Fire and Police Pension Fund, San Antonio

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

Financial Statements
and Required Supplementary Information
Years Ended December 31, 2025 and 2024

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.

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

Financial Statements and Required Supplementary Information
Years Ended December 31, 2025 and 2024

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

Contents

Independent Auditor's Report	3-5
Management's Discussion and Analysis (Unaudited)	6-9
Financial Statements	
Statements of Fiduciary Net Position as of December 31, 2025 and 2024	11
Statements of Changes in Fiduciary Net Position for the Years Ended December 31, 2025 and 2024	12
Notes to Financial Statements	13-33
Required Supplementary Information (Unaudited)	
Schedules of Changes in Pension Fund's Net Pension Liability and Related Ratios	35
Notes to the Schedules of Changes in Pension Fund's Net Pension Liability and Related Ratios	36
Schedule of City of San Antonio's Contributions to the Fire and Police Pension Fund	37
Schedule of Investment Returns	38
Notes to Required Supplementary Information	39
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*	40-41

Tel: 210-342-8000
Fax: 210-342-0866
www.bdo.com

10999 I-10, Suite 255
San Antonio, TX 78230

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 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 years ended December 31, 2025 and 2024, 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 referred to above present fairly, in all material respects, the financial position of the Pension Fund, as of December 31, 2025 and 2024, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 audits. 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 availability 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.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

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 list in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 14, 2026 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 14, 2026

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

Management's Discussion and Analysis (Unaudited)
(dollars in thousands)

January 1,	**2025**	2024	2023
Valuation Date	**1/1/2025**	1/1/2024	1/1/2023
Plan Year Ending	**12/31/2025**	12/31/2024	12/31/2023
Membership			
Number of:			
Retirees and beneficiaries currently receiving benefits	**3,506**	3,441	3,376
Vested terminated member entitled to but not yet receiving benefits*	**1**	1	1
Inactive members entitled to a refund of contributions	**37**	32	27
Active and inactive participants	**4,467**	4,315	4,272
Total	**8,011**	7,789	7,676

* Includes terminated member due a refund of contributions.

December 31,	**2025**	2024	2023
Covered Payroll	**$ 417,732**	$ 386,538	$ 364,207
Net Pension Liability			
Total pension liability	**$ 5,142,169**	$ 4,961,285	$ 4,773,075
Plan fiduciary net position	**4,493,776**	4,124,762	3,923,604
Net Pension Liability	**$ 648,393**	$ 836,523	$ 849,471
Plan Fiduciary Net Position, as a percentage of total pension liability	**87.39%**	83.14%	82.2%
Net Pension Liability, as a percentage of covered payroll	**155.22%**	216.41%	233.24%
Development of the Single Discount Rate			
Applicable GASB No. 67 discount rate	**7.25%**	7.25%	7.25%
Investment rate of return - (including inflation, net of pension plan investment expense)	**7.25%**	7.25%	7.25%
Long-term municipal bond rate	**N/A**	N/A	N/A
Year when the plan fiduciary net position is projected to no longer be sufficient to make projected benefit payments	**N/A**	N/A	N/A

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, 2025 and 2024 by $4,493,776 and $4,124,762 (Net Position), respectively. The Net Position is held exclusively for the benefit of the members and retirees of the Pension Fund, and their beneficiaries, and for defraying reasonable administrative expenses of the Pension Fund.
- During the years ended December 31, 2025 and 2024, the Pension Fund's Net Position increased by $369,014 and $201,158, respectively. 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 of San Antonio, 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 statements of fiduciary net position present information on all of the Pension Fund's assets and liabilities, with the difference reported as Net Position restricted for pension benefits.

The statements of changes in fiduciary net position present 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 statements 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 (NPL) 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 NPL 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 assets consist of capital assets; fixed 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, 2025, compared to the information as reported as of December 31, 2024 and 2023:

December 31,	**2025**	2024	2023
Cash and short-term investments	**$ 40,170**	$ 61,741	$ 93,256
Securities lending collateral	**145,999**	102,670	87,732
Investments	**4,452,419**	4,058,766	3,826,691
Receivables	**145,148**	18,438	18,786
Assets used in plan operations, net	**585**	605	633
Total Assets	**4,784,321**	4,242,220	4,027,098
Accounts payable	**4,373**	4,478	3,315
Payable for securities purchased	**139,690**	9,869	12,050
Accrued expenses	**483**	441	397
Securities lending collateral	**145,999**	102,670	87,732
Total Liabilities	**290,545**	117,458	103,494
Net Position Restricted for Pension Benefits	**$ 4,493,776**	$ 4,124,762	$ 3,923,604

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 $369,014 and $201,158 or 8.9% and 5.1% of beginning Net Position for the years ended December 31, 2025 and 2024, respectively. Below is a schedule of additions, deductions, and the change in Net Position for the year ended December 31, 2025, compared to the years ended December 31, 2024 and 2023:

Year ended December 31,	**2025**	2024	2023
Additions			
Contributions:			
Employer	$ **102,928**	$ 95,246	$ 89,741
Members	**51,465**	47,622	44,870
Total Contributions	**154,393**	142,868	134,611
Investment Earnings (Losses)			
Interest	**39,378**	42,506	38,784
Dividends	**39,884**	34,955	26,279
Net increase in fair value of investments	**400,594**	252,472	372,478
Real estate income, net	**6,578**	3,933	9,806
Securities lending income (net of fees)	**487**	516	431
Other income	**27**	28	57
Investment costs	**(11,675)**	(11,311)	(10,584)
Net Investment Earnings	**475,273**	323,099	437,251
Total Additions, net of investment losses	**629,666**	465,967	571,862
Deductions			
Benefits paid to participants	**254,959**	258,724	228,914*
Refunds paid to participants	**1,844**	2,344	2,211
Other deductions	**3,849**	3,741	3,617
Total Deductions	**260,652**	264,809	234,742
Increase in Fiduciary Net Position	**369,014**	201,158	337,120
Net Position, beginning of year	**4,124,762**	3,923,604	3,586,484
Net Position, end of year	$ **4,493,776**	$ 4,124,762	$ 3,923,604

* A 13th check was issued to retired members who received an annuity in 2023. The cost of the benefit was $17,314.

Economic Conditions and Future Contribution Rates

While the securities markets started slowly at the beginning of 2025, they have recovered in the second quarter. Inflation has also come closer to the Federal Reserve Board's target and is close to the Pension Fund's new assumed rate of 2.75% on an annual basis through the first five months of 2025. Contribution rates are fixed and are considered sufficient to cover payment of current and future benefits at the same time as paying off the unfunded liabilities of the Pension Fund.

Financial Statements

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

Statements of Fiduciary Net Position
(dollars in thousands)

December 31,		**2025**		2024
Assets				
Cash and short-term investments	**$**	**40,170**	$	61,741
Securities lending collateral - cash and cash equivalents, at fair value (Note 7)		**145,999**		102,670
Investments, at fair value (Note 3)		**4,452,419**		4,058,766
Total Investments		**4,638,588**		4,223,177
Contributions receivable - employer		**3,489**		2,957
Contributions receivable - members		**1,745**		1,478
Accrued interest and dividends		**5,633**		8,085
Receivable from the sale of securities		**134,281**		5,918
Assets Used in Plan Operations				
Buildings		**790**		790
Furniture and equipment		**353**		353
Computer equipment		**98**		85
		1,241		1,228
Accumulated depreciation		**(656)**		(623)
Assets Used in Plan Operations, Net		**585**		605
Total Assets		**4,784,321**		4,242,220
Liabilities				
Accounts payable		**4,373**		4,478
Payable for securities purchased		**139,690**		9,869
Accrued expenses		**483**		441
Securities lending collateral		**145,999**		102,670
Total Liabilities		**290,545**		117,458
Net Position Restricted for Pension Benefits	**$**	**4,493,776**	$	4,124,762

See accompanying notes to financial statements and independent auditor's report.

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

Statements of Changes in Fiduciary Net Position
(dollars in thousands)

Year ended December 31,	**2025**	2024
Additions		
Investment earnings:		
Net increase in fair value of investments	**$ 400,594**	$ 252,472
Interest	**39,378**	42,506
Dividends	**39,884**	34,955
Real estate income, net	**6,578**	3,933
Securities lending income	**8,558**	8,059
Other income	**27**	28
Less investment costs:		
Investment management and custodial fees	**(11,675)**	(11,311)
Securities lending borrower rebates	**(7,809)**	(7,265)
Securities lending fees	**(262)**	(278)
Net Investment Earnings	**475,273**	323,099
Contributions:		
Employer (Note 5)	**102,928**	95,246
Members (Note 5)	**51,465**	47,622
Total Contributions	**154,393**	142,868
Increase from Additions and Investment Earnings, Net	**629,666**	465,967
Deductions		
Benefits paid to participants:		
Annuities	**233,022**	239,441
BackDROP payments (Note 1)	**21,937**	19,283
Refunds of participant contributions	**1,844**	2,344
Personnel costs	**2,218**	2,118
Contractual services	**1,153**	1,136
Depreciation	**32**	33
Maintenance and utilities	**446**	454
Total Deductions	**260,652**	264,809
Net Increase in Fiduciary Net Position	**369,014**	201,158
Net Position Restricted for Pension Benefits, beginning of year	**4,124,762**	3,923,604
Net Position Restricted for Pension Benefits, end of year	**$ 4,493,776**	$ 4,124,762

See accompanying notes to financial statements and independent auditor's 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, 2025 was last amended October 1, 2009 and September 1, 2023. 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 component unit" 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 consists of the following:

December 31,	**2025**	2024
Retirees and beneficiaries receiving benefits	**3,506**	3,441
Vested terminated members entitled to but not yet receiving benefits*	**1**	1
Inactive members entitled to a refund of employee contributions	**37**	32
Active and inactive participants	**4,467**	4,315
Total	**8,011**	7,789

* Includes terminated member 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 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 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 13th or 14th check for any other year. The Pension Fund did not meet the criteria for the 13th check for the year ended December 31, 2025 or for the year ended December 31, 2024.

The Pension Fund provides benefits when a participant's service is terminated by reason of disability. The participant is entitled to ½ 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 GASB 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:

Asset Category	Estimated Useful Lives (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.

The remainder of this page intentionally left blank.

(dollars in thousands)

The Pension Fund has the following recurring fair value measurements:

December 31, 2025

	Fair Value	Level 1	Level 2	Level 3
Investments, by fair value level				
Debt securities:				
Government bonds	$ 100,876	$ -	$ 100,876	$ -
Government MBS	87,916	-	87,916	-
Government agencies	297	-	297	-
Short-term bills and notes	184,626	-	184,626	-
Convertible bonds	175	-	175	-
Corporate bonds	87,517	-	87,517	-
Bank loans	177,567	-	177,567	-
Total Debt Securities	638,974	-	638,974	-
Equity securities	737,027	735,296	391	1,340
Total Equity Securities	737,027	735,296	391	1,340
Private equity:				
Venture	89,589	-	-	89,589
Buyout	268,902	-	-	268,902
Fund of funds diversified	88,611	-	-	88,611
Real assets	223,624	-	-	223,624
Total Private Equity	670,726	-	-	670,726
Private debt:				
Mezzanine	50,256	-	-	50,256
Distressed	86,235	-	-	86,235
Asset-based	63,315	-	-	63,315
Opportunistic	41,087	-	-	41,087
Senior debt	184,080	-	-	184,080
Total Private Debt	424,973	-	-	424,973
Total Investments, by fair value level	2,471,700	$ 735,296	$ 639,365	$ 1,097,039
Investments, measured at NAV				
Structured credit hedge fund	1,086			
Held in reserve from closed funds	2,574			
Commingled funds:				
Domestic debt	214,247			
Domestic equity	708,723			
Global equity	678,914			
Real estate	375,175			
Total Investments, measured at NAV	1,980,719			
Total Investments, measured at fair value	$ 4,452,419			

The remainder of this page intentionally left blank.

(dollars in thousands)

December 31, 2024

	Fair Value	Level 1	Level 2	Level 3
Investments, by fair value level				
Debt securities:				
Government bonds	$ 187,914	$ -	$ 187,914	$ -
Government MBS	84,508	-	84,508	-
Government agencies	291	-	291	-
Short-term bills and notes	71,486	-	71,486	-
Convertible bonds	353	-	353	-
Corporate bonds	88,132	-	88,132	-
Bank loans	170,453	-	170,453	-
Total Debt Securities	603,137	-	603,137	-
Equity securities	742,303	741,232	847	224
Total Equity Securities	742,303	741,232	847	224
Private equity:				
Venture	84,344	-	-	84,344
Buyout	236,932	-	-	236,932
Fund of funds diversified	74,435	-	-	74,435
Real assets	196,311	-	-	196,311
Total Private Equity	592,022	-	-	592,022
Private debt:				
Mezzanine	34,834	-	-	34,834
Distressed	92,279	-	-	92,279
Asset-based	48,457	-	-	48,457
Opportunistic	40,574	-	-	40,574
Senior debt	172,864	-	-	172,864
Total Private Debt	389,008	-	-	389,008
Total Investments, by fair value level	2,326,470	$ 741,232	$ 603,984	$ 981,254
Investments, measured at NAV				
Structured credit hedge fund	21,241			
Held in reserve from closed funds	2,955			
Commingled funds:				
Domestic debt	246,852			
Domestic equity	490,279			
Global equity	621,339			
Real estate	349,630			
Total Investments, measured at NAV	1,732,296			
Total Investments, measured at fair value	$ 4,058,766			

The remainder of this page intentionally left blank.

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. Equity securities in Level 3 are held at cost or some other valuation that doesn't have a close comparison with other assets.

Private Equity

As of December 31, 2025 and 2024, respectively, the Pension Fund is invested in 70 and 63 private equity funds that are diversified across four main types of strategies. As of December 31, 2025, there are ten venture capital funds, 25 buyout funds, 23 real asset funds, and 12 diversified fund of funds. As of December 31, 2024, there are ten venture capital funds, 22 buyout funds, 17 real asset funds, and 14 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, 2025 and 2024, respectively, it is estimated that unfunded commitments were approximately $472,583 and $294,577, of which $375,922 and $212,192, respectively, 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; therefore, these investments are considered illiquid.

Private Debt

As of December 31, 2025 and 2024, the Pension Fund is invested in 36 and 37 private debt funds respectively. As of December 31, 2025, there were seven 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; two opportunistic funds, which make investments in companies based on the managers evaluation of the company and the market environment; and three asset-based lenders that make loans for asset purchases using the assets as collateral. As of December 31, 2024, there were six 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; 17 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 funds, which make investments in companies based on the managers evaluation of the company and the market environment; and three asset-based lenders that make loans for asset purchases using the assets as collateral. 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, 2025 and 2024, respectively, it is estimated that unfunded commitments were approximately $340,033 and $242,876, of which $212,123 and $129,786, respectively, 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 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. 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 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 the Pension Fund's Board 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, 2025 and 2024, 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 to 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, 2025 and 2024, the Pension Fund had $2,574 and $2,955 held by four hedge fund managers that represented amounts held in reserve for charges related to the redemption of the assets, respectively. 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 Funds

(dollars in thousands)

The Pension Fund's investments in commingled funds consist of bond investors and stock investors. The bond fund invests in domestic high-yield bonds, Treasury inflation-protect securities, and low-duration and enhanced cash securities. Redemptions from this fund require 90 days' notice and are made only at the end of calendar quarters. The stock funds are invested in domestic large and small-cap stocks and global and emerging market stocks. Redemptions from domestic stock funds can be made between one and ten days. 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.

Real Estate Funds

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 $89,430 and $90,581 were open-ended funds that allow redemptions for the years ended December 31, 2025 and 2024, respectively. There were 32 for year ended December 31, 2025 and 28 for the year ended December 31, 2024 of the investee managers that 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 90% of the committed capital will ultimately be called. Unfunded commitments in this category were approximately $85,901 and $115,061 as of the years ended December 31, 2025 and 2024, respectively, of which approximately $63,062 and $90,945 is expected to be called as of the years ended December 31, 2025 and 2024, respectively. 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 NPL for the City related to the Pension Fund are as follows:

December 31,	**2025**	2024
Total pension liability	**$ 5,142,169**	$ 4,961,285
Plan fiduciary net position	**4,493,776**	4,124,762
City of San Antonio's NPL	**$ 648,393**	$ 836,523

The plan fiduciary net position as a percentage of the total pension liability (TPL) is 87.39% and 83.14% at December 31, 2025 and 2024, respectively.

The NPL for the plan was measured as of December 31, 2025 and 2024. The plan fiduciary net position (plan assets) was valued as of the measurement date and the TPL was determined from actuarial valuations as of January 1, 2025 and 2024.

(dollars in thousands)

Actuarial Assumptions

The TPL as of December 31, 2025 and 2024 that was measured by actuarial valuations as of January 1, 2025 and 2024, respectively, used the following actuarial assumptions, applied to the period included in the measurement:

	(%)
Inflation	3.00
Salary increases (plus merit scale of 0.00% - 7.25%)	2.75
Investment rate of return (including inflation, net of pension plan investment expense):	7.25
Cost-of-living adjustments:	
For retirements before October 1, 1999	2.75
For retirements on or after October 1, 1999	2.0625

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 are based on the results of an actuarial experience study for the period from October 1, 2009 through September 30, 2014. There were changes in the actuarial assumptions for the year ended December 31, 2025 and are reflected in the assumptions above. There were no changes to actuarial assumptions for the year ended December 31, 2024. Detailed information regarding all actuarial assumptions can be found in the January 1, 2025 and 2024 Actuarial Valuations and Reviews.

The remainder of this page intentionally left blank.

(dollars in thousands)

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	23	5.70
Small-cap U.S. equities	7	6.80
International equities	11	6.00
International small-cap equities	5	7.20
Private equity	10	9.50
Core bonds	7	1.90
High yield	5	3.00
Bank loans	5	2.80
Private debt	10	5.60
Unconstrained fixed income	3	1.80
Real estate	9	3.80
Real assets	5	6.50
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% for both years ended December 31, 2025 and 2024. 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 TPL.

The remainder of this page intentionally left blank.

(dollars in thousands)

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

The following presents the NPL of the Pension Fund, calculated using the discount rate of 7.25% for both the years ended December 31, 2025 and 2024, respectively, as well as what the Pension 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, 2025

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	$ 1,337,257	$ 648,393	$ 83,525

December 31, 2024

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	$ 1,515,502	$ 836,523	$ 280,346

5. Contributions

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

Year ended December 31, 2025

	Amount	Percentage (%) of Covered Payroll
Employer	$ 102,928	24.64
Members	51,465	12.32
Total	$ 154,393	

Year ended December 31, 2024

	Amount	Percentage (%) of Covered Payroll
Employer	$ 95,246	24.64
Members	47,622	12.32
Total	$ 142,868	

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 Pension Fund's Board. 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

(dollars in thousands)

Pension 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 April 30, 2024, and compared to actual allocations at December 31, 2025 and 2024:

December 31, 2025

	Target Allocation (%)	Actual Allocation (%)
Large-cap U.S. equities	23.0	25.8
Small-cap U.S equities	7.0	6.7
Developed international equities	11.0	9.5
Emerging international equities	5.0	5.7
Private equity	10.0	10.0
Core fixed income	7.0	8.6
High yield	5.0	3.7
Bank loans	5.0	3.9
Unconstrained fixed income	3.0	3.0
Private debt	10.0	9.6
Real estate	9.0	8.4
Hedge funds	-	0.1
Real assets	5.0	5.0
Total	100.0	100.0

December 31, 2024

	Target Allocation (%)	Actual Allocation (%)
Large-cap U.S. equities	22.0	22.9
Small-cap U.S equities	7.0	7.0
Developed international equities	11.0	10.6
Emerging international equities	5.0	4.5
Private equity	9.0	9.6
Core fixed income	7.0	8.8
TIPS	3.0	1.2
High yield	5.0	3.7
Bank loans	5.0	4.1
Unconstrained fixed income	3.0	3.0
Private debt	9.0	9.2
Real estate	9.0	8.5
Hedge funds	-	0.6
Real assets	5.0	4.8
Cash	-	1.5
Total	100.0	100.0

(dollars in thousands)

Rate of Return

The money-weighted rate of return for the years ended December 31, 2025 and 2024 was 11.9% and 8.5%, respectively. 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.

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. As of December 31, 2025 and 2024, all of the Pension Fund's investments were held in the Pension Fund's name. 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, 2025 and 2024, the Pension Fund had cash deposits in the amount of $464 and $26, respectively, 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 are presented in the following table:

December 31,	**2025 (%)**	2024 (%)
Rating:		
U.S. Government and Agencies	**50.0**	41.0
AAA	**5.0**	2.0
AA	**1.0**	1.0
A	**3.0**	5.0
BBB	**5.0**	6.0
BB	**9.0**	13.0
B	**3.0**	23.0
CCC	**1.0**	3.0
Unrated or Not Rated	**23.0**	6.0
	100.0	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.

(dollars in thousands)

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, 2025 and 2024, the Pension Fund did not have any single investment in any one organization that represented greater than 5% of total investments.

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 are shown in the tables below.

December 31, 2025

	Fair Value	Weighted-Average Maturity (WAM) (Years)
Investment Type		
Corporate bonds	$ 87,517	5.03
Corporate convertible bonds	175	2.21
Government agencies	297	4.36
Government bonds	100,876	11.05
Government mortgage-backed securities	87,916	24.78
Bank loans	177,567	4.70
Short-term bills and notes	184,626	0.17
Payden and Rygel*	131,070	4.00
GoldenTree**	83,177	**
Total Interest Rate Sensitive Securities	$ 853,221	
Portfolio WAM		6.66

The remainder of this page intentionally left blank.

(dollars in thousands)

December 31, 2024

		Fair Value	WAM (Years)
Investment Type			
Corporate bonds	$	88,132	4.97
Corporate convertible bonds		353	1.96
Government agencies		291	5.33
Government bonds		187,914	4.99
Government mortgage-backed securities		84,508	25.52
Bank loans		170,453	4.59
Short-term bills and notes		71,486	0.64
TIPS		46,720	7.08
Payden and Rygel*		123,569	3.60
GoldenTree**		76,563	**
Total Interest Rate Sensitive Securities	$	849,989	
Portfolio WAM			6.64

* 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 3.1 and 3.3 as of December 31, 2025 and 2024, respectively.

Foreign Currency Risk

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

The remainder of this page intentionally left blank.

(dollars in thousands)

The Pension Fund's exposure to foreign currency risk in U.S. dollars is shown in the table below.

December 31, 2025

Country	Equities	Real Estate	Private Equity	Cash	Total
Australian Dollar	$ 19,208	$ -	$ -	$ -	$ 19,208
Brazilian Real	2,876	-	-	-	2,876
British Pound	66,121	-	40,207	4	106,332
Canadian Dollar	40,568	-	-	-	40,568
Chilean Peso	439	-	-	-	439
Chinese Yuan	17,824	-	-	-	17,824
Colombian Peso	1,230	-	-	-	1,230
Danish Krone	8,008	-	-	33	8,041
European Union Euro	159,858	465	-	43	160,366
Hong Kong Dollar	5,168	-	-	-	5,168
Indian Rupee	4,863	-	-	-	4,863
Indonesian Rupiah	1,259	-	-	-	1,259
Israeli New Shekel	7,507	-	-	-	7,507
Japanese Yen	76,740	-	-	-	76,740
Mexican Peso	3,081	-	-	-	3,081
New Taiwan Dollar	21,565	-	-	-	21,565
Norwegian Krone	8,283	-	-	-	8,283
Polish Zloty	724	-	-	-	724
Singapore Dollar	6,004	-	-	22	6,026
South African Rd	580	-	-	-	580
South Korean Won	21,840	-	-	-	21,840
Swedish Krona	6,160	-	-	-	6,160
Swiss Franc	42,988	-	-	11	42,999
	$ 522,894	$ 465	$ 40,207	$ 113	$ 563,679

The remainder of this page intentionally left blank.

(dollars in thousands)

December 31, 2024

Country	Equities	Real Estate	Private Equity	Cash	Total
Australian Dollar	$ 17,577	$ -	$ -	$ -	$ 17,577
Bangladesh Taka	3,530	-	-	-	3,530
Brazilian Real	8,974	-	-	-	8,974
British Pound	72,892	-	30,982	3	103,877
Cayman Islands	3,782	-	-	-	3,782
Canadian Dollar	44,742	-	-	-	44,742
Chilean Peso	608	-	-	-	608
Chinese Yuan	17,769	-	-	-	17,769
Colombian Peso	868	-	-	-	868
Danish Krone	6,400	-	-	-	6,400
European Union Euro	142,623	1,311	-	14	143,948
Hong Kong Dollar	14,159	-	-	-	14,159
Indian Rupee	18,974	-	-	-	18,974
Indonesian Rupiah	289	-	-	-	289
Iranian Rial	2,143	-	-	-	2,143
Israeli New Shekel	6,220	-	-	-	6,220
Japanese Yen	76,515	-	-	-	76,515
Malaysian Ringgit	385	-	-	-	385
Mexican Peso	1,424	-	-	-	1,424
New Taiwan Dollar	25,974	-	-	-	25,974
New Zealand Dollar	496	-	-	-	496
Norwegian Krone	5,956	-	-	-	5,956
Philippine Peso	59	-	-	-	59
Polish Zloty	44	-	-	-	44
Qatari Rial	7	-	-	-	7
Saudi Riyal	133	-	-	-	133
Singapore Dollar	9,292	-	-	-	9,292
South African Rd	2,086	-	-	-	2,086
South Korean Won	10,801	-	-	-	10,801
Swedish Krona	15,714	-	-	9	15,723
Swiss Franc	24,978	-	-	-	24,978
Thailand Baht	1,104	-	-	-	1,104
Turkish New Lira	126	-	-	-	126
United Arab Emirates Dir	37	-	-	-	37
Uruguayan Peso	2,521	-	-	-	2,521
West African Franc	3,278	-	-	-	3,278
	$ 542,480	$ 1,311	$ 30,982	$ 26	$ 574,799

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, such as publicly traded stocks or bonds that are either domestic or international, 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 22 and 21 days as of December 31, 2025 and 2024, respectively. The maturities of the investments in the short-term investment pool do not match the maturities of the securities lent. The investments in the pool are found in the chart at the end of this note. Non-cash securities are required to be kept separately by Northern Trust, and they are not available for sale or for pledging if the borrower is not in default.

As of December 31, 2025 and 2024, the Pension Fund had lending arrangements outstanding with a total market value of $328,879 and $232,273, respectively, which were fully collateralized with cash and securities. As of December 31, 2025 and 2024, cash collateral of $145,999 and $102,670, respectively, was recorded in the accompanying statements of fiduciary net position and non-cash collateral of $192,105 and $135,483, respectively, was excluded from the Pension Fund's statements of fiduciary net position. Net income for the years ended December 31, 2025 and 2024 under the securities lending arrangement was $487 and $516, respectively.

December 31,	**2025**	2024
Cash Collateral Pool		
Repo agreements	$ **70,226**	$ 52,793
Variable rate CD	**17,783**	14,692
Commercial paper	**14,103**	6,725
Certificate of deposit	**15,242**	8,255
Time deposit	**4,059**	4,938
ABS commercial paper	**21,739**	12,926
Sweep vehicle	**1,022**	914
Agency discount note	**1,825**	1,427
Total	$ **145,999**	$ 102,670

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 $87,916 and $84,508 as of December 31, 2025 and 2024, respectively. These are included with investments in the statements of fiduciary net position. The Pension Fund made $2,948 and $2,876, respectively, in interest on these securities and gained $761 and $239 in capital transactions related to these securities in the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, the Pension Fund retained an investment in one hedge fund in the amount of $1,086 and $21,241, respectively, 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)

	Year Ended December 31, 2025	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Total Pension Liability										
Service cost	**$ 91,254**	$ 87,592	$ 85,145	$ 80,097	$ 78,637	$ 78,579	$ 75,880	$ 73,354	$ 71,161	$ 74,771
Interest	**357,000**	342,935	322,507	302,041	293,337	283,106	271,542	259,758	246,848	233,943
Change of benefit terms	**-**	12,648	-	-	-	-	-	-	-	-
Differences between expected and actual experience	**47,056**	6,103	117,766	133,147	(16,681)	(26,279)	(7,535)	50,057	(27,776)	(47,670)
Changes of assumptions	**(57,623)**	-	-	-	-	16,194	-	-	-	-
Benefit payments, including refunds of plan member contributions	**(256,803)**	(261,068)	(231,125)	(244,979)	(228,416)	(192,671)	(173,494)	(172,692)	(156,137)	(152,296)
Net Change in Total Pension Liability	**180,884**	188,210	294,293	270,306	126,877	158,929	166,393	210,477	134,096	108,748
Total Pension Liability, beginning of year	**4,961,285**	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
Total Pension Liability, end of year	**5,142,169**	4,961,285	4,773,075	4,478,782	4,208,476	4,081,599	3,922,670	3,756,277	3,545,800	3,411,704
Plan Fiduciary Net Position										
Contributions - employer	**102,928**	95,246	89,741	88,371	86,323	85,693	81,016	78,312	75,916	75,958
Contributions - plan members	**51,465**	47,622	44,870	44,303	43,213	42,846	40,508	39,182	37,958	37,978
Net investment earnings	**475,273**	323,099	437,251	(448,808)	521,575	390,028	449,067	(122,694)	407,278	242,007
Benefit payments, including refunds of plan member contributions	**(256,803)**	(261,068)	(231,125)	(244,979)	(228,415)	(192,671)	(173,494)	(172,692)	(156,137)	(152,296)
Administrative expense	**(3,849)**	(3,741)	(3,617)	(3,333)	(2,963)	(3,389)	(3,565)	(3,480)	(3,034)	(2,795)
Net Change in Plan Fiduciary Net Position	**369,014**	201,158	337,120	(564,446)	419,733	322,507	393,532	(181,372)	361,981	200,852
Plan Fiduciary Net Position, beginning of year	**4,124,762**	3,923,604	3,586,484	4,150,930	3,731,196	3,408,689	3,015,157	3,196,529	2,834,548	2,633,696
Plan Fiduciary Net Position, end of year	**4,493,776**	4,124,762	3,923,604	3,586,484	4,150,929	3,731,196	3,408,689	3,015,157	3,196,529	2,834,548
City's Net Pension Liability, end of year	**$ 648,393**	$ 836,523	$ 849,471	$ 892,298	$ 57,547	$ 350,403	$ 513,981	$ 741,120	$ 349,271	$ 577,156
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**87.39%**	83.14%	82.20%	80.08%	98.63%	91.42%	86.90%	80.27%	90.15%	83.08%
Covered Payroll	**$ 417,732**	$ 386,538	$ 364,207	$ 359,607	$ 350,758	$ 347,776	$ 328,796	$ 318,038	$ 308,101	$ 308,263
City's Net Pension Liability as a Percentage of Covered Payroll	**155.22%**	216.41%	233.24%	248.13%	16.41%	100.75%	156.32%	233.03%	113.36%	187.23%

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)

Benefit Changes - The HB2649/SB1207 provision increased the minimum death benefit from 50% to 75% of average salary for all widows whose spouses died prior to termination or retirement. The change was retroactive to include survivors of any pre-retirement non-line-of-duty death after September 1, 2005 but before September 1, 2023 and was payable prospectively only.

Change of Assumptions – A comprehensive Actuarial Experience Review, covering the period January 1, 2019 through December 31, 2023, was completed in 2025. 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, 2025.

Actuarial Assumptions - The TPL as of December 31, 2025, which was determined based on the results of actuarial valuations as of January 1, 2026, used the following actuarial assumptions:

- *Wage Inflation* – 2.75%.
- *Salary Increases* – 2.75% plus merit scale rate of 0.00% to 7.25%.
- *Net Investment Rate of Return* – 7.25%, net of pension plan investment expense, including inflation.
- *Cost-of-Living Adjustment* – 2.75% for retirements before October 1, 1999; 2.0625% for retirements on or after October 1, 1999.
- *Mortality* – Sex-distinct PUBS-2010 Safety Employee Amount-Weighted Table.
- *Healthy Annuitant Mortality* – Sex-distinct PUBS-2010 Safety Healthy Retiree Amount-Weighted Table.
- *Disabled Annuitant Mortality* – Sex-distinct PUBS-2010 Safety Disabled Retiree Amount-Weighted Table.
- *Beneficiary Mortality* – Sex-distinct PUBS-2010 Safety Contingent Survivor Amount-Weighted Table.
- *Future Improvement* - Generational projection scale changed from the sex-distinct SSA2019-2D scale projected from 2010 to the sex-distinct Society of Actuaries MP-2021 scale.

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)

Year ended December 31,

	Actuarially Determined Contribution*	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll**	Contributions as a Percentage of Covered Payroll (%)
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
2024	95,246	95,246	-	386,538	24.64
2025	102,928	102,928	-	417,732	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.

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

Schedule of Investment Returns
(dollars in thousands)

Year ended December 31,	Annual Money-Weighted Rate of Return, Net of Investment Expense (%)
2016	9.5
2017	14.7
2018	(4.0)
2019	16.1
2020	12.1
2021	13.8
2022	(10.6)
2023	11.9
2024	8.5
2025	11.9

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	25 years remaining as of January 1, 2025.
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	2.75% (plus merit scale of 0.00%-7.25%).
Cost-of-living adjustments	2.75% for retirement before October 1, 1999; 2.0625% 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. A comprehensive Actuarial Experience Review, covering the period January 1, 2019 through December 31, 2023, was completed in 2025. 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, 2025.

See accompanying independent auditor's report.

Tel: 210-342-8000
Fax: 210-342-0866
www.bdo.com

10999 I-10, Suite 255
San Antonio, TX 78230

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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fire and Police Pension Fund, San Antonio (Pension Fund), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Pension Fund's basic financial statements, and have issued our report thereon dated July 14, 2026.

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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 were not 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 14, 2026