 85,693	\$ 81,016	\$ 78,312
Employee	42,846	40,508	39,182
Total Contributions	128,539	121,524	117,494
Investment Income:			
Interest	24,960	30,763	25,288
Dividends	22,765	25,609	28,343
Net appreciation (depreciation) in fair value of investments	352,372	395,742	(168,172)
Income from real estate operations	5,049	12,843	6,871
Securities lending (net of fees)	244	268	375
Other income	39	64	65
Investment expenses	(15,401)	(16,222)	(15,465)
Net Investment Income (Loss)	390,028	449,067	(122,695)
Total Additions (Deductions)	518,567	570,591	(5,201)
Deductions			
Benefits paid to participants	191,133	172,322	171,774*
Refunds paid to participants	1,537	1,172	918
Other deductions	3,390	3,565	3,479
Total Deductions	196,060	177,059	176,171
Increase (Decrease) in Net Position	322,507	393,532	(181,372)
Net Position, beginning of year	3,408,689	3,015,157	3,196,529
Net Position, end of year	\$ 3,731,196	\$ 3,408,689	\$ 3,015,157

* A 13th check was issued to retired members who received an annuity in 2017. The total amount of 13th checks issued in 2018 was \$10,970.

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Management's Discussion and Analysis (Unaudited)
December 31, 2020
(Dollars In Thousands)

List of Investment Managers:

Angelo Gordon	Lazard Asset Management
Apollo	Levine Leichtman Capital Partners
Ashmore	Luxor Capital Partners
Altum Capital Management	MacKay Shields
Barings	Medley
Beach Point Capital	Merit Energy Partners
BFAM Asian Opportunities	MGG Investment Group
Bloomfield Capital	Neuberger Berman
Capital Spring	Northern Trust Asset Management
Carlson	Ocean Avenue
CarVal Investors	Pacific Alliance Group
Charlesbank Capital Partners	Paladin Realty
Comvest Advisors	Payden & Rygel
Cooke & Bieler	PFM
Covenant Capital Group	Pharo Gaia
D L Carlson	Pine River Capital Management
Davidson Kempner Capital Management LP	Pinebridge Investments
DaVinci Reinsurance	Pimco
DSF Group	Rothschild & Co
EAM Global Investors	Samlyn Capital
Energy and Materials Group	Seizert Capital
Encap Flatrock	Shoreline Capital Partners
Energy Opportunities Capital Management	Siguler Guff
Exeter Property Group	Southpoint Capital Advisors LP
Exponent	Strategic Global Advisors
First Eagle Investment Management	The London Company
Garcia Hamilton & Associates	Thomas White International
Global Alpha	Top Tier Capital Partners
GoldenTree Asset Management	Townsend
GCP Capital Partners	Ullico
Greenspring Associates	USAA
Hancock Natural Resource Group	Varde
HarbourVest	Victory Capital
Hayfin Direct Lending	VSS
HBK	WCM Investment Management
Highstar Capital	Wellington Management
Indus Pacific	Western Technology Investment
Invesco Real Estate	William Blair Investment Management
J P Morgan	Winton Capital Management Limited
Kayne Anderson	W R Huff Energy
Kohlberg Kravis Roberts	Zevenbergen Capital Investments LLC
L&B Realty Advisors, LLP	ZM Capital
Landmark Equity Partners	

Fire and Police Pension Fund, San Antonio

(A Component Unit of the City of San Antonio, Texas)

Statement of Fiduciary Net Position

(Dollars in Thousands)

<i>December 31</i>	2020
Assets	
Cash and short-term investments	\$ 54,824
Securities lending collateral-cash and cash equivalents, at fair value (See Note 8)	108,469
Investments, at fair value (See Note 3)	3,648,844
Total Investments	3,812,137
Contributions receivable-employer	1,358
Contributions receivable-members	679
Accrued interest and dividends	4,284
Receivable from the sale of securities	36,538
Assets Used in Plan Operations	
Buildings	790
Furniture and equipment	353
Computer equipment	112
	1,255
Accumulated depreciation	(545)
Assets Used in Plan Operations - Net	710
Total Assets	3,855,706
Liabilities	
Accounts payable	6,381
Payable for securities purchased	9,331
Accrued expenses	329
Securities lending collateral	108,469
Total Liabilities	124,510
Net Position Restricted for Pension Benefits	\$ 3,731,196

The accompanying notes are an integral part of these financial statements.

Fire and Police Pension Fund, San Antonio

(A Component Unit of the City of San Antonio, Texas)

Statement of Changes in Fiduciary Net Position

(Dollars in Thousands)

<i>Year ended December 31,</i>	<i>2020</i>
Additions (Deductions) To Net Position Attributable to	
Investment Income	
Net appreciation	
in fair value of investments	\$ 352,372
Interest	24,960
Dividends	22,765
Real estate income, net	5,049
Securities lending income	620
Other income	39
Less investment expenses:	
Investment management and custodial fees	(15,401)
Securities lending borrower rebates	(245)
Securities lending fees	(131)
Net Investment Income	390,028
Contributions	
Employer (See Note 5)	85,693
Members (See Note 5)	42,846
Total Contributions	128,539
Total Increase From Additions and Investment Income	518,567
Deductions From Net Position Attributable to:	
Benefits paid to participants:	
Annuities	158,817
BackDROP payments (See Note 1)	32,316
Refunds of participant contributions	1,537
Personnel costs	1,669
Contractual services	1,367
Depreciation	51
Maintenance and utilities	303
Total Deductions	196,060
Net Increase	322,507
Net Position Restricted for Pension Benefits, Beginning of Year	3,408,689
Net Position Restricted for Pension Benefits, End of Year	\$ 3,731,196

The accompanying notes are an integral part of these financial statements.

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Notes to Financial Statements
(Dollars In Thousands)

1. Plan Description

The Fire and Police Pension Fund, San Antonio (the Pension Fund) is a single-employer defined benefit retirement plan established in accordance with the laws of the State of Texas. The governing document for the Pension Fund is found in Vernon's Texas Civil Statutes, Article 6243o. The pension law governing the Pension Fund for the year ended December 31, 2020 was last amended October 1, 2009. The Pension Fund is administered by a nine-member Board of Trustees (the Board), which includes two City Council members, the mayor or his appointee, two police officers, two firefighters, and two retirees. The Pension Fund meets the criteria of a "fiduciary fund" of the City of San Antonio (the City) as established by *Governmental Accounting Financial and Reporting Standards*, and is therefore included in the City's financial statements as a pension trust fund. A more complete description of the Pension Fund is provided in the summary plan description. At December 31, 2020, membership of the Pension Fund consisted of:

	2020
Retirees and beneficiaries receiving benefits	2,980
Active and Inactive participants	4,119
Total	7,099

Currently, the Pension Fund provides retirement benefits to eligible employees of the fire and police departments of the City who have served for 20 years or more. Employees who terminate prior to accumulating 20 years of service may apply to receive a refund of their contributions. Upon application for a service retirement pension from the Pension Fund, retiring employees are entitled to a retirement annuity computed based on the average of the employee's total salary, excluding overtime pay, for the highest three years of the last five years. The retirement annuity computation (Annuity Computation) for employees retiring during the period covered by the financial statements and following, is 2-1/4% of such average for each of the first 20 years served, plus 5% of the participant's average total salary for each of the next seven (7) years, plus 2% of the participant's average total salary for each of the next three (3) years of service, plus 1/2% of the participant's average total salary for each of the next three (3) years of service, with fractional years of service prorated based on full months served as a contributing participant. In making the computation for a year, the year is considered to begin on the first day a contribution is made. A retirement annuity under this subsection may not exceed, as of the date of retirement, 87-1/2% of the participant's average total salary.

There is a provision for the Backwards Deferred Retirement Option Plan (BackDROP), which, as of October 1, 2009, permits retiring participants who had actual service credit of at least 20 years and one month to elect to receive a lump-sum payment for a number of full months of service elected by the participant that does not exceed the lesser of the number of months of service credit the participant had in excess of 20 years, or 60 months and a reduced annuity payment.

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Notes to Financial Statements
(Dollars In Thousands)

1. Plan Description (Continued)

For purposes of a BackDROP benefit calculation, the participant's salary beyond 34 years of service is used to determine the participant's average salary.

There is also a provision for a 13th and 14th pension check. At the end of each fiscal year, the Board may authorize the disbursement of a 13th monthly pension check if the annualized yield on the Pension Fund's investments exceeds the actuarial projections for the preceding five-year period by at least 100 basis points. In the same way, the Board may authorize a 14th monthly pension check if the annualized yield on the Pension Fund's investments exceeds the actuarial projections for the preceding five-year period by at least 300 basis points. The 13th and 14th pension checks are paid to each retiree and beneficiary receiving a pension at the end of the fiscal year, and are in an amount equal to the pension check paid in the last month of the preceding fiscal year of the Pension Fund (retirees/beneficiaries with less than one (1) year of benefits will receive a prorated check, and no check will be paid to retirees who retired after the end of the fiscal year). Authorization for one (1) year does not obligate the Board to authorize a 13th or 14th check for any other year. The Pension Fund met the criteria for the 13th check for the year ended December 31, 2020. The Pension Fund did not meet the criteria for the 14th check.

The Pension Fund also provides benefits when service is terminated by reason of death or disability. The beneficiary or the employee is entitled to one-half of the average of the employee's total salary, excluding overtime pay, or vested benefit as is provided in the computation of normal retirement benefits, whichever is higher. If a participant dies after retiring, spouses or beneficiaries who were married to, or dependents of, the participant at the time of retirement receive the same annuity paid to the participant as of the date of the participant's death up to the maximum benefit. The maximum benefit for surviving spouses and dependent children is equal to a 27-year service pension. As of October 1, 2009, the allocation of death benefits between a surviving spouse and the dependent children of a member is 75% to spouse and 25% to children. The spousal death benefit provided to a spouse who married a retiree after retirement, and at least five (5) years prior to the date of the retiree's death, is the same as a spouse who married a participant prior to retirement. In the case of a marriage after retirement, a spouse who is otherwise qualified to receive a pension is subject to a 55-year-old minimum age to begin receiving annuity payments. As of October 1, 2009, the spousal death benefit for a spouse who married a retiree after retirement, and less than five (5) years prior to the date of the retiree's death, is \$15,000 if there are no other beneficiaries.

The Pension Fund provides a disability annuity equal to 87.5% of average total salary, if the participant suffers a catastrophic injury. A catastrophic injury is described as an irreparable physical bodily injury suffered during the performance of high-risk line of duty activities, when the injury results in the individual being unable to obtain any sort of employment sufficient to generate income above the poverty level.

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Notes to Financial Statements
(Dollars In Thousands)

1. Plan Description (Continued)

The surviving spouse of an active participant may elect to receive benefits in the form of a lump-sum payment and reduced annuity, similar to a BackDROP election made by a retiring participant.

The estate of an active participant who dies and does not leave a beneficiary will receive either ten (10) times the amount of an annuity computed according to the Annuity Computation mentioned above, using the deceased participant's service credit and average total salary as of the date of death, or the deceased participant's contributions that were picked up by the City. The estate of a retiree who dies and does not leave a beneficiary will receive a lump sum benefit equal to ten (10) times the amount of the annuity awarded by the Board effective on the retiree's date of retirement, less any retirement or disability annuity, and any lump-sum payments paid to the retiree.

The Pension Fund also provides benefits when an eligible participant is killed in the line of duty. The participant's surviving spouse and dependent children are entitled to a total pension equal to the participant's base salary at the time of death.

Another important provision of the Pension Fund is the Cost of Living Adjustment (COLA). The COLA is based on the Consumer Price Index for all Urban Consumers - U.S. City Average (CPI-U) as published by the Bureau of Labor Statistics. Participants whose retirement, disability, or death occurred before August 30, 1971, receive an increase equal to 100% of the increase in the CPI-U. Participants whose retirement, disability, or death occurred after August 30, 1971, but before October 1, 1999, receive an increase equal to 100% of the increase in the CPI-U up to 8% and 75% of the increase in the CPI-U in excess of 8%. Members whose retirement, disability, or death occurred after October 1, 1999, receive an increase equal to 75% of the increase in the CPI-U.

The Pension Fund is funded in accordance with Texas state statutes. The City is required to contribute 24.64% of salary, excluding overtime pay. The participant contribution rate is 12.32%. New firefighters and police officers are immediately eligible for membership after they receive state certification and complete all other requirements. The new participants contribute to the Pension Fund upon becoming eligible.

The Pension Fund has a provision that allows the fire chief and police chief to opt out of membership in the Pension Fund.

2. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements of the Pension Fund are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The Pension Fund financial statements are prepared using the accrual basis of accounting. Participant and employer contributions are recognized as revenue in the period in which participant services are performed. Benefits, with the exception of BackDROP payments and refunds, are recorded in the period they are due and payable. BackDROPs and refunds are accrued when payment is approved by the Board.

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Notes to Financial Statements
(Dollars In Thousands)

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

Cash and Short-Term Investments

Cash and short-term investments include demand deposit accounts and short-term U.S. Government and other investments.

Investments

Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned.

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Common and preferred stocks are valued based on published market prices and quotations from national security exchanges and securities pricing services. International stocks are then adjusted to reflect the current exchange rate of the underlying currency. Investments for which no notional exchanges or pricing service exists, such as private market investments, are valued by the investment partnership based on the valuation methodology outlined in the partnership agreement. Real estate may be valued by the manager or independent appraisers. Commingled Fund investments that are not traded on a national exchange are valued on a Net Asset Value Basis by the commingled investment manager. The Pension Fund performs due diligence reviews of the investment pricing, process, and infrastructure of private market investments, commingled fund investments, and real estate investments to assure that the asset values provided by the managers are reasonable.

Net appreciation (depreciation) is determined by calculating the change in fair value of investments between the beginning of the period and the end of the period, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to the Pension Fund's investment operations, as well as internal administrative expenses associated with the Pension Fund's investment program.

The Pension Fund's investments are reported at fair value. Fair value is determined within the guidelines of Statement No. 72 of the Governmental Accounting Standards Board and is discussed in more detail in Note 3.

Assets Used in Plan Operations

Assets used in plan operations are reported on the basis of cost. The Pension Fund provides for depreciation on the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are used in providing for depreciation:

Buildings	40 years
Furniture and equipment	5-10 years
Computer equipment	3-5 years

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Notes to Financial Statements
(Dollars In Thousands)

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

Federal Income Tax

The Pension Fund obtained its latest determination letter on May 25, 2012, in which the Internal Revenue Service stated that the Pension Fund, as designed, is in compliance with the applicable requirements of the Internal Revenue Code (IRC) and is therefore exempt from Federal income taxes. The Pension Fund administrator believes that the Pension Fund is currently designed and being operated in compliance with the applicable requirements of the IRC.

Administrative Costs

All administrative costs of the Pension Fund are paid from Pension Fund assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. Investments Reported at Fair Value

GASB No. 72 requires all investments be categorized under a fair value hierarchy. Fair value of investments is determined based on both observable and unobservable inputs. Investments are categorized within the fair value hierarchy established by GASB and the levels within the hierarchy are as follows:

Level 1 - quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 - inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market corroborated inputs.

Level 3 - significant unobservable inputs for an asset or liability.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value (NAV). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

Fire and Police Pension Fund, San Antonio
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Notes to Financial Statements
(Dollars In Thousands)

3. Investments Reported at Fair Value (Continued)

The Fund has the following recurring fair value measurements as of December 31, 2020:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Government Bonds	\$ 31,744	\$ -	\$ 31,744	\$ -
Government Agencies	42,772	-	42,772	-
Government MBS	2,389	-	2,389	-
Corporate Bonds	128,855	-	128,855	-
Bank Loans	171,136	-	171,136	-
Total Debt Securities	376,896	-	376,896	-
Equity Securities				
Domestic	511,730	510,310	1,420	-
International	16,681	16,681	-	-
Total Equity Securities	528,411	526,991	1,420	-
Private Equity				
Venture	42,901	-	-	42,901
Buyout	153,498	-	-	153,498
Fund of Funds Diversified	71,582	-	-	71,582
Real Assets	107,538	-	-	107,538
Total Private Equity	375,519	-	-	375,519
Private Debt				
Mezzanine	66,676	-	-	66,676
Distressed	84,976	-	-	84,976
Senior Debt	83,693	-	-	83,693
Total Private Debt	235,345	-	-	235,345
Total Investments by fair value level	\$ 1,516,171	\$ 526,991	\$ 378,316	\$ 610,864

Fire and Police Pension Fund, San Antonio
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3. Investments Reported at Fair Value (Continued)

Investments Measured at the net asset value (NAV)

Relative Value Hedge Funds	\$ 34,796
Event Driven Hedge Funds	17,473
Structured Credit	17,309
Macro/Directional Hedge Funds	1,138
Re-Insurance Hedge Fund	19,280
Long/Short	74,590
Hedge Fund of Funds	3,326
Commingled Funds	
Domestic Debt	244,067
Global Debt	196,837
Domestic Equity	500,059
Global Equity	769,848
Real Estate	253,950

Total investments measured at NAV	\$ 2,132,673
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Total investments measured at fair value	\$ 3,648,844
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Debt and Equity Securities

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Equity securities classified in Level 2 of the fair value hierarchy are thinly traded securities such as preferred stock held by fixed income managers and are valued similarly to debt securities.

Private Equity

The Pension Fund is invested in 47 private equity funds that are diversified across 4 main types of strategies. There are 7 venture capital funds, 15 buyout funds, 14 real asset funds and 11 diversified fund of funds. These investee funds are considered level 3 in the fair value hierarchy. These investee funds are limited partnerships, and the managing general partner is responsible for determining the fair market value of the underlying investments. The methods used to determine fair value include discounted cash flow, small public company comparison and appraisal. The partnerships have a 10-year life with options to extend beyond the original term by as much as 2 years in most cases. Original capital commitments to these funds range from \$5,000 to \$30,000. It is expected that the investee funds will call between 80 and 90 percent of the committed capital. In most cases the final commitment is never called because the investee funds start to receive returned capital either from sales of or operations from the underlying investments. As of December 31, 2020, it is estimated that unfunded commitments were approximately \$208,504 of which \$187,653 is expected to be called. These investments in the investee funds are diversified across vintage years so the investee funds are in different stages of their life cycles. The Pension Fund's allocation to this asset class requires that capital that is received from these investments will be reinvested in other investee funds as they become available. Even though these investments could be sold to other investors or secondary funds, the Pension Fund has no intention of doing so, so these investments are considered illiquid.

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3. Investments Reported at Fair Value (Continued)

Private Debt

The Pension Fund is invested in 26 private debt funds, which include 6 funds focused on mezzanine lending to companies that have operations that have good growth potential, but limited access to bank loans or public debt or equity markets, 11 funds focused on loans that are senior in the borrowers' capital structure, and 9 funds that concentrate on distressed debt where debt is purchased at a cost that is less than the value of the collateral. These investee funds are considered level 3 in the fair value hierarchy. These investee funds are limited partnerships, and the managing general partner is responsible for determining the fair market value of the underlying investments. The methods used to determine fair value include discounted cash flows plus the value of any equity that investee funds receive as part of the lending arrangements. The partnerships have a 10-year life with options to extend beyond the original term by as much as 2 years in most cases. Original capital commitments to these funds range from \$5,000 to \$30,000. It is expected that the investee funds will call between 70 and 80 percent of the committed capital. In most cases the final commitment is never called because the investee funds start to receive repayment from the debt service of the underlying investments and in some cases extra capital from the sale of the equity received when underlying companies are sold or refinanced through public offerings. As of December 31, 2020, it is estimated that unfunded commitments were approximately \$141,999 of which \$113,599 is expected to be called. These investments in the investee funds are diversified across vintage years so the investee funds are in different stages of their life cycles. The Pension Fund's allocation to this asset class requires that capital that is received from these investments will be reinvested in other investee funds as they become available. Even though these investments could be sold to other investors or secondary funds, the Pension Fund has no intention of doing so, so these investments are considered illiquid.

Investment Measured at the Net Asset Value

The Pension Fund is also substantially invested in investee funds where fair value is measured at the net asset value (NAV). These funds invest in stocks, bonds, derivatives in some cases and real estate. The stocks, bonds or derivatives, if they were held directly by the Pension Fund, would have readily determinable values that would fit into the fair value levels. Most of these would be in level 1 or 2. Real estate investments would fall into level 3 since there is not usually a ready market for the underlying assets. The investee funds are both active and inactive managers. Inactive managers invest in stocks that are in an index such that the return on the investment equals the return on the index. Active managers will invest in stocks or bonds with intent of either achieving a higher rate of return than the market or one of the indexes or lowering the amount of the risk involved. The investee funds in this category include hedge funds, index funds, commingled funds, and real estate funds.

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3. Investments Reported at Fair Value (Continued)

Investment Measured at the Net Asset Value (Continued)

Hedge Funds

During the year the Pension Fund's board elected to eliminate the allocation to hedge funds. The process of fully redeeming the investment from hedge funds is expected to take 2 to 3 years. The redemptions in 2020 were \$156,741. The redemptions received in 2021 as of the date of these financial statements were prepared is \$111,380. As of December 31, 2020, the Pension Fund's investments in hedge funds include relative value, event driven, macro/directional and diversified hedge fund of funds. These hedge funds all require notice between 30-90 days of the intent to redeem cash from them. They will only redeem cash at the end of calendar quarters. The Pension Fund is invested in 2 relative value hedge funds, 1 event driven hedge funds, 2 macro/directional hedge funds, 1 reinsurance hedge fund, and 1 structured credit hedge fund. Relative value investing seeks to exploit relationships that are out of normal equilibrium. These investee funds are not concerned with the price of an asset such as a stock or bond by itself, but how that asset's price relates to other assets that historically display some correlation to the asset. Macro/ directional hedge fund strategies base their investments, such as long and short positions in various equity, fixed income, currency, commodities and futures markets, primarily on the overall economic and political views of various countries, or their macroeconomic principles. Event driven hedge funds invest based on the expectation of a particular event such as a merger or acquisition and how that event is expected to affect the price of the underlying investment. One of the hedge funds that the Pension Fund invests in actually invests alongside a reinsurance company. Structured credit hedge funds may hedge interest rate exposure while making bets on credit spreads, and they may look for relative value between the senior and junior securities on the same corporate issuer.

The Pension Fund continues to wind down the remaining investments in hedge fund of funds, which invest in a diversified group of underlying hedge funds. In this category there are 4 hedge fund of fund remnants that are subject to a gate. Three of these gates have been in place since 2008 when the Pension Fund gave notice of redemption. Most of the investments have been returned, but there is no certainty when the remaining investment of \$3,326 will be returned. The carrying value of these investments is based on the hedge fund of funds' estimate of value and would be similar to level 3 type investments.

Commingled Fund

The Pension Fund's investments in commingled funds consist of bond investors and stock investors. The bond funds invest in domestic high yield bonds, opportunistic global bonds and emerging market bonds. The stock funds are invested in domestic large and small cap stocks and global and emerging market stocks. Commingled funds are chosen for these investments either because of the size of the investment, or because of the transfer of the complexity of investing internationally.

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3. Investments Reported at Fair Value (Continued)

Investment Measured at the Net Asset Value (Continued)

Real Estate Fund

Real estate investments are diversified by type of real estate such as residential, commercial office, industrial and retail. They are also diversified by stage of development such as opportunistic, value added and core properties. Finally, they are diversified geographically. Two of the investee managers representing \$66,976 were open-ended funds that allow redemptions. 18 of the investee managers were limited partnerships with durations of 10 to 15 years. These limited partnerships do not allow redemptions. They do distribute cash after the investment period, usually 2 to 4 years, from operations or sales of underlying properties. These investments are similar to the private equity partnerships and private debt partnerships in that funds are committed at the beginning of the investment and called by the partnerships as purchase opportunities present themselves. Commitments in this category are more likely to be called up. It is likely that 80 to 90 percent of the committed capital will ultimately be called. Unfunded commitments in this category were approximately \$77,000, of which approximately \$42,000 is expected to be called. Fair value for this asset class is determined by appraisals of the underlying properties. The Pension Fund's asset allocation requires that when capital is returned it is reinvested in new partnerships so that the percentage allotted to the asset class can be maintained. Like private equity and private debt limited partnerships, it is possible to sell partnership interests to other investors or secondary partnerships at a substantial cost to the Pension Fund. The Pension Fund has no intention of redeeming these investments prior to maturity. Consequently, these investments are considered illiquid.

4. Net Pension Liability of the City of San Antonio, Texas

The components of the net pension liability for the City related to the Pension Fund were as follows:

<u>December 31,</u>	<u>2020</u>
Total Pension Liability	\$ 4,081,599
Plan Fiduciary Net Position	3,731,196
<u>City of San Antonio's Net Pension Liability</u>	<u>\$ 350,403</u>

Plan fiduciary net position as a percentage of the total pension liability is 91.42% at December 31, 2020.

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4. Net Pension Liability of the City of San Antonio, Texas (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to the period included in the measurement, with results roll-forward to December 31, 2020:

Inflation	3.00%
Salary increases - (plus merit scale of 0.75% - 11.25%):	3.00%
Investment rate of return - (including inflation, net of pension plan investment expense):	7.25%
Cost-of-living adjustments -	
for retirements before October 1, 1999:	3.00%
for retirements on or after October 1, 1999:	2.25%

For the actuarial valuation as of January 1, 2020 with results rolled forward to December 31, 2020:

Mortality:

- Pre-retirement: Sex-distinct PUBS-2010 Safety Employee Amount-Weighted Table
- Healthy Annuitant: Sex-distinct PUBS-2010 Safety Health Retiree Amount-Weighted Table
- Disabled Annuitant: Sex-distinct PUBS-2010 Safety Disabled Retiree Amount-Weighted Table
- Beneficiaries: Sex-distinct PUBS-2010 Safety Contingent Survivor Amount-Weighted Table

Future Improvement: Generational projection using Scale SSA2019-2D improvement scale

The actuarial assumptions used are based on the results of an experience study for the period October 1, 2014 to December 31, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin.

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(Dollars In Thousands)

4. Net Pension Liability of the City of San Antonio, Texas (Continued)

Actuarial Assumptions (Continued)

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major assets class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Large Cap US Equities	22%	6.30%
Small Cap US Equities	5%	7.40%
International Equities	10%	7.30%
International Small Cap Equities	3%	8.40%
Emerging Markets Equities	6%	9.20%
Private Equity	7%	10.55%
Core Bonds	5%	0.40%
High Yield	5%	3.10%
Bank Loans	5%	2.30%
TIPS	3%	0.50%
Emerging Market Debt	5%	3.30%
Private Debt	9%	5.80%
Unconstrained Fixed Income	3%	1.15%
Real estate	7%	3.65%
Real Assets	5%	6.32%
Total	100%	

*Arithmetic real rates of return are net of assumed inflation of 3%

Discount Rate

The discount rate used to measure the Total Pension Liability (TPL) was 7.25% as of December 31, 2020. The projection of cash flows used to determine the discount rate assumed contributions will continue to be made at 12.32% of compensation from plan members and 24.64% of compensation from the City. Based on these assumptions, the Pension Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Pension Fund's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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4. Net Pension Liability of the City of San Antonio, Texas (Continued)

Sensitivity of the Net Pension liability to Changes in the Discount Rate

The following presents the net pension liability of the Fund, calculated using the discount rate of 7.25%, for the year ending December 31, 2020, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

December 31, 2020	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 926,254	\$ 350,403	\$ (119,946)

5. Contributions

Contribution requirements are established by state law as described in Note 2 and are not actuarially determined. Contributions for the year ended December 31, 2020, were as follows:

	Amount	Percentage
Employer	\$ 85,693	24.64%
Members	42,846	12.32%
Total	\$ 128,539	

6. Required Supplementary Information

Required supplementary information (RSI) for the Pension Fund includes the Schedule of Changes in Pension Fund's Net Pension Liability and Related Ratios, the Schedule of City of San Antonio's Contributions to the Fire and Police Pension Fund - Last Ten Fiscal Years, the Schedule of Investment Returns and the Notes to Required Supplementary Information. These are presented in order to demonstrate the City's ability to pay the Net Pension Liability and its progress in doing so.

7. Cash and Investments

Investment Policy

The Pension Fund's policy in regard to the allocation of invested assets is established and may be amended by the Fund's Board of Trustees. The primary long-term objective will be to achieve a return of at least the actuarial return assumption. Preservation of capital and consistent capital appreciation are the key considerations in establishing acceptable levels of risk, however, since the Fund enjoys a very long-term investment horizon, significant short-term fluctuations in value can be tolerated. Based on existing contribution rates and benefit payments, current income from investments should be addressed in the management of these assets. To pursue the foregoing objectives at an acceptable risk level, the following policy (i.e., long-term) allocation is

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7. Cash and Investments (Continued)

Investment Policy (Continued)

considered appropriate as updated in July 22, 2020 and compared to actual allocations at December 31, 2020:

	Target Allocation	2020 Actual Allocation
Large Cap U.S. Equities	22.0%	22.4%
Small Cap U.S Equities	5.0%	5.1%
Developed International Equities	14.0%	15.8%
Emerging International Equities	5.0%	5.5%
Hedge Funds	0.0%	4.5%
Private Equity	7.0%	7.2%
Sub Total Equity	53.0%	60.5%
Core Fixed Income	5.0%	3.9%
TIPS	3.0%	2.5%
High Yield	5.0%	3.5%
Bank Loans	5.0%	4.6%
Global Fixed Income	0.0%	0.0%
Unconstrained Fixed Income	3.0%	2.4%
Emerging Market Debt	5.0%	5.3%
Private Debt	9.0%	6.0%
Real Estate	7.0%	6.9%
Real Assets	5.0%	2.9%
Cash	0.0%	1.5%
Subtotal Fixed Income	47.0%	39.5%
Total Investments	100.0%	100.0%

Rate of Return

The money weighted rate of return for the year ended December 31, 2020 was 11.4%. The return is net of investment expenses and adjusted for the changing amounts actually invested.

Investment Risk

The Pension Fund's investments have been categorized to address deposit and investment risks related to custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Fire and Police Pension Fund, San Antonio
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Notes to Financial Statements
(Dollars In Thousands)

7. Cash and Investments (Continued)

Custodial Credit Risk for Deposits and Investments

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Pension Fund will not be able to recover the value of the investment or collateral in possession of the counterparty. The Pension Fund does not have an investment policy regarding custodial credit risk. The Pension Fund considers only demand deposits as cash. The Federal Depository Insurance Corporation (FDIC) covered cash on deposit up to \$250 at each financial institution. As of December 31, 2020, the Pension Fund had cash deposits held by investment managers in the amount of \$134 that were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that an issuer will not fulfill its obligations. The ratings of the Pension Fund's bond portfolio using Standard and Poor's rating system for fixed income securities as of December 31, 2020 are presented in the following table:

	2020
Rating	
U.S. Government & Agencies	18%
AAA	3%
AA	4%
A	7%
BBB	16%
BB	16%
B	21%
CCC	6%
Unrated or Not Rated	9%
	100%

Credit risk for derivative instruments held by the Pension Fund results from counterparty risk, which is essentially that the counterparty will be unable to fulfill its obligations, which are then assumed by the Pension Fund.

Information regarding the Pension Fund's credit risk related to derivatives is found under the derivatives disclosures.

Policies regarding credit risk pertaining to credit risk associated with the Pension Fund's securities lending program are found under the securities lending disclosures.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Pension Fund's investment in a single issue. As of December 31, 2020, the Pension Fund did not have any single investment in any one organization which represented greater than 5% of plan net assets.

Fire and Police Pension Fund, San Antonio
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Notes to Financial Statements
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7. Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of fixed income securities will adversely affect the fair value of an investment.

Only the fixed income securities of the Pension Fund are subject to interest rate risk due to the possibility that prevailing interest rates could change before the securities reach maturity.

The Pension Fund does not have an investment policy specifically regarding interest rate risk. Investment managers have full discretion in adopting investment strategies to deal with these risks, and all of the Pension Fund's fixed income portfolios are managed in accordance with guidelines that are specific as to the degree of interest rate risk taken.

Securities that are subject to interest rate risk as of December 31, 2020 are shown in table below.

	Fair Value	WAM (Yrs)
Investment Type		
Corporate bonds	\$ 128,321	7.01
Corporate Convertible Bonds	533	3.86
Government agencies	42,772	.84
Government bonds	31,745	8.15
Govt Commercial Mortgage Backed	2,389	17.35
Bank loans	171,136	4.75
TIPS	93,411	.25
Payden and Rygel*	87,316	3.37
Ashmore**	77,606	12.41
GoldenTree***	63,340	***
Wellington emerging market debt****	119,231	****
Total Interest Rate Sensitive Securities	\$ 817,800	
Portfolio WAM (Weighted Average Maturity)		5.24

* Payden and Rygel, a commingled fund, invests opportunistically in any type of bond.

** Ashmore is a commingled fund invested in emerging market debt.

*** GoldenTree is a commingled fund invested in high-yield corporate bonds. They report their portfolio duration as 3.59 as of December 31, 2020.

**** Wellington, a commingled fund, also invests in emerging market debt. Wellington also reports the effective duration of the portfolio in lieu of WAM. The effective duration for Wellington was 8.44 as of December 31, 2020.

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7. Cash and Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

The Pension Fund's exposure to foreign currency risk in U.S. dollars as of December 31, 2020 is shown in the table below.

Country	Equities	Bonds	Cash	Total
Argentinian Peso	\$ 15,977	\$ 2,328	\$ -	\$ 18,305
Australian Dollar	19,312	-	-	19,312
Brazilian Real	10,254	9,241	-	19,495
British Pound	56,686	-	1	56,687
Canadian Dollar	22,570	-	71	22,641
Chilean Peso	1,207	2,328	-	3,535
Chinese Yuan	73,726	8,538	-	82,264
Colombian Peso	-	2,794	-	2,794
Czech Republic Krona	-	2,328	-	2,328
Danish Krone	13,737	-	-	13,737
Dominican Peso	-	2,173	-	2,173
Egyptian Pound	-	2,700	-	2,700
European Union Euro	119,594	18,748	4	138,346
Hong Kong Dollar	32,420	-	-	32,420
Indian Rupee	29,888	-	-	29,888
Indonesian Rupiah	3,010	6,771	-	9,781
Israeli New Shekel	1,442	-	-	1,442
Japanese Yen	78,790	-	-	78,790
Malaysian Ringgit	948	-	-	948
Mexican Peso	8,049	12,341	-	20,390
New Taiwan Dollar	34,260	-	157	34,417
New Zealand Dollar	1,197	-	-	1,197
Norwegian Krone	5,096	-	-	5,096
Peruvian Nuevo Sol	2,387	2,251	-	4,638
Philippine Peso	96	-	-	96
Polish Zloty	1,919	2,871	-	4,790
Romanian Leu	-	4,656	-	4,656
Russian Ruble	10,456	6,931	-	17,387
Singapore Dollar	5,184	-	-	5,184
South African Rd	4,393	2,716	-	7,109
South Korean Won	17,954	-	24	17,978
Swedish Krona	17,978	-	55	18,033
Swiss Franc	39,472	-	3	39,475
Thai Baht	6,810	2,018	-	8,828
Turkish New Lira	735	2,173	-	2,908
Uruguay Peso	-	2,018	-	2,018
Total	\$ 635,547	\$ 95,924	\$ 315	\$ 731,786

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8. Securities Lending Agreement

State statutes and Pension Fund policies allow for securities lending transactions. The Pension Fund has entered into an agreement with its custodian bank to lend the Pension Fund's securities to one or more borrowers for a fee. It is the policy of the Pension Fund and the custodian bank to require that collateral equal to 102% and 105% for domestic and international securities, respectively, of the loaned securities be maintained by the custodian bank. Collateral may be in the form of cash, U.S. government securities, and irrevocable letters of credit. Until such time as the loan is terminated, the borrower retains all incidents of ownership with respect to the collateral. In the event that the borrower fails to repay the borrowed securities when due and the value of the collateral is insufficient to replace the borrowed securities, the Pension Fund may suffer a loss. Management of the Pension Fund considers the possibility of such a loss to be remote.

Cash open collateral is invested in a short-term investment pool with an average weighted maturity to the interest rate reset date of 30 days at December 31, 2020. The investments in the pool are found in the chart at the end of this note.

As of December 31, 2020, the Pension Fund had lending arrangements outstanding with a total market value of \$135,656 which were fully collateralized with cash and securities. Cash collateral of \$108,469 is recorded in the accompanying Statement of Fiduciary Net Position and non-cash collateral of \$29,785 is excluded from the Pension Fund Statement of Fiduciary Net Position. Net income for the year ended December 31, 2020, under the securities lending arrangement was \$244.

Cash Collateral Pool

Repo Agreements	\$ 47,217
Time Deposit	17,550
Certificate of Deposits	13,483
Variable Rate CD	10,435
Commercial Paper	8,721
ABS Commercial Paper	8,645
Sweep Vehicle	2,115
Muni Commercial Paper	303
<hr/>	
Total	\$ 108,469

9. Derivatives and Structured Financial Instruments

The Pension Fund has only limited involvement with derivatives and other structured financial instruments. The Pension Fund's investment philosophy regarding the use of derivatives and other structured financial instruments is to use derivatives to replicate exposures to equity or fixed income securities. The Pension Fund held structured financial instruments which included rights and warrants with a fair value of \$3 as of December 31, 2020. These are included with investments in the Statement of Fiduciary Net Position. The Pension Fund also invests in hedge funds which may employ the use of derivatives to reduce volatility. The Pension Fund's total investment in hedge funds was \$167,912, as of December 31, 2020.

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(Dollars In Thousands)

9. Derivatives and Structured Financial Instruments (Continued)

As of December 31, 2020, the Pension Fund held foreign currency forward contracts as follows:

Currency	Settle Date	Unrealized Gain/(Loss)	Notional Market Value
South Korean Won	1/4/2021	\$ -	\$ 32
South Korean Won	1/4/2021	-	(46)
Total		\$ -	\$ (14)

The market value of the currency forwards is included with the investments on the Statement of Fiduciary Net Position. The loss from interest rate contracts (futures and swap) was (\$1,302), and foreign exchange contracts was (\$2,524) during the year ended December 31, 2020. These losses are included with net appreciation (depreciation) in fair value of investments on the Statement of Changes in Fiduciary Net Position.

10. Risk Management

The Pension Fund is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disaster. These risks are covered by insurance purchased by the Pension Fund. Workers' compensation insurance is maintained by the Pension Fund to cover its staff employees, and the coverage complies with the workers' compensation laws of the State of Texas. Buildings and contents are insured against damage from fire and storm. Although the Pension Fund owns no vehicles, drivers' insurance is maintained to cover employees driving personal vehicles for business purposes. The Pension Fund maintains a pension and welfare fund fiduciary responsibility insurance policy.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. As of the date of the report, the Fund has not experienced a significant decline in the fair value of its investments. Management does not anticipate the market disruption related to COVID-19 will have a significant long-term impact on the Fund.

11. Subsequent Events

Management of the Pension Fund has evaluated events subsequent to December 31, 2020 and through July 28, 2021, the date the financial statements were available to be issued.

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Required Supplementary Schedule 1
Schedules of Changes in Pension Fund's Net Pension Liability and Related Ratios
(See Notes to Required Supplementary Information)
(Unaudited - See accompanying independent auditor's report)
(Dollars in Thousands)

	Year ended 12/31/2020	Year ended 12/31/2019	Year ended 12/31/2018	Year ended 12/31/2017	Year ended 12/31/2016	3 months ended 12/31/2015	Year ended 9/30/2015	Year ended 9/30/2014
Total Pension Liability								
Service cost	\$ 78,579	\$ 75,880	\$ 73,354	\$ 71,161	\$ 74,771	\$ 18,081	\$ 78,550	\$ 75,600
Interest	283,106	271,542	259,758	246,848	233,943	58,796	218,206	207,003
Change of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(26,279)	(7,535)	50,057	(27,776)	(47,670)	-	(20,698)	-
Changes of assumptions	16,194	-	-	-	-	-	148,315	-
Benefit payments, including refunds of employee contributions	(192,671)	(173,494)	(172,692)	(156,137)	(152,296)	(35,630)	(144,157)	(122,306)
Net Change in Total Pension Liability	158,929	166,393	210,477	134,096	108,748	41,247	280,216	160,297
Total Pension Liability, beginning	3,922,670	3,756,277	3,545,800	3,411,704	3,302,956	3,261,709	2,981,493	2,821,119
Total Pension Liability, ending (a)	\$ 4,081,599	\$ 3,922,670	\$ 3,756,277	\$ 3,545,800	\$ 3,411,704	\$ 3,302,956	\$ 3,261,709	\$ 2,981,493
Plan fiduciary net position								
Contributions - employer	\$ 85,693	\$ 81,016	\$ 78,312	\$ 75,916	\$ 75,958	\$ 19,014	\$ 75,802	\$ 76,146
Contributions - employee	42,846	40,508	39,182	37,958	37,978	9,507	37,901	38,073
Net investment (loss) income	390,028	449,067	(122,694)	407,278	242,007	45,668	(47,587)	223,054
Benefit payments, including refunds of employee contributions	(192,671)	(173,494)	(172,692)	(156,137)	(152,296)	(35,630)	(144,157)	(122,306)
Administrative expense	(3,389)	(3,565)	(3,480)	(3,034)	(2,795)	(774)	(2,903)	(2,790)
Net Change in Plan Fiduciary Net Position	322,507	393,532	(181,372)	361,981	200,852	37,785	(80,944)	(212,177)
Plan Fiduciary Net Position, beginning	3,408,689	3,015,157	3,196,529	2,834,548	2,633,696	2,595,911	2,676,855	2,464,678
Plan Fiduciary Net Position, ending (b)	\$ 3,731,196	\$ 3,408,689	\$ 3,015,157	\$ 3,196,529	\$ 2,834,548	\$ 2,633,696	\$ 2,595,911	\$ 2,676,855
City's Net Pension Liability, ending (a)-(b)	\$ 350,403	\$ 513,981	\$ 741,120	\$ 349,271	\$ 577,156	\$ 669,260	\$ 665,798	\$ 304,638
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.42%	86.90%	80.27%	90.15%	83.08%	79.74%	79.59%	89.78%
Covered Employee Payroll	\$ 347,776	\$ 328,796	\$ 318,038	\$ 308,101	\$ 308,263	\$ 77,168	\$ 307,639	\$ 309,031
City's Net Pension Liability as a Percentage of Covered Employee Payroll	100.75%	156.32%	233.03%	113.36%	187.23%	79.74%	79.59%	98.58%

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Required Supplementary Schedule 1
Schedules of Changes in Pension Fund's Net Pension Liability and Related Ratios
(See Notes to Required Supplementary Information)
(Unaudited - See accompanying independent auditor's report)
(Dollars in Thousands)

Notes to Schedule:

Short plan year: The Fund's plan year changed from a September 30th year-end to a December 31st year-end in 2015. The December 31, 2015 results shown above reflect a three-month period. The NPL as a percentage of pay in the above chart is adjusted to reflect an annualized payroll.

Benefit changes: There have been no changes in benefit provisions since GASB 67 implementation.

Change of assumptions: A comprehensive Actuarial Experience Review, covering the period October 1, 2014 through December 31, 2018, was completed in 2019. As a result of that study, the following assumption changes were proposed by the actuary and subsequently were approved by the Board. These changes are reflected for the first time in the disclosure measured as of December 31, 2020:

- The pre-retirement mortality assumption was changed from the sex-distinct RP-2014 Employee Mortality Table, with rates loaded 7% for females, to the PUBS-2010 Safety Employee Amount-Weighted Table for males and females.
- The post-retirement mortality assumption for healthy annuitants was change from the sex-distinct RP-2014 Healthy Annuitant Mortality Table, with rates loaded 7% for females, to the PUBS-2010 Safety Health Retiree Amount-Weighted Table for males and females.
- The mortality assumption for disabled retirees was changed from the sex-distinct RP-2014 Healthy Annuitant Mortality Table, set forward six years, with rates loaded 7% for females, to the PUBS-2010 Safety Disabled Retiree Amount-Weighted Table for males and females.
- The mortality assumption for beneficiaries was changed from the sex-distinct RP-2014 Healthy Annuitant Mortality Table, with rates loaded 7% for females, to the PUBS-2010 Safety Contingent Survivor Amount-Weighted Table for males and females.
- The generational projection scale was changed from 50% of the sex-distinct Scale MP-2014 projected from 2014 to Scale SSA2019-2D projected from 2010.
- The existing service-based retirement rates for both Fire and Police were modified to more accurately reflect observed retirement patterns.
- The assumption for BackDROP utilization was decreased from 95% To 90% for Firefighters.
- The load for marriage after retirement was reduced from the 0.35% to 0.20% for retirees and from 0.80% to 0.40% for disabled annuitants.
- Disability rates were lowered from 30% to 10% of OASDI rates for Police Officers.
- The age-based withdrawal rates for both Fire and Police were modified to reflect service-based rates for each group, with rates zeroing out after 20 years of service.
- The service-based salary scale table was maintained for both Public Safety groups. The modified rates start at 14.00% with an ultimate rate of 3.00% after nine years of service.
- The percent married assumption was increased from 90% to 95% for males and lowered from 90% to 60% for females.
- The payroll growth assumption was lowered from 3.50% to 3.00%.

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Required Supplementary Schedule 2
Schedule of City of San Antonio's Contributions to the Fire and Police Pension Fund
Last Ten Years

(Unaudited - See accompanying independent auditor's report)
(Dollars in Thousands)

	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll**	Contributions as a percentage of Covered- Employee Payroll
<u>September 30</u>					
2011	\$ 67,328	\$ 67,328	\$ -	\$ 271,533	24.64%
2012	70,389	70,389	-	286,327	24.64%
2013	72,359	72,359	-	293,665	24.64%
2014	76,146	76,146	-	309,031	24.64%
2015	75,802	75,802	-	307,639	24.64%
<u>December 31</u>					
2015	19,014	19,014	-	77,168	24.64%
2016	75,958	75,958	-	308,263	24.64%
2017	75,916	75,916	-	308,101	24.64%
2018	78,312	78,312	-	318,038	24.64%
2019	81,016	81,016	-	328,796	24.64%
2020	\$ 85,693	\$ 85,693	\$ -	\$ 347,776	24.64%

*The Actuarially Determined Contribution is based on the statutory rate of 24.64% of payroll.

**Payroll is estimated based on the actual member contributions received and a 12.32% contribution rate.

Note: The December 31, 2015 results above are for a three-month period.

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Required Supplementary Schedule 3
Schedule of Investment Returns
(Unaudited - See accompanying independent auditor's report)
(Dollars in Thousands)

Annual money-weighted rate of return,
net of investment expense

September 30

2014	9.2%
2015	-2.0%

December 31

2015	1.7%
2016	9.3%
2017	14.7%
2018	-4.0%
2019	14.8%
2020	11.4%

Note: The December 31, 2015 results above are for a three-month period.

Fire and Police Pension Fund, San Antonio
(A Component Unit of the City of San Antonio, Texas)

Notes to Required Supplementary Information
(Unaudited - See accompanying independent auditor's report)
(Dollars in Thousands)

Valuation Date	Actuarially determined contribution is calculated using a January valuation date as of the beginning of the fiscal year in which contributions are reported
Methods and used assumptions to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level percent of payroll, using 3.00% annual increases
Remaining amortization period	13.69 years remaining as of January 1, 2020
Asset valuation method	Five-year smoothed market value based on expected return of 7.25%

Actuarial assumptions:	
Investment rate of return	7.25%, including inflation, net of pension plan investment expense
Inflation rate	3.00%
Projected salary increases	3.00% (plus merit scale of 0.00%-11.00%)
Cost-of-living adjustments	3.00% for retirement before October 1, 1999; 2.25% for retirement on or after October 1, 1999
Retirement rates	Fire: Rates based on years of service ranging from 20 to 43 years, with 100% retirement at the earlier of age 65 or 43 years of service Police: Rates based on years of service ranging from 20 to 40 years, with 100% retirement at the earlier of age 65 or 40 years of service

Other information:	See Schedules of Changes in Pension Fund's Net Pension Liability and related ratios for the history of changes to plan provisions and assumptions, if any
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The actuarial assumptions are based on the results of an actuarial experience study for the period October 1, 2009 to September 30, 2014



**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***

To The Board of Trustees
Fire and Police Pension 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 Pension Fund, San Antonio (the Pension Fund), a component unit of the City of San Antonio, which comprise the statement of fiduciary net position as of December 31, 2020 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pension Fund's internal control over financial reporting to determine the 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 Pension Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pension 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 may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pension 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

July 28, 2021