

# **City of Phoenix Post Employment Health Plan for Public Employees**

Financial Report  
December 31, 2023

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## Independent Auditor's Report

City of Phoenix Post Employment Health Plan Board  
City of Phoenix Post Employment Health Plan

### Opinion

We have audited the financial statements of the City of Phoenix – Post Employment Health Plan for Public Employees (the Plan) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2023, and the changes in fiduciary net position 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Other Matter

The financial statements of the Plan, as of and for the year ended December 31, 2022, were audited by other auditors, whose report, dated October 31, 2023, expressed an unmodified opinion on those statements.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

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

### **Required Supplementary Information**

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

*RSM US LLP*

Washington, D.C.  
July 18, 2024

**City of Phoenix**  
**Post Employment Health Plan for Public Employees**

**Management's Discussion and Analysis**

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This section presents management's discussion and analysis of the City of Phoenix Post Employment Health Plan for Public Employees (the Plan) financial performance and provides an overview of the Plan's financial position and activities as of and for the years ended December 31, 2023, 2022 and 2021. Please read it in conjunction with the Plan's financial statements, which follow this section.

**Financial Highlights**

Net position available for benefits was approximately \$269 million, \$224.4 million and \$234.1 million as of December 31, 2023, 2022 and 2021, respectively. Changes in net position are primarily attributable to employer contributions, plan investment income (loss) and distributions from year to year.

Variable earnings investment income increased by approximately \$53.2 million, from a \$25.9 million loss for the year ended December 31, 2022, to a gain of \$27.3 million for the year ended December 31, 2023. Variable earnings investment income decreased by approximately \$47 million, from \$21.1 million for the year ended December 31, 2021, to a loss of \$25.9 million for the year ended December 31, 2022. The fluctuations in earnings are primarily due to market conditions in each fiscal year. The Plan's variable earnings investment rate of return was approximately 14.92%, (19.5%) and 14.4% for the periods ended December 31, 2023, 2022 and 2021, respectively.

Interest income increased slightly from \$1.67 million for the year ended December 31, 2022, to \$1.93 million for the year ended December 31, 2023. Interest income decreased slightly from \$1.76 million for the year ended December 31, 2021, to \$1.67 million for the year ended December 31, 2022. Interest income has remained fairly consistent due to increases in the balance of the Nationwide Fixed Annuity, coupled with decreasing crediting rates over the past few years.

Employer contributions were approximately \$18.4 million, \$16.9 million and \$16.4 million for the years ended December 31, 2023, 2022 and 2021, respectively. Employer contributions consist of \$150 per month per active participant. There were 10,409, 9,510 and 9,209 active plan participants as of December 31, 2023, 2022 and 2021, respectively.

Distributions to participants were \$2.5 million, \$1.9 million and \$1.4 million for the years ended December 31, 2023, 2022 and 2021, respectively. Distributions are made to participants for qualifying medical expenses only. Distributions were made to 601, 520 and 438 participants for the years ended December 31, 2023, 2022 and 2021, respectively.

Asset fees charged were approximately \$456,000, \$477,000 and \$463,000 for the years ended December 31, 2023, 2022 and 2021, respectively. Changes in asset fees directly relate to changes in the investment balances from year to year and changes in asset fees for the underlying mutual funds comprising the variable earnings investments annuity contract. See Note 3 to the financial statements.

**City of Phoenix  
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**Management’s Discussion and Analysis**

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**Overview of the Financial Statements**

The statements of fiduciary net position provide the financial position of the Plan at December 31, 2023 and 2022.

The statements of changes in fiduciary net position summarize the Plan’s financial activities that occurred during the years ended December 31, 2023 and 2022.

The notes to financial statements provide additional information that is essential to a full understanding of the financial statements and include detailed information not readily evident in the basic financial statements.

The analysis below focuses on net position available for benefits (Table 1) and changes in net position available for benefits (Table 2).

The following summary of fiduciary net position and the summary of changes in fiduciary net position provide information about the financial position and activities of the Plan as a whole.

**Table 1  
Fiduciary Net Position**

	2023	2022	2021
Total investments	\$ 267,384,057	\$ 222,957,699	\$ 232,734,649
Contributions receivable	1,567,050	1,429,950	1,381,500
Net position available for plan benefits	<u>\$ 268,951,107</u>	<u>\$ 224,387,649</u>	<u>\$ 234,116,149</u>

**Table 2  
Changes in Fiduciary Net Position**

	2023	2022	2021
Additions to net position attributed to:			
Variable earnings investment income (loss)	\$ 27,296,399	\$ (25,855,659)	\$ 21,102,092
Employer contributions	18,370,730	16,861,780	16,362,566
Interest income	1,927,533	1,668,516	1,757,014
Total additions	<u>47,594,662</u>	<u>(7,325,363)</u>	<u>39,221,672</u>
Deductions from net position attributed to:			
Distributions to participants	2,491,294	1,926,263	1,444,679
Administrative fees and asset fees	539,910	476,874	463,466
Total deductions	<u>3,031,204</u>	<u>2,403,137</u>	<u>1,908,145</u>
Net increase (decrease)	<u>\$ 44,563,458</u>	<u>\$ (9,728,500)</u>	<u>\$ 37,313,527</u>

**Financial Contact**

The Plan’s financial statements are designed to present users with a general overview of the Plan’s finances and to demonstrate the trustee’s accountability. If you have any questions about the report or need additional financial information, contact the Staff Coordinator for the Post Employment Health Plan, City of Phoenix Retirement Office at (602) 534-4400.

## **Financial Statements**

**City of Phoenix**  
**Post Employment Health Plan for Public Employees**

**Statements of Fiduciary Net Position**  
**December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
Assets:		
Investments:		
Variable earnings investments	\$ 174,512,121	\$ 132,708,456
Fixed earnings investments	<u>92,871,936</u>	<u>90,249,243</u>
<b>Total investments</b>	<b><u>267,384,057</u></b>	<b><u>222,957,699</u></b>
Receivables:		
Contributions receivable	<u>1,567,050</u>	<u>1,429,950</u>
<b>Fiduciary net position restricted for benefits</b>	<b><u>\$ 268,951,107</u></b>	<b><u>\$ 224,387,649</u></b>

See notes to financial statements.



**City of Phoenix**  
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**Statements of Changes in Fiduciary Net Position**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Additions:</b>		
Variable earnings investment income (loss)	\$ 27,296,399	\$ (25,855,659)
Employer contributions	18,370,730	16,861,780
Interest income	1,927,533	1,668,516
<b>Total additions</b>	<b>47,594,662</b>	<b>(7,325,363)</b>
<b>Deductions:</b>		
Distributions to participants	2,491,294	1,926,263
Asset fees	455,588	476,874
Administrative fees	84,322	-
<b>Total deductions</b>	<b>3,031,204</b>	<b>2,403,137</b>
<b>Net increase (decrease) in fiduciary net position</b>	<b>44,563,458</b>	<b>(9,728,500)</b>
Net position restricted for benefits at beginning of year	<b>224,387,649</b>	234,116,149
Net position restricted for benefits at end of year	<b>\$ 268,951,107</b>	<b>\$ 224,387,649</b>

See notes to financial statements.

**City of Phoenix  
Post Employment Health Plan for Public Employees**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**General:** The City of Phoenix, Arizona Post Employment Health Plan for Public Employees (the Plan) was established as a Health Reimbursement Arrangement on February 28, 2008, pursuant to the City of Phoenix Code Ordinance G-5049, effective December 2007. The first employer contribution was made to the Plan on March 14, 2008. The Plan was established under the Internal Revenue Code (IRC) Sections 105, 106 and 501(c)(9), with no vesting requirements. The Board is also the named trustee of the Plan.

**Contributions and contributions receivable:** Under provisions of the Plan, qualifying employees of the City of Phoenix (the City) are eligible to receive employer contributions into the Plan through payroll deferrals. City employees must be participating in the City's health insurance plan via payroll deductions, and be eligible to retire in 15 years or more as of August 1, 2007, or have been hired August 1, 2007, or later, and be participating in the City's health insurance plan via payroll deductions to be eligible for the Plan. Employees may have fluctuations in their eligibility due to circumstances, such as unpaid leaves of absence. In such cases, the employee would not receive an employer contribution to the Plan as no payroll deduction for the City's health insurance plan would be taken during their absence. Employer contributions are a fixed amount of \$150 per participant per month; as such employer contributions cannot exceed \$1,800 per year per participant. Employer contributions are recognized as earned, in accordance with the Plan provisions described above. Contributions are credited to the applicable investment carrier upon receipt from the City.

The Plan does not allow for participant contributions.

**Participant accounts:** Under Plan provisions, all employer contributions made to the Plan are held in trust for the exclusive benefit of the participants and their qualified dependents. At December 31, 2023 and 2022, all assets of the Plan met the requirements of the Small Business Job Protection Act. Contributions made to the Plan were held in trust by JP Morgan Chase and for the years ended December 31, 2023 and 2022.

Contributions for participants hired on or after September 9, 2019, are automatically invested in the Target Date Fund that corresponds most closely to the year in which the employee turns 65, unless otherwise requested by the participant. The default fund for participants hired prior to September 9, 2019, remains the Nationwide Fixed Annuity Fund.

Participants may invest contributions made on their behalf by the City in the following investment options:

- The Nationwide Fixed Annuity, a fixed earnings investment in a group annuity contract underwritten by Nationwide Life Insurance Company (Nationwide Life).
- Variable earnings investments (i.e., Mutual Funds) within the Nationwide Variable Annuity contract underwritten by Nationwide Life. See list of variable earnings investments at Note 2, p. 9.

Subject to Internal Revenue Service regulations, separated employees who participated in the Plan may withdraw the value of the funds contributed to the Plan on their behalf for reimbursement of qualifying medical care expenses, for themselves or a qualifying dependent.

Earnings are credited to individual participants' accounts based upon the investment performance of the specific options selected. There were 10,409 and 9,510 active plan participants as of December 31, 2023 and 2022, respectively.

**City of Phoenix**  
**Post Employment Health Plan for Public Employees**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Distributions to participants:** Distributions to participants are recorded at the time disbursements are made to the plan participants for reimbursement of qualifying medical expenses.

**Use of estimates in preparing financial statements:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

**Basis of accounting:** The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, in accordance with the accounting principles generally accepted in the United States of America, and present the net position available for Plan benefits and changes in net position.

**Investment valuation:** Fixed earnings investments are valued as reported by Nationwide Life at contract value, which approximates fair value, which represents contributions received plus interest earned to date less applicable charges and any amounts withdrawn.

Variable earnings investments (mutual funds), are presented at fair value based on published quotations or the net asset value reported by the investment provider. All purchases and sales are recorded on a trade-date basis.

**Variable earnings investment income (loss):** Variable earnings investment income (loss) consists of dividends received and realized and unrealized gains and losses attributed to the underlying mutual funds supporting the variable earnings investments in the variable annuity contract underwritten by Nationwide Life. The Plan owns units of the variable annuity contract which has underlying investments of publicly traded mutual funds.

**Interest income:** Interest income for the fixed earnings investment is recorded as earned on an accrual basis. Under an agreement with Nationwide Life, the interest rate on the fixed earnings investment may be adjusted quarterly.

During 2023, the annual interest rate for the fixed earnings investment ranged from 2.08 to 2.25%. At December 31, 2023, the actual crediting rate was 2.25%. During 2022, the annual interest rate for the fixed earnings investment ranged from 1.96 to 2.03%. At December 31, 2022, the actual crediting rate was 1.96%.

**Subsequent events:** Subsequent events have been evaluated through the auditor's report date, which is the date the financial statements were available to be issued.

**City of Phoenix  
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**Notes to Financial Statements**

**Note 2. Investments**

Investments held in the name of the Plan at December 31, 2023 and 2022, were as noted below. Investments marked with an asterisk (\*) represent individual investment options which exceed 5% of the total Plan investments as of December 31, 2023 and 2022.

	Fair and Carrying Value	
	2023	2022
Fixed earnings investments:		
Nationwide Fixed Annuity	\$ 92,871,936 *	\$ 90,249,243 *
Variable earnings investments, at fair value:		
Vanguard Institutional Index Fund—Institution Plus Shares	33,982,777 *	25,554,278 *
American Funds 2045 Target Date Retirement Fund—Class R6	21,215,780 *	16,517,822 *
American Funds 2040 Target Date Retirement Fund—Class R6	19,208,815 *	14,715,328 *
American Funds 2035 Target Date Retirement Fund—Class R6	18,651,088 *	14,694,618 *
American Funds 2050 Target Date Retirement Fund—Class R6	16,298,028 *	12,127,679 *
American Funds 2055 Target Date Retirement Fund—Class R6	12,863,001	9,168,268
American Funds 2030 Target Date Retirement Fund—Class R6	12,827,309	9,914,195
American Funds 2060 Target Date Retirement Fund—Class R6	8,754,180	4,941,146
Vanguard Mid-Cap Idx Fund	7,627,855	6,419,584
American Funds 2025 Target Date Retirement Fund—Class R6	6,949,130	5,779,630
Vanguard Small Cap Index Fund	5,163,236	4,173,840
Vanguard Total International Stock Index Fund—Institutional Shares	4,194,759	3,253,398
American Funds 2020 Target Date Retirement Fund—Class R6	2,905,527	2,462,632
Vanguard Ttl Bond Market Index Admiral Fund	1,907,482	1,447,536
Vanguard Money Market Fund	980,357	754,110
American Funds 2015 Target Date Retirement Fund—Class R6	548,396	497,219
American Funds 2010 Target Date Retirement Fund—Class R6	434,401	287,173
Total variable earnings investments	<u>174,512,121</u>	<u>132,708,456</u>
Total investments	<u>\$ 267,384,057</u>	<u>\$ 222,957,699</u>

**Custodial credit risk:** The risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparties trust department or agent, but not in the Plan's name.

Investments in the variable annuity contract are held by Nationwide Retirement Solutions, Inc. (NRS) for the Plan. These securities are registered investments for which the securities are held by NRS, agent for the Plan, in the Plan's name. Therefore, these investments have a minimal level of custodial credit risk. The Plan's investment in the Nationwide Fixed Annuity is held in the Plan's name by Nationwide Life, agent of the Plan. As a result, this investment is not exposed to custodial credit risk.

**Credit risk:** The risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The Plan's investment policy states the overall weighted credit-quality rating of the insurance company general account shall be investment grade, typically A or higher. The average credit quality rating is calculated using the lowest of all available ratings including, but not limited to, S&P, Moody's and Fitch. The Plan's investments in the Nationwide Fixed Annuity fund had an average credit quality rating of A- as of December 31, 2023 and 2022. The variable earnings mutual funds are unrated.

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**Notes to Financial Statements**

**Note 2. Investments (Continued)**

**Concentration of credit risk:** The risk of loss attributed to the magnitude of the Plan’s investment in a single issuer. The Plan’s investments are managed by several fund managers. The concentrations of investments are determined by the participants’ election to invest in the available investment options as selected by the Board. The investments that exceed 5% are identified on page 9.

**Interest rate risk:** The risk that changes in interest rates will adversely affect the value of an investment. The Plan’s investment policy states the expected duration for the portfolio will average five (5) years, with durations of three (3) to seven (7) years possible at times.

As of December 31, 2023 and 2022, the Plan had the following investments and weighted average maturities in its fixed earnings investments, and the following mutual funds, which include investments in bonds.

	2023		2022	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Fixed earnings investments:				
Nationwide Fixed Annuity	\$ 92,871,936	10.90	\$ 90,249,243	11.40
Variable earnings investments:				
American Funds 2045 Target Date Retirement—R6	21,215,780	6.35	16,517,822	6.00
American Funds 2040 Target Date Retirement—R6	19,208,815	5.90	14,715,328	5.63
American Funds 2035 Target Date Retirement—R6	18,651,088	5.73	14,694,618	5.36
American Funds 2050 Target Date Retirement—R6	16,298,028	6.43	12,127,679	6.04
American Funds 2055 Target Date Retirement—R6	12,863,001	6.50	9,168,268	6.09
American Funds 2030 Target Date Retirement—R6	12,827,309	5.69	9,914,195	5.35
American Funds 2060 Target Date Retirement—R6	8,754,180	6.50	4,941,146	6.09
American Funds 2025 Target Date Retirement—R6	6,949,130	5.54	5,779,630	5.24
American Funds 2020 Target Date Retirement—R6	2,905,527	5.48	2,462,632	5.18
Vanguard Ttl Bond Market Index Admiral Fund	1,907,482	8.50	1,447,536	8.90
American Funds 2015 Target Date Retirement—R6	548,396	5.14	497,219	4.93
American Funds 2010 Target Date Retirement—R6	434,401	4.97	287,173	4.63

Since all investments are participant directed, all risks exist at the participant level. Each individual participant has the ability to liquidate their positions on demand and has responsibility for managing their exposure to fair value loss.

**Fair value measurements:** The Plan categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

**Level 1:** Unadjusted quoted prices for identical instruments in active markets.

**City of Phoenix  
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**Notes to Financial Statements**

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**Note 2. Investments (Continued)**

**Level 2:** Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs are observable.

**Level 3:** Valuations derived from valuation techniques in which significant inputs are unobservable.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument, and should not be perceived as the particular investment's risk.

Variable earnings investments classified in Level 1 of the fair value hierarchy are valued using the quoted prices in active markets for these securities.

The Plan has the following fair value measurement as of December 31:

	Fair Value Measurements			
	December 31, 2023	Level 1	Level 2	Level 3
Investments at fair value:				
Variable earnings investments	\$ 174,512,121	\$ 174,512,121	\$ -	\$ -
Investments at contract value:				
Fixed earnings investments	92,871,936			
Total investments	<u>\$ 267,384,057</u>			

  

	Fair Value Measurements			
	December 31, 2022	Level 1	Level 2	Level 3
Investments at fair value:				
Variable earnings investments	\$ 132,708,456	\$ 132,708,456	\$ -	\$ -
Investments at contract value:				
Fixed earnings investments	90,249,243			
Total investments	<u>\$ 222,957,699</u>			

**Note 3. Plan Administration and Asset Fees**

The Plan's trustee appointed NRS to be the Plan administrator. For services performed, NRS receives sales commissions directly from the insurance companies in which the participants elect to invest their contributions. NRS and Nationwide Life are subsidiaries of Nationwide Financial Services, Inc.

Asset fees for the underlying mutual funds comprising the variable earnings investments was 0.30% for the years ended December 31, 2023 and 2022. Effective February 10, 2022, participants are charged an additional annual fee of \$6. This fee is pulled directly from each participant's account.

Administrative fees and asset fees collected and paid for the years ended December 31, 2023 and 2022, were \$539,910 and \$476,874, respectively.

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**Notes to Financial Statements**

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**Note 4. Tax Status**

The Plan has been reviewed by NRS legal counsel to ensure conformity with Sections 105, 106, and 501(c)(9) of the IRC. The Board believes that the Plan satisfies the requirements of a self-insured medical expense reimbursement plan under the IRC code. Contributions to the Plan are employer-funded and are not included in the employee's gross income at the time the contributions are made. Benefit payments to the participant or other beneficiary are not included in the participant's or beneficiary's taxable income so long as the benefit payments are made for qualified medical expenses.

**Note 5. Related Parties**

Certain members of the Post Employment Health Plan are participants in the Plan.

**Note 6. Risks and Uncertainties**

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

**Note 7. Plan Termination**

The City may terminate the Plan at any time, although no intent to terminate the Plan has been expressed. In the event of termination, all participants will remain fully vested.