



**AGENDA
REGULAR MEETING
FREEPORT EMPLOYEE BENEFIT TRUST
MONDAY, AUGUST 1, 2022 at 6:00 P.M.**

Chairman:
Brooks Bass

Trustees:
Jeff Pena
Jerry Cain
Mario Muraira
Troy Brimage

City Manager:
Timothy Kelty

THE EMPLOYEE BENEFIT TRUST OF THE CITY OF FREEPORT, TEXAS, WILL MEET ON MONDAY, THE 1st DAY OF AUGUST 2022, AT 6:00 P.M., AT THE FREEPORT POLICE DEPARTMENT, MUNICIPAL COURT ROOM, 430 NORTH BRAZOSPORT BOULEVARD, FREEPORT TEXAS FOR THE FOLLOWING PURPOSES:

This meeting will be live streamed via Facebook Live and may be accessed on the City of Freeport Facebook page: <https://www.facebook.com/freeporttexas>

CONSENT AGENDA: Consent Agenda items are considered to be routine in nature and may be acted upon in one motion. Any item requiring additional discussion may be withdrawn from the Consent Agenda by the Chairman or a Trustee, and acted upon separately.

1. Annual review and adoption of an Investment Policy and a list of qualified brokers that are authorized to engage in investment transactions with the City of Freeport Employee Benefit Trust. **(Ezell)**
2. Designating and Authorizing the Annual Auditors for the City of Freeport to conduct an audit for the City of Freeport Employee Benefit Trust at such time as the audit for the City of Freeport is Conducted. **(Ezell)**
3. Consideration and possible action on the approval of the Freeport Employee Benefit Trust meeting minutes from August 16, 2021. **(Wells)**

TRUST BUSINESS – REGULAR SESSION:

4. Consider and Approve Renewal Proposals for employee medical insurance, dental insurance, life and disability insurance, vision insurance, and HRA, HSA, and FSA Administration. **(Ezell)**

ADJOURNMENT:

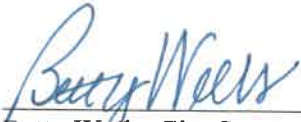
5. Adjourn.

Items not necessarily discussed in the order they appear on the agenda. The Trust at its discretion may take action on any or all of the items as listed. This notice is posted pursuant to the Texas Open Meeting Act. (Chapter 551, Government Code).

The Trust reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed above, as authorized by Texas Government Code Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices) and 551.087 (Economic Development).

ACCESSIBILITY STATEMENT This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Secretary's Office at (979) 233-3526.

CERTIFICATE I certify the foregoing notice was posted in the official glass case at the rear door of the City Hall, with 24 hours a day public access, 200 West 2nd Street, Freeport Texas, before 6:00 p.m. in accordance with Open Meetings Act.



Betty Wells, City Secretary
City of Freeport, Texas



Employee Benefit Trust Agenda Item # 1

Title: Annual review and adoption of an Investment Policy and a list of qualified brokers that are authorized to engage in investment transactions with the City of Freeport Employee Benefit Trust.

Date: August 1, 2022

From: Cathy Ezell, Finance Director

Staff Recommendation:

Staff recommends adopting the City's Investment Policy which is in accordance with Chapter 2256, Public Funds Investment, of the Texas Government Code.

Item Summary:

Per the Declaration of Trust, the Trustees shall adopt an investment policy for its own use and that of its agents making investments. Staff recommends adopting the same policy as the City.

Background Information:

In accordance with Chapter 2256, the investment policies must: be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include:

- A. a list of the types of authorized investments in which the investing entity's funds may be invested;
- B. the maximum allowable stated maturity of any individual investment owned by the entity;
- C. for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;
- D. methods to monitor the market price of investments acquired with public funds;
- E. a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and
- F. procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

Special Considerations: N/A

Financial Impact: N/A

Board or 3rd Party recommendation: N/A

Supporting Documentation: City's Investment Policy



City of Freeport, Texas Investment Policy

Revised
September 7, 2021

City Freeport Investment Policy

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I. Policy

It is the policy of the City Freeport (the “City”) to administer and invest its funds in a manner that will preserve the principal and maintain the liquidity while meeting the daily cash flow requirements of the City. The City will conform to all federal, state and local statutes, rules and regulations governing the investment of the City’s funds.

Not less than annually, City Council shall adopt a written instrument by resolution stating that it has reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to the Investment Policy or investment strategies.

II. Purpose

The purpose of this policy is to provide direction for investing the funds of the City of Freeport and to comply with Chapter 2256 of the Texas Government Code (“Public Funds Investment Act”), which requires each entity to adopt a written investment policy regarding the investment of its funds and any funds under its control. The investment policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the City’s funds.

III. Scope

This investment policy applies to the safekeeping and investing of all financial assets of the City. These funds are accounted for in the City’s Annual Financial Report and include all financial assets of all funds managed by the City, including but not limited to tax revenues, charges for services, bond proceeds, interest income, loans and funds received by the City where the City performs a custodial function. However, this policy does not apply to the assets administered for the benefit of the City by outside agencies under deferred compensation programs or other retirement programs.

IV. General Objectives

The primary objectives, in priority order, of the City’s investment activities shall be safety, liquidity, and yield:

A. **Safety** – Safety of the principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to minimize credit risk and interest rate risk.

i. **Credit Risk and Concentration of Credit Risk** – The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, and concentration of credit risk, the

risk of loss attributed to the magnitude of investment in a single issuer, by:

- Limiting investments to the safest types of securities,
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business, and;
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

ii. **Interest Rate Risk** – The City will manage the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity,
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools, and;
- Diversify maturities and stagger purchase dates to minimize the impact of market movements over time.

B. **Liquidity** – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, a portion of the portfolio will be invested in money market mutual funds or local government investment pools that offer same-day liquidity for short-term funds. Additionally, securities held in the portfolio will have active secondary or resale markets.

C. **Public Trust** – All participants in the City’s investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the City’s ability to govern effectively.

D. **Yield** – The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is restricted to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

E. Investments held to Maturity - Securities shall not be sold prior to maturity with the following exceptions:

- 1) A security with declining credit may be sold early to minimize loss of principal.
- 2) Liquidity needs of the portfolio require that the security be sold.

City Council will be informed promptly in the event that a security is sold prior to maturity.

V. Standards of Care

F. Prudence – The standard of prudence to be used by investing officials shall be the "prudent person" rule. This rule states that "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The determination of whether an investing official has exercised prudence with respect to an investment decision shall be applied in the context of managing an overall portfolio rather than a consideration as to the prudence of a single investment.

Investment officials acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control unfavorable developments.

G. Ethics and Conflicts of Interest – Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City any material interests in financial institutions that conduct business with the City. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. (See Exhibit B.)

Furthermore, an investment official who has a personal business relationship with an organization seeking to sell an investment to the City shall file a statement disclosing that personal business interest. An investment official who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required

under this subsection must be filed with the Texas Ethics Commission and the City Council.

- H. **Delegation of Authority** – Authority to manage the City's investment program is granted to the Investment Officer (s) as listed in Exhibit A. Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with established procedures and internal controls for the operation of the investment program consistent with this investment policy. This policy includes explicit delegation of authority to persons responsible for investment transactions. (See Exhibit A) No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate activities of subordinate officials.
- I. **Training** – Investment officials must complete at least 10 hours of investment training within 12 months of taking office or assuming duties and shall attend an investment training session not less than once in a two-year period and receive not less than 8 hours of instruction relating to investment responsibilities. The City shall provide the training through courses and seminars offered by professional organizations and associations to insure the quality and capability of the City's investment personnel making investment decisions in compliance with Public Funds Investment Act (PFIA). Professional organizations and associations that may provide investment training included the Government Treasurer's Organization of Texas, the University of North Texas, the Government Finance Officers Association of Texas, or the Texas Municipal League.
- J. **Internal Controls** – The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (a) the cost of a control should not exceed the benefits likely to be derived and (b) the valuation of costs and benefits requires estimates and judgments by management.

VI. Safekeeping and Custody

- A. **Authorized Broker/Dealers and Financial Institutions** – The Investment Officer will maintain a list of financial institutions and security broker/dealers authorized to provide investment services (Exhibit C) to the City. This list shall be reviewed, revised as necessary and adopted at least annually.

Any person or business entity wishing to be listed as authorized to provide investment services will be required to provide a certification stating the firm has received, read and understood the Entity's investment policy and agree to comply with the policy (Exhibit D). Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule), and qualified depositories. All investment providers, including financial institutions, banks, money market mutual funds, and local government investment pools, must sign a certification acknowledging that the organization has received and reviewed the Entity's investment policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the Entity's policy. No security, even if otherwise authorized by this policy, may be acquired from an investment provider who has not complied with this requirement.

No securities may be acquired from entities not qualified under this section.

- B. Competitive Purchasing** – The City's policy requires competitive quotes for all individual security purchases and sales except for a) transactions with money market mutual funds and local government investment pools; b) treasury and agency securities purchased at issue through an approved broker/dealer or financial institution; and c) exceptions approved by the Investment Officer on a case by case basis. These exceptions will take into consideration the investment type, maturity date, amount to be invested, and disruption to the City's investment strategy.

Quotes may be accepted orally, in writing, electronically or in any combination of these methods.

- C. Delivery vs. Payment** – All trades apart from investment pools and mutual funds will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities and collateral will be held in the City's name by a third-party custodian as evidenced by safekeeping receipts of the institution with which the securities are deposited.

VII. Suitable and Authorized Investments

- A. Eligible Investments** – Assets of the City may be invested in the following instruments described below. All these investments are authorized by the Public Funds Investment Act. Only those instruments listed in this section are authorized.

1. Obligations of the United States of America, its agencies and instrumentalities
 2. Certificates of Deposit issued by a depository institution that has its main office or a branch in Texas. The certificate of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor and secured by obligations in a manner and amount as provided by law. In addition, certificates of deposit obtained through a depository institution which are fully collateralized under a pledge agreement approved by the City are authorized investments.
 3. No-load Money Market Mutual Funds that 1) are registered and regulated by the Securities and Exchange Commission, 2) have a dollar weighted average stated maturity of 90 days or less, 3) seek to maintain a net asset value of \$1.00 per share and 4) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.
 4. Local Government Investment Pools, authorized by a separate resolution, which meet the requirements of Chapter 2256.016 of the Public Funds Investment Act and are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.
- B. Collateralization** - Collateralization will be required on all funds on deposit with a depository bank, other than investments. To anticipate market changes and provide a level of security for all funds, the collateralization level will be one hundred two percent (102%) of market value of principal and accrued interest on the deposits, less an amount insured by the FDIC.

Securities pledged as collateral will be held in the City's name by an independent third party with whom the City has a current custodial agreement. The Investment Officer is responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relation to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. Collateral shall be reviewed at least quarterly to assure that the market value of the pledged securities is adequate.

- C. Existing Investments** - Any investment currently held that does not meet the guidelines of this policy, but were authorized investments at the time of purchase, is not required to be liquidated; however, the City

shall take all prudent measures consistent with this Investment Policy to liquidate an investment that does not or no longer qualifies as an authorized investment.

VIII. Investment Parameters

- D. Diversification** – The investments shall be diversified by security type and institution. Except for U.S. Treasury securities and authorized pools, the City will diversify the entire portfolio to comply with the investment strategy; however, in no case shall any single investment transaction be more than five-percent (5%) of the entire portfolio.
- E. Maximum Maturities** – To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three (3) years from the date of purchase. The composite portfolio will have a weighted average maturity of 365 days or less. This dollar weighted average maturity will be calculated using the stated final maturity dates of each security.

IX. Investment Strategies

The City maintains separate portfolios for individual funds or groups of funds that are managed according to the terms of this Policy and the corresponding investment strategies listed in Exhibit E. The investment strategy for portfolios established after the annual Investment Policy review and adoption will be managed in accordance with the terms of this Policy and applicable agreements until the next annual review when a specific strategy will be adopted.

The City maintains a pooled fund group that is an aggregation of the majority of City funds including tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, and grants. This portfolio is maintained to meet anticipated daily cash needs for City operations, capital projects and debt service.

The objectives of this portfolio are to ensure safety of principal; ensure adequate investment liquidity; limit market and credit risk through diversification; and attain the best feasible yield in accordance with the objectives and restrictions set for in this Policy.

X. Reporting

- F. Methods** – The Investment Officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and

transactions made over the last quarter. This management summary will be prepared in a manner consistent with the requirements of Section 2256.023 (Internal Management Reports) of the PFIA, and that will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the City Council.

- G. **Annual Audit** - The City's external independent auditor shall formally review the quarterly reports, compliance with this policy, and internal management controls over investments in conjunction with the annual financial audit. The results of the review will be reported to the City Council.
- H. **Performance Standards** - The investment portfolio shall be managed in accordance with the objectives specified in this policy (safety, liquidity, and yield). The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The Investment Officer shall determine whether market yields are being achieved by comparing the portfolio market yield to the three (3) month U.S. Treasury Bill, the six (6) month U.S. Treasury Bill and the two (2) year U.S. Treasury Note.
- I. **Marking to Market** - The market value of the portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least quarterly. The market value of each investment shall be obtained from an independent source such as the Wall Street Journal, a reputable brokerage firm or security pricing service and reported on the investment reports.

XI. Record Retention

Records related to the City's investment activities will be maintained as recommended by the *Texas State Library Municipal Records Manual*. The Investment Officer, in conjunction with the City Secretary is responsible for filing and storing records of investment activity.

Exhibits

EXHIBIT A

List of Authorized Investment Officers

City of Freeport City Manager

City of Freeport Finance Director

City of Freeport Financial Analyst

EXHIBIT B

Statement of Ethics and Conflicts of Interest

Investment officials for the City Freeport shall refrain from personal business relationships with business organizations that could conflict with the proper execution of the investment program, or which could impair their ability to make partial investment decisions. This would only apply to personal business relationships with business organizations that have been approved by City Council to conduct investment transactions with the City.

An investment official is considered to have a personal business relationship with a business organization if:

- (1) The investment official owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business.
- (2) Funds received by the investment official from the business organization exceed 10 percent of the investment official's gross income for the previous year.
- (3) The investment official has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment official.

I do hereby certify that I do not have a personal business relationship with any business organization approved to conduct investment transactions with the City Freeport, nor am I related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the Freeport as of the date of this statement.

City of Freeport
Investment Official

Signature

Date

Printed Name

Title

EXHIBIT C

Approved Broker/Dealers, Financial Institutions and Investment Pools

Broker/Dealers

Financial Institutions

Texas Gulf Bank, N.A. (Primary Depository)

U.S. Bank, N.A.

Investment Pools

TexPool

EXHIBIT D

Certification by Broker/Dealers and Financial Institutions

(date)

City of Freeport, Texas
Attn: Finance
200 W. 2nd Street
Freeport, TX 77541

Dear Ms. Russell:

This certification is executed on behalf of the City of Freeport, Texas (the Investor) and _____ (the Business Organization), pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code, (the Act) in connection with investment transactions conducted between the Investor and Business Organization.

The undersigned Registered Principal of the Business Organization hereby certifies on behalf of the Business Organization that:

1. The undersigned is a Registered Principal of the Business Organization offering to enter an investment transaction with the Investor (Note: as such terms are used in the Public Funds Investment Act, chapter 2256, Texas Local Government Code) and;
2. The Registered Principal of the Business Organization has received and reviewed the Investment Policy furnished by the Investor and;
3. The Registered Principal of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Business Organization and the Investor that are not authorized by the Investor's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the investor's entire portfolio or requires and interpretation of the subjective investment standards.

Registered Principal

Broker Assigned to the Account

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

EXHIBIT E

Investment Strategy

The City of Freeport's investment portfolio will be designed and managed to ensure that it will meet all the requirements established by the City's investment policy and the Public Funds Investment Act. The overall investment strategy outlined in the investment policy has been further refined in this investment strategy statement by the following fund types.

Operating Funds:

Operating Funds generally have greater cash flow needs than other funds types. The operating fund portfolio may consist of any approved investment type with the understanding that the financial requirements of the operating funds will dictate the maturity dates of the investment. At utmost importance is the preservation and safety of the investment principal.

Additionally each investment will be viewed for its liquidity and marketability of the investment if the need arises to liquidate the investment before maturity. The final determining factors for the investment strategy will be the diversification of the investment portfolio and the yield of the investment.

To achieve short-term needs of one (1) to one hundred and eighty (180) days, funds will be invested in approved investment pools. For longer-term needs of six (6) months to five (5) years, funds will be invested in approved investments with objectives prioritized as follows:

- 1) understanding the suitability of the investment to the financial requirements of the City of Freeport;
- 2) preservation and safety of principal;
- 3) liquidity;
- 4) marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) diversification of the investment portfolio; and
- 6) yield.

Debt Service Funds:

The debt service requirements are semi-annual, thus allowing the investment strategy to mirror debt obligation payment dates. The strategy for debt service funds allows greater flexibility since the actual requirements are known into the future. Investments will still meet the adopted policies; however, planning maturity dates to match debt requirement dates will be the primary objective.

The investment instruments will be primarily in approved investment types with maturities at six or twelve months established to match debt requirement dates. Shorter-term investment may be used to meet these objectives and longer-term investments may be used when fund balance reserves exceed one year's debt service requirements.

To achieve this strategy the following objectives are prioritized to evaluate investment opportunities:

- 1) understanding the suitability of the investment to the financial requirements of the City Freeport;
- 2) preservation and safety of principal;
- 3) yield;
- 4) marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) diversification of the investment portfolio; and
- 6) liquidity.

Capital Improvement Funds:

Bond proceeds can be invested over the life of the project; however, the exact disbursement of the funds is not always known. The investment objective of the capital improvement funds is to schedule maturities to maximize investment earnings while preserving principle. The key to an effective strategy is to be aware of the project needs and match maturities to the period funds are needed.

The investment objective for capital projects funds is still to match investment maturities with funding needs. As short-term needs are recognized investment maturities will be moved into approved investment pools to meet financial requirements. Longer-term needs will be invested with the following objectives as prioritized for capital improvement funds:

- 1) understanding the suitability of the investment to the financial requirements of the City of Freeport;
- 2) preservation and safety of principal;
- 3) diversification of the investment portfolio;
- 4) yield;
- 5) liquidity; and
- 6) marketability of the investment if the need arises to liquidate the investment before maturity.

Reserve Funds:

Certain reserve funds have been established as required by bond covenants. The investment objective is to invest reserve funds to the extent that maturities are established to the limit of the investment policy or to the end of the bond requirements whichever is shorter.

The overall investment strategy for reserve funds will not rely on investment pools; however, the use of pools is not prohibited. Longer-term investment objectives are prioritized as follows:

- 1) understanding the suitability of the investment to the financial requirements of the City of Freeport;
- 2) diversification of the investment portfolio;
- 3) preservation and safety of principal;
- 4) yield;
- 5) liquidity; and
- 6) marketability of the investment if the need arises to liquidate the investment before maturity.



Employee Benefit Trust Agenda Item # 2

Title: Designating and Authorizing the Annual Auditors for the City of Freeport to conduct an audit for the City of Freeport Employee Benefit Trust at such time as the audit for the City of Freeport is Conducted.

Date: August 1, 2022

From: Cathy Ezell, Finance Director

Staff Recommendation:

Staff recommends that the Employee Benefit Trust designate and authorize the annual auditors for the City of Freeport, Whitley Penn LLP, to conduct an audit for the City of Freeport Benefit Trust at such time as the audit for the City of Freeport is conducted.

Item Summary:

Per the Declaration of Trust, the Trustees shall arrange for an annual audit of the Trust's financial affairs by a certified public accountant.

Background Information:

Whitley Penn LLP is the City of Freeport's current auditors and therefore is recommended for the Employee Benefit Trust.

Special Considerations: N/A

Financial Impact: N/A

Board or 3rd Party recommendation: N/A

Supporting Documentation: N/A

State of Texas

County of Brazoria

City of Freeport

BE IT REMEMBERED, that the Freeport Employee Benefit Trust, Texas met on Monday, August 16, 2021 at 6:00 p.m. at the Freeport Police Department, Municipal Court Room, 430 North Brazosport Boulevard, Freeport Texas for the purpose of considering the following agenda items:

City Council: Mayor Brooks Bass
Councilman Jerry Cain: Absent
Councilman Jeff Pena
Councilwoman Mario Muraira: Via Teleconference
Councilman Troy Brimage

Staff: Tim Kelty, City Manager
Betty Wells, City Secretary
Laura Tolar, Asst. City Secretary/Special Projects Coordinator Via Tele
Chris Duncan, City Attorney
Chris Motley, Fire Chief
Cathy Ezell, Finance Director
LeAnn Strahan, Freeport Destination Director
Lance Petty, Freeport Public Works Director
Clarisa Molina, Administrator Assistant
Giselle Hernandez, Financial Analyst
Henry Rivas, Interim Building Official
Jessie Dyson, Freeport Fire/EMS
Kris Vierra, Freeport Fire/EMS
Abdiell Martinez, Freeport Fire/EMS
Parker Jones, Freeport Fire/EMS
Blaine Redwine, Freeport Fire/EMS
Ray Garivey, Freeport Police Chief

Visitors: Melanie Oldham
Sandra Barnett
Tommy Pearson
Landis Adams
Jerry Meeks
John Hatmaker
Manning Rollerson
Kenny Hayes
Pam Dancy
Gina Adams
Brian Bruce
Sabrina Brimage

Visitors Via Teleconference
Nicole Mireles
Vander Williams
Paul Crow
Lila Diehl

Call to order.

Mayor Bass called the Employee Benefit Trust meeting to order at 6:00 P.M.

INVOCATION AND PLEDGE OF ALLEGIANCE:

Invocation was led by City Manager Tim Kelty, Pledge was led by Councilman Brimage.

Ms. Ezell explained the purpose of the Employee Benefit Trust is to ensure that the premium that we pay is not taxed. She said that this allows us to benefit from the tax free on our insurance premiums.

CONSENT AGENDA

Annual review and adoption of an Investment Policy and a list of qualified brokers that are authorized to engage in investment transactions with the City of Freeport Employee Benefit Trust.

Designating and Authorizing the Annual Auditors for the City of Freeport to conduct an audit for the City of Freeport Employee Benefit Trust at such time as the audit for the City of Freeport is Conducted.

Consideration and possible action on the approval of the Freeport Employee Benefit Trust meeting minutes from August 3, 2020.

On a motion by Councilman Brimage, seconded by Councilman Pena, with all present voting "Aye" 4-0 Council unanimously approved the consent agenda.

TRUST BUSINESS - REGULAR SESSION

Consideration and possible action approving the Amendment to the Employee Benefit Trust, Declaration of Trust.

City Manager Tim Kelty presented to council the Amendment to the Employee Benefit Trust, Declaration of Trust. Mr. Kelty said that this declaration will remove qualified retirees. Councilman Brimage asked if this is for all current employees, or for new employees? Mr. Kelty said it is for all previous and current employees. Councilman Brimage said that he does not agree with removing the qualified employees that have put in years of service, and then take this benefit away from them.

Mayor Bass tabled this item after a lengthy discussion by council.

Consideration and possible action recommending the approval of Ordinance No. 2021-2635 amending the offering of health benefits coverage to City of Freeport Retirees.

This item was tabled by Mayor Bass.

Consider and Approve Renewal Proposals for employee medical insurance, dental insurance, life and disability insurance, vision insurance, and HRA, HSA, and FSA Administration.

Finance Director, Cathy Ezell presented to council Renewal Proposals for employee medical insurance, dental insurance, life and disability insurance, vision insurance, and HRA, HSA, and FSA Administration. She said that the city went out for bids, and we received one bid from Cigna for the medical insurance. She said that staff recommends acceptance of medical insurance renewal from Cigna.

On a motion by Councilman Pena to approve Alternate 2, seconded by Councilman Brimage, with all present voting "Aye", 4-0 Council unanimously approved the Proposals for employee medical insurance, dental insurance, life and disability insurance, vision insurance, and HRA, HSA, and FSA Administration.

Adjourn

On a motion by Councilman Brimage, seconded by Councilman Pena, with all present voting "Aye", 4-0 Mayor Bass adjourned the meeting at 6:43 P.M.

Mayor Brooks Bass,
City of Freeport, Texas

City Secretary, Betty Wells
City of Freeport, Texas



Employee Benefit Trust Agenda Item # 4

Title: Consider and Approve proposals for employee medical insurance, dental insurance, life and disability insurance, vision insurance, and HRA, HSA, and FSA Administration

Date: August 1, 2022

From: Cathy Ezell, Finance Director

Staff Recommendation:

Staff recommends acceptance of the employee medical insurance renewal proposal from Cigna, changing dental insurance carriers back to Cigna, and renewing all other coverages with the City's current carriers. Also, staff recommends the introduction of three (3) Employee-paid Voluntary Employee Benefit programs offered by Cigna (Accident Injury, Critical Illness, and Hospital Indemnity Insurance).

Item Summary:

Medical Insurance Renewal:

The City issued a Request for Proposal (RFP) for Medical Insurance to compare other alternatives vs. Cigna. The City received three (3) declines from Blue Cross/Blue Shield, United HealthCare, and Aetna. The primary reason for the declines were due to the current risk (large claims), network adequacies, pricing compared to current, or a combination of these factors. Over the last 12 months, the City has had 20 unique claimants that were paid that are over \$15,000. Large claims represent approximately 56% of total costs when compared to the group overall (the typical percentage is 40%). Lastly, the claims vs premium loss ratio has been 112% for the City for the last 3 years. An ideal percentage to receive a competitive renewal is 85%.

Cigna did respond to the RFP. A renewal rate of +5% was secured following negotiations with Cigna.

The City will also introduce three (3) employee-paid Voluntary Plans through Cigna (Accident Injury, Critical Illness, and Hospital Indemnity Insurance).

The Cigna renewal and Plan Designs for the next plan year are not materially changing when compared to the current plans. Employees will see no material changes to the plan designs or networks vs. what they have today. Moreover, the City will continue to promote to our employees the need to focus on and promote the Preventive Benefits of the plans to get ahead of future risks which may adversely impact claim experience.

Dental Insurance:

The City received a bid from Cigna, and their offer was more competitive than the current vendor, Standard. Cigna will duplicate the current plan design and offer improved network access for our employees. The premium costs are roughly -11% when compared to current Standard premiums. Also, the rates provided by Cigna will be guaranteed for two years.

Vision Renewal

VSP is the current carrier for the City's vision insurance. VSP offered to renew the City's current vision coverage at slight decrease in rate.

Life, AD&D, Long-term Disability, and Voluntary Term Life Renewal:

One America rates are renewing as is with no rate increase.

Background Information:

The City has gone out for bids for medical insurance coverage the past two years. The City has seen an increase in the number of large claims over the past year as indicated above. This increase in claims has driven up the cost of medical insurance, but we have taken measures to decrease these costs through competitive bidding and vendor negotiations. Additionally, the City will offer three employee-paid Voluntary Plans through Cigna (Accident Injury, Critical Illness, and Hospital Indemnity Insurance). The City is also planning a city-wide employee health screening.

Special Considerations

The City is doing everything it can to mitigate in the increased costs of health insurance claims including bringing forth plan alternatives and coverage changes, and the focus on Wellness and Prevention which will positively impact our risk.

Financial Impact:

Adopting these changes will increase the City's costs for health insurance costs slightly vs typical inflation which have been included in the proposed budget presented that will be presented to City Council.

Board or 3rd Party recommendation:

All proposals were reviewed and compared in detail by our benefits administration team at Holmes Murphy Public Entity Consulting Team, along with Finance Director, Cathy Ezell, City Manager, Tim Kelty, and Human Resources Specialist II, Donna Fisher.

Supporting Documentation:

City of Freeport Health Insurance Renewal 2022

2022 Dental Comparison for City of Freeport

Cigna Healthcare Financial Exhibit for:
City of Freeport
 Effective Date: October 01, 2022



Cigna PLAN OFFERED		
Product	Choice	
Plan Name	Plan 1	
Situs	TX	
Funding	Fully Insured	
Cigna RATES		
	Plan 1	
	#EE	Rates
Employee	95	\$25.32
Emp + Spouse	11	\$49.86
Emp + Child(ren)	11	\$68.85
Emp + Family	7	\$102.51
Monthly Billed Amount	124	\$4,428.78
Monthly Billed Amount Per Product	\$4,428.78	
Annual Billed Amount Per Product	\$53,145.36	
TOTAL EE's	124	
TOTAL Monthly Billed Amount	\$4,428.78	
TOTAL Annual Billed Amount	\$53,145.36	

The above DPPO rates are guaranteed for 2 years, valid for 10/01/2022 and 10/01/2023 effective dates

The quoted Dental rates are valid only when packaged and sold along side Cigna Medical and/or New York Life Group Insurance. If sold standalone, an increment of 3.99% would apply to the rates illustrated above.

If sold packaged with two or more Cigna Supplemental Health lines of coverage (A/C/I/H/C), an additional decrement of 1% would apply to the rates illustrated above. This quote assumes the proposed DPPO benefits will be administered on Dentacom.



Cigna HealthCare

Financial Proposal

for

City of Freeport

200 West 2nd Street

Freeport, TX 77541

SIC Code: 9111

Account Number: 0626721

Total Eligible Employees:	130	Participating Subscribers:	127
Employer Contributions - Employee:	100%	Employer Contributions - Dependent:	0%
Waiting Period:	FOMF 30		
Eligibility Definition:	Active Employees working 30 hrs		

Effective Date: October 01, 2022

Note: The Quoted rates are subject to final Underwriting approval and, as noted below, are subject to change in the event of changes in benefits selected or changes in the risk factors upon which the Quoted Rates are based. In addition, state law may require regulatory approval of rates. If required regulatory approval has not been obtained on the proposed effective date, the healthplan shall use rates that are consistent with its then currently approved rating methodology and the quoted rates shall be effective immediately on the date for which they are approved for use. The Quoted Rates are guaranteed while the Group Service Agreement remains in effect until the next anniversary date, unless enrollment changes by 10% in which case Cigna HealthCare may change the Quoted Rate.

Date: July 22, 2022



Cigna Healthcare Financial Exhibit for:
City of Freeport
 Effective Date: October 01, 2022

Q1P4 As-is: +5% with integration, 4th wellness Climate PLAN OFFERED	HSA Open Access Plus HSA OAP Base Triple Option HSA Base (15015874) Included Excluded TX Fully Insured	HRA Open Access Plus HRA OAP Buy Up Triple Option HRA BuyUp (15015877) Included Excluded TX Fully Insured	HRA Open Access Plus HRA OAP Mid Triple Option HRA Mid (16015880) Included Excluded TX Fully Insured
Cigna MEDICAL BENEFITS*			
Collective Deductible	NO	NO	NO
Deductible/COB Max Accumulator	NO	NO	NO
Variable Coinsurance Applies	NO	NO	NO
Plan Deductible Order of Applicability	Plan Deductible, Benefit Copy, Coinsurance	Benefit Copy, Plan Deductible, Coinsurance	Benefit Copy, Plan Deductible, Coinsurance
In-Network:			
Office Copay - PCP	None	\$25	\$25
Office Copay - SPC	None	\$50	\$50
Deductible - Individual	\$3,500	\$3,500	\$2,000
Deductible - Family	\$7,000	\$7,000	\$4,000
Individual - In a Family Amount Deductible	\$3,500	\$5,000	\$2,000
Out-of-Pocket - Individual	\$7,000	\$5,000	\$7,000
Out-of-Pocket - Family	\$14,000	\$10,000	\$14,000
Out-of-Pocket - Family - Individual Amount	\$7,000	\$5,000	\$7,000
Out-of-Pocket Max Deductible	All Accumulates	Ded Accumulates	Ded Accumulates
Out-of-Pocket Max Copays	All Copays Accumulate	All Copays Accumulate	All Copays Accumulate
Coinsurance	70%	70%	70%
Adult Preventive Care Office Visit	100%, No Ded	100%, No Ded	100%, No Ded
Out of Network:			
Deductible - Individual	\$6,500	\$5,000	\$6,700
Deductible - Family	\$13,000	\$10,000	\$13,400
Individual - In a Family Amount Deductible	\$6,500	\$5,000	\$6,700
Out-of-Pocket - Individual	\$28,000	\$28,000	\$39,200
Out-of-Pocket - Family	\$56,000	\$56,000	\$78,400
Out-of-Pocket - Family - Individual Amount	\$28,000	\$28,000	\$39,200
Out-of-Pocket Max Deductibles	Ded Accumulates	Ded Accumulates	Ded Accumulates
Out-of-Pocket Max Copays	All Copays Accumulate	All Copays Accumulate	All Copays Accumulate
Coinsurance	50%	50%	50%
MRC Fee Schedule Percentage (Professional)	110%	110%	110%
MRC Fee Schedule Percentage (Facility/Ancillary)	110%	110%	110%
Pharmacy Benefits			
Formulary/PDL	Focused 90 - CVS Advantage	Focused 90 - CVS Advantage	Focused 90 - CVS Advantage
Retail Copay	NA	\$10/\$40/\$65	\$10/\$40/\$65
Retail Copay (90 Days)	30%/30%/30%/30%	NA	NA
Retail Coinsurance (90 Days)	NA	\$30/\$120/\$195	\$30/\$120/\$195
Home Delivery Drug Copay	30%/30%/30%	NA	NA
Home Delivery Drug Coinsurance	30%/30%/30%/30%	\$30/\$120/\$195	\$30/\$120/\$195
Deductible	Combined With Medical	None (\$0)	None (\$0)
Out-of-Pocket Max	Combined With Medical	Combined With Medical	Combined With Medical
Mental Health/ Substance Use Disorder (Yes/No)	Yes	Yes	Yes
Weldon Rider (Yes/No)	No	No	No
Employer Fund Contribution	NA	\$1,200	\$1,200
Fund Amount - Individual	NA	Same as Individual	Same as Individual
Fund Amount - Family	NA	Standard	Standard
Eligible Expenses	NA	Standard	Standard

*High level benefit summary. Please see your plan summary for a more detailed benefit description. If this process includes Cigna Care Network, the level of in-network benefits applicable may vary from what is shown above.



Cigna Healthcare Financial Exhibit for:
City of Freeport
 Effective Date: October 01, 2022

Q1P4 As-Is: +5% with Integration, \$4k wellness

Cigna PLAN OFFERED						
Plan Offering Plan Name Situs	HSA Open Access Plus HSA OAP Base Triple Option HSA Base TX					
	HSA OAP Base (TXOAPF, TXOAPH, TXOAPL, TXOAPM, TXOAPR)					
	Subscribers	Members	Current Rate	Renewal Rate	Monthly Billed Amount	Change
Employee	38		\$571.41	\$579.83	\$22,033.41	1.47%
Emp + Spouse	2		\$1,329.58	\$1,349.16	\$2,698.32	1.47%
Emp + Child(ren)	6		\$1,077.06	\$1,092.92	\$6,557.53	1.47%
Emp + Family	6		\$1,546.30	\$1,569.08	\$9,414.46	1.47%
Monthly Billed Amount	52	70			\$40,703.72	
Cigna PLAN OFFERED						
Plan Offering Plan Name Situs	HRA Open Access Plus HRA OAP Buy Up Triple Option HRA BuyUp TX					
	HRA OAP Buy Up (TXOAPF, TXOAPH, TXOAPL, TXOAPM, TXOAPR)					
	Subscribers	Members	Current Rate	Renewal Rate	Monthly Billed Amount	Change
Employee	36		\$787.84	\$848.11	\$30,531.80	7.65%
Emp + Spouse	0		\$1,821.48	\$1,960.82	\$0.00	7.65%
Emp + Child(ren)	4		\$1,477.19	\$1,590.19	\$6,360.77	7.65%
Emp + Family	0		\$2,116.93	\$2,278.88	\$0.00	7.65%
Monthly Billed Amount	40	54			\$36,892.57	
Cigna PLAN OFFERED						
Plan Offering Plan Name Situs	HRA Open Access Plus HRA OAP Mid Triple Option HRA Mid TX					
	HRA OAP Mid (TXOAPF, TXOAPH, TXOAPL, TXOAPM, TXOAPR)					
	Subscribers	Members	Current Rate	Renewal Rate	Monthly Billed Amount	Change
Employee	33		\$723.49	\$773.21	\$25,516.07	6.87%
Emp + Spouse	0		\$1,672.69	\$1,787.66	\$0.00	6.87%
Emp + Child(ren)	1		\$1,356.53	\$1,449.76	\$1,449.76	6.87%
Emp + Family	1		\$1,943.99	\$2,077.60	\$2,077.60	6.87%
Monthly Billed Amount	35	47			\$29,043.43	

Note: The fee associated with the administration of the HRA and/or HSA product is excluded from the Rates.

Above rates do not reflect employer liability for fund contributions

Included in the proposed Monthly Billed Amount is the Benefit Advisor Fee which is not part of the monthly premium.

Cigna Healthcare Financial Exhibit for:

City of Freeport

Effective Date: October 01, 2022



Program Administrative Fees

	<u>Fee Type</u>	<u>Enrollment</u>	<u>PEPM Fee</u>
HRA Open Access Plus	HRA Administrative Fee	40	\$4.50
HRA Open Access Plus	HRA Administrative Fee	35	\$4.50
FSA – Health Care & Dependent Care	Premium Contribution	40	\$2.80
FSA – Health Care & Dependent Care	Premium Contribution	35	\$2.80
FSA – Health Care & Dependent Care	Premium Contribution	52	\$2.80

Total Program Administrative Monthly Fees

\$693.10

For Cigna Healthcare HRA products, the Fees above include the Cigna Healthcare Administrative Fee plus any Additional Options selected.



PROPOSAL TERMS AND CONDITIONS for Proposal: Q1P4 Aa-4a: +5% with Inflation, \$4k Wellness

A. General Terms of this Proposal

Cligna HealthCare is pleased to present this Proposal for a Fully Insured Non-Participating group medical and pharmacy benefit plan (the "Plan") sponsored by City of Freeport. This proposal is valid for 90 days from its original date of release, 07/22/2022. Any revisions or updates to this proposal will not renew this valid benefits unless expressly communicated by Cligna HealthCare.

Proposal Caveats

Cligna HealthCare may revise or withdraw this Proposal if:

- 1 there is a change in the effective date of the quote.
- 2 the policy period length is different than 12 months.
- 3 the policy will not be issued in TX.
- 4 the Plan benefits are different than shown in the RFP or benefit modifications are requested.
- 5 there is a change in any law, regulation, or required assessment or tax that changes Cligna HealthCare's costs in offering the plan.
- 6 enrollment increases or decreases by 10% or more, by product or for the total account, from the enrollment assumptions used in establishing the rates, fees, funds and/or the credits set forth herein.
- 7 the final enrollment deviates from the quoted enrollment such that it results in a needed change in premium rates. Rates are based on final enrollment factors, including total number of enrollees, their age, sex, demographics, location and the distribution of enrollees by product or by customer tier.
- 8 enrollment in the Cligna HealthCare administered plan is less than 50% of the total eligible population identified as 130.
- 9 any of the Information upon which these rates or benefits were based (including Medical History Information) changes or is inaccurate.
- 10 it is not the exclusive provider of Medical / Pharmacy or like products for all of City of Freeport's employees in all specialties.
- 11 the employer contributes less than 80% toward the total cost of the coverage elected by each enrolled employee.
- 12 the employer changes its level of contribution toward the cost of the coverage.
- 13 either one or more of the quoted rates withdraws prior to the effective date or terminates during the contract term, or at anytime following enrollment.
- 14 the current waiting period is different than FQAF-30.
- 15 Federal, State or Local action impacts the benefit levels quoted herein or affects our ability to meet our obligations to you, to your covered employee/customer or to our contracted providers. By way of illustration, such legislation or executive actions which impose controls or requirements that affect our ability to determine rates, covered medical expenses or services/benefits; providers' delivery of care or the fees they charge; or our contracts with providers, may be deemed to so affect our contractual obligations. Should this happen, Cligna HealthCare will make a good faith effort to work to reach a new agreement that equitably reflects the circumstances as altered by government action.
- 16 there is any reimbursement arrangement ("cap" cards, etc.) that subsidizes or reduces the out-of-pocket obligation of covered persons under the policy.
- 17 benefit advisor fees/commissions are requested to be different than 5.00%.
- 18 Client confirmation of employee counts reveal the group to be a Small Employer as defined under the Patient Protection and Affordable Care Act, and accordingly Cligna HealthCare is not able to offer a PPACA compliant plan.

B. Scope and Assumptions of this Proposal

Unless otherwise indicated, the coverage reflected in this Proposal:

- 1 assumes that any insurance policy, certificate/booklet, or summary plan description material will be made available to the policyholder electronically.
- 2 supersedes and renders null and void any prior Cligna HealthCare offer or proposal with respect to the Plan.
- 3 for failure to comply with any other material plan provision relating to Employer contributions or group participation rules; or
- 4 includes Cligna's One Choice dental and customer assistance solution.
- 5 does not apply to part-time or seasonal employees or any plan.
- 6 Medicare eligible retirees are not included in this plan unless mandated by state statute.
- 7 includes Cligna's Network Savings Program (NSP) and other Cost Containment programs designed to contain costs with respect to charges for out-of-network health care services/supplies that are covered by the Plan and reduce the member's balance billing exposure. For administering these programs, Cligna retains a portion of the savings or revenues generated.
- 8 excludes charges for covering a qualified customer of a group plan to an individual plan.
- 9 limits the allowable amount used in calculating benefits for out-of-network health care services/supplies to a Maximum Reimbursable Charge equal to 110% of a fee schedule developed by Cligna based upon a methodology similar to that used by Medicare to determine the allowable fee for similar services in the geographic market, OR, where that fee schedule does not provide a value, the 80th percentile of the actual and customary charges made by providers of such service/supply or supply in the geographic area where the service/supply is received, determined by reference to a third-party data base.
- 10 assumes all employees are located in the network area, and that all employees are only eligible for the Cligna HealthCare or any other affiliated company product offerings specified.
- 11 requires you notify us within 30 days if any information set forth in this form changes at any time while coverage is provided to you by Cligna HealthCare.
- 12 may require regulatory approval of rates. If, as of their proposed effective date, regulatory approval is not obtained, the healthplan shall use rates consistent with its then currently approved rates and the foregoing rates shall be effective automatically. If a product is new and has never had approved rates, the effective date of coverage will be postponed until regulatory approval is received.
- 13 allows cancellations and conditions set forth in this document to survive execution of any final contract and/or issuance by Cligna HealthCare of any policy and/or Group Service Agreement.
- 14 assumes that Cligna HealthCare's standard insurance policy form approved for use in the applicable state by the state insurance regulator will be issued. Because the insurance policy and certificate terms require regulatory approval, there is very little flexibility to change the provisions. The provisions of the insurance policy and certificate will control in the event of a conflict with the terms of the request for proposal and the Proposal.
- 15 is a high-level summary of the proposed coverage. It does not identify all the categories of health care services that are covered or excluded.
- 16 may include state required contribution rates which will match the rates for the underlying plan. For Nebraska and New York, Over Age Dependents the rates will match the employee rate for the underlying plan.
- 17 includes charges made by either a specialty vendor or an affiliate, such as evoCare for care management programs to contain the cost of specific health care services/fees and/or improve adherence to evidence-based guidelines to promote patient safety and efficient care (i.e., charges for management of diagnostic oncology, radiation therapy, musculoskeletal procedures, medical oncology, gastroenterology, sleep management and home health/DMEPOS and appropriate setting of care/transition) when applicable, and medical necessity review (i.e. chiropractic services).
- 18 includes fixed charges for Embryo Benefit Protection™, a network solution for certain high-cost care therapy drugs arranged by evoCare.
- 19 Cligna HealthCare assumes that the group health plan or health insurance coverage to which this proposal applies will not be a "grandfathered health plan" under the Patient Protection and Affordable Care Act (the "Act") and that it will be subject to all requirements of the Act applicable to a group health plan or health insurance coverage unless otherwise specified in writing.
- 20 includes applicable Patient Protection and Affordable Care Act fees and assessments imposed upon health insurers including the Comparative Effectiveness Research Fee.
- 21 For covered mental health and substance abuse services from participating providers, Cligna HealthCare shall apply discounts available under an agreement with its affiliate, Evernorth Behavioral Health, Inc. or Evernorth Care Solutions, Inc. City of Freeport shall pay Cligna HealthCare 33% of the savings (billed charges less negotiated rate - 33) which shall be taken from City of Freeport's bank account when the claim for covered services is paid.
- 22 establishes a Wellness/Health Improvement Fund (the "Fund") in the amount of \$4000.00 for clinical/wellness/behavioral programs offered by Cligna HealthCare. These funds shall be used to defray the cost of Cligna HealthCare designated and arranged health and wellness improvement programs for employees (e.g., biometric screenings, flu shots, etc.) and to reward participation in these programs. The Fund may be accessed during the period from 10/01/2022 - 09/30/2023. The Fund may not be accessed following notice of termination of the Cligna HealthCare agreement. Unspent funds cannot be rolled over and Cligna HealthCare must pre-approve use of the Fund.
- 23 Important Notice Regarding Benefit Advisor Compensation - The premiums for this guaranteed issue (i.e., non-SHARED Returns) policy may not include commission payable to your benefit advisor. Check with your Cligna Sales representative to confirm whether this is the case. When that is the case, the proposed billed amount includes both premium and benefit advisor fees, which are not part of the monthly premium and Cligna will include any benefit advisor amounts agreed to by the client and benefit advisor on client invoices and forward payments received to the benefit advisor if both the client and the benefit advisor authorize Cligna to do so by signing Cligna's Client and Benefit Advisor Acknowledgment Form. When required, this form must be signed before the date when the new rates take effect. If the form is not signed, the benefit advisor will be responsible for billing the client directly for any benefit advisor fees.
- 24 assumes that any non-voluntary vision benefit that is included in the medical plan and not provided through a separate policy is subject to ACA requirements.
- 25 does not apply to individuals (users) employed by the policyholder or an entity that participates in an association or trust that is the policyholder.
o ADDITIONAL GENERAL TERMS OF THIS PROPOSAL:
- 26 The information contained in this Proposal by Cligna HealthCare is proprietary and highly confidential. It is being provided with the understanding that it will not be used by the employer, its representatives or consultants for any purpose other than the evaluation of the Proposal. Under no circumstances is any of the information contained herein (including reports, summaries, extracts, and evaluations thereof) to be used, disseminated, disclosed or otherwise communicated to any person or entity other than the employer, its representatives and consultants, and their respective employees who are directly involved in the evaluation process.

C. Additional Representations & Disclosures

- 1 Each plan presented in this proposal has an actuarial value, determined by Cligna HealthCare, of 80% or greater. This determination was made using Cligna HealthCare's internal rating application which may produce an actuarial value slightly different than the official HHS calculator. Although we would expect any deviation to be small, you will have to consult with your actuarial consultant for a more precise determination of the plan's actuarial value. Cligna HealthCare does not provide actuarial certifications.
- 2 In order to implement the requested benefit design, different funding arrangements (i.e., insured, self-insured and/or HMO) involving affiliated Cligna companies may be required with respect to plan participants residing in certain states.
- 3 Cligna HealthCare may have an agreement with your benefit advisor, under which the benefit advisor may be paid for providing marketplace intelligence or for the performance of administrative services. The certification for and amount of this payment may be based upon overall business growth and/or retention levels. Any such payment is funded through Cligna HealthCare's general overhead.
- 4 The benefit advisor may qualify for incentive payment (monetary or non-monetary) from Cligna HealthCare. For example, the benefit advisor may receive payment based upon new sales, new customer growth or retention. This incentive payment is funded from Cligna HealthCare's general overhead.
- 5 Cligna HealthCare sponsors programs to inform benefit advisors about Cligna HealthCare's plan coverage and services (including professor advisory councils). The cost of these events is funded through Cligna HealthCare's general overhead.



Gap Fund Acknowledgement

Are your employees reimbursed for their co-payments, co-insurance cost, deductibles or out of pocket expenses?

If so, please let us know the details below. If not, please still confirm and sign below.

We assume NO subsidization or reimbursement for any portion of the employees' cost-sharing responsibilities. And that's how we set the premium rates/charges for all benefit plans insured and/or administered for you by Cigna HealthCare companies ("Cigna HealthCare, we, us").

Subsidization/reimbursement is also known as "Gap Funding". That is because employees receive money to fund the gap between their cost-share responsibility and Cigna HealthCare's payments.

Do you offer any of these plans? YES NO

- Health Savings Account (HSA)
- Health Reimbursement Account (HRA)
- Other means to reimburse employees for health plan expenses

If YES, please confirm the following:

- How much is the employer funding amount? _____
- What is the reimbursement order? Does the HSA and/or HRA fund pay first, or something else? _____
- Is there an annual rollover provision for the fund? YES NO
- Any changes in employer funding in the past year or future year? YES NO
- If YES, please provide details: _____

Please notify Cigna HealthCare prior to implementing any "Gap Funding" program. Cigna HealthCare will determine if we need to change the premium rates/charges both now and in the future based on the information you provide.

Please affirm that the above information is true and complete. Thanks!

City of Freeport

Date: _____

By: _____

Title: _____

**Underwriting Contingencies
For
City of Freeport**



Cigna HealthCare reserves the right to change the Quoted Rates and/or Quoted Benefits or to decline to offer coverage if any of the foregoing information is inaccurate or changes prior to the proposed Effective Date indicated above, or if the quoted rates and/or fees are not agreed to within 60 days of receipt of this summary information form. If any of the information identified above changes either prior to the proposed Effective Date or while coverage is in effect, you agree to notify us promptly of such change.

The "Underwriting Contingencies" set forth above shall survive execution of any insurance policy, application, etc., issued by Cigna HealthCare or any affiliated company, and shall further survive the effective date of any such policies.

The benefits displayed in this summary are, for the most part, modular benefit packages used to develop the rates. Please review the Benefit Summary and its attachments for information about the benefits available in your sites.

"Cigna HealthCare" refers to various operating subsidiaries of Cigna Corporation. Products and services are provided by these subsidiaries and not by Cigna Corporation. These subsidiaries include Cigna Health and Life Insurance Company, and HMO or service company subsidiaries of Cigna Health Corporation and Cigna Dental Health, Inc.

I UNDERSTAND AND AGREE ON BEHALF OF CONTRACTHOLDER THAT CIGNA HEALTHCARE MAY, NOTWITHSTANDING THE TERMS OF THE INSURANCE POLICY OR SERVICE AGREEMENT, REVISE ANY PREMIUM RATES OR PREPAYMENTS FEES AT ANY TIME IF THE ENROLLMENT OR EMPLOYER CONTRIBUTION LEVEL IS DIFFERENT THAN ASSUMED BY CIGNA HEALTHCARE IN UNDERWRITING THE CONTRACT OR IF CIGNA HEALTHCARE IS (i) REQUIRED TO PAY ANY ASSESSMENT, OR (ii) INCUR ADDITIONAL COSTS IN ADMINISTERING THE CONTRACT AS A RESULT OF THE PATIENT PROTECTION AND AFFORDABLE CARE ACT AND THE REGULATIONS PROMULGATED THEREUNDER.

Client Signature

Date

Client Name

Title