Health Care Benefits Trust Board
Regular Meeting

June 16, 2022 | 4:00 p.m.

Council Chambers Conference Room
88 E. Chicago St., Chandler, AZ
or Webex 1-415-655-0001
code 2597 859 2290 password spGHHsyC375

Board Members

Michael Bohnert, Chair
Terry Bond, Vice Chair
Val Gale, Secretary
Lily Longacre
Jennifer Huppenthal

Pursuant to Resolution No. 4464 of the City of Chandler and to A.R.S. § 38-431.02, notice is hereby given to the members of the Health Care Benefits Trust Board and to the general public that the Health Care Benefits Trust Board will hold a REGULAR MEETING open to the public on Thursday, June 16, 2022, at 4:00 p.m., at Council Chambers Conference Room, 88 E. Chicago Street, Chandler, AZ or via Webex by dialing 1-415-655-0001, Access code: 2597 859 2290 and use passcode: spGHHsyC375.

Persons with disabilities may request a reasonable modification or communication aids and services by contacting the City Clerk's office at (480) 782-2181(711 via AZRS). Please make requests in advance as it affords the City time to accommodate the request. Agendas are available in the Office of the City Clerk, 175 S. Arizona Avenue.

Health Care Benefits Trust Board
Regular Meeting Agenda - June 16, 2022

Call to Order/Roll Call

Scheduled/Unscheduled Public Appearances

Members of the audience may address any item not on the agenda. State Statute prohibits the Board or Commission from discussing an item that is not on the agenda, but the Board or Commission does listen to your concerns and has staff follow up on any questions you raise.

Consent Agenda

Items listed on the Consent Agenda may be enacted by one motion and one vote. If a discussion is required by members of the Board or Commission, the item will be removed from the Consent Agenda for discussion and determination will be made if the item will be considered separately.

1. **March 3, 2022 City of Chandler Health Care Benefits Trust Board Minutes**
   Move to approve the City of Chandler Health Care Benefits Trust Board meeting minutes from March 3, 2022.

Briefing

2. Financial Audit Report - Heinfeld Meech

3. Medical Trust Actuarial Report - Segal

4. Financial Statements and Wellness Report - Management Services

5. Investment Report - Management Services

6. Election of Chairperson, Vice Chairperson, and Secretary

Action Items

7. Election of Chairperson, Vice Chairperson, and Secretary

Member Comments/Announcements

Calendar

8. Next scheduled meeting is Thursday, August 18, 2022.

Information Items (For Future Meeting Dates)

9. Actuarial Audit Report - Segal

10. Financial Statements and Wellness Report - Management Services

11. Investment Report - Management Services

12. Review of 2022 Rates - Management Services/Human Resources

13. Resolution for 2022 Rates

Adjourn

ITEM 1

Health Care Benefits Trust Board Human Resources Memo No.

Date: 06/16/2022
To: Health Care Benefits Trust Board
From: Teresa Canjar, Management Assistant
Subject: March 3, 2022 City of Chandler Health Care Benefits Trust Board Minutes

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Proposed Motion:

Move to approve the City of Chandler Health Care Benefits Trust Board meeting minutes from March 3, 2022.

Attachments

HCBT Minutes 3/3/22

Meeting Minutes
Health Care Benefits Trust Board
Regular Meeting

March 3, 2022 | 4:00 p.m.
Council Chambers Conference Room
88 E. Chicago St., Chandler, AZ

Call to Order

The meeting was called to order by Chairman Bohnert at 4:02 p.m.

Roll Call

Board Attendance

Chair Michael Bohnert
Secretary Val Gale
Alexander Myer
Lily Longacre

Absent

Vice Chair Terry Bond

Other Attendance

Carol Osterhaus, Benefits Analyst
Fernanda Osgood, Benefits/Compensation Manager
Kristi Smith, Accounting Manager
Rachel Calisi, Segal Consultants
Rae Lynn Nielsen, HR Director
Roni Laxa, Assistant City Attorney
Teresa Canjar, Management Assistant

Consent Agenda and Discussion

1. November 18, 2021 Minutes
   Ms. Longacre made a motion to approve the minutes as presented from the November 18, 2021, meeting of the City of Chandler Health Care Benefits Trust Board, seconded by Mr. Myer, motion carried.

Scheduled and Unscheduled Public Appearances

Briefing

1. Medical Trust Actuarial Report
   Rachel Calisi from Segal provided an overview of the Medical and Prescription Drug Plan Quarterly Report from January 1, 2021, through December 31, 2021- data through December 31, 2021. The

reports will be simplified going forward showing per employee per month. The contributions have remained steady with no increase in premiums. There has been a large increase in Net Paid Medical Claims of $726.96 in December 2020 and $861.61 in December 2021. Paid RX claims have been steady over the past year. The total claims and expenses (PEMP) are at $1,246.70 compared to last year at $1,080.47. Expenses increased because of the cost of our Stop Loss insurance. When you are including claims and expenses there is a 116% loss ratio which is up from 101% in the prior year. PEPM % change is 15.4% which is driven by large claims. There are significant changes in the generic and non-preferred prescription drugs costs. Generics are showing a decrease in costs, specialties moved into preferred, non-preferred moved to brand preferred and some new drugs were added. Overall, the total increase has been about 8.2%. Enrollment has been steady. Large claimants on this report reflect a paid basis. In Network Allowed has remained steady at 97%. The Member Cost Share has decreased from 15.5% to 14.0% and the Plain paid has increased from 84.5% to 86.0% due to large claims meeting their deductibles and out-of-pocket maximum.

Rachel highlighted the 2020-2021 Medical/RX Contributions and Expenses Report. The key numbers between 2020 and 2021 were noted. There were stop loss refunds in 2020 of $1,087,637 and for 2021 the stop loss refunds are at $1,241,629 because of the increase in large claims. Our plan expenses to date are $25,689,574 reflecting an average of $2,140,798. Our deficit to date is $3,602,836. The total loss ratio was 116.3% versus 100.5% last year.

The 2021 Enrollment by Status and Plan report shows a slight increase in enrollment overall of 1.0%. The increase is mostly retirees at a total of 12% with the majority in the red and white plans.

The Medical/RX YTD Claims Paid by Plan and Status comparison chart shows the difference between the different plans and actives versus retirees. There has been an increase in every plan. The retirees outpace the actives in every plan except the blue plan.

The 2021 Contributions and Paid Claims by Status and Plan Report shows a further breakdown of the actives and retirees looking at the loss ratios with contributions and total expenses. The active white plan is the only plan with a loss ratio under 100%. The overall loss ratio is 122% when we look at total expenses.

The 2021 Contributions and Expenses by Status and Plan charts are broken out by active versus retiree. The White Active Plan is the only one that has a surplus. By adding up all the expenses for active employees there would be a $131 deficit per employee per month and doing the same with the retirees there would be a $1,056 deficit per retiree per month. Overall retirees make up 11% of enrollment, 9% of contributions, and 17% of claims and expenses.
The 2021 Incurred Medical Claims Paid in Excess of $100,000 report shows that large claims over $100,000 account for 29.8% of the total medical/RX paid. The 28 large claims paid $7,006,649 in

Medical/RX. There are four claims that are in excess of the $350,000 Stop Loss Deductible. None of these claims are COVID related.

The Thirteen Month Snapshot shows the net medical trend at 18.5% and the RX trend at 0.9%. Both are decreasing.

2. Financial Statements and Wellness Report

Statement of Net Position as of December 31, 2021

Kristi Smith advised the Board that the reports this month are unaudited as we are going through the audit right now and the audit report will be presented at the next meeting. She thanked the HR staff for providing all the reports that were needed. Total assets were $17,017,971 which is up from last quarter. There is $5,560,830 in liabilities which is up from the prior quarter related to increases in Due to City and Claims Payable. This area will shift significantly once we receive the IBNR report. The unrestricted net position is $11,457,141 compared to the total net position reserve of $6,341,000.

Statement of Revenues, Expenses and Changes in Net Position – December 31, 2021

The 2021 budget is the full calendar budget. The total actual operating revenues are $22,257,428 which is slightly under budget because of the reduced employer/employee self- insurance premiums. Actual operating expenses are slightly under budget at $25,334,933 due to reduced cost in the Other line items (self-insurance administrative fees, and health savings and flex spending account contributions) offset by claims paid in excess of budget. The actual operating income is at a loss of $3,077,506 and is greater than anticipated in the prorated budget. The nonoperating revenues and expenses include an interest loss of $54,111 and there is a change in net position at a loss of $3,131,616. The ending net position is $11,457,141 which agrees with the Statement of Net Position.

Statement of Cash Flows – December 31, 2021

Kristi Smith advised the Board that this report shows the inflows and outflows of cash by activity. The cash and investments total $16,970,163 which agrees with the Statement of Net Position.

Wellness Programs Tracking Report – December 31, 2021

Kristi Smith advised the Board that the Wellness Program tracking shows $105,494.04 which is cumulative over the years. We have received the $25,000 from Blue Cross and have expended $13,248. This number agrees with the wellness programs operating expense on the Statement of Revenues, Expenses and Changes in Net Position.

3. Investment Report – December 31, 2021

Kristi Smith provided a brief overview of the Investment Performance Review. She reminded the group that PFM is now PFM Asset Management LLC and the reports look a little different. The portfolio statistics yield at cost is 0.88% which is up from 0.86% the previous quarter. Maturity distribution shows the yield at market of 0.61% which is up from the prior quarter at 0.30%. The effective duration is 1.40 which is in line with the benchmark of 1.82. The money market rate for Wells Fargo is 0.01% and FAF is 0.01%, which is in line with the last quarter. On the Sector Allocation Review there is a continued shift from Agency to Treasury.

Member Comments/Announcements

Rae Lynn Nielsen announced this is the last meeting for Alex Myer and Terry Bond because their terms expire. We are waiting to hear from Ms. Bond on whether she will serve a second term. We are moving forward with the recruitment process. Rae Lynn thanked Alex for his many years of service to the Board. Alex said it has been fun and he learned a lot.

Calendar

The next regular meeting will be held on Thursday, June 16, 2022, (combined) at 4:00 p.m., in the Council Chambers Conference Room, 88 E. Chicago St.

Informational Items

Agenda Items for Future Meeting Dates

Financial Audit Report – Heinfeld Meech
Medical Trust Actuarial Report - Segal
Financial Statements and Wellness Report – Management Services
Investment Report – Management Services
New Members and Election of Officers

Adjourn

Mr. Myer made a motion to adjourn the meeting of the City of Chandler Health Care Benefits Trust Board of March 3, 2022, at 4:28 p.m., seconded by Secretary Gale, motion carried.

_____ _____

Teresa Canjar, Secretary Michael Bohnert, Chairman

ITEM 2

Health Care Benefits Trust Board Human Resources Memo No.

Date: 06/16/2022
To: Health Care Benefits Trust Board
From: Teresa Canjar, Management Assistant
Subject: **Financial Audit Report - Heinfeld Meech**

Attachments

Financial Statements
Governance Letter

Chandler Health Care Benefits Trust
Financial Statements and
Report on Internal Control and on Compliance

Year Ended December 31, 2021

CHANDLER HEALTH CARE BENEFITS TRUST
DECEMBER 31, 2021

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Independent Auditor's Report

Board of Trustees
Chandler Health Care Benefits Trust

Report on Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of the Chandler Health Care Benefits Trust (Trust), an internal service fund of the City of Chandler, Arizona, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chandler Health Care Benefits Trust, as of December 31, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Chandler Health Care Benefits Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1A, the financial statements of the Chandler Health Care Benefits Trust, an internal service fund of the City of Chandler, Arizona, are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the City of Chandler, Arizona, that is attributable to the transactions of the Chandler Health Care Benefits Trust. They do not purport to, and do not present fairly the financial position of the City of Chandler, Arizona, as of December 31, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2022, on our consideration of the Chandler Health Care Benefits Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Chandler Health Care Benefits Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Chandler Health Care Benefits Trust's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
May 19, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

As management of the Chandler Health Care Benefits Trust (Trust), we offer readers of the Trust's financial statements this narrative overview and analysis of the financial activities of the Trust for the year ended December 31, 2021. The management's discussion and analysis is presented as required supplementary information to provide additional explanation to the financial statements.

FINANCIAL HIGHLIGHTS

- The Trust's total net position decreased $3.3 million to $11.3 million, primarily due to an increase in claims expense.

- Operating revenues of $22.3 million included $17.9 million in employer premiums, $2.1 million in employee premiums and $2.0 million in retiree premiums.

- The Trust had approximately $25.4 million in operating expenses, consisting primarily of $22.4 million of claims expense.

- The overall impact of the COVID-19 Pandemic during the fiscal year was that 2,071 members tested for COVID-19, resulting in 6,646 claims at a cost of $253,362. In addition, 450 members received confirmed COVID-19 diagnoses resulting in 2,513 claims at a cost of $779,078. COVID-19 testing and diagnoses claims are included in the claims paid lines in operating expenses. These claims were unplanned in regards to actuarial projections.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Trust's financial statements.

The statement of net position presents information on all of the Trust's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Trust is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Trust's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

OVERVIEW OF FINANCIAL STATEMENTS

The statement of cash flows outlines the cash inflows and outflows related to the operation of the Trust for the year ended. As discussed more thoroughly in Note 1 to the financial statements, the operations of the Trust are accounted for as an element of the City of Chandler's internal service funds. As a result, only the financial statements required for the financial activity of the Trust are presented.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the financial statements.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Trust, assets exceeded liabilities by $11.3 million at the current fiscal year end.

The following table presents a summary of the Trust's net position for the fiscal years ended December 31, 2021 and 2020.

	2021	2020
Current assets	$ 17,001,383	$ 19,369,692
Total assets	17,001,383	19,369,692
Current liabilities	5,442,829	4,565,737
Noncurrent liabilities	226,000	215,200
Total liabilities	5,668,829	4,780,937
Net position:		
Unrestricted	11,332,554	14,588,755
Total net position	$ 11,332,554	$ 14,588,755

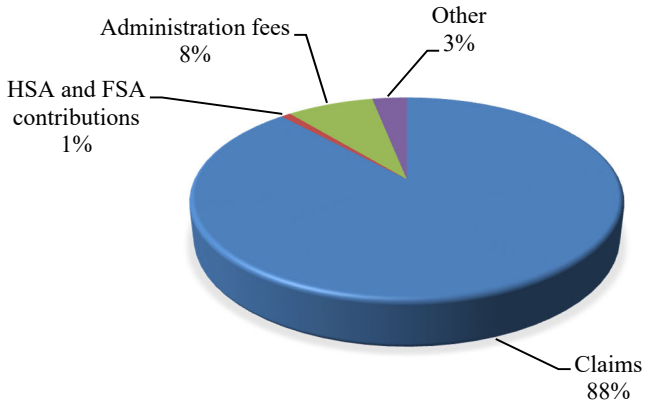
At the end of the current and prior year, the Trust reported a positive net position. The Trust's financial position is the product of several financial transactions, including the net results of activities. The change in total assets is primarily due to a decrease in cash and investment balances at year end. The change in total liabilities is primarily due to an increase in the amounts due to the City at year end related to operational expenses of the Trust.

FINANCIAL ANALYSIS

Changes in net position. The Trust's total revenues for the current fiscal year were $22.2 million. The total expenses were $25.4 million. The following table presents a summary of the changes in net position for the years ended December 31, 2021 and 2020.

	2021	2020
Revenues:		
Contributions and premiums	$ 21,999,044	$ 21,840,316
Investment income	(65,166)	548,468
Other	258,384	208,305
Total revenues	22,192,262	22,597,089
Expenses:		
Claims	22,438,970	19,812,216
HSA and FSA contributions	225,050	251,650
Administrative fees	1,987,229	1,622,925
Other	797,214	857,441
Total expenses	25,448,463	22,544,232
Changes in net position	(3,256,201)	52,857
Net position, beginning	14,588,755	14,535,898
Net position, ending	$ 11,332,554	$ 14,588,755

Expenses - Fiscal Year 2021



The following are significant current year transactions that have had an impact on the change in net position.

- An increase in contributions and premiums of $158,728 (less than 1%).
- An increase in claims expense of $2.6 million due to an increase in large claimants (>$100,000), from $5.6 million in the prior year to $8.0 million in the current year. These large claimants are for serious ongoing medical conditions that are not related to COVID-19.

CLAIMS PAYABLE

As of December 31, 2021, the Trust had $4.5 million in claims payable. Additional information on the Trust's claims payable can be found in Note 3.

ECONOMIC FACTORS, RESERVE LEVELS AND NEXT YEAR'S RATES

An actuarial analysis is completed annually and updated throughout the plan year to help ensure the Trust is funded at an appropriate level and to monitor economic impacts that will affect future rate setting and reserves. The Trust's goal is to maintain a minimum end of year reserve equal to the IBNR plus two months of costs. For the year ended December 31, 2021, the actuary estimated a minimum reserve of $6,934,000 (IBNR as of December 31, 2021 of $2,260,000 + 2022 two months of Incurred Claims and Administration of $4,674,000), and the Trust's net position at December 31, 2021 was $11,332,554. Based on end of year results, it was determined that contributions were adequate to maintain the appropriate reserve level as of December 31, 2021.

During the process of developing the contribution rates for the year ended December 31, 2022, many factors are considered by the Trust's administration. The primary factors taken into consideration are threefold: attempt to keep rates affordable, while staying within industry pricing; ensure reserves are sufficient to maintain the financial health of the Trust; and address current and future implications of the Affordable Care Act. The COVID-19 pandemic is rapidly evolving and has impacted 2021 and will impact 2022 claims experience. At this point, it is unclear what the impact will be for future claims experience, medical cost inflation and costs in general for the health trust. Due to recent spending trends, it is projected that the City's General Fund will provide a $5.0 million contribution in fiscal year 2022-23. Additionally, a rate increase in calendar year 2023 is projected as well.

CONTACTING THE TRUST'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Trust's finances and to demonstrate the Trust's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Management Services Department, Chandler Health Care Benefits Trust; 175 South Arizona Avenue, 4th Floor; Chandler, Arizona 85225, 480-782-2333.

CHANDLER HEALTH CARE BENEFITS TRUST
STATEMENT OF NET POSITION
DECEMBER 31, 2021

Assets	
Current assets:	
Cash and investments	$ 16,953,575
Accrued investment income	34,982
Prepaid items	12,826
Total assets	17,001,383
Liabilities	
Current liabilities:	
Accounts payable	2,904
Accrued payroll	17,815
Compensated absences payable	47,613
Due to City	1,136,374
Employee claims payable, due to Blue Cross Blue Shield	1,721,957
Retiree claims payable, due to Blue Cross Blue Shield	479,261
COBRA claims payable, due to Blue Cross Blue Shield	2,905
Claims payable, incurred claims but not reported	2,034,000
Total current liabilities	5,442,829
Noncurrent liabilities:	
Claims payable, incurred claims but not reported	226,000
Total noncurrent liabilities	226,000
Total liabilities	5,668,829
Net position	
Unrestricted	$ 11,332,554

 The notes to the financial statements are an integral part of this statement.

CHANDLER HEALTH CARE BENEFITS TRUST
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

Operating revenues:	
Contributions:	
Employer premiums	$ 17,865,674
Employee premiums	2,057,730
Retiree premiums	2,016,187
COBRA premiums	59,453
Other:	
Recovery of medical claims	68,631
Wellness programs	125,000
Administrator contribution	55,000
Miscellaneous	9,753
Total operating revenues	22,257,428
Operating expenses:	
Claims paid - employees	18,116,040
Claims paid - retirees	4,084,783
Claims paid - COBRA	130,147
Claims incurred but not reported	108,000
Health savings and flexible spending account contributions	225,050
Personnel services	441,837
Contractual services	308,082
Self-insurance administrative fees	1,985,986
COBRA administrative fees	1,243
Wellness programs	13,248
Comparative effectiveness fee	8,800
Audit fees	7,370
Bank fees	621
Promotional	2,459
Operating supplies	9,267
Total operating expenses	25,442,933
Operating income (loss)	(3,185,505)
Nonoperating revenues (expenses):	
Payments to City	(5,530)
Investment income (loss)	(65,166)
Total nonoperating revenues (expenses)	(70,696)
Change in net position	(3,256,201)
Net position, beginning of year	14,588,755
Net position, end of year	$ 11,332,554

 The notes to the financial statements are an integral part of this statement.

CHANDLER HEALTH CARE BENEFITS TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Increase/Decrease in Cash and Cash Equivalents	
Cash flows from operating activities:	
Cash received for premiums and other operating purposes	$ 23,072,465
Cash payments for claims	(22,345,676)
Cash payments to suppliers for other services	(2,579,904)
Cash payments to employees for services	(446,241)
Net cash provided by/used for operating activities	(2,299,356)
Cash flows from noncapital financing activities:	
Cash paid to City for technology replacement	(5,530)
Net cash provided by/used for non-capital financing activities	(5,530)
Cash flows from investing activities:	
Investment income	(55,768)
Proceeds from sales of investments	16,446,284
Purchases of investments	(14,085,630)
Net cash provided by/used for investing activities	2,304,886
Net increase/decrease in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	$ -
Reconciliation of operating income/loss to cash provided by/used for operating activities:	
Operating income/loss	$ (3,185,505)
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:	
Changes in assets and liabilities:	
Increase/decrease in due to/from City	815,037
Increase/decrease in prepaids	(1,744)
Increase/decrease in claims payable	93,293
Increase/decrease in accounts payable	(16,033)
Increase/decrease in accrued payroll	1,553
Increase/decrease in compensated absences payable	(5,957)
Net cash provided by/used for operating activities	$ (2,299,356)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and cash equivalents	$ -
Investments	16,953,575
Cash and investments	$ 16,953,575

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Chandler Health Care Benefits Trust (Trust) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Trust's accounting policies are described below.

A. Reporting Entity

The Trust is accounted for as an internal service fund of the City of Chandler, Arizona (City), and the ultimate financial accountability for the Trust remains with the City. General risk management is a responsibility of the City. Additional information about the City is reported in the City's Annual Comprehensive Financial Report.

The Trust was organized in September 2010 for the purpose of funding payments to health care vendors who provide health care services to benefit-eligible participating City employees, elected officials, retirees, eligible dependents, and other eligible persons as determined by the City. The financial statements present only the Trust as one of the internal service funds of the City and are not intended to present the balances and activity of all City internal service funds or the City in its entirety.

The Health Care Benefits Trust Board (Board) consists of five trustees. No Trustee may be a member of the City Council and no more than one Trustee may be an employee of the City. No former member of the City Council or former employee of the City shall be a Trustee.

B. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues generally consist of employer and employee premiums and other related revenues, while operating expenses are primarily the payment of health claims and the administration of the Trust. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Investments

For purposes of the Statement of Cash Flows, the Trust considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Board adopted a resolution to cause the assets of the Trust to be invested, consistent with the City's investment policy. The Trust's investments are stated at fair value. Fair value is based on quoted market prices as of the valuation date.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable federal depository insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

D. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements when applicable.

E. Compensated Absences

Vacation leave vests with the employee as it is earned dependent on accumulated time and the individual's vacation benefits. All employees may carry-forward only the amount of vacation benefits equal to the maximum allowable earned credits for the preceding calendar year. Upon termination or retirement, an employee will be compensated for accumulated vacation leave dependent on accumulated time and the individual's vacation benefits. Payment will be based on the individual's rate of pay at termination or retirement. Upon death, the same benefits shall be paid to the employee's beneficiary.

F. Claims Payable

The Trust establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Given the inherent uncertainty in the nature of such estimates, future losses will likely deviate, perhaps materially, from those estimates.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

H. Contributions

The Trust agreement provides that each participating member and the City contribute a specified amount to the Trust. The contribution rates are determined by the Board on an annual basis.

I. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

J. Net Position Flow Assumption

In the financial statements the Trust applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

K. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

L. Reinsurance

The Trust has entered into reinsurance contracts for health insurance coverage. Reinsurance coverage is for specific losses in excess of $350,000, with a 125 percent aggregate limit.

NOTE 2 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of bank failure, the Trust's deposits may not be returned to the Trust. At year end, both the carrying amount of the Trust's deposits and the bank balance were zero.

NOTE 2 – CASH AND INVESTMENTS

The following summarizes amounts reported as investments in the accompanying financial statements:

			Investment Maturities			
Investment Type	Category	Fair Value	Less than 1 Year	1-5 Years	Concentration of Credit Risk %	S&P / Moody's Rating
Money Market Fund	Level 1	$ 10	$ 10	$	0.00%	AAAm/NR
Custodial Money Market	Level 1	2,527,237	2,527,237		14.91%	AAAm/NR
Certificate of Deposit:						
Credit Suisse New York	Level 2	139,969		139,969	0.83%	A+/A1
DNB Bank ASA/CY LT	Level 2	126,777	126,777		0.75%	A-1+/P-1
HSBC Bank USA NA	Level 2	190,020	190,020		1.12%	A-1/P-1
Nordea Bank AB NY	Level 2	186,775	186,775		1.10%	A-1+/P-1
Skandinaviska Enskilda Banken NY	Level 2	191,835	191,835		1.13%	A-1/P-1
Sumitomo Mitsui Bank NY	Level 2	135,253	135,253		0.80%	A-1/P-1
UBS Ag Stamford CT CD	Level 2	234,904	234,904		1.39%	A-1/P-1
U.S. Treasuries	Level 1	7,166,369	3,277,190	3,889,179	42.27%	
Municipal Bond						
Scottsdale, AZ TXBL GO Bonds	Level 2	88,323		88,323	0.52%	AAA/Aaa
U.S. Agencies:						
Fannie Mae	Level 2	1,923,241	493,672	1,429,569	11.34%	AA+/Aaa
Freddie Mac	Level 2	2,069,997	164,923	1,905,074	12.21%	AA+/Aaa
Corporate Bonds:						
Adobe Inc Corporation	Level 2	101,102		101,102	0.60%	A+/A2
Amazon.com	Level 2	269,357	60,829	208,528	1.59%	AA/A1
American Honda Finance Corporation	Level 2	126,001	126,001		0.74%	A-/A3
Apple Corp.	Level 2	201,038	201,038		1.19%	AA+/Aaa
Bank of of America Corporation	Level 2	134,111		134,111	0.79%	A-/A2
Caterpillar Finl Service Corporation	Level 2	134,597		134,597	0.79%	A/A2
Hershey Company	Level 2	170,695		170,695	1.01%	A/A1
JPMorgan Charse &CO Corporation	Level 2	218,087		218,087	1.29%	A-/A2
Toyota Motor Credit Corporation	Level 2	136,141		136,141	0.80%	A+/A1
Wal-Mart Stores Inc Corporation	Level 2	310,571		310,571	1.83%	AA/Aa2
Walt Disney Company/The	Level 2	171,165	171,165		1.00%	BBB+/A2
		$16,953,575	$ 8,087,629	$ 8,865,946	100.00%	

Fair Value Measurements. The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

NOTE 2 – CASH AND INVESTMENTS

Valuation Techniques. U.S. Treasuries and Money Market Funds are classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities. Governmental bonds, corporate bonds, and other fixed income instruments classified in Level 2 of the fair value hierarchy are valued based on significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default dates) or other market corroborated inputs. All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis.

Interest Rate Risk. In accordance with the City's investment policy, the Trust manages its exposure to declines in fair value by limiting the maturities of its investment portfolio to five years.

Credit Risk. In accordance with the City's investment policy, the Trust allows for investments in obligations guaranteed by the full faith and credit of the United States of America, government sponsored enterprises, government bonds with minimum credit ratings of AA+ or Aaa, commercial paper with a minimum short term rating of A-1 or P-1, negotiable certificates of deposit, corporate bonds carrying a minimum credit rating of A-, and the Local Government Investment Pool. The Trust's investments in U.S. Agencies, Corporate Bonds and Money Market Funds were rated no lower than AA+, BBB+ and AAAm by Standard & Poor's, respectively, as of year end.

Custodial Credit Risk - Investments. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To limit its exposure and in accordance with the City's investment policy, the Trust requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Trust's agent separate from where the investment was purchased or by the trust department of the bank where purchased, in the Trust's name.

Concentration of Credit Risk. In accordance with the City's investment policy, the Trust does not allow for an investment in any one issuer that is in excess of five percent of the total investments. Securities issued by the United States of America or its agencies are exempt from this provision.

NOTE 3 – CLAIMS PAYABLE

As discussed in Note 1, the Trust establishes a liability for both reported and unreported claims costs, which includes estimates of both future claim payments and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the Trust during the year ended December 31, 2021 and 2020.

	2021	2020
Unpaid claims and claim adjustments, beginning	$ 4,370,831	$ 3,355,059
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	21,405,686	18,963,341
Increase in provision for insured events of prior years	1,033,282	848,875
Total claims and claim adjustment expenses	22,438,968	19,812,216
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	(18,863,232)	(16,046,593)
Claims and claim adjustment expenses attributable to insured events of prior years	(3,482,444)	(2,749,851)
Total claims payments	(22,345,676)	(18,796,444)
Unpaid claims and claim adjustments, ending	$ 4,464,123	$ 4,370,831

REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Chandler Health Care Benefits Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Chandler Health Care Benefits Trust, an internal service fund of the City of Chandler, Arizona, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Chandler Health Care Benefits Trust's financial statements, and have issued our report thereon dated May 19, 2022. Our report included an emphasis of matter paragraph regarding the financial statements not representing the entire City of Chandler, Arizona.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chandler Health Care Benefits Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chandler Health Care Benefits Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of Chandler Health Care Benefits Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chandler Health Care Benefits Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
May 19, 2022

May 20, 2022

To the Governing Board
Chandler Health Care Benefits Trust

We have audited the financial statements of Chandler Health Care Benefits Trust (Trust) for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Chandler Health Care Benefits Trust are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Trust during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements are management's estimates of the insurance claims incurred but not reported (IBNR) which are based on information provided by the Trust's third party administrators and subsequent claims activity.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Audit Adjustments
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. During the course of the audit we did not identify any misstatements which require communication.

In addition, as part of the professional services we provided to the Trust we assisted with the preparation of the financial statements the notes to financial statements. In providing this service we prepared adjusting journal entries (if necessary) to convert the accounting records to the basis of accounting required by generally accepted accounting principles. If applicable, those adjusting journal entries have been provided to management who reviewed and approved those entries and accepted responsibility for them.

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Trust's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Discussions with Management
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the Trust's auditors.

Compliance with Ethics Requirements Regarding Independence
The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

Responsibility for Fraud

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper "tone at the top", increases the likelihood that fraud will be prevented, deterred and detected.

Other Important Communications Related to the Audit

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

Restriction on Use

This information is intended solely for the use of the members of the Trust and management of Chandler Health Care Benefits Trust and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona

Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. **Is ongoing anti-fraud training provided to all employees of the organization?**
   - Do employees understand what constitutes fraud?
   - Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
   - Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
   - Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. **Is an effective fraud reporting mechanism in place?**
   - Have employees been taught how to communicate concerns about known or potential wrongdoing?
   - Is there an anonymous reporting channel available to employees, such as a third-party hotline?
   - Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
   - Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
   - Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

3. **To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?**
   - Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
   - Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
   - Are surprise fraud audits performed in addition to regularly scheduled audits?
   - Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

4. **Is the management climate/tone at the top one of honesty and integrity?**
    - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
    - Are performance goals realistic?
    - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
    - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?

5. **Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**

6. **Are strong anti-fraud controls in place and operating effectively, including the following?**
    - Proper separation of duties
    - Use of authorizations
    - Physical safeguards
    - Job rotations
    - Mandatory vacations

7. **Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**

8. **Does the hiring policy include the following (where permitted by law)?**
    - Past employment verification
    - Criminal and civil background checks
    - Credit checks
    - Drug screening
    - Education verification
    - References check

9. **Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**

10. **Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**

11. **Are anonymous surveys conducted to assess employee morale?**

HeinfeldMeech

Tucson • Scottsdale • Flagstaff
HeinfeldMeech.com

December 20, 2021

Board of Trustees and Management
Chandler Health Care Benefits Trust
P. O. Box 4008
Chandler, AZ 85244-4008

We are pleased to confirm our understanding of the services we are to provide for Chandler Health Care Benefits Trust (Trust) for the year ended December 31, 2021. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the Trust. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

Audit Scope and Objectives

We will audit the financial statements and the related notes to the financial statements of Chandler Health Care Benefits Trust as of and for the year ended December 31, 2021.

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) to supplement the Trust's basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Trust's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. We will also report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the basic financial statements taken as a whole.

An important aspect to our expression of an opinion on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. In this context, it is reasonable for us to assume that users –

1. have a reasonable knowledge of business and economic activities and accounting principles, and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable economic decisions on the basis of the information in the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and will include tests of your accounting records and other procedures we consider necessary to enable us to express an opinion. As part of an audit in accordance with auditing standards generally accepted in the United States of America, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Trust or to acts by management or employees acting on behalf of the Trust. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in the financial statements nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the report the *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will obtain an understanding of the Trust and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. Our procedures will also include, as deemed necessary, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request, if deemed necessary, written representations from the Trust's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion in our report on internal control issued pursuant to *Government Auditing Standards*. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Trust's compliance with applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards.*

Reporting

We will issue a written report upon completion of our audit of Chandler Health Care Benefits Trust's financial statements. Our report will be addressed to the Governing Board of the Trust. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

We will issue a written report on Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards.* The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance.

Nonaudit Services

As part of the audit, we will assist with preparation of your financial statements and notes to the financial statements. You have expressed your intention to use these nonaudit services within the scope of your request for proposal for audit services. These nonaudit services do not constitute an audit and such services will not be conducted in accordance with *Government Auditing Standards*.

Upon engagement of the audit we will utilize the general ledger, accounting records, Trust prepared schedules and other information provided by Trust personnel in order to prepare the necessary year-end adjusting journal entries and to prepare drafts of the financial statements and notes to the financial statements. You are responsible for the information provided by the Trust and for assuming all management responsibilities related to the financial statements, notes to the financial statements, and the nonaudit services we provide. You are also responsible for designing, implementing, and maintaining internal controls over the financial statements process. Prior to their issuance you will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements and acknowledge that you have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee the nonaudit services we provide; evaluate the adequacy and results of these nonaudit services; and accept responsibility for the nonaudit services.

As the Trust's independent auditor, professional standards place specific requirements on our provision of certain nonaudit services. We are strictly prohibited from assuming management responsibilities or making management decisions; therefore, the nonaudit services we provide are limited to those indicated above. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities or making management decisions. Accordingly, to maintain our independence it is imperative that management understand its responsibilities and is capable of fulfilling these responsibilities. If there are any questions or concerns regarding management's responsibilities or ability to fulfill these responsibilities we request that you immediately contact us so that we may assess the circumstance and our continued independence with respect to providing audit services.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Management is also responsible for making all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; (3) other information as needed to perform an audit under *Government Auditing Standards*; (4) and unrestricted access to persons within the Trust from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Management's responsibilities also include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the financial statements and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements.

Management is responsible for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is required to disclose in the financial statements the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. You agree that you will not date the subsequent event note earlier than the date of your management representation letter.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our tests will not include a detailed check of all transactions for the period.

We have identified the following significant risks of material misstatement as part of our audit planning:

1. Management override of controls
2. Improper revenue recognition

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in December 2021 and conclude audit procedures and date our report in May 2022.

Use of Third-Party Service Providers

We maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. We may, depending on the circumstances, use third-party service providers in providing our professional services. The following service providers may be utilized in the completion of our engagement:

- Capital Confirmation, Inc. – electronic bank and account balance confirmation service
- Wolters Kluwer – web-based application service to transfer files
- Harvest Investments, Ltd. – investment portfolio valuation service

You hereby consent and authorize us to use the above service providers, if deemed necessary, to complete the professional services outlined in this letter.

Engagement Administration, Fees, and Other

Mike Hoerig is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

We will provide copies of our reports to the Trust; however, management is responsible for distribution of the reports and the financial statements.

The audit documentation for this engagement is the property of Heinfeld, Meech & Co., P.C., and constitutes confidential information. However, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, the U.S. Government Accountability Office, or other authorized governmental agency for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Heinfeld, Meech & Co., P.C., personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five (5) years after the report release date, or for any additional period requested by a regulator, cognizant agency, oversight agency for audit, or pass-through entity. Upon expiration of the five year period, or any additional period, we will commence the process of destroying the contents of our engagement files. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

Any disagreement, controversy, or claim ("dispute") that may arise from any aspect of our services, including this engagement or any prior engagement, will be submitted to mediation. The parties will engage in the mediation process in good faith once a written request to mediate has been given by any party. Any mediation initiated as a result of this engagement shall be administered by The American Arbitration Association, according to its mediation rules before resorting to litigation. The results of any such mediation shall be binding only upon agreement of each party to be bound. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally.

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between us. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months ("limitation period") after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. The limitation period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

Professional standards prohibit auditors from agreeing to indemnify attest clients for damages, losses or costs arising from lawsuits, claims or settlements that relate, directly or indirectly, to the client's acts. As such, professional standards will prevail for indemnification clauses included in audit contracts. In addition, we are unable to obtain waivers on our professional liability insurance policy for certain provisions, including indemnification provisions, provisions requiring the firm to name the Trust as an additional insured party, and a waiver of subrogation rights.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our fee for these services will be $8,340. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Our fees are based on anticipated cooperation from your personnel, timely receipt of information, and the assumption that unexpected circumstances will not be encountered during the audit, including factors beyond our control, such as new accounting pronouncements or legal requirements, additional consultation, and assistance in correcting errors in your financial records. We will plan the engagement based on the assumption that your personnel will prepare and provide us with the items listed in our request for audit information, including preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Additional fees incurred will be billed at the following hourly rates: Partner - $284; Manager - $207; Senior - $163; Staff - $114.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2018 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. Please feel free to contact us at any time if you have any questions or concerns. If you have any questions regarding this letter, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona

cc: Dawn Lang, Deputy City Manager | CFO
Kristi Smith, Accounting Manager

RESPONSE

Please indicate the name of the individual responsible for overseeing the nonaudit services of preparing the year-end adjusting journal entries and the preparation of the financial statements:

Name: Kristi Smith

This letter correctly sets forth the understanding of Chandler Health Care Benefits Trust.

Printed Name: Dawn Lang

Title: Deputy City Manager | CFO

Signature: Dawn Lang
Dawn Lang (Dec 21, 2021 05:28 MST)

Date: 12/21/2021

Grant Bennett Associates
A PROFESSIONAL CORPORATION

Report on the Firm's System of Quality Control

August 16, 2018

To the Shareholders of Heinfeld, Meech & Co., P. C. and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P. C. (the firm) in effect for the year ended May 31, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility
The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility
Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations
Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion
In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P. C. in effect for the year ended May 31, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Heinfeld, Meech & Co., P. C. has received a peer review rating of *pass*.

Grant Bennett Associates

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

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888/769-7323

CHANDLER
arizona
Community of Innovation

Heinfeld, Meech & Co., P.C.
10120 N. Oracle Road
Tucson, AZ 85704

This representation letter is provided in connection with your audit of the financial statements of Chandler Health Care Benefits Trust (Trust), an internal service fund of the City of Chandler, Arizona, which comprises the respective financial position as of December 31, 2021, and the respective changes in financial position and cash flows for the period then ended, and the disclosures (collectively the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified financial information required by generally accepted accounting principles to be included in the financial reporting entity.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and responses.

8. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.

9. Guarantees, whether written or oral, under which the Trust is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the Trust from whom you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.

11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud that affects the Trust and involves:
    - Management,
    - Employees who have significant roles in internal control, or
    - Others where the fraud could have a material effect on the financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Trust's financial statements communicated by employees, former employees, grantors, regulators, or others.

15. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

17. We have disclosed to you the identity of the Trust's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19. If applicable we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.

20. We have a process to track the status of audit findings and recommendations.

21. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

22. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.

23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

24. The Trust has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.

25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

26. We have appropriately disclosed all information for conduit debt obligations in accordance with U.S. GAAP.

27. We have identified and disclosed to you all instances of identified fraud and suspected fraud that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

28. We have identified and disclosed to you all instances of identified noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

29. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

30. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

31. In addition to your audit, you assisted with preparation of the financial statements and notes to the financial statements. We acknowledge our responsibility as it relates to those nonaudit services, including that

    - we assume all management responsibilities;
    - oversee the nonaudit services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience;
    - evaluate the adequacy and results of the nonaudit services performed;
    - and accept responsibility for the results of the nonaudit services.

32. We have reviewed, approved, and accepted responsibility for the financial statements, and notes to the financial statements.

33. The Trust has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

34. The Trust has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

35. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

36. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

37. The financial statements include all fiduciary activities required by U.S. GAAP.

38. The financial statements properly classify all activities in accordance with U.S. GAAP.

39. Components of net position are properly classified and, if applicable, approved.

40. Investments are properly valued.

41. With regard to investments and other instruments reported at fair value:
    - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
    - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
    - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
    - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

42. If applicable, provisions for uncollectible receivables have been properly identified and recorded.

43. Expenses have been appropriately classified in the statement of revenues, expenses and changes in net position, and allocations have been made on a reasonable basis.

44. Revenues are appropriately classified in the statement of revenues, expenses and changes in net position.

45. Special and extraordinary items, if any, are appropriately classified and reported.

46. Deposits and investment securities are properly classified as to risk and are properly disclosed.

47. We have appropriately disclosed the Trust's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

48. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

49. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

We have reviewed the drafts of the financial statements and related notes and believe the amounts are properly presented based on the books and records of our Trust. We hereby take responsibility for the financial statements and authorize Heinfeld, Meech & Co., P.C. to issue the reports in final form and to distribute to those parties as outlined in the contract.

We understand that at the conclusion of the audit Heinfeld, Meech & Co, P.C. will submit to the Board of Trustees a communication to those charged with governance that will include a copy of this representation letter and a copy of the engagement letter.

Dawn Lang

05/19/2022

Dawn Lang, Deputy City Manager | CFO
Chandler Health Care Benefits Trust

Date

ITEM 3

Health Care Benefits Trust Board Human Resources Memo No.

Date: 06/16/2022
To: Health Care Benefits Trust Board
From: Teresa Canjar, Management Assistant
Subject: **Medical Trust Actuarial Report - Segal**

Attachments

Medical Trust Actuarial Report

Rachel Calisi
Senior Health Consultant
T 602.381.4027
rcalisi@segalco.com

1501 West Fountainhead Parkway, Suite 370
Tempe, AZ 85282
segalco.com

May 20, 2022

Ms. Rae Lynn Nielsen
Human Resources Director
City of Chandler
PO Box 4008
Chandler, AZ 85244-4008

Re: City of Chandler
Medical and Prescription Drug Plan Monthly Reporting
January 1, 2022 through December 31, 2022 – Data through March 31, 2022

Dear Rae Lynn:

Enclosed is the monthly experience reporting for the City's medical and prescription drug plans. The report contains medical claims, prescription drug claims, enrollment, and expense information as furnished by Blue Cross Blue Shield of Arizona (Whyzen Analytics reporting tool) through March 31, 2022.

For the month of March, Medical paid claims were approximately $1,650,000 while net Rx claims were about $288,000. For the 2022 plan year-to-date, claims and expenses (after stop-loss reimbursements and pharmacy rebates) exceeded contributions by approximately $101,000 or -1.8% of contributions. Based on paid claims and expenses, Actives and Retirees on the Red plan, as well as Retirees on the Blue Plan have experienced an operating deficit, as displayed on Page 8.

There have been three claimants with paid claims in excess of $100,000 during the reporting period. There are no individuals in the current plan year who have exceeded the stop loss deductible of $350,000.

Expenses included in this report are medical plan administration, stop-loss premium, capitation for behavioral health & chiropractic services, value based services, HSA administration, and fees associated with the Affordable Care Act. Also included is the amount of $92,562 per month from the 2022 Operating Budget. These expenses exclude those funded by Blue Cross Blue Shield of Arizona. These expenses include categories such as wellness incentives, wellness portal, personnel support, audit & financial services, promotional, operating supplies & equipment, bank charges, contractual services, IT reports, and health savings and flex account contributions.

In March 2022, approximately 37.5% of all active employees and retirees were enrolled in the Red plan, with 4.8% enrolled in the Blue plan, and 57.7% enrolled in the White plan. At the end

of 2021, approximately 38.9% of enrollment was in the Red plan, 4.5% in the Blue plan and 56.6% in the White plan. The current average enrollment in 2022 is approximately 2.4% higher than the 2021 average enrollment.

The Coronavirus (COVID-19) pandemic has impacted the US economy and health plan claim's history and projections for most Health Plan Sponsors. Realized trends in the 2021 plan year could be significantly different in 2022 as the population is vaccinated and changes in the spread of the COVID-19 virus is altered.

I look forward to discussing this report with you.

Sincerely yours,

Rachel Calisi

Rachel Calisi
Senior Health Consultant

/as

Segal

City of Chandler

Medical/Rx Monthly Reporting: January 2022 - December 2022

(Data Through March 2022)

5/20/2022
Presented by: Rachel Calisi

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Segal

City of Chandler

HealthPlan Dashboard - Data thru March 2022

Financial

Income vs Paid Medical/Rx Claims + Expenses	Mar'22	Jan'22-Mar'22	Jan'21-Dec'21
Contributions (PEPM)	$1,063.35	$1,062.96	$1,071.86
Net Paid Medical Claims (PEPM)	$876.97	$770.96	$861.61
Net Paid Rx Claims (PEPM)	$165.07	$161.57	$221.05
Total Claims (PEPM)	$1,042.04	$932.53	$1,082.66
Stop Loss & Adm Expenses (PEPM)	$150.38	$149.62	$164.05
Total Claims & Expenses (PEPM)	$1,192.42	$1,082.14	$1,246.70
Surplus/Deficit (PEPM)	-$129.07	-$19.18	-$174.84
Loss Ratio	112%	102%	116%
PEPM % Change	10.2%	-13.2%	

Prescription Drugs (Rx)

Pharmacy Spend [2]	Jan'22-Mar'22	Jan'21-Dec'21	% Change
Generic (PEPM)	$28.02	$31.55	-11.2%
Brand Preferred (PEPM)	$179.62	$222.65	-19.3%
Brand Non-Preferred (PEPM)	$10.80	$11.65	-7.3%
Specialty (PEPM)	$111.41	$135.37	-17.7%
Total (PEPM)	$329.86	$401.22	-17.8%

Pharmacy Retail vs Mail Order	Jan'22-Mar'22	Jan'21-Dec'21	% Change
Retail Scripts PMPY	3.58	13.99	-74.5%
Mail Order Scripts PMPY	0.02	0.14	-86.1%
% Mail Order	0.5%	1.0%	-45.3%

Pharmacy Per Script Metrics[2]	Jan'22-Mar'22	Jan'21-Dec'21	% Change
Generic Dispensing Rate	82.6%	81.1%	1.8%
Generic Plan Paid/Script	$8.97	$10.18	-11.9%
Brand Plan Paid/Script	$301.17	$341.02	-11.7%
Specialty Plan Paid/Script	$4,211.04	$4,062.97	3.6%
Total Plan Paid/Script	$87.18	$105.02	-17.0%

Enrollment

Demographics	Mar'22	Jan'22-Mar'22	Jan'21-Dec'21
Avg. # of Employees	1,747	1,754	1,713
Avg. # of Members	4,598	4,614	4,555
Ratio Members to EEs	2.63	2.63	2.66
Age/Gender Index [1]	-	0.980	0.980

Medical Utilization

Large Claimants (> $100,000)	Jan'22-Mar'22	Jan'21-Mar'21	% Change
# of Claimants	3	6	-50.0%
$ of Medical/Rx Paid Claims	$406,028	$831,705	-51.2%
% of Medical/Rx Paid Claims	7.8%	4.0%	96.7%

Inpatient Hospital	Jan'22-Mar'22	Jan'21-Dec'21	% Change
Bed Days/1,000	258.4	308.9	-16.4%
Avg Length of Stay	5.7	6.5	-12.4%

Medical Network

Medical In-Network Usage & Discounts	Jan'22-Mar'22	Jan'21-Dec'21	% Change
In-Network Allowed %	98.6%	97.1%	1.5%
Discount from Billed[5]	65.7%	67.2%	-2.3%

Medical/Rx Plan Design

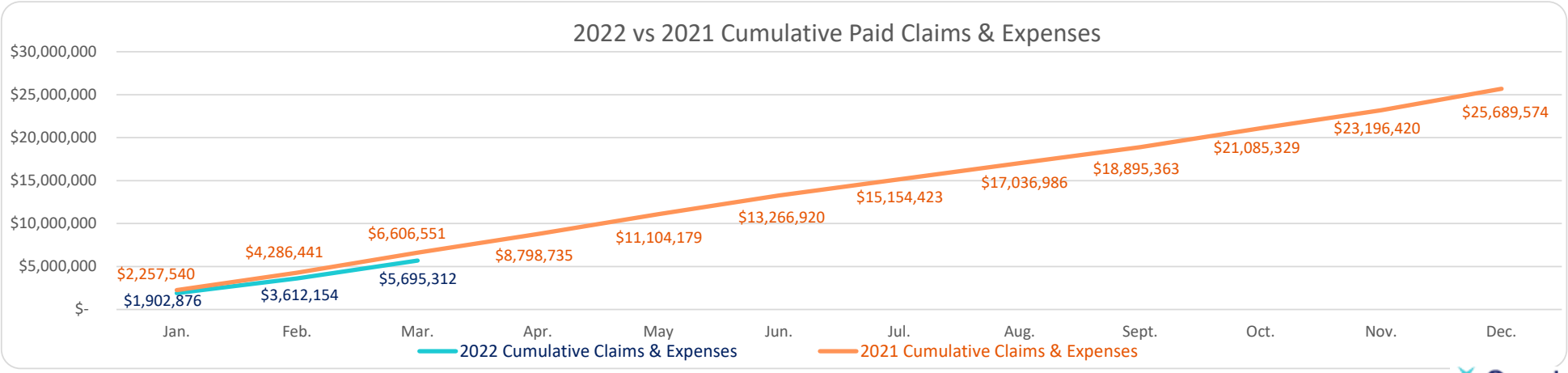
Medical/Rx Plan - Member Cost Sharing [3]	Jan'22-Mar'22	Jan'21-Dec'21	% Change
Member Cost Share %	18.9%	13.4%	41.5%
Plan Paid %	81.1%	86.6%	-6.4%

(1) BCBS factor for measuring the cost deviation of a population from that of a benchmark population based on age and gender attributes.
(2) The amount that plan participants enrolled in the White plan pay for their prescription drugs is not included in the Pharmacy Spend and Pharmacy Per Script Metric sections of the Dashboard because the information is not available broken down by pharmacy category in the BCBSAZ Whyzen system. Differences in pharmacy spend may also be due to the reporting data source.
(3) Cost share means the member's out-of-pocket expense compared to the sum of plan paid claims plus member out-of-pocket. Percentages do not reflect employee contributions.
(4) Percentages are rounded to the first decimal. (5) Dashboard Large Claims data is taken from the BCBSAZ Whyzen reporting tool, which is a utilization "snapshot in time" possibly resulting in a difference between the dashboard and the monthly report.

City of Chandler
2021-2022 Medical/Rx Contributions and Expenses
Year-to-date through March 2022

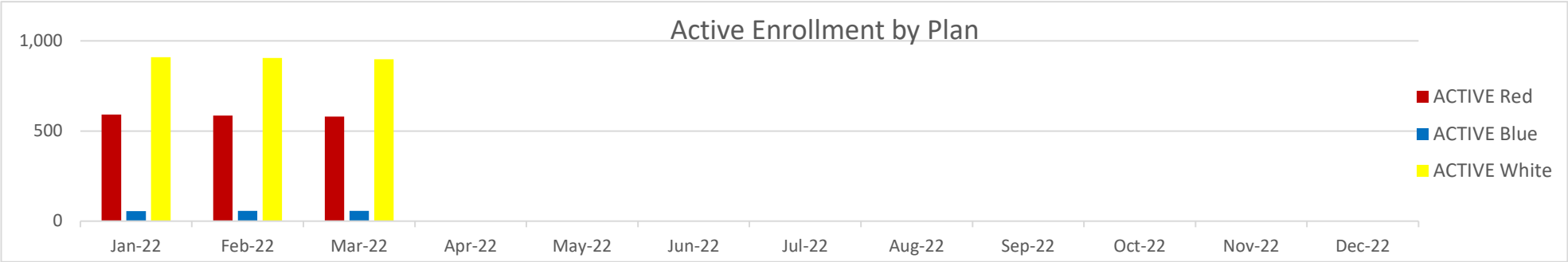
Month	Enrollment	Contributions[1]	Medical Paid[2,3]	Stop Loss Refunds	Rx Paid	Net Claims	Expenses[4]	Total Paid Claims and Expenses	Surplus/ (Deficit)	Total Loss Ratio
Jan-21	1,708	$1,829,009	$1,661,205	($71,830)	$389,983	$1,979,358	$278,182	$2,257,540	($428,532)	123.4%
Feb-21	1,698	$1,819,359	$1,384,946	($11,968)	$375,656	$1,748,635	$280,266	$2,028,901	($209,542)	111.5%
Mar-21	1,704	$1,828,100	$1,739,289	($20,983)	$321,008	$2,039,314	$280,796	$2,320,110	($492,010)	126.9%
Apr-21	1,703	$1,828,978	$1,524,544	($1,603)	$388,568	$1,911,509	$280,675	$2,192,184	($363,206)	119.9%
May-21	1,703	$1,830,244	$1,714,029	($83,558)	$394,335	$2,024,807	$280,636	$2,305,443	($475,200)	126.0%
Jun-21	1,722	$1,847,707	$1,640,304	($134,389)	$374,365	$1,880,279	$282,462	$2,162,742	($315,035)	117.1%
Jul-21	1,717	$1,839,218	$1,349,631	($104,469)	$360,363	$1,605,525	$281,979	$1,887,503	($48,286)	102.6%
Aug-21	1,714	$1,840,013	$1,352,027	($130,390)	$379,275	$1,600,912	$281,650	$1,882,563	($42,550)	102.3%
Sep-21	1,717	$1,841,570	$1,332,072	($131,720)	$378,985	$1,579,337	$279,041	$1,858,377	($16,807)	100.9%
Oct-21	1,733	$1,858,733	$1,600,815	($119,875)	$423,006	$1,903,947	$286,019	$2,189,966	($331,233)	117.8%
Nov-21	1,735	$1,854,450	$1,666,669	($184,296)	$345,153	$1,827,526	$283,565	$2,111,091	($256,641)	113.8%
Dec-21	1,752	$1,869,360	$2,030,370	($246,550)	$424,269	$2,208,089	$285,066	$2,493,155	($623,795)	133.4%
2021 Total	**20,606**	**$22,086,738**	**$18,995,900**	**($1,241,629)**	**$4,554,966**	**$22,309,237**	**$3,380,337**	**$25,689,574**	**($3,602,836)**	**116.3%**
2021 Avg.	**1,717**	**$1,840,562**	**$1,582,992**	**($103,469)**	**$379,580**	**$1,859,103**	**$281,695**	**$2,140,798**	**($300,236)**	**116.3%**
Jan-22	1,760	$1,871,210	$1,507,401	($191,783)	$326,101	$1,641,719	$261,157	$1,902,876	($31,666)	101.7%
Feb-22	1,756	$1,865,487	$1,231,204	($21,351)	$235,866	$1,445,719	$263,559	$1,709,278	$156,210	91.6%
Mar-22	1,747	$1,857,678	$1,649,945	($117,877)	$288,374	$1,820,442	$262,717	$2,083,159	($225,481)	112.1%
Apr-22										
May-22										
Jun-22										
Jul-22										
Aug-22										
Sep-22										
Oct-22										
Nov-22										
Dec-22										
2022 Total	**5,263**	**$5,594,375**	**$4,388,550**	**($331,011)**	**$850,341**	**$4,907,880**	**$787,433**	**$5,695,312**	**($100,937)**	**101.8%**
2022 Avg.	**1,754**	**$1,864,792**	**$1,462,850**	**($110,337)**	**$283,447**	**$1,635,960**	**$262,478**	**$1,898,437**	**($33,646)**	**101.8%**

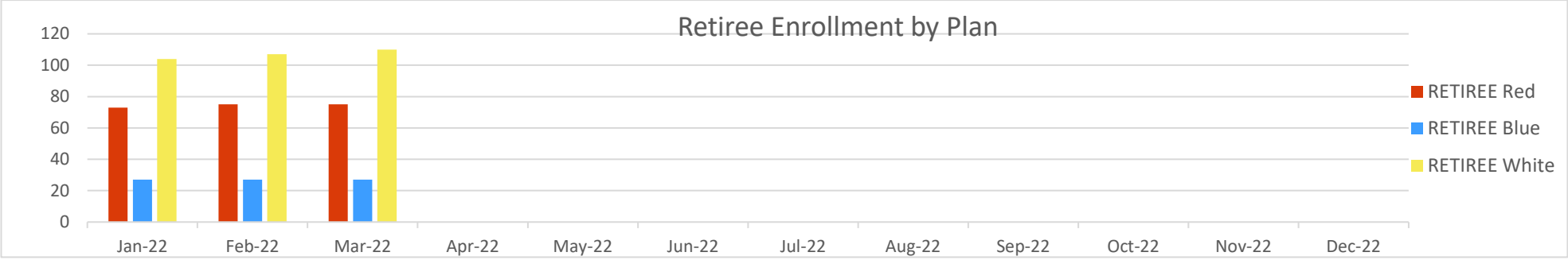
(1) Contributions for COBRA are assumed to be the same as the Actives. (2) Medical Paid claims include BCBSAZ AEA amounts, access fees, and capitation.
(3) Medical Paid claims includes retroactive adjustments which causes discrepancies when comparing to BCBSAZ invoices. (4) Expenses include prorated monthly PCORI fees.



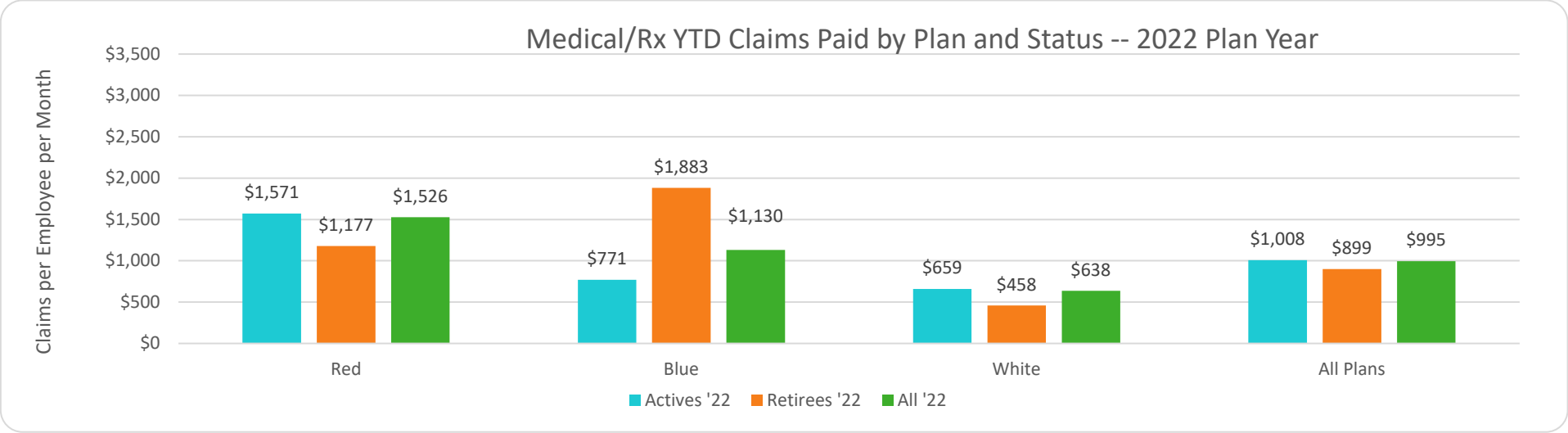
City of Chandler
2022 Enrollment by Status and Plan
Year-to-date through March 2022

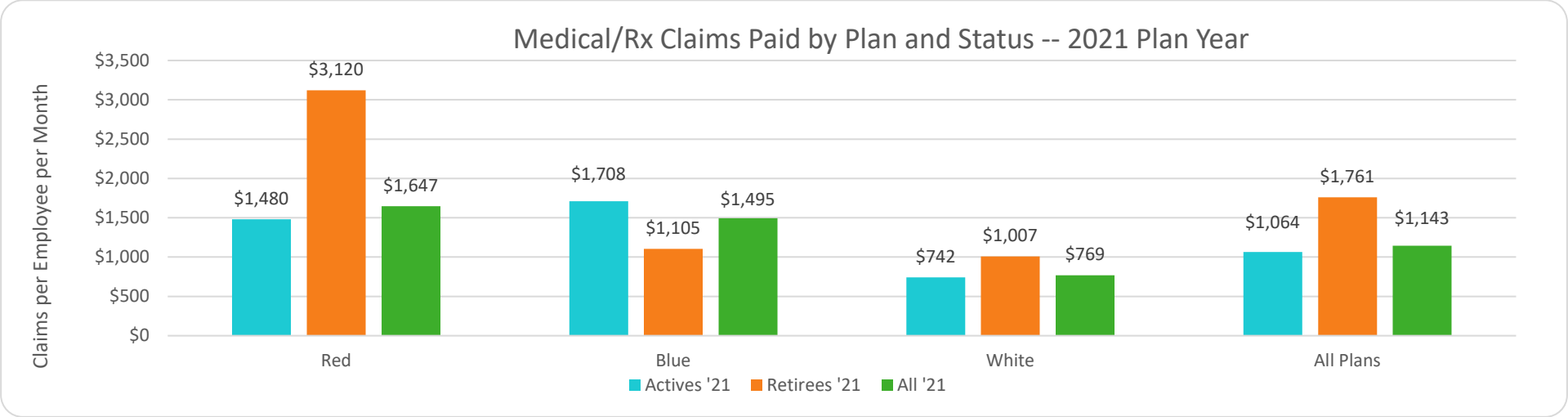
	ACTIVE				RETIREE				TOTAL			
	Red	Blue	White	Total	Red	Blue	White	Total	Red	Blue	White	Total
Jan-22	591	56	909	1,556	73	27	104	204	664	83	1,013	1,760
Feb-22	585	57	905	1,547	75	27	107	209	660	84	1,012	1,756
Mar-22	580	57	898	1,535	75	27	110	212	655	84	1,008	1,747
Apr-22												
May-22												
Jun-22												
Jul-22												
Aug-22												
Sep-22												
Oct-22												
Nov-22												
Dec-22												
2022 Avg.	**585**	**57**	**904**	**1,546**	**74**	**27**	**107**	**208**	**660**	**84**	**1,011**	**1,754**
% of Total	**33%**	**3%**	**52%**	**88%**	**4%**	**2%**	**6%**	**12%**	**38%**	**5%**	**58%**	**100%**
2021 Avg.	600	50	874	1,524	68	28	98	193	667	78	972	1,717
% Change	-2%	13%	3%	1%	10%	-2%	9%	8%	-1%	7%	4%	2.2%





City of Chandler
2022 Medical/Rx Paid Claims by Plan and Status
Year-to-date through March 2022





Notes:
Paid claims illustrated include capitation but are not reduced for stop loss reimbursements and prescription drug rebates.
The claims information by Active and Retiree status is approximate based on the status information reported to Blue Cross Blue Shield as of the date the claim was adjudicated.

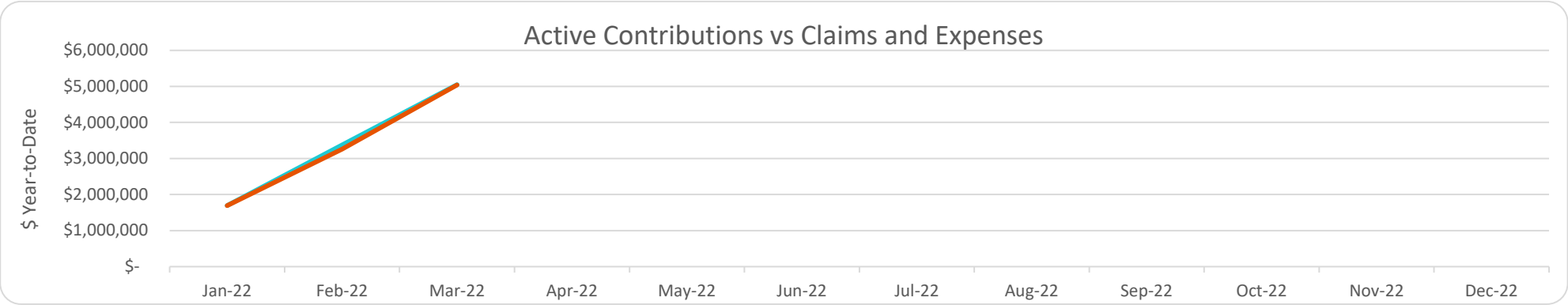
City of Chandler
2022 Contributions and Paid Claims by Status and Plan
Year-to-date through March 2022

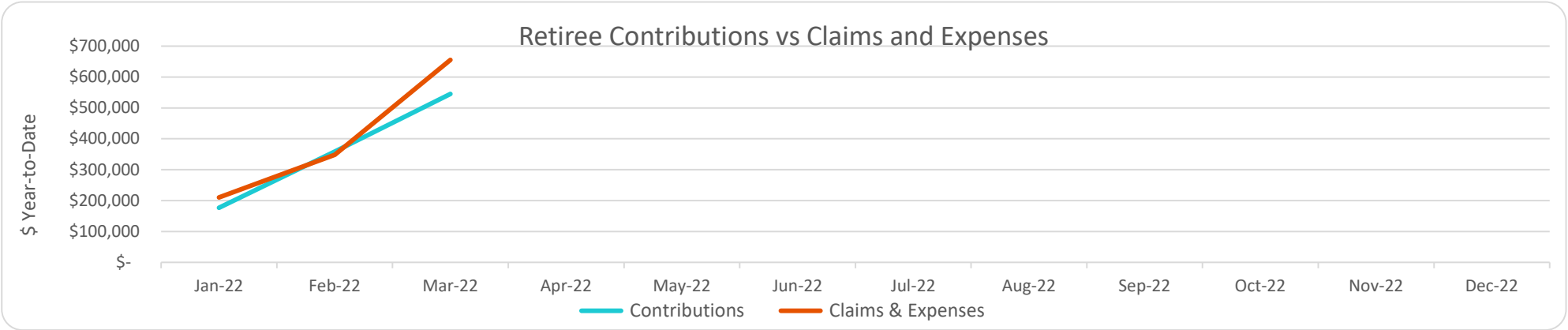
	ACTIVE				RETIREE				TOTAL			
	Enrollment	Contributions	Claims & Expenses	Active Loss Ratio	Enrollment	Contributions	Claims & Expenses	Retiree Loss Ratio	Enrollment	Contributions	Total Claims & Expenses	Total Loss Ratio
All Plans	**4,638**	**$5,049,156**	**$5,370,907**	**106%**	**625**	**$545,219**	**$655,416**	**120%**	**5,263**	**$5,594,375**	**$6,026,323**	**108%**
% of Total	**88%**	**90%**	**89%**		**12%**	**10%**	**11%**		**100%**	**100%**	**100%**	
Red Plan	1,756	$2,377,853	$3,020,912	127%	223	$236,908	$295,805	125%	1,979	$2,614,761	$3,316,717	127%
% of Total	89%	91%	91%		11%	9%	9%		38%	47%	55%	
Blue Plan	170	$171,791	$156,414	91%	81	$69,919	$164,643	235%	251	$241,710	$321,057	133%
% of Total	68%	71%	49%		32%	29%	51%		5%	4%	5%	
White Plan	2,712	$2,499,512	$2,193,580	88%	321	$238,393	$194,969	82%	3,033	$2,737,905	$2,388,549	87%
% of Total	89%	91%	92%		11%	9%	8%		58%	49%	40%	

Notes: Paid claims include capitation but are unadjusted for stop loss reimbursements.

Percent of Total rows sum Active and Retiree columns by plan and show each plan's percentage of the total in the Total columns.

The claims information by Active and Retiree is approximate based on the status information reported to Blue Cross Blue Shield as of the date the claim was adjudicated.





City of Chandler
Enrollment by Tier
Year-to-date through March 2022

Actives												
	Red				Blue				White			
Month	EE	EE+SP	EE+Ch(rn)	EE+Fam	EE	EE+SP	EE+Ch(rn)	EE+Fam	EE	EE+SP	EE+Ch(rn)	EE+Fam
Jan-22	148	136	81	226	26	6	10	14	277	117	100	415
Feb-22	145	136	81	223	26	7	10	14	278	115	99	413
Mar-22	141	136	81	222	25	8	10	14	278	111	99	410
Apr-22												
May-22												
Jun-22												
Jul-22												
Aug-22												
Sep-22												
Oct-22												
Nov-22												
Dec-22												
2022 Total	**434**	**408**	**243**	**671**	**77**	**21**	**30**	**42**	**833**	**343**	**298**	**1,238**
2022 Avg.	**145**	**136**	**81**	**224**	**26**	**7**	**10**	**14**	**278**	**114**	**99**	**413**

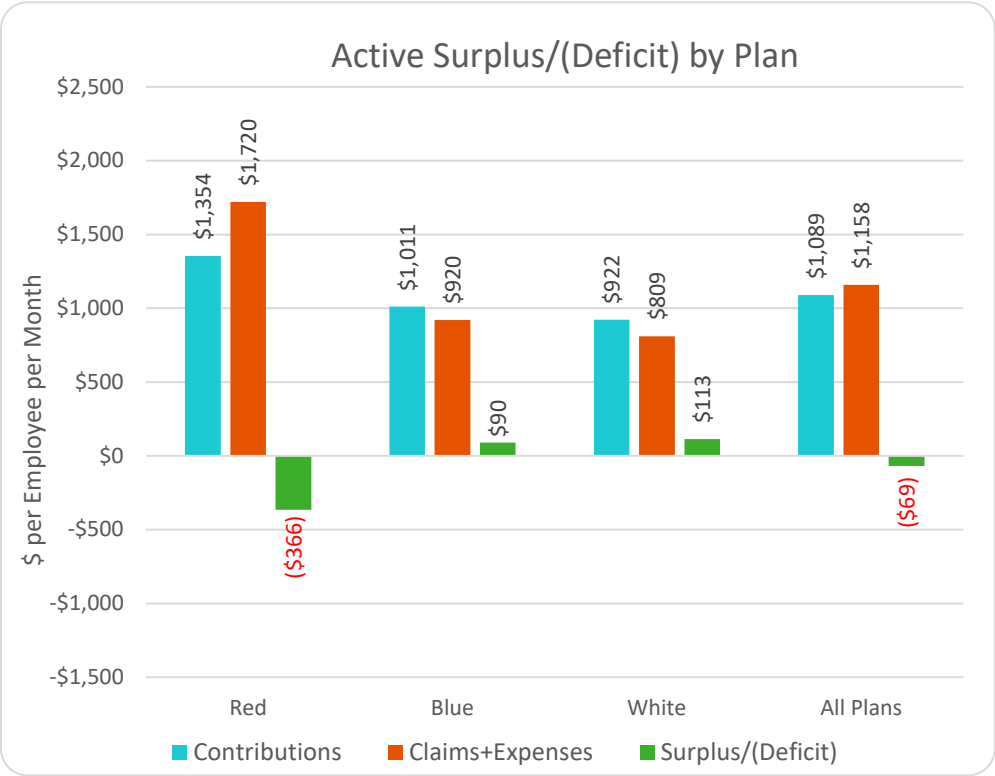
Retirees												
	Red				Blue				White			
Month	Retiree	Ret+SP	Ret+Ch(rn)	Ret+Fam	Retiree	Ret+SP	Ret+Ch(rn)	Ret+Fam	Retiree	Ret+SP	Ret+Ch(rn)	Ret+Fam
Jan-22	33	32	5	3	14	13	0	0	47	44	4	9
Feb-22	34	33	5	3	14	12	0	1	48	44	4	11
Mar-22	33	34	5	3	14	12	0	1	48	45	4	13
Apr-22												
May-22												
Jun-22												
Jul-22												
Aug-22												
Sep-22												
Oct-22												
Nov-22												
Dec-22												
2022 Total	**100**	**99**	**15**	**9**	**42**	**37**	**0**	**2**	**143**	**133**	**12**	**33**
2022 Avg.	**33**	**33**	**5**	**3**	**14**	**12**	**0**	**1**	**48**	**44**	**4**	**11**

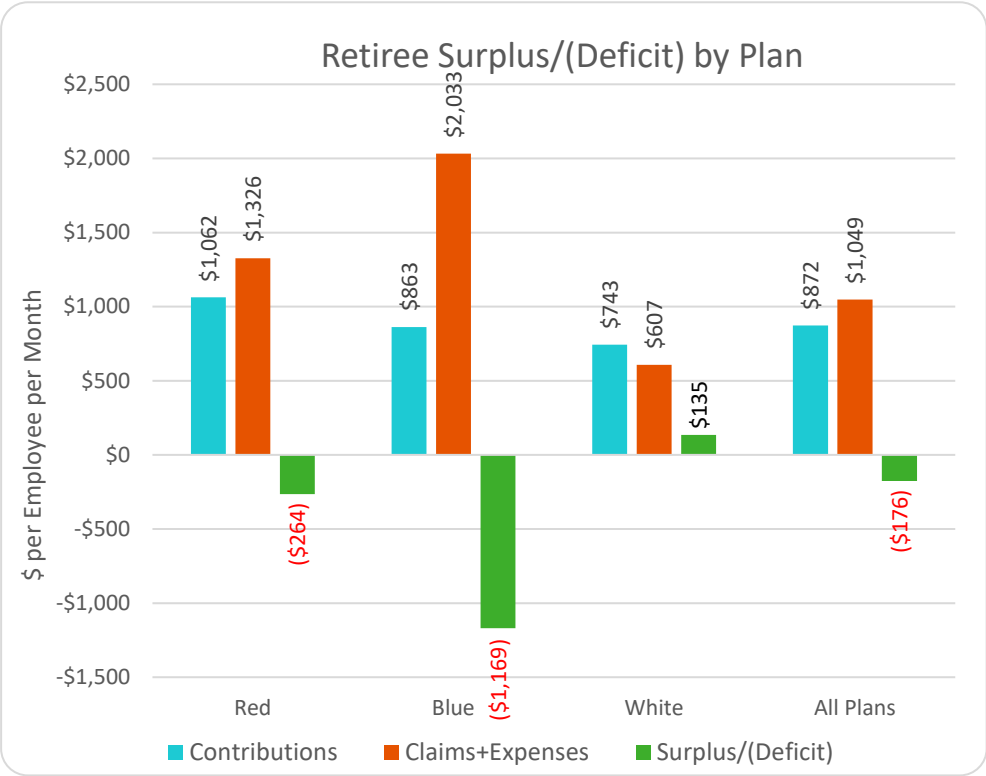
City of Chandler
Enrollment by Tier
Plan Year 2021

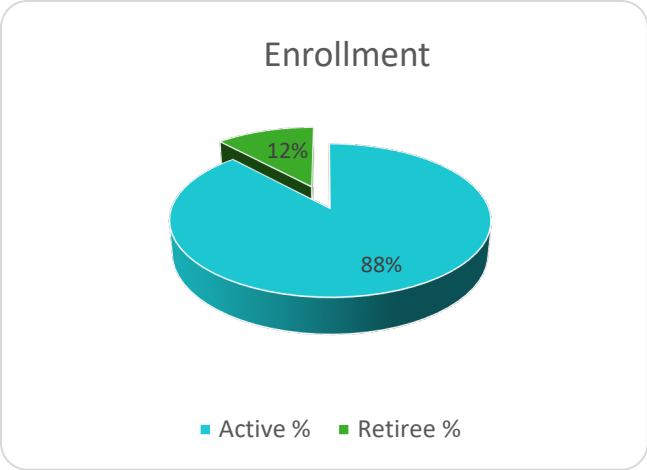
Actives												
	Red				Blue				White			
Month	EE	EE+SP	EE+Ch(rn)	EE+Fam	EE	EE+SP	EE+Ch(rn)	EE+Fam	EE	EE+SP	EE+Ch(rn)	EE+Fam
Jan-21	153	138	87	224	18	3	7	17	261	122	100	396
Feb-21	147	136	89	223	18	2	7	17	256	119	101	395
Mar-21	146	136	89	226	20	3	7	18	257	119	100	395
Apr-21	145	136	90	226	19	3	7	19	255	120	100	396
May-21	143	135	91	227	18	3	7	19	257	117	99	396
Jun-21	146	135	91	231	18	3	7	19	260	122	103	395
Jul-21	147	133	90	229	19	4	8	19	260	119	99	395
Aug-21	145	134	90	231	20	4	8	19	259	116	95	396
Sep-21	146	133	89	230	22	5	8	19	260	116	96	398
Oct-21	149	131	91	232	24	5	8	19	261	117	97	398
Nov-21	152	132	90	229	25	5	9	19	263	120	96	394
Dec-21	150	133	88	232	23	5	9	19	276	119	96	398
2021 Total	**1,769**	**1,612**	**1,075**	**2,740**	**244**	**45**	**92**	**223**	**3,125**	**1,426**	**1,182**	**4,752**
2021 Avg.	**147**	**134**	**90**	**228**	**20**	**4**	**8**	**19**	**260**	**119**	**99**	**396**

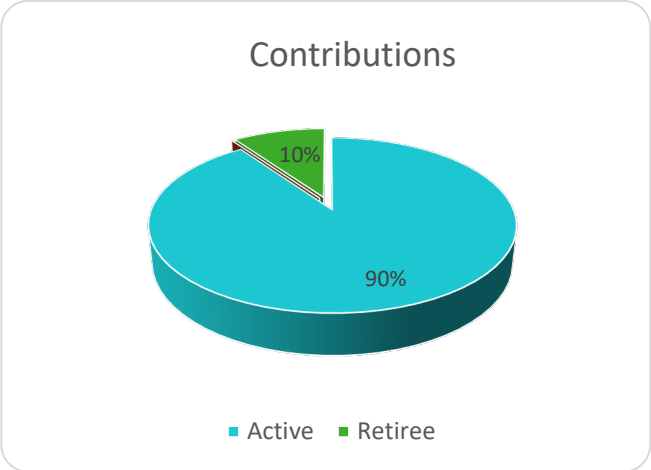
Retirees												
	Red				Blue				White			
Month	Retiree	Ret+SP	Ret+Ch(rn)	Ret+Fam	Retiree	Ret+SP	Ret+Ch(rn)	Ret+Fam	Retiree	Ret+SP	Ret+Ch(rn)	Ret+Fam
Jan-21	28	30	2	3	14	14	0	0	40	39	2	10
Feb-21	29	30	2	3	15	14	0	0	43	40	2	10
Mar-21	29	30	2	3	15	14	0	0	42	40	3	10
Apr-21	29	29	2	4	16	13	0	0	42	41	3	8
May-21	30	30	3	4	16	13	0	0	42	42	3	8
Jun-21	30	30	3	4	17	12	0	0	43	42	3	8
Jul-21	30	31	4	3	15	12	0	0	47	43	3	7
Aug-21	30	30	5	3	15	12	0	0	47	45	3	7
Sep-21	29	31	5	3	15	11	0	0	46	45	3	7
Oct-21	28	36	6	3	15	11	0	0	46	45	3	8
Nov-21	28	35	6	3	15	11	0	0	47	45	3	8
Dec-21	31	35	6	3	15	11	0	0	47	45	3	8
2021 Total	**351**	**377**	**46**	**39**	**183**	**148**	**0**	**0**	**532**	**512**	**34**	**99**
2021 Avg.	**29**	**31**	**4**	**3**	**15**	**12**	**0**	**0**	**44**	**43**	**3**	**8**

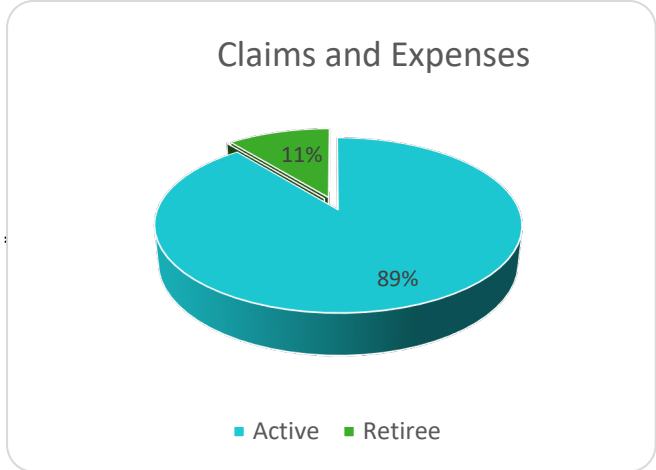
City of Chandler
2022 Contributions and Expenses by Status and Plan
Year-to-date through March 2022









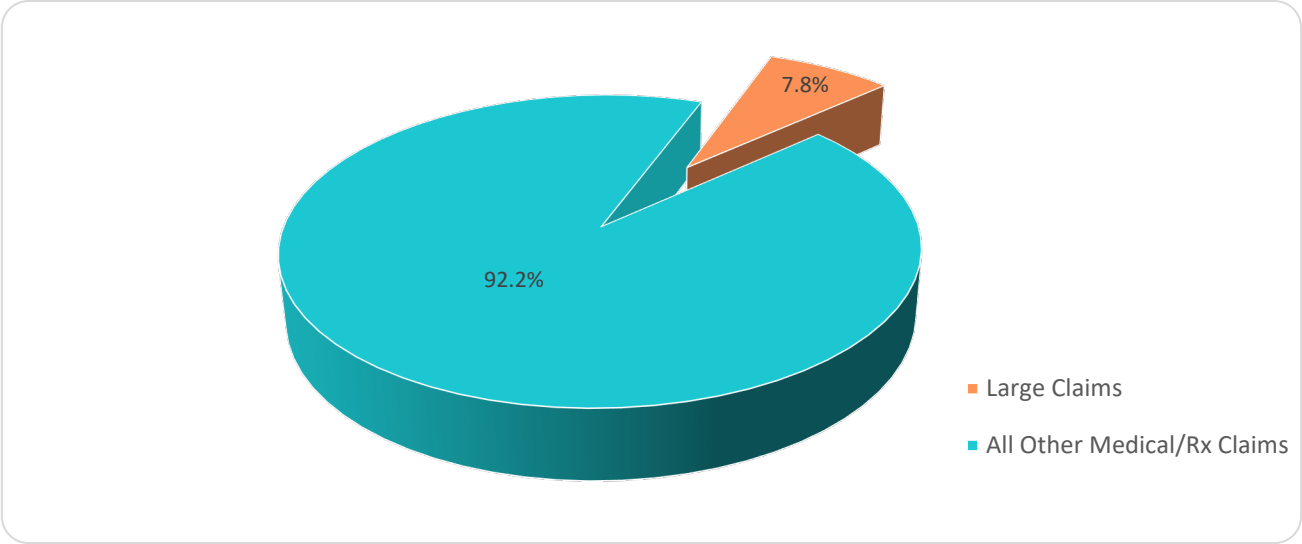


Claims include capitation (allocated by claims paid year-to-date), but are unreduced for stop loss reimbursements.

The claims information by Active and Retiree status is approximate based on the status information reported to Blue Cross as of the date the claim was adjudicated.

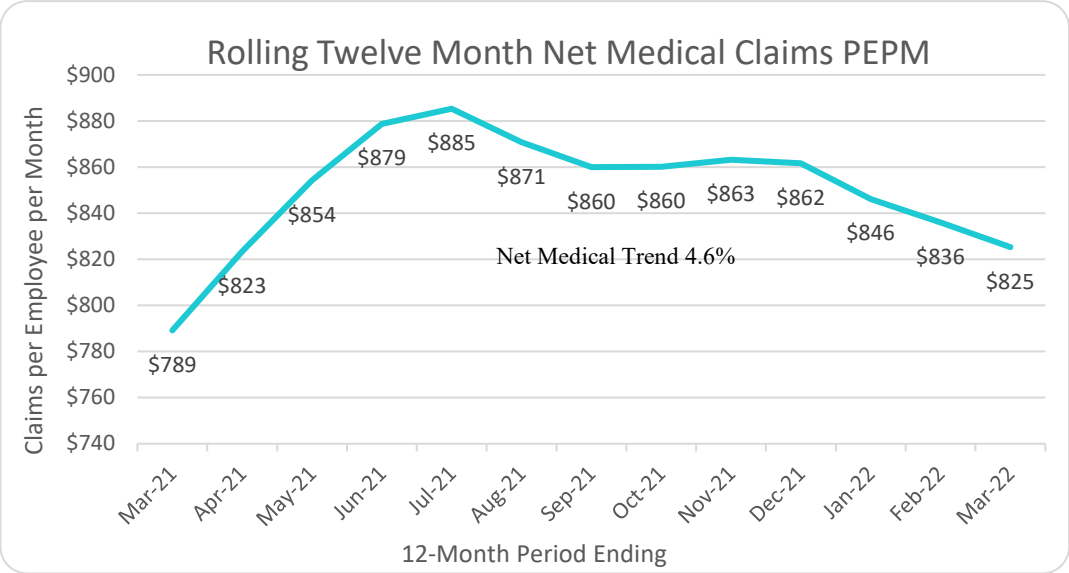
Expenses on these graphs are limited to self-insurance administrative fees, PCORI fees, and paid claims.

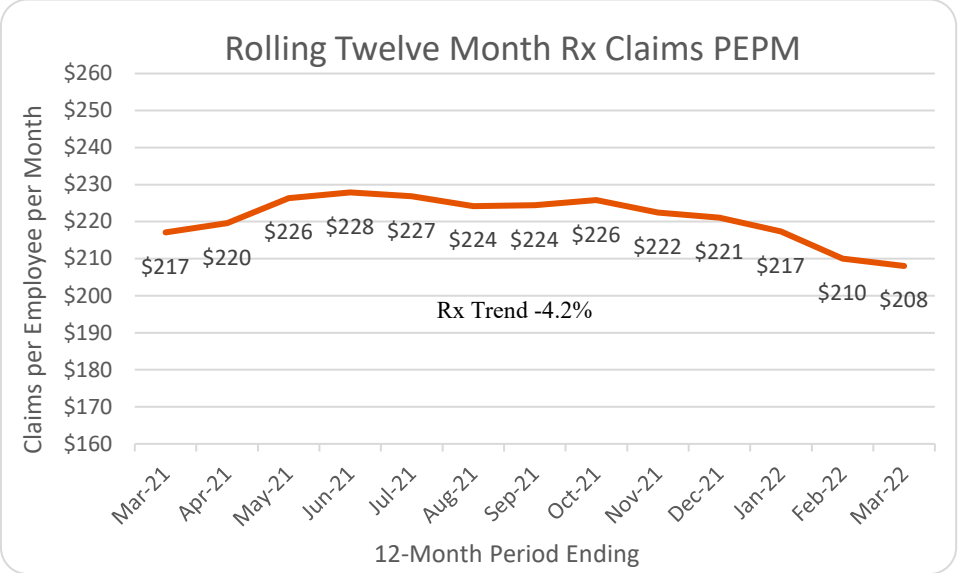
City of Chandler
2022 Incurred Medical Claims Paid in Excess of $100,000
Year-to-date through March 2022



Rank	Plan	Medical/Rx Paid YTD	Medical/Rx Paid in Excess of $350K Stop Loss Deductible
1	White Plan	$176,464	$0
2	Red Plan	$122,514	$0
3	Red Plan	$107,050	$0
Total of three claimants		**$406,028**	**$0**
Percentage of Total Medical/Rx Paid:		**7.8%**	

City of Chandler
Thirteen Month Snapshot - Medical and Rx Plan Paid Claims Through March 2022





Twelve Month Period Ending	(a) Enrollment	(b) Medical Claims Paid	(c) Stop Loss Reimbursements	(d)=(b)+(c) Net Medical Claims	(e) Rx Paid	(f)=(d)+(e) Net Claims	(d)/(a) Net Medical Claims PEPM	(e)/(a) Rx Claims PEPM
Mar-21	20,424	$17,173,727	($1,055,678)	$16,118,049	$4,434,789	$20,552,838	$789.17	$217.14
Apr-21	20,426	$17,645,904	($828,614)	$16,817,290	$4,484,949	$21,302,239	$823.33	$219.57
May-21	20,424	$18,286,370	($837,797)	$17,448,573	$4,623,656	$22,072,229	$854.32	$226.38
Jun-21	20,439	$18,881,903	($922,629)	$17,959,274	$4,658,039	$22,617,313	$878.68	$227.90
Jul-21	20,448	$19,023,093	($919,883)	$18,103,210	$4,639,035	$22,742,245	$885.33	$226.87
Aug-21	20,454	$18,794,607	($982,693)	$17,811,914	$4,586,043	$22,397,956	$870.83	$224.21
Sep-21	20,470	$18,594,973	($991,646)	$17,603,327	$4,594,938	$22,198,264	$859.96	$224.47
Oct-21	20,513	$18,688,733	($1,043,316)	$17,645,417	$4,631,827	$22,277,244	$860.21	$225.80
Nov-21	20,557	$18,834,622	($1,091,323)	$17,743,300	$4,573,876	$22,317,175	$863.13	$222.50
Dec-21	20,606	$18,995,900	($1,241,629)	$17,754,271	$4,554,966	$22,309,237	$861.61	$221.05
Jan-22	20,658	$18,842,097	($1,361,582)	$17,480,514	$4,491,084	$21,971,598	$846.19	$217.40
Feb-22	20,716	$18,688,354	($1,370,965)	$17,317,389	$4,351,293	$21,668,682	$835.94	$210.05
Mar-22	20,759	$18,599,010	($1,467,858)	$17,131,152	$4,318,659	$21,449,811	$825.24	$208.04

Notes:
Medical Claims Paid includes capitation.

ITEM 4

Health Care Benefits Trust Board Human Resources Memo No.

Date: 06/16/2022
To: Health Care Benefits Trust Board
From: Teresa Canjar, Management Assistant
Subject: **Financial Statements and Wellness Report - Management Services**

Attachments

Financial Statements and Wellness Report

CITY OF CHANDLER
Chandler Health Care Benefits Self-Insurance Trust Fund
Statement of Net Position
March 31, 2022

ASSETS		
Cash and investments	$	15,160,482
Accrued interest		37,246
Due from City - premiums		392,472
Total assets		15,590,200
Retirees claims payable, due to Blue Cross Blue Shield		
Compensated absences payable		47,613
Claims incurred but not reported (IBNR) Current 90%		2,034,000
Claims incurred but not reported (IBNR) Non-current 10%		226,000
Employees claims payable, due to Blue Cross Blue Shield		1,331,488
Retirees claims payable, due to Blue Cross Blue Shield		106,621
COBRA claims payable, due to Blue Cross Blue Shield		9,845
Total liabilities		3,755,567
NET POSITION		
Unrestricted		11,834,633
Total net position	$	11,834,633

Note: *December 31, 2021 minimum end of year reserve including IBNR and two months costs as projected by Segal Consulting.* *$ 6,934,000*

CITY OF CHANDLER
Chandler Health Care Benefits Self-Insurance Trust Fund
Statement of Revenues, Expenses and Changes in Net Position
For the Three Months Ended March 31, 2022

	2022 Budget	2022 Budget Prorated	Actuals	Budget to Actual Difference
OPERATING REVENUES				
Contributions:				
Employer self insurance premiums	$ 19,194,205	4,798,551	$ 4,516,182	$ (282,369)
Employee self insurance premiums	2,194,830	548,708	504,966	(43,741)
Retiree premiums	2,051,370	512,843	566,717	53,875
COBRA premiums	77,095	19,274	(3,294)	(22,568)
Other:				
BCBS wellness programs	25,000	25,000	25,000	-
BCBS wellness coordinator	100,000	100,000	100,000	-
BCBS administration	25,000	25,000	25,000	-
BCBS communication	30,000	30,000	30,000	-
Recovery of medical claims	30,000	7,500	3,598	(3,902)
Total operating revenues	23,727,500	6,066,875	5,768,168	(298,707)
OPERATING EXPENSES				
Personnel support	473,828	127,569	106,741	(20,828)
Audits & financial services	8,600	8,600	5,004	(3,596)
Promotional	30,000	7,500	-	(7,500)
Operating supplies & equipment	40,027	10,007	840	(9,167)
Bank charges	400	100	-	(100)
Contractual services	174,000	43,500	13,234	(30,266)
Other:				
Self-insurance administrative fees	2,818,636	704,659	428,801	(275,858)
PCORI fees	11,000	11,000	-	(11,000)
Wellness programs	130,494	32,624	7,921	(24,703)
Health savings & flex spending acct contributions	317,700	317,700	212,450	(105,250)
Claims paid:				
Employees	18,862,000	4,715,500	4,119,382	(596,118)
Retirees	4,252,000	1,063,000	394,104	(668,896)
COBRA	136,000	34,000	20,960	(13,040)
Total operating expenses	27,254,685	7,075,758	5,309,438	(1,766,321)
OPERATING INCOME (LOSS)	(3,527,185)	(1,008,883)	458,731	1,467,614
NONOPERATING REVENUES (EXPENSES):				
Transfers Out - Technology Fund	(5,530)	-	-	-
Transfers In - General Fund	5,000,000	-	-	-
Interest income (loss)	106,050	26,513	43,350	16,837
Total nonoperating revenues (expenses)	5,100,520	26,513	43,350	16,837
Change in net position	1,573,335	(982,371)	502,080	1,484,450
NET POSITION:				
Total net position, as of January 1, 2022	11,332,553	11,332,553	11,332,553	-
Total net position, as of March 31, 2022	$ 12,905,888	$ 10,350,182	$ 11,834,633	$ 1,484,450

CITY OF CHANDLER
Chandler Health Care Benefits Self-Insurance Trust Fund
Statement of Cash Flows
For the Three Months Ended March 31, 2022

Cash flows from operating activities:		
Cash received for premiums and other operating purposes	$	4,239,322
Cash payments for claims		(5,290,616)
Cash payments to suppliers for other services		(658,329)
Cash payments to employees for services		(124,556)
Net cash provided by operating activities		(1,834,178)
Cash flows from investing activities:		
Investment income		41,085
Proceeds from sales of investments		8,429,006
Purchases of investments		(6,635,913)
Net cash used for investing activities		1,834,178
Net increase in cash and cash equivalents		-
Cash and cash equivalents, January 1, 2022		-
Cash and cash equivalents, March 31, 2022	$	-
Reconciliation of operating income to cash provided by operating activities:		
Operating income	$	458,731
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
(Increase)/Decrease in due from (to) City		(1,528,846)
(Increase)/Decrease in prepaids		12,826
Increase/(Decrease) in claims payable		(756,170)
Increase/(Decrease) in accounts payable		(2,904)
Increase/(Decrease) in accrued payroll		(17,815)
Net cash provided by operating activities	$	(1,834,178)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and cash equivalents	$	-
Investments		15,160,482
Cash and investments	$	15,160,482

Chandler Health Care Benefits Trust
Wellness Programs Tracking January 1 Thru December 31, 2022

Wellness Detail	Jan - Dec 2011	Jan - Dec 2012	Jan - Dec 2013	Jan - Dec 2014	Jan - Dec 2015	Jan - Dec 2016	Jan - Dec 2017	Jan - Dec 2018	Jan - Dec 2019	Jan - Dec 2020	Jan - Dec 2021	Jan - Dec 2022	Cumulative Total Since Inception
Revenue													
Wellness Funds from BCBS	24,031.73	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	299,031.73
YOGA Program Revenues	-	2,150.00	2,288.00	2,466.00	2,266.00	1,820.00	1,062.00	2,148.00	-	-	-	-	14,200.00
Total Wellness Program Revenue	**24,031.73**	**27,150.00**	**27,288.00**	**27,466.00**	**27,266.00**	**26,820.00**	**26,062.00**	**27,148.00**	**25,000.00**	**25,000.00**	**25,000.00**	**25,000.00**	**313,231.73**
Expenses													
YOGA Program Expenses	-	1,820.00	3,360.00	3,220.00	3,150.00	2,905.00	2,555.00	1,000.00	-	-	360.00	-	18,370.00
Other Professional Services	-	-	-	1,200.00	-	93.62	-	-	-	-	-	2,500.00	3,793.62
Promotional/Advertising Svcs	-	7,547.42	22,174.80	24,361.61	10,408.85	8,567.47	15,024.50	10,060.07	17,712.80	9,759.42	10,434.58	3,776.83	139,828.35
Supplies (printing, office, etc.)	-	227.89	2,954.17	1,259.37	1,447.85	1,735.20	12.30	3.02	35.22	-	-	-	7,675.02
Food & Events	-	350.19	375.02	64.56	795.09	677.75	427.82	535.24	1,163.33	424.57	843.38	648.96	6,305.91
Clothing & Uniforms	-	628.00	-	-	-	-	51.58	-	-	-	-	-	679.58
Other Supplies	-	26.16	-	26.75	-	-	-	-	-	-	-	-	52.91
Office Furniture	-	-	-	-	-	-	-	-	-	-	-	489.80	489.80
Employee Activities/Recognition	-	-	-	-	-	1,000.00	-	-	-	-	1,121.00	350.84	2,471.84
Postage & Freight	-	-	481.63	-	-	-	-	-	-	-	-	-	481.63
Travel	-	-	27.12	-	-	-	288.50	942.96	1,327.36	-	-	-	2,585.94
Subscriptions & Memberships	-	365.00	352.00	310.00	-	-	395.00	365.00	-	-	-	154.22	1,941.22
Education & Training	-	-	(600.00)	-	120.00	79.00	439.10	625.50	895.50	460.00	419.00	-	2,438.10
Other Wellness Expenses	2,648.92	-	-	-	-	-	-	-	-	-	-	-	2,648.92
Registrations	-	-	-	-	-	-	625.50	-	200.00	-	70.00	-	895.50
Total Wellness Program Expenses	**2,648.92**	**10,964.66**	**29,124.74**	**30,442.29**	**15,921.79**	**15,058.04**	**19,819.30**	**13,531.79**	**21,334.21**	**10,643.99**	**13,247.96**	**7,920.65**	**190,658.34**
Net Wellness Funds Remaining													**122,573.39**

ITEM 5

Health Care Benefits Trust Board Human Resources Memo No. N/A

Date: 06/16/2022
To: Health Care Benefits Trust Board
From: Teresa Canjar, Management Assistant
Subject: **Investment Report - Management Services**

Attachments

Investment Report for the Quarter Ending March 31, 2022

pfm asset management

CITY OF CHANDLER
HEALTH CARE BENEFITS TRUST

Investment Performance Review
For the Quarter Ended March 31, 2022

Client Management Team

Paulina Woo, Managing Director
Luke Schneider, CFA, Managing Director
Annette Gaston, Senior Managing Consultant

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Agenda

- Market Summary
- Account Summary
- Portfolio Review

Market Summary

Summary

► In Q1, U.S. economic conditions were characterized by: (1) persistent high inflation; (2) the Federal Reserve (Fed) kicking off a shift to tighter monetary policy; (3) rapidly rising interest rates; (4) elevated energy and commodity prices; (5) increased volatility and risk-off sentiment in credit and equity markets; (6) stronger than ever labor market.

►Just as Omicron's potential to impact the economy waned, geopolitical tensions in Ukraine dominated headlines, applying further pressure to an already fragile inflation narrative. Simultaneously, the macro focus on economic growth and continued recovery shifted from elevated virus infections to surging consumer prices. The U.S. Personal Consumption Expenditure Core Price Index, the Fed's preferred inflation measure, rose to a nearly four-decade high of 5.4% on a year-on-year basis in February, while the headline Consumer Price Index increased 8.5% year-over-year through March.

►On the heels of rising consumer prices, geopolitical uncertainty stemming from Russia's invasion of Ukraine has stoked risks for both hampering global economic growth and creating additional pressures on supply chains and commodity prices. While the U.S. is largely insulated from the direct conflict, the global impact on energy prices is undeniable, as Russia produces about 12% of global crude oil supplies. Europe's heavier dependence on Russian natural gas suggests that the EU's economy may face stiffer headwinds, ultimately dampening global growth in 2022 and beyond.

►As a result of surging inflation that proved not to be transitory, the Fed raised the overnight federal funds target rate to 0.25% in March 2022 for the first time since December 2018, underscoring the risk that inflation now poses to economic growth and stability. The Fed also forecasts as many as six more rate hikes this year. In addition, the Fed will likely begin reducing its balance sheet through a reduction in the reinvestment of maturities and principal payments on its nearly nine trillion holdings of Treasuries and agency mortgage-backed securities.

Economic Snapshot

►Underneath the headlines, the American consumer remains in good standing with strong household balance sheets supporting consumer demand. The final reading for Q4 2021 GDP showed that the U.S. economy grew at an annualized growth rate of 6.9%. Given current conditions, economists forecast a large drop for Q1 2022 and more moderate growth for the year, around 3.2%. That path will depend, in part, on how well the economy can handle an aggressive series of rate hikes.

►The U.S. labor market remains a strength of the economy, adding 6.7 million new jobs in 2021 and another 1.7 million jobs in Q1. The unemployment rate returned to a pandemic-cycle low of 3.6%. At the same time, initial jobless claims fell to a 50-year low and 11.3 million jobs remain unfilled. Averaged 199,000 a week in December, figures that are firmly below the pre-pandemic average of 225,000. The labor force participation rate also improved steadily through the quarter, reaching a two-year high of 62.4.

►Manufacturing and services remained expansionary in Q1 and above five-year averages. On the housing front, sales of both new and existing homes remained strong and continued the decade-long improvement following the 2007-2008 housing crash. However, refinancing activity fell drastically in Q1 as mortgage rates increased noticeably, and more recent readings appear to be softening.

Interest Rates

►U.S. Treasury yields rose meaningfully in Q1 on surging inflation data and growing expectations for multiple Fed rate hikes in 2022. Given their maturity horizon, two- and three-year yields were most impacted by the increased probability of future rate hikes, with both tenors increasing over 150 basis points (1.50%) during the quarter.

►Ten-year yields, which are more influenced by inflation expectations than Fed policy, increased 83 basis points, resulting in a briefly inverted yield curve between three- and ten-year maturities, suggesting markets expect inflation levels to ease over the longer run. Fed policy remains on a rate-hiking trajectory for the foreseeable future.

►As a result of sharply higher Treasury yields, fixed income indices posted some of the worst total returns dating back over 40 years. For example, the ICE BofA 1-, 5- and 10-year U.S. Treasury indices returned -0.73%, -4.92% and -7.21%, respectively.

Sector Performance

►Diversification away from U.S. Treasury securities generally detracted from fixed-income performance during Q1 as no sector was immune from spread widening caused by risk-off sentiment during the quarter.

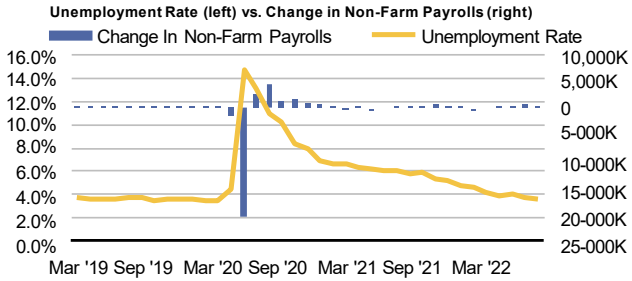
►Investment-grade (IG) corporate credit spreads widened to a two-year wide in mid-March before partially retreating into quarter-end. Despite the late quarter retracement, IG corporate spreads remained elevated from a post-pandemic perspective. As a result, the corporate sector underperformed Treasuries in Q1, with lower quality bonds like those rated BBB performing worst. On the other hand, spreads now look attractive, assuming strong underlying fundamentals persist and the economy avoids a recession.

►AAA-rated asset-backed securities (ABS) also experienced noticeable spread widening during Q1. However, contrary to the retracement experienced in IG corporates, ABS spreads remained relatively wide at quarter-end. The result was underperformance vs. duration-matched Treasuries and therefore negative excess returns from the sector regardless of collateral type (auto or credit card receivables).

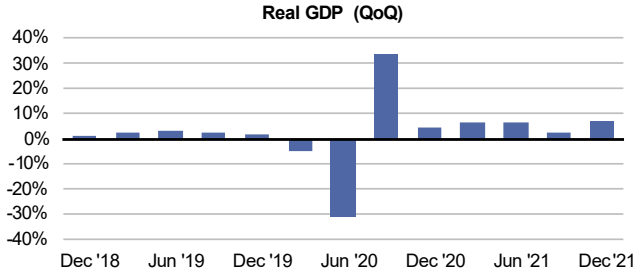
►Mortgage-backed securities (MBS) continued their trend of underperformance as rate increases and volatility impacted the sector more than others. As the Fed embarks on their tightening cycle and the reduction of the balance sheet, MBS have felt pressure from the combination of higher rates, slower prepayments (and therefore duration extensions), and demand concerns with the removal of the Fed as the larger price-insensitive purchaser for the past two years. The result was significant negative excess returns from the sector and continuing concerns for the balance of 2022.

Economic Snapshot

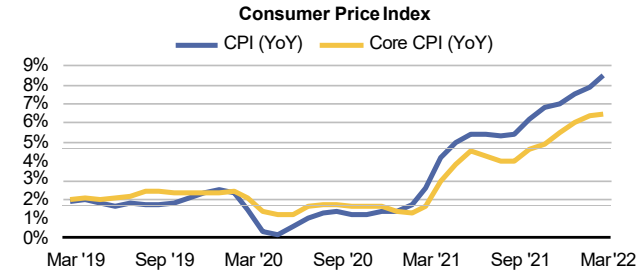
Labor Market		Latest	Dec '21	Mar '21
Unemployment Rate	Mar '22	3.6%	3.9%	6.0%
Change In Non-Farm Payrolls	Mar '22	431,000	588,000	704,000
Average Hourly Earnings (YoY)	Mar '22	5.6%	4.9%	4.4%
Personal Income (YoY)	Feb '22	6.0%	7.6%	29.5%
Initial Jobless Claims (week)	4/2/22	166,000	224,000	658,000



Growth				
Real GDP (QoQ SAAR)	2022 Q4	6.9%	2.3%[1]	4.5%[2]
GDP Personal Consumption (QoQ SAAR)	2022 Q4	2.5%	2.0%[1]	3.4%[2]
Retail Sales (YoY)	Feb '22	17.6%	16.6%	29.7%
ISM Manufacturing Survey (month)	Mar '22	57.1	58.8	63.7
Existing Home Sales SAAR (month)	Feb '22	6.02 mil.	6.09 mil.	6.04 mil.



Inflation/Prices				
Personal Consumption Expenditures (YoY)	Feb '22	6.4%	5.8%	2.5%
Consumer Price Index (YoY)	Mar '22	8.5%	7.0%	2.6%
Consumer Price Index Core (YoY)	Mar '22	6.5%	5.5%	1.6%
Crude Oil Futures (WTI, per barrel)	Mar 31	$100.28	$75.21	$59.16
Gold Futures (oz.)	Mar 31	$1,949	$1,829	$1,714



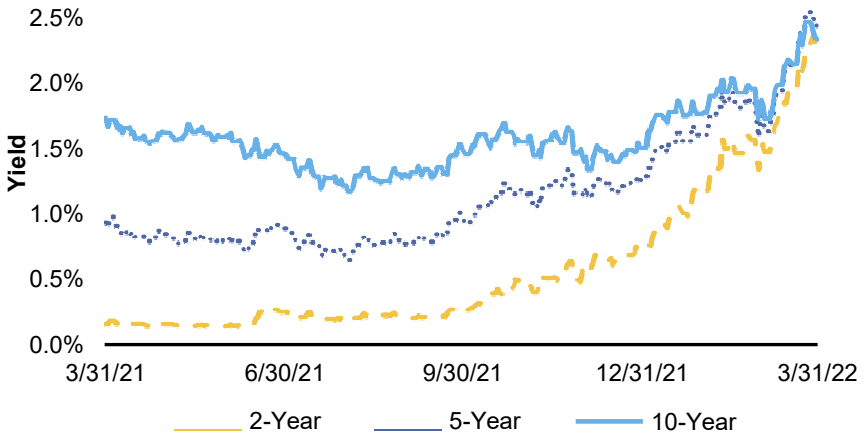
1. *Data as of Third Quarter 2021.*
2. *Data as of Fourth Quarter 2020.*

Note: YoY = year-over-year, QoQ = quarter-over-quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil.

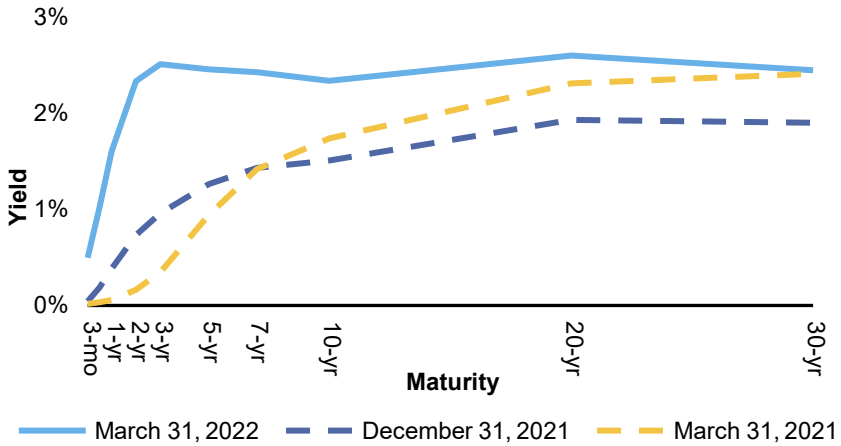
Source: Bloomberg.

Interest Rate Overview

U.S. Treasury Note Yields



U.S. Treasury Yield Curve

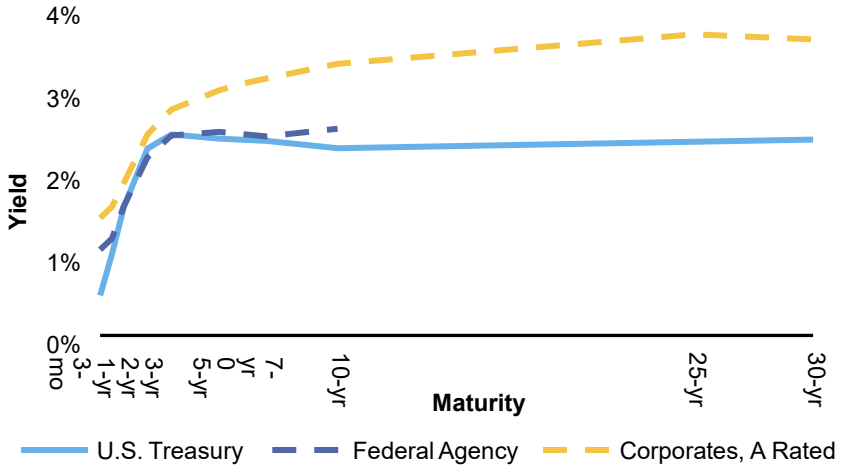


U.S. Treasury Yields

Maturity	Mar '22	Dec '21	Change over Quarter	Mar '21	Change over Year
3-Month	0.50%	0.04%	0.46%	0.02%	0.48%
1-Year	1.61%	0.38%	1.23%	0.06%	1.55%
2-Year	2.34%	0.73%	1.61%	0.16%	2.18%
5-Year	2.46%	1.26%	1.20%	0.94%	1.52%
10-Year	2.34%	1.51%	0.83%	1.74%	0.60%
30-Year	2.45%	1.90%	0.55%	2.41%	0.04%

Source: Bloomberg.

Yield Curves as of 03/31/2022



ICE BofAML Index Returns

	As of 03/31/2022		Returns for Periods ended 03/31/2022		
March 31, 2022	**Duration**	**Yield**	**3 Month**	**1 Year**	**3 Years**
1-3 Year Indices					
U.S. Treasury	1.86	2.22%	(2.34%)	(2.84%)	0.88%
Federal Agency	1.82	2.18%	(2.28%)	(2.68%)	0.79%
U.S. Corporates, A-AAA rated	1.90	2.66%	(2.44%)	(2.63%)	1.49%
Agency MBS (0 to 3 years)	2.13	2.59%	(3.48%)	(4.88%)	0.55%
Taxable Municipals	1.57	2.49%	(1.93%)	(0.86%)	2.39%
1-5 Year Indices					
U.S. Treasury	2.61	2.32%	(3.16%)	(3.72%)	0.92%
Federal Agency	2.46	2.28%	(3.08%)	(3.49%)	0.64%
U.S. Corporates, A-AAA rated	2.77	2.86%	(3.62%)	(3.65%)	1.62%
Agency MBS (0 to 5 years)	3.40	2.69%	(3.79%)	(4.52%)	0.63%
Taxable Municipals	2.33	2.68%	(3.10%)	(2.80%)	1.62%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	7.02	2.39%	(5.56%)	(3.35%)	1.47%
Federal Agency	3.91	2.39%	(4.25%)	(3.65%)	1.33%
U.S. Corporates, A-AAA rated	7.90	3.30%	(7.27%)	(4.04%)	2.56%
Agency MBS (0 to 30 years)	5.15	3.00%	(5.05%)	(5.10%)	0.56%
Taxable Municipals	10.46	3.55%	(9.37%)	(3.98%)	3.59%

Returns for periods greater than one year are annualized.

Source: ICE BofAML Indices.

Disclosures

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Account Summary

Fixed-Income Sector Commentary — 1Q 2022

- **U.S. Treasury** securities generated negative performance as the market repriced for an aggressive Fed rate hike cycle, pushing yields higher across all maturities. By quarter-end, 2-year Treasury yields rose to 2.34%, the highest level since April 2019.
- **Federal agency** sector remained unattractive given the historically tight yield spreads and minimal pickup vs. Treasuries. While volatility pushed spreads wider on callable structures, the rising rate environment was not favorable for taking on increased optionality risk.
- **Supranational** spreads remained tight, and supply was limited as issuance lagged projections. New issue opportunities, while sporadic, remained the best entry point.
- **Corporate** credit spreads widened through the quarter, driven by rising global tensions and a less certain macro-economic environment. Yield spreads reached the widest levels since 2019 despite stable-to-strong fundamentals.
- **Asset-Backed** AAA-rated auto and credit card yield spreads increased toward 18-month wides. ABS offered relative value compared to corporates as spreads between the two widened during the quarter.
- **Mortgage-Backed Securities** continued to underperform. Prepayments experienced a material slowdown as rates rose, which lengthened durations and compounded the negative impact. The Federal Reserve is poised to begin reducing their MBS holdings, so weakness in the sector could persist. CMBS valuations remained below historical averages relative to Treasuries as spreads remained tight.
- **Taxable Municipal** securities deals remain heavily oversubscribed. Valuations remained stretched which warrants some selectively in the sector.
- **Commercial Paper and CDs** saw significant repricing to higher yields, especially on maturities greater than six months as issuers sought longer-term funding in response to Fed rate hike expectations.

Account Summary

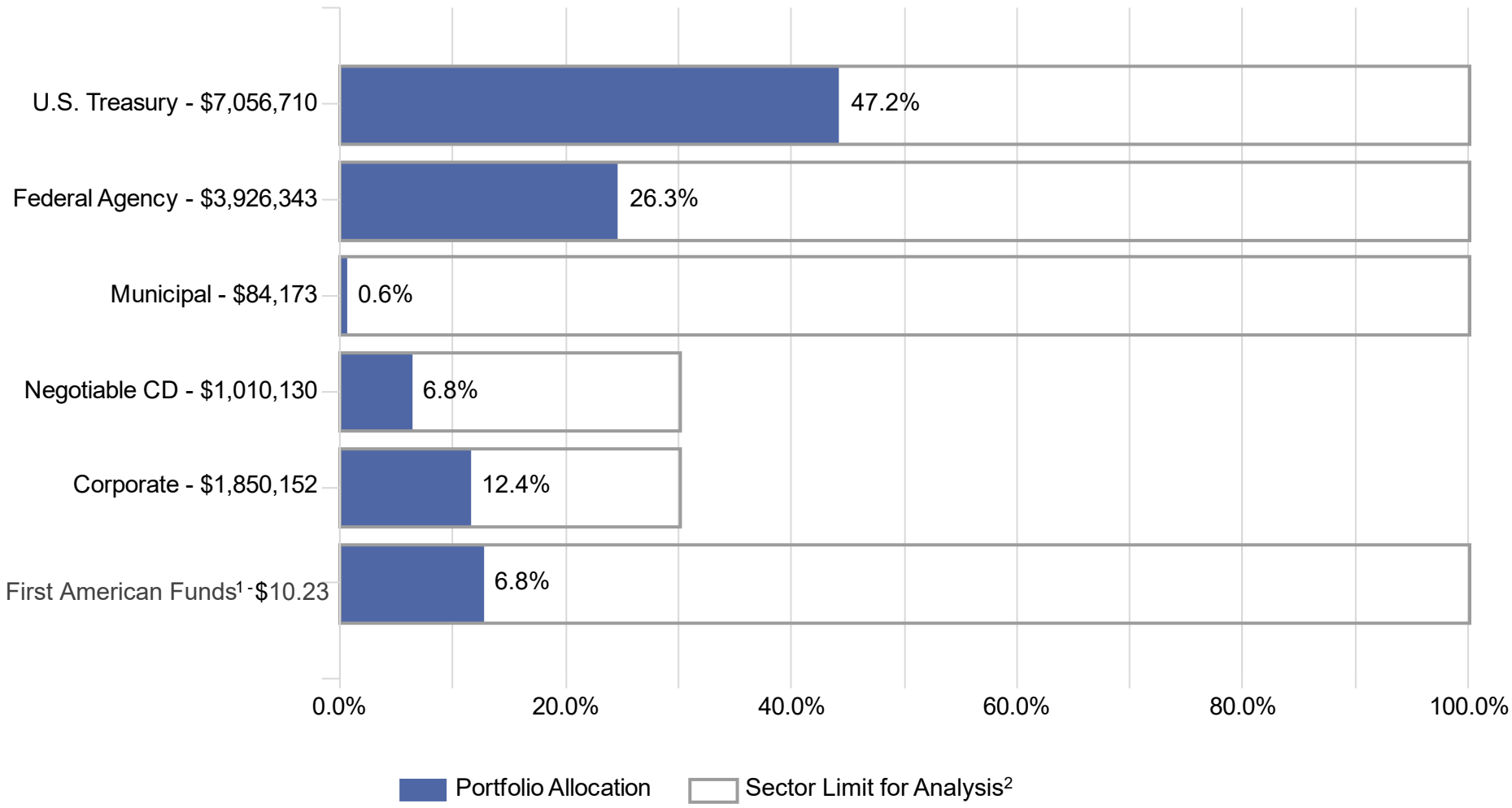
CHANDLER HEALTH CARE BENEFITS TRUST

Portfolio Values	March 31, 2022
PFMAM Managed Account	$13,890,262
Amortized Cost	$14,147,606
Market Value	$13,890,262
Accrued Interest	$37,246
Cash[2]	$1,012,866

Analytics[1]	March 31, 2022
Yield at Market	1.76%
Yield on Cost	0.89%
Portfolio Duration	1.18

1. *Yield at market, yield on cost, and portfolio duration only include investments held within the separately managed account(s), excludes balances invested in overnight funds.*
2. *Cash represents funds held in the Allspring Treasury Plus Money Market A Fund.*

Sector Allocation Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Balances includes accrued interest.
1. Excludes cash held in the Allspring Treasury Plus Money Market A Fund.
2. Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	**50.7%**	
UNITED STATES TREASURY	50.7%	AA / Aaa / AAA
Federal Agency	**28.2%**	
FANNIE MAE	13.6%	AA / Aaa / AAA
FREDDIE MAC	14.6%	AA / Aaa / AAA
Municipal	**0.6%**	
CITY OF SCOTTSDALE	0.6%	AAA / Aaa / AAA
Negotiable CD	**7.3%**	
CREDIT SUISSE GROUP RK	1.0%	A / Aa / A
DNB ASA	0.9%	AA / Aa / NR
NORDEA BANK ABP	1.3%	AA / Aa / AA
SKANDINAVISKA ENSKILDA BANKEN AB	1.4%	A / Aa / AA
SUMITOMO MITSUI FINANCIAL GROUP INC	1.0%	A / Aa / A
UBS AG	1.7%	A / Aa / AA
Corporate	**13.3%**	
ADOBE INC	0.7%	A / A / NR
AMAZON.COM INC	1.9%	AA / A / AA
AMERICAN HONDA FINANCE	0.9%	A / A / A
APPLE INC	0.7%	AA / Aaa / NR
BANK OF AMERICA CO	0.9%	A / A / AA
CATERPILLAR INC	1.0%	A / A / A
HERSHEY COMPANY	1.2%	A / A / NR
JP MORGAN CHASE & CO	1.5%	A / A / AA
THE WALT DISNEY CORPORATION	1.2%	BBB / A / A
TOYOTA MOTOR CORP	1.0%	A / A / A

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	**13.3%**	
WAL-MART STORES INC	2.2%	AA / Aa / AA
Total	**100.0%**	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

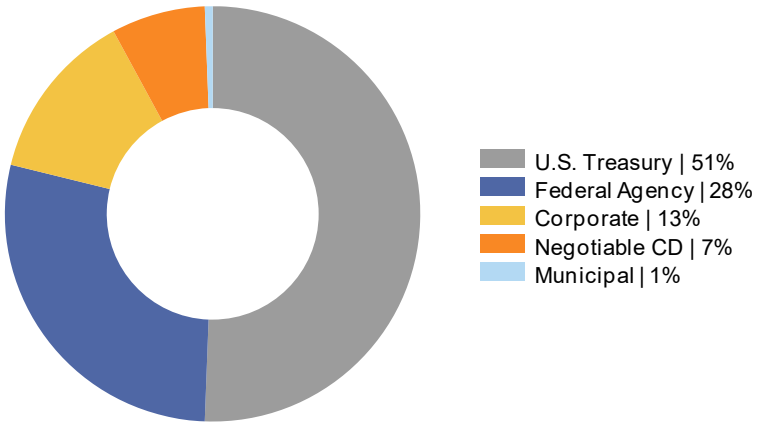
Portfolio Review:
CHANDLER HEALTH CARE BENEFITS TRUST

Portfolio Snapshot[1]

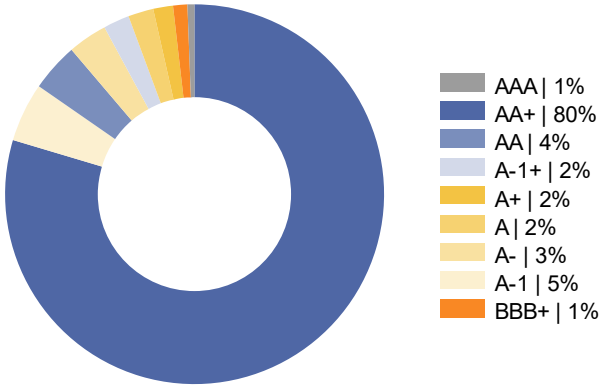
Portfolio Statistics

Total Market Value	$14,940,374
Securities Sub-Total	*$13,890,261.67*
Accrued Interest	*$37,246.38*
Cash[4]	*$1,012,866.02*
Portfolio Effective Duration	1.18 years
Benchmark Effective Duration	1.80 years
Yield At Cost	0.89%
Yield At Market	1.76%
Portfolio Credit Quality	AA

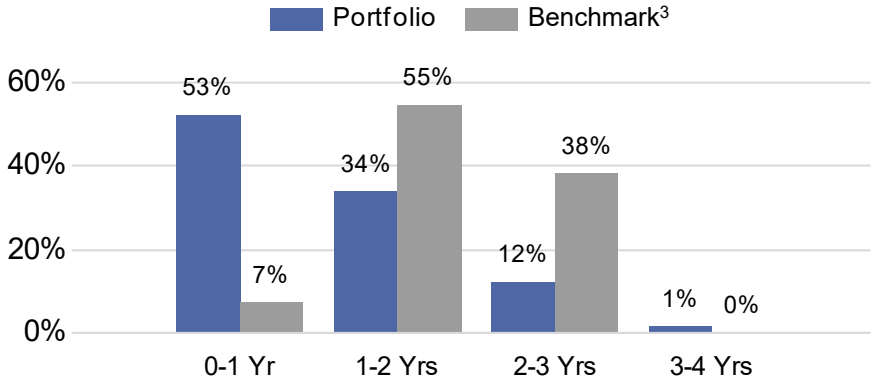
Sector Allocation



Credit Quality - S&P[2]



Duration Distribution



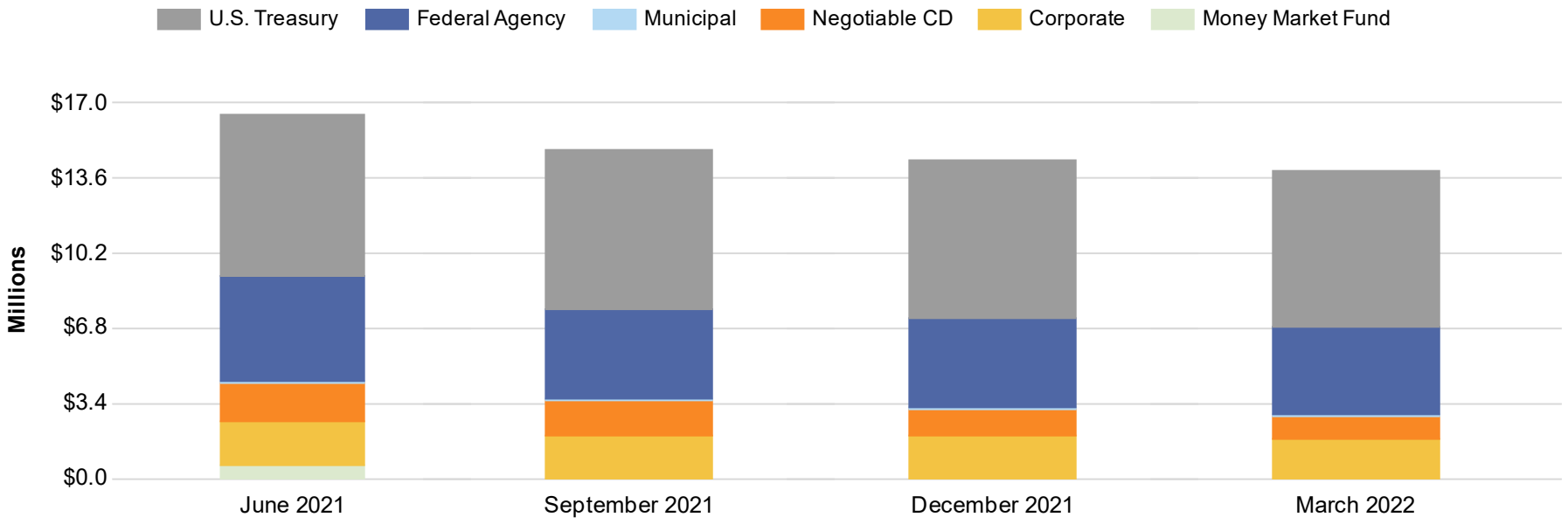
1. *Total market value includes accrued interest and cash, as of March 31, 2022.*
2. *An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.*
3. *The portfolio's benchmark is the ICE BofAML 1-3 Year U.S. Treasury Index. Source: Bloomberg.*
4. *Cash represents funds held in the Allspring Treasury Plus Money Market A Fund.*

Liquidity Vehicle	Quarter-End Yield
Allspring Treasury Plus Money Market A Fund[1]	0.02%
First American Funds[2]	0.02%

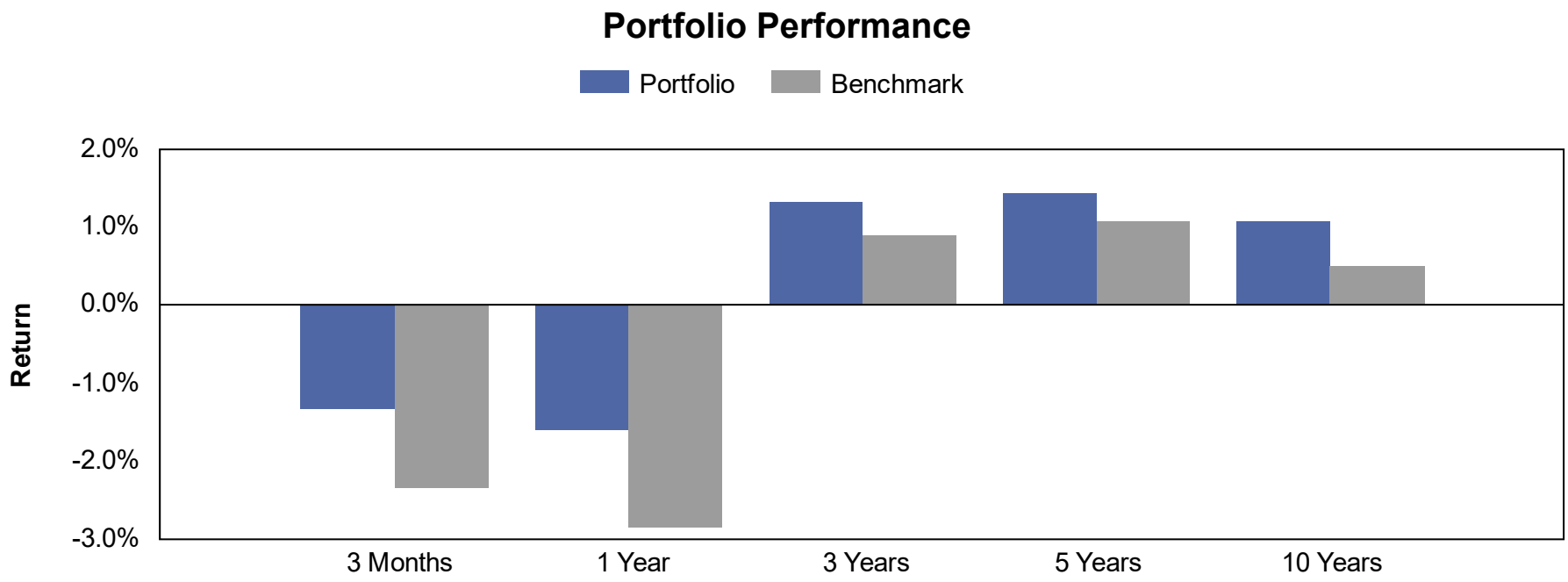
1. *Allspring Treasury Plus Money Market A Fund. Account yield from the Trust custody statement as of 3/31/22.*
2. *First American Funds Account yield from statement as of 3/31/22.*

Sector Allocation Review

Security Type	Jun-21	% of Total	Sep-21	% of Total	Dec-21	% of Total	Mar-22	% of Total
U.S. Treasury	$7.2	44.1%	$7.2	48.4%	$7.2	49.6%	$7.0	50.6%
Federal Agency	$4.7	28.9%	$4.0	27.0%	$4.0	27.7%	$3.9	28.2%
Municipal	$0.1	0.5%	$0.1	0.6%	$0.1	0.6%	$0.1	0.6%
Negotiable CD	$1.8	10.7%	$1.6	10.6%	$1.2	8.4%	$1.0	7.3%
Corporate	$2.0	12.1%	$2.0	13.4%	$2.0	13.7%	$1.8	13.3%
Money Market Fund	$0.6	3.7%	$0.0	0.0%	$0.0	0.0%	$0.0	0.0%
Total	**$16.4**	**100.0%**	**$14.9**	**100.0%**	**$14.4**	**100.0%**	**$13.9**	**100.0%**



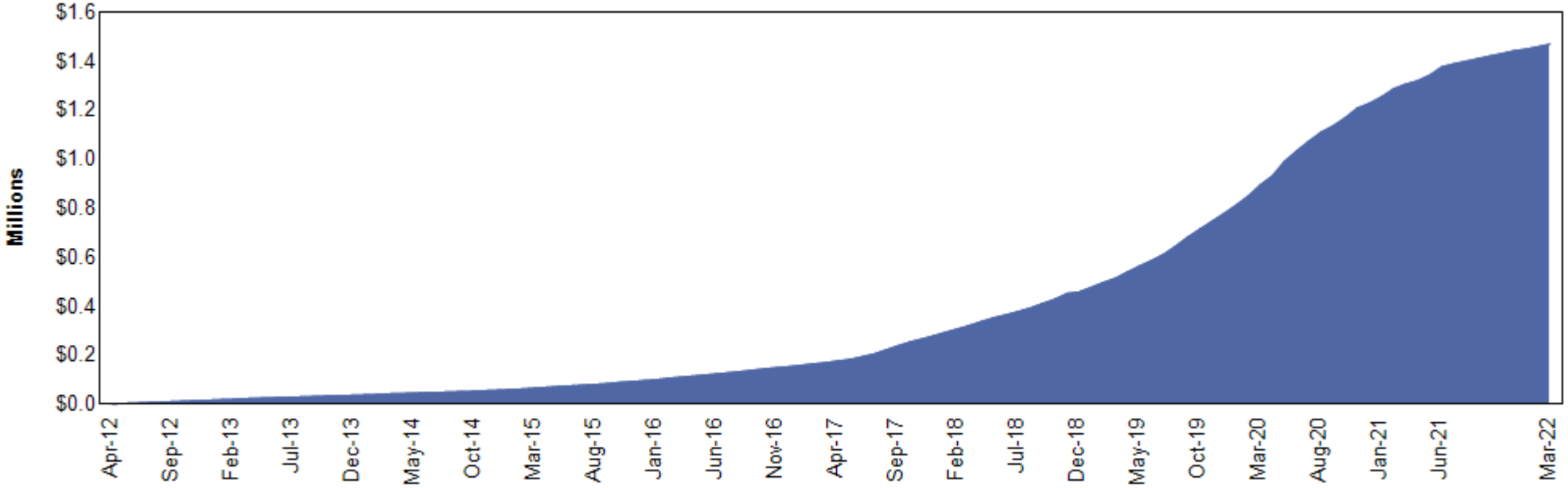
Market values, including accrued interest. Only includes investments held within the separately managed account(s), excludes cash held in funds not managed by PFMAM. Detail may not add to total due to rounding.



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	10 Years[1]
Interest Earned[2]	$39,945	$164,693	$780,914	$1,153,712	$1,515,466
Change in Market Value	($253,117)	($425,132)	($1,336,837)	($1,320,553)	($1,513,312)
Total Dollar Return	**($213,172)**	**($260,439)**	**($555,923)**	**($166,841)**	**$2,154**
Total Return[3]					
Portfolio	-1.32%	-1.59%	1.33%	1.44%	1.08%
Benchmark[4]	-2.34%	-2.84%	0.88%	1.08%	0.51%
Difference	1.02%	1.25%	0.45%	0.36%	0.57%

1. *The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is December 31, 2010.*
2. *Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.*
3. *Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.*
4. *The portfolio's benchmark is the ICE BofAML 1-3 Year U.S. Treasury Index. Source: Bloomberg.*

Accrual Basis Earnings



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	10 Year[1]
Interest Earned[2]	$39,945	$164,693	$780,914	$1,153,712	$1,515,466
Realized Gains / (Losses)[3]	($3,538)	$28,962	$201,039	$112,126	$125,841
Change in Amortized Cost	($8,822)	($30,003)	($26,480)	$34,494	($171,178)
Total Earnings	**$27,584**	**$163,652**	**$955,473**	**$1,300,331**	**$1,470,129**

1. *The lesser of 10 years or since inception is shown. Performance inception date is December 31, 2010.*
2. *Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.*
3. *Realized gains / (losses) are shown on an amortized cost basis.*

Issuer Distribution
As of March 31, 2022

Issuer	Market Value ($)	% of Portfolio
UNITED STATES TREASURY	7,033,606	50.65%
FREDDIE MAC	2,031,044	14.62%
FANNIE MAE	1,892,070	13.62%
WAL-MART STORES INC	306,828	2.21%
AMAZON.COM INC	264,272	1.90%
UBS AG	234,060	1.69%
JP MORGAN CHASE & CO	211,540	1.52%
SKANDINAVISKA ENSKILDA BANKEN AB	190,535	1.37%
NORDEA BANK ABP	185,513	1.34%
THE WALT DISNEY CORPORATION	170,155	1.22%
HERSHEY COMPANY	166,531	1.20%
CREDIT SUISSE GROUP RK	137,959	0.99%
SUMITOMO MITSUI FINANCIAL GROUP INC	134,912	0.97%
TOYOTA MOTOR CORP	133,254	0.96%
CATERPILLAR INC	132,945	0.96%
BANK OF AMERICA CO	130,430	0.94%
DNB ASA	125,343	0.90%
AMERICAN HONDA FINANCE	125,164	0.90%
APPLE INC	100,244	0.72%
ADOBE INC	99,820	0.72%
CITY OF SCOTTSDALE	84,036	0.60%
Grand Total	**13,890,262**	**100.00%**

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY NOTES DTD 05/31/2017 1.750% 05/31/2022	912828XR6	605,000.00	AA+	Aaa	6/3/2019	6/5/2019	603,298.44	1.85	3,548.56	604,906.42	606,323.44
US TREASURY NOTES DTD 06/30/2015 2.125% 06/30/2022	912828XG0	165,000.00	AA+	Aaa	7/1/2019	7/3/2019	166,869.14	1.73	881.41	165,153.91	165,644.52
US TREASURY NOTES DTD 08/31/2017 1.625% 08/31/2022	9128282S8	750,000.00	AA+	Aaa	9/3/2019	9/5/2019	755,917.97	1.35	1,059.78	750,824.50	751,992.15
US TREASURY NOTES DTD 08/31/2017 1.625% 08/31/2022	9128282S8	119,000.00	AA+	Aaa	10/1/2019	10/3/2019	119,385.82	1.51	168.15	119,055.17	119,316.09
US TREASURY NOTES DTD 11/15/2012 1.625% 11/15/2022	912828TY6	650,000.00	AA+	Aaa	12/2/2019	12/4/2019	649,619.14	1.65	3,997.41	649,919.37	651,421.88
US TREASURY NOTES DTD 11/30/2015 2.000% 11/30/2022	912828M80	100,000.00	AA+	Aaa	8/1/2019	8/6/2019	100,722.66	1.77	670.33	100,144.89	100,437.50
US TREASURY NOTES DTD 12/15/2019 1.625% 12/15/2022	912828YW4	520,000.00	AA+	Aaa	1/3/2020	1/7/2020	520,934.38	1.56	2,483.93	520,224.67	520,975.00
US TREASURY NOTES DTD 12/31/2015 2.125% 12/31/2022	912828N30	335,000.00	AA+	Aaa	11/1/2019	11/5/2019	340,927.93	1.55	1,789.52	336,409.94	336,675.00
US TREASURY NOTES DTD 01/15/2020 1.500% 01/15/2023	912828Z29	320,000.00	AA+	Aaa	2/3/2020	2/5/2020	321,562.50	1.33	1,007.73	320,420.06	319,950.02
US TREASURY NOTES DTD 02/15/2020 1.375% 02/15/2023	912828Z86	575,000.00	AA+	Aaa	3/2/2020	3/4/2020	584,703.13	0.80	982.82	577,880.34	573,832.06
US TREASURY NOTES DTD 01/15/2021 0.125% 01/15/2024	91282CBE0	770,000.00	AA+	Aaa	2/2/2021	2/4/2021	768,766.80	0.18	202.07	769,249.76	741,004.73
US TREASURY NOTES DTD 03/15/2021 0.250% 03/15/2024	91282CBR1	100,000.00	AA+	Aaa	3/22/2021	3/23/2021	99,792.97	0.32	11.55	99,864.14	96,062.50
US TREASURY NOTES DTD 03/31/2017 2.125% 03/31/2024	912828W71	140,000.00	AA+	Aaa	4/16/2021	4/19/2021	147,360.94	0.33	8.13	144,989.31	139,409.37
US TREASURY NOTES DTD 03/31/2017 2.125% 03/31/2024	912828W71	309,000.00	AA+	Aaa	1/5/2022	1/6/2022	317,497.50	0.88	17.94	316,611.26	307,696.39
US TREASURY N/B NOTES DTD 04/15/2021 0.375% 04/15/2024	91282CBV2	100,000.00	AA+	Aaa	4/22/2021	4/26/2021	100,167.97	0.32	173.08	100,115.33	96,046.88

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY NOTES DTD 11/30/2019 1.500% 11/30/2024	912828YV6	935,000.00	AA+	Aaa	6/2/2021	6/4/2021	969,660.74	0.43	4,700.69	961,478.09	910,748.44
US TREASURY NOTES DTD 01/31/2020 1.375% 01/31/2025	912828Z52	615,000.00	AA+	Aaa	5/5/2021	5/7/2021	634,867.38	0.50	1,401.59	630,078.83	596,069.56
Security Type Sub-Total		**7,108,000.00**					**7,202,055.41**	**1.03**	**23,104.69**	**7,167,325.99**	**7,033,605.53**
Negotiable CD											
SUMITOMO MITSUI BANK NY CERT DEPOS DTD 07/14/2020 0.700% 07/08/2022	86565CKU2	135,000.00	A-1	P-1	7/10/2020	7/14/2020	135,000.00	0.70	212.62	135,000.00	134,912.39
UBS AG STAMFORD CT CERT DEPOS DTD 02/18/2021 0.250% 08/16/2022	90275DNC0	235,000.00	A-1	P-1	2/16/2021	2/18/2021	235,000.00	0.25	71.81	235,000.00	234,060.00
NORDEA BANK ABP NEW YORK CERT DEPOS DTD 08/29/2019 1.850% 08/26/2022	65558TLL7	185,000.00	A-1+	P-1	8/27/2019	8/29/2019	185,000.00	1.84	304.22	185,000.00	185,513.38
SKANDINAV ENSKILDA BANK LT CD DTD 09/03/2019 1.860% 08/26/2022	83050PDR7	190,000.00	A-1	P-1	8/29/2019	9/3/2019	190,000.00	1.85	333.77	190,000.00	190,534.85
DNB BANK ASA/NY LT CD DTD 12/06/2019 2.040% 12/02/2022	23341VZT1	125,000.00	A-1+	P-1	12/5/2019	12/6/2019	125,000.00	2.03	850.00	125,000.00	125,343.25
CREDIT SUISSE NEW YORK CERT DEPOS DTD 03/23/2021 0.590% 03/17/2023	22552G3C2	140,000.00	A-1	P-1	3/19/2021	3/23/2021	140,000.00	0.59	34.42	140,000.00	137,959.08
Security Type Sub-Total		**1,010,000.00**					**1,010,000.00**	**1.17**	**1,806.84**	**1,010,000.00**	**1,008,322.95**
Municipal											
SCOTTSDALE, AZ TXBL GO BONDS DTD 12/30/2020 0.608% 07/01/2025	810454BL1	90,000.00	AAA	Aaa	12/10/202	12/30/202	90,000.00	0.61	136.80	90,000.00	84,035.70
Security Type Sub-Total		**90,000.00**					**90,000.00**	**0.61**	**136.80**	**90,000.00**	**84,035.70**

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency											
FREDDIE MAC NOTES DTD 07/23/2020 0.125% 07/25/2022	3137EAET2	165,000.00	AA+	Aaa	7/21/2020	7/23/2020	164,627.10	0.24	37.81	164,941.42	164,688.98
FANNIE MAE NOTES DTD 09/06/2019 1.375% 09/06/2022	3135G0W33	490,000.00	AA+	Aaa	9/5/2019	9/6/2019	488,294.80	1.49	467.88	489,754.18	490,807.03
FREDDIE MAC NOTES DTD 04/20/2020 0.375% 04/20/2023	3137EAEQ8	265,000.00	AA+	Aaa	4/17/2020	4/20/2020	264,337.50	0.46	444.43	264,767.67	261,265.89
FANNIE MAE NOTES DTD 05/22/2020 0.250% 05/22/2023	3135G04Q3	250,000.00	AA+	Aaa	5/20/2020	5/22/2020	249,247.50	0.35	223.96	249,714.12	245,469.75
FANNIE MAE NOTES (CALLABLE) DTD 08/10/2020 0.300% 08/10/2023	3135G05R0	370,000.00	AA+	Aaa	8/11/2020	8/12/2020	369,334.00	0.36	157.25	369,697.77	361,111.12
FANNIE MAE NOTES (CALLABLE) DTD 08/18/2020 0.360% 08/18/2023	3135G05V1	130,000.00	AA+	Aaa	8/20/2020	8/21/2020	130,000.00	0.36	55.90	130,000.00	126,904.31
FREDDIE MAC NOTES DTD 08/21/2020 0.250% 08/24/2023	3137EAEV7	165,000.00	AA+	Aaa	8/19/2020	8/21/2020	164,831.70	0.28	42.40	164,921.83	160,790.69
FREDDIE MAC NOTES DTD 09/04/2020 0.250% 09/08/2023	3137EAEW5	80,000.00	AA+	Aaa	9/2/2020	9/4/2020	80,014.61	0.24	12.78	80,006.98	77,870.08
FREDDIE MAC NOTES DTD 09/04/2020 0.250% 09/08/2023	3137EAEW5	105,000.00	AA+	Aaa	9/2/2020	9/4/2020	104,965.35	0.26	16.77	104,983.45	102,204.48
FREDDIE MAC NOTES DTD 10/16/2020 0.125% 10/16/2023	3137EAEY1	250,000.00	AA+	Aaa	10/14/202	10/16/202	249,067.50	0.25	143.23	249,520.55	242,133.00
FREDDIE MAC NOTES DTD 11/05/2020 0.250% 11/06/2023	3137EAEZ8	600,000.00	AA+	Aaa	11/3/2020	11/5/2020	599,460.00	0.28	604.16	599,712.26	581,437.20
FREDDIE MAC NOTES DTD 11/05/2020 0.250% 11/06/2023	3137EAEZ8	120,000.00	AA+	Aaa	1/19/2021	1/20/2021	120,139.20	0.21	120.83	120,079.70	116,287.44
FREDDIE MAC NOTES DTD 11/05/2020 0.250% 11/06/2023	3137EAEZ8	185,000.00	AA+	Aaa	11/19/2020	11/24/2020	184,863.10	0.28	186.28	184,925.77	179,276.47
FANNIE MAE NOTES DTD 11/25/2020 0.250% 11/27/2023	3135G06H1	235,000.00	AA+	Aaa	11/23/2020	11/25/2020	234,732.10	0.29	202.36	234,852.25	227,431.59
FANNIE MAE NOTES DTD 11/25/2020 0.250% 11/27/2023	3135G06H1	455,000.00	AA+	Aaa	1/7/2021	1/8/2021	455,122.85	0.24	391.81	455,070.58	440,346.27
FREDDIE MAC NOTES DTD 12/04/2020 0.250% 12/04/2023	3137EAFA2	150,000.00	AA+	Aaa	12/2/2020	12/4/2020	149,851.50	0.28	121.88	149,917.00	145,089.45
Security Type Sub-Total		**4,015,000.00**					**4,008,888.81**	**0.45**	**3,229.73**	**4,012,865.53**	**3,923,113.75**

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate											
AMERICAN HONDA FINANCE DTD 06/27/2019 2.200% 06/27/2022	02665WCY5	125,000.00	A-	A3	7/8/2019	7/10/2019	124,458.75	2.35	718.06	124,956.52	125,163.63
WALT DISNEY COMPANY/THE DTD 09/06/2019 1.650% 09/01/2022	254687FJ0	170,000.00	BBB+	A2	9/4/2019	9/6/2019	169,921.80	1.67	233.75	169,989.03	170,155.21
APPLE INC CORPORATE NOTES DTD 09/11/2019 1.700% 09/11/2022	037833DL1	100,000.00	AA+	Aaa	9/4/2019	9/11/2019	99,983.00	1.71	94.44	99,997.47	100,244.10
AMAZON.COM INC CORP NOTES DTD 11/29/2012 2.500% 11/29/2022	023135AJ5	60,000.00	AA	A1	6/9/2020	6/11/2020	62,727.60	0.64	508.33	60,732.61	60,296.88
ADOBE INC CORP NOTE DTD 02/03/2020 1.700% 02/01/2023	00724PAA7	100,000.00	A+	A2	1/22/2020	2/3/2020	99,863.00	1.75	283.33	99,961.68	99,820.30
CATERPILLAR FINL SERVICE CORPORATE NOTES DTD 03/01/2021 0.250% 03/01/2023	14913R2J5	135,000.00	A	A2	2/22/2021	3/1/2021	134,883.90	0.29	28.13	134,946.88	132,945.30
WAL MART STORES INC GLOBAL NT (CALLABLE) DTD 04/11/2013 2.550% 04/11/2023	931142DH3	305,000.00	AA	Aa2	5/21/2020	5/26/2020	321,024.70	0.70	3,672.71	309,757.33	306,827.87
HERSHEY COMPANY DTD 05/10/2018 3.375% 05/15/2023	427866AZ1	165,000.00	A	A1	3/11/2020	3/13/2020	171,405.30	2.10	2,103.75	167,262.32	166,530.87
AMAZON.COM INC CORPORATE NOTES DTD 06/03/2020 0.400% 06/03/2023	023135BP0	100,000.00	AA	A1	6/1/2020	6/3/2020	99,860.00	0.45	131.11	99,945.28	98,338.20
TOYOTA MOTOR CREDIT CORP CORPORATE NOTES DTD 05/26/2020 1.350% 08/25/2023	89236THA6	135,000.00	A+	A1	5/20/2020	5/26/2020	134,950.05	1.36	182.25	134,978.48	133,254.45
AMAZON.COM INC CORPORATE NOTES DTD 05/12/2021 0.450% 05/12/2024	023135BW5	110,000.00	AA	A1	5/10/2021	5/12/2021	109,839.40	0.50	191.13	109,886.88	105,637.40
JPMORGAN CHASE & CO CORPORATE NOTES (CAL DTD 09/16/2020 0.653% 09/16/2024	46647PBS4	105,000.00	A-	A2	9/9/2020	9/16/2020	105,000.00	0.65	28.57	105,000.00	101,936.21
BANK OF AMERICA CORP (CALLABLE) CORPORAT DTD 10/21/2020 0.810% 10/24/2024	06051GJH3	135,000.00	A-	A2	10/16/202	10/21/202	135,000.00	0.81	476.89	135,000.00	130,429.58

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate											
JPMORGAN CHASE & CO CORPORATE NOTES DTD 06/01/2021 0.824% 06/01/2025	46647PCH7	115,000.00	A-	A2	5/24/2021	6/1/2021	115,000.00	0.82	315.87	115,000.00	109,603.74
Security Type Sub-Total		**1,860,000.00**					**1,883,917.50**	**1.14**	**8,968.32**	**1,867,414.48**	**1,841,183.74**
Managed Account Sub Total		**14,083,000.00**					**14,194,861.72**	**0.89**	**37,246.38**	**14,147,606.00**	**13,890,261.67**
Securities Sub Total		**$14,083,000.00**					**$14,194,861.72**	**0.89%**	**$37,246.38**	**$14,147,606.00**	**$13,890,261.67**
Accrued Interest											**$37,246.38**
Total Investments											**$13,927,508.05**

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount ($)	Yield at Market	Realized G/L (BV)
BUY									
1/5/2022	1/6/2022	309,000.00	912828W71	US TREASURY NOTES	2.12%	3/31/2024	319,265.34	0.88%	
Total BUY		**309,000.00**					**319,265.34**		**0.00**
INTEREST									
1/1/2022	1/1/2022	90,000.00	810454BL1	SCOTTSDALE, AZ TXBL GO BONDS	0.60%	7/1/2025	273.60		
1/3/2022	1/3/2022		MONEY0002	MONEY MARKET FUND			35.76		
1/10/2022	1/10/2022	135,000.00	86565CKU2	SUMITOMO MITSUI BANK NY CERT DEPOS	0.70%	7/8/2022	488.25		
1/15/2022	1/15/2022	770,000.00	91282CBE0	US TREASURY NOTES	0.12%	1/15/2024	481.25		
1/15/2022	1/15/2022	320,000.00	912828Z29	US TREASURY NOTES	1.50%	1/15/2023	2,400.00		
1/25/2022	1/25/2022	165,000.00	3137EAET2	FREDDIE MAC NOTES	0.12%	7/25/2022	103.13		
1/31/2022	1/31/2022	615,000.00	912828Z52	US TREASURY NOTES	1.37%	1/31/2025	4,228.13		
2/1/2022	2/1/2022		MONEY0002	MONEY MARKET FUND			18.59		
2/1/2022	2/1/2022	100,000.00	00724PAA7	ADOBE INC CORP NOTE	1.70%	2/1/2023	850.00		
2/10/2022	2/10/2022	370,000.00	3135G05R0	FANNIE MAE NOTES (CALLABLE)	0.30%	8/10/2023	555.00		
2/15/2022	2/15/2022	575,000.00	912828Z86	US TREASURY NOTES	1.37%	2/15/2023	3,953.13		
2/16/2022	2/16/2022	235,000.00	90275DNC0	UBS AG STAMFORD CT CERT DEPOS	0.25%	8/16/2022	300.28		
2/18/2022	2/18/2022	130,000.00	3135G05V1	FANNIE MAE NOTES (CALLABLE)	0.36%	8/18/2023	234.00		
2/24/2022	2/24/2022	165,000.00	3137EAEV7	FREDDIE MAC NOTES	0.25%	8/24/2023	206.25		

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount ($)	Yield at Market	Realized G/L (BV)
INTEREST									
2/25/2022	2/25/2022	135,000.00	89236THA6	TOYOTA MOTOR CREDIT CORP CORPORATE NOTES	1.35%	8/25/2023	911.25		
2/26/2022	2/26/2022	190,000.00	83050PDR7	SKANDINAV ENSKILDA BANK LT CD	1.86%	8/26/2022	1,806.27		
2/28/2022	2/28/2022	869,000.00	9128282S8	US TREASURY NOTES	1.62%	8/31/2022	7,060.63		
2/28/2022	2/28/2022	185,000.00	65558TLL7	NORDEA BANK ABP NEW YORK CERT DEPOS	1.85%	8/26/2022	1,768.29		
3/1/2022	3/1/2022	170,000.00	254687FJ0	WALT DISNEY COMPANY/THE	1.65%	9/1/2022	1,402.50		
3/1/2022	3/1/2022		MONEY0002	MONEY MARKET FUND			15.04		
3/1/2022	3/1/2022	135,000.00	14913R2J5	CATERPILLAR FINL SERVICE CORPORATE NOTES	0.25%	3/1/2023	168.75		
3/6/2022	3/6/2022	490,000.00	3135G0W33	FANNIE MAE NOTES	1.37%	9/6/2022	3,368.75		
3/8/2022	3/8/2022	185,000.00	3137EAEW5	FREDDIE MAC NOTES	0.25%	9/8/2023	231.25		
3/11/2022	3/11/2022	100,000.00	037833DL1	APPLE INC CORPORATE NOTES	1.70%	9/11/2022	850.00		
3/15/2022	3/15/2022	100,000.00	91282CBR1	US TREASURY NOTES	0.25%	3/15/2024	125.00		
3/16/2022	3/16/2022	105,000.00	46647PBS4	JPMORGAN CHASE & CO CORPORATE NOTES (CAL	0.65%	9/16/2024	342.83		
3/17/2022	3/17/2022	140,000.00	22552G3C2	CREDIT SUISSE NEW YORK CERT DEPOS	0.59%	3/17/2023	823.71		
3/31/2022	3/31/2022	449,000.00	912828W71	US TREASURY NOTES	2.12%	3/31/2024	4,770.63		
Total INTEREST		**6,923,000.00**					**37,772.27**		**0.00**
MATURITY									
1/9/2022	1/9/2022	100,000.00	037833CM0	APPLE INC CORP NOTES (CALLED, OMD 1/9/22	2.50%	1/9/2022	101,041.67		

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount ($)	Yield at Market	Realized G/L (BV)
MATURITY									
2/25/2022	2/25/2022	190,000.00	40435RKU4	HSBC BANK USA NA	0.25%	2/25/2022	190,480.28		
Total MATURITY		**290,000.00**					**291,521.95**		**0.00**
SELL									
1/5/2022	1/6/2022	185,000.00	91282CBM2	US TREASURY NOTES	0.12%	2/15/2024	182,416.66		-2,112.75
1/5/2022	1/6/2022	130,000.00	91282CBM2	US TREASURY NOTES	0.12%	2/15/2024	128,184.69		-1,425.49
Total SELL		**315,000.00**					**310,601.35**		**-3,538.24**

Quarterly Portfolio Transactions

Tran. Type	Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount ($)	Yield at Market	Realized G/L (BV)
BUY	1/5/2022	1/6/2022	309,000.00	912828W71	US TREASURY NOTES	2.12%	3/31/2024	319,265.34	0.88%	
INTEREST	1/1/2022	1/1/2022	90,000.00	810454BL1	SCOTTSDALE, AZ TXBL GO BONDS	0.60%	7/1/2025	273.60		
INTEREST	1/3/2022	1/3/2022		MONEY0002	MONEY MARKET FUND			35.76		
INTEREST	1/10/2022	1/10/2022	135,000.00	86565CKU2	SUMITOMO MITSUI BANK NY CERT	0.70%	7/8/2022	488.25		
INTEREST	1/15/2022	1/15/2022	770,000.00	91282CBE0	US TREASURY NOTES	0.12%	1/15/2024	481.25		
INTEREST	1/15/2022	1/15/2022	320,000.00	912828Z29	US TREASURY NOTES	1.50%	1/15/2023	2,400.00		
INTEREST	1/25/2022	1/25/2022	165,000.00	3137EAET2	FREDDIE MAC NOTES	0.12%	7/25/2022	103.13		
INTEREST	1/31/2022	1/31/2022	615,000.00	912828Z52	US TREASURY NOTES	1.37%	1/31/2025	4,228.13		
INTEREST	2/1/2022	2/1/2022		MONEY0002	MONEY MARKET FUND			18.59		
INTEREST	2/1/2022	2/1/2022	100,000.00	00724PAA7	ADOBE INC CORP NOTE	1.70%	2/1/2023	850.00		
INTEREST	2/10/2022	2/10/2022	370,000.00	3135G05R0	FANNIE MAE NOTES (CALLABLE)	0.30%	8/10/2023	555.00		
INTEREST	2/15/2022	2/15/2022	575,000.00	912828Z86	US TREASURY NOTES	1.37%	2/15/2023	3,953.13		
INTEREST	2/16/2022	2/16/2022	235,000.00	90275DNC0	UBS AG STAMFORD CT CERT DEPOS	0.25%	8/16/2022	300.28		
INTEREST	2/18/2022	2/18/2022	130,000.00	3135G05V1	FANNIE MAE NOTES (CALLABLE)	0.36%	8/18/2023	234.00		
INTEREST	2/24/2022	2/24/2022	165,000.00	3137EAEV7	FREDDIE MAC NOTES	0.25%	8/24/2023	206.25		
INTEREST	2/25/2022	2/25/2022	135,000.00	89236THA6	TOYOTA MOTOR CREDIT CORP	1.35%	8/25/2023	911.25		
INTEREST	2/26/2022	2/26/2022	190,000.00	83050PDR7	SKANDINAV ENSKILDA BANK LT CD	1.86%	8/26/2022	1,806.27		
INTEREST	2/28/2022	2/28/2022	869,000.00	9128282S8	US TREASURY NOTES	1.62%	8/31/2022	7,060.63		

Quarterly Portfolio Transactions

Tran. Type	Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount ($)	Yield at Market	Realized G/L (BV)
INTEREST	2/28/2022	2/28/2022	185,000.00	65558TLL7	NORDEA BANK ABP NEW YORK CERT	1.85%	8/26/2022	1,768.29		
INTEREST	3/1/2022	3/1/2022	170,000.00	254687FJ0	WALT DISNEY COMPANY/THE	1.65%	9/1/2022	1,402.50		
INTEREST	3/1/2022	3/1/2022		MONEY0002	MONEY MARKET FUND			15.04		
INTEREST	3/1/2022	3/1/2022	135,000.00	14913R2J5	CATERPILLAR FINL SERVICE	0.25%	3/1/2023	168.75		
INTEREST	3/6/2022	3/6/2022	490,000.00	3135G0W33	FANNIE MAE NOTES	1.37%	9/6/2022	3,368.75		
INTEREST	3/8/2022	3/8/2022	185,000.00	3137EAEW5	FREDDIE MAC NOTES	0.25%	9/8/2023	231.25		
INTEREST	3/11/2022	3/11/2022	100,000.00	037833DL1	APPLE INC CORPORATE NOTES	1.70%	9/11/2022	850.00		
INTEREST	3/15/2022	3/15/2022	100,000.00	91282CBR1	US TREASURY NOTES	0.25%	3/15/2024	125.00		
INTEREST	3/16/2022	3/16/2022	105,000.00	46647PBS4	JPMORGAN CHASE & CO CORPORATE	0.65%	9/16/2024	342.83		
INTEREST	3/17/2022	3/17/2022	140,000.00	22552G3C2	CREDIT SUISSE NEW YORK CERT	0.59%	3/17/2023	823.71		
INTEREST	3/31/2022	3/31/2022	449,000.00	912828W71	US TREASURY NOTES	2.12%	3/31/2024	4,770.63		
MATURITY	1/9/2022	1/9/2022	100,000.00	037833CM0	APPLE INC CORP NOTES (CALLED,	2.50%	1/9/2022	101,041.67		
MATURITY	2/25/2022	2/25/2022	190,000.00	40435RKU4	HSBC BANK USA NA	0.25%	2/25/2022	190,480.28		
SELL	1/5/2022	1/6/2022	185,000.00	91282CBM2	US TREASURY NOTES	0.12%	2/15/2024	182,416.66		-2,112.75
SELL	1/5/2022	1/6/2022	130,000.00	91282CBM2	US TREASURY NOTES	0.12%	2/15/2024	128,184.69		-1,425.49
TOTALS			**7,837,000.00**					**959,160.91**		**-3,538.24**

Important Disclosures

This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation, as it was prepared without regard to any specific objectives or financial circumstances.

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- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- Accrued Interest: Interest that is due on a bond or other fixed income security since the last interest payment was made.
- Agencies: Federal agency securities and/or Government-sponsored enterprises.
- Amortized Cost: The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- Asset-Backed Security: A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- Bankers' Acceptance: A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- Commercial Paper: An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- Contribution to Total Return: The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- Effective Duration: A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- Effective Yield: The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- FDIC: Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- Interest Rate: Interest per year divided by principal amount and expressed as a percentage.
- Market Value: The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- Maturity: The date upon which the principal or stated value of an investment becomes due and payable.
- Negotiable Certificates of Deposit: A CD with a very large denomination, usually $1 million or more, that can be traded in secondary markets.
- Par Value: The nominal dollar face amount of a security.
- Pass-through Security: A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

Glossary

- Repurchase Agreements: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- Settle Date: The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- Supranational: A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- Trade Date: The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- Unsettled Trade: A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- U.S. Treasury: The department of the U.S. government that issues Treasury securities.
- Yield: The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- YTM at Cost: The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- YTM at Market: The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.

ITEM 6

Health Care Benefits Trust Board Human Resources Memo No.

Date: 06/16/2022
To: Health Care Benefits Trust Board
From: Teresa Canjar, Management Assistant
Subject: **Election of Chairperson, Vice Chairperson, and Secretary**