



April 25, 2017

MEMO TO: INSURANCE FUND CHAIRMAN FERNANDEZ

FROM: PATRICK J. DEBLASIO, CPA, CMFO, CGFM, -FUND TREASURER

Please be advised that the following is an update of the status of the Public Entity Joint Insurance Fund:

| | | February <u>2017</u> | March <u>2017</u> |
|------------------------------------|--|--------------------------|--------------------------|
| Beginning Cash Balance | Operating Account-Bank of America | \$ 1,171,192.26 | \$ 627,343.42 |
| | Claims Fiduciary Account-Bank of America | 8,254.19 | 8,254.19 |
| | Claims-TD Bank | 9,968.62 | 9,801.21 |
| | Custodial-Investments | 361,494.52 | 13,373.40 |
| | Total Balance | <u>\$ 1,550,909.59</u> | <u>\$ 658,772.22</u> |
| Receipts: | | | |
| | Operating Account-Bank of America | \$ 1,886,179.08 | \$ 229,128.00 |
| | D&H Claims Fiduciary Account-Bank of America | 209,872.10 | 48,849.02 |
| | Claims-TD Bank | 7,738.18 | 12,114.25 |
| | Custodial-Deposits and Interest Income | 250,000.00 | 500,000.00 |
| Total Receipts | | <u>\$ 2,353,789.36</u> | <u>\$ 790,091.27</u> |
| Disbursements: | | | |
| | Operating Account-Bank of America | \$ (2,430,027.92) | \$ (693,674.49) |
| | D&H Claims Fiduciary Account-Bank of America | (209,872.10) | (48,849.02) |
| | Claims-TD Bank | (7,905.59) | (12,282.57) |
| | Custodial-Investments | (598,121.12) | (274,073.71) |
| Total Disbursements | | <u>\$ (3,245,926.73)</u> | <u>\$ (1,028,879.79)</u> |
| Ending Cash Balance | Operating Account-Bank of America | \$ 627,343.42 | \$ 162,796.93 |
| | Claims Fiduciary Account-Bank of America | 8,254.19 | 8,254.19 |
| | Claims-TD Bank | 9,801.21 | 9,632.89 |
| | Custodial-Investments | 13,373.40 | 239,299.69 |
| Total Cash Account Balance | | <u>\$ 658,772.22</u> | <u>\$ 419,983.70</u> |
| Beginning Investment Balance | | \$ 3,529,377.69 | \$ 4,129,035.12 |
| Change in Accrued Income | | 261.23 | 1,395.03 |
| Change in Unrealized gain | | (405.87) | (3,372.34) |
| Income Received | | 1,853.56 | 1,580.59 |
| Realized Gain/Loss | | (172.55) | 245.34 |
| Transfer to/From Custodial Account | | 598,121.06 | 274,073.72 |
| Total Investment Account | | <u>\$ 4,129,035.12</u> | <u>\$ 4,402,957.46</u> |
| Ending Cash and Investment Balance | | <u>\$ 4,787,807.34</u> | <u>\$ 4,822,941.16</u> |



BANK RECONCILIATION

ACCT.NAME Bank of America
BANK/ACCT# Custody Investment Acct -XXXXXX
From To
DATE 03/01/17 03/31/17

| | | |
|---|-------------|--------------|
| BOOK BALANCE AS OF | 03/01/17 \$ | 4,135,538.10 |
| ADD DEPOSITS (PER BANK LEDGER) | | 772,527.30 |
| SUBTRACT: DISBURSEMENTS (PER BANK LEDGER) | | 274,073.71 |
| BOOK BALANCE AS OF | 03/31/17 \$ | 4,633,991.69 |

| | | |
|----------------------------|----------|----------------|
| BALANCE PER BANK STATEMENT | 03/31/17 | \$4,633,991.69 |
|----------------------------|----------|----------------|

ADD: DEPOSIT IN TRANSIT
DATE AMOUNT

| | | |
|-------|------|------|
| TOTAL | 0.00 | 0.00 |
|-------|------|------|

SUBTRACT: CHECKS OUTSTANDING
DATE CHECK# AMOUNT

| | | |
|-------|------|------|
| TOTAL | 0.00 | 0.00 |
|-------|------|------|

LIST ITEMS IN LEDGER NOT ON STATEMENT

DATE AMOUNT

| | | |
|-------|------|------|
| TOTAL | \$ - | 0.00 |
|-------|------|------|

LIST ITEMS ON STATEMENT NOT IN LEDGER
DATE AMOUNT

| | | |
|-------|---|------|
| TOTAL | - | 0.00 |
|-------|---|------|

| | | |
|--------------------------------------|----------|--------------|
| ADJUSTED BANK BALANCE(BOOK BAL)AS OF | 03/31/17 | 4,633,991.69 |
|--------------------------------------|----------|--------------|

| | |
|------------|------|
| Difference | 0.00 |
|------------|------|

PREPARED BY Patrick J. DeBlasio, CPA REVIEWED BY Mary Foulks



BANK RECONCILIATION

| | | | |
|------------|--------------------------------------|--|----------|
| ACCT.NAME | Bank of America | | |
| BANK/ACCT# | D & H Claims Fiduciary Acct -XXXXXXX | | |
| | From | | To |
| DATE | 03/01/17 | | 03/31/17 |

| | | | |
|---|----------|----|-----------|
| BOOK BALANCE AS OF | 03/01/17 | \$ | 8,254.19 |
| ADD DEPOSITS (PER BANK LEDGER) | | | 48,849.02 |
| SUBTRACT:DISBURSEMENTS(PER BANK LEDGER) | | | 48,849.02 |
| BOOK BALANCE AS OF | 03/31/17 | \$ | 8,254.19 |

| | | | |
|----------------------------|----------|--|-------------|
| BALANCE PER BANK STATEMENT | 03/31/17 | | \$28,104.86 |
|----------------------------|----------|--|-------------|

ADD: DEPOSIT IN TRANSIT

| | | | |
|--------------|--------|-------------|-------------|
| DATE | AMOUNT | | |
| | | | |
| TOTAL | | 0.00 | 0.00 |

SUBTRACT: CHECKS OUTSTANDING

| | | | |
|--------------|--------|------------------|--------------------|
| DATE | CHECK# | AMOUNT | |
| various | list | 19,850.67 | |
| | | | |
| TOTAL | | 19,850.67 | (19,850.67) |

LIST ITEMS IN LEDGER NOT ON STATEMENT

| | | | |
|--------------|--------|-------------|-------------|
| DATE | AMOUNT | | |
| | | | |
| TOTAL | | \$ - | 0.00 |

LIST ITEMS ON STATEMENT NOT IN LEDGER

| | | | |
|--------------|--------|----------|-------------|
| DATE | AMOUNT | | |
| | | | |
| TOTAL | | - | 0.00 |

| | | | |
|--------------------------------------|----------|------------|----------|
| ADJUSTED BANK BALANCE(BOOK BAL)AS OF | 03/31/17 | | 8,254.19 |
| | | Difference | 0.00 |

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BANK RECONCILIATION

| | | | |
|------------|-------------------------------------|--|----------|
| ACCT.NAME | Bank of America | | |
| BANK/ACCT# | Claims/Operating Account - XXXXXXXX | | |
| | From | | To |
| DATE | 03/01/17 | | 03/31/17 |

| | | | |
|---|----------|----|------------|
| BOOK BALANCE AS OF | 03/01/17 | \$ | 627,343.42 |
| ADD DEPOSITS (PER BANK LEDGER) | | | 229,128.00 |
| SUBTRACT: DISBURSEMENTS (PER BANK LEDGER) | | | 693,674.49 |
| BOOK BALANCE AS OF | 03/31/17 | \$ | 162,796.93 |

| | | | |
|----------------------------|----------|--|--------------|
| BALANCE PER BANK STATEMENT | 03/31/17 | | \$194,611.93 |
|----------------------------|----------|--|--------------|

ADD: DEPOSIT IN TRANSIT
DATE AMOUNT

| | | | |
|-------|------|--|------|
| TOTAL | 0.00 | | 0.00 |
|-------|------|--|------|

SUBTRACT: CHECKS OUTSTANDING

| DATE | CHECK# | AMOUNT |
|----------|--------|-----------|
| 03/13/17 | 391 | 511.50 |
| 03/13/17 | 392 | 31,303.50 |

| | | | |
|-------|-----------|--|-------------|
| TOTAL | 31,815.00 | | (31,815.00) |
|-------|-----------|--|-------------|

LIST ITEMS IN LEDGER NOT ON STATEMENT

DATE AMOUNT

| | | | |
|-------|------|--|------|
| TOTAL | \$ - | | 0.00 |
|-------|------|--|------|

LIST ITEMS ON STATEMENT NOT IN LEDGER

DATE AMOUNT

| | | | |
|-------|---|--|------|
| TOTAL | - | | 0.00 |
|-------|---|--|------|

| | | | |
|--------------------------------------|----------|--|------------|
| ADJUSTED BANK BALANCE(BOOK BAL)AS OF | 03/31/17 | | 162,796.93 |
|--------------------------------------|----------|--|------------|

| | |
|------------|------|
| Difference | 0.00 |
|------------|------|

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BANK RECONCILIATION

| | | | |
|---|------------|--------------------|-------------|
| | ACCT.NAME | TD Bank | |
| | BANK/ACCT# | Claims Acct -XXXXX | |
| | | From | To |
| | DATE | 03/01/17 | 03/31/17 |
| BOOK BALANCE AS OF | 03/01/17 | \$ | 9,801.21 |
| ADD DEPOSITS (PER BANK LEDGER) | | | 12,114.25 |
| SUBTRACT: DISBURSEMENTS (PER BANK LEDGER) | | | 12,282.57 |
| BOOK BALANCE AS OF | 03/31/17 | \$ | 9,632.89 |
| <hr/> | | | |
| BALANCE PER BANK STATEMENT | 03/31/17 | | \$10,032.89 |
| ADD: DEPOSIT IN TRANSIT | | | |
| DATE | AMOUNT | | |
| 1/31/2017 | | | |
| | TOTAL | 0.00 | 0.00 |
| SUBTRACT: CHECKS OUTSTANDING | | | |
| DATE | CHECK# | AMOUNT | |
| | list | 400.00 | |
| | TOTAL | 400.00 | (400.00) |
| LIST ITEMS IN LEDGER NOT ON STATEMENT | | | |
| DATE | AMOUNT | | |
| | TOTAL | \$ - | 0.00 |
| LIST ITEMS ON STATEMENT NOT IN LEDGER | | | |
| DATE | AMOUNT | | |
| | TOTAL | - | 0.00 |
| ADJUSTED BANK BALANCE(BOOK BAL)AS OF | 03/31/17 | | 9,632.89 |
| | | Difference | 0.00 |

PREPARED BY Patrick J. DeBlasio, CPA REVIEWED BY Mary Foulks



**Public Entity Joint Insurance Fund
Statement of Operations By Fund Year
As of March 31, 2017**

| | YTD 2017 | Year Ended 2016 | Year Ended 2015 | Year Ended 2014 | Fund Balance |
|--|------------------|--------------------|--------------------|--------------------|--------------------|
| Underwriting Income | 1,694,242 | 6,196,152 | 5,732,599 | 3,943,511 | 17,566,503 |
| Loss Contingency Fund | 39,043.42 | 151,814 | 131,528 | 69,398 | 391,783 |
| Underwriting Income | 1,733,285 | 6,347,966 | 5,864,126 | 4,012,909 | 17,958,286 |
| Claim Expenses | | | | | |
| Losses | 79,682 | 779,161 | 2,812,375 | 1,906,076 | 5,577,296 |
| Loss Adjustment Expenses | 1,735 | 103,947 | 721,158 | 116,332 | 943,173 |
| IBNR | 570,022 | 1,433,467 | 268,872 | 443,595 | 2,715,956 |
| EPL Deductible & Co-Insurance | (5,500) | - | (157,011) | (114,843) | (277,353) |
| Excess Recoveries | - | (183,236) | (645,395) | - | (828,631) |
| WC | - | - | (333,754) | - | (333,754) |
| GL | - | - | (28,300) | - | (28,300) |
| AL | - | - | - | - | - |
| Property | - | (183,236) | - | - | (183,236) |
| EPL/POL | - | - | (283,341) | - | (283,341) |
| Corridor Retention Endorsement | - | - | - | - | - |
| All Lines Aggregate Stop | - | - | - | - | - |
| Total Claim Expense | 645,939 | 2,133,340 | 3,000,000 | 2,351,161 | 8,130,440 |
| Expenses | | | | | |
| Excess Premiums | 694,137 | 2,618,761 | 2,424,689 | 1,538,932 | 7,276,519 |
| General Administrative Expenses | 456,440 | 1,536,294 | 1,469,005 | 1,005,562 | 4,467,300 |
| Total Expenses | 1,150,577 | 4,155,055 | 3,893,693 | 2,544,494 | 11,743,819 |
| Underwriting Profit/(Loss) | (63,231) | 59,572 | (1,029,567) | (882,746) | (1,915,972) |
| Net Realized/Unrealized Gains/(Losses) | (364) | 1,563 | (5,410) | (5,417) | (9,629) |
| Interest Income | 1,140 | 16,686 | 12,070 | 11,989 | 41,886 |
| Net Investment Income | 776 | 18,249 | 6,660 | 6,572 | 32,257 |
| Statutory Surplus (Deficit) | (62,455) | 77,820 | (1,022,907) | (876,174) | (1,883,715) |
| at 12/31/2016 | - | 75,258 | (1,023,659) | (877,014) | (1,825,414) |
| Variance | (62,455) | 2,562 | 752 | 840 | (58,301) |
| at Previous Month | (51,782) | 78,016 | (1,022,786) | (876,102) | (1,872,655) |
| Variance | (10,673) | (195) | (121) | (72) | (11,061) |

Note 1 : Ultimate losses based upon the 2016 year-end reserve study.

Note 2: Fund years 2014-2017 include an aggregate stop loss protection to cap losses at \$2.7m in 2014, \$3.0m in 2015, \$2.897 in 2016, and \$3.175M

Overall Statistics

| | | | | | |
|------------------------------|-------|-------|--------|--------|--------|
| Total Members | 8 | 8 | 7 | 6 | |
| Total Claims | 254 | 1,177 | 1,338 | 916 | 3,685 |
| Total Open Claims | 140 | 253 | 187 | 93 | 673 |
| Total Case Reserve Per Claim | 370 | 1,084 | 7,180 | 11,613 | 4,084 |
| Net Loss Ratio** | 13.2% | 38.5% | 174.1% | 134.1% | 101.6% |

* 2016 year data is annualized based on current trends

** Net loss ratios exclusive of IBNR.



RESOLUTION NO. 18-17

PUBLIC ENTITY JOINT INSURANCE FUND
(Hereinafter the “FUND”)

APPROVING CERTAIN DISBURSEMENTS

WHEREAS, the Bylaws of the FUND require that the Board of Commissioners approve all disbursements by a majority vote, and

WHEREAS, the attached bill of items sets forth certain bills or demands for monies;

NOW, THEREFORE BE IT RESOLVED, by the FUND’s Board of Fund Commissioners that the attached bill of items totaling **\$150,255.35** is approved for payment.

Adopted: *this day by the Board of Fund Commissioners*

Chairman

Date

April 25, 2017

Secretary

Date

April 25, 2017

April 25 2017- PEJIF Commissioners Meeting Bills List

Date: 04.01.17
 Bills List #: 37



| <u>PAY TO</u> | <u>DESCRIPTION</u> | <u>Check #/WT</u> | <u>Invoice Amt.</u> |
|--|--|-------------------|----------------------|
| Patrick DeBlasio | Fund Treasurer | #395 | \$ 500.00 |
| Café on Nine | March Meeting catering | #396 | \$ 256.80 |
| The Star Ledger | Legal Ad Star Ledger - posting of meeting Jan, Feb & March 2017 | #397 | \$ 15.50 |
| The NJ Times | Legal Ad Star Ledger - posting of meeting January & March 2017 | #398 | \$ 17.11 |
| Pringle Quinn Anzano | inv# 40747 Fund Attorney Services | #399 | \$ 372.00 |
| Safeguard | inv#031946262 PEJIF BOFA #4856 | #400 | \$ 183.90 |
| Prime Advisors | inv# 7656 Investment Advisors | #401 | \$ 1,159.00 |
| Princeton Public Affairs | inv#6035 Governental Affairs March & inv#6177 April 2017 | #402 | \$ 833.34 |
| Total in Checks \$3,337.65 | | | |
| <u>WIRE TRANSFERS/ACH</u> | | ACH | |
| NIP Management | PEJIF Meeting Room for April 2017 | ACH | \$ 150.00 |
| | Reimbursement Seminar Best Practices in Managing Traumatic experiences | ACH | \$ 7.70 |
| Total Payments to NIP Management \$157.70 | | | |
| BGIA | inv#246792 Safety National Excess Workers Comp. | ACH | \$ 146,760.00 |
| Total BGIA \$146,760.00 | | | |
| Total | | | \$ 150,255.35 |

RESOLUTION NO. 19-17

PUBLIC ENTITY JOINT INSURANCE FUND
(Hereinafter referred to as the “FUND”)

APPROVING CLAIMS PAYMENTS

BE IT RESOLVED by the Board of Fund Commissioners of the Public Entity Joint Insurance Fund, that confirmation and authorization approval is made in issuance of the attached claims payments totaling **\$584,389** against the fund.

ADOPTED: *this day before the Board of Fund Commissioners:*

Chairman

Date April 25, 2017

Secretary

Date April 25, 2017



| PEJIF MONTHLY PAYMENTS | | |
|----------------------------------|----------------|-----------------|
| YEAR | 2017 | |
| MONTH | March | |
| D&H | Amount | Comments |
| PASSAIC | | |
| WC | \$ 44,279.00 | |
| LIABILITY, PROP & APD | \$ 26,916.63 | |
| D&H | | |
| PERTH AMBOY | | |
| WC | \$ 36,733.50 | |
| LIABILITY & PROP | \$ 17,751.10 | |
| CRC | | |
| PLAINFIELD | | |
| WC | \$ 60,236.38 | |
| LIABILITY & PROP | \$ 45,742.58 | |
| D&H | | |
| WNY | | |
| WC | \$ 61,987.56 | |
| LIABILITY & PROP | \$ 60,688.58 | |
| NIP & D&H | | |
| Roselle | | |
| WC | \$ 45,236.64 | |
| Liability & Prop | \$ - | |
| NIP & CRC | | |
| East Orange | | |
| WC | \$ 99,275.43 | |
| Liability & Prop | \$ 15,241.90 | |
| D&H | | |
| Teaneck | | |
| WC | \$ 72,500.27 | |
| Liability & Prop | \$ (2,201.00) | |
| PEJIF Total for the month | 584,389 | |



Quarterly Investment Report

As of 3/31/2017



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Executive Summary

TRANSACTIONS:

| Action | Total | Comments | Average Tax-Equivalent Yield |
|------------------------------|-------------|--|------------------------------|
| Sales, Calls, and Maturities | \$625,000 | Proceeds reflect the maturities of three Treasury positions over the first quarter. | 0.55% |
| Purchases | \$1,300,629 | With the proceeds, we continued to build on the 1-2 year laddered strategy for the portfolio in highly liquid assets. Overall, given the short nature of the portfolio Fed rate hikes have been helpful in improving the portfolio book yield. Reinvestments of proceeds were executed at 53 basis points higher than maturing bonds. As a result, overall portfolio book yield improved 13 basis points to 0.76%. | 1.08% |

PORTFOLIO STATISTICS:

| Quarter Ending: | 12/31/2016 | 03/31/2017 |
|--|-------------|-------------|
| Tax-Equivalent Book Yield | 0.63% | 0.76% |
| Book Value | \$3,884,402 | \$4,640,126 |
| Projected Tax-Equivalent Annual Income | \$24,568 | \$35,217 |
| Unrealized Gain | -\$4,329 | -\$5,916 |
| YTD Realized Gain | \$38 | \$0 |
| Portfolio Duration | 0.66 | 0.75 |
| Average Credit Quality | AAA | AAA |

PORTFOLIO ALLOCATION:

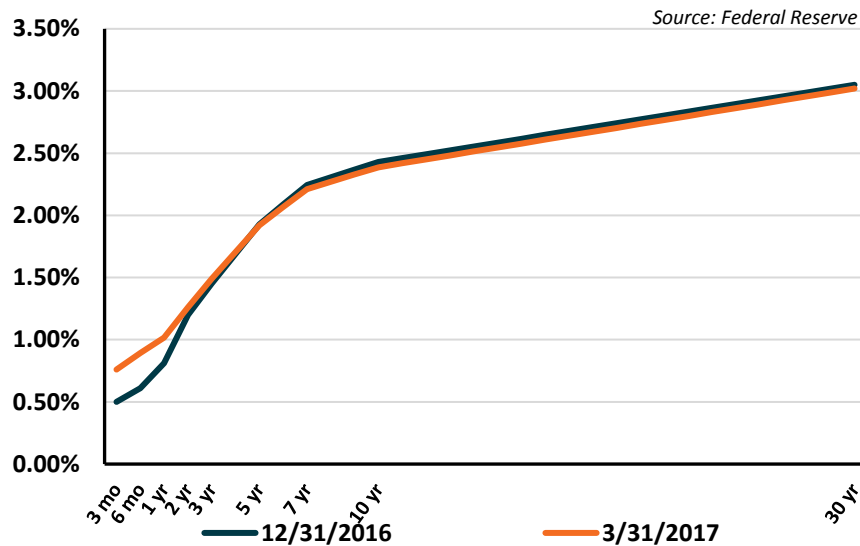
| Sector | 12/31/2016 | 03/31/2017 |
|--------------|------------|------------|
| Treasury | 96% | 95% |
| Agency | 0% | 0% |
| Credit | 0% | 0% |
| Exempt Muni | 0% | 0% |
| Taxable Muni | 0% | 0% |
| MPT | 0% | 0% |
| CMO | 0% | 0% |
| ABS | 0% | 0% |
| CMBS | 0% | 0% |
| Short-Term | 4% | 5% |

PERFORMANCE:

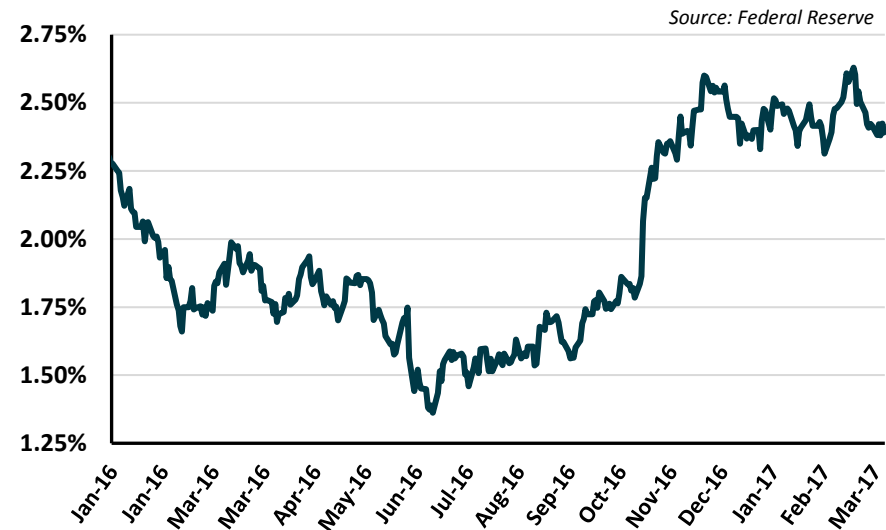
| Tax-equivalent Performance | Portfolio | Target/Benchmark | Difference |
|----------------------------|-----------|------------------|------------|
| YTD Booked Income | \$6,802 | \$6,601 | \$201 |
| QTD Total Return | 0.15% | 0.17% | -0.02% |
| YTD Total Return | 0.15% | 0.17% | -0.02% |

Economic Outlook

Treasury Yield Curves



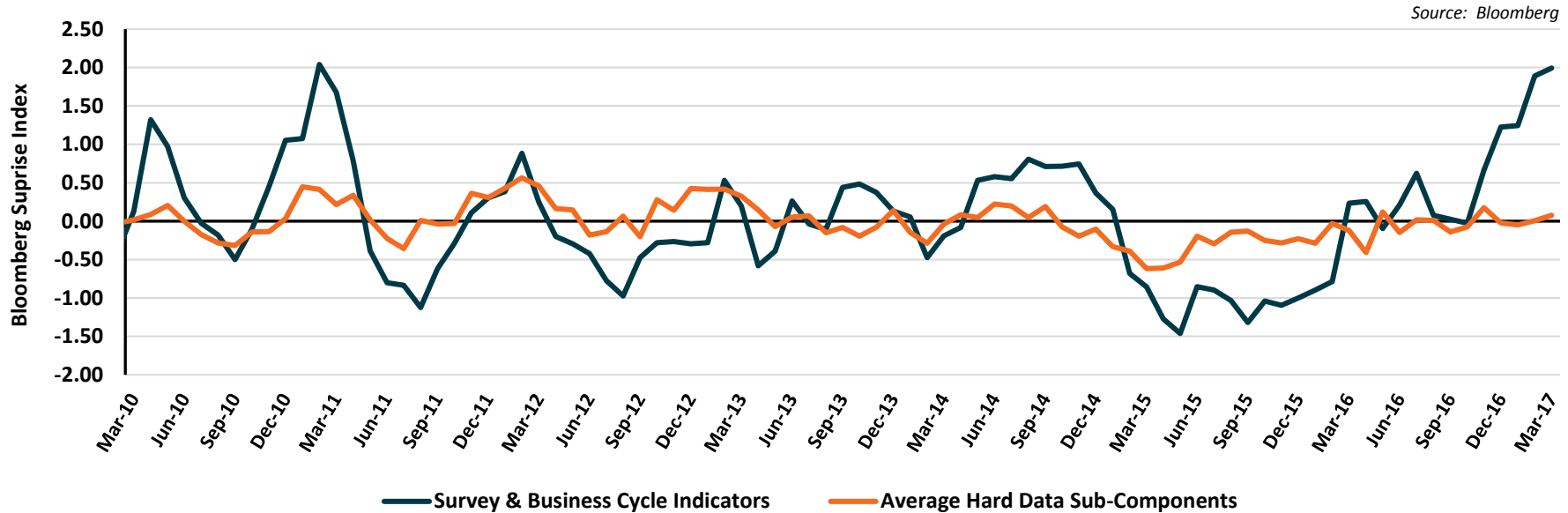
10 Year Treasury Yields



- Bond markets remained range bound as inflation fears subsided from initial post-election reaction
- Over the quarter, the Treasury yield curve flattened
 - 0-3 year yields rose on anticipation of increased Fed activity
 - Yields greater than 5 years declined on reduced long-term inflation concerns
 - 10 year Treasury bond yield fell 4 basis points moving from 2.43% to 2.39%
- Equity markets continued to react positively in the first quarter on increased optimism for growth given the new administration's desire to decrease regulation, lower taxes, and increase infrastructure spending
- Markets expect continued volatility throughout 2017, as President Trump begins to implement his broad agenda while facing increasing resistance across party lines
- After remaining dovish during most 2016, the Federal Reserve has taken a more hawkish stance since the election
 - Fed raised rates one time by 25bps during the first quarter, market expectations are for two additional rate hikes this year
- Expect that the Federal Reserve will begin communicating their long term goals to the market in order to reduce volatility
 - This game-plan would also remove uncertainty associated with a possible change in leadership at the Fed in 2018, when the terms of Chairman Yellen and Vice Chairman Stanley Fischer expire

Economic Outlook

Bloomberg US Economic Surprise Index

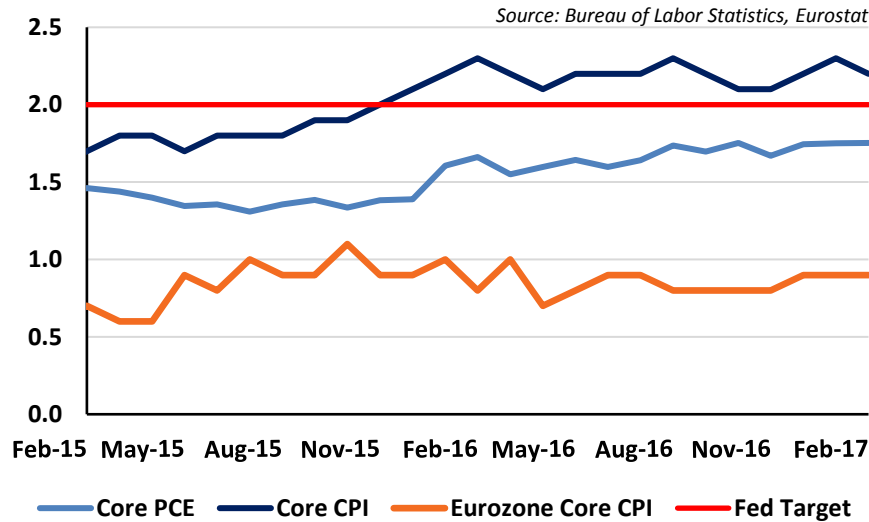


- Bloomberg Surprise Index measures the difference between analyst forecasts and the published value of given economic data releases
- Since the election this index has moved to highest levels in over five years indicating that the economic data is beating estimates by an unusually large margins (as measured by the standard deviation of the gap between forecast and release)
- While headline surprise index has surged since Trump's election, the sub-components highlight a large divergence between measures of "hard data" (such as Retail sales, Personal spending, Labor Market indicators, and Housing market data) and "soft data" (also called Sentiment data, such as survey data from consumers and business cycle indicators)
- The "soft data" surprise index is close to its all-time high, with sentiment index data beating expectations by almost 2 standard deviations
 - In contrast, the "hard data" surprise index is much lower, with data only barely beating expectations (Z-Score of only 0.075)
- This gap between the "soft data" and "hard data" is the largest on record, and calls into question the quality of the recovery in economic data we have seen postelection.
 - This could impact the Federal Reserve by bringing uncertainty into their evaluation of how quickly the economy is expanding and how it will perform moving forward

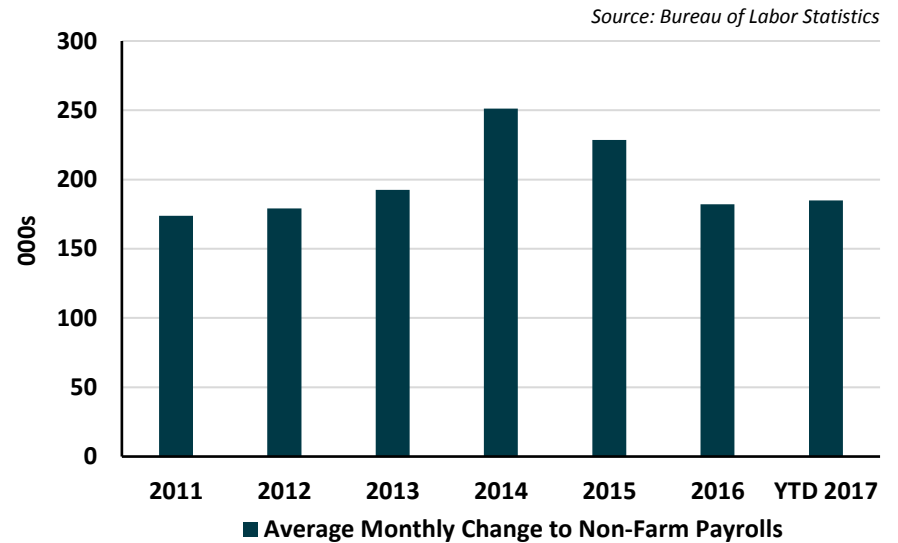
Economic Outlook

Inflation and Employment

Inflation



Employment



Inflation

- With Core PCE inflation below the Fed target at 1.8% and wage inflation relatively contained, the Fed has flexibility in deciding the course of action and pace of rate hikes
- Following the first rate hike of 2017, discussions have begun on how the Fed will reduce its balance sheet
 - Markets do not expect a change to reinvestments or holdings before year-end
- While inflation forecasts globally have improved, we expect foreign buying of U.S. fixed income to remain strong in 2017, especially given the recent move higher in U.S. yields
- Inflation growth could be muted by a slowdown in consumer spending, which accounts for about two-thirds of U.S. economic activity

Employment

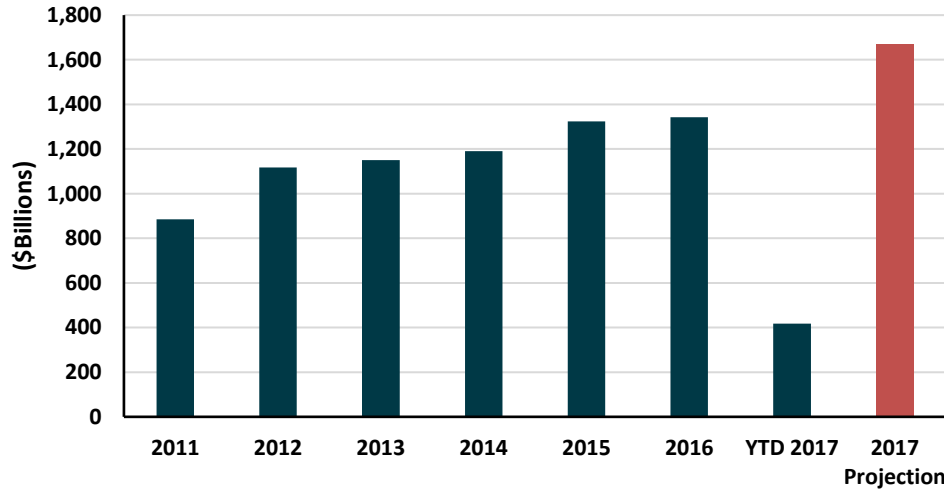
- Monthly average payrolls have maintained the pace seen in 2016, adding 185,000 jobs per month
 - Unemployment rate continues to improve, falling to 4.5%
- Average hourly earnings continue to improve, up 2.7% year over year, but has not reached a level of concern for the Fed in driving inflation higher
 - Overall, wage increases will help support consumer spending, but continue to lag increases in the housing market

Economic Outlook

Corporate Issuance and Credit Ratings

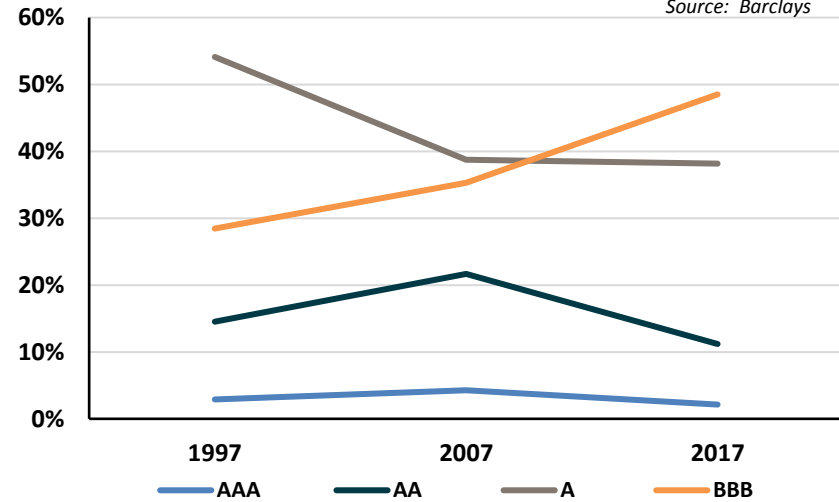
Corporate Issuance

Source: Bloomberg



Corporate Credit Ratings

Source: Barclays



Corporate Issuance and Credit Ratings

- Even in the face of higher rates, corporate issuance continued at a record pace first quarter 2017
- Despite a pullback in merger and acquisition activity, corporations continued to capitalize on low borrowing rates and market demand for fixed income securities
- Increased borrowing the past several years has significantly changed the credit dynamics of the corporate bond market, leading to a higher allocation of lower-rated (BBB) credits within the indices

Economic Outlook

Corporates

Corporate spreads tightened by 5 bps during the quarter, outperforming the treasury market and generating excess returns of 38 bps. The catalyst for this tightening was the continuation of positive sentiment over the new Trump Administration’s proposed policies for tax cuts, reduced regulation and infrastructure spending. This optimism drove spreads as much as 10 bps tighter through February, however things changed when the American Health Care Act failed to garner enough support to pass Congress. This raised serious questions about Trump’s ability to enact his other key initiatives like tax reform and infrastructure spending, causing corporate spreads to give back almost half of their gains. By the end of the quarter spreads were only 5 bps tighter, ending at +118 bps.

Financials led the spread tightening in the corporate sectors, declining by 7 bps despite significant new issuance by the largest banks to meet regulatory capital requirements.

| Option Adjusted Corporate Spreads in Basis Points* | | | | | | | |
|--|----------------|----------|----------|----------|-------------|---------------------|-----------------------------|
| Index Sector | 10 year Tights | | | | 1Q17 Change | Year to Year Change | Difference from 10yr Tights |
| | 12/31/06 | 03/31/16 | 12/30/16 | 03/31/17 | | | |
| Aggregate Index | 38 | 56 | 43 | 44 | 1 | -12 | 6 |
| Corporates | 88 | 163 | 123 | 118 | -5 | -45 | 30 |
| Industrials | 102 | 168 | 125 | 121 | -4 | -47 | 19 |
| Utilities | 102 | 151 | 117 | 116 | -1 | -35 | 14 |
| Financials | 69 | 155 | 120 | 113 | -7 | -42 | 44 |
| AAA | 53 | 80 | 70 | 73 | 3 | -7 | 20 |
| AA | 58 | 89 | 76 | 71 | -5 | -18 | 13 |
| A | 86 | 125 | 100 | 96 | -4 | -29 | 10 |
| BBB | 122 | 215 | 154 | 147 | -7 | -68 | 25 |

*Data from Bloomberg Barclays US Aggregate Bond Index as of 03/31/17

The “Risk On” market continued to favor lower rated sectors within the corporate market, with BBB rated bonds outperforming higher quality bonds. This drove continued compression between higher rated paper (AAA, AA and A) and BBBs, as much as 40-60bps depending on the rating

category. For these reasons, we believe it remains a risky time to move down the credit curve as smaller increases in yield do not compensate investors for rising risks.

Continued global political uncertainty and monetary policy changes loom on the horizon, raising expectations for spread volatility in the coming quarters. Therefore a more cautious stance with a bias towards higher quality credits is warranted. In the coming quarter, we will look to capitalize on opportunities in the aerospace and defense, consumer non-cyclical, utility, communications and transportation sectors.

Mortgage and Asset Backed Securities (MBS and ABS)

Agency MBS maintained a narrow trading range to start the year as talks of Fed tapering remained a 2018 event, even as the Fed conducted the first rate hike of the year and market expectations of future hikes increased.

Over the quarter, domestic money managers were the major buyers of MBS and saw the biggest increase in agency MBS holdings. Domestic banks, however, scaled back their MBS purchases as compared to the aggressive buying they conducted in 2015 and 2016, similarly foreign investor demand was less aggressive than the prior year, remaining flat to start the year.

Mortgage supply was higher than expected during the quarter due to larger outstanding mortgage debt and should continue to increase as we approach stronger home buying months.

Prime remains positioned to take advantage of any future spread widening by maintaining a slight underweight to the benchmark target. Our focus in residential mortgages remains in agency-backed products only.

Economic Outlook

For shorter duration securities, we prefer an allocation to asset-backed securities. Prime continues to recommend a healthy overweight to this sector, as these securities continue to experience stable credit performance. We favor these securities in lieu of Treasuries, agencies, and higher-rated corporate credits. Bonds currently offer value in 1-5 year maturities and hold superior AAA rated credit quality.

Municipals

Front end tax-exempt yields fell during the first quarter with long term, 30-year yields finishing almost where they began the year. According to Municipal Market Data, 2-year, AAA pre-tax yields dropped 21 basis points, finishing the quarter at 1.02%. At the same time, 5-year, AAA yields fell about 24 basis points, finishing the quarter 1.55%. Meanwhile the 10-year and 30-year tenors finished the quarter at 2.25% and 3.05%, respectively, within a few basis points of where they began.

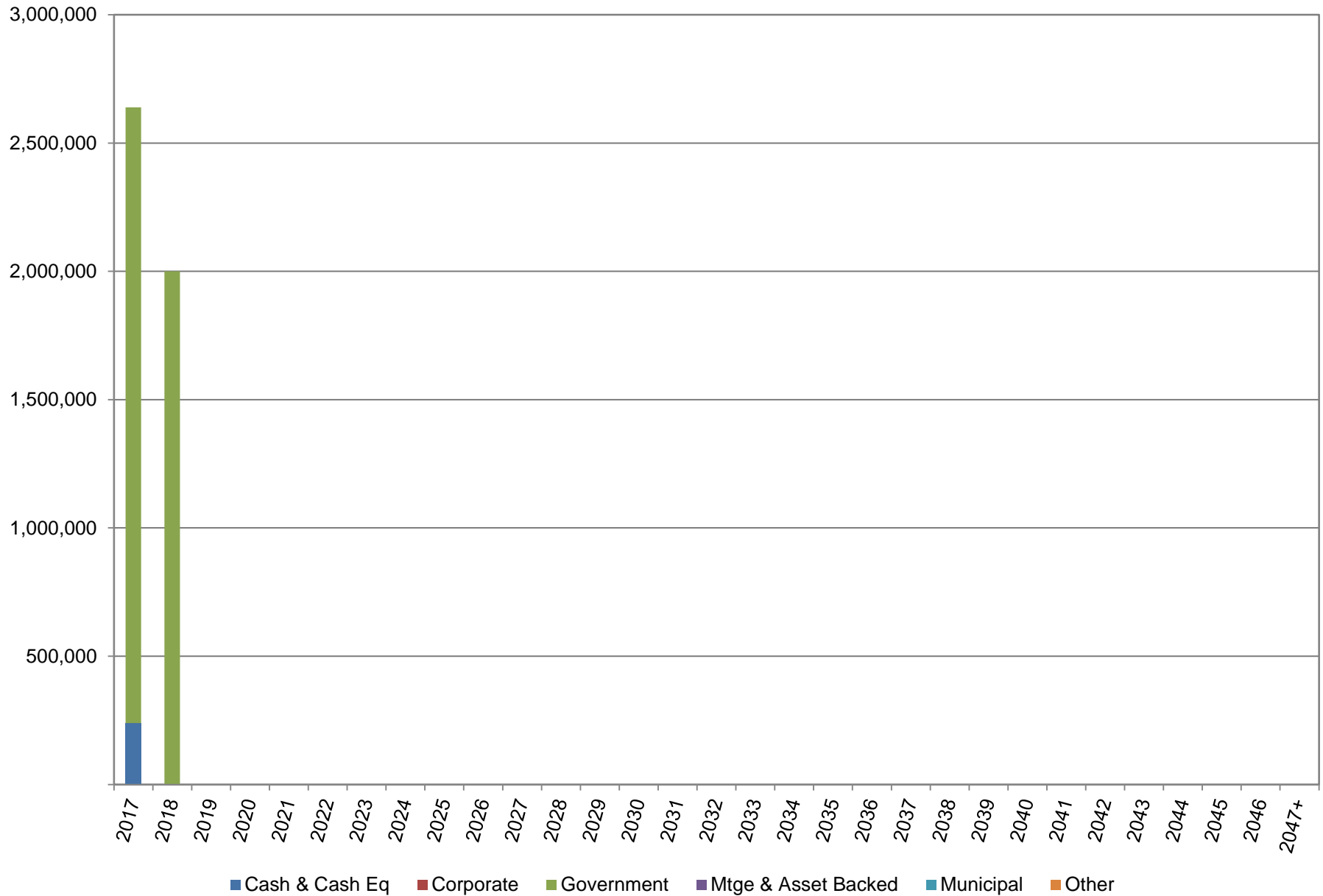
Total return performance for municipals was strong in the first quarter. According to Bloomberg/Barclays Index Data, the full 30+ year Municipal Bond Index has returned 1.58% over the first quarter providing an excess return of 0.85% over Treasuries. By comparison, the Barclays U.S. Aggregate returned 0.82% for the quarter.

Outside of a few weeks in January, primary market supply has been somewhat muted so far this year helping drive performance. Another positive technical has come in the form of modest net inflows into municipal bond funds quarter to date versus the dramatic outflows witnessed during Q4 2016. As we look forward to the second quarter, Prime remains cautious on the tax exempt municipal sector as we await clarification on the possibility of tax reform.

Portfolio Statistics

| Security Type | Book Value | Market Value | Gain / (Loss) | Tax-Equivalent Book Yield | Tax-Equivalent Market Yield | Effective Duration | Convexity | Securities at Gain | | Securities at Loss | |
|--|------------------|------------------|----------------|---------------------------|-----------------------------|--------------------|-------------|--------------------|------------|--------------------|----------------|
| | | | | | | | | # | Amount | # | Amount |
| Fixed Income | | | | | | | | | | | |
| Treasury | 4,400,826 | 4,394,911 | (5,916) | 0.80 | 1.00 | 0.79 | 0.01 | 2 | 309 | 17 | (6,224) |
| Agency | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Corporate | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Taxable Municipal | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Tax-exempt Municipal | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Mortgage Pass- | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| CMOs | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| ARMs | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Asset Backed | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| CMBS | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Total | 4,400,826 | 4,394,911 | (5,916) | 0.80 | 1.00 | 0.79 | 0.01 | 2 | 309 | 17 | (6,224) |
| Short Term | | | | | | | | | | | |
| Sweep Money Market | 239,300 | 239,300 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Commercial Paper | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| (Payable)/Receivable | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Total | 239,300 | 239,300 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Total Fixed Income & Short Term | | | | | | | | | | | |
| Total | 4,640,126 | 4,634,211 | (5,916) | 0.76 | 0.95 | 0.75 | 0.01 | 2 | 309 | 17 | (6,224) |
| Equity | | | | | | | | | | | |
| Common Stock | 0 | 0 | 0 | | | | | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | | | | | 0 | 0 | 0 | 0 |
| Grand Total | | | | | | | | | | | |
| Total | 4,640,126 | 4,634,211 | (5,916) | | | | | 2 | 309 | 17 | (6,224) |

Maturity Schedule By Weighted Average Life



Effective Maturity Schedule

| Year | Book Value | Tax Equiv. Book Yield | % of Total Book Value |
|---|------------------|-----------------------|-----------------------|
| 2017 | 2,399,956 | 0.67 | 55% |
| 2018 | 2,000,871 | 0.95 | 46% |
| 2019+ | 0 | 0.00 | 0% |
| Subtotal | 4,400.826 | 0.80 | 100% |
| (inc. ABS, Agcy, CMBS, Corp, Muni, UST) | | | |
| MBS | 0 | 0.00 | 0% |
| TOTAL | 4,400.826 | 0.80 | 100% |

Performance

Tax-Equivalent Total Return
as of 03/31/2017
Inception Date: 08/01/2014

| | Prime | Benchmark | Difference |
|-----------------|--------------|------------------|-------------------|
| Quarter to Date | 0.15% | 0.17% | -0.02% |
| Year to Date | 0.15% | 0.17% | -0.02% |
| Since Inception | 0.42% | 0.44% | -0.02% |

Benchmark Composition:

100.0% PEJIF Duration Matched Treasury

Bond Purchases

| Trade Date | CUSIP | Description | Security Type | S&P Rating | Moody's Rating | Coupon | Maturity Date | Call Date | Price | Cost | Pre-Tax Book Yield | Tax-Equivalent Book Yield |
|--------------|-----------|-----------------|---------------|------------|----------------|--------|---------------|-----------|--------|------------------|--------------------|---------------------------|
| 02/03/2017 | 912828XA3 | US TREASURY N/B | Treasury | AA+ | Aaa | 1.000 | 05/15/2018 | N/A | 100.06 | 200,125 | 0.95 | 0.95 |
| 02/03/2017 | 912828XF2 | US TREASURY N/B | Treasury | AA+ | Aaa | 1.125 | 06/15/2018 | N/A | 100.21 | 150,322 | 0.96 | 0.96 |
| 02/17/2017 | 912828XK1 | US TREASURY N/B | Treasury | AA+ | Aaa | 0.875 | 07/15/2018 | N/A | 99.79 | 199,586 | 1.02 | 1.02 |
| 02/27/2017 | 912828K82 | US TREASURY N/B | Treasury | AA+ | Aaa | 1.000 | 08/15/2018 | N/A | 99.98 | 249,941 | 1.02 | 1.02 |
| 03/06/2017 | 912828RH5 | US TREASURY N/B | Treasury | AA+ | Aaa | 1.375 | 09/30/2018 | N/A | 100.26 | 250,654 | 1.21 | 1.21 |
| 03/17/2017 | 912828WD8 | US TREASURY N/B | Treasury | AA+ | Aaa | 1.250 | 10/31/2018 | N/A | 100.00 | 250,000 | 1.25 | 1.25 |
| Total | | | | | | | | | | 1,300,629 | 1.08 | 1.08 |

Bond Sales, Calls & Maturities

| Trade Date | Trade Type | CUSIP | Description | Security Type | S&P Rating | Moody's Rating | Coupon | Effective Maturity | Maturity Date | Price | Book Value | Realized Gain/(Loss) | Pre-Tax Book Yield | Tax-Equivalent Book Yield |
|--------------|------------|-----------|-------------|---------------|------------|----------------|--------|--------------------|---------------|--------|----------------|----------------------|--------------------|---------------------------|
| 01/31/2017 | Maturity | 912828H78 | US TREASURY | Treasury | AA+ | Aaa | 0.500 | 01/31/2017 | 01/31/2017 | 100.00 | 200,000 | 0 | 0.51 | 0.51 |
| 02/15/2017 | Maturity | 912828B74 | US TREASURY | Treasury | AA+ | Aaa | 0.625 | 02/15/2017 | 02/15/2017 | 100.00 | 200,000 | 0 | 0.57 | 0.57 |
| 03/31/2017 | Maturity | 912828J92 | US TREASURY | Treasury | AA+ | Aaa | 0.500 | 03/31/2017 | 03/31/2017 | 100.00 | 225,000 | 0 | 0.57 | 0.57 |
| Total | | | | | | | | | | | 625,000 | 0 | 0.55 | 0.55 |

Appendix

Detailed Portfolio Report

Portfolio Holdings Report

| CUSIP | Date Acquired | S&P Rating | Moody's Rating | Quantity | Description | Coupon | Effective Maturity | Maturity | Original Cost | Book Value | Market Value | Unrealized Gain/(Loss) | Book Yield | Market Yield | Effective Duration | Avg Life | Convexity |
|---------------------------|---------------|------------|----------------|------------------|----------------------|--------|--------------------|------------|------------------|------------------|------------------|------------------------|-------------|--------------|--------------------|-------------|-------------|
| Money Market | | | | | | | | | | | | | | | | | |
| 99C001734 | 03/16/2017 | | | 239,300 | BANK OF AMER/MERRILL | 0.00 | | | 239,300 | 239,300 | 239,300 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Total Money Market | | | | 239,300 | | | | | 239,300 | 239,300 | 239,300 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Treasury | | | | | | | | | | | | | | | | | |
| 912828C73 | 07/31/2015 | AA+ | Aaa | 225,000 | US TREASURY N/B | 0.88 | 04/15/2017 | 04/15/2017 | 226,073 | 225,024 | 224,998 | (27) | 0.59 | 0.90 | 0.04 | 0.04 | -0.01 |
| 912828D49 | 07/29/2016 | AA+ | Aaa | 190,000 | US TREASURY N/B | 0.88 | 08/15/2017 | 08/15/2017 | 190,520 | 190,189 | 190,030 | (158) | 0.61 | 0.83 | 0.37 | 0.37 | 0.00 |
| 912828K25 | 06/30/2016 | AA+ | Aaa | 100,000 | US TREASURY N/B | 0.75 | 04/15/2018 | 04/15/2018 | 100,293 | 100,170 | 99,643 | (527) | 0.59 | 1.10 | 1.03 | 1.04 | 0.02 |
| 912828K82 | 02/27/2017 | AA+ | Aaa | 250,000 | US TREASURY N/B | 1.00 | 08/15/2018 | 08/15/2018 | 249,941 | 249,945 | 249,493 | (452) | 1.02 | 1.15 | 1.36 | 1.37 | 0.03 |
| 912828P20 | 04/01/2016 | AA+ | Aaa | 200,000 | US TREASURY N/B | 0.75 | 01/31/2018 | 01/31/2018 | 199,969 | 199,986 | 199,530 | (456) | 0.76 | 1.03 | 0.83 | 0.84 | 0.01 |
| 912828RH5 | 03/06/2017 | AA+ | Aaa | 250,000 | US TREASURY N/B | 1.38 | 09/30/2018 | 09/30/2018 | 250,654 | 250,626 | 250,720 | 94 | 1.21 | 1.18 | 1.48 | 1.50 | 0.03 |
| 912828SY7 | 07/31/2015 | AA+ | Aaa | 210,000 | US TREASURY N/B | 0.63 | 05/31/2017 | 05/31/2017 | 209,927 | 209,993 | 209,948 | (46) | 0.64 | 0.77 | 0.16 | 0.16 | 0.01 |
| 912828TM2 | 09/10/2015 | AA+ | Aaa | 200,000 | US TREASURY N/B | 0.63 | 08/31/2017 | 08/31/2017 | 199,563 | 199,908 | 199,816 | (92) | 0.74 | 0.85 | 0.42 | 0.42 | 0.00 |
| 912828TS9 | 09/10/2015 | AA+ | Aaa | 400,000 | US TREASURY N/B | 0.63 | 09/30/2017 | 09/30/2017 | 399,399 | 399,857 | 399,432 | (425) | 0.70 | 0.91 | 0.50 | 0.50 | 0.01 |
| 912828TW0 | 09/30/2015 | AA+ | Aaa | 400,000 | US TREASURY N/B | 0.75 | 10/31/2017 | 10/31/2017 | 400,665 | 400,246 | 399,568 | (678) | 0.64 | 0.94 | 0.58 | 0.58 | 0.01 |
| 912828UA6 | 02/02/2016 | AA+ | Aaa | 400,000 | US TREASURY N/B | 0.63 | 11/30/2017 | 11/30/2017 | 399,430 | 399,789 | 399,084 | (705) | 0.70 | 0.97 | 0.66 | 0.67 | 0.01 |
| 912828UE8 | 04/01/2016 | AA+ | Aaa | 150,000 | US TREASURY N/B | 0.75 | 12/31/2017 | 12/31/2017 | 149,977 | 149,990 | 149,706 | (284) | 0.76 | 1.01 | 0.75 | 0.75 | 0.01 |
| 912828UR9 | 04/11/2016 | AA+ | Aaa | 200,000 | US TREASURY N/B | 0.75 | 02/28/2018 | 02/28/2018 | 200,164 | 200,080 | 199,446 | (634) | 0.71 | 1.05 | 0.91 | 0.91 | 0.01 |
| 912828UU2 | 04/11/2016 | AA+ | Aaa | 200,000 | US TREASURY N/B | 0.75 | 03/31/2018 | 03/31/2018 | 200,094 | 200,048 | 199,338 | (710) | 0.73 | 1.08 | 0.99 | 1.00 | 0.01 |
| 912828WD8 | 03/17/2017 | AA+ | Aaa | 250,000 | US TREASURY N/B | 1.25 | 10/31/2018 | 10/31/2018 | 250,000 | 250,000 | 250,215 | 215 | 1.25 | 1.19 | 1.56 | 1.58 | 0.03 |
| 912828XA3 | 02/03/2017 | AA+ | Aaa | 200,000 | US TREASURY N/B | 1.00 | 05/15/2018 | 05/15/2018 | 200,125 | 200,111 | 199,748 | (363) | 0.95 | 1.11 | 1.11 | 1.12 | 0.02 |
| 912828XF2 | 02/03/2017 | AA+ | Aaa | 150,000 | US TREASURY N/B | 1.13 | 06/15/2018 | 06/15/2018 | 150,322 | 150,287 | 149,994 | (293) | 0.96 | 1.13 | 1.19 | 1.20 | 0.02 |
| 912828XK1 | 02/17/2017 | AA+ | Aaa | 200,000 | US TREASURY N/B | 0.88 | 07/15/2018 | 07/15/2018 | 199,586 | 199,617 | 199,340 | (277) | 1.02 | 1.13 | 1.28 | 1.29 | 0.02 |
| 912828XP0 | 08/28/2015 | AA+ | Aaa | 225,000 | US TREASURY N/B | 0.63 | 07/31/2017 | 07/31/2017 | 224,763 | 224,959 | 224,863 | (96) | 0.68 | 0.81 | 0.33 | 0.33 | 0.00 |
| Total Treasury | | | | 4,400,000 | | | | | 4,401,466 | 4,400,826 | 4,394,911 | (5,916) | 0.80 | 1.00 | 0.79 | 0.80 | 0.01 |
| Grand Total | | | | 4,639,300 | | | | | 4,640,766 | 4,640,126 | 4,634,211 | (5,916) | 0.76 | 0.95 | 0.75 | 0.76 | 0.01 |

Glossary of Terms

| Security Types | |
|---|--|
| Adjustable Rate Mortgage (ARM) | A mortgage in which the interest rate is changed at regular intervals to reflect fluctuations in market interest rates. Because the borrower takes some of the risk of rising interest rates, the initial rate may be lower than that on a fixed-rate mortgage. There are often limitations on the interest rate change from one period to the next, with a rate cap for the life of the loan. |
| Agency | A fixed income security issued by a government-sponsored agency, such as Ginnie Mae, Freddie Mac, or the Tennessee Valley Authority. Depending on the issuer, these bonds may or may not be backed by the full faith and credit of the U.S. government. |
| Asset-Backed Security (ABS) | A fixed income security backed by the cash flows from loans or leases. Auto loans, home equity loans, and credit card receivables are the most common assets backing these securities. Principal and interest payments made by borrowers are redirected to owners of ABS to meet the scheduled coupon and principal payments. |
| Collateralized Mortgage Obligation (CMO) | A security similar to a mortgage-pass through. In a CMO, the principal and interest received from borrowers is split into different classes called tranches. The structure of CMO payment tranches makes the timing of cash flows more certain for owners of some tranches and less certain for owners of other tranches. More uncertain tranches typically provide higher yields. |
| Commercial Mortgage-Backed Security (CMBS) | A fixed income security backed by the cash flows from commercial real estate mortgages. All principal and interest from the mortgages flow to bond holders in a defined sequence. Common types of real estate involved are apartment buildings, office and retail space, hotels, and health care facilities. |
| Corporate (Corp) | A fixed income security issued by a private corporation. |
| Mortgage Pass-Through (MPT) | A fixed income security backed by the cash flows from residential mortgages. Monthly principal and interest payments made by borrowers are redirected to owners of MPTs as they are received. Because borrowers may prepay their mortgages (perhaps due to refinancing or selling the house), the timing of cash flows on these securities is uncertain. |
| Preferred Stock (Preferred) | Capital stock having priority over a corporation's common stock in the distribution of dividends. In the event of a liquidation, preferred stock's claim on assets ranks above that of common stock but below that of bank loans or corporate bonds. |
| Tax-exempt Municipal (ExMuni) | A fixed income security, issued by a state or municipality, paying interest that is exempt from federal income tax. Interest may or may not be exempt from state and local tax. |
| Taxable Municipal (TaxMuni) | A fixed income security, issued by a state or municipality, paying interest that is subject to federal income tax. Typically issued much less commonly than tax-exempt municipals. |
| Treasury | A marketable fixed income security issued by the U.S. Department of the Treasury and backed by the full faith and credit of the U.S. government. |

Glossary of Terms

| Definitions | |
|-------------------------|--|
| Average Life | The dollar-weighted average time to maturity of a stream of principal cash flows. Also referred to as “weighted average life” or “WAL”. |
| Basis Point (bp) | 1/100 of 1% (or equivalently .0001). |
| Benchmark | <p>An index against which performance can be measured. Attributes of a good benchmark include:</p> <p><i>Objective:</i> The index should be identified ahead of the time, it should be easily understood, and the construction rules should be clearly defined.</p> <p><i>Replicable:</i> The manager should be able to replicate the returns passively.</p> <p><i>Relevant:</i> The index should represent the manager’s neutral position. In other words, without the manager’s input, the index should represent a reasonable portfolio the company would purchase.</p> <p><i>Tax Adjusted:</i> The benchmark should adjust for the different tax rates on various security types</p> |
| Book Income | Dollars of investment income that flow through an insurance company’s income statement. This is equal to coupon received plus any accretion/ (amortization) of book value. It can also include any <u>realized</u> gains or losses in the portfolio. |
| Book Value | The value of a security that is reflected on an insurance company’s balance sheet. For fixed income securities on a statutory and tax basis this is the amortized value. The amortized value periodically writes up any accrual of purchase discount (or writes down amortization of premium) over the life of the security. The amortized value holds the underlying “book yield” constant and therefore does not swing with movements in the market. |
| Book Yield | The average annual yield which a bond purchased and held to maturity will earn over the period it is owned. This is generally fixed at the time of purchase of the security. The book yield can be used to calculate the book value of the security at any time between purchase and maturity. |
| Cash Flow | Interest and principal payments from the securities in a fixed income portfolio. A bullet (non-callable) bond will typically pay a coupon payment every 6 months, with a return of principal at maturity. For mortgage-backed securities and asset-backed securities, cash flows generally arrive monthly from both interest and principal. This principal portion contains both the planned return of principal and prepayment of principal due to reasons such as mortgage refinancing. |
| Convexity | Describes the sensitivity of a bond’s duration to a change in yield. As yields decrease, duration increases on bonds with positive convexity and decreases on bonds with negative convexity. This causes bonds with negative convexity to underperform when yields increase or decrease by large amounts. |
| Credit Risk | The risk that the issuer of a fixed income security may default and be unable to make timely interest and principal payments on the security. |
| Duration | The sensitivity of a bond’s price to a change in yield. Duration generally increases for bonds with longer maturities, meaning these bonds are more sensitive to yield changes. Bond price and yield move in opposite directions. Example: A bond with a duration of 5.0 would experience a price decrease of 5% for every 1% (100 bps) increase in interest rates. |

Glossary of Terms

| Definitions (cont.) | |
|-------------------------------------|--|
| DYCARRSM | A proprietary model designed specifically for P/C insurance companies to maximize investment income while managing interest rate risk (see definition.) The model applies stress tests to projected operational cash flow and finds the likelihood that bonds in the portfolio will need to be liquidated in order to meet cash flow needs (such as the payment of losses). This may allow a company to invest in longer duration securities with higher yields. |
| FICO Score | A generic credit score developed by Fair, Isaac and Company, Inc., designed to predict the likelihood of borrowers becoming delinquent in their credit obligations. |
| Gross Domestic Product (GDP) | The total market value of all final goods and services produced in a country in a given year; it is equal to total consumer, investment, and government spending, plus exports, minus imports. |
| Interest Rate Risk | The risk to a bondholder that an increase in interest rates will cause bond prices to fall. Interest rates and market prices for fixed income securities generally move in opposite directions. Interest rate changes are the largest cause of changes in the market value of a bond portfolio. |
| Loan to Value (LTV) | A lending risk assessment ratio used in mortgage lending. LTV is calculated by dividing the mortgage amount by the lesser of appraised value or selling price. Residential mortgage loans conforming to agency guidelines have LTV ratios of 80% or lower at origination. Lenders will frequently require lower LTV ratios for commercial or investment properties. |
| Market Value | Estimated value of the bond based on current market price. This value fluctuates continually with interest rates and perceived risk of the issuer. Reflects the amount that could be received by selling the bond. |
| Option Adjusted Spread (OAS) | The portion of a bond's yield which is attributable to the credit risk of a bond as perceived by the market. This allows for comparison between bonds with or without embedded options such as calls, puts, and prepayment features. |
| Realized Gain/(Loss) | Difference between market and book value when a bond is sold. If market is greater than book value the bond was sold at a realized capital gain. Realized capital gains/(losses) flow through an insurer's income statement. |
| Tax Equivalent Yield | Yield adjusted for taxes, which allows for comparison of taxable bonds to tax-exempt bonds. Calculated by dividing after-tax yield by 0.65 (1 minus 35%). |
| Total Return | The return on a security or portfolio that reflects both income and price change. Assumes that the security or portfolio is priced using fair value at the end of the evaluation period. |
| Unrealized Gain/(Loss) | The difference between market value and book value on a bond. If market value is greater than book value the bond is at an unrealized gain. Under statutory accounting rules, changes in unrealized gain/(loss) do not affect income. |
| Volatility Adjusted Duration | A portfolio duration which has been adjusted for the lower observed price volatility seen in tax-exempt municipal bonds. Historically municipals appear to have about 15% lower price volatility than their stated durations suggest; this measure takes that observance into account. |
| Whole Loan | An original residential mortgage loan; distinct from a pooled pass-through which contains multiple loans. Non-agency CMOs use whole loans as collateral. They usually include jumbo mortgages and other mortgages which do not conform to the standards required for securitization by the agencies (GNMA, FNMA, FHLMC). |
| Yield | The implied return achievable for purchasing a bond at a given price. |

Appendix

Presentation Overview

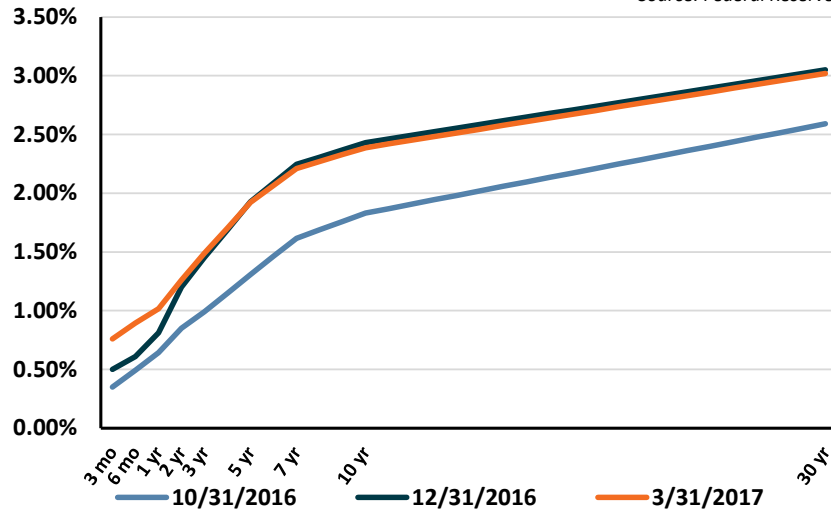
Overview

- Economic overview and market update
- Portfolio review
- Performance

Treasury Yields

Treasury Yield Curves

Source: Federal Reserve



10 Year Treasuries

Source: Federal Reserve

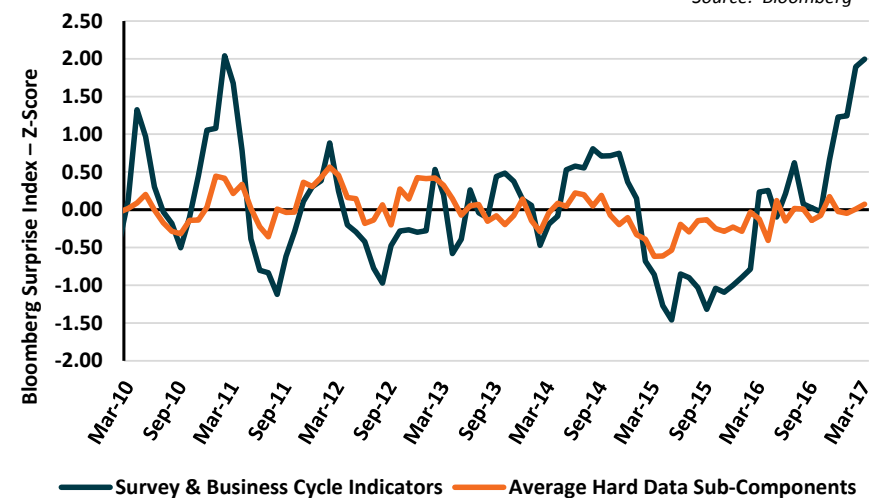


US Treasury Yields

| | 10/31/2016 | 12/31/2016 | 3/31/2017 |
|----------------|------------|------------|-----------|
| 3 Month | 0.35% | 0.50% | 0.76% |
| 2 Year | 0.85% | 1.20% | 1.26% |
| 5 Year | 1.31% | 1.93% | 1.92% |
| 10 Year | 1.83% | 2.43% | 2.39% |
| 30 Year | 2.59% | 3.05% | 3.02% |

Bloomberg US Economic Surprise Index

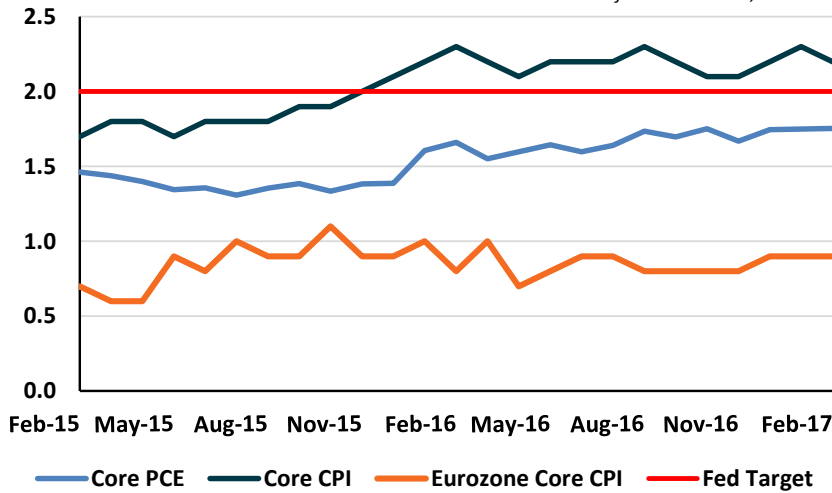
Source: Bloomberg



Market Indicators

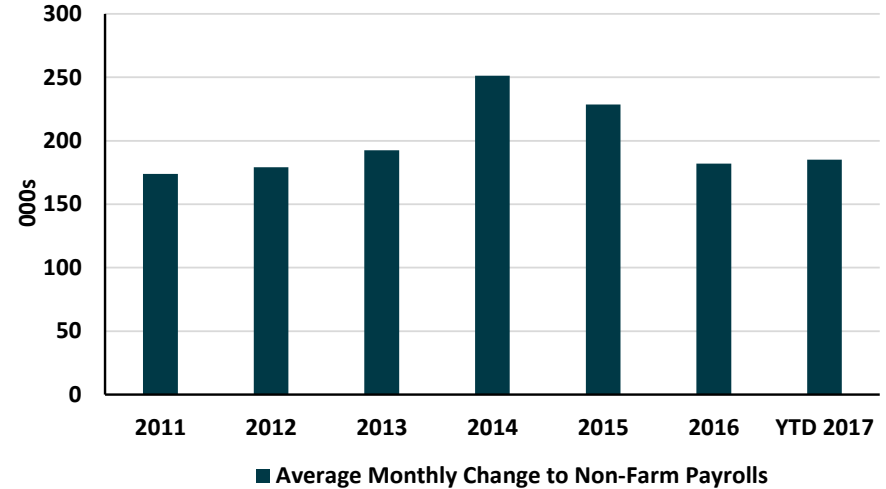
Inflation

Source: Bureau of Labor Statistics, Eurostat



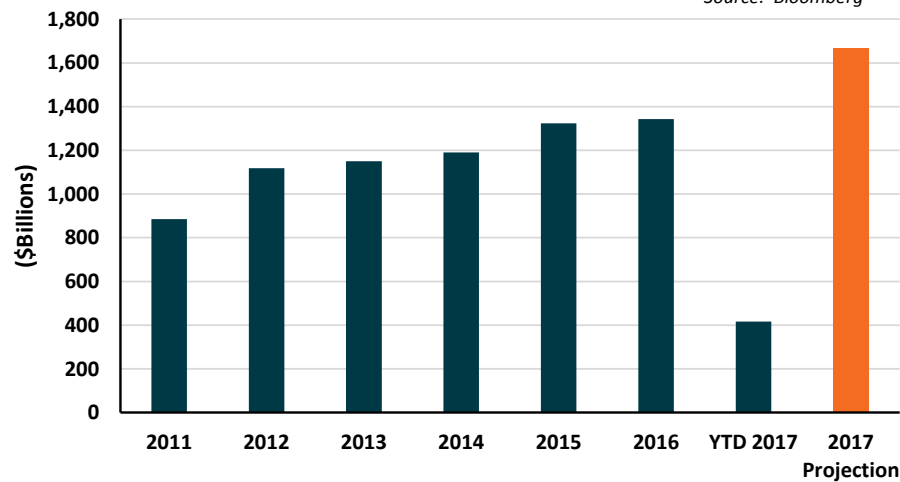
Employment

Source: Bureau of Labor Statistics



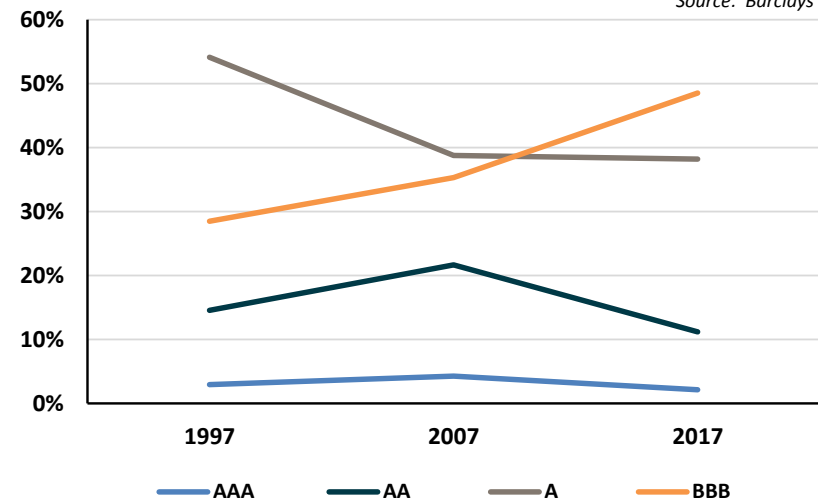
US Investment Grade Corporate Issuance

Source: Bloomberg



US Corporate Credit Ratings

Source: Barclays

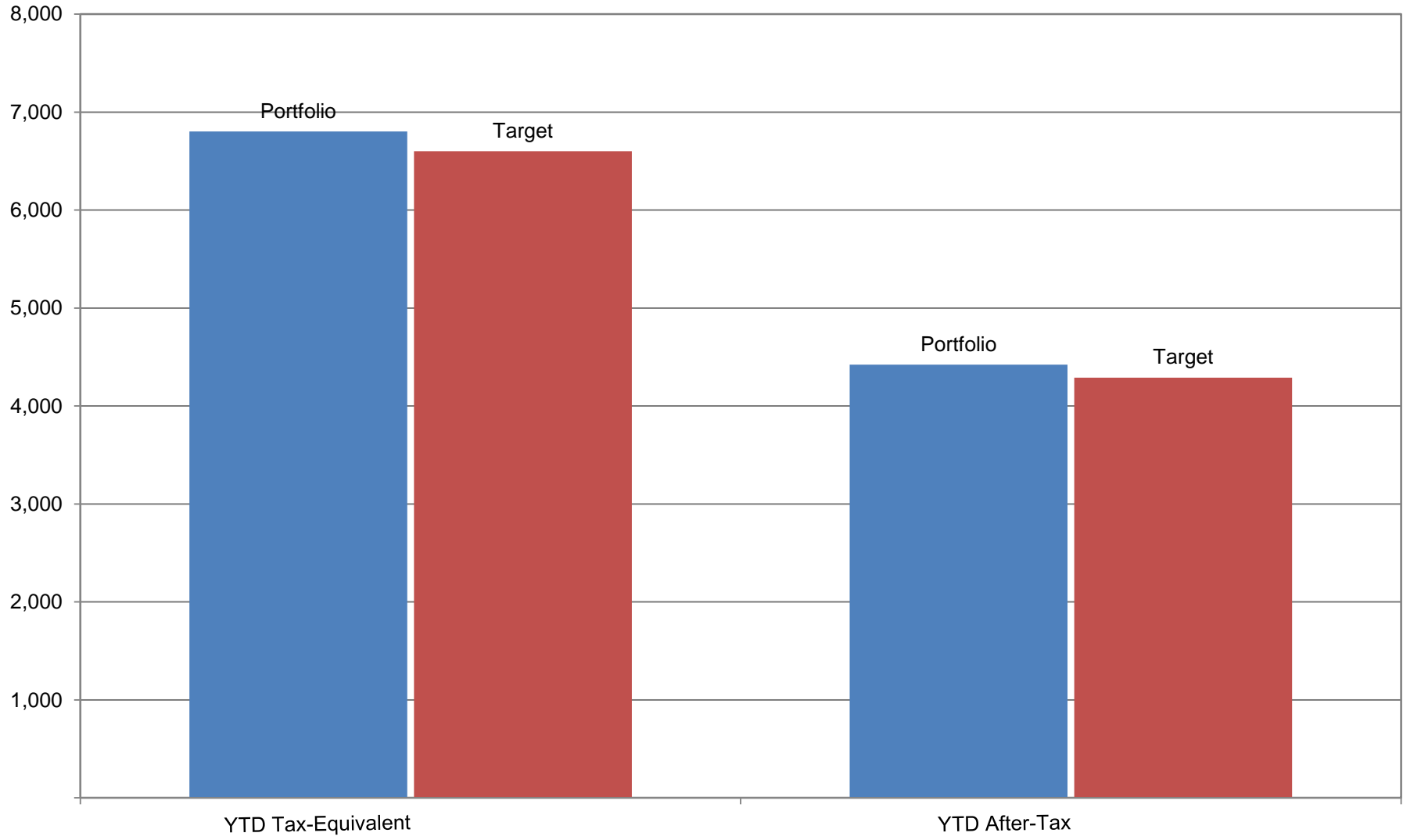


Portfolio Changes

| Public Entity Joint Insurance Fund | 03/31/2016 | 06/30/2016 | 09/30/2016 | 12/31/2016 | 03/31/2017 |
|--|------------|------------|------------|------------|------------|
| Treasury Yields | | | | | |
| 2 yr Treasury Yield | 0.74% | 0.59% | 0.77% | 1.20% | 1.26% |
| 5 yr Treasury Yield | 1.22% | 1.01% | 1.15% | 1.92% | 1.93% |
| 10 yr Treasury Yield | 1.78% | 1.49% | 1.61% | 2.43% | 2.39% |
| Book Statistics | | | | | |
| Tax-Equivalent Book Yield | 0.55% | 0.64% | 0.62% | 0.63% | 0.76% |
| Book Value (\$) | 2,909,519 | 3,338,561 | 4,144,227 | 3,884,402 | 4,640,126 |
| Projected Tax-Equivalent Income, next 12 months (\$) | 16,052 | 21,474 | 25,737 | 24,568 | 35,217 |
| Unrealized Gains/(Losses) (\$) | (465) | 5,327 | 622 | (4,329) | (5,916) |
| YTD Realized Gains/(Losses) (\$) | 0 | 21 | 21 | 38 | 0 |
| Portfolio Risk Statistics | | | | | |
| Effective Duration | 0.99 | 1.08 | 0.86 | 0.66 | 0.75 |
| Convexity | 0.02 | 0.02 | 0.01 | 0.01 | 0.01 |
| Weighted Average Life | 1.00 | 1.08 | 0.87 | 0.67 | 0.76 |
| Average Rating | AAA | AAA | AAA | AAA | AAA |
| Portfolio Sector Allocation | | | | | |
| Treasury | 92% | 100% | 96% | 96% | 95% |
| Agency | 0% | 0% | 0% | 0% | 0% |
| Corporate | 0% | 0% | 0% | 0% | 0% |
| Taxable Municipal | 0% | 0% | 0% | 0% | 0% |
| Tax-exempt Municipal | 0% | 0% | 0% | 0% | 0% |
| Mortgage Pass-Through | 0% | 0% | 0% | 0% | 0% |
| CMOs | 0% | 0% | 0% | 0% | 0% |
| ARMs | 0% | 0% | 0% | 0% | 0% |
| Asset Backed | 0% | 0% | 0% | 0% | 0% |
| CMBS | 0% | 0% | 0% | 0% | 0% |
| Cash & Cash Equivalents | 8% | 0% | 4% | 4% | 5% |

Income Year to Date

Year to Date, as of 03/31/2017



Performance

Tax-Equivalent Total Return
as of 03/31/2017
Inception Date: 08/01/2014

| | Prime | Benchmark | Difference |
|-----------------|--------------|------------------|-------------------|
| Quarter to Date | 0.15% | 0.17% | -0.02% |
| Year to Date | 0.15% | 0.17% | -0.02% |
| Since Inception | 0.42% | 0.44% | -0.02% |

Benchmark Composition:

100.0% PEJIF Duration Matched Treasury



PUBLIC ENTITY JOINT INSURANCE FUND CERTIFICATES ISSUED 3/01/2017 to 3/31/2017

| JIF Member | ISSUED | CERT HOLDER | COVERAGE | HOLDER DESCRIPTION |
|---------------------|-----------|---------------------------------------|----------------------|--|
| City of Plainfield | 3/14/2017 | First Unitarian Society of Plainfield | 2017 GL | Evidence of insurance as respects the City of Plainfield's use of the facility for Winter Sports Brunch on 3/18/17. |
| Borough of Roselle | 3/16/2017 | Kean University | 2017 GL/AL/WC | Kean University, the State of New Jersey, New Jersey Educational Facilities Authority, their respective Boards of Trustees, officers, agents, employees, and appointees are included as additional insureds as respects the Borough of Roselle's use of the STEM Atrium and four classrooms at Kean University for the Women's Empowerment Symposium on 3/18/17. * |
| Township of Teaneck | 3/16/2017 | Evidence of Insurance | 2017 CRIME STAT | Evidence of Statutory Bond Coverage for: Treasurer Christine Brown; Tax Collector Jessica Lewis. Municipal Court Judge James Young; Court Administrator Craig Ferdinand. Change effective 3/13. |
| City of Perth Amboy | 3/15/2017 | Cornucopia Cruise Line | 2017 GL | Evidence of insurance as respects the City of Perth Amboy co-sponsor and host of the 2017 Taste of Perth Amboy on 10/19 at the Cornucopia St. Charles Vessel. |
| City of Perth Amboy | 3/24/2017 | Perth Amboy Board of Education | 2017 GL | Evidence of insurance as respects the City of Perth Amboy's use of the High School facility on 4/3/17 for a Community Meeting. |
| Township of Teaneck | 3/3/2017 | NJ Transit One Penn Plaza East | 2017 GL/AL/WC/APD | Certificate holder is included as an additional insured (Lessor) and loss payee as respects the Township of Teaneck's lease of a 2016 Ford E-350 Extended Van, Vehicle # 16-1731 VIN# 1FDEE3FS6GDC57194 cost of vehicle \$51,935 Grant Number NJ-16-0008.* |