



**AGENDA  
REGULAR MEETING  
FREEPORT EMPLOYEE BENEFIT TRUST  
MONDAY, JULY 17, 2023 at 6:00 P.M.**

**Chairman:**  
Brooks Bass

**Trustees:**  
Jeff Pena  
Jerry Cain  
George Matamoros  
Winston Rossow

**City Manager:**  
Timothy Kelty

**THE EMPLOYEE BENEFIT TRUST OF THE CITY OF FREEPORT, TEXAS, WILL MEET ON MONDAY, THE 17TH DAY OF JULY 2023, AT 6:00 P.M., AT THE FREEPORT POLICE DEPARTMENT, MUNICIPAL COURT ROOM, 430 NORTH BRAZOSPORT BOULEVARD, FREEPORT TEXAS FOR THE FOLLOWING PURPOSES:**

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

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 Any item requiring additional discussion may be withdrawn from the Consent Agenda by the Chairman or a Trustee, and acted upon separately.

1. Annual review and adoption of an Investment Policy and a list of qualified brokers that are authorized to engage in investment transactions with the City of Freeport Employee Benefit Trust. **(Ezell)**
2. Designating and Authorizing the Annual Auditors for the City of Freeport to conduct an audit for the City of Freeport Employee Benefit Trust at such time as the audit for the City of Freeport is Conducted. **(Ezell)**
3. Consideration and possible action on the approval of the Freeport Employee Benefit Trust meeting minutes from August 1, 2022. **(Wells)**

**TRUST BUSINESS – REGULAR SESSION:**

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

**ADJOURNMENT:**

5. Adjourn.

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

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

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

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



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Betty Wells, City Secretary  
City of Freeport, Texas





## Employee Benefit Trust Agenda Item # 1

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

**Date:** July 17, 2023

**From:** Cathy Ezell, Finance Director

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**Staff Recommendation:**

Staff recommends adopting the City's Investment Policy, adopted by City Council on September 6, 2022 which is in accordance with Chapter 2256, Public Funds Investment, of the Texas Government Code.

**Item Summary:**

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

**Background Information:**

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

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

**Special Considerations:** N/A

**Financial Impact:** N/A

**Board or 3<sup>rd</sup> Party recommendation:** N/A

**Supporting Documentation:** City's Investment Policy





# **City of Freeport, Texas Investment Policy**

Revised  
September 7, 2021

# City Freeport Investment Policy

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## **I. Policy**

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

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

## **II. Purpose**

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

## **III. Scope**

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

## **IV. General Objectives**

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

- A. **Safety** – Safety of the principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to minimize credit risk and interest rate risk.
  - i. **Credit Risk and Concentration of Credit Risk** – The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, and concentration of credit risk, the

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

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

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

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

- B. **Liquidity** – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, a portion of the portfolio will be invested in money market mutual funds or local government investment pools that offer same-day liquidity for short-term funds. Additionally, securities held in the portfolio will have active secondary or resale markets.
- C. **Public Trust** – All participants in the City’s investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the City’s ability to govern effectively.
- D. **Yield** – The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is restricted to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

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

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

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

V. **Standards of Care**

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

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

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

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



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

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

## VI. Safekeeping and Custody

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

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

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

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

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

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

## **VII. Suitable and Authorized Investments**

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

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

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

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

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

### VIII. Investment Parameters

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

### IX. Investment Strategies

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

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

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

### X. Reporting

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

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

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

## XI. Record Retention

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



## **Exhibits**

**EXHIBIT A**

**List of Authorized Investment Officers**

City of Freeport City Manager

City of Freeport Finance Director

City of Freeport Financial Analyst

**EXHIBIT B**

**Statement of Ethics and Conflicts of Interest**

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

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

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

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

City of Freeport  
Investment Official

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

**EXHIBIT C**

**Approved Broker/Dealers, Financial Institutions and Investment Pools**

**Broker/Dealers**

**Financial Institutions**

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

U.S. Bank, N.A.

**Investment Pools**

TexPool

**EXHIBIT D**

**Certification by Broker/Dealers and Financial Institutions**

(date)

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

Dear Ms. Russell:

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

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

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

**Registered Principal**

**Broker Assigned to the Account**

Signed By: \_\_\_\_\_

\_\_\_\_\_

Printed Name: \_\_\_\_\_

\_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_



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## EXHIBIT E

### Investment Strategy

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

#### **Operating Funds:**

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

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

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

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

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

**Reserve Funds:**

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

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

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



## Employee Benefit Trust Agenda Item # 2

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

**Date:** July 17, 2023

**From:** Cathy Ezell, Finance Director

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**Staff Recommendation:**

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

**Item Summary:**

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

**Background Information:**

BrooksWaston & Co. is the City of Freeport's current auditors and therefore is recommended for the Employee Benefit Trust.

**Special Considerations:** N/A

**Financial Impact:** N/A

**Board or 3<sup>rd</sup> Party recommendation:** N/A

**Supporting Documentation:** N/A

State of Texas

County of Brazoria

City of Freeport

BE IT REMEMBERED, that the Freeport Employee Benefit Trust, Texas met on Monday, August 1, 2022 at 6:00 p.m. at the Freeport Police Department, Municipal Court Room, 430 North Brazosport Boulevard, Freeport Texas for the purpose of considering the following agenda items:

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

Staff: Tim Kelty, City Manager  
Betty Wells, City Secretary  
David Olson, Interim City Attorney  
Chris Motley, Fire Chief  
Cathy Ezell, Finance Director  
Lance Petty, Freeport Public Works Director  
Clarisa Molina, Administrator Assistant  
Kacey Roman, Building Official  
Chris Motley, Freeport Fire Chief  
Toby Cohen, IT Manager  
Danny Gillchriest Interim Police Chief  
Donna Fisher, Human Resource

Visitors: Bob Casale  
Manning Rollerson  
Sam Reyna  
Pam Dancy  
Martin Bronstein  
Diane McCleaster  
Nicole Mireles  
Donna Rickard  
Karla Clark  
Ron Bachman  
Bob Petty  
David Mitzger  
Mary & Steve Moore  
Jan Kopp  
Wade Cook  
Wayne Gautreaux  
Linda Mai  
Carol & Mark Parker  
Melinda Wilhelm  
Michelle Booth  
Melanie Oldham  
George Matamoros  
Billy Toomer  
Helen Hams  
Con McCleaster  
Greg Bisso  
Keith Johnson  
Kenny Hayes  
Jared Barber (Freese & Nichols)  
Carol Mitzger  
Doug McIntire  
Helen Harris  
Charlie Kopp  
Steve & Wendy Krueger  
Margaret Backman  
Toni Capretta  
Bob Brooks  
Michael Wilhelm

Call to order.

Mayor Bass called the Employee Benefit Trust meeting to order at 8:14 P.M.

**INVOCATION AND PLEDGE OF ALLEGIANCE:**

Invocation and Pledge was led by Mayor Bass.

**CONSENT AGENDA**

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

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

Consideration and possible action on the approval of the Freeport Employee Benefit Trust meeting minutes from August 1, 2022.

On a motion by Councilman Muraira, seconded by Councilman Cain, with all present voting “Aye” 4-0 Council unanimously approved the consent agenda.

**TRUST BUSINESS - REGULAR SESSION**

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

Finance Director Cathy Ezell presented to council the consideration of the approval to renew proposals employee medical insurance, dental insurance, life and disability insurance, vision insurance, and HRA, HSA, and FSA Administration. She said the city went out for bids, we received three declines from Blue Cross, United Health Care, and Atena. She said we received a bid from Cigna, for our medical and dental. Ms. Ezell said there is a 5% increase.

Mayor Bass asked what we budgeted for this? Ms. Ezell said 5%.

Councilman Cain asked why are we only receiving one company come back with a proposal, he asked what is causing this? Ms. Ezell said it is our claims. She said we are at 112% in claims. She said we had over 20 large claims.

Mr. Kelty said we are trying to get a health care that will be provided for employees with no cost to the employees.

Mayor Bass asked about the issues and the lack of contracts with Lake Jackson, and local providers for care. Are we aware of any changes in these negotiations?

Mr. David Gibson said currently all of these contracts are being renegotiated. He said a lot of the contracts are coming back up and an opportunity of improvement. Mayor Bass asked about the claims, are they surgery's? Mr. Gibson said diabetes is one condition, he said annual screening helps with this. Muscular Skeletal is the second. Mayor Bass asked if this is our only option? Mr. Gibson said, yes.



Councilman Cain asked about the Wellness day? He asked if the employee participates in this will they get a discount? Ms. Ezell said no.

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

Adjourn

On a motion by Councilman Brimage, seconded by Councilman Pena, with all present voting "Aye", 4-0 Mayor Bass adjourned the meeting at 8:26 P.M.

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Mayor Brooks Bass,  
City of Freeport, Texas

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City Secretary, Betty Wells  
City of Freeport, Texas



## Employee Benefit Trust Agenda Item # 4

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

**Date:** July 17, 2023

**From:** Donna Fisher, Human Resources Director/Cathy Ezell, Finance Director

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**Staff Recommendation:**

Staff recommends acceptance of the employee medical insurance renewal proposal from Cigna, and vision insurance renewal proposal from VSP.

**Item Summary:**

Medical Insurance Renewal:

The City issued a Request for Proposal (RFP) for Medical Insurance to compare other alternatives vs. Cigna. We received the renewal from Cigna and proposals from Aetna, Blue Cross/Blue Shield, and United HealthCare. The current loss ratio (claims/premium) is 105%, due primarily to large claims and just overall medical and prescription utilization. Ideally a loss ratio of 85% should produce a very favorable renewal.

Each of the vendors requires demographic information, and paid claims (de-identified) to underwrite the coverage. Vendors were asked to quote similar plan designs, with Open Access networks, and less restrictive Pharmacy Plan Formularies. Network provider disruption was also evaluated.

The proposals from Aetna, Blue Cross, and United HealthCare were competitive, but two (Blue Cross and UHC) do not offer a Health Reimbursement Account (HRA) plan which 62% of our employees are enrolled in. Aetna did quote HRA plans, but there are meaningful differences compared to current. All vendors quoted HSA plans which are similar to the current plan. The proposed rates for these 3 vendors were between +2.8% to +16.4%.

Cigna original increase was a +16% increase due to the above-mentioned claims utilization. After negotiation, Cigna has offered to renew at +2.1% (weighted average). The HRA plan(s) rates will decrease slightly (-0.36% to -1.71%), and the HSA plan will increase by +8%. VSP has offered to renew the vision coverage for two years for a decrease of 4.6% in premiums.

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

**Background Information:**

The City has gone out for bids for medical insurance coverage the past three years. The City does have two ongoing large claims for the past year, which drives up 40% of costs typically.

**Special Considerations**

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

**Financial Impact:**

There is no significant financial impact other than the additional +2.1% increase in overall premiums. This will be included in the Fiscal Year 2023-2024 budget

**Board or 3<sup>rd</sup> Party recommendation:**

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

**Supporting Documentation:**

Cost Analysis of Health Care Proposals

Renewal Letter from VSP

City of Freeport Health Insurance Renewal 2023

**Proposed Plan Designs:  
Effective 10/1/23 - 9/30/24**

In-network Benefits listed

Plan Option	Cigna - Current				Blue Cross				Aetna				United HealthCare			
	HSA Plan	Base HRA	Buy-up HRA		HSA Plan	Base PPO	Buy-up PPO		HSA Plan	Base HRA	Buy-up HRA		HSA Plan	Base PPO	Buy-up PPO	
Individual Deductible	\$3,500	\$2,000	\$500		\$3,500	\$2,000	\$500		\$3,500	\$2,000	\$2,000		\$3,000	\$2,000	\$500	
Family Deductible	\$7,000	\$4,000	\$1,000		\$7,000	\$4,000	\$1,000		\$7,000	\$4,000	\$4,000		\$6,000	\$4,000	\$1,000	
Coinsurance	70%	70%	70%		80%	80%	80%		70%	70%	70%		70%	80%	80%	
Individual Out-of-Pocket	\$7,000	\$7,000	\$5,000		\$5,000	\$5,000	\$3,000		\$7,000	\$7,000	\$5,000		\$6,350	\$6,000	\$3,000	
Family Out-of-Pocket	\$14,000	\$14,000	\$10,000		\$10,000	\$10,000	\$6,000		\$14,000	\$14,000	\$10,000		\$12,700	\$12,000	\$6,000	
Primary Care Physician Copay	30%	\$25	\$25		20%	\$30	\$30		30%	\$25	\$25		30%	\$30	\$25	
Specialist Physician Copay	30%	\$50	\$50		20%	\$60	\$60		30%	\$50	\$50		30%	\$60	\$50	
Emergency Room Copay	30%	30%	30%		20%	\$500, 20%	\$500, 20%		30%	30%	30%		30%	\$250, 30%	\$250, 30%	
Urgent Care Copay	30%	\$75	\$75		20%	\$75	\$75		30%	\$75	\$75		30%	\$75	\$75	
Retail Copays																
Generic RX Copay	30%	\$10	\$10		20%	\$10	\$10		30%	\$10	\$10		\$10	\$10	\$10	
Brand Name Copay	30%	\$40	\$40		20%	\$50	\$50		30%	\$40	\$40		\$35	\$35	\$35	
Specialty Copay	30%	\$65	\$65		20%	\$100	\$100		30%	\$60	\$60		\$60	\$70	\$70	
Mail Order Copays	30%	3x Retail	3x Retail		20%	3x Retail	3x Retail		30%	3x Retail	3x Retail		2.5x Retail	2.5x Retail	2.5x Retail	
HSA/HRA Allocation (EE/EF)	\$293	\$1200/\$1200	\$1200/\$1200		\$293	N/A	N/A		\$293	\$1000/2000	\$1000/2000		\$293	N/A	N/A	
Proposed RX Formulary	Advantage	Advantage	Advantage		Advantage	Advantage	Advantage		Advanced Control	Advanced Control	Advanced Control		Advantage	Advantage	Advantage	
Proposed Provider Network	Open Access	Open Access	Open Access		Open Access	Open Access	Open Access		Open Access	Open Access	Open Access		Open Access	Open Access	Open Access	
CHI St. Lukes In-network	Yes	Yes	Yes		Yes	Yes	Yes		Yes	Yes	Yes		Yes	Yes	Yes	
UTMB In-network	Yes	Yes	Yes		Yes	Yes	Yes		No	No	No		Yes	Yes	Yes	
Out-of-Network Coverage	Yes	Yes	Yes		Yes	Yes	Yes		Yes	Yes	Yes		Yes	Yes	Yes	



# Financial Proposal

Effective 10/1/23 - 9/30/24

7/10/23

## Vendor Response

### Monthly/Annual Rates & Premiums

#### HRA Base Plan

Enrollment	Cigna - Current	Cigna - Renewal	Cigna - Renewal (revised)	Blue Cross/Blue Shield	Aetna	United HealthCare
36	\$773.21	\$896.92	\$770.40	\$773.94	\$784.05	\$761.21
0	\$1,787.66	\$2,073.69	\$1,781.18	\$1,749.94	\$1,812.72	\$1,771.20
1	\$1,449.76	\$1,681.72	\$1,444.50	\$1,667.91	\$1,470.08	\$1,434.80
2	\$2,077.60	\$2,410.02	\$2,070.06	\$2,643.87	\$2,106.72	\$2,059.91
39	<b>\$33,441</b>	<b>\$38,791</b>	<b>\$33,319</b>	<b>\$33,817</b>	<b>\$33,909</b>	<b>\$32,958</b>

#### Monthly Premium

#### HRA Buy-up

35	\$848.11	\$983.81	\$833.62	\$851.48	\$826.57	\$1,005.94
0	\$1,960.82	\$2,274.55	\$1,927.33	\$1,925.22	\$1,911.02	\$2,342.97
2	\$1,590.19	\$1,844.62	\$1,563.03	\$1,835.02	\$1,549.81	\$1,897.98
0	\$2,278.88	\$2,643.50	\$2,239.96	\$2,908.76	\$2,221.01	\$2,724.88
37	<b>\$32,864</b>	<b>\$38,123</b>	<b>\$32,303</b>	<b>\$33,472</b>	<b>\$32,030</b>	<b>\$39,004</b>

#### Monthly Premium

#### HDHP - HSA

36	\$579.83	\$672.60	\$626.36	\$566.43	\$681.20	\$761.21
4	\$1,349.16	\$1,565.03	\$1,457.42	\$1,280.70	\$1,585.03	\$1,771.20
4	\$1,092.92	\$1,267.79	\$1,180.61	\$1,220.70	\$1,283.99	\$1,434.80
3	\$1,569.08	\$1,820.13	\$1,694.98	\$1,934.97	\$1,843.39	\$2,059.91
47	<b>\$35,349</b>	<b>\$41,005</b>	<b>\$38,186</b>	<b>\$36,202</b>	<b>\$41,529</b>	<b>\$46,407</b>

#### Monthly Premium

#### Total Monthly Premium

123	<b>\$101,654</b>	<b>\$117,919</b>	<b>\$103,808</b>	<b>\$104,491</b>	<b>\$107,468</b>	<b>\$118,369</b>
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#### Total Annual Premium

	<b>\$1,219,850</b>	<b>\$1,415,026</b>	<b>\$1,245,694</b>	<b>\$1,253,896</b>	<b>\$1,289,620</b>	<b>\$1,420,432</b>
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#### Change

		<b>\$195,176</b>	<b>\$25,843</b>	<b>\$34,046</b>	<b>\$69,770</b>	<b>\$200,582</b>
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#### Increase to Current

			<b>2.1%</b>	<b>2.8%</b>	<b>5.7%</b>	<b>16.4%</b>
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June 1, 2023

DONNA FISHER  
CITY OF FREEPORT  
200 WEST 2ND ST  
FREEPORT, TX 77541

DEAR DONNA FISHER:

Thank you for choosing VSP® Vision Care — and for your continued business. Putting your employees first and guaranteeing their satisfaction is easy, when we have partners like you.

As the only national not-for-profit vision company, we're committed to giving your employees:

- **Lowest employee out-of-pocket costs** — employees' #1 priority in a vision plan.
- **Exclusive Member Extras**. offers you won't find anywhere else — only VSP members can save more than \$2,500 on vision, hearing, medical, and lifestyle services.
- **World class service** — the highest customer satisfaction in the industry, 15 years in a row.

Your VSP plan automatically renews on **October 1, 2023** and **no action is required** to continue to receive consumers' #1 choice in vision care.

Group Name/Number: CITY OF FREEPORT / 30092826  
 Renewal Period: October 1, 2023 - September 30, 2025  
 Current Plan Frequency: 12 / 12 / 24  
 Current Copay: \$10 Exam / \$25 Materials  
 Current Allowance: \$130.00 Retail Frame / \$130.00 Elective Contact Lenses  
 Current Rates: \$6.92 / 11.08 / 11.31 / 18.24  
 Renewal Rates: \$6.60 / 10.56 / 10.78 / 17.37

*Rates include all applicable taxes and health assessment fees known as of the date of your renewal.*

**Enhanced Offering**

Have you considered **upgrading your Plan Frequency** or **increasing your Retail Frame Allowance** to maximize the lowest out-of-pocket for your employees? We recommend these enhancements when you renew your current plan to deliver greater value:

Plan Frequency: 12 / 12 / 24  
 Copay: \$10.00 Exam / \$25.00 Materials  
 Allowance: \$150.00 Retail Frame / \$130.00 Elective Contact Lenses  
 Renewal Rates: \$7.18 / 11.48 / 11.72 / 18.90

Updating your plan is simple! Give me a call to enhance your benefits or to lower your premium and keep delivering the lowest out-of-pocket costs.

Thank you,

Samantha Martin (800) 216-6248

cc: DAVID GIBSON  
 HOLMES MURPHY AND ASSOCIATES,  
 12712 PARK CENTRAL DR STE 100  
 DALLAS, TX 75251-1527

CMI CS Team

**Underwriting Contingencies  
For  
City of Freeport**



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

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

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

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

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

\_\_\_\_\_  
Client Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Client Name

\_\_\_\_\_  
Title



### Gap Fund Acknowledgement

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

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

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

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

Do you offer any of these plans?  YES  NO

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

If YES, please confirm the following:

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

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

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

City of Freeport

Date: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

**PROPOSAL TERMS AND CONDITIONS for Proposal: Q1P2: Revised****A. General Terms of this Proposal**

Cigna HealthCare is pleased to present this Proposal for a Fully Insured Non-Participating group medical and pharmacy benefit plan (the "Plan") sponsored by City of Freeport. This proposal is valid for 60 days from its original date of release, 07/10/2023. Any revisions or updates to this proposal will not renew this valid timeframe unless expressly communicated by Cigna HealthCare.

**Proposal Caveats**

Cigna HealthCare may revise or withdraw this Proposal if:

- 1 there is a change to the effective date and/or duration of the period covered by the quote.
- 2 the policy period length is different than 12 months.
- 3 the policy will not be situated in TX.
- 4 there is a change in any law, regulation, or required assessment or tax that changes Cigna HealthCare's costs in offering the plan.
- 5 the final enrollment deviates from the quoted enrollment such that it results in a needed change in premium rates. Rates are based on final enrollment factors, including total number of enrollees, their age, sex, demographics, location and the distribution of enrollees by product or by customer tier.
- 6 enrollment in the Cigna HealthCare administered plan is less than 50% of the total eligible population identified as 130.
- 7 requires you to notify us within 30 days if any of the information upon which these rates or benefits were based (including Medical History Information) changes or is inaccurate.
- 8 it is not the exclusive provider of Medical / Pharmacy or like products for all of City of Freeport's employees in all worksites.
- 9 the employer contributes less than 50% toward the total cost of the coverage elected by each enrolled employee.
- 10 the current waiting period is different than FOMF 30.
- 11 By way of illustration, such legislation or executive actions which impose controls or requirements that affect: our ability to determine rates; covered medical expenses or service benefits; providers' delivery of care or the fees they charge; or our contracts with providers, may be deemed to so affect our contractual obligations. Should this happen, Cigna HealthCare will make a good faith effort to work to reach a new agreement that equitably reflects the circumstances as altered by government action.
- 12 there is any reimbursement arrangement ("gap" cards, etc.) that subsidizes or reduces the out-of-pocket obligation of covered persons under the policy.
- 13 benefit advisor fees/commissions are requested to be different than 5.00%.
- 14 Client confirmation of employee counts reveal the group to be a Small Employer, as defined under the Patient Protection and Affordable Care Act, and accordingly Cigna HealthCare is not able to offer a PPACA compliant plan.

**B. Scope and Application of this Proposal**

Unless otherwise indicated, the coverage reflected in this Proposal:

- 1 assumes that any insurance policy, certificate/booklet, or summary plan description material will be made available to the policyholder electronically.
- 2 supersedes and renders null and void any prior Cigna HealthCare offer or proposal with respect to the Plan.
- 3 or policy may be canceled as of any Premium Due Date if the number of insured Employees fails to meet the minimum required per group participation rules; or for failure to comply with any other material plan provision relating to Employer contributions or group participation rules.
- 4 includes Cigna's One Guide digital and customer guidance solution.
- 5 does not apply to part-time or seasonal employees for any plan.
- 6 Medicare eligible retirees are not included in this plan unless mandated by situs state legislation.
- 7 includes Cigna's Network Savings Program (NSP) and other Cost Containment programs designed to contain costs with respect to charges for out-of-network health care services/supplies that are covered by the Plan and reduce the member's balance billing exposure. For administering these programs, Cigna retains a portion of the savings or recoveries generated.
- 8 excludes charges for converting a qualified customer of a group plan to an individual plan.
- 9 limits the allowable amount used in calculating benefits for out-of-network health care services/supplies to a Maximum Reimbursable Charge equal to 110% of a fee schedule developed by Cigna based upon a methodology similar to that used by Medicare to determine the allowable fee for similar services in the geographic market, OR, where that fee schedule does not provide a value, the 80th percentile of the usual and customary charges made by providers of such service/supply or supply in the geographic area where the service/supply is received determined by reference to a third-party data base.
- 10 assumes all employees are located in the network area, and that all employees are only eligible for the Cigna HealthCare or any other affiliated company product offerings specified.
- 11 may require regulatory approval of rates. If, as of their proposed effective date, regulatory approval is not obtained, the healthplan shall use rates consistent with its then currently approved rates and the foregoing rates shall be effective automatically. If a product is new and has never had approved rates, the effective date of coverage will be postponed until regulatory approval is received.
- 12 allows caveats and conditions set forth in this document to survive execution of any final contract and/or issuance by Cigna HealthCare of any policy and/or Group Service Agreement.
- 13 assumes that Cigna HealthCare's standard insurance policy form approved for use in the applicable state by the state insurance regulator will be issued. Because the insurance policy and certificate terms require regulatory approval, there is very little flexibility to change the provisions. The provisions of the insurance policy and certificate will control in the event of a conflict with the terms of the request for proposal and the Proposal.
- 14 is a high-level summary of the proposed coverage. It does not identify all the categories of health care expenses that are covered or excluded.
- 15 may include state required continuation rates which will match the rates for the underlying plan. For Nebraska and New York Over Age Dependents the rates will match the employee rate for the underlying plan.
- 16 includes charges made by either a specialty vendor or an affiliate, such as eviCore for care management programs to contain the cost of specific health services/items and/or improve adherence to evidence-based guidelines to promote patient safety and efficient care (i.e., charges for management of diagnostic cardiology, radiation therapy, musculoskeletal procedures, medical oncology, gastroenterology, sleep management and home health/DME/HIT and appropriate setting of care/service) when applicable, and medical necessity review (i.e chiropractic services).
- 17 includes fixed charges for Embarc Benefit Protection<sup>SM</sup>, a network solution for certain high-cost gene therapy drugs arranged by eviCore.



- 18 Cigna HealthCare assumes that the group health plan or health insurance coverage to which this proposal applies will not be a "grandfathered health plan" under the Patient Protection and Affordable Care Act (the "Act") and that it will be subject to all requirements of the Act applicable to a group health plan or health insurance coverage unless otherwise specified in writing.
- 19 includes applicable Patient Protection and Affordable Care Act fees and assessments imposed upon health insurers including the Comparative Effectiveness Research Fee.
- 20 establishes a Wellness/Health Improvement Fund (the "Fund") in the amount of \$4000.00 for clinical/wellness/behavioral programs offered by Cigna HealthCare. These funds shall be used to defray the cost of Cigna HealthCare designated and arranged health and wellness improvement programs for employees (e.g., biometric screenings, flu shots, etc.) and to reward participation in these programs. The Fund may be accessed during the period from 10/01/2023 - 09/30/2024. The Fund may not be accessed following notice of termination of the Cigna HealthCare agreement. Unused funds cannot be rolled over and Cigna HealthCare must pre-approve use of the Fund.
- 21 Important Notice Regarding Benefit Advisor Compensation - The premium for this guaranteed cost (i.e., non-Shared Returns) policy may not include compensation payable to your benefit advisor. Check with your Cigna Sales representative to confirm whether this is the case. When that is the case, the proposed billed amount includes both premium and benefit advisor fees, which are not part of the monthly premium and Cigna will include any benefit advisor fees agreed to by the client and benefit advisor on client invoices and forward payments received to the benefit advisor if both the client and the benefit advisor authorize Cigna to do so by signing Cigna's Client and Benefit Advisor Acknowledgement Form. When required, this form must be signed before the date when the new rates take effect. If the form is not signed, the benefit advisor will be responsible for billing the client directly for any benefit advisor fees.
- 22 assumes that any non-voluntary vision benefit that is included in the medical plan and not provided through a separate policy is subject to ACA requirements.
- 23 does not apply to individuals unless employed by the policyholder or an entity that participates in an association or trust that is the policyholder.
  - o ADDITIONAL GENERAL TERMS OF THIS PROPOSAL:
- 24 The information contained in this Proposal by Cigna HealthCare is proprietary and highly confidential. It is being provided with the understanding that it will not be used by the employer, its representatives or consultants for any purpose other than the evaluation of the Proposal. Under no circumstances is any of the information contained herein (including excerpts, summaries, extracts, and evaluations thereof) to be used, disseminated, disclosed or otherwise communicated to any person or entity other than the employer, its representatives and consultants, and their respective employees who are directly involved in the evaluation process.

**C. Additional Representations & Disclosures**

- 1 Each plan presented in this proposal has an actuarial value, determined by Cigna HealthCare, of 60% or greater. This determination was made using Cigna HealthCare's manual rating application which may produce an actuarial value slightly different than the official HHS calculator. Although we would expect any deviation to be small, you will have to consult with your actuarial consultant for a more precise determination of the plan's actuarial value. Cigna HealthCare does not provide actuarial certifications.
- 2 In order to implement the requested benefit design, different funding arrangements (i.e., insured, self-insured and/or HMO) involving affiliated Cigna companies may be required with respect to plan participants residing in certain states.
- 3 Cigna HealthCare may have an agreement with your benefit advisor, under which the benefit advisor may be paid for providing marketplace intelligence or for the performance of administrative services. The qualification for and amount of this payment may be based upon overall business growth and/or retention levels. Any such payment is funded through Cigna HealthCare's general overhead.
- 4 The benefit advisor may qualify for incentive payment (monetary or non-monetary) from Cigna HealthCare. For example, the benefit advisor may receive payment based upon new sales, new customer growth or retention. This incentive payment is funded from Cigna HealthCare's general overhead.
- 5 Cigna HealthCare sponsors programs to inform benefit advisors about Cigna HealthCare's plan coverage and services (including producer advisory councils). The cost of these events is funded through Cigna HealthCare's general overhead.

Cigna Healthcare Financial Exhibit for:

# City of Freeport

Effective Date: October 01, 2023



## Program Administrative Fees

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	<u>Fee Type</u>	<u>Enrollment</u>	<u>PEPM Fee</u>
HRA Open Access Plus	HRA Administrative Fee	37	\$4.50
HRA Open Access Plus	HRA Administrative Fee	39	\$4.50
FSA – Health Care & Dependent Care	Premium Contribution	37	\$2.80
FSA – Health Care & Dependent Care	Premium Contribution	39	\$2.80
FSA – Health Care & Dependent Care	Premium Contribution	47	\$2.80

**Total Program Administrative Monthly Fees** **\$686.40**

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