Fire and Police Pension Fund, San Antonio

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

Financial Statements, Required Supplementary Information, and Other Information

Year Ended December 31, 2023

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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Financial Statements, Required Supplementary Information, and Other Information

Year Ended December 31, 2023

Contents

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Independent Auditor's Report

The Board of Trustees
Fire and Police Pension 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 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, 2023, 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, 2023, and the 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 Opinion

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 opinion.

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 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 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, but not for the purpose of expressing an opinion on the effectiveness of the Pension 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 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.

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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Senate Bill 322 Investment Expense Report and List of Investment Managers but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2024 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, P.C.

July 25, 2024

(dollars in thousands)

January 1, 2023

Valuation Date	1/1/2023
Plan Year Ending	12/31/2023
Membership	
Number of:	
Retirees and beneficiaries currently receiving benefits	3,376
Vested terminated members entitled to but not yet receiving benefits*	1
Inactive members entitled to a refund of contributions	27
Active employees	4,272
Total	7,676

* Includes terminated members due a refund of contributions

December 31, 2023

Covered Payroll	$	364,207
Net Pension Liability		
Total pension liability	$	4,773,075
Plan fiduciary net position		3,923,604
Net Pension Liability	$	849,471
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		82.2%
Net Pension Liability as a Percentage of Covered Payroll		233.24%
Development of the Single Discount Rate		
Applicable GASB No. 67 discount rate		7.25%
Investment rate of return - (including inflation, net of pension plan investment expense)		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

In the discussion that follows, management provides highlights and expanded information about the financial activity and financial position of the Fire and Police Pension Fund, San Antonio (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, 2023, by $3,923,604 (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, 2023, the Pension Fund's Net Position increased by $337,120. 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 component unit 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 Pension 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, additions and deductions 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.

Required Supplementary 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.

(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, capital assets such as buildings 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, 2023, compared to the information as reported as of December 31, 2022 and 2021:

December 31,	**2023**	2022	2021
Cash and short-term investments	**$ 93,256**	$ 62,307	$ 93,707
Securities lending collateral	**87,732**	111,817	134,858
Investments	**3,826,691**	3,531,412	4,065,137
Receivables	**18,786**	15,792	21,645
Assets used in plan operations – net	**633**	648	672
Total Assets	**$ 4,027,098**	$ 3,721,976	$ 4,316,019
Accounts payable	**$ 3,315**	$ 7,334	$ 11,281
Payable for securities purchased	**12,050**	15,968	18,458
Accrued expenses	**397**	373	492
Securities lending collateral	**87,732**	111,817	134,858
Total Liabilities	**103,494**	135,492	165,089
Net Position Restricted for Pension Benefits	**$ 3,923,604**	$ 3,586,484	$ 4,150,930

The Pension Fund's two sources of income are contributions received from the City and the active members of the Pension Fund and investment earnings 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.

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.

(dollars in thousands)

The Pension Fund's Net Position increased by $337,120 or 9.4% of beginning Net Position for the year ended December 31, 2023. Below is a schedule of additions, deductions, and the change in net position for the year ended December 31, 2023, compared to the years ended December 31, 2022 and 2021:

December 31,	**2023**	2022	2021
Additions			
Contributions:			
Employer	**$ 89,741**	$ 88,371	$ 86,323
Employee	**44,870**	44,303	43,213
Total Contributions	**134,611**	132,674	129,536
Investment Earnings (Losses)			
Interest	**38,784**	30,050	23,040
Dividends	**26,279**	26,304	28,779
Net increase (decrease) in fair value of investments	**372,478**	(498,610)	475,823
Real estate income, net	**9,806**	5,310	7,663
Securities lending income (net of fees)	**431**	311	304
Other income	**57**	7	30
Investment costs	**(10,584)**	(12,180)	(14,064)
Net Investment Earnings (Losses)	**437,251**	(448,808)	521,575
Total Additions	**571,862**	(316,134)	651,111
Deductions			
Benefits paid to participants	**228,914**	242,693*	227,235
Refunds paid to participants	**2,211**	2,286	1,179
Other deductions	**3,617**	3,333	2,963
Total Deductions	**234,742**	248,312	231,377
Increase (Decrease) in Fiduciary Net Position	**337,120**	(564,446)	419,734
Net Position, beginning of year	**3,586,484**	4,150,930	3,731,196
Net Position, end of year	**$ 3,923,604**	$ 3,586,484	$ 4,150,930

* A 13th check was issued to retired members who received an annuity in 2021. Also, a 14th check was issued to retired members who received an annuity in 2021. The total amount of checks issued in 2022 was $28,259.

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)

December 31,		2023
Assets		
Cash and short-term investments	$	93,256
Receivables		
Contributions - employer		2,213
Contributions - members		1,107
Interest and dividends		6,562
Sale of other securities		8,904
Total Receivables		18,786
Investments at Fair Value		
Investments (Note 3)		3,826,691
Securities Lending Collateral - Cash and Cash Equivalents (Note 7)		87,732
Assets Used in Plan Operations		
Buildings		790
Furniture and equipment		353
Computer equipment		87
		1,230
Accumulated depreciation		(597)
Assets Used in Plan Operations, Net		633
Total Assets		4,027,098
Liabilities		
Accounts payable		3,315
Payable for securities purchased		12,050
Accrued expenses		397
Securities lending collateral		87,732
Total Liabilities		103,494
Net Position Restricted for Pension Benefits	$	3,923,604

See accompanying notes to financial statements and accountant's compilation report.

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)

Year ended December 31,		2023
Additions		
Contributions:		
Employer (Note 5)	$	89,741
Members (Note 5)		44,870
Total Contributions		134,611
Investment earnings:		
Net increase in fair value of investments		372,478
Interest		38,784
Dividends		26,279
Real estate income, net		9,806
Securities lending income		7,667
Other income		57
Less investment costs:		
Investment management and custodial fees		(10,584)
Securities lending borrower rebates		(7,004)
Securities lending fees		(232)
Net Investment Earnings		437,251
Total Additions		571,862
Deductions		
Benefits paid to participants:		
Annuities		209,258
BackDROP payments (Note 1)		19,656
Refunds of participant contributions		2,211
Personnel costs		1,225
Contractual services		1,935
Depreciation		33
Maintenance and utilities		424
Total Deductions		234,742
Net Increase in Fiduciary Net Position		337,120
Net Position Restricted for Pension Benefits, beginning of year		3,586,484
Net Position Restricted for Pension Benefits, end of year	$	3,923,604

See accompanying notes to financial statements and accountant's compilation report.

(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, 2023 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. Membership of the Pension Fund consisted of:

December 31,	2023
Retirees and beneficiaries receiving benefits	3,376
Vested terminated members entitled to but not yet receiving benefits*	1
Inactive members entitled to a refund of employee contributions	27
Active and Inactive participants	4,272
Total	7,676

* Includes terminated members due a refund of contributions

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 2¼% 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 years, plus 2% of the participant's average total salary for each of the next three years of service, plus ½% of the participant's average total salary for each of the next three 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, 87½% 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.

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 13^{th} and 14^{th} pension check. At the end of each fiscal year, the Board may authorize the disbursement of a 13^{th} 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 14^{th} 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 13^{th} and 14^{th} 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 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 year does not obligate the Board to authorize a 13^{th} or 14^{th} check for any other year. The Pension Fund met the criteria for the 13^{th} check for the year ended December 31, 2023. Payment of the 13^{th} check was made on May 10, 2024.

The Pension Fund provides benefits when a participant's service is terminated by reason of disability. The participant is entitled to one-half of the average of the participant's total salary, excluding overtime pay, or vested benefit as is provided in the computation of normal retirement benefits, whichever is higher. As of September 1, 2023, the death benefit for the beneficiaries who were married to or dependents of a participant who dies while still active was changed from 50% to 75% of the participant's total salary, excluding overtime pay, or vested benefit as is provided in the computation of normal retirement benefits, whichever is higher. The increase began September 1, 2023 for active participant deaths after September 1, 2005. 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 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 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 87½% 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.

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 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 times the amount of the annual 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. A participant of the fund is considered to have been killed in the line of duty if the participant's death directly resulted from traumatic injury sustained while engaging in or conducting simulated training of a law enforcement activity, fire suppression activity, rescue, hazardous material response, emergency medical services, disaster relief, or other emergency response activity. Traumatic injury, in this instance, means severe physical injury of sudden onset and of a life-ending or life-threatening nature.

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.

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 (NAV) 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 costs 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:

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

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 – This level consists of quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – This level consists of 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 – This level consists of significant unobservable inputs for an asset or liability.

The remaining investments not categorized under the fair value hierarchy are shown at 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.

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(dollars in thousands)

The Fund has the following recurring fair value measurements as of December 31, 2023:

	Fair Value	Level 1	Level 2	Level 3
Investments, by fair value level				
Debt securities				
Government bonds	$ 200,294	$ -	$ 200,294	$ -
Government MBS	82,846	-	82,846	-
Government agencies	68		68	-
Short term bills and notes	14,434	-	14,434	-
Convertible bonds	406	-	406	-
Corporate bonds	90,144	-	90,144	-
Bank loans	155,512	-	155,512	-
Total Debt Securities	543,704	-	543,704	-
Equity securities	621,067	620,090	977	-
Total Equity Securities	621,067	620,090	977	-
Private equity:				
Venture	83,250	-	-	83,250
Buyout	218,454	-	-	218,454
Fund of funds diversified	73,054	-	-	73,054
Real assets	187,282	-	-	187,282
Total Private Equity	562,040	-	-	562,040
Private debt:				
Mezzanine	26,886	-	-	26,886
Distressed	91,055	-	-	91,055
Asset-based	41,328	-	-	41,328
Opportunistic	31,467			31,467
Senior debt	158,122	-	-	158,122
Total Private Debt	348,858	-	-	348,858
Total Investments, by fair value level	$ 2,075,669	$ 620,090	$ 544,681	$ 910,898
Investments, measured at NAV				
Structured credit hedge fund	21,304			
Held in reserve from closed funds	3,816			
Commingled funds:				
Domestic debt	281,338			
Domestic equity	457,129			
Global equity	675,592			
Real estate	311,843			
Total Investments, measured at NAV	1,751,022			
Total Investments, measured at fair value	$ 3,826,691			

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 61 private equity funds that are diversified across 4 main types of strategies. There are 11 venture capital funds, 20 buyout funds, 18 real asset funds and 12 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 ten-year life with options to extend beyond the original term by as much as two years in most cases. Original capital commitments to these funds range from $10,000 to $30,000. It is expected that the investee funds will call between 80% and 90% 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, 2023, it is estimated that unfunded commitments were approximately $314,180 of which $243,377 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.

Private Debt

The Pension Fund is invested in 34 private debt funds, which include five 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, 16 funds focused on loans that are senior in the borrowers' capital structure, eight funds that concentrate on distressed debt where debt is purchased at a cost that is less than the value of the collateral, three opportunistic fund which makes investments in companies based on the managers evaluation of the company and the market environment, and two asset-based lenders that make loans for asset purchases using the assets as 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 ten-year life with options to extend beyond the original term by as much as two years in most cases. Original capital commitments to these funds range from $10,000 to $40,000. It is expected that the investee funds will call between 70% and 80% 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, 2023, it is estimated that unfunded commitments were approximately $225,408 of which $125,495 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 NAV

The Pension Fund is also substantially invested in investee funds where fair value is measured at the 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.

Hedge Funds

In 2020, the Pension Fund's board elected to eliminate the allocation to hedge funds except for one structured credit fund. The structured credit hedge fund 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 process of fully redeeming the investment from hedge funds was expected to take two to three years, beginning in late 2020. As of December 31, 2023, the Pension Fund's investments in hedge funds have been reallocated to other parts of the investment portfolio, with the exception of the investment mentioned above. Hedge funds like the investment mentioned above, typically 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. As of December 31 2023, the Pension Fund had $3,817 held by four hedge fund managers that represented amounts held in reserve for charges related to the redemption of the assets. The carrying value of these investments is based on the hedge fund's 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 and opportunistic global 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. There were no unfunded commitments for investments in commingled fund at December 31, 2023.

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 $101,619 were open-ended funds that allow redemptions. 29 of the investee managers were limited partnerships with durations of ten to 15 years. These limited partnerships do not allow redemptions. They do distribute cash after the investment period, usually two to four 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

(dollars in thousands)

90% of the committed capital will ultimately be called. Unfunded commitments in this category were approximately $62,302, of which approximately $46,976 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:

December 31, 2023		
Total pension liability	$	4,773,075
Plan fiduciary net position		3,923,604
City of San Antonio's Net Pension Liability	$	849,471

Plan fiduciary net position as a percentage of the total pension liability is 82.2% at December 31, 2023.

The Net Pension Liability (NPL) for the plan was measured as of December 31, 2023. Plan Fiduciary Net Position (plan assets) was valued as of the measurement date and Total Pension Liability (TPL) was determined from actuarial valuations as of January 1, 2023.

Actuarial Assumptions

The TPL as of December 31, 2023, that were measured by actuarial valuations as of January 1, 2023, used the following actuarial assumptions, applied to the period included in the measurement:

	(%)
Inflation	3.00
Salary increases – (plus merit scale of 0.00% - 11.00%)	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

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.

(dollars in thousands)

The actuarial assumptions used are based on the results of an experience study for the period October 1, 2014 to December 31, 2018. There were no changes in the actuarial assumptions for the year ended December 31, 2023.

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 costs and a risk margin. 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 costs, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)*
Asset Class		
Large cap U.S. equities	22	6.40
Small cap U.S. equities	5	7.30
International equities	10	6.70
International small cap equities	3	8.10
Emerging markets equities	6	8.00
Private equity	8	9.90
Core bonds	7	1.80
High yield	5	3.60
Bank loans	5	3.20
TIPS	3	1.80
Private debt	9	6.20
Unconstrained fixed income	3	2.70
Real estate	9	3.40
Real assets	5	6.60
Total	100	

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

Discount Rate

The discount rate used to measure the TPL was 7.25% as of December 31, 2023. 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.

(dollars in thousands)

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the Fund, calculated using the discount rate of 7.25%, for the year ending December 31, 2023, as well as what the Fund's NPL 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, 2023

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
NPL	$ 1,505,556	$ 849,471	$ 312,323

5. Contributions

Contribution requirements are established by state law as described in Note 2 and are not actuarially determined. Contributions were as follows:

Year ended December 31, 2023

	Amount	Percentage (%)
Employer	$ 89,741	24.64
Members	44,870	12.32
Total	$ 134,611	

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(dollars in thousands)

6. 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 considered appropriate as updated on March 29, 2023, and compared to actual allocations at December 31, 2023:

	Target Allocation (%)	Actual Allocation (%)
Large cap U.S. equities	22.0	22.1
Small cap U.S equities	5.0	5.4
Developed international equities	13.0	13.3
Emerging international equities	6.0	4.0
Private equity	8.0	9.6
Total Equity	54.0	54.4
Core fixed income	7.0	7.9
TIPS	3.0	2.5
High yield	5.0	3.5
Bank loans	5.0	4.0
Unconstrained fixed income	3.0	2.9
Private debt	9.0	8.6
Real estate	9.0	8.0
Hedge funds	-	0.6
Real assets	5.0	4.8
Cash	-	2.8
Total Fixed Income	46.0	45.6
Total	100.0	100.0

Rate of Return

The money weighted rate of return for the year ended December 31, 2023, was 11.9%. The return is net of investment costs 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.

(dollars in thousands)

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, 2023, the Pension Fund had cash deposits in the amount of $32 that were uninsured and uncollateralized. As of December 31, 2023, the Pension Fund did not hold any investment securities exposed to custodial risk.

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 are presented in the following table. The Pension Fund does not have an investment policy specifically regarding credit risk.

December 31,	2023 (%)
Rating:	
U.S. Government & Agencies	41.0
AAA	4.0
AA	1.0
A	5.0
BBB	7.0
BB	13.0
B	23.0
CCC	2.0
Unrated or Not Rated	4.0
	100.0

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. To help ensure diversification and to minimize the impact of a failure of any one issuer, the investment policy limits direct holdings or other than federal government issues to 5% of the fair value of a) and investment manager's portfolio and b) the aggregate portfolio of debt securities. As of December 31, 2023, the Pension Fund did not have any single investment in any one organization which represented greater than 5% of plan net assets.

(dollars in thousands)

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, 2023, are shown in table below.

		Fair Value	Weighted Average Maturity (WAM) (Years)
Investment Type			
Corporate bonds	$	90,144	5.11
Corporate convertible bonds		406	5.82
Government agencies		68	4.88
Government bonds		200,294	5.23
Government mortgage-backed securities		82,846	25.78
Bank loans		155,512	4.25
Short-term bills and notes		14,434	0.22
TIPS		96,282	7.11
Payden and Rygel*		114,638	3.00
GoldenTree**		70,418	**
Total Interest Rate Sensitive Securities	$	825,042	
Portfolio WAM			7.08

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

** GoldenTree is a commingled fund invested in high-yield corporate bonds. They report their portfolio duration as 3.3 as of December 31, 2023.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. There were no non-dollar denominated foreign investments directly as of December 31, 2023. All non-dollar denominated foreign investments are held through mutual funds or commingled funds with a similar mandate. These funds are not subject to investment policy constraints on non-dollar denominated foreign investments. The Pension Fund does not have investment policy specifically regarding foreign currency risk.

(dollars in thousands)

The Pension Fund's exposure to foreign currency risk in U.S. dollars as of December 31, 2023, is shown in the table below.

Country	Equities	Real Estate	Private Equity	Cash	Total
Argentinian Peso	$ 4,241	$ -	$ -	$ -	$ 4,241
Australian Dollar	13,553	-	-	-	13,553
Bermuda Dollar	5,440	-	-	-	5,440
Brazilian Real	17,757	-	-	-	17,757
British Pound	65,295	-	29,683	2	94,980
Cayman Islands	18,630	-	-	-	18,630
Canadian Dollar	40,875	-	-	-	40,875
Chilean Peso	1,630	-	-	-	1,630
Chinese Yuan	37,211	-	-	-	37,211
Colombian Peso	570	-	-	-	570
Danish Krone	12,519	-	-	25	12,544
European Union Euro	152,352	2,738	-	4	155,094
Hong Kong Dollar	18,423	-	-	-	18,423
Hungary Forint	686	-	-	-	686
Indian Rupee	30,705	-	-	-	30,705
Indonesian Rupiah	5,058	-	-	-	5,058
Israeli New Shekel	3,221	-	-	-	3,221
Japanese Yen	79,244	-	-	-	79,244
Jordanian Dinar	178	-	-	-	178
Malaysian Ringgit	614	-	-	-	614
Mexican Peso	13,283	-	-	-	13,283
New Taiwan Dollar	32,919	-	-	-	32,919
New Zealand Dollar	179	-	-	-	179
Norwegian Krone	8,322	-	-	-	8,322
Peruvian Nuevo Sol	557	-	-	-	557
Philippine Peso	64	-	-	-	64
Polish Zloty	2,168	-	-	-	2,168
Russian Ruble	129	-	-	-	129
Saudi Riyal	50	-	-	-	50
Singapore Dollar	7,791	-	-	-	7,791
South African Rd	9,577	-	-	-	9,577
South Korean Won	20,071	-	-	-	20,071
Swedish Krona	19,948	-	-	-	19,948
Swiss Franc	20,469	-	-	-	20,469
Thai Baht	688	-	-	-	688
Turkish New Lira	265	-	-	-	265
United Arab Emirates Dir	14	-	-	-	14
Total	$ 644,696	$ 2,738	$ 29,683	$ 31	$ 677,148

7. 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.

(dollars in thousands)

Cash open collateral is invested in a short-term investment pool with an average weighted maturity to the interest rate reset date of 24 days as of December 31, 2023. The investments in the pool are found in the chart at the end of this note.

As of December 31, 2023, the Pension Fund had lending arrangements outstanding with a total market value of $190,488 which were fully collateralized with cash and securities. Cash collateral of $87,732 is recorded in the accompanying statement of fiduciary net position and non-cash collateral of $108,117 is excluded from the pension fund statement of fiduciary net position. Net income under the securities lending arrangement was $431.

December 31, 2023		
Cash Collateral Pool		
Repo agreements	$	44,656
Variable rate CD		8,054
Commercial paper		4,580
Certificate of deposit		11,853
Time deposit		13,028
ABS commercial paper		5,228
Agency discount note		333
Total	$	87,732

8. 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 government mortgage-backed securities amounting to $82,846 as of December 31, 2023. These are included with investments in the statement of fiduciary net position. The Pension fund made $2,791 in interest on these securities and gained $357 in capital transactions related to these securities in the year ended December 31, 2023. As of December 31, 2023, the Pension Fund retained an investment in one hedge fund in the amount of $21,304 which may employ the use of derivatives.

9. 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.

Required Supplementary Information (Unaudited)

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

Schedules of Changes in Pension Fund's Net Pension Liability and Related Ratios
(dollars in thousands)

December 31,

	2023	2022	2021	2020	2019	2018	2017	2016	Three Months Ended 2015	2015
Total Pension Liability										
Service cost	$ **85,145**	$ 80,097	$ 78,637	$ 78,579	$ 75,880	$ 73,354	$ 71,161	$ 74,771	$ 18,081	$ 78,550
Interest	**322,507**	302,041	293,337	283,106	271,542	259,758	246,848	233,943	58,796	218,206
Change of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	**117,766**	133,147	(16,681)	(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	**(231,125)**	(244,979)	(228,416)	(192,671)	(173,494)	(172,692)	(156,137)	(152,296)	(35,630)	(144,157)
Net Change in Total Pension Liability	**294,293**	270,306	126,877	158,929	166,393	210,477	134,096	108,748	41,247	280,216
Total Pension Liability, beginning of year	**4,478,782**	4,208,476	4,081,599	3,922,670	3,756,277	3,545,800	3,411,704	3,302,956	3,261,709	2,981,493
Total Pension Liability, end of year	**4,773,075**	4,478,782	4,208,476	4,081,599	3,922,670	3,756,277	3,545,800	3,411,704	3,302,956	3,261,709
Plan Fiduciary Net Position										
Contributions - employer	**89,741**	88,371	86,323	85,693	81,016	78,312	75,916	75,958	19,014	75,802
Contributions - employee	**44,870**	44,303	43,213	42,846	40,508	39,182	37,958	37,978	9,507	37,901
Net investment earnings	**437,251**	(448,808)	521,575	390,028	449,067	(122,694)	407,278	242,007	45,668	(47,587)
Benefit payments, including refunds of employee contributions	**(231,125)**	(244,979)	(228,415)	(192,671)	(173,494)	(172,692)	(156,137)	(152,296)	(35,630)	(144,157)
Administrative expense	**(3,617)**	(3,333)	(2,963)	(3,389)	(3,565)	(3,480)	(3,034)	(2,795)	(774)	(2,903)
Net Change in Plan Fiduciary Net Position	**337,120**	(564,446)	419,733	322,507	393,532	(181,372)	361,981	200,852	37,785	(80,944)
Plan Fiduciary Net Position, beginning of year	**3,586,484**	4,150,930	3,731,196	3,408,689	3,015,157	3,196,529	2,834,548	2,633,696	2,595,911	2,676,855
Plan Fiduciary Net Position, end of year	**3,923,604**	3,586,484	4,150,929	3,731,196	3,408,689	3,015,157	3,196,529	2,834,548	2,633,696	2,595,911
City's Net Pension Liability, end of year	$ **849,471**	$ 892,298	$ 57,547	$ 350,403	$ 513,981	$ 741,120	$ 349,271	$ 577,156	$ 669,260	$ 665,798
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**82.20%**	80.08%	98.63%	91.42%	86.90%	80.27%	90.15%	83.08%	79.74%	79.59%
Covered Payroll	$ **364,207**	$ 359,607	$ 350,758	$ 347,776	$ 328,796	$ 318,038	$ 308,101	$ 308,263	$ 77,168	$ 307,639
City's Net Pension Liability as a Percentage of Covered Payroll	**233.24%**	248.13%	16.41%	100.75%	156.32%	233.03%	113.36%	187.23%	216.85%	216.42%

See notes to required supplementary information.

Notes to the Schedules of Changes in Pension Fund's Net Pension Liability and Related Ratios (dollars in thousands)

This schedule is intended to show information for ten years. The additional years will be displayed as they become available.

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)

Schedule of City of San Antonio's Contributions to the Fire and Police Pension Fund (dollars in thousands)

	Actuarially Determined Contribution*	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll**	Contributions as a Percentage of Covered Payroll (%)
September 30,					
2014	$ 74,146	$ 76,146	$ -	$ 309,031	24.64
2015	75,802	75,802	-	307,639	24.64
December 31,					
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
2021	86,323	86,323	-	350,758	24.64
2022	88,371	88,371	-	359,607	24.64
2023	89,741	89,741	-	364,207	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.

See accompanying independent auditor's report and notes to required supplementary information.

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

Schedule of Investment Returns
(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	9.5
2017	14.7
2018	(4.0)
2019	16.1
2020	12.1
2021	13.8
2022	(10.6)
2023	11.9

Note: The December 31, 2015 results above are for a three-month period. This schedule is intended to show information for ten years. The additional years will be displayed as they become available.

See accompanying independent auditor's report and notes to required supplementary information.

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	20.11 years remaining as of January 1, 2023
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 costs
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
	The actuarial assumptions are based on the results of an actuarial experience study for the period October 1, 2009 to September 30, 2014. There were no changes in the actuarial assumptions for the year ended December 31, 2023.

See accompanying independent auditor's report.

Other Information (Unaudited)

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

Senate Bill 322 Investment Expense Report
Period Ended December 31, 2023 (Unaudited)

Texas Senate Bill 322 requires information regarding costs of investment management fees, brokerage fees and commissions, profit sharing and carried interest, and investment services such as custodial and investment consulting be presented along with the annual financial statements of the Pension Fund. This information augments the information included in the financial statements. At the direction of Pension Fund management, the following schedule has been prepared by the Pension Fund's general investment consultant, New England Pension Consultants, using information acquired from specialty consultants and Pension Fund staff (in whole dollars):

	Investment Management Fees						
Asset Class	Management Fees Paid from Trust	Management Fees Netted from Returns	Total Investment Management Fees	Brokerage Fees/ Commissions	Profit/ Carried Interest	Other Fee	Total Direct and Indirect Fees and Commissions
Public equity	$ 45,558	$ 6,647,070	$ 6,692,628	$ 137,178	$ -	$ -	$ 6,829,806
Fixed income	-	2,544,235	2,544,235	-	-	-	2,544,235
Hedge funds	-	311,932	311,932	-	-	-	311,932
Real assets	-	1,968,868	1,968,868	-	1,253,903	167,762	3,390,533
Private equity	-	5,867,829	5,867,829	-	4,018,225	1,030,212	10,916,266
Private debt	-	4,222,971	4,222,971	-	9,843,007	4,629,489	18,695,467
Real estate	-	3,200,511	3,200,511	-	-	-	3,200,511
Opportunistic credit	-	121,933	121,933	-	-	-	121,933
Total	$ 45,558	$24,885,349	$ 24,930,907	$ 137,178	$ 15,115,135	$ 5,827,463	$ 46,010,683

Total Direct and Indirect Fees and Commissions	$ 46,010,683
Investment Services	
Custodial	329,000
Investment Consulting	692,393
Total Investment Services	1,021,393
Total Investment Expenses (Total Direct and Indirect Fees and Commissions + Investment Services)	$ 47,032,076

List of Investment Managers
Period Ended December 31, 2023 (Unaudited)

List of Investment Managers:

400 Capital Management
Affinius
AB CarVAl
Adamas Ping An
Apollo
Altum Capital Management
Ares Industrial Real Estate
Barrow Hanley
Beach Point Capital
Bloomfield Capital
Callodine Group
Capital Spring
Charlesbank Capital Partners
Comvest Advisors
Cooke & Bieler
Covenant Capital Group
DSF Group
EAM Global Investors
Earnest Partners
Energy and Materials Group
Encap Flatrock
EQT Exeter Property Group
Exponent
Fidelity Investment Asset Management
Garcia Hamilton & Associates
Global Alpha
GoldenTree Asset Management
GCP Capital Partners
Greenspring Associates
Hancock Natural Resource Group
HarbourVest
Hayfin Direct Lending
Highstar Capital
Invesco Real Estate
Invient Equity Partners
J P Morgan
Kayne Anderson
Kohlberg Kravis Roberts
LBA Realty
L & B Realtors, LLP
Lazard Asset Management
Levine Leichtman Capital Partners
Luxor Capital Partners
MacKay Shields
Melody Investment Advisors
Merit Energy Partners
MGG Investment Group
Neuberger Berman
Northern Trust Asset Management
Ocean Avenue
Pacific Alliance Group
Paladin Realty
Palistar
Payden & Rygel
Pine River Capital Management
Pinebridge Investments
Pimco
Rockpoint Group
Samlyn Capital
Seizert Capital
Shoreline Capital Partners
Siguler Guff
Stepstone VC Global Partners
Tiger Infrastructure
The London Company
Top Tier Capital Partners
TPG Angelo Gordon
Townsend
Ullico
Varde Partners
Victory Capital
VSS Structured Capital
Walton Street Capital
WCM Investment Management
Western Technology Investment
William Blair Investment Management
W R Huff Energy
ZM Capital

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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, 2023, 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 25, 2024.

Report on 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 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 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 or significant deficiencies may exist that have not been identified.

Report on 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 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 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, P.C.

July 25, 2024