

**University Health System Pension Plan
(A Component Unit of Bexar County Hospital District
d/b/a University Health System)**

Independent Auditor's Reports and Financial Statements

December 31, 2021 and 2020

University Health System Pension Plan
(A Component Unit of University Health System)
December 31, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
University Health System Pension Plan
San Antonio, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the University Health System Pension Plan (the Plan), a fiduciary fund of the Bexar County Hospital District d/b/a University Health System, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Plan'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 fiduciary net position of the Plan as of December 31, 2021 and 2020, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Plan 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 Plan'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 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, 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 Plan'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 Plan'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 and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Dallas, Texas
May 12, 2022

University Health System Pension Plan
(A Component Unit of Bexar County Hospital District
d/b/a University Health System)
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2021 and 2020

This discussion and analysis of the University Health System Pension Plan (the Plan) is for the years ended December 31, 2021 and 2020. This analysis provides a summary of the financial position of the Plan, including highlights and comparisons. For more detailed information regarding the Plan's financial activities, the reader should also review the actual financial statements, including notes and supplementary schedules.

Financial Statements

The financial statements of the Plan include statements of fiduciary net position and statements of changes in fiduciary net position. The purpose of these statements is to present information about the Plan's present and future ability to pay benefits as they become due. These statements are presented using an economic resource measurement focus and the accrual basis of accounting. The financial statements also include notes that explain the history and purpose of the Plan, significant accounting policies, investment details, and other required information regarding the financial position of the Plan.

Summarized Financial Information

The following table displays the total assets, liabilities and net position of the Plan:

| | 2021 | 2020 | 2019 | Changes 2021-2020 | Changes 2020-2019 |
|--------------|----------------|----------------|----------------|------------------------------|------------------------------|
| Assets | \$ 635,292,917 | \$ 539,873,160 | \$ 458,956,380 | 17.67% | 17.63% |
| Liabilities | 358,961 | 280,428 | 291,549 | 28.00% | -3.81% |
| Net position | 634,933,956 | 539,592,732 | 458,664,831 | 17.67% | 17.64% |

The assets of the Plan consist of cash, investments and receivables. The increase in net position is primarily a result of the fair value of investments increasing due to a positive performance in the markets in 2021. Net position held in trust by the Plan totaled \$634,933,956 and \$539,592,732 at December 31, 2021 and 2020, respectively. The Plan's net position increased by \$95,341,224 in 2021 compared to an increase of \$80,927,901 in 2020. The net position of the Plan is held exclusively for the benefit of the Plan participants, their beneficiaries, and reasonable administrative expenses for administering the Plan.

The following table displays the changes in plan net position:

| | 2021 | 2020 | 2019 | Changes 2021-2020 | Changes 2020-2019 |
|-------------------------------|----------------------|----------------------|----------------------|------------------------------|------------------------------|
| Contributions | \$ 34,787,988 | \$ 33,222,825 | \$ 34,073,365 | 4.71% | -2.50% |
| Net investment income | 89,361,172 | 73,725,418 | 69,280,739 | 21.21% | -6.42% |
| Total additions | 124,149,160 | 106,948,243 | 103,354,104 | 16.08% | 3.48% |
| Benefits paid | 28,492,650 | 25,705,639 | 23,878,692 | 10.84% | 7.65% |
| Administrative expenses | 315,286 | 314,703 | 285,121 | 0.19% | 10.38% |
| Total deductions | 28,807,936 | 26,020,342 | 24,163,813 | 10.71% | 7.68% |
| Change in net position | \$ 95,341,224 | \$ 80,927,901 | \$ 79,190,291 | 17.81% | -2.19% |

The additions to the plan are comprised of contributions and investment returns, and the primary deductions from the Plan are for benefits paid to the Plan's participants and their beneficiaries. Contributions made in 2021 totaled \$34,787,988, which was an increase of \$1,565,163 from the contributions made in 2020. Contributions made in 2020 totaled \$33,222,825, which was a decrease of \$850,540 from the contributions made in 2019. Benefits payments made in 2021 totaled \$28,492,650, which was an increase of \$2,787,011 from the benefits payments made in 2020. Benefits payments made in 2020 totaled \$25,705,639, which was an increase of \$1,826,947 from the benefits payments made in 2019. Total investment income was \$89,361,172 in 2021, compared to total investment income of \$73,725,418 in 2020, which represented an increase in investment income of \$15,635,754 in 2021.

Investment Expenses

The Plan's investment expenses for the year ended December 31, 2021 are summarized as follows:

| | Direct and Indirect Fees and Commissions | | | | | |
|---|---|---|-----------------------------|-----------------------------------|-------------------------------------|---------------------|
| | Management Fees Paid From Trust | Management Fees Netted From Returns | Total Management Fees | Brokerage Fees/ Commissions | Profit Share/Carried Interest | Total |
| Cash | \$ - | \$ 2,287 | \$ 2,287 | \$ - | \$ - | \$ 2,287 |
| Equity securities | 954,687 | 676,557 | 1,631,244 | - | - | 1,631,244 |
| Fixed income securities | - | 482,925 | 482,925 | - | - | 482,925 |
| Real assets | 543,604 | 98,817 | 642,421 | - | - | 642,421 |
| Alternative/other | 181,478 | 395,187 | 576,665 | - | - | 576,665 |
| Total direct and indirect fees and commissions | \$ 1,679,769 | \$ 1,655,773 | \$ 3,335,542 | \$ - | \$ - | \$ 3,335,542 |

Investment Services

| | |
|----------------------------------|----------------|
| Custodial | 72,782 |
| Investment consulting | 155,140 |
| Total investment services | 227,922 |

Total Investment Expenses **\$ 3,563,464**

The following investment managers have been engaged by the Plan:

Aberdeen Standard Investments
BNY Newton Global Investment Management
Portfolio Advisors Private Equity
Pantheon Ventures
Heitman American Real Estate Trust
Arrowstreet Capital
Principal Global Investors
Walthausen & Company, LLC

Contact Information

This financial report is designed to provide a general overview of the Plan's finances and to demonstrate the Plan's accountability and for the contributions it receives. If you have any questions about this report or need additional financial information, contact the Plan's Financial Offices at 4502 Medical Drive, San Antonio, Texas 78229.

University Health System Pension Plan
(A Component Unit of University Health System)
Statements of Fiduciary Net Position
December 31, 2021 and 2020

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash and Cash Equivalents | \$ 4,146,311 | \$ 12,038,823 |
| Employer Contributions Receivable | 560,937 | 481,670 |
| Investments, at Fair Value | | |
| Marketable securities | | |
| Common stocks - mid capitalization | 35,974,312 | 64,437,727 |
| Mutual funds - common stocks - large capitalization | 118,144,471 | 107,462,323 |
| Mutual funds - fixed income securities | 59,829,426 | 89,155,062 |
| Mutual funds - international equity | 74,710,122 | 68,821,443 |
| Equity trust | 40,475,726 | - |
| Fixed income trust | 60,958,276 | - |
| | <u>390,092,333</u> | <u>329,876,555</u> |
| Total marketable securities | | |
| | <u>390,092,333</u> | <u>329,876,555</u> |
| Alternative investments | | |
| Investment in Arrowstreet Capital, Ltd. | 76,931,261 | 73,420,586 |
| Investment in Portfolio Advisors Private Equity Fund VI, VII, VIII, and IX, L.P. | 43,298,242 | 27,031,995 |
| Investment in Heitman Real Estate Trust | 53,972,510 | 43,993,909 |
| Investment in Standard Life Investments | 29,854,957 | 25,445,926 |
| Investment in Newton Investment Management | 30,772,836 | 25,716,418 |
| Investment in Pantheon Access Luxembourg | 5,663,530 | 1,867,278 |
| | <u>240,493,336</u> | <u>197,476,112</u> |
| Total alternative investments | | |
| | <u>240,493,336</u> | <u>197,476,112</u> |
| Total investments | <u>630,585,669</u> | <u>527,352,667</u> |
| Total investments | | |
| | <u>630,585,669</u> | <u>527,352,667</u> |
| Total assets | <u>635,292,917</u> | <u>539,873,160</u> |
| Total assets | | |
| | <u>635,292,917</u> | <u>539,873,160</u> |
| Liabilities | | |
| Accrued expenses | 358,961 | 280,428 |
| | <u>358,961</u> | <u>280,428</u> |
| Total Net Position Restricted for Pensions | <u>\$ 634,933,956</u> | <u>\$ 539,592,732</u> |

University Health System Pension Plan
(A Component Unit of University Health System)
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| Additions | | |
| Contributions | | |
| Plan members | \$ 10,877,323 | \$ 9,750,999 |
| Employer | 23,910,665 | 23,471,826 |
| Total contributions | <u>34,787,988</u> | <u>33,222,825</u> |
| Investment Income | | |
| Interest income | 13,260 | 44,316 |
| Dividend income | 7,406,778 | 5,980,159 |
| Net appreciation in fair value of investments | 83,776,043 | 68,915,103 |
| Investment expenses | <u>(1,834,909)</u> | <u>(1,214,160)</u> |
| Net investment income | <u>89,361,172</u> | <u>73,725,418</u> |
| Total additions | <u>124,149,160</u> | <u>106,948,243</u> |
| Deductions | | |
| Benefits paid to plan members | 28,492,650 | 25,705,639 |
| Administrative expenses | <u>315,286</u> | <u>314,703</u> |
| Total deductions | <u>28,807,936</u> | <u>26,020,342</u> |
| Increase in Net Position | 95,341,224 | 80,927,901 |
| Net Position Restricted for Pensions, Beginning of Year | <u>539,592,732</u> | <u>458,664,831</u> |
| Net Position Restricted for Pensions, End of Year | <u>\$ 634,933,956</u> | <u>\$ 539,592,732</u> |

University Health System Pension Plan
(A Component Unit of University Health System)
Notes to Financial Statements
December 31, 2021 and 2020

Note 1: Reporting Entity and Summary of Significant Accounting Policies

The University Health System Pension Plan (the Plan) is a single employer defined benefit pension plan which covers substantially all full-time and part-time employees of its sponsor, the University Health System (System), and provides for pension and death benefits. Participation in the Plan is a condition of employment for all eligible employees. The Plan is administered by a Board of Trustees that is comprised of seven to nine individuals. Two Trustees are appointed from System administrative staff, two Trustees are appointed from the System's Board of Managers and three to five Trustees are appointed from Bexar County residents.

Basis of Accounting

The financial statements of the Plan have been prepared in conformity with accounting principles generally accepted in the United States of America for local governmental units as prescribed by the Governmental Accounting Standards Board. The Plan's financial statements are prepared using the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and the actuarial present value of accumulated plan benefits at the date of the financial statements and changes therein. Actual results could differ from those estimates.

Federal Income Tax Status

The plan was determined to be qualified for pursuant to Section 401 of the Internal Revenue Code and is, therefore, exempt from income taxes. The Plan has obtained a favorable determination letter from the Internal Revenue Service and believes it continues to qualify and operate as designed.

Valuation of Investments and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Alternative investments are held in the form of nonmarketable limited partnerships and private equity funds. The fair valuation of these investments is based on net asset values as set by the fund managers or general partners. These values may differ from the value that would have been used had a readily available market for the investments existed, and such differences could be material.

The Plan's interest in the collective trusts are valued based on information reported by the investment advisor using the audited financial statements of the collective trust at year end.

University Health System Pension Plan
(A Component Unit of University Health System)
Notes to Financial Statements
December 31, 2021 and 2020

The Plan's investment policy is reviewed by the Plan Trustees annually with any amendments requiring the approval of the System Board of Managers. The policy includes target asset allocations and benchmark criteria. There were no changes to the policy in 2021.

Purchases and sale of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Note 2: Description of Plan

Eligibility

The System sponsors a single employer defined benefit pension plan which covers substantially all of the System's employees who work at least 20 hours per week or at least 1,000 hours annually. Employees are eligible for participation in the Plan after attaining the age of 21 and completing one year of service. Employees hired as of June 30, 2012 participate in the Defined Benefit aspect of the Plan while those hired after June 30, 2012 participate in the Cash Balance portion of the Plan.

Plan Membership

At December 31, 2021 and 2020, plan membership consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|---|---------------|--------------|
| Inactive participants | | |
| Retirees and beneficiaries currently receiving benefits | 1,334 | 1,262 |
| Terminated employees with deferred benefits | 1,775 | 1,765 |
| | <u>3,109</u> | <u>3,027</u> |
| Total inactive participants | | |
| Active participants | | |
| Fully vested | 4,070 | 3,822 |
| Nonvested | 2,981 | 2,950 |
| | <u>7,051</u> | <u>6,772</u> |
| Total active participants | | |
| Total participants | <u>10,160</u> | <u>9,799</u> |

University Health System Pension Plan
(A Component Unit of University Health System)
Notes to Financial Statements
December 31, 2021 and 2020

Contributions

The System has agreed (but does not guarantee) to voluntarily contribute such amounts as are necessary to maintain the Plan on a sound actuarial basis. The System has the right to discontinue such contributions and terminate the Plan at any time. However, under no condition may the System withdraw its contributions, or use them for any purpose other than the exclusive benefit of the Plan participants and their beneficiaries; and, to pay for administrative expenses.

Participants in the Plan, hired before June 30, 2012, contribute 2% of gross pay upon achievement of eligibility and thereafter until the time of retirement or separation from employment with the System. The System makes contributions which are actuarially determined to pay the Plan's total cost (determined as a level of percentage of total participant compensation) less the projected employee contributions.

Participants in the Cash Balance portion of the Plan, which are those employees hired after June 30, 2012, contribute 3% of gross pay upon achievement of eligibility; and thereafter, until the time of retirement or separation from employment with the System. The System makes contributions to the Plan, on behalf of the employee equal to 3% of the employee's gross pay. Benefits for Cash Balance participants are based on the actuarial equivalent of 6% of the participant's compensation plus interest earned. The System began making contributions to the Cash Balance portion of the Plan effective January 1, 2014.

The System also deposits amounts to the Plan to fund a Match Savings Plan to encourage eligible employees to participate in a 457 Deferred Compensation Retirement Savings Plan (457 Plan). Under the Match Savings Plan, the System will deposit 25% of an employee's contribution to the 457 Plan, up to the lower of 4% of compensation or \$12,000. Benefits will be distributed upon retirement or separation from service after satisfying the vesting requirements.

In the event of Plan termination, the net position of the Plan is to be used to pay benefits in the following order:

- (a) to retired participants, contingent pensioners and other beneficiaries who are receiving benefits on the date of termination, and to participants who have attained normal retirement age but who have not yet retired before the date of termination;
- (b) to retired participants whose early pension or deferred vested pension payments are deferred to commence after the date of termination;
- (c) to participants who have met the eligibility requirements for early retirement for early retirement or deferred vested retirement but who have not yet retired before the date of termination;
- (d) to all other participants according to the respective actuarial values of their accrued benefits as of the date of termination.

University Health System Pension Plan
(A Component Unit of University Health System)
Notes to Financial Statements
December 31, 2021 and 2020

The actuarially determined annual required contributions of the System for the year ended December 31, 2021 and 2020 were \$21,734,000 and \$21,502,000, respectively, which were paid by the end of the respective fiscal year ends.

Vesting

Plan participants have a 100% vested right in the accrued benefits derived from their accumulated contributions.

With regard to participants' accrued benefits derived from employer contributions, the participants become fully vested at the completion of 5 years of vesting service.

Retirement and Death Benefits

Participants are eligible for normal retirement benefits after attaining age 65 and completing 5 years of vesting service; or, after age 55 and the number of years of service needed to equal 85 (Rule of 85). Annual normal retirement benefits (accrued benefits) are equal to 1.5% of the participant's average 5 highest years' pay in the last 10 years, times the number of years of credited service.

An early retirement provision is available to participants who attain age 55- and 5-years vesting service, but do not satisfy the Rule of 85. The early retirement benefit equals the normal retirement benefit at actual retirement reduced at the rate of 1/15th for each of the first 5 years before age 65 and 1/30th for each of the next 5 years before age 65 and the participants actual retirement age.

Pre-retirement death benefits before vesting or attainment of age 55 are equal to the amount of the participant's contributions plus 4.5% interest per annum and may be distributed in a lump sum or in installments up to 60 months.

Pre-retirement death benefits on or after eligibility for normal retirement are payable monthly to the named beneficiary and equal to 50% of the present actuarial value of the participant's accrued benefit otherwise payable on the participant's date of death.

Plan Amendments

On June 11, 2012, the Plan was amended to indicate that employees hired by the System after June 30, 2012 are not eligible to participate in the Plan, except for the 457 Match Savings Plan. Other employees rehired after June 30, 2012 shall be treated as subject to this amendment unless they were vested in their accrual benefits prior to the date of being rehired.

On September 24, 2013, the Plan was amended to indicate that employees hired by the System after June 30, 2012; and, previously unvested rehires are eligible to participate in the contributory Cash Balance portion of the Plan.

University Health System Pension Plan
(A Component Unit of University Health System)
Notes to Financial Statements
December 31, 2021 and 2020

Note 3: Investments

The Plan's assets are invested as authorized by the Plan's investment policy. The Plan utilizes investment consultants that make recommendations to the Plan as to the appropriate target portfolio (e.g. stocks, mutual funds, limited partnerships, cash, etc.) within the Plan. The majority of the Plan's assets, with the exception of alternative investments, are held by a custodian bank, Wells Fargo Bank. Cash equivalents are invested in a short-term money market fund administered by the Plan's custodian bank.

The Plan's investments (including investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

| | <u>2021</u> | <u>2020</u> |
|---|--------------------------|--------------------------|
| Mutual Funds - common stocks - large capitalization | \$ 32,891,735 | \$ 25,788,084 |
| Common stocks - mid capitalization | 12,596,923 | 19,384,388 |
| Fixed income securities | (3,692,655) | 5,661,689 |
| Arrowstreet Capital International Equity Fund | 11,510,675 | 13,675,650 |
| Portfolio Advisors Private Equity Funds | 18,981,480 | 2,608,920 |
| Pantheon Access Luxembourg | 1,550,605 | (87,722) |
| Heitman Real Estate Trust | 8,471,832 | (2,576,077) |
| Standard Life Investments | (590,970) | 1,768,918 |
| Newton Global Investments | <u>2,056,418</u> | <u>2,691,253</u> |
| Total appreciation in value | <u>\$ 83,776,043</u> | <u>\$ 68,915,103</u> |

The Plan may invest in equity securities. Investments in venture capital, private placements, lettered stock and real estate, except for publicly traded real estate investment trusts, are prohibited as are investments using options, futures, derivatives, short sales, margin transactions or other hedging strategies.

Foreign Currency Risk

Foreign currency risk is the risk of losses arising from foreign changes in exchange rates. The Plan's investment policy has a target allocation for foreign investments of 24% with a range of 15% to 29%. The Plan is subject to currency risk as currency exposures are unhedged. As international currencies gain or lose value in relation to the United States dollar, the fund will gain or lose value. The currency risk inherent in the fund's investments is mitigated as a result of the fund investing only in developed markets.

University Health System Pension Plan
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Notes to Financial Statements
December 31, 2021 and 2020

The following schedule addresses foreign currency risk exposure and by specific currencies:

| Currency | 2021 | | 2020 | |
|----------------------------|-----------------------|-------------|-----------------------|-------------|
| | Fair Value | Allocation | Fair Value | Allocation |
| United Arab Emirates (AED) | \$ 5 | 0.00% | \$ 165,836 | 0.12% |
| Australia (AUD) | 1,570,032 | 1.04% | 6,712,993 | 4.72% |
| Bahrain (BHD) | (19) | 0.00% | - | 0.00% |
| Brazil (BRL) | 2,276,996 | 1.50% | (356,530) | -0.25% |
| Canada (CAD) | 1,138,648 | 0.75% | (2,608,386) | -1.83% |
| Switzerland (CHF) | 11,450,907 | 7.55% | 9,792,723 | 6.88% |
| Chile (CLP) | 908,901 | 0.60% | (1,755,523) | -1.23% |
| China offshore (CNH) | 293,742 | 0.19% | 10,513,948 | 7.39% |
| China (CNY) | 6,388,716 | 4.21% | 1,567,058 | 1.10% |
| Columbia (COP) | 552,600 | 0.36% | 80,393 | 0.06% |
| Czech Republic (CZK) | 174 | 0.00% | (887,046) | -0.62% |
| Denmark (DKK) | (2,095,464) | -1.38% | (3,643,816) | -2.56% |
| Egypt (EGP) | 105,643 | 0.07% | 35,927 | 0.03% |
| Euro (EUR) | 33,895,883 | 22.35% | 28,758,574 | 20.22% |
| United Kingdom (GBP) | 12,026,044 | 7.93% | 5,764,414 | 4.05% |
| Hong Kong (HKD) | 4,545,605 | 3.00% | 8,132,810 | 5.72% |
| Croatia (HRK) | - | 0.00% | (16,150) | -0.01% |
| Hungary (HUF) | 1,482,829 | 0.98% | (182,905) | -0.13% |
| Indonesia (IDR) | 794,655 | 0.52% | 646,316 | 0.45% |
| Israel (ILS) | (669,540) | -0.44% | (266,335) | -0.19% |
| India (INR) | 4,509,932 | 2.97% | 654,741 | 0.46% |
| Japan (JPY) | 21,301,843 | 14.05% | 25,067,128 | 17.62% |
| Korea (KRW) | 1,569,992 | 1.04% | 4,773,666 | 3.36% |
| Kuwait (KWD) | 7,699 | 0.01% | - | 0.00% |
| Mexico (MXN) | 4,103,597 | 2.71% | 526,467 | 0.37% |
| Malaysia (MYR) | 18,005 | 0.01% | 254,176 | 0.18% |
| Norway (NOK) | (137,841) | -0.09% | 808,144 | 0.57% |
| New Zealand (NZD) | 1,699,367 | 1.12% | 4,388,043 | 3.08% |
| Peru (PEN) | 5 | 0.00% | - | 0.00% |
| Philippines (PHP) | 1,093,372 | 0.72% | 715,444 | 0.50% |
| Pakistan (PKR) | 1,605 | 0.00% | - | 0.00% |
| Poland (PLN) | 1,114,277 | 0.73% | (852,267) | -0.60% |
| Qatar (QAR) | (252,410) | -0.17% | (250,131) | -0.18% |
| Romania (RON) | 2,405,839 | 1.59% | 678,993 | 0.48% |
| Russia (RUB) | 1,228,059 | 0.81% | (978,688) | -0.69% |
| Saudi Arabia (SAR) | 159,273 | 0.11% | (572,362) | -0.40% |
| Sweden (SEK) | 7,040,674 | 4.64% | 5,094,492 | 3.58% |
| Singapore (SGD) | (2,444,754) | -1.61% | 318,004 | 0.22% |
| Thailand (THB) | (310,169) | -0.20% | 358,869 | 0.25% |
| Turkey (TRY) | 317,470 | 0.21% | 2,420,063 | 1.70% |
| Taiwan (TWD) | (7,934,948) | -5.23% | (10,630,552) | -7.47% |
| United States (USD) | 41,326,675 | 27.25% | 46,297,347 | 32.55% |
| South Africa (ZAR) | 157,464 | 0.10% | 716,151 | 0.50% |
| | <u>\$ 151,641,383</u> | <u>100%</u> | <u>\$ 142,242,029</u> | <u>100%</u> |

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Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Plan invests in high-quality, short-term money market instruments. These investments may have fixed, floating, or variable rates of interest. The security selection is based on several factors, including credit quality, yield and maturity, while taking into account the fund's overall level of liquidity and weighted average maturity.

The Plan's fixed income mutual bond funds are also subject to interest rate risk. As indicated in the Plan's investment policy, investments in fixed income securities should range between 20% - 30% of the total investments. This target range helps limit its exposure to fair value losses arising from rising interest rates. The Plan invests in one fixed income mutual fund, Dodge Cox Income Fund, with values of \$59,829,426 as of December 31, 2021. The Plan invested in two fixed income mutual funds, Dodge Cox Income Fund and Loomis Core Plus, with values of \$44,362,259 and \$44,792,803, respectively, as of December 31, 2020.

Subsequent to year end, Wells Fargo Institutional Trust (the Plan's custodian) was sold to Principal Financial Group, who now serves as the Plan's custodian.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to an investment transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2021 and 2020, the Plan's money market funds in the amount of \$4,146,311 and \$12,038,823, respectively, are held by Wells Fargo. Wells Fargo acts as the disbursing agent for benefits to participants and to pay expenses approved by an authorized officer member of the Board of Trustees.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021 and 2020:

| Type | Fair Value | Fair Value Measurements Using | | |
|--|----------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| December 31, 2021 | | | | |
| Investments by fair value level | | | | |
| Common stocks | \$ 35,974,312 | \$ 35,974,312 | \$ - | \$ - |
| Money market mutual fund | 4,146,311 | 4,146,311 | - | - |
| Mutual funds - equities | 192,854,593 | 192,854,593 | - | - |
| Mutual funds - fixed income securities | 59,829,426 | 59,829,426 | - | - |
| Total investments by fair value level | 292,804,642 | \$ 292,804,642 | \$ - | \$ - |
| Investments Measured at NAV | | | | |
| Arrowstreet Capital International Equity | 76,931,261 | | | |
| Portfolio Advisors Private Equity | 43,298,242 | | | |
| Heitman Real Estate Trust | 53,972,510 | | | |
| Standard Life Investments | 29,854,957 | | | |
| Newton Global Investments | 30,772,836 | | | |
| NHIT: Core Plus Fixed Income Trust | 60,958,276 | | | |
| Premier Advisor II CIF SER Conestoga Mid Cap | 40,475,726 | | | |
| Pantheon Access Luxembourg | 5,663,530 | | | |
| Total investments measured at NAV | 341,927,338 | | | |
| Total investments | \$ 634,731,980 | | | |

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| Type | Fair Value | Fair Value Measurements Using | | |
|---|----------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| December 31, 2020 | | | | |
| Investments by fair value level | | | | |
| Common stocks | \$ 64,437,727 | \$ 64,437,727 | \$ - | \$ - |
| Money market mutual fund | 12,038,823 | 12,038,823 | - | - |
| Mutual funds - common stocks | 176,283,766 | 176,283,766 | - | - |
| Mutual funds - fixed income securities | 89,155,062 | 89,155,062 | - | - |
| Total investments by fair value level | 341,915,378 | \$ 341,915,378 | \$ - | \$ - |
| Investments Measured at NAV | | | | |
| Arrowsstreet Capital International Equity | 73,420,586 | | | |
| Portfolio Advisors Private Equity | 27,031,995 | | | |
| Heitman Real Estate Trust | 43,993,909 | | | |
| Standard Life Investments | 25,445,926 | | | |
| Newton Global Investments | 25,716,418 | | | |
| Pantheon Access Luxembourg | 1,867,278 | | | |
| Total investments measured at NAV | 197,476,112 | | | |
| Total investments | \$ 539,391,490 | | | |

The valuation method for investments measured at the NAV per share (or its equivalent) is presented in the following tables:

| December 31, 2021 | | | | | |
|--|----------------|----------------------|----------------------|--------------------------|--|
| Investments Measured At NAV | Asset value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | |
| Arrowsstreet International Equity | \$ 76,931,261 | N/A | Monthly | 30 days | |
| Portfolio Advisors Private Equity | 43,298,242 | \$ 25,144,943 | N/A | N/A | |
| Heitman Real Estate Trust | 53,972,510 | N/A | Quarterly | 90 days | |
| Standard Life Investments | 29,854,957 | N/A | Monthly | N/A | |
| Newton Global Investments | 30,772,836 | N/A | Daily | 3 days | |
| Pantheon Access Luxembourg | 5,663,530 | \$ 5,660,000 | N/A | N/A | |
| Premier Advisor II CIF SER Conestoga Mid Cap | 40,475,726 | N/A | Daily | 1 Day | |
| NHIT: Core Plus Fixed Income Trust | 60,958,276 | N/A | Daily | 1 Day | |
| | \$ 341,927,338 | | | | |

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| December 31, 2020 | | | | | |
|-----------------------------------|-----------------------|----------------------|----------------------|--------------------------|--|
| Investments Measured At NAV | Asset value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | |
| Arrowstreet International Equity | \$ 73,420,586 | N/A | Monthly | 30 days | |
| Portfolio Advisors Private Equity | 27,031,995 | \$ 12,513,243 | N/A | N/A | |
| Heitman Real Estate Trust | 43,993,909 | N/A | Quarterly | 90 days | |
| Standard Life Investments | 25,445,926 | N/A | Monthly | N/A | |
| Newton Global Investments | 25,716,418 | N/A | Daily | 3 days | |
| Pantheon Access Luxembourg | 1,867,278 | \$ 8,045,000 | N/A | N/A | |
| | <u>\$ 197,476,112</u> | | | | |

Arrowstreet International Equity Fund invests in risk-controlled core portfolio of international equities similar to the MSCI ACWIxUS index. The fair values of the investments in this asset have been determined using the NAV per share (or its equivalents) based on the market value of securities held.

Portfolio Advisors Private Equity Funds VI, VII, VIII, IX, and XI and the Pantheon Access Luxembourg fund are private equity investments. These investments cannot be withdrawn or transferred without the consent of the General Partner. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of each fund. The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. Investments in the limited partnerships are valued at their NAV as reported by their underlying investment manager.

Heitman Real Estate Trust is a perpetual life, open-ended comingled fund for the objective and purpose of creating a high quality, low risk, diversified portfolio of stabilized, income-producing real estate investments. Fair value of this asset is using the NAV per share (or its equivalent) based on an annual appraisal performed by an independent appraisal management firm.

Standard Life Investments Global Absolute Return Strategies Offshore Feeder Fund Ltd. invests in the Master Fund with the objective to deliver positive absolute returns by investing in a combination of traditional assets and investment strategies based on advance derivative techniques using a combination of traditional assets including equities, bonds, and a diversified portfolio limited to permitted derivative contracts including but not limited to futures, options, swaps, forward currency contracts and other derivatives. The fund is valued by the manager at the end of each month.

Newton Global Real Return Fund invests primarily in a diversified group of equities, bonds, cash, as well as other assets held via tradeable securities, including real estate, commodities, currencies, and alternative strategies.

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The Plan's interest in the collective trusts are valued based on information reported by the investment advisor using the audited financial statements of the collective trust at year end. The interest in the collective trust are measured at net asset value per share (or its equivalent) at December 31, 2021 and therefore is not classified in the fair value hierarchy.

Note 4: Capital Commitments

The Plan has a commitment to invest capital in two investment companies under investment capital agreements. These commitments are subject to periodic calls from the investment companies. Following are the changes in capital commitments:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Commitment balance - beginning of year | \$ 20,558,243 | \$ 26,482,928 |
| Add: amount committed during year | 13,222,448 | - |
| Less: amount called during year | <u>(2,975,748)</u> | <u>(5,924,685)</u> |
| Commitment balance - end of year | <u>\$ 30,804,943</u> | <u>\$ 20,558,243</u> |

Note 5: Net Pension Liability

The components of the net pension liability for the System at December 31, 2021 and 2020, were as follows:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|-----------------------|
| Total pension liability | \$ 669,254,419 | \$ 626,182,651 |
| Plan fiduciary net position | <u>605,035,891</u> | <u>513,920,307</u> |
| Net pension liability | <u>\$ 64,218,528</u> | <u>\$ 112,262,344</u> |
| Plan fiduciary net position as a percentage of total pension liability | <u>90.4%</u> | <u>82.1%</u> |

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(A Component Unit of University Health System)
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Actuarial Assumptions

The total pension liability as of December 31, 2021, was determined based on January 1, 2021 data using the following actuarial assumptions:

| | |
|----------------------------|---|
| Actuarial cost | Entry age normal cost |
| Amortization | Closed |
| Remaining | 23 years |
| Asset valuation | 5-year smoothed market |
| Inflation: | 3.25% |
| Salary increases: | 4.3% (based on service, includes wage inflation at 3.25%) |
| Investment rate of return: | 7.0%, net of pension plan investment expense, including inflation |
| Retirement age: | Based on age, ranging from age 55 to age 70, with 100% retirement at age 70. Higher rates apply when eligible for Rule of 85 prior to age 65. |

Healthy mortality rates were based on the sex-distinct PubG-2010, projected with Generational Mortality (Scale MP-2020), with separate tables for males and females.

The Plan generally performs an experience study every three to five years. The assumptions used to generate the numbers in these statements were based on an experience study performed in 2019.

The long-term expected rate of return on pension fund investments was determined using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimate of geometric rates of return for each major asset class included in the pension fund's target asset allocation as of December 31, 2021 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|----------------------------|--------------------------|--|
| Domestic Equity | 29.0% | 6.50% |
| International Equity | 24.0% | 6.80% |
| Fixed Income | 20.0% | 1.75% |
| Real Estate | 10.0% | 5.75% |
| Private Equity | 7.0% | 8.00% |
| Absolute Return/Hedge Fund | 10.0% | 4.10% |

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Discount Rate

The blended discount rate used to measure the total pension liability is 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the System will be made at the current contribution rate. Based on these assumptions, the pension plan'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 pension fund investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the System's calculation using the discount rate of 7.0%, as well as what the System's net pension liability would be if it were calculated using a discount rate 1% higher and 1% lower than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--------------------------------|-----------------------|----------------------------------|---------------------|
| System's net pension liability | <u>\$ 144,144,033</u> | <u>\$ 64,218,528</u> | <u>\$ 3,274,056</u> |

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Note 6: Pension Plan Financial Statements

The following tables include financial information for the pension and match savings account plans as of December 31, 2021 and 2020:

| Assets | 2021 | | | 2020 | | |
|--|-----------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | Pension | Match Savings | Total | Pension | Match Savings | Total |
| Cash and Cash Equivalents | \$ 3,951,068 | \$ 195,243 | \$ 4,146,311 | \$ 11,466,047 | \$ 572,776 | \$ 12,038,823 |
| Employer Contributions Receivable | - | 560,937 | 560,937 | - | 481,670 | 481,670 |
| Investments, at Fair Value | | | | | | |
| Marketable securities | | | | | | |
| Common stocks - mid capitalization | 34,280,337 | 1,693,975 | 35,974,312 | 61,371,947 | 3,065,780 | 64,437,727 |
| Mutual funds - common stocks - large capitalization | 113,115,754 | 5,028,717 | 118,144,471 | 102,808,297 | 4,654,026 | 107,462,323 |
| Mutual funds - fixed income securities | 57,012,150 | 2,817,276 | 59,829,426 | 84,913,295 | 4,241,767 | 89,155,062 |
| Mutual funds - international equity | 71,192,137 | 3,517,985 | 74,710,122 | 65,547,097 | 3,274,346 | 68,821,443 |
| Equity trust | 38,569,786 | 1,905,940 | 40,475,726 | - | - | - |
| Fixed income trust | 58,087,844 | 2,870,432 | 60,958,276 | - | - | - |
| Total marketable securities | <u>372,258,008</u> | <u>17,834,325</u> | <u>390,092,333</u> | <u>314,640,636</u> | <u>15,235,919</u> | <u>329,876,555</u> |
| Alternative investments | | | | | | |
| Investment in Arrowsstreet Capital, Ltd. | 73,308,686 | 3,622,575 | 76,931,261 | 69,927,425 | 3,493,161 | 73,420,586 |
| Investment in Portfolio Advisors Private Equity Fund VI, VII, VIII, and IX, L.P. | 41,259,394 | 2,038,848 | 43,298,242 | 25,745,883 | 1,286,112 | 27,031,995 |
| Investment in Heitman Real Estate Trust | 51,431,027 | 2,541,483 | 53,972,510 | 41,900,793 | 2,093,116 | 43,993,909 |
| Investment in Standard Life Investments | 28,449,133 | 1,405,824 | 29,854,957 | 24,235,275 | 1,210,651 | 25,445,926 |
| Investment in Newton Investment Management | 29,323,790 | 1,449,046 | 30,772,836 | 24,492,897 | 1,223,521 | 25,716,418 |
| Investment in Pantheon Access Luxembourg | 5,396,843 | 266,687 | 5,663,530 | 1,778,437 | 88,841 | 1,867,278 |
| Total alternative investments | <u>229,168,873</u> | <u>11,324,463</u> | <u>240,493,336</u> | <u>188,080,710</u> | <u>9,395,402</u> | <u>197,476,112</u> |
| Total investments | <u>601,426,881</u> | <u>29,158,788</u> | <u>630,585,669</u> | <u>502,721,346</u> | <u>24,631,321</u> | <u>527,352,667</u> |
| Total assets | <u>605,377,949</u> | <u>29,914,968</u> | <u>635,292,917</u> | <u>514,187,393</u> | <u>25,685,767</u> | <u>539,873,160</u> |
| Liabilities | | | | | | |
| Accrued expenses | 342,058 | 16,903 | 358,961 | 267,086 | 13,342 | 280,428 |
| Total Net Position Restricted for Pensions | <u>\$ 605,035,891</u> | <u>\$ 29,898,065</u> | <u>\$ 634,933,956</u> | <u>\$ 513,920,307</u> | <u>\$ 25,672,425</u> | <u>\$ 539,592,732</u> |

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| | 2021 | | | 2020 | | |
|--|----------------|---------------|----------------|----------------|---------------|----------------|
| | Pension | Match Savings | Total | Pension | Match Savings | Total |
| Additions | | | | | | |
| Contributions | | | | | | |
| Plan members | \$ 10,877,323 | \$ - | \$ 10,877,323 | \$ 9,750,999 | \$ - | \$ 9,750,999 |
| Employer | 21,734,000 | 2,176,665 | 23,910,665 | 21,502,000 | 1,969,826 | 23,471,826 |
| Total contributions | 32,611,323 | 2,176,665 | 34,787,988 | 31,252,999 | 1,969,826 | 33,222,825 |
| Investment Income | | | | | | |
| Interest income | 12,636 | 624 | 13,260 | 42,208 | 2,108 | 44,316 |
| Dividend income | 7,058,004 | 348,774 | 7,406,778 | 5,695,639 | 284,520 | 5,980,159 |
| Net appreciation in fair value of investments | 79,768,209 | 4,007,834 | 83,776,043 | 65,518,365 | 3,396,738 | 68,915,103 |
| Investment expenses | (1,748,506) | (86,403) | (1,834,909) | (1,156,393) | (57,767) | (1,214,160) |
| Net investment income | 85,090,343 | 4,270,829 | 89,361,172 | 70,099,819 | 3,625,599 | 73,725,418 |
| Total additions | 117,701,666 | 6,447,494 | 124,149,160 | 101,352,818 | 5,595,425 | 106,948,243 |
| Deductions | | | | | | |
| Benefits paid to plan members | 26,270,796 | 2,221,854 | 28,492,650 | 23,681,205 | 2,024,434 | 25,705,639 |
| Administrative expenses | 315,286 | - | 315,286 | 314,703 | - | 314,703 |
| Total deductions | 26,586,082 | 2,221,854 | 28,807,936 | 23,995,908 | 2,024,434 | 26,020,342 |
| Net Increase in Net Position | 91,115,584 | 4,225,640 | 95,341,224 | 77,356,910 | 3,570,991 | 80,927,901 |
| Net Position Restricted for Pensions, Beginning of Year | 513,920,307 | 25,672,425 | 539,592,732 | 436,563,397 | 22,101,434 | 458,664,831 |
| Net Position Restricted for Pensions, End of Year | \$ 605,035,891 | \$ 29,898,065 | \$ 634,933,956 | \$ 513,920,307 | \$ 25,672,425 | \$ 539,592,732 |

Required Supplementary Information

University Health System Pension Plan
(A Component Unit of University Health System)
Schedule of Changes in Net Pension Liability and Related Ratios

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | | | | | | |
| Service cost | \$ 23,182,647 | \$ 21,569,585 | \$ 21,644,692 | \$ 20,698,260 | \$ 19,603,948 | \$ 19,175,228 | \$ 17,036,363 | \$ 16,627,359 |
| Interest | 44,540,796 | 41,534,047 | 37,599,681 | 35,195,065 | 33,127,594 | 29,286,293 | 28,861,682 | 26,614,953 |
| Effect of economic/demographic gains or losses | 5,231,904 | 3,505,950 | (659,022) | (1,304,127) | (6,090,546) | (4,243,338) | 748,736 | - |
| Changes of assumptions | (3,297,497) | - | 20,879,114 | - | - | 26,890,274 | - | - |
| Benefit payments, including refunds of employee contributions | (26,586,082) | (23,995,908) | (22,399,355) | (20,009,001) | (16,451,193) | (16,864,728) | (13,638,851) | (13,749,013) |
| Net Change in Total Pension Liability | 43,071,768 | 42,613,674 | 57,065,110 | 34,580,197 | 30,189,803 | 54,243,729 | 33,007,930 | 29,493,299 |
| Total Pension Liability - Beginning | 626,182,651 | 583,568,977 | 526,503,867 | 491,923,670 | 461,733,867 | 407,490,138 | 374,482,208 | 344,988,909 |
| Total Pension Liability - Ending (a) | \$ 669,254,419 | \$ 626,182,651 | \$ 583,568,977 | \$ 526,503,867 | \$ 491,923,670 | \$ 461,733,867 | \$ 407,490,138 | \$ 374,482,208 |
| Plan Fiduciary Net Position | | | | | | | | |
| Contributions - employer | \$ 21,734,000 | \$ 21,502,000 | \$ 23,431,000 | \$ 24,110,000 | \$ 24,296,000 | \$ 17,891,000 | \$ 16,903,000 | \$ 16,297,000 |
| Contributions - employee | 10,877,323 | 9,750,999 | 8,795,716 | 8,045,526 | 7,325,068 | 6,588,545 | 6,723,876 | 5,742,038 |
| Net investment income | 85,090,343 | 70,099,819 | 65,939,213 | (15,129,290) | 53,558,684 | 19,943,600 | 1,370,527 | 12,564,297 |
| Benefit payments, including refunds of employee contributions | (26,586,082) | (23,995,908) | (22,399,355) | (20,009,001) | (16,451,193) | (16,864,728) | (13,638,851) | (13,749,013) |
| Net Change in Plan Fiduciary Net Position | 91,115,584 | 77,356,910 | 75,766,574 | (2,982,765) | 68,728,559 | 27,558,417 | 11,358,552 | 20,854,322 |
| Plan Fiduciary Net Position - Beginning | 513,920,307 | 436,563,397 | 360,796,823 | 363,779,588 | 295,051,029 | 267,492,612 | 256,134,060 | 235,279,738 |
| Plan Fiduciary Net Position - Ending (b) | \$ 605,035,891 | \$ 513,920,307 | \$ 436,563,397 | \$ 360,796,823 | \$ 363,779,588 | \$ 295,051,029 | \$ 267,492,612 | \$ 256,134,060 |
| Net Pension Liability - Ending (a) - (b) | \$ 64,218,528 | \$ 112,262,344 | \$ 147,005,580 | \$ 165,707,044 | \$ 128,144,082 | \$ 166,682,838 | \$ 139,997,526 | \$ 118,348,148 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 90.4% | 82.1% | 74.8% | 68.5% | 74.0% | 63.9% | 65.6% | 68.4% |
| Covered Payroll | \$ 443,686,078 | \$ 410,769,235 | \$ 380,744,589 | \$ 354,486,512 | \$ 331,014,376 | \$ 307,617,260 | \$ 280,165,000 | \$ 254,100,410 |
| Plan's Net Pension Liability as a Percentage of Covered Payroll | 14.5% | 27.3% | 38.6% | 46.7% | 38.7% | 54.2% | 50.0% | 46.6% |

Note: This schedule is presented to illustrate the requirement to show 10 years of information. However, until a full 10-year trend is compiled, years for which the information is available will be presented.

University Health System Pension Plan
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Schedule of Pension Contributions

| Date | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|-----------------|---|--|--|-----------------|--|
| January 1, 2021 | \$ 21,734,000 | \$ 21,734,000 | \$ - | \$ 443,686,078 | 4.9% |
| January 1, 2020 | \$ 21,502,000 | \$ 21,502,000 | \$ - | \$ 410,769,235 | 5.2% |
| January 1, 2019 | \$ 20,431,000 | \$ 23,431,000 | \$ (3,000,000) | \$ 380,744,589 | 6.2% |
| January 1, 2018 | \$ 21,110,000 | \$ 24,110,000 | \$ (3,000,000) | \$ 354,486,512 | 6.8% |
| January 1, 2017 | \$ 21,296,000 | \$ 24,296,000 | \$ (3,000,000) | \$ 331,014,376 | 7.3% |
| January 1, 2016 | \$ 17,891,000 | \$ 17,891,000 | \$ - | \$ 307,617,260 | 5.8% |
| January 1, 2015 | \$ 17,697,000 | \$ 16,903,000 | \$ 794,000 | \$ 280,165,100 | 6.0% |
| January 1, 2014 | \$ 16,297,000 | \$ 16,826,504 | \$ (529,504) | \$ 254,100,410 | 6.6% |

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------------|--|
| Actuarial cost method: | Entry age normal cost |
| Amortization method: | Closed |
| Remaining amortization period: | 23 |
| Asset valuation method: | 5-year smoothed market |
| Inflation: | 3.3% |
| Salary increases: | 4.3% (based on service, includes wage inflation at 3.25%) |
| Investment rate of return: | 7.0%, net of pension plan investment expense, including inflation |
| Retirement age: | Based on age, ranging from age 55 to age 70, with 100% retirement at age 70. Higher rates apply when eligible for Rule of 85 prior to age 65. |
| Mortality - Active Lives: | PubG-2010 Sex Distinct Employee; projected with Generational Mortality (Scale MP-2020) |
| Mortality - Retired Lives: | PubG-2010 Sex Distinct Healthy Retiree; projected with Generational Mortality (Scale MP-2020) |
| Mortality - Contingent Survivor: | PubG-2010 Sex Distinct Survivor; projected with Generational Mortality (Scale MP-2020) |
| Other information: | Plan is frozen to new participants effective June 30, 2012 |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for those years for which information is available.

University Health System Pension Plan

(A Component Unit of University Health System)

Schedule of Investment Returns

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------|-------|-------|-------|-------|------|-------|-------|
| Annual money-weighted rate of return, net of investment expense | 14.7% | 14.3% | 15.7% | -5.6% | 16.9% | 6.4% | -2.9% | 17.2% |

Note: This schedule is presented to illustrate the requirement to show 10 years of information. However, until a full 10-year trend is compiled, years for which the information is available will be presented.