

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

FINANCIAL STATEMENTS

For The Years Ended December 31, 2017 and 2016

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FINANCIAL STATEMENTS

For The Years Ended December 31, 2017 and 2016

TABLE OF CONTENTS

	Page No.
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-5
Financial Statements	
Statements of Fiduciary Net Position	6
Statements of Changes in Fiduciary Net Position	7
Notes to Financial Statements	8-23
Required Supplementary Information	
Schedule of Employer Contributions	24
Schedule of Investment Returns	25
Schedule of Changes in Net Pension Liability and Related Ratios	26
Notes to Required Supplementary Information	27

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the University Health System Pension Plan (the Plan), a component unit of the University Health System, which comprise the statements of fiduciary net position as of December 31, 2017 and 2016, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements 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 Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Plan management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2017 and 2016, 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.

Emphasis of Matter

Alternative Investment Valuation

As explained in note IIC and III in the notes to financial statements, the financial statements include alternative investments valued at \$88,289,923 (23% of total investments) as of December 31, 2017 and \$59,331,211 (19% of total investments) at December 31, 2016, whose fair values have been estimated by the Plan using the net asset value (NAV) per share, in the absence of readily available and determinable fair values. The NAV per share measurement is based upon the net position value of the Plan's investment in the alternative investment as determined by the alternative investment's fund managers or general partners, which could differ materially from a readily available and determinable fair value. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, be presented to supplement the Plan's basic financial statements. Such information, although not part of the Plan's 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 Plan's 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 Plan's financial statements, and other knowledge we obtained during our audit of the Plan's 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.



May 1, 2018

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)

Management's Discussion and Analysis

The University Health System Pension Plan (the Plan) offers readers this narrative overview and analysis of its financial performance during the fiscal years ended December 31, 2017 and 2016. Readers are encouraged to consider the information presented here in conjunction with the Plan's financial statements, which follow this section.

Financial Highlights

- Net position held in trust by the Plan totaled \$382,699,991 and \$312,610,522 at December 31, 2017 and 2016, respectively. The Plan's net position increased by \$70,089,469 in 2017 compared to an increase of \$30,128,723 in 2016. 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 Plan experienced a \$7,251,376 increase in contributions in 2017 compared to the contributions made in 2016, which represents a 28% increase. Contributions made in 2016 totaled \$25,877,735, which was an increase of \$920,682 which represents a 4% increase compared to the contributions made in 2015.
- The Plan experienced a decrease of \$240,987 or 1%, in benefit payments in 2017 compared to 2016, and in 2016, it experienced a \$3,258,436 or 22%, increase from the benefit payments in 2015.

Overview of the Financial Statements

The Plan's financial statements are comprised of two components: 1) the financial statements and 2) the notes to the financial statements.

The financial statements are designed to give the reader an overview of the Plan's finances with an emphasis on the Plan's net position available for payment of pension benefits and the changes in the net position for the period reported.

The Statements of Fiduciary Net Position present information on all of the Plan's assets and liabilities with the difference reported as net position restricted for pension benefits. This statement provides a snapshot of account balances at the end of the fiscal year and reports the assets available for future payments of benefits and expenses. These assets, less liabilities, give the reader a clear picture of the amount of funds that are available for future payments.

The Statements of Changes in Fiduciary Net Position present information showing how the Plan's net position changed during the fiscal year. This statement identifies to the reader the source and values of the current year's additions to and deductions from the Plan.

The notes to the financial statements provide additional information that is essential for a full understanding of the data presented in the Plan's financial statements.

Other Information

In addition to the financial statement components described above, the Plan also presents certain required supplementary information concerning the Schedule of Employer Contributions, Schedule of Investment Returns, Schedule of Changes in Net Pension Liability and Related Ratios, and Notes to Required Supplementary Information. The information, although not part of the Plan's financial statements, is required by the Governmental Accounting Standards (GASB) as required supplementary information.

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)

Management's Discussion and Analysis

Financial Analysis

Assets and Liabilities

The assets of the Plan are predominately cash, money market mutual funds, common stocks, and investments in limited liability partnerships. The majority of the investments are held by the custodian bank and reported at fair value. Assets increased as of December 31, 2017 by \$70,123,729 due to contributions and the rise in fair value of the Plan's investments. Liabilities of the Plan are comprised of accounts payable and accrued expenses. Liabilities of the Plan total only \$248,310 at December 31, 2017, which is an increase of \$34,260 or 16% compared to the balance at December 31, 2016 due to the timing of investment advisor fees.

Below is the condensed statement of fiduciary net position as of December 31, 2017, 2016, and 2015:

Condensed Statement of Fiduciary Net Position

	Years Ended December 31,		
	2017	2016	2015
Cash Equivalents	\$ 2,369,950	\$ 3,627,533	\$ 1,353,755
Receivables	385,193	1,067,230	366,274
Investments	380,193,158	308,129,809	280,981,441
Total Assets	\$ 382,948,301	\$ 312,824,572	\$ 282,701,470
Accounts Payable and Accrued Expenses	\$ 248,310	\$ 214,050	\$ 219,671
Total Liabilities	248,310	214,050	219,671
 Net Position			
Restricted for Defined Benefit Plan	363,779,588	295,051,029	267,492,612
Restricted for Match Savings Plan	18,920,403	17,559,493	14,989,187
Total Net Position	\$ 382,699,991	\$ 312,610,522	\$ 282,481,799

Additions and Deductions

The additions to the Plan are comprised of contributions and investment returns. The contributions increased in 2017 by \$7,251,376 and in 2016 by \$920,682, in line with expected increases. The Plan's net investment income increased \$32,458,045 in 2017 and decreased \$20,875,138 in 2016, which reflects the market conditions during each year.

The primary deductions from the Plan are for benefits paid to the Plan's participants and their beneficiaries. The total benefit payments decreased by \$240,987 in 2017 and increased by \$3,258,436 in 2016. The administrative expenses are consistent with prior years and represent less than 2% of the total deductions for the years ended December 2017 and 2016.

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)

Management's Discussion and Analysis

Below is the condensed statement of changes in fiduciary net position for the years ended December 31, 2017, 2016, and 2015.

Condensed Statement of Changes in Fiduciary Net Position

	Years Ended December 31,		
	2017	2016	2015
Employer Contributions	\$ 25,804,043	\$ 19,289,190	\$ 18,233,177
Plan Member Contributions	7,325,068	6,588,545	6,723,876
Net Investment Income/(Loss)	54,996,513	22,538,468	1,663,330
Total Additions	88,125,624	48,416,203	26,620,383
Benefits Paid	17,799,076	18,040,063	14,781,627
Administrative Expenses	237,079	247,417	218,514
Total Deductions	18,036,155	18,287,480	15,000,141
Net Increase in Net Position	70,089,469	30,128,723	11,620,242
Net Position-Restricted for Pension Benefits – Beginning of Year	312,610,522	282,481,799	270,861,557
Net Position Restricted for Pension Benefits – End of Year	\$ 382,699,991	\$ 312,610,522	\$ 282,481,799

Other Matters

The Plan is a single employer defined benefit pension plan which covers substantially all full-time and part-time employees of its sponsor, the System, and provides for pension and death benefits. 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 actuarially determined annual required contributions of the System for fiscal years ended December 31, 2017, 2016 and 2015 were \$21,296,000, \$17,891,000, and \$16,903,000, respectively. Participants in the Plan contribute 2%, or 3%, depending on their date of hire, of gross pay upon achievement of eligibility and thereafter until the time of retirement or separation from employment with the System. In fiscal year 2017, the System contributed an additional \$3,000,000 to the Plan, for a total of \$24,296,000 in employer contributions.

Contact Information

This financial report is designed to provide our citizens, customer, investors and creditors with a general overview of the Plan's finances and to show the Plan's accountability and financial fiduciary for the contributions it receives. If you have any questions about this report or need additional financial information, contact the Plan's office at 4502 Medical Drive, San Antonio, Texas 78229.

FINANCIAL STATEMENTS

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

STATEMENTS OF FIDUCIARY NET POSITION

	December 31,	
	2017	2016
Assets:		
Cash and Cash Equivalents	\$ 2,369,950	\$ 3,627,533
Receivables:		
Transfer Receivable	-	727,422
Accrued Income	20,182	18,558
Accrued Employer Contributions	365,011	321,250
Total Receivables	385,193	1,067,230
Investments:		
Common Stocks	41,772,825	32,986,441
Mutual Fund - Common Stocks	77,345,101	60,363,477
Mutual Fund - Fixed Income Securities	71,719,516	80,593,536
Pooled International Equity Fund	101,065,793	74,855,144
Total Marketable Securities	291,903,235	248,798,598
Alternative Investments:		
Investment in Portfolio Advisors Private Equity Fund VI, VII, and VIII, L.P.	20,679,884	20,123,759
Investment in Crestline Offshore Fund, Ltd.	228,557	901,974
Investment in Private Advisors Stable Value ERISA Fund, LTD	1,603,872	5,033,988
Investment in Heitman Real Estate Trust	35,235,023	33,271,490
Investment in Standard Life Investments	15,325,437	-
Investment in Newton Investment Management	15,217,150	-
Total Alternative Investments	88,289,923	59,331,211
Total Investments	380,193,158	308,129,809
Total Assets	\$ 382,948,301	\$ 312,824,572
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 248,310	\$ 214,050
Net Position:		
Restricted for Defined Benefit Plan	363,779,588	295,051,029
Restricted for Match Savings Plan	18,920,403	17,559,493
Total Net Position	\$ 382,699,991	\$ 312,610,522

See accompanying notes to financial statements

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

STATEMENTS OF CHANGES IN PLAN NET POSITION

For the Years Ended December 31,

	December 31,	
	2017	2016
Additions:		
Contributions:		
Plan Member	\$ 7,325,068	\$ 6,588,545
Employer	25,804,043	19,289,190
Total Contributions	33,129,111	25,877,735
Investment Income:		
Interest	78,606	48,102
Dividends	5,309,267	5,274,677
Net Appreciation/(Depreciation) in Fair Value of Investments	50,475,061	17,885,256
Total Investment Income	55,862,934	23,208,035
Less Investment Expenses	(866,421)	(669,567)
Net Investment Income	54,996,513	22,538,468
Total Additions	88,125,624	48,416,203
Deductions:		
Benefit Payments	17,799,076	18,040,063
Administrative Expenses:		
Actuary	115,770	131,788
Custodian	99,859	90,009
Insurance	1,000	10,720
Audit	20,450	14,900
Total Deductions	18,036,155	18,287,480
Net Increase in Plan Net Position	70,089,469	30,128,723
Net Position-Restricted for Pension Benefits - Beginning of Year	312,610,522	282,481,799
Net Position-Restricted for Pension Benefits - End of Year	\$ 382,699,991	\$ 312,610,522

See accompanying notes to financial statements

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

I. DESCRIPTION OF PLAN

A. General

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, approved by the System's Board of Managers, consisting of seven to nine individuals. Two Trustees are appointed from System Administrative Staff, two Trustees are appointed from the System Board of Managers and three to five Trustees are appointed from Bexar County residents. Plan membership consisted of the following:

	January 1,	
	2017	2016
Inactive Participants:		
Retirees and beneficiaries currently receiving benefits	1,031	935
Terminated employees entitled to, but not yet receiving benefits	1,523	1,474
Total Inactive Participants	2,554	2,409
Active Participants		
Fully vested	3,330	3,286
Non-vested	2,534	2,181
Total Active Participants	5,864	5,467
Total Participants	8,418	7,876

B. 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.

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

I. DESCRIPTION OF PLAN (Continued)

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.

The actuarially determined annual required contributions of the System for fiscal years ended December 31, 2017 and 2016 were \$21,296,000 and \$17,891,000, respectively, which were paid or accrued by the end of the respective fiscal year end. In fiscal year 2017, the System contributed an additional \$3,000,000 to the Plan, for a total of \$24,296,000 in employer contributions.

The following table reflects the contributions made by the System (Employer) to the pension and 457 plans:

	December 31,	
	2017	2016
Pension Plan Matching Contributions	\$ 24,296,000	\$ 17,891,000
457 Plan Matching Contributions	1,508,043	1,398,190
Total Employer Contributions	\$ 25,804,043	\$ 19,289,190

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

I. DESCRIPTION OF PLAN (Continued)

The schedule of employer contributions, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information about the actuarially determined annual required contributions of the System.

Additional information as of the latest actuarial valuation follows:

Actuarial Methods and Assumptions	
Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage, closed
Remaining Amortization Period	27 years (28 years – 2016)
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions	
Investment Rate of Return	7 % per year, compounded annually
Projected Salary Increases	5.4%, based on service; includes wage inflation at 3.50%
Payroll Growth/Inflation Rate	3.5% per year, compounded annually; 3.5% wage inflation composed of 3% price inflation plus .5% assumed productivity increase

C. 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.

D. 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.

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

I. DESCRIPTION OF PLAN (Continued)

E. 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 1/2 % 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.

F. Plan Amendments

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

On June 11, 2012, the Plan was amended to indicate that employees hired by the System after June 30, 2012 shall not be 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.

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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 (GASB). The Plan's financial statements are prepared using the accrual basis of accounting. With the accrual basis of accounting, the Plan's contributions are recognized as revenues in the period in which they are withheld; and, expenses are recognized as incurred.

B. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require the Plan to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

C. Valuation of Investments

The Plan's investments are stated at fair values and, accordingly, unrealized appreciation and depreciation are reported in the statement of changes in net position. The fair value of money market funds is considered to be the same as the cost of these investments due to their nature. The fair values of U.S. government securities, corporate bonds, and common stocks are based on quoted market prices.

Shares of mutual funds and pooled funds are reported based on net asset values at year end.

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.

All investment income, including changes in the fair value of investments, is reported as additions in the statement of changes in plan net position.

Purchases and sales of investments are recorded on a trade date basis and, accordingly, the related receivable and payable for any unsettled trades are recorded.

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

III. CASH AND INVESTMENTS

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 2017.

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 has also invested in Portfolio Advisors Private Equity Fund VI, Fund VII and Fund VIII (Offshore), LP., a limited partnership organized under the laws of the Cayman Islands. "The Partnership will invest in the following private equity industry sectors: Buyout, Venture Capital, and Special Situations (each a "Sector," and collectively, the "Sectors"). The Plan selected to invest based on the model portfolio of 40% Diversified Buyout, 20% Venture Capital and 40% Diversified Special Situations. The Plan's allocable portion of the Partnership's net assets was \$20,679,884 and \$20,123,759 at December 31, 2017 and 2016 respectively.

The Plan invested in Heitman American Real Estate Trust, L.P., a Delaware limited partnership (HART) organized as a perpetual-life, open-ended commingled fund that invests in real estate assets. The Plan's allocable portion of these net assets was \$35,235,023 and \$33,271,490 at December 31, 2017 and 2016, respectively.

The Plan also invested in two hedge funds of funds: Crestline Offshore Fund, Ltd. (Crestline) and Private Advisors Stable Value ERISA Fund, Ltd. (Private Advisors). Crestline is an exempted company incorporated under the laws of the Cayman Islands. Crestline allocates assets among a select group of portfolio managers utilizing strategies which seek returns that are not correlated, or are hedged, with respect to major fixed income and equity markets. The Plan's allocable portion of Crestline net assets was \$228,557 and \$901,974 at December 31, 2017 and 2016, respectively. Private Advisors is an exempted company incorporated under the laws of the Cayman Islands. Private Advisors also places capital with a variety of experienced portfolio managers who employ a variety of trading styles or strategies where returns are not necessarily correlated to traditional stock and bond indices. The Plan's allocable portion of Private Advisors net assets was \$1,603,872 and \$5,033,988 at December 31, 2017 and 2016, respectively.

The Plan invested in two new funds in the current year: Standard Life Investments Global Absolute Return Strategies Offshore Feeder Fund Ltd., which invests in the Master Fund; and, Newton Global Real Return Fund, which invests in a diversified group of equities, bonds, cash, as well as other assets. The value of the Standard Life Investments at December 31, 2017 was \$15,325,437; and, the value of the Newton Global Fund at December 31, 2017 was \$15,217,150.

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

III. CASH AND INVESTMENTS (Continued)

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

	December 31,	
	2017	2016
Mutual Funds – Common Stocks	\$ 12,578,025	\$ 5,378,183
Common Stocks	8,884,015	2,918,095
Fixed Income Securities	1,457,309	1,870,038
Pooled International Equity Fund	22,860,491	3,848,209
Portfolio Advisors Private Equity Fund VI and VII, L.P.	3,138,074	1,314,038
Crestline Offshore Fund, Ltd	349,041	(174,204)
Private Advisors Stable Value ERISA Fund, Ltd	(251,939)	186,108
Heitman Real Estate Trust	917,548	2,544,789
Standard Life Investments	325,437	-
Newton Global Investments	217,060	-
Net Appreciation / (Depreciation)	<u>\$ 50,475,061</u>	<u>\$ 17,885,256</u>

The Plan may invest in equity securities, securities convertible to equity and fixed income securities which are readily marketable and diversified by issuer, industry and sector. 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. The Plan uses a target asset allocation model of 53% equity and 20% fixed income, 10% real estate, 10% absolute return/hedge fund and 7% private equity.

The long-term expected rate of return on pension plan investments of 7.0% for December 31, 2017 and 2016, was determined using an economic simulation method in which best-estimates ranges of expected future rates of return (expected returns, net of pension plan investment expense) are developed for each major asset class. These ranges are combined using simulations that also coherently link the expected returns of each asset class to ensure that there is economic consistency between the various asset classes in each individual trial to produce the long-term expected rate of returns. These returns are then weighted by the target asset allocation percentage. Rates include expected inflation of 3% for 2017 and 2016, and are net of investment expenses. Best estimate of geometric rates of return for each major asset class as of January 1, 2017 and January 1, 2016 are summarized in the table below for both years.

Asset Class	December 31,			
	2017		2016	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	29%	4.60%	29%	4.60%
International Equity	24%	4.50%	24%	4.50%
Fixed Income	20%	0.75%	20%	0.75%
Real Estate	10%	3.50%	10%	3.50%
Private Equity	7%	5.10%	7%	5.10%
Absolute Return/Hedge Fund	10%	2.80%	10%	2.80%
	<u>100%</u>		<u>100%</u>	

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

III. CASH AND INVESTMENTS (Continued)

The Plan's investments, with the exception of alternative investments, are held in trust and managed through the use of independent investment managers with oversight by independent investment consultants. Investment managers may include mutual funds, index funds, commingled or pooled investments and limited partnerships. The Board of Directors has established investment guidelines and bench marks for the investment consultant to use in evaluating and reporting on investment manager performance.

The following table reflects the fair value of investments by type:

Description	Asset Class	December 31,	
		2017	2016
Mutual Funds – Common Stocks	Domestic Equity	\$ 77,345,101	\$ 60,363,477
Common Stocks	Domestic Equity	41,772,825	32,986,441
Pooled International Equity Fund	International Equity	101,065,793	74,855,144
Mutual Fund – Fixed Income Securities	Fixed Income	71,719,516	80,593,536
Alternative Investments:			
Portfolio Advisors Private Equity Fund, VI, VII, and VIII, L.P.	Private Equity	20,679,884	20,123,759
Crestline Offshore Fund, Ltd.	Hedge Fund	228,557	901,974
Private Advisors Stable Value ERISA Fund, Ltd.	Hedge Fund	1,603,872	5,033,988
Heitman Real Estate Trust	Real Estate	35,235,023	33,271,490
Standard Life Investments	Absolute Return	15,325,437	-
Newton Global Investments	Absolute Return	15,217,150	-
Total Investments, at Fair Value		<u>\$ 380,193,158</u>	<u>\$ 308,129,809</u>

Asset Class	December 31,		Target Allocation	Actual Allocation	
	2017	2016	December 31,	December 31,	December 31,
			2017 & 2016	2017	2016
Domestic Equity	\$ 119,117,926	\$ 93,349,918	29%	31%	30%
International Equity	101,065,793	74,855,144	24%	27%	24%
Fixed Income	71,719,516	86,593,536	20%	19%	26%
Real Estate	35,235,023	33,271,490	10%	9%	11%
Absolute Return/Hedge Fund	32,375,016	5,935,962	10%	9%	2%
Private Equity	20,679,884	20,123,759	7%	5%	7%
	<u>\$ 380,193,158</u>	<u>\$ 308,129,809</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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 19% to 29%. At December 31, 2017 and 2016, 27% and 24%, respectively, of the Plan's investments were in two pooled international equity funds (Fund). The Plan is subject to currency risk as currency exposures are unhedged. As international currencies gain or lose value in relation to the U.S. 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
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

III. CASH AND INVESTMENTS (Continued)

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

Currency	December 31,			
	2017		2016	
	Carrying Amount / Fair Value	Allocation	Carrying Amount / Fair Value	Allocation
Pooled International Equity Fund:				
Argentina (ARS)	\$ 77,855	0.08%	\$ 14,008	0.02%
Australia (AUD)	2,627,870	2.60%	2,143,092	2.86%
Brazil (BRL)	2,054,060	2.03%	1,850,203	2.47%
Canada (CAD)	1,475,616	1.46%	1,752,809	2.34%
Chile (CLP)	39,175	0.04%	21	-
China (CNY)	2,537,532	2.51%	1,798,961	2.40%
Czech Republic	82,107	0.08%	70,648	0.09%
Denmark (DKK)	1,178,555	1.17%	669,734	0.89%
Euro (EUR)	22,183,780	21.95%	16,954,852	22.67%
Hong Kong (HKD)	1,378,137	1.36%	998,850	1.33%
Hungary (HUF)	18	-	18,561	0.05%
Indonesia (IDR)	52,427	0.05%	137,703	0.18%
Israel (ILS)	174,957	0.17%	(94,089)	-0.13%
Japan (JPY)	20,695,177	20.48%	11,568,011	15.45%
Korea (KRW)	3,866,423	3.83%	1,934,012	2.58%
Malaysia	-	-	59	-
Mexico (MXN)	665,484	0.66%	466,878	0.62%
New Zealand (NZD)	8,220	0.01%	1,466,846	1.96%
Nigeria (NGN)	279	-	47	-
Norway (NOK)	621,047	0.61%	141,140	0.19%
Pakistan (PLN)	-	-	22,422	0.03%
Peru	-	-	53,249	0.07%
Poland (PLN)	206,151	0.20%	156,525	0.20%
Russia (RUB)	2,777,513	2.75%	1,026,585	1.37%
Saudi Arabia (SAR)	79,738	0.08%	-	-
Singapore (SGD)	1,078,665	1.07%	304,331	0.41%
South Africa (ZAR)	2,962,630	2.93%	1,621,072	2.17%
Sweden (SEK)	3,273,404	3.24%	1,713,001	2.29%
Switzerland (CHF)	5,274,630	5.22%	3,077,874	4.11%
Taiwan (TWD)	1,936,698	1.92%	1,607,140	2.15%
Thailand	151,718	0.15%	239,768	0.32%
Turkey (TRY)	920,079	0.91%	73,667	0.10%
United Arab Emirates (AED)	99	-	43,518	0.06%
United Kingdom (GBP)	8,177,967	8.09%	8,778,640	11.73%
United States (USD)	14,584,584	14.43%	14,235,006	19.02%
Unassigned	(76,802)	(0.08%)	-	-
	<u>\$ 101,065,793</u>	<u>100.0%</u>	<u>\$ 74,855,144</u>	<u>100%</u>

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

III. CASH AND INVESTMENTS (Continued)

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 investment in Wells Fargo Advantage Treasury Plus Money Market Fund is \$2,369,950, and \$3,627,533, at December 31, 2017 and 2016, with a weighted average maturity of 7 days.

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 two fixed income mutual funds, Dodge Cox Income Fund and Loomis Core Plus, with values of \$35,809,834 and \$35,909,682, respectively at December 31, 2017 and values of \$40,618,426 and \$39,975,110, as of December 31, 2016. As of December 31, 2017, the Dodge Cox Income Fund and Loomis Core Plus carried a weighted average maturity of 4.2 years and 6.1 years, respectively, and 4.2 years and 6.2 years, respectively, as of December 31, 2016.

The Plan’s investments in the fixed income mutual bond funds are not rated by a nationally recognized statistical ranking organization.

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, 2017 and 2016, the Plan’s money market funds in the amount of \$2,369,950 and \$3,627,533 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.

Concentration Risk – Concentration risk is the exposure to loss that can result from failing to diversify investments. Accordingly, a government should disclose investments that represent 5% or more of its total investments that are invested in a single issuer. Concentration risk does not arise in connection with U.S. government obligations and obligations explicitly guaranteed by the U.S. government; mutual funds; and, similar pooled investments which are designed, in part, to provide diversification.

The Plan’s alternative investments are managed through independent investment managers organized as limited partnerships. The limited partnerships invest in diversified portfolios of investments within market sectors. Investments that represent 5% or more of the Plan’s total investments are as follows:

	December 31, 2017		December 31, 2016	
	Totals	% of Total Investments	Totals	% of Total Investments
Portfolio Advisors Private Equity Fund VI, VII, and VIII, L.P.	\$ 20,679,884	5%	\$ 20,123,759	7%
Heitman Real Estate Trust	\$ 35,235,023	9%	\$ 33,271,490	11%

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

III. CASH AND INVESTMENTS (Continued)

The Plan's money weighted rates of return for its investments for the years ended December 31, 2017 and 2016 were 16.9% and 7.2%, respectively. The returns are net of investment expenses and adjusted for the changing amounts actually invested.

The Plan is required to disclose the fair value level of investments within the fair value hierarchy established by GASB Statement No.72.

At December 31, 2017, the Plan had the following recurring fair value measurements:

	December 31, 2017	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)
Investment by Fair Value				
Common Stocks	\$ 41,772,825	\$ 41,772,825	\$ -	\$ -
Mutual Fund - Common Stocks	77,345,101	77,345,101	-	-
Mutual Fund - Fixed Income Securities	71,719,516	71,719,516	-	-
Total Investments by Fair Value	\$ 190,837,442	\$ 190,837,442	\$ -	\$ -
Investment measured at the Net Asset Value (NAV)				
Pooled International Equity Funds	\$ 101,065,793			
Portfolio Advisors Private Equity	20,679,884			
Crestline Offshore Hedge Fund	228,557			
Private Advisors Stable Value	1,603,872			
Heitman Real Estate Trust	35,235,023			
Standard Life Investments	15,325,437			
Newton Global Investments	15,217,150			
Total Investments Measured at the NAV	\$ 189,355,716			
Total Investments	\$ 380,193,158			

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

III. CASH AND INVESTMENTS (Continued)

At December 31, 2016, the Plan had the following recurring fair value measurements:

	December 31, 2016	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)
Investment by Fair Value				
Common Stocks	\$ 32,986,441	\$ 32,968,441	\$ -	\$ -
Mutual Fund - Common Stocks	60,363,477	60,363,477	-	-
Mutual Fund - Fixed Income Securities	80,593,536	80,593,536	-	-
Total Investments by Fair Value	<u>\$ 173,943,454</u>	<u>\$ 173,943,454</u>	<u>\$ -</u>	<u>\$ -</u>
Investment measured at the net asset value (NAV)				
Pooled International Equity Funds	\$ 74,855,144			
Portfolio Advisors Private Equity	20,123,759			
Crestline Offshore Hedge Fund	901,974			
Private Advisors Stable Value	5,033,988			
Heitman Real Estate Trust	33,271,490			
Total Investments Measured at the NAV	<u>\$ 134,186,355</u>			
Total Investments	<u>\$ 308,129,809</u>			

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

III. CASH AND INVESTMENTS (Continued)

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table as of December 31, 2017:

			Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments measured at the Net Asset Value (NAV)					
Arrowstreet International Equity	\$	52,240,950	\$ N/A	Monthly	30 days
Harding Loevner International Equity		48,824,843	N/A	Daily	N/A
Portfolio Advisors Private Equity		20,679,884	13,948,188	N/A	N/A
Crestline Offshore Hedge fund		228,557	N/A	Monthly	95 days
Private Advisors Stable Value		1,603,872	N/A	N/A	N/A
Heitman Real Estate Trust		35,235,023	N/A	Quarterly	90 days
Standard Life Investments		15,325,437	N/A	Monthly	N/A
Newton Global Investments		15,217,150	N/A	Daily	3 days
	\$	<u>189,355,716</u>	\$ <u>13,948,188</u>		

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table as of December 31, 2016:

			Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments measured at the Net Asset Value (NAV)					
Arrowstreet International Equity	\$	37,459,052	\$ N/A	Monthly	30 days
Harding Loevner International Equity		37,396,092	N/A	Daily	N/A
Portfolio Advisors Private Equity		20,123,759	16,187,357	N/A	N/A
Crestline Offshore Hedge fund		901,974	N/A	Monthly	95 days
Private Advisors Stable Value		5,033,988	N/A	N/A	N/A
Heitman Real Estate Trust		35,271,490	N/A	Quarterly	90 days
	\$	<u>134,186,355</u>	\$ <u>16,187,357</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.

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

III. CASH AND INVESTMENTS (Continued)

Harding Loevner international equity fund invests in a portfolio of international equities based on the managers evaluation of growth potential compared to their growth criteria by sector and region. The fair value of the investments in this asset have been determined using the NAV per share (or its equivalent) based on the market value of securities held.

Portfolio Advisors Private Equity Funds VI, VII and VIII are private equity investments, with 40% in the Buyout sector, 20% in the Venture Capital sector and 40% in the Special Situations sector. 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 fair valued at their net asset value as reported by their underlying investment manager.

Crestline Offshore Hedge Fund is a “fund of funds” manager who allocates or reallocates capital to the investment discretion of portfolio managers by investing in the underlying private funds they manage. The fair value of the investments in this asset have been determined using the NAV per share (or its equivalent) based on the NAV of each manager.

Private Advisors Stable Value Hedge Fund is a “fund of funds” manager investing with hedge funds and other experienced portfolio managers or otherwise utilizes the services of investment advisors or other investment managers employing a variety of trading styles or strategies, including, but not limited to, direct lending, convertible arbitrage, merger or risk arbitrage and other event-driven investing, distressed and long/short credit, long/short equity, multi-strategy and other relative value strategies. The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors. The fair value of the investments in this asset have been determined using valuation processes and procedures developed by a Private Advisor designated valuation committee to ensure valuation techniques are fair, consistent and verifiable.

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.

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

IV. NET PENSION LIABILITY

The components of the net pension liability for the Plan as of December 31, 2017 were as follows:

	2017	2016
Total Pension Liability	\$ 491,923,670	\$ 461,733,867
Plan Fiduciary Net Position	363,779,588	295,051,029
Net Pension Liability	\$ 128,144,082	\$ 166,682,838
Plan fiduciary net position as a percentage of the total pension liability	74.0%	63.9%

Healthy mortality rates were based on the sex-distinct RP 2000 Combined Health, no Collar Adjustment Mortality Table, with rates projected using Scale AA on a generational basis, with separate tables for males and females.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an experience study for the period January 1, 2011 to January 1, 2017.

Discount Rate

The blended discount rate used to measure the total pension liability is 7.0% and 7.5% for 2017 and 2016, respectively. The projection of cash flows used to determine the discount rate assumed employer contributions will continue to be made at 6.69% and 6.41% for 2017 and 2016 of payroll and employee contributions will continue to be made at 2.00% of the compensation from plan members (3.0% for cash balance participants.) Based on these assumptions, the 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 Fund's 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 Fund, calculated using the discount rate of 7.0% and 7.5% for 2017 and 2016, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0% and 6.5%) or one percentage point higher (8.0% and 8.5%) than the current rate:

	2017		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 186,401,039	\$ 128,144,082	\$ 73,105,190

	2016		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 225,323,039	\$ 166,682,838	\$ 114,650,716

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

V. NET POSITION HELD IN TRUST

The System deposits amounts to the Plan to fund a Defined Benefit Plan and a Match Savings Plan. Amounts held in trust to satisfy employer obligations are as follows:

	December 31,	
	2017	2016
Net Position Held in Trust for:		
Defined Benefit Plan	\$ 363,779,588	\$ 295,051,029
Match Savings Plan	18,920,403	17,559,493
Total	\$ 382,699,991	\$ 312,610,522

VI. CAPITAL COMMITMENTS

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

Following are the changes in capital commitments:

	December 31,	
	2017	2016
Commitment Balance – Beginning	\$ 16,187,357	\$ 16,934,047
Add: Amount Committed in Current Year	-	-
Less: Amount Called in Current Year	(2,239,169)	(746,690)
Commitment Balance – Ending	\$ 13,948,188	\$ 16,187,357

VII. FEDERAL INCOME TAX STATUS

The Plan was determined to be qualified 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 that it continues to qualify and operate as designed.

VIII. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of changes in fiduciary net position.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumption in the near term would be material to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Unaudited)

Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
January 1, 2017	\$21,296,000	\$ 24,296,000	\$ (3,000,000)	\$ 331,014,376	7.34%
January 1, 2016	\$17,891,000	\$ 17,891,000	\$ -	\$ 307,617,260	5.82%
January 1, 2015	\$17,697,000	\$ 16,903,000	\$ 794,000	\$ 280,165,100	6.03%
January 1, 2014	\$16,297,000	\$ 16,826,504	\$ (529,504)	\$ 254,100,410	6.62%

Note: GASB statement No. 67 was adopted in fiscal year 2014. Additional years will be presented as the information becomes available.

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

SCHEDULE OF INVESTMENT RETURNS

(Unaudited)

Annual Money-Weighted Rate of Return
Net of Investment Expense

Years Ended December 31,	
2017	16.9%
2016	7.2%
2015	0.3%
2014	5.2%

Note: GASB statement No. 67 was adopted in fiscal year 2014. Additional years will be presented as the information becomes available.

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(Unaudited)

	Years Ended December 31,	
	2017	2016
Total Pension Liability		
Service Cost	\$ 19,603,948	\$ 19,175,228
Interest	33,127,594	29,286,293
Demographic (Gain/Loss)	(6,090,546)	(4,243,338)
Assumption Changes	-	26,890,274
Benefit Payments Including Refunds of Employee Contributions	(16,451,193)	(16,864,728)
Net Plan Change in Total Pension Liability	30,189,803	54,243,729
Total Pension Liability – Beginning	461,733,867	407,490,138
Total Pension Liability – Ending (a)	491,923,670	461,733,867
Plan Fiduciary Net Position		
Contributions – Employer	24,296,000	17,891,000
Contributions – Employee	7,325,068	6,588,545
Net Investment Income	53,558,684	19,943,600
Benefit Payments Including Refunds of Employee Contributions	(16,451,193)	(16,864,728)
Net Change in Plan Fiduciary Net Position	68,728,559	27,558,417
Plan Fiduciary Net Position – Beginning	295,051,029	267,492,612
Plan Fiduciary net Position – Ending (b)	363,779,588	295,051,029
Net Pension Liability – Ending (a) – (b)	\$ 128,144,082	\$ 166,682,838
Plan Fiduciary Net Position		
as a Percentage of the Total Pension Liability	74.0%	63.9%
Covered Employee Payroll	\$ 331,014,376	\$ 307,617,260
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	38.7%	54.2%

Note: GASB statement No. 67 was adopted in fiscal year 2014. Additional years will be presented as the information becomes available.

UNIVERSITY HEALTH SYSTEM PENSION PLAN
(A Component Unit of the University Health System)
San Antonio, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

Valuation Date	Actuarially determined contribution is calculated using a January valuation date as of the beginning of the prior fiscal year in which contributions are reported
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, assuming payroll increases 3.5% per year, closed
Remaining amortization period	27 years remaining as of January 1, 2017 (28 years – 2016)
Asset valuation method	Five-year smoothed market value based on expected return of 7.0%
Actuarial assumptions:	
Investment rate of return	7.0%, including inflation, net of pension plan investment expense
Projected salary increases	Annual rates based on service: 5.4% (based on service; includes wage inflation at 3.50%)
Payroll growth/inflation rate	3.50% per year, compounded annually (3.50% wage inflation composed of 3.0% price inflation plus 0.5% assumed productivity increase)
Retirement rates	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:	
Healthy	RP-2000 Combined Healthy with no Collar adjustment projected using Scale AA on a generational basis (males, females)
Other Information:	See Actuarial Experience Study dated January 1, 2017