

**CITY OF PHOENIX
POST EMPLOYMENT HEALTH PLAN
FOR PUBLIC EMPLOYEES**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020



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FOR PUBLIC EMPLOYEES
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INDEPENDENT AUDITORS' REPORT

City of Phoenix PEHP Board
City of Phoenix - Post Employment Health Plan
Phoenix, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of fiduciary net position of the City of Phoenix - Post Employment Health Plan (the Plan) as of December 31, 2021 and 2020, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements as noted on the accompanying table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2021 and 2020 and the results of its operations for years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 to the 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.

Auditors' 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 auditors' report that includes our opinions. 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.

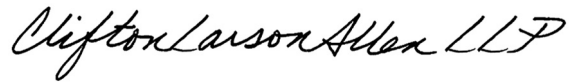
In performing an audit in accordance with GAAS, we:

- 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 on pages 4 through 6 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 audits 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.



CliftonLarsonAllen LLP

Phoenix, Arizona
June 6, 2022

**CITY OF PHOENIX
POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

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, 2021, 2020, and 2019. Please read it in conjunction with the Plan's financial statements, which follow this section.

OVERVIEW OF FINANCIAL STATEMENTS

The Statements of Fiduciary Net Position provide the financial position of the Plan at December 31, 2021 and 2020.

The Statements of Changes in Fiduciary Net Position summarize the Plan's financial activities that occurred during the years ended December 31, 2021 and 2020.

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).

FINANCIAL HIGHLIGHTS

- Net position available for benefits was approximately \$234.1 million, \$196.8 million, and \$168.6 million as of December 31, 2021, 2020, and 2019, 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 \$7.4 million, from \$13.7 million for the year ended December 31, 2020 to \$21.1 million for the year ended December 31, 2021. Variable earnings investment income decreased by approximately \$1.9 million, from 15.6 million for the year ended December 31, 2019 to 13.7 million for the year ended December 31, 2020. 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 14.4%, 12.2%, and 18.0% for the periods ended December 31, 2021, 2020, and 2019, respectively.
- Interest income increased slightly to \$1.76 million for the year ended December 31, 2021, up from approximately \$1.5 million for the years ended December 31, 2020, and 2019. Interest income remained fairly consistent due to increases in the balance of the Nationwide Fixed Annuity coupled with decreasing crediting rates over the past few years.

**CITY OF PHOENIX
POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

FINANCIAL HIGHLIGHTS (CONTINUED)

- Employer contributions were approximately \$16.4 million, \$14.7 million, and \$16.3 million for the years ended December 31, 2021, 2020, and 2019, respectively. Employer contributions consist of \$150 per month per active participant. There were 9,209, 8,868, and 9,081 active plan participants as of December 31, 2021, 2020, and 2019, respectively.
- Distributions to participants were \$1.4 million, \$1.2 million, and \$1.2 million for the years ended December 31, 2021, 2020, and 2019, respectively. Distributions are made to participants for qualifying medical expenses only. Distributions were made to 438, 383, and 392 participants for the years ended December 31, 2021, 2020, and 2019, respectively.
- Asset fees charged were approximately \$463,000, \$519,000, and \$457,000 for the years ended December 31, 2021, 2020, and 2019, 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.

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
Summary of Fiduciary Net Position**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Fixed Earnings Investments	\$ 86,001,615	\$ 83,264,202	\$ 79,345,903
Variable Earnings Investments	146,733,034	112,199,370	86,678,408
Contributions Receivable	<u>1,381,500</u>	<u>1,339,050</u>	<u>2,607,000</u>
Total Net Position Available for Plan Benefits	<u>\$ 234,116,149</u>	<u>\$ 196,802,622</u>	<u>\$ 168,631,311</u>

**CITY OF PHOENIX
POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

**Table 2
Summary of Changes in Fiduciary Net Position**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Additions			
Employer Contributions	\$ 16,362,566	\$ 14,664,548	\$ 16,325,100
Variable Earnings Investment Income (Loss)	21,102,092	13,712,140	15,614,776
Interest Income	<u>1,757,014</u>	<u>1,508,634</u>	<u>1,546,946</u>
Total Additions	39,221,672	29,885,322	33,486,822
Deductions			
Distributions to Participants	1,444,679	1,195,418	1,181,009
Asset Fees	<u>463,466</u>	<u>518,593</u>	<u>457,144</u>
Total Deductions	<u>1,908,145</u>	<u>1,714,011</u>	<u>1,638,153</u>
Net Increase	<u>\$ 37,313,527</u>	<u>\$ 28,171,311</u>	<u>\$ 31,848,669</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 questions about this report or need additional financial information, contact the Staff Coordinator for the Post Employment Health Plan, City of Phoenix Benefits Office at (602) 534-2202.

**CITY OF PHOENIX
 POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES
 STATEMENTS OF FIDUCIARY NET POSITION
 DECEMBER 31, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
INVESTMENTS		
Fixed Earnings Investments	\$ 86,001,615	\$ 83,264,202
Variable Earnings Investments	<u>146,733,034</u>	<u>112,199,370</u>
Total Investments	<u>232,734,649</u>	<u>195,463,572</u>
CONTRIBUTIONS RECEIVABLE	<u>1,381,500</u>	<u>1,339,050</u>
FIDUCIARY NET POSITION AVAILABLE FOR PLAN BENEFITS	<u><u>\$ 234,116,149</u></u>	<u><u>\$ 196,802,622</u></u>

See accompanying Notes to Financial Statements.

**CITY OF PHOENIX
 POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
ADDITIONS:		
Employer Contributions	\$ 16,362,566	\$ 14,664,548
Variable Earnings Investment Income (Loss)	21,102,092	13,712,140
Interest Income	1,757,014	1,508,634
Total Additions	39,221,672	29,885,322
DEDUCTIONS:		
Distributions to Participants	1,444,679	1,195,418
Asset Fees	463,466	518,593
Total Deductions	1,908,145	1,714,011
NET INCREASE	37,313,527	28,171,311
FIDUCIARY NET POSITION AVAILABLE FOR PLAN BENEFITS:		
Beginning of Year	196,802,622	168,631,311
End of Year	\$ 234,116,149	\$ 196,802,622

See accompanying Notes to Financial Statements.

**CITY OF PHOENIX
POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

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, 2021 and 2020, all assets of the Plan met the requirements of the Small Business Job Protection Act (SBJPA). Contributions made to the Plan were held in trust by JP Morgan Chase and for the years ended December 31, 2021 and 2020.

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.

**CITY OF PHOENIX
POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Participant Accounts (Continued)

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.

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 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 of investments are recorded on a trade-date basis.

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 2021, the annual interest rate for the fixed earnings investment ranged from 1.76% to 2.03%. At December 31, 2021, the actual crediting rate was 2.03%. During 2020, the annual interest rate for the fixed earnings investment ranged from 1.76% to 1.88%. At December 31, 2020, the actual crediting rate was 1.76%.

Variable Earnings Investment Income

Variable earnings investment income and 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.

**CITY OF PHOENIX
POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Distributions

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.

NOTE 2 INVESTMENTS

At December 31, 2021 and 2020, underlying fixed and variable earnings investments are as noted below. Investment funds marked with an asterisk (*) represent investments exceeding 5% or more of the Plan's total investment balance as of December 31, 2021 and 2020. Investment funds marked with two asterisks (**) represent international mutual funds.

	<u>Fair and Carrying Value</u>	
	<u>2021</u>	<u>2020</u>
Fixed Earnings Investment:		
Nationwide Fixed Annuity	\$ 86,001,615 *	\$ 83,264,202 *
Variable Earnings Investments in Variable Annuity Contract:		
Vanguard Institutional Index Fund - Plus Shares	29,943,191 *	22,032,315 *
American Funds 2045 Target Date Retirement- R6	18,491,252 *	386,360
American Funds 2040 Target Date Retirement- R6	16,562,168 *	819,231
American Funds 2035 Target Date Retirement- R6	16,174,376 *	549,144
American Funds 2050 Target Date Retirement- R6	13,218,012 *	566,313
American Funds 2030 Target Date Retirement- R6	10,678,966	998,284
American Funds 2055 Target Date Retirement- R6	9,520,323	418,454
Vanguard Mid-Cap Idx Fund	7,670,299	5,639,662
American Funds 2025 Target Date Retirement- R6	6,263,940	642,888
Vanguard Small Cap Index Fund	5,010,344	3,845,519
American Funds 2060 Target Date Retirement- R6	4,034,645	772,358
Vanguard Ttl Intl Stock Index Institutional Fund	3,595,167 **	2,904,685 **
American Funds 2020 Target Date Retirement- R6	2,563,258	118,009
Vanguard Ttl Bond Market Index Admiral Fund	1,547,579	1,363,594

**CITY OF PHOENIX
POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 INVESTMENTS (CONTINUED)

	<u>Fair and Carrying Value</u>	
	<u>2021</u>	<u>2020</u>
Variable Earnings Investments in Variable Annuity Contract (Continued):		
American Funds 2015 Target Date Retirement- R6	\$ 606,866	\$ 13,396
Vanguard Money Market Fund	554,777	577,075
American Funds 2010 Target Date Retirement- R6	297,871	93,992
NW Investor Dest. Moderate Fund - R6	-	43,968,987 *
NW Investor Dest. Moderately Aggressive Fund- R6	-	13,066,078 *
NW Investor Dest. Aggressive Fund - R6	-	11,453,157 *
NW Investor Dest. Moderately Conservative Fund - R6	-	1,558,694
NW Investor Dest. Conservative Fund - R6	-	411,174
Total Variable Earnings Investments	<u>146,733,034</u>	<u>112,199,370</u>
Total Investments	<u>\$ 232,734,649</u>	<u>\$ 195,463,572</u>

Custodial credit risk is 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 counterparty's 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.

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

Credit risk is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. 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, 2021 and 2020. The variable earnings mutual funds are unrated.

Concentration of credit risk is 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' elections to invest in the available investment options as selected by the Board. The investments that exceed 5% are identified on page 11 and 12.

**CITY OF PHOENIX
POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES
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NOTE 2 INVESTMENTS (CONTINUED)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the U.S. that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was \$3,595,167 and \$2,904,685 as of December 31, 2021 and 2020, respectively. The individual funds are identified on page 11.

As of December 31, 2021 and 2020, the Plan had the following investments and maturities in the Nationwide Fixed Annuity as well as mutual funds that are part of the Nationwide Variable Annuity which include investments in bonds.

	2021		2020	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Fixed Earnings Investment:				
Nationwide Fixed Annuity	\$ 86,001,615	12.10	\$ 83,264,202	11.10
Variable Earnings Investments:				
American Funds 2045 Target Date Retirement- R6	18,491,252	5.99	386,360	5.21
American Funds 2040 Target Date Retirement- R6	16,562,168	6.04	819,231	5.17
American Funds 2035 Target Date Retirement- R6	16,174,376	5.89	549,144	4.79
American Funds 2050 Target Date Retirement- R6	13,218,012	5.98	566,313	5.16
American Funds 2030 Target Date Retirement- R6	10,678,966	5.40	998,284	4.50
American Funds 2055 Target Date Retirement- R6	9,520,323	5.98	418,454	5.15
American Funds 2025 Target Date Retirement- R6	6,263,940	5.28	642,888	4.42
American Funds 2060 Target Date Retirement- R6	4,034,645	5.98	772,358	5.15
American Funds 2020 Target Date Retirement- R6	2,563,258	5.21	118,009	4.33
Vanguard Total Bond Market Index Admiral Fund	1,547,579	8.80	1,363,594	8.50
American Funds 2015 Target Date Retirement- R6	606,866	5.08	13,396	4.26
American Funds 2010 Target Date Retirement- R6	297,871	4.59	93,992	3.89
Nationwide Investor Destinations Moderate Fund - R6	-	N/A	43,968,987	6.46
Nationwide Investor Destinations Moderately Aggressive Fund - R6	-	N/A	13,066,078	5.70
Nationwide Investor Destinations Moderately Conservative Fund - R6	-	N/A	1,558,694	6.94
Nationwide Investor Destinations Conservative Fund - R6	-	N/A	411,174	7.77

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.

**CITY OF PHOENIX
POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 INVESTMENTS (CONTINUED)

Fair Value Measurements

The Authority categorizes their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give 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.

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 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 quoted prices in active markets for these securities.

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

	Fair Value Measurements			
	12/31/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value				
Variable Earnings Investments	\$ 146,733,034	<u>\$ 146,733,034</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at Contract Value				
Fixed Earnings Investments	<u>86,001,615</u>			
Total Investments	<u>\$ 232,734,649</u>			

**CITY OF PHOENIX
POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 INVESTMENTS (CONTINUED)

	12/31/2020	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value				
Variable Earnings Investments	\$ 112,199,370	\$ 112,199,370	\$ -	\$ -
Investments at Contract Value				
Fixed Earnings Investments	83,264,202			
Total Investments	\$ 195,463,572			

NOTE 3 ADMINISTRATIVE AND ASSET FEES

There were no administrative fees assessed for the Plan for the years ended December 31, 2021 and 2020.

Asset fees for the underlying mutual funds comprising the variable earnings investments was 0.50% for the years ended December 31, 2021 and 2020. Effective April 1, 2017, participants are charged an additional annual fee of \$8. This fee is pulled directly from each participant's account.

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 PLAN ADMINISTRATION

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.

**CITY OF PHOENIX
POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

