



**Minutes of the Meeting
of the Board of Trustees of the
Fire and Police Retiree Health Care Fund, San Antonio
October 30, 2023**

PRESENT: Frank Gutierrez, Fire Department Retiree Representative;
Chris Lutton, Police Department Representative;
Mike Despres, Retired Police Representative;
Steve Carse, Fire Department Representative;
Doug Berry, Fire Department Representative;
Jason Sanchez, Police Department Representative;
Councilperson Marc Whyte, City of San Antonio;
Mayoral Appointee Tom Silliman, City of San Antonio.

ABSENT: Councilperson Melissa Cabello Havrda, City of San Antonio;

OTHERS PRESENT: James Bounds, Executive Director; and
Frank Burney, Martin & Drought, P.C.
Jay Blackwell, City of San Antonio

Chair Berry administered the Oath of Office to Councilmember Marc Whyte as a Trustee of the Health Care Fund.

At 11:00 a.m., Chair Berry called the meeting to order. The roll was called, and a quorum was declared present. The minutes from the meetings held on September 25, 2023 and October 16, 2023, were reviewed and unanimously approved upon motion by Trustee Silliman and second by Trustee Despres.

EXECUTIVE

SESSION: The Board went into Executive Session at 11:37 a.m. to discuss legal issues regarding personnel and legal issues. The Executive Session adjourned at 12:32 p.m.

MEMBERS

TO BE

HEARD: None.

ACTION

ITEMS:

1. Investments: Chair Lutton reported on a possible change to be considered on November 2, 2023 at 2:00 p.m. for Investment Committee on reallocation of investments.

2. Personnel/ Audit: Final audit was submitted to the Board.
3. Benefits: A meeting is scheduled at 1:00 p.m. on Tuesday, November 2, 2023 at 1:00 p.m.
 - a. Restatement of Plan Document: Ms. Puga reviewed the revisions to the Plan Document effective January 1, 2024.
 - b. Alternative Therapy List: Ms. Puga explained the slight revisions to the list effective January 1, 2024. Further investigation/review of weight loss drugs (Mounjara and Ozempic) is underway to determine if “medical necessary.”

Upon motion by Trustee Despres and second by Trustee Silliman, the Alternative Therapy List and the Plan Document were unanimously approved.

4. Legislative: No report.
5. Administrative Report:
 - a. Expenses: Mr. Bounds presented the expenditures for the Fund. Upon motion by Trustee Sanchez and second by Trustee Despres, a list of expenses and claims and the Financial Report were unanimously approved by the Board. Trustee Karse recommended that all payments be made by direct deposit/ACH as much as possible.
 - b. Strategic Business Planning Committee Meeting: Chair Berry reported on discussion on new hirings, job descriptions, and performance. Foster & Foster has been engaged to provide further review.
6. Consultant Report:
 - a. Legal: Nothing.
7. Educational Opportunities:

Upon motion by Trustee Sanchez and second by Trustee Carse, the Board approved attendance at any of the following educational opportunities:

 - NAPO: 35th Annual Pension & Benefits Seminar, January 28-30, 2024
8. Next Meeting: The next regularly scheduled meeting will be November 27, 2023 at 10:00 a.m.

ADJOURNMENT: There being no further business, a motion was made by Trustee Lutton and second by Trustee Gutierrez that the meeting adjourn. The motion carried unanimously. The meeting adjourned at 12:33 p.m.

Enclosures

- Financial Statement
- List of approved claims and expenses
- Agenda
- Minutes
- Final Audit Letter

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CERTIFIED AGENDA OF CLOSED MEETING

HEALTH FUND

I, DOUG BERRY, THE PRESIDING OFFICER OF HEALTH FUND, CERTIFY THAT THIS DOCUMENT ACCURATELY REFLECTS ALL SUBJECTS CONSIDERED IN AN EXECUTIVE SESSION OF THE BOARD CONDUCTED ON OCTOBER 30, 2023.

1. The executive session began with the following announcement by the presiding officer: "Health Fund is now in executive session October 30, 2023 at 11:00 a.m."
2. SUBJECT MATTER OF EACH DELIBERATION:
 - Discussions with attorney relating to his or her advice on legal matters related to any matter in which the duty of the attorney to Health Fund under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Open Meetings Act; and
 - Discussions regarding personnel and legal issues.
3. No further action was taken.
4. The executive session ended with the following announcement by the presiding officer: "This executive session ended on October 30, 2023 at 12:32 p.m."

Presiding Officer

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AGENDA
BOARD OF TRUSTEES MEETING
FIRE AND POLICE RETIREE HEALTH CARE FUND
LOCATED AT 11603 W. COKER LOOP, SUITE 210, SAN ANTONIO, TX 78216
Monday, October 30, 2023-11:00 a.m.

Members of the public may provide comment on any Agenda item, consistent with procedural rules governing the Board meetings and state law. Public comment may be provided as follows:

- a. Written: Submit written comments, along with name and address, by emailing them to Leticia Deleon at ldeleon@thefundsa.org by 12:00 p.m. on the day before the meeting. Comments will be read into the record during the designated time on the agenda.
- b. In Person: Speakers shall be given the opportunity to speak at the beginning of the meeting during "Public Comment" for up to 3 minutes (6 minutes if translation is needed).

1. Call to Order:

2. Roll Call: Doug Berry, Frank Gutierrez, Steven Carse, Chris Lutton, Michael Despres, Jason Sanchez, Councilperson Melissa Cabello Havrda, Councilperson Marc Whyte, Tom Silliman.

3. EXECUTIVE SESSION (Discussion only – Closed to Public):

The Board of Trustees may recess the meeting to the public at any time and hold an Executive Session pursuant to the Texas Open Meetings Act, Chapter 551.071, of the Texas Government Code. Such Act provides for Executive Session on any matter to be considered during the meeting as it relates to consultation with attorneys, real property, personnel and other matters. While any matter on the agenda may also be discussed, these specific matters may be discussed with counsel in Executive Session:

- a. **Government Code §551.072 – Discussions Regarding Purchase, Exchange, Lease, or Value of Real Property if Deliberation in an Open Meeting Would Have a Detrimental Effect on the Position of Health Fund in Negotiations with a Third Party;**
- b. **Government Code §551.071 - All Matters Where Health Fund Seeks the Advice of its Attorney as Privileged Communications under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas:**
- c. **Pending or Contemplated Litigation; and**
- d. **Government Code §551.074- Personnel Matters involving Senior Executive Staff and Employees of Health Fund.**

4. Minutes (Discussion and possible action):

- Board Meeting Minutes for September 25, 2023
- Board Meeting Minutes for October 16, 2023

5. Public Comment
6. Committee Reports (discussion and possible action):
 - a. Investments:
 - b. Personnel/Audit:
 - c. Benefits:
 - Approval of Alternative Therapy List
 - Restatement of Plan Document
 - d. Legislative:
7. Administrative report (discussion and possible action):
 - a. Draft financial reports and list of expenditures for September 2023
 - b. Discussion of Strategic Business Planning Committee Meeting
8. Consultant Reports (discussion and possible action):
 - a. Legal: Report by Frank Burney
9. Educational Opportunities (discussion and possible action):
 - NAPO: 35th Annual Pension & Benefits Seminar
January 28-30, 2024
10. Adjournment:

NOTE:

Speakers may address the Board regarding any specific Agenda Item, on any matter related to Fund business, or on matters that are within the scope of the authority and legislative functions of the Board. Speakers shall be given the opportunity to speak at the beginning of the meeting during "Public Comment" for up to 3 minutes (6 minutes if translation is needed.) Enumerated agenda items are assigned numbers for ease of reference only and will not necessarily be considered by the Board in that order. For those who need assistance due to physical challenges, accommodation can be arranged by contacting James Bounds at 210-494-6500.

**Minutes of the Meeting
of the Board of Trustees of the
Fire and Police Retiree Health Care Fund, San Antonio
September 25, 2023**

PRESENT: Henry Trevino, Fire Department Retiree Representative;
Chris Lutton, Police Department Representative;
Mike Despres, Retired Police Representative;
Andrew Estrada, Fire Department Representative;
Doug Berry, Fire Department Representative;
Jason Sanchez, Police Department Representative;
Councilperson Melissa Cabello Havrda, City of San Antonio; and
Mayoral Appointee Tom Silliman, City of San Antonio.

ABSENT: Councilperson John Courage, City of San Antonio.

OTHERS PRESENT: James Bounds, Executive Director;
Frank Burney, Martin & Drought, P.C.; and
Jay Blackwell, City of San Antonio.

At 10:05 a.m., Chair Berry called the meeting to order. The roll was called, and a quorum was declared present. The minutes from the meetings held on August 28, 2023 and September 6, 2023, were reviewed and unanimously approved upon motion by Trustee Estrada and second by Trustee Despres.

EXECUTIVE SESSION: None.

MEMBERS TO BE HEARD: None.

ACTION ITEMS:

1. Investments: Chair Lutton stated that further discussion is necessary for balancing related to International, Emerging Markets and Domestic Stocks.
2. Personnel/ Audit: Mr. Bounds stated that final confirmation of asset values were completed and the final audit should be completed soon.

3. Benefits:

- a. USI: Upon motion by Trustee Trevino and second by Trustee Sanchez, the Board unanimously approved termination of the contract with USI (with one abstaining – Trustee Silliman) (approximate contract cost: \$100,000).

4. Legislative: None.

5. Administrative Report:

- a. Expenses: Mr. Bounds presented the expenditures for the Fund. Upon motion by Trustee Lutton and second by Trustee Trevino, a list of expenses and claims and the Financial Report were unanimously approved by the Board. Construction budget will be adjusted between capitalization of expenses and actual deductions.
- b. Strategic Business Planning Committee Meeting: Meeting will be postponed until October meeting.

6. Consultant Report:

- a. Legal: None.

b. Foster & Foster:

(i) Board requested proposals for Foster & Foster Consultants for general retainer for annual budget projections, GASB75, financial monitoring, vendor management, compliance support and project management, and other services at a cost of \$82,000 annually (which includes previously approved \$50,000 for actuarial study). Upon motion by Trustee Trevino and second Trustee Estrada, the retainer proposal as set out in 9/6/23 and 9/15/23 letter attached was unanimously approved at a budgeted cost of \$82,000 (with Trustee Silliman abstaining).

(ii) Foster & Foster also presented a proposal to draft educational materials as to the benefits of the Retiree Health Care at a budgeted cost of \$20,000 - \$40,000. Upon motion by Trustee Lutton and second by Trustee Sanchez, the motion was unanimously approved (with Trustee Silliman abstaining).

7. Educational Opportunities:

Upon motion by Trustee Lutton and second by Trustee Despres, the Board approved attendance at any of the following educational opportunities:

- IFEBP: Health Care Management Conference, March 4-5, 2024
- IFEBP: Investment Institute, March 6-7, 2024
- BLBG Conference, November 15-18, 2023

8. Recognition of Henry Trevino: The Board expressed their appreciation to Henry Trevino for his over 25 years of service by unanimously passing the attached resolution.

9. Next Meeting: A special-called meeting will be held on October 16, 2023, at 10:00 a.m. The next regularly scheduled meeting will be October 30, 2023 at 10:00 a.m.

ADJOURNMENT: There being no further business, a motion was made by Trustee Lutton and second by Trustee Despres that the meeting adjourn. The motion carried unanimously. The meeting adjourned at 10:38 a.m.

Enclosures

- Financial Statement
- List of approved claims and expenses
- Agenda
- Minutes

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CERTIFIED AGENDA OF CLOSED MEETING

HEALTH FUND

I, DOUG BERRY, THE PRESIDING OFFICER OF HEALTH FUND, CERTIFY THAT THIS DOCUMENT ACCURATELY REFLECTS ALL SUBJECTS CONSIDERED IN AN TWO EXECUTIVE SESSIONS OF THE BOARD CONDUCTED ON SEPTEMBER 6, 2023.

1. The executive session began with the following announcement by the presiding officer: "Health Fund is now in executive session September 6, 2023 at 10:27 a.m. and the second executive session began at 11:39 a.m."
2. SUBJECT MATTER OF EACH DELIBERATION:
 - Discussions with attorney relating to his or her advice on legal matters related to any matter in which the duty of the attorney to Health Fund under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Open Meetings Act; and
 - Discussions regarding attorney-client issues and Plan Design.
3. No further action was taken.
4. The executive session ended with the following announcement by the presiding officer: "This executive session ended on September 6, 2023 at 10:51 a.m. and the second executive session ended at 11:53 a.m."

Presiding Officer

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THE FUND || RETIREE HEALTH & WELLNESS
SAN ANTONIO FIRE AND POLICE

Minutes of the Special Meeting
of the Board of Trustees of the
Fire and Police Retiree Health Care Fund, San Antonio
October 16, 2023

PRESENT: Frank Gutierrez, Fire Department Retiree Representative;
Chris Lutton, Police Department Representative;
Mike Despres, Retired Police Representative;
Steve Carse, Fire Department Representative;
Doug Berry, Fire Department Representative;
Jason Sanchez, Police Department Representative; and
Mayoral Appointee Tom Silliman, City of San Antonio.

ABSENT: Councilperson Marc Whyte, City of San Antonio; and
Councilperson Melissa Cabello Havrda, City of San Antonio.

OTHERS PRESENT: James Bounds, Executive Director;
Steve Peterson, Representing D10 Councilman Whyte; and
Frank Burney, Martin & Drought, P.C.

At 10:02 a.m., Chair Berry called the meeting to order. The roll was called, and a quorum was declared present.

EXECUTIVE SESSION: The Board went into Executive Session at 10:28 a.m. to discuss legal issues regarding personnel issues. The Executive Session adjourned at 11:16 a.m.

MEMBERS TO BE HEARD: None.

ACTION ITEMS:

1. New Trustee Oath: Chair Berry administered the Oath of Office to Mr. Gutierrez and Mr. Carse. Board welcomed the two new Trustees.
2. Committee Assignments: Chair Berry announced the Committee Assignments for the next year (attached).
2. Benefits:
 - a. Setting new children's rates for 2024: Mr. Bounds explained the process for calculating children's rates for CY 2024. Existing

"floor rate" is \$350. Historical data ranges from \$267.81 to \$368.30. Upon motion by Trustee Lutton and second by Trustee Carse, the Board unanimously approved a monthly rate for children of \$350.

- b. Setting COBRA rates for 2024: Mr. Bounds reviewed the process for setting COBRA Rates for COBRA coverage (children under 23 years). Upon motion by Trustee Silliman and second by Trustee Sanchez, the Board unanimously approved a monthly rate of \$792.92 (2% increase).
3. Next Meeting: The next regularly scheduled meeting will be October 30, 2023 at 10:00 a.m. Annual meeting is set for February 12-15, 2024.

ADJOURNMENT: There being no further business, a motion was made by Trustee Carse and second by Trustee Gutierrez that the meeting adjourn. The motion carried unanimously. The meeting adjourned at 11:18 a.m.

Enclosures

- Agenda
- Committee Appointments



CERTIFIED AGENDA OF CLOSED MEETING

HEALTH FUND

I, DOUG BERRY, THE PRESIDING OFFICER OF HEALTH FUND, CERTIFY THAT THIS DOCUMENT ACCURATELY REFLECTS ALL SUBJECTS CONSIDERED IN EXECUTIVE SESSION OF THE SPECIAL MEETING OF THE BOARD CONDUCTED ON OCTOBER 16, 2023.

1. The executive session began with the following announcement by the presiding officer: "Health Fund is now in executive session October 16, 2023 at 10:28 a.m."
2. SUBJECT MATTER OF EACH DELIBERATION:
 - Discussions with attorney relating to his or her advice on legal matters related to any matter in which the duty of the attorney to Health Fund under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Open Meetings Act; and
 - Discussions regarding personnel matters.
3. No further action was taken.
4. The executive session ended with the following announcement by the presiding officer: "This executive session ended on October 16, 2023 at 11:16 a.m."

Presiding Officer

F&P Retiree Health Care Fund - Calendar
Statement of Plan Net Assets
September 30, 2023

	September 30, 2023	December 31, 2022
ASSETS		
Cash - City	\$ 0.00	\$ 0.00
Cash - Trust	479,742.92	30.00
Leasehold Improvements	40,483,331.11	41,098,144.18
Investments - Trust	529,710,340.46	504,643,063.94
Accrued Interest - Trust	2,262,614.64	2,155,789.62
Pre-paid Expenses	1,183,427.50	51,782.80
	<u>574,119,456.63</u>	<u>547,948,810.54</u>
Total Assets		
 LIABILITIES		
Claims Payable	4,917,200.00	4,866,320.41
Accounts Payable	1,325,574.47	2,444,003.82
Security Lending Collateral	0.00	0.00
	<u>6,242,774.47</u>	<u>7,310,324.23</u>
Total Liabilities		
 Net Assets Held in Trust	<u>\$ 567,876,682.16</u>	<u>\$ 540,638,486.31</u>

F&P Retiree Health Care Fund - Calendar
Statement of Changes in Plan Net Assets
For the Nine Months Ending September 30, 2023

	Current Month	Current Budget	Year to Date	YTD Budget
Additions				
Contributions:				
City of San Antonio	\$ 5,458,863.72	5,513,000.00	\$ 36,455,473.63	36,743,000.00
Active	2,728,708.59	2,757,000.00	18,230,799.55	18,371,000.00
Retirees less than 30	128,992.50	127,000.00	1,163,384.58	1,139,000.00
COBRA	8,229.87	4,000.00	50,242.33	33,000.00
Children	54,250.00	48,000.00	475,300.00	423,000.00
Total Contributions	<u>8,379,044.68</u>	<u>8,449,000.00</u>	<u>56,375,200.09</u>	<u>56,709,000.00</u>
Investment Income:				
Interest	128,906.70	179,900.00	1,067,538.59	1,612,500.00
Net Appreciation of Inves	(6,833,686.86)	2,694,000.00	17,203,959.51	24,136,000.00
Other Income	78,618.80	2,000.00	113,786.24	14,000.00
Less Investment Expense	(6,800.00)	(27,600.00)	(238,499.97)	(237,500.00)
Net Investment Income	<u>(6,632,961.36)</u>	<u>2,848,300.00</u>	<u>18,146,784.37</u>	<u>25,525,000.00</u>
Total Additions	<u>1,746,083.32</u>	<u>11,297,300.00</u>	<u>74,521,984.46</u>	<u>82,234,000.00</u>
Deductions				
Members Benefit Paymen	5,005,476.35	3,976,000.00	39,502,389.45	35,774,000.00
COBRA Benefit Payment	475.01	3,000.00	4,396.50	33,000.00
Children's Benefit Payme	36,923.04	48,000.00	438,777.78	425,000.00
General and Administrati	552,219.72	331,050.00	7,338,224.88	2,865,050.00
Total Deductions	<u>5,595,094.12</u>	<u>4,358,050.00</u>	<u>47,283,788.61</u>	<u>39,097,050.00</u>
Net Increase	<u>(3,849,010.80)</u>	<u>6,939,250.00</u>	<u>27,238,195.85</u>	<u>43,136,950.00</u>

October 30, 2023

Expenses Paid since last Board Meeting

6255	ACI	Cabling	9,077.53
6256	Christen	Reimburse	60.05
	Frost		\$ -

Expenses to be paid at this Board Meeting

6257	AT&T Mobility	October	\$ 68.75
6258	CDS Muery	September	\$ 310.00
6259	Christen Landodlt	Per Diem	\$ 216.00
6260	Concord Park	QT4	\$301.69
6261	Doug Berry	Phone	\$ 70.00
6262	Frank Gutierrez	Phone	\$ 70.00
6263	Frost	QT3	\$ 17,000.00
6264	GDC	October	\$ 5,000.00
6265	Jason Sanchez	Phone	\$ 70.00
6266	Christopher Lutton	Phone	\$ 70.00
6267	MD	September	\$ 7,543.88
6268	Meketa	October	\$ 20,833.33
6269	Mike Despres	Phone	\$ 70.00
6270	Raba	October	\$ 1,779.80
6271	RVK	October	\$ 1,740.00
6272	Steven Carse	Phone	\$ 70.00
6273	USI	October	\$ 8,083.34
6274	T-Moble	October	\$ 83.33
6275	City Base West	November	\$ 7,846.56
6276	Office	November	\$ 17,291.60
			<hr/>
		Total	\$ 97,655.86

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO
(A Component Unit of the City of San Antonio, Texas)
San Antonio, Texas

REPORT ON THE CONDUCT OF AUDIT

Year Ended December 31, 2022

207 Arden Grove
San Antonio, TX 78215
210/227-1389
Fax 227-0716

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Fire and Police Retiree Health Care Fund, San Antonio
San Antonio, Texas

We have audited the financial statements of the Fire and Police Retiree Health Care Fund, San Antonio (the Health Fund), a component unit of the City of San Antonio, Texas, as of and for the year ended December 31, 2022 and have issued our report thereon dated October 25, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, and that we also communicate to you other information related to our audit. Such information is provided in parts I – VIII of this report.

This letter does not affect our report dated October 25, 2023, on the financial statements of the Health Fund.

This report is intended solely for the use of the Board of Trustees and management of the Health Fund and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended by the personnel of the Health Fund during our audit.



October 25, 2023

207 Arden Grove
San Antonio, TX 78215
210/227-1389
Fax 227-0716

FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO
(A Component Unit of the City of San Antonio, Texas)
San Antonio, Texas

REPORT ON THE CONDUCT OF AUDIT

Year Ended December 31, 2022

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I. Our Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated May 4, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

As part of our audit, we considered the Health Fund's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Health Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

II. Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Health Fund are described in Note II to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2022. However, in fiscal year 2022, the Health Fund adopted new accounting guidance, *GASB Statement No. 87 (GASBS 87), Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Health Fund, as a lessee, and as required by GASBS 87, has recognized a right-to-use lease (RTU) liability and intangible RTU leased assets. Since the Health Fund presents two-year comparative financial statements, the balances were restated to recognize the RTU lease liability and RTU leased assets for 2021.

Other than investments in alternative investments, we noted no transactions entered into by the Health Fund during the year ended December 31, 2022 for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Financial Statement Disclosures

Certain financial statement disclosures; particularly, those related to the fair value measurement for the Health Fund's alternative investments, are sensitive because of their significance to the financial statement users. Such disclosures related to the fair value measurement for the Health Fund's alternative investments, are included in Note IV in the notes to the financial statements. All financial statement disclosures are neutral, consistent, and clear.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Health Fund's financial statements are the fair value of investments, the estimate of claims liability, depreciation/amortization, and RTU lease liabilities and RTU leased assets. Following are the bases used by management for such estimates:

- short term investments are reported at amortized cost, which approximates fair value; and, securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.
- alternative investments are reported at fair value, which is measured using the net asset value of the Health Fund's investment as determined by the investment's fund managers or general partners.
- claims liability is based on medical and prescription claims estimated to have occurred as of year end. Medical claims are based on a historical analysis of the timing of claims, on average, while prescriptions are based on actual claims incurred in December 2022 but paid in January 2023.
- Depreciation/amortization is based on estimated useful lives of the respective capital asset class.
- RTU lease liabilities are measured at the present value of future lease payments, using an incremental borrowing rate of 5% as the estimated interest rate that the Health Fund would be charged for borrowing the lease payment amounts during the lease term.
- RTU leased assets are measured at the amount of the initial measurement of the respective RTU lease liability, and are amortized over the life of the lease using the straight-line basis.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

III. Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

IV. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Misstatements identified during the audit, either by management or the auditors, were corrected through the preparation and adoption of adjusting journal entries. During our audit, we identified an uncorrected misstatement that was determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements are related to investments, which have the cumulative net effect of decreasing revenues and net position by \$554,956.

V. Disagreements with Management

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

VI. Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2023.

VII. Management Consultations with Other Independent Accountants

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

VIII. Other Issues

Matters Discussed with Management Prior to Reappointment

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

Required Supplementary Information

We applied certain limited procedures to the management's discussion and analysis, the schedule of changes in the net OPEB liability and related ratios, and the schedule of investment returns, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited financial statements and the auditor's report thereon. If we become aware that such documents were published, we would have a responsibility to read such information, in order to identify material inconsistencies, if any, with the audited financial statements.