



## **PUBLIC ENTITY JOINT INSURANCE FUND MEETING AGENDA**

**July 26<sup>th</sup>, 2016**

**NIP Management – 900 Route 9 North Woodbridge, NJ – at 10:00am in the Conference Center**

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○ **MEETING OF BOARD OF FUND COMMISSIONERS CALLED TO ORDER**

○ **OPEN PUBLIC MEETING ACT STATEMENT**

In accordance with the Open Public Meetings Act, notice of this meeting was provided by:

1. Sending sufficient notice to the Fund's designated newspapers, the Newark Star Ledger and The Times of Trenton
2. Filing advanced written notice of this meeting with each member municipality; and
3. Posting notice of this meeting on the Public Bulletin Board of all member municipalities.

○ **PLEDGE OF ALLEGIANCE**

○ **ROLL CALL**

○ **APPROVAL OF MINUTES** for 6/21/16 meeting

○ **ADOPTION OF RESOLUTIONS**

- Resolution 20-16 – Approving Certain Disbursements totaling \$656,885.44
- Resolution 21-16 – Approving Claims Payments totaling \$ 351,843

○ **EXECUTIVE DIRECTOR REPORTS – Jonathan Hall (NIP Group)**

- Fast Track Report
- Mid-Year Actuarial Report Status
- 2015 Audit Results (A. Hodulik)

○ **UNDERWRITING REPORT – Robert Smith (NIP Group)**

- Renewals
- Loss Runs
- Website Update

○ **SAFETY DIRECTOR – A. Ven Graitis and D. Perillo (NIP Group)**

- Zika and other Pathogens Bloodline Diseases
- Online Training
- Distracted Driver Training
- DPW/Fire Roundtable
- Heat Stress
- PPE/Eye Protection
- July – National Eye Injury Protection Month
- Supervisor Training
- Disciplinary Programs
- Crossing Guard Requirement Reminder

- **CLAIMS REPORT - Conrad Cyriax, James Renner & Robert Persico – (NIP Group)**
  - Presentation by Monica Lynch of Kinematics on Functional Capacity Examinations & Fit for Duty Examinations
  
- **MEMBER UPDATES – in Alphabetical Order**
  - City of East Orange
  - City of Orange Township
  - City of Passaic
  - City of Perth Amboy
  - City of Plainfield
  - Borough of Roselle
  - Township of Teaneck
  - Town of West New York
  
- **TREASURER’S REPORT (Patrick DeBlasio)**
  
- **NEW BUSINESS**
  
- **ADJOURNMENT**
  
- ❖ *There will be no Commissioner meeting held in the month of August, our next meeting will be held on September 27<sup>th</sup>. We hope you enjoy the rest of your summer, see you in September!*

**PUBLIC ENTITY JOINT INSURANCE FUND  
MEETING MINUTES**

**June 21<sup>st</sup>, 2016**

**NIP Conference Center – 900 Route 9 North Woodbridge, NJ at 10:00am**

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**MEETING OF THE GARDEN STATE MUNICIPAL JOINT INSURANCE FUND CALLED TO ORDER AT 10:05 AM.**

**OPEN PUBLIC MEETING ACT STATEMENT READ INTO RECORD**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL OF FUND COMMISSIONERS**

Ricardo Fernandez – City of Passaic  
Maria Rivera - City of Perth Amboy  
Karen Dabney – City of Plainfield  
Jamie Cryan - Town of West New York  
Naiima Fauntleroy- City of East Orange  
David Brown – Borough of Roselle  
William Broughton – Township of Teaneck – Absent (late for vote)  
City of Orange – *Absent*

**APPROVAL OF MINUTES OF May 17<sup>th</sup> 2016 Meeting**

**MOTION:** Commr. Dabney  
**SECOND:** Commr. Fauntleroy  
**ABSTAIN:** Broughton

**VOTE: ROLL CALL**

Ricardo Fernandez – City of Passaic  
Maria Rivera - City of Perth Amboy  
Karen Dabney – City of Plainfield  
Jamie Cryan - Town of West New York  
Naiima Fauntleroy- City of East Orange  
David Brown – Borough of Roselle  
William Broughton – Township of Teaneck – Absent (*late for vote*)  
City of Orange – Absent

## ADOPTION OF RESOLUTIONS

### MOTION TO APPROVE RESOLUTIONS

- Resolution 18-16 – Approving Certain Disbursements totaling \$1,086,614.91
- Resolution 19-16 – Approving Claims Payments totaling \$816,163

**MOTION: Commr. Dabney**

**SECOND: Commr. Fauntleroy**

#### **VOTE: ROLL CALL**

Ricardo Fernandez – City of Passaic

Maria Rivera - City of Perth Amboy

Karen Dabney – City of Plainfield

Jamie Cryan - Town of West New York

Naiima Fauntleroy- City of East Orange

David Brown – Borough of Roselle

William Broughton – Township of Teaneck

City of Orange – Absent

## EXECUTIVE DIRECTOR REPORT

- **Fast Track Report** – Mr. Hall shared the Fast Track report as of 4/30, and indicated that the May Fast Track report would be distributed later this week. Mr. Hall also indicated that the 6/30 Fast Track report would be distributed once the Mid-Year Reserve Study was completed.
- **Status of 2015 PEJIF Audit** – Mr. Hall indicated that the 2015 Financial Audit was nearing completion and would be filed with the NJ DOBI and DCA before the 6/30 deadline. Early indications show no comments or recommendations by the Fund's Auditor.

## SAFETY DIRECTOR (Anthony Ven Graitis and Debbie Perillo)

- **PEJIF Professional Training –TACT –Talk Down to Take Down**-training was held on 6/10 at North Bergen, 6/17 at Rahway, and 6/24 at Howell for all interested police officers. In addition, the PEJIF Risk Control is supporting the Union County Police Chief Association's presentation titled "An Officer Involved Shooting-The Gary Spath Story". Risk Control personnel believe that officer's will appreciate and learn from the important perspective of an officer who has been involved in a shooting. PEJIF Risk Control will pay for half of the normal fee of \$50 per attendee, so instead the cost is only \$25 per attendee, hopefully allowing your police department to send additional representatives to this important presentation.
- **Distracted Driver Training** –The Public Entity Joint Insurance Fund (PEJIF) is continue to offer free on line Distracted Driver training to all member municipal employees. The training is offered through our insurance partner, Safety National, who has also supported the very successful SERVE (Safety: Emergency Responder Vehicle Education) driver training previously

offered to emergency responders of the PEJIF. The goal is to use all 1,500 seats available to PEJIF members. So far, several hundred employees have been assigned the training.

- **Town Sponsored Events** - With summer upon us, many municipalities continue to support town sponsored events such as parades, fireworks, sporting events, and various other activities. Risk Control personnel encourage staff to reach out for assistance when reviewing risks introduced by such events, mitigating such risks, and ensuring proper risk transfer.
- **Hurricane/Storm Preparedness – Key Preparation activities include the following:**
  - Regular meetings of your Local Emergency Planning Committee to ensure that all agencies are communicating on a regular basis
  - Exercising or testing your communication and response plans
  - Regular inspection and testing of response equipment, emergency generators and supplies
  - Up to date contact information for key members of your municipal staff and agencies you may be working with during emergencies.
  - Close monitoring of weather forecasts or the use of a weather service for severe conditions
  - Local preparation including cleaning storm drains, down spouts, gutters, ensuring pump sumps are operational, moving items out of basements and off ground floor, and moving vehicles to higher ground
  - Repetitive Motion Injuries
  - Reminder – Seasonal Employees

#### **CLAIMS REPORT - Conrad Cyriax, James Renner & Robert Persico – (NIP Group)**

- **Presentation - Insurance Coverage by Victoria Peckerman of Shapiro Croland** - Victoria Pekerman did a presentation for the town members on the insurance coverages provided under the program, the types of claims that are generally covered and the types of claims that are not generally covered.
- **Presentation - Decision on Recent Case by Peter P. Perla of Jasinski, P.C.** - Defense attorney Peter Perla did a presentation on a recent EPL claim for The City of Passaic where we were able to get a complete dismissal.

**MEMBER UPDATES** - Each member gave an update on their respective Township/Borough/City since our last meeting.

#### **TREASURER’S REPORT**

- Mr. DeBlasio reported that monthly financial report and cash management account has been reviewed. He advised that the Fund has met all outstanding obligations and its financial position is secure. There were no questions.

#### **NEW BUSINESS**

#### **OPEN FORUM**

## MOTION TO ADJOURN

Secretary Dabney made a motion to adjourn the meeting at 11:08am and Commissioner Fauntleroy seconded the motion. Motion carried unanimously.

Prepared by J. Hall.

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Jonathan Hall

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Ricardo Fernandez

### **ALSO PRESENT:**

Jonathan Hall – NIP  
Robert Persico – NIP  
James Renner – NIP  
Conrad Cyriax - NIP  
David Springer – NIP  
Steve Edwards - BGIA  
Madeline Delgado – NIP  
Kathy Martin- City of Passaic  
Victoria Peckerman – Shapiro, Croland  
Gail White – Scirocco  
Kathy Martin – City of Passaic  
Wayne Dietz – Skylands Risk Management  
Maria Rivera – City of Perth Amboy  
Jamie Cryan – Town of West New York  
Michael O’Connell – PQA  
Danielle Voda – Fairview Insurance  
Brian Erlandsen – BGIA  
Robert Smith – NIP  
George Crosby – BGIA  
Francis Kelly – BGIA  
Katherine Murray – CRC  
Monette Gallelo – CRC  
Earl Miller – Senior Advisor  
Anthony Ven-Graitis – NIP  
Peter Perla – Jasinski, PC  
Steve Daveggia – NIP  
Patti Fahy- Reliance  
Matt Baron – InservCo  
Keith Platt – InservCo



July 26, 2016

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:

		May <u>2016</u>	June <u>2016</u>
Beginning Cash Balance	Operating Account-Bank of America	\$ 173,494.68	\$ 129,572.33
	Claims Fiduciary Account-Bank of America	8,254.19	8,254.19
	Claims-TD Bank	11,199.15	11,063.15
	Custodial-Investments	4,782.82	7,299.54
	<b>Total Balance</b>	<b>\$ 197,730.84</b>	<b>\$ 156,189.21</b>
 <b>Receipts:</b>			
	Operating Account-Bank of America	\$ 397,718.50	\$ 2,050,860.94
	D&H Claims Fiduciary Account-Bank of America	424,550.25	90,555.29
	Claims-TD Bank	10,698.91	2,358.87
	Custodial-Deposits and Interest Income	252,516.72	101,593.75
Total Receipts		<b>\$ 1,085,484.38</b>	<b>\$ 2,245,368.85</b>
 <b>Disbursements:</b>			
	Operating Account-Bank of America	\$ (441,640.85)	\$ (315,949.48)
	D&H Claims Fiduciary Account-Bank of America	(424,550.25)	(90,555.29)
	Claims-TD Bank	(10,834.91)	(2,496.41)
	Custodial-Investments	(250,000.00)	
Total Disbursements		<b>\$ (1,127,026.01)</b>	<b>\$ (409,001.18)</b>
Ending Cash Balance	Operating Account-Bank of America	\$ 129,572.33	\$ 1,864,483.79
	Claims Fiduciary Account-Bank of America	8,254.19	8,254.19
	Claims-TD Bank	11,063.15	10,925.61
	Custodial-Investments	7,299.54	108,893.29
Total Cash Account Balance		<b>\$ 156,189.21</b>	<b>\$ 1,992,556.88</b>
Beginning Investment Balance		\$ 3,585,715.70	\$ 3,331,349.26
	Change in accrued Income	(640.64)	185.25
	Change in Unrealized gain	(3,676.13)	8,475.21
	Income Received	2,514.77	1,593.75
	Realized Gain/Loss		(207.36)
	Transfer to/From Custodial Account	(252,564.44)	(101,593.75)
Total Investment Account		<b>\$ 3,331,349.26</b>	<b>\$ 3,239,802.36</b>
Ending Cash and Investment Balance		<b>\$ 3,487,538.47</b>	<b>\$ 5,232,359.24</b>

**BANK RECONCILIATION**



ACCT.NAME Bank of America  
BANK/ACCT# Custody Investment Acct -602553.1  
From To  
DATE 06/01/16 06/30/16

BOOK BALANCE AS OF	06/01/16 \$	3,333,764.84
ADD DEPOSITS (PER BANK LEDGER)		101,593.75
SUBTRACT:DISBURSEMENTS(PER BANK LEDGER)		91,732.15
BOOK BALANCE AS OF	06/30/16 \$	3,343,626.44

BALANCE PER BANK STATEMENT 06/30/16 \$3,343,626.44

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 06/30/16 3,343,626.44

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 -3810-3273-4856  
 From To  
 DATE 06/01/16 06/30/16

BOOK BALANCE AS OF	06/01/16 \$	8,254.19
ADD DEPOSITS (PER BANK LEDGER)		90,555.29
SUBTRACT:DISBURSEMENTS(PER BANK LEDGER)		90,555.29
BOOK BALANCE AS OF	06/30/16 \$	8,254.19
<hr/>		
BALANCE PER BANK STATEMENT	06/30/16	\$15,720.68

ADD: DEPOSIT IN TRANSIT  
 DATE AMOUNT

TOTAL 0.00 0.00

SUBTRACT: CHECKS OUTSTANDING

DATE	CHECK#	AMOUNT
Various	Various-List	7,466.49

TOTAL 7,466.49 (7,466.49)

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 06/30/16 8,254.19

Difference 0.00

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



**BANK RECONCILIATION**

ACCT.NAME Bank of America

BANK/ACCT# Claims/Operating Account -3810-3273-1969

From To  
DATE 06/01/16 06/30/16

BOOK BALANCE AS OF 06/01/16 \$ 129,572.33

ADD DEPOSITS (PER BANK LEDGER) 2,050,860.94

SUBTRACT:DISBURSEMENTS(PER BANK LEDGER) 315,949.48

BOOK BALANCE AS OF 06/30/16 \$ 1,864,483.79

BALANCE PER BANK STATEMENT 06/30/16 \$1,894,207.02

ADD: DEPOSIT IN TRANSIT  
DATE AMOUNT

TOTAL 0.00 0.00

SUBTRACT: CHECKS OUTSTANDING

DATE CHECK# AMOUNT  
06/07/16 302 29,723.23

TOTAL 29,723.23 (29,723.23)

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 06/30/16 1,864,483.79

Difference 0.00

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



**BANK RECONCILIATION**

ACCT.NAME TD Bank

BANK/ACCT# Claims Acct -430-2862184  
From

To  
06/30/16

DATE 06/01/16

BOOK BALANCE AS OF 06/01/16 \$ 11,063.15

ADD DEPOSITS (PER BANK LEDGER) 2,358.87

SUBTRACT:DISBURSEMENTS(PER BANK LEDGER) 2,496.41

BOOK BALANCE AS OF 06/30/16 \$ 10,925.61

BALANCE PER BANK STATEMENT 06/30/16 \$10,925.61

ADD: DEPOSIT IN TRANSIT  
DATE AMOUNT

TOTAL 0.00 0.00

SUBTRACT: CHECKS OUTSTANDING  
DATE CHECK# AMOUNT  
Various Various  
Inc. Adj

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 06/30/16 10,925.61

Difference 0.00

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

# July 26th 2016- PEJIF Commissioners Meeting Bills List

Date: 7.5.16  
Bills List #: 29



<u>PAY TO</u>	<u>DESCRIPTION</u>	<u>Check #/WT</u>	<u>Invoice Amt.</u>
Patrick DeBlasio	Treasurer Services July 2016	#310	\$ 416.64
Princeton Public Affairs	Governmental Affairs Inv# July	#311	\$ 416.67
Pringle Quinn Anzano	Fund Attorney Inv#39866	#312	\$ 480.50
The Star Ledger	Legal Posting June & July	#313	\$ 34.10
The NJ Times	Legal Posting June & July	#314	\$ 9.86
AON	PEJIF Year End Reserve 2015	#315	\$ 7,500.00
Prime Advisors	Quarterly Fee - Investment Advisors	#316	\$ 836.00
Reliance Insurance	2nd RM Fee for City of Plainfield	#317	\$ 30,617.53
HUB International	2nd RM Fee for Borough Roselle	#318	\$ 29,723.23
Scirocco Financial	2nd RM Fee for Town of West New York	#319	\$ 20,985.21
D & H Alternative	2nd RM Fee for Township of Teaneck	#320	\$ 28,975.60
Township of Teaneck	Class - An Officer Involved Shooting for 2 attendees	#321	\$ 100.00
Treasurer, State of New Jersey	(8) Investment Transactions	#322	\$ 320.00
National Safety Council	inv# 1415130 NSC First Aid, CPR Kit and Certificates	#323	\$ 738.38
<b>Total in Checks \$121,153.72</b>			
<b>WIRE TRANSFERS</b>		<b>WT</b>	
NIP Management	PEJIF Continental Breakfast/Meeting Room for June 2016	WT	\$ 150.00
NIP Management	Installments 1 of 2 (Loss Control, Claims mgmt., TPA Fee, Risk Control, Admin.)	WT	\$ 390,672.00
NIP Management	Installments 2 of 2 (Loss Control, Claims mgmt., TPA Fee, Risk Control, Admin.) and adding City of Orange	WT	\$ 39,942.72
<b>Total Payments to NIP Management \$430,764.72</b>			
BGIA	inv# 233703 Underwriting Manager Fee	WT	\$ 56,416.00
BGIA	inv# 233703 Underwriting Manager Fee - City of Orange	WT	\$ 4,451.00
BGIA	inv# 234571 Orange - Excess Liability Underwriting Manager Fee	WT	\$ 44,100.00
		WT	
<b>Total Wire Transfers \$104,967</b>			
Subtotal			\$ 656,885.44
Total			<b>\$ 656,885.44</b>



**RESOLUTION NO. 20-16**

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

**APPROVING CERTAIN DISBURSEMENTS**

**WHEREAS**, the Bylaws of the PEJIF require that the Fund 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 **\$656,885.44** is approved for payment.

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

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Date

July 26<sup>th</sup> 2016

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Date

July 26<sup>th</sup> 2016



<b>PEJIF MONTHLY PAYMENTS</b>		
<b>YEAR MONTH</b>	<b>2016 June</b>	
<b>D&amp;H</b>	<b>Amount</b>	<b>Comments</b>
<b>PASSAIC</b>		Unreported
WC	\$ 126,329.55	
LIABILITY, PROP & APD	\$ 30,071.24	
<b>D&amp;H</b>		
<b>PERTH AMBOY</b>		
WC	\$ 47,997.52	
LIABILITY & PROP	\$ 25,418.99	
<b>Inservco</b>		
<b>PLAINFIELD</b>		
WC		
LIABILITY & PROP		
<b>D&amp;H</b>		
<b>WNY</b>		
WC	\$ 26,477.09	
LIABILITY & PROP	\$ 3,191.52	
<b>NIP &amp; D&amp;H</b>		
<b>Roselle</b>		
WC	\$ 4,718.01	
Liability & Prop	\$ -	
<b>NIP &amp; Inservco</b>		
<b>East Orange</b>		
WC	\$ 52,820.36	
Liability & Prop	\$ 4,316.05	
<b>D&amp;H</b>		
<b>Teaneck</b>		
WC	\$ 29,686.36	
Liability & Prop	\$ 816.20	
<b>PEJIF Total for the month</b>	<b>351,843</b>	

**RESOLUTION NO. 21-16**

**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 **\$351,843** against the fund.

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

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Date

July 26<sup>th</sup> 2016

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Date

July 26<sup>th</sup> 2016

***PUBLIC ENTITY***  
***JOINT INSURANCE FUND***

***FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED***  
***DECEMBER 31, 2015***

***HODULIK & MORRISON, P.A.***

*Certified Public Accountants*  
*Registered Municipal Accountants*  
*Highland Park, New Jersey*



**PUBLIC ENTITY JOINT INSURANCE FUND**

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**PART I**

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
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MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairperson and  
Board of Fund Commissioners  
Public Entity Joint Insurance Fund  
Woodbridge, New Jersey 07095

**Report on Financial Statements**

We have audited the accompanying financial statements of the Public Entity Joint Insurance Fund, Woodbridge, New Jersey (the "Fund") which comprise the statement of net position as of December 31, 2015 and the related statements of revenues, expenses and changes in fund net position and cash flows for the year then ended and the related notes to the financial statements, as listed in the table of contents.

**Management's Responsibility 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements as prescribed by the Departments of Community Affairs and Banking and Insurance, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

As permitted by the Departments of Community Affairs and Banking and Insurance, audit procedures were not extended to the underlying actuarial assumptions for Incurred But Not Reported (IBNR) reserve amounts, as these assumptions are prepared by the Fund's actuary.

### **Opinions**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we audited the IBNR reserves, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Entity Joint Insurance Fund, Woodbridge, New Jersey as of December 31, 2015 and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principals generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 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 financial statements, and other knowledge we obtained during our audit of the 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.

#### **Supplementary Information**


Our audit was conducted for the purpose of forming an opinion on the financial statements the Public Entity Joint Insurance Fund, Woodbridge, New Jersey. The Additional Supplementary Information Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental data section is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In Accordance with Government Auditing Standards, we have also issued our report dated June 10, 2016, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance Government Auditing Standards in considering the Fund's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants



Andrew G. Hodulik  
Registered Municipal Account  
No. 406

Highland Park, New Jersey  
June 10, 2016

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Chairperson and  
Board of Fund Commissioners  
Public Entity Joint Insurance Fund  
Woodbridge, New Jersey 07095

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Departments of Community Affairs and Banking and Insurance, State of New Jersey, the financial statements of the Public Entity Joint Insurance Fund, Woodbridge, New Jersey (the "Fund") as of December 31, 2015 and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 10, 2016. The opinion on the Fund's financial statements was modified as permitted by the State of New Jersey Departments of Community Affairs and Banking and Insurance, as audit procedures were not extended to the underlying actuarial assumptions for Incurred But Not Reported (IBNR) reserve amounts, as these assumptions are prepared by the Fund's actuary.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants

Highland Park, New Jersey  
June 10, 2016

**REQUIRED SUPPLEMENTARY INFORMATION**



**PUBLIC ENTITY JOINT INSURANCE FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2015**

**(Unaudited)**

The Public Entity Joint Insurance Fund (the "Fund") is not included in any other governmental "reporting entity" as defined by Government Accounting Standards Board ("GASB") Statement No. 14. The Fund is a pooling of the resources of its constituent member local units for the purpose of providing an efficient and cost effective plan of risk management both through the pooling of risk among its members and the economies of scale in risk transfer methodologies that the size of the Fund permits. Each member local unit appoints one Commissioner to the Fund, and the Commissioners adopt budgets and set annual assessments from the members, approve annual risk management plans and oversee the operations of the Fund. The Fund is not considered a component-unit of any of its member local units. In addition, the Fund does not have any component-units. The following Management's Discussion and Analysis of the activities and financial performance of the Fund provide an introduction to the financial statements of the Fund for the year ended December 31, 2015. Please read the following in conjunction with the Fund's financial statements and accompanying notes.

The Management's Discussion and Analysis is an element of the reporting model adopted by the GASB in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999.

**FINANCIAL HIGHLIGHTS**

Cash and investments increased by \$1,498,917 (104%) to \$2,952,558 in 2015 from \$1,453,641 in 2014 and total assets increased by \$1,573,036 (107%) to \$3,052,732 in 2015 from \$1,479,696 in 2014.

Claims reserves increased by \$2,515,308 (118%) to \$4,659,456 in 2015 from \$2,144,148 in 2014.

The Fund's change in net position was a net loss of \$905,813 in 2015 versus a net loss of \$744,483 in 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Fund is a self-supporting entity and follows business-type activities fund reporting. The Fund's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles prescribed by the GASB. Enterprise fund statements reflect short and long-term financial information about the activities and operations of the Fund. These statements are presented in a manner similar to a private business. See the notes to the financial statements for a summary of the Fund's significant accounting policies.

## FINANCIAL ANALYSIS OF THE FUND

### Financial Position:

The following table summarizes the changes in financial position and increase in net assets between December 31, 2015 and 2014:

	2015	2014	% Increase (Decrease)
Cash, Cash Equivalents & Investments	\$ 2,952,558	\$ 1,453,641	103.11%
Deductible & Co-insurance Receivables	96,361	24,350	295.73%
Other Assets	3,813	1,705	123.64%
Total Assets	3,052,732	1,479,696	106.31%
Total Liabilities	4,703,028	2,224,179	111.45%
Net Position	\$ (1,650,296)	\$ (744,483)	121.67%

### Assets:

The Fund's cash flow from operations is invested in an interest bearing custody account and with the New Jersey Cash Management Fund. The Fund utilizes a nightly sweep for investment purposes with its financial institution. Since 2014, the Fund also invested its available funds in U.S. Treasury Securities and U.S. Government Agency Securities.

The Fund recorded a receivable in the amount of \$96,361, which consists of balances due from its Members representing the Members' endorsement billings in the amount of \$609 and unbilled in the amount of \$95,752. The unbilled deductibles will be billed as the claim is closed.

Other assets relate to prepaid expenses for 2016 services paid in 2015. Other assets also includes accrued interest. The increase in total assets from 2014 primarily resulted from an increase in funds held to meet future obligations.

**Liabilities:**

The liability for unpaid losses and loss adjustment expenses reported in the financial statements includes case basis estimates of reported claims plus supplemental amounts for potential development of known claims and amounts for claims incurred but not yet reported. The ultimate liability for these claims have been calculated based upon loss projections utilizing certain assumptions and industry data. Management believes that its aggregate liability for unpaid losses and loss adjustment expenses at year end represents its best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses; however, because of the limited population of insured risks, limited historical data and the nature of the coverage provided, it is not presently possible to determine whether actual loss experience will conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Accordingly, the ultimate liability could be in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operation.

Expenses payable represents the liability for expenses incurred at year-end but not paid as of the balance sheet date.

**Results of Operations:**

The following table summarizes the changes in results of operations between fiscal years 2015 and 2014:

	2015	2014	% Increase (Decrease)
Revenues	\$ 5,864,126	\$ 4,012,909	46.13%
Claims	(2,875,548)	(2,213,382)	29.92%
Expenses	<u>(3,893,693)</u>	<u>(2,544,494)</u>	<u>53.02%</u>
Operating gain (loss)	(905,115)	(744,967)	21.50%
Investment income (loss)	<u>(698)</u>	<u>484</u>	<u>(244.21%)</u>
Change in net position	<u>\$ (905,813)</u>	<u>\$ (744,483)</u>	<u>21.67%</u>

Revenues consist of Fund member contributions. The change in revenues and expenses were in line with budgets adopted for the year as required by the Departments of Banking and Insurance and the Department of Community Affairs of the State of New Jersey.

**Cash Flow and Liquidity:**

The following table summarizes the changes in cash flow and liquidity between December 31, 2015 and December 31, 2014.

	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>	
Cash contributions received from participants	\$ 5,792,116
Cash payments to suppliers and contractors for goods and services	(1,504,988)
Risk transfer premiums	(2,424,689)
Cash payments for costs of claims	<u>(360,240)</u>
<b>Net Cash Provided by Operating Activities</b>	1,502,199
<b>Cash Flows from Investing Activities</b>	
Redemption (Purchase) of Investments - Net	(1,899,780)
Investment loss	<u>(3,282)</u>
<b>Net Cash Provided by Investing Activities</b>	<u>(1,903,062)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	(400,863)
<b>Cash and Cash Equivalents, at December 31, 2014</b>	<u>477,564</u>
<b>Cash and Cash Equivalents, at December 31, 2015</b>	<u><u>\$ 76,701</u></u>

In order to provide for an increase in the yield on investments while managing credit risk, in 2015 the Fund continued investing in U.S. Treasury and U.S. Government Agency Securities.

The remaining amount of cash and cash equivalents held by the Fund is kept in a GUDPA approved account which enables the Fund to maintain optimum liquidity. When cash is channeled into securities, the Fund's investment strategy is to invest in those assets whose maturities are similar to the actuarial expected payout of the related losses and LAE. The Fund has sufficient cash resources to meet its balance sheet liabilities as they become due.

## **DEBT ADMINISTRATION**

The Fund has no debt as of the date of this report.

## **CONTACTING THE FUND'S MANAGEMENT**

This financial report is designed to provide its constituent members and their residents and taxpayers, and the Fund's customers, investors and creditors, with a general overview of the Fund's finances and to demonstrate the Fund's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Executive Director, Public Entity Joint Insurance Fund, Jonathan Hall, NIP Group, Inc., 900 Route Nine North, Suite 503, Woodbridge, NJ 07095.

**FINANCIAL STATEMENTS**

PUBLIC ENTITY JOINT INSURANCE FUNDSTATEMENT OF NET POSITION  
DECEMBER 31, 2015

<u>ASSETS</u>	<u>2015</u>
Cash & Cash Equivalents	\$ 76,701
Investments	2,875,857
Recoverables Recorded Not Billed	95,752
Assessment/Endorsement to Member	609
Accrued Interest	<u>3,814</u>
Total Assets	<u>\$ 3,052,732</u>
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Claims:	
Case Reserves	\$ 1,819,568
IBNR Reserves	2,535,649
Claims Payable	304,239
Expenses:	
Accrued Expenses	<u>43,572</u>
Total Liabilities	<u>4,703,028</u>
Net Position	<u>\$ (1,650,296)</u>

PUBLIC ENTITY JOINT INSURANCE FUNDSTATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
DECEMBER 31, 2015

	<u>2015</u>
Revenue:	
Assessments - Participating Members	<u>\$ 5,864,126</u>
Total Revenue	<u>5,864,126</u>
Expenditures:	
Provision for Claims and Claim	
Adjustment Expense - Net	2,875,548
Excess Insurance Premiums	2,424,689
Administrative Expenses	<u>1,469,005</u>
Total Expenditures	<u>6,769,241</u>
Operating Gain	(905,115)
Non-Operating Income:	
Net Investment Income	<u>(698)</u>
Total Non-Operating Income	<u>(698)</u>
Net Position Gain (Loss)	(905,813)
Net Position - Beginning of Year	<u>(744,483)</u>
Net Position - December 31, 2015	<u>\$ (1,650,296)</u>



PUBLIC ENTITY JOINT INSURANCE FUNDSTATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

2015

Cash Flows from Operating Activities:	
Cash Contributions Received from Participants and Other Sources	\$ 5,792,116
Cash Payments for Goods and Services	(1,504,988)
Cash Payments for Risk Transfer Premiums	(2,424,689)
Cash Payments for Costs of Claims	<u>(360,240)</u>
Net Cash Provided by Operating Activities	<u>1,502,199</u>
Cash Flows from Investing Activities:	
Redemption (Purchase) of Investments - Net	(1,899,780)
Investment Income - Net	<u>(3,282)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,903,062)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(400,863)</u>
Cash and Cash Equivalents, Beginning	<u>477,564</u>
Cash and Cash Equivalents, Ending	<u>\$ 76,701</u>
Reconciliation of Operating Income to Net	
Cash Provided (Used) by Operating Activities:	
Operating Gain/(Loss)	\$ (905,115)
Adjustments to Reconcile Operating Income	
to Cash Provided by Operating Activities:	
Change in Assets and Liabilities:	
Receivables and Prepaid Expenses	(72,011)
Claim Reserves	2,515,308
Accrued Expenses	<u>(35,983)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,502,199</u>

See accompanying notes to financial statements.

PUBLIC ENTITY JOINT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015

NOTE 1: ORGANIZATION AND DESCRIPTION OF THE FUND

The Public Entity Joint Insurance Fund (the "Fund") was established, effective January 1, 2014, in accordance with P.L. 1983, c.372 of the State of New Jersey, entitled "An Act Concerning Joint Insurance Funds for Local Units of Government", codified as N.J.S.A. 40A:10-1 et seq. The Department of Insurance and the Department of Community Affairs of the State of New Jersey have been designated by statute as oversight agencies for joint insurance funds and have issued regulations governing the operations of these funds. The Fund provides for a pooling of the participants' insurable risks and the associated resources available to manage these risks. The Fund operates in accordance with its by-laws and its Plan of Risk Management and Annual Budget.

Participating entities generally must remain in the Fund for the a minimum of three (3) years unless terminated by a majority vote of the Fund Commissioners or a two-thirds vote of the Executive Committee for nonpayment of assessments or continued noncompliance after written notice to comply with the bylaws or other obligations. The Fund has 6 members in total.

Member contributions to the Fund for claim payments are based on the actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

The Fund's administration is provided by an executive director/administrator. Fees paid to the administrative consultants encompass the administrative duties that are performed at the administrative consultant's office. Accordingly, the Fund does not maintain any fixed assets or incur payroll expense.

The following primary coverage's are offered by the Fund to its members:

- a) Workers' Compensation
- b) General Liability
- c) Property Damage/APD
- d) Auto Liability
- e) Employment Practices Liability/Public Officials Liability

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Government Accounting Standards Board (“GASB”) Codification Section 2100, “Defining Financial Reporting Entity” establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The Fund has determined that there were no additional entities required to be included in the reporting entity under the criteria as described above, in the current year. In addition, the Fund is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation, Fund Accounting

The financial statements of the Fund have been prepared in accordance with generally accepted accounting principles applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is a measurement of economic resources, that is, the determination of net income, financial position and cash flows.

Enterprise Funds are used to account for activities that are operated in a manner similar to private business enterprises.

C. Accrual Basis of Accounting

The Fund uses the accrual basis of accounting, whereby income is recorded as earned and expenses are recognized as incurred.

D. Income Taxes

The Fund is a tax-exempt organization and is not subject to either federal or state income taxes.

E. Assessments

The gross claim fund assessment is determined by the actuary and, when combined with expense and excess premium projections, constitutes the Fund’s budget. Assessments for participating municipalities are determined by underwriting criteria established by the Executive Committee.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Unpaid Claims Liabilities

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The fund does not discount estimated claim liabilities.

In accordance with practices prescribed or permitted by the Departments of Community Affairs and Banking and Insurance, State of New Jersey, the accountants' audit procedures were not extended to the underlying actuarial assumptions for Incurred But Not Reported (IBNR) Reserve amounts since they are prepared by the Fund's actuary.

G. Recoverables from Excess Carriers

The Fund uses excess insurance agreements to reduce its exposure to large losses on certain types of insured events. Excess insurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

H. Deferred Revenue

Deferred revenue represents the unearned assessments of participating municipalities.

I. Recoverables Recorded Not Billed

During the year ended December 31, 2015, the Fund has recorded as accounts receivable recoverables due from Members for claims expenses paid by the Fund based upon levels of self-retention. The Fund will bill these receivables to the Member when the claim is closed.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. Administrative Expenses

Administrative expenses are comprised mainly of compensation for services rendered by servicing organizations and appointed officials pursuant to written fee guidelines submitted to and approved by a majority of the Commissioners.

K. Claims Case Reserves

Case reserves include estimated unpaid claim costs for claimants and allocated claim adjustment expenses as reported by the service agent.

L. Claims Incurred But Not Reported (IBNR) Reserve

In order to recognize claims incurred but not reported, a reserve is calculated by the Fund's actuary within an acceptable range from the estimated outstanding reserve.

IBNR reserves include:

- a) Known loss events that are expected to, at a later time, be presented as claims,
- b) Unknown loss events that are expected to become claims, and
- c) Expected future development on claims already reported.

M. Summary of Risk Management Program

A summary of the Fund's Risk Management Program is provided for in Schedule E contained in the Supplementary Information section of this report.

NOTE 3: CASH AND CASH EQUIVALENTS

The Fund considers cash in banks, money market accounts and short-term investments with original maturities of three months or less as cash and cash equivalents.

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protections Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

NOTE 3: CASH AND CASH EQUIVALENTS

The carrying value of the Public Entity Joint Insurance Fund cash and cash equivalents at December 31, 2015 was \$76,701 and bank balances were \$88,388.

As of December 31, 2015, cash and cash equivalents of the Fund consisted of the following:

Checking and Cash Management	
Investment Accounts	<u>\$76,701</u>
Total	<u>\$76,701</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the local unit’s deposits may not be returned to it. As of December 31, 2015, with respect to the Fund’s bank balances, up to \$250,000 was covered by federal depository. The Public Entity Joint Insurance Fund adheres to the requirements of the GUDPA statute.

NOTE 4: INVESTMENTS

New Jersey statutes permit the Fund to purchase the following types of Investments:

Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.

Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the dates of purchase, and has a fixed rate of interest not dependent on any index or external factors.

Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located; or Bonds or other obligations, having a maturity date not exceeding 397 days, approved by the Division of Investment of the Department of Treasury for Investment by local units.

Debt obligations of federal agencies or government corporations with maturities not greater than ten (10) years from the date of purchase, excluding mortgage backed obligations, providing that such investments are purchased through New Jersey Division of Investment and are consistent with the Division’s own investment guidelines, and providing that the investment has a fixed rate of interest not dependent on any index or external factors.

Repurchase agreements of fully collateralized securities, subject to rules and conditions established by the N.J. Department of Community Affairs.

NOTE 4: INVESTMENTS

No investment or deposit shall have a maturity longer than ten (10) years from date of purchase. Investments are recorded at market value based on quoted market prices.

Investments at year-end are categorized to give an indication of the level of risk assumed by the Fund. The categories are described as follows:

Category A – Insured, registered or securities held by the Fund or its agent in the Fund’s name.

Category B - Uninsured and unregistered with securities held by the counterparty’s trust department or agent in the Fund’s name.

Category C - Uninsured and unregistered with securities held by the counterparty, or its trust department or agent but not in the Fund’s name.

The Fund’s investments at December 31, 2015 are categorized as follows:

	<u>Risk Category</u>	<u>Book Value</u>	<u>Market Value</u>
Cash Management Funds (Included in Cash and Cash Equivalents)	A	\$ 20,116	\$ 20,116
U.S Treasury Securities	A	<u>2,886,380</u>	<u>2,875,857</u>
Total		<u>\$2,906,496</u>	<u>\$3,075,973</u>

Based upon existing investment policies, the Fund is generally not exposed to interest rate risk as, depending upon market conditions, investments can be held to maturity. Also, investments held are limited to U.S Treasury or U.S. Government Agency securities, thereby mitigating credit risk and concentration of credit risk nor are the Fund’s deposits and investments exposed to foreign currency risks.

During the year 2015, the Fund had realized investment losses in the amount of \$10,889.

## NOTE 5: PERMANENT FUND TRANSFERS

Permanent inter-trust fund transfers are made upon the approval of the Commissioners, following prior written notification to the Commissioners of Insurance and the Department of Community Affairs.

Inter-year fund transfers require prior approval of the departments of Insurance and Community Affairs. The fund may seek approval from the Commissioner to make inter-year fund transfers at any time from a claims or loss retention trust account from any year which has been completed for at least 24 months. The inter-year fund transfer may be in any amount subject to the limitation that after the transfer, the remaining net current surplus must equal or exceed the surplus retention requirement calculated according to regulation. The membership for each fiscal year involving inter-year fund transfers must be identical between fiscal years. This requirement may be waived by the Commissioner provided the fund demonstrates it maintains records of each member's pro rata share of each claim or loss retention account, and that the transfer may be made so that any potential dividend shall not be reduced for a member that did not participate in the year receiving the transfer.

All fund transfers are recognized at the time actual transfers take place.

## NOTE 6: RETURN OF SURPLUS

Refunds are recognized upon authorization of the Commissioners. Any reserves for a Fund year in excess of the amount necessary to fund all obligations for that fiscal year as certified by the Fund's actuary may be declared to be refundable by the Fund, subject to the effective time periods set forth by regulation. The initial and any subsequent refund for any year from a Claim or Loss Retention Account is subject to the limitation that after the refund, the remaining net current surplus must equal or exceed the surplus retention requirement calculated according to regulation. A full and final refund is not allowed until all case reserves and IBNR reserves are closed.

## NOTE 7: MINIMUM SURPLUS REQUIREMENTS

The State of New Jersey has no statutory minimum surplus requirements.

## NOTE 8: DEFICIT FUND BALANCE

The Fund will liquidate any deficit in a fund balance year by transferring from another fund balance year or by assessing members for additional contributions, in accordance with applicable New Jersey statutes and regulations.



NOTE 8: DEFICIT FUND BALANCE (CONT'D).

At December 31, 2015, the following fund years' unrestricted net assets were in a deficit position:

<u>Fund Year</u>	<u>2015</u>	<u>2014</u>
2014	\$(1,231,407)	\$ (744,484)
2015	\$ (418,889)	-

Management will continue to monitor each Fund year to minimize further losses and increased deficits and will confer with the New Jersey State Department of Banking and Insurance ("DOBI")

NOTE 9: LOSS RESERVES

The liability for unpaid losses and loss adjustment expenses represents an estimate of the ultimate net cost of all losses and loss adjustment expenses incurred but not yet paid as of December 31, 2015. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the Fund, various other industry statistics, including effects of inflation and other societal or economic factors, and the Fund's self-insured retention level. The estimate of outstanding losses was recorded by the Fund as of December 31, 2015 based on an actuarial determined range of estimates.

Actuarial Standard of Practice No. 36 states, "the actuary may determine a range of reasonable estimates that reflects the uncertainties associated with analyzing the reserves Management believes that the liability for unpaid losses is adequate to cover the ultimate cost of reported and unreported claims incurred but not yet paid. However, the ultimate cost may be more or less than the estimated liability." The unpaid losses are stated net of any recoveries from excess-loss insurance. The Fund has created a loss reserve for any reported and potential unreported losses which have taken place but in which the Fund has not received notices or reports of losses. Amounts shown as negative loss reserves, if any, represent payments to claims servicing agent in excess of claims paid and case reserves on the Fund's loss runs. These amounts, if any, are shown on the balance sheets as accounts receivable.

The Fund also purchases excess insurance policies, which provides coverage to the Fund for claims in excess of \$750,000 for workers' compensation claims, \$250,000 for liability claims, \$250,000 for employment practices and public officials liability, \$50,000 for auto physical damage, and \$50,000 for property claims.

NOTE 9: LOSS RESERVES (CONT'D.)

For the year 2015, the “inner corridor endorsement” for workers’ compensation was also put in place with a limit of \$250,000 per claim and \$250,000 in total. The Fund established an all lines of business stop loss aggregate for the years 2015.

A contingent liability exists with respect to insurance coverage, which would become an actual liability in the event the insuring company might be unable to meet its obligations to the Fund under existing insurance agreements.

The following table sets forth the case reserves for reported claims and reserves for claims related to IBNR established for each respective fund year at December 31, 2015, which have been estimated by the Fund’s Actuary.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LOSS RESERVES:

	<u>Property Fund</u>	<u>General Liability Fund</u>	<u>Automotive Liability Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
2014 Fund Year:					
Case Reserves	\$ 14,399	\$ 1,077,842	\$ 44,295	\$ 44,693	\$ 1,181,229
Losses Incurred But Not Reported (IBNR)	1,439	1,088,795	84,805	63,938	1,238,977
	<u>\$ 15,838</u>	<u>\$ 2,166,637</u>	<u>\$ 129,100</u>	<u>\$ 108,631</u>	<u>\$ 2,420,206</u>
2015 Fund Year:					
Case Reserves	\$ 95,904	\$ 189,623	\$ 17,100	\$ 335,712	\$ 638,339
Losses Incurred But Not Reported (IBNR)	9,590	755,949	74,188	456,945	1,296,672
	<u>\$ 105,494</u>	<u>\$ 945,572</u>	<u>\$ 91,288</u>	<u>\$ 792,657</u>	<u>\$ 1,935,011</u>

## NOTE 10: RELATED PARTIES

The Fund pays underwriting fees, risk management fees and claims handling fees to an affiliated company of the Fund's administrator.

## NOTE 11: CHANGES IN UNPAID CLAIMS LIABILITIES

As discussed in Note 2, the Fund establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and unrelated allocated claim adjustment expenses.

The following represents changes in those aggregate undiscounted reported case reserves for the Fund during 2015 for all open Fund years net of excess insurance recoveries.

	<u>2015</u>
Total Unpaid Claims and Claim Adjustment Expenses – All Fund Years – Beginning of Year	\$708,743
Incurred Claims and Claims Adjustment Expenses:	
Provision for Insured Events – Current Year	1,092,259
Changes in Provision for Insured Events – Prior Years	<u>631,347</u>
Total Incurred Claims and Claim Adjustment Expenses - All Fund Years - Subtotal	<u>2,850,994</u>
Subtotal	3,559,737
Payments:	
Claims and Claim Adjustment Expenses	<u>(612,781)</u>
Total Unpaid Claims and Claim Adjustment Expenses – All Fund Years – End of Year	<u>\$1,819,568</u>

## NOTE 12: SUBSEQUENT EVENTS

Through the date of this report, management is unaware of any events occurring subsequent to December 31, 2015 that would adversely impact the financial position, the continuing operations, or require disclosure with respect to the Public Entity Joint Insurance Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

## PUBLIC ENTITY JOINT INSURANCE FUND

TEN YEAR CLAIMS DEVELOPMENT INFORMATION  
AS OF DECEMBER 31, 2015

	<u>2014</u>	<u>2015</u>
Underwriting Income-Required Contribution	\$4,012,909	\$5,864,126
Investment Income	484	(698)
	<u>4,013,393</u>	<u>5,863,428</u>
Excess Insurance Premiums	1,538,932	2,424,689
Administrative Expenses	<u>1,005,562</u>	<u>1,469,005</u>
	<u>2,544,494</u>	<u>3,893,694</u>
Estimated Incurred Claims-End of Policy Year	<u>829,676</u>	<u>1,092,259</u>
Cumulative Paid Claims:		
End of Policy Year	120,933	453,920
One Year Later	279,794	
Two Years Later		
Three Years Later		
Four Years Later		
Five Years Later		
Six Years Later		
Seven Years Later		
Eight Years Later		
Nine Years Later		
Cumulative Incurred Claims:		
End of Policy Year	829,676	1,092,259
One Year Later	1,461,023	
Two Years Later		
Three Years Later		
Four Years Later		
Five Years Later		
Six Years Later		
Seven Years Later		
Eight Years Later		
Nine Years Later		
Decrease (Increase) in Cumulative Incurred Claims from End of Policy Year	<u>(\$631,347)</u>	<u>\$0</u>

**PART II**  
**ADDITIONAL SUPPLEMENTARY INFORMATION**

## PUBLIC ENTITY JOINT INSURANCE FUND

OPERATING RESULTS ANALYSIS - ALL YEARS COMBINED  
DECEMBER 31, 2015

	COVERAGES AND OTHER ACCOUNTS						TOTALS
	PROPERTY	GENERAL LIABILITY	AUTOMOTIVE	WORKERS' COMPENSATION	EXCESS INSURANCE POLICIES	GENERAL AND ADMINISTRATIVE	
1. Underwriting Income:							
Regular Contributions	\$ 1,684,927	\$ 3,313,832	\$ 787,972	\$ 4,090,305	\$ -	\$ -	\$ 9,877,036
2. Incurred Liabilities							
Claims (Net)	462,563	3,369,366	242,453	1,163,405	-	-	5,237,787
Expenses	-	-	-	-	3,963,621	2,474,566	6,438,187
Total Liabilities	462,563	3,369,366	242,453	1,163,405	3,963,621	2,474,566	11,675,974
3. Underwriting Surplus/(Deficit)	1,222,364	(55,534)	545,519	2,926,900	(3,963,621)	(2,474,566)	(1,798,938)
4. Adjustments:							
Investment Activity (Realized/Unrealized)						(214)	(214)
Recoveries	-	148,856	-	-	-	-	148,856
Total Adjustments	-	148,856	-	-	-	(214)	148,642
5. Gross Operating Surplus/(Deficit)	1,222,364	93,322	545,519	2,926,900	(3,963,621)	(2,474,780)	(1,650,296)
6. Return of Surplus	-	-	-	-	-	-	-
7. Net Current Position/(Deficit)	\$ 1,222,364	\$ 93,322	\$ 545,519	\$ 2,926,900	\$ (3,963,621)	\$ (2,474,780)	\$ (1,650,296)



## PUBLIC ENTITY JOINT INSURANCE FUND

2015 FUND YEAR  
OPERATING RESULTS ANALYSIS  
DECEMBER 31, 2015

	COVERAGES AND OTHER ACCOUNTS						TOTALS
	PROPERTY	GENERAL LIABILITY	AUTOMOTIVE	WORKERS' COMPENSATION	EXCESS INSURANCE POLICIES	GENERAL AND ADMINISTRATIVE	
1. Underwriting Income:							
Regular Contributions	\$ 1,083,695	\$ 2,057,251	\$ 366,584	\$ 2,356,597	\$ -	\$ -	\$ 5,864,127
2. Incurred Liabilities							
Claims (Net)	317,362	949,967	98,275	1,025,592	-	-	2,391,196
Expenses	-	-	-	-	2,424,689	1,469,005	3,893,693
Total Liabilities	317,362	949,967	98,275	1,025,592	2,424,689	1,469,005	6,284,889
3. Underwriting Surplus/(Deficit)	766,333	1,107,284	268,309	1,331,005	(2,424,689)	(1,469,005)	(420,762)
4. Adjustments:							
Investment Activity (Realized/Unrealized)	-	-	-	-	-	(392)	(392)
Recoveries	-	2,265	-	-	-	-	2,265
Total Adjustments	-	2,265	-	-	-	(392)	1,873
5. Gross Operating Surplus/(Deficit)	766,333	1,109,549	268,309	1,331,005	(2,424,689)	(1,469,397)	(418,889)
6. Return of Surplus	-	-	-	-	-	-	-
7. Net Current Position/(Deficit)	\$ 766,333	\$ 1,109,549	\$ 268,309	\$ 1,331,005	\$ (2,424,689)	\$ (1,469,397)	\$ (418,889)
Current Year Claims (Net)	\$ 317,362	\$ 949,967	\$ 98,275	\$ 1,025,592	\$ -	\$ -	\$ 2,391,196
Prior Year Claims (Net)	-	-	-	-	-	-	-
Net Change in Claims Liabilities	\$ 317,362	\$ 949,967	\$ 98,275	\$ 1,025,592	\$ -	\$ -	\$ 2,391,196

## PUBLIC ENTITY JOINT INSURANCE FUND

2014 FUND YEAR  
OPERATING RESULTS ANALYSIS  
DECEMBER 31, 2015

	COVERAGES AND OTHER ACCOUNTS						TOTALS
	PROPERTY	GENERAL LIABILITY	AUTOMOTIVE	WORKERS' COMPENSATION	EXCESS INSURANCE POLICIES	GENERAL AND ADMINISTRATIVE	
1. Underwriting Income:							
Regular Contributions	\$ 601,232	\$ 1,256,581	\$ 421,388	\$ 1,733,708	\$ -	\$ -	\$ 4,012,909
2. Incurred Liabilities							
Claims (Net)	145,201	2,419,399	144,178	137,813	-	-	2,846,591
Expenses	-	-	-	-	1,538,932	1,005,562	2,544,494
Total Liabilities	145,201	2,419,399	144,178	137,813	1,538,932	1,005,562	5,391,085
3. Underwriting Surplus/(Deficit)	456,031	(1,162,818)	277,210	1,595,895	(1,538,932)	(1,005,562)	(1,378,176)
4. Adjustments:							
Investment Activity (Realized/Unrealized)	-	146,591	-	-	-	178	178
Recoveries	-	-	-	-	-	-	146,591
Total Adjustments	-	146,591	-	-	-	178	146,769
5. Gross Operating Surplus/(Deficit)	456,031	(1,016,227)	277,210	1,595,895	(1,538,932)	(1,005,384)	(1,231,407)
6. Return of Surplus	-	-	-	-	-	-	-
7. Net Current Position/(Deficit)	\$ 456,031	\$ (1,016,227)	\$ 277,210	\$ 1,595,895	\$ (1,538,932)	\$ (1,005,384)	\$ (1,231,407)
Current Year Claims (Net)	\$ 145,201	\$ 2,419,399	\$ 144,178	\$ 137,813	\$ -	\$ -	\$ 2,846,591
Prior Year Claims (Net)	173,000	1,773,567	3,527	263,288	-	-	2,213,382
Net Change in Claims Liabilities	\$ (27,799)	\$ 645,832	\$ 140,651	\$ (125,475)	\$ -	\$ -	\$ 633,209

PUBLIC ENTITY JOINT INSURANCE FUND

FUND YEAR CLAIMS ANALYSIS - ALL YEARS COMBINED  
DECEMBER 31, 2015

	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTOMOTIVE</u>	<u>WORKERS' COMPENSATION</u>	<u>TOTALS</u>
Claims Incurred	\$ 341,231	\$ 257,157	\$ 22,065	\$ 262,117	\$ 882,570
Case Reserves	110,303	1,267,465	61,395	380,405	1,819,568
IBNR Reserves	11,029	1,844,744	158,993	520,883	2,535,649
Subtotal	<u>462,563</u>	<u>3,369,366</u>	<u>242,453</u>	<u>1,163,405</u>	<u>5,237,787</u>
Less:					
Recoveries	-	148,856	-	-	148,856
Subtotal	<u>-</u>	<u>148,856</u>	<u>-</u>	<u>-</u>	<u>148,856</u>
Claims Expense (Net)	<u>\$ 462,563</u>	<u>\$ 3,220,510</u>	<u>\$ 242,453</u>	<u>\$ 1,163,405</u>	<u>\$ 5,088,931</u>

PUBLIC ENTITY JOINT INSURANCE FUNDFUND YEAR CLAIMS ANALYSIS  
DECEMBER 31, 2015

	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTOMOTIVE</u>	<u>WORKERS' COMPENSATION</u>	<u>TOTALS</u>
Claims Incurred	\$ 341,231	\$ 257,157	\$ 22,065	\$ 262,117	\$ 882,570
Case Reserves	110,303	1,267,465	61,395	380,405	1,819,568
IBNR Reserves	11,029	1,844,744	158,993	520,883	2,535,649
Subtotal	<u>462,563</u>	<u>3,369,366</u>	<u>242,453</u>	<u>1,163,405</u>	<u>5,237,787</u>
Less:					
Recoveries	<u>-</u>	<u>148,856</u>	<u>-</u>	<u>-</u>	<u>148,856</u>
Subtotal	<u>-</u>	<u>148,856</u>	<u>-</u>	<u>-</u>	<u>148,856</u>
Claims Expense (Net)	<u>\$ 462,563</u>	<u>\$ 3,220,510</u>	<u>\$ 242,453</u>	<u>\$ 1,163,405</u>	<u>\$ 5,088,931</u>

PUBLIC ENTITY JOINT INSURANCE FUND

## FUND YEAR CLAIMS ANALYSIS

FUND YEAR - 2015

DECEMBER 31, 2015

	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTOMOTIVE</u>	<u>WORKERS' COMPENSATION</u>	<u>TOTALS</u>
Claims Incurred	\$ 211,868	\$ 4,395	\$ 6,987	\$ 232,935	\$ 456,185
Case Reserves	95,904	189,623	17,100	335,712	638,339
IBNR Reserves	9,590	755,949	74,188	456,945	1,296,672
Subtotal	<u>317,362</u>	<u>949,967</u>	<u>98,275</u>	<u>1,025,592</u>	<u>2,391,196</u>
Less:					
Recoveries	-	2,265	-	-	2,265
Subtotal	<u>-</u>	<u>2,265</u>	<u>-</u>	<u>-</u>	<u>2,265</u>
Claims Expense (Net)	<u>\$ 317,362</u>	<u>\$ 947,702</u>	<u>\$ 98,275</u>	<u>\$ 1,025,592</u>	<u>\$ 2,388,931</u>

PUBLIC ENTITY JOINT INSURANCE FUND

FUND YEAR CLAIMS ANALYSIS  
 FUND YEAR - 2014  
DECEMBER 31, 2015

	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTOMOTIVE</u>	<u>WORKERS' COMPENSATION</u>	<u>TOTALS</u>
Claims Incurred	\$ 129,363	\$ 252,762	\$ 15,078	\$ 29,182	\$ 426,385
Case Reserves	14,399	1,077,842	44,295	44,693	1,181,229
IBNR Reserves	1,439	1,088,795	84,805	63,938	1,238,977
Subtotal	<u>145,201</u>	<u>2,419,399</u>	<u>144,178</u>	<u>137,813</u>	<u>2,846,591</u>
Less:					
Recoveries	-	146,591	-	-	146,591
Subtotal	<u>-</u>	<u>146,591</u>	<u>-</u>	<u>-</u>	<u>146,591</u>
Claims Expense (Net)	<u>\$ 145,201</u>	<u>\$ 2,272,808</u>	<u>\$ 144,178</u>	<u>\$ 137,813</u>	<u>\$ 2,700,000</u>

PUBLIC ENTITY JOINT INSURANCE FUND2015 FUND YEAR  
EXPENSE ANALYSIS  
DECEMBER 31, 2015REPORT YEAR 2015

## Excess Insurance:

Excess Insurance Premiums	<u>\$ 2,424,689</u>
---------------------------	---------------------

Subtotal Excess Insurance	<u>2,424,689</u>
---------------------------	------------------

## Administrative Expenses:

Legal	5,394
-------	-------

Treasurer	5,000
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## Other:

Auditor	17,442
---------	--------

Administrative Consultant	321,490
---------------------------	---------

Safety Director	148,415
-----------------	---------

Underwriting Manager	111,723
----------------------	---------

Non-Contract Professional Services	27,997
------------------------------------	--------

Claims Administration	367,523
-----------------------	---------

Actuary	25,750
---------	--------

Risk Management	<u>438,271</u>
-----------------	----------------

Subtotal Administrative Expenses	<u>1,469,005</u>
----------------------------------	------------------

Total Expenses	<u><u>\$ 3,893,693</u></u>
----------------	----------------------------

PUBLIC ENTITY JOINT INSURANCE FUND2014 FUND YEAR  
EXPENSE ANALYSIS  
DECEMBER 31, 2015REPORT YEAR 2014

## Excess Insurance:

Excess Insurance Premiums	<u>\$ 1,538,932</u>
---------------------------	---------------------

Subtotal Excess Insurance	<u>1,538,932</u>
---------------------------	------------------

## Administrative Expenses:

Legal	10,277
-------	--------

Treasurer	5,000
-----------	-------

## Other:

Auditor	16,000
---------	--------

Administrative Consultant	224,484
---------------------------	---------

Safety Director	13,484
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Underwriting Manager	78,430
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Non-Contract Professional Services	11,136
------------------------------------	--------

Claims Administration	324,395
-----------------------	---------

Actuary	34,000
---------	--------

Risk Management	<u>288,356</u>
-----------------	----------------

Subtotal Administrative Expenses	<u>1,005,562</u>
----------------------------------	------------------

Total Expenses	<u><u>\$ 2,544,494</u></u>
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PUBLIC ENTITY JOINT INSURANCE FUNDCUMULATIVE OPERATING RESULTS ANALYSIS  
DECEMBER 31, 2015

Underwriting Income:	
Regular Contributions	<u>\$ 9,877,036</u>
Expenses:	
Claims:	
Paid	733,714
Case Reserves	1,819,568
IBNR Reserves	<u>2,535,649</u>
Claims - Net	<u>5,088,931</u>
Excess Insurance Premiums	3,963,621
Administrative	<u>2,474,566</u>
Total Expenses	<u>6,438,187</u>
Operating (Loss)	(1,650,082)
Investment Income	-
Realized/Unrealized Gain	<u>(214)</u>
Total Non-Operating Income	<u>(214)</u>
Net Income (Loss)	<u>\$ (1,650,296)</u>
Cumulative Net Position - December 31, 2015	<u><u>\$ (1,650,296)</u></u>

PUBLIC ENTITY JOINT INSURANCE FUNDPROGRAM SUMMARYFUND YEAR 2015DECEMBER 31, 2015COVERAGES

	<u>Property</u>	<u>Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Employment Practices Liability</u>
<u>Limits</u>	\$ 350,000,000	\$ 15,000,000 per occurrence	\$ 15,000,000 per occurrence	Statutory	\$ 15,000,000
<u>Fund Retention</u>					
Specific Aggregate:					
Property	\$ 50,000	\$ 250,000	\$ 250,000	\$ 750,000	\$ 250,000
Auto Property	50,000				
All Lines of Business					
Stop Loss Aggregate	\$ 3,000,000				
<u>Excess Insurers</u>	\$ 200,000,000	The Travelers Insurance Co. provides excess property, auto physical damage and equipment breakdown coverages up to a \$350,000,000 limit in excess of the PEJIF retention levels above. Brit Global Specialty USA provides excess general, employment practices, public officials, law enforcement, automobile and employers liability coverage up to a \$10 million limit per occurrence. Catlin Specialty Insurance Co. provides \$5 million excess of the \$10 million Brit insurance limit. Brit Global Specialty USA provides \$750,000 in excess of the workers compensation PEJIF retention level above and Safety National Insurance Co. provides Statutory limits above \$1.5 million. The Travelers Insurance Co. provides Crime Insurance up to a \$1 million limit, subject to a \$10,000 deductible to members/PEJIF.			
<u>Numbers of Participants</u>	7	7	7	7	6

# ***Public Entity Joint Insurance Fund***

***QUARTERLY INVESTMENT REPORT***

***AS OF 6/30/2016***



**Prime Advisors, Inc.**

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# Executive Summary

## TRANSACTIONS:

Action	Total	Comments	Average Tax-Equivalent Yield
Sales, Calls, and Maturities	\$349,981		0.38%
Purchases	\$995,543	We continued to build on the 1-2 year laddered strategy for the portfolio in highly liquid assets. Purchases helped push portfolio book yield higher by 9 basis points on the quarter.	0.63%

## PORTFOLIO STATISTICS:

Quarter Ending:	03/31/2016	06/30/2016
Tax-Equivalent Book Yield	0.55%	0.64%
Book Value	\$2,909,519	\$3,338,561
Projected Tax-Equivalent Annual Income	\$16,052	\$21,474
Unrealized Gain	-\$465	\$5,327
YTD Realized Gain	\$0	\$21
Portfolio Duration	0.99	1.08
Average Credit Quality	AAA	AAA

## PORTFOLIO ALLOCATION:

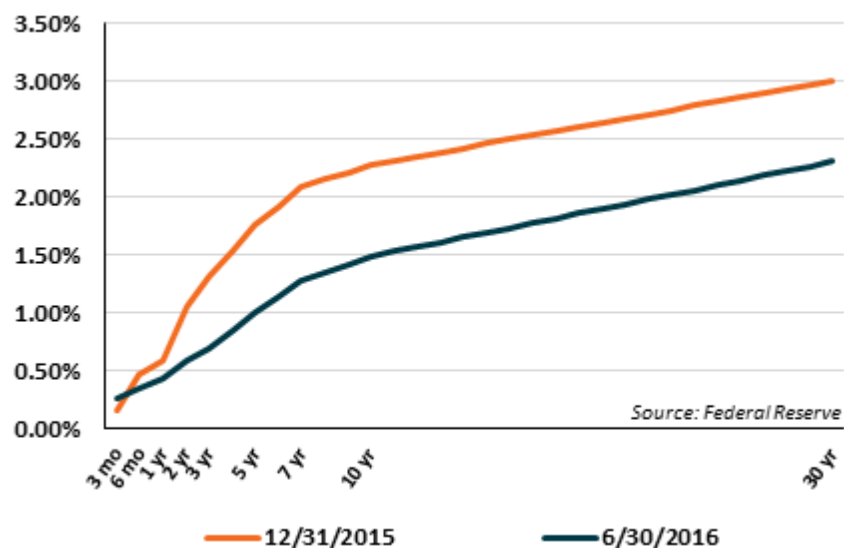
Sector	03/31/2016	06/30/2016
Treasury	92%	100%
Agency	0%	0%
Credit	0%	0%
Exempt Muni	0%	0%
Taxable Muni	0%	0%
MPT	0%	0%
CMO	0%	0%
ABS	0%	0%
CMBS	0%	0%
Short-Term	8%	0%

## PERFORMANCE:

Tax-equivalent Performance	Portfolio	Target/Benchmark	Difference
YTD Booked Income	\$8,924	\$8,372	\$552
QTD Total Return	0.34%	0.41%	-0.07%
YTD Total Return	0.78%	0.85%	-0.07%

# Economic Outlook

## Treasury Yield Curves



## 10 Year Treasury Yields YTD



## 10 Year World Bond Yields

	12/31/2015	6/30/2016	Difference
US	2.28%	1.49%	-0.79%
UK	1.96%	0.86%	-1.10%
Germany	0.63%	-0.13%	-0.76%
France	0.99%	0.18%	-0.81%
Italy	1.60%	1.25%	-0.34%
Spain	1.77%	1.16%	-0.61%
Portugal	2.50%	2.97%	0.47%
Japan	0.27%	-0.23%	-0.49%

Source: Federal Reserve, Bloomberg

## Comments

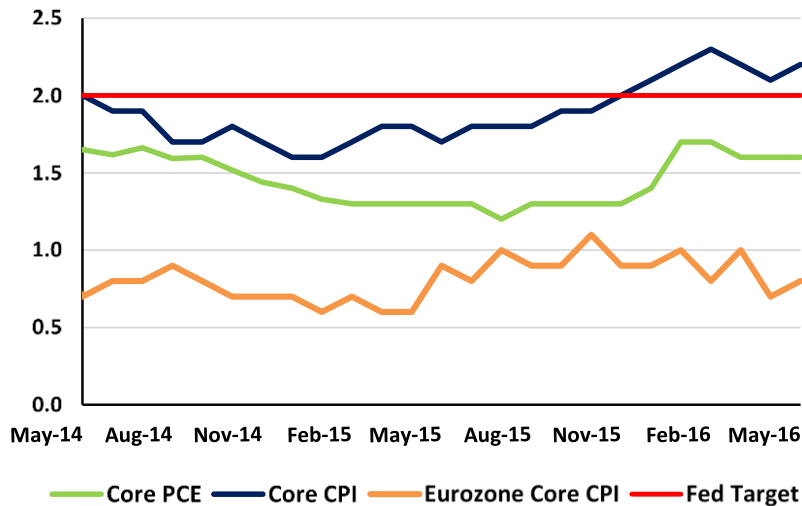
- Global market volatility continued to drive the first half of 2016, starting the year with concerns over economic weakness in Asia and ending Q2 with the surprise Brexit vote in the UK
- Volatility led to periods of extreme illiquidity in the bond market fueling the flight to quality trade, continuing to drive fixed income yields lower
- Given global uncertainty, the Fed remains dovish in their approach to rates, noting that global economic and financial uncertainty poses risks to the U.S. economy and justifies a slower path of interest-rate increases
- Expectations for any 2016 rate hikes now heavily discounted by the market
  - Projections of 4 rate hikes to start the year, have fallen post Brexit, futures markets are not expecting a hike this year
- UST 10 year closed the quarter at 1.49%, down 79 basis points since year end

# Economic Outlook

## Inflation

- PCE core inflation remains below the 2% target and wage inflation is contained, providing flexibility for the Fed
- While US inflation has moved slightly higher, Eurozone inflation remains low, prompting easing measures by the ECB to defend against a deflationary environment

**Inflation**

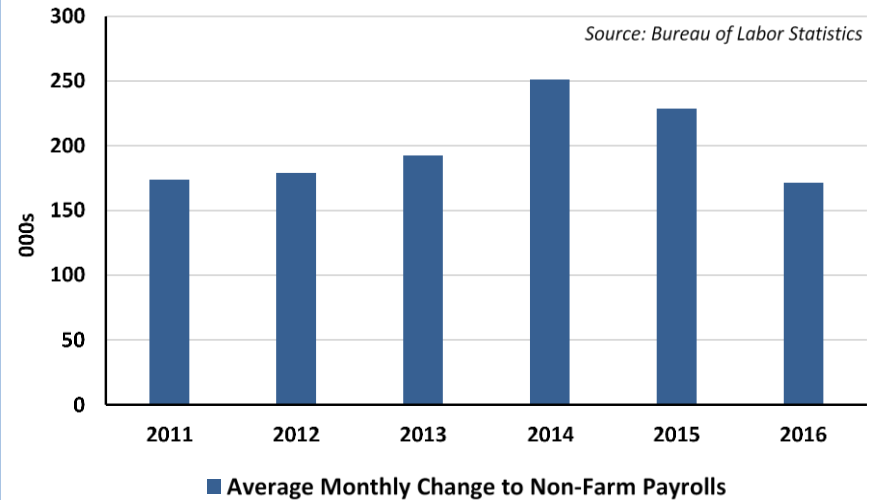


Source: Bureau of Labor Statistics, Eurostat

## Employment

- Domestically, employment is showing strength with positive monthly additions, but at a slower pace than experienced in 2015
- Monthly average payrolls have fallen to +171,500 from the pace of +229,000 last year
- The Unemployment Rate continues to improve and has fallen to 4.9%, while the Participation Rate continues to remain at the lowest levels since 1977

**Employment**



Source: Bureau of Labor Statistics

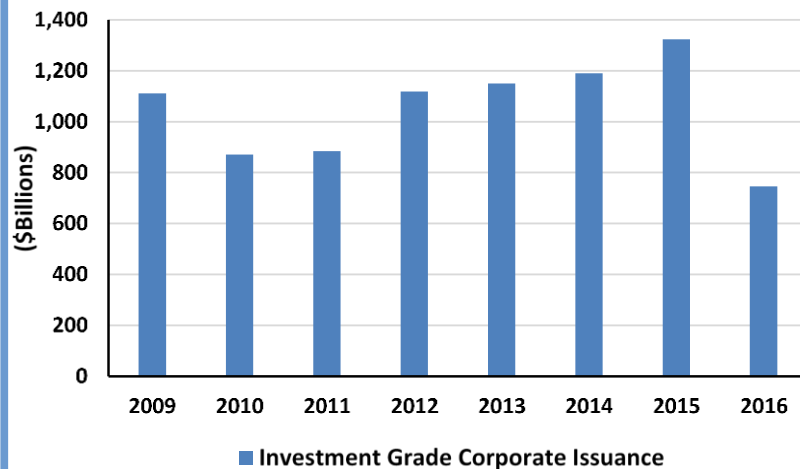
■ Average Monthly Change to Non-Farm Payrolls

# Economic Outlook

## Corporate Issuance

- Corporate bond issuance remains high as companies take advantage of the low interest rate environment to finance mergers and acquisitions and refinance debt
- 2015 was a record year for corporate bond issuance with 2016 on pace to reach similar levels

Investment Grade Corporate Issuance

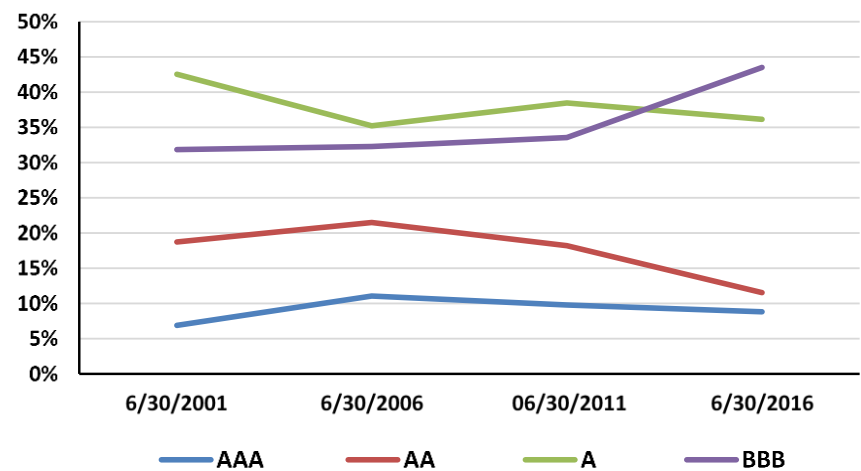


Source: Bloomberg

## Credit Ratings

- Given strong market demand, issuers have been less concerned over their rating as it has not negatively impacted their borrowing rates
- Allocations within the Barclays US Credit Index continues to show a downward trend for credit quality, with the BBB component growing significantly
- Over the past 10 years, BBB-rated issuers have grown as a percentage of bonds outstanding in the market by over 10%, while AA and A rated issuers continue to fall in allocation

Barclays US Credit Ratings



Source: Barclays



# Economic Outlook

## Corporates

Corporate spreads fully retraced the spread widening from the first quarter as strong technicals and a further recovery in energy prices fueled demand for corporate credit. Oil prices traded back up to \$50 per barrel as supplies were interrupted by conflicts in Nigeria, fires in Alberta, economic turmoil in Venezuela and continued war in the Middle East. Demand in the U.S. rose steadily as drivers took to the roads encouraged by lower gas prices. The improvement in energy had a positive impact on industrial spreads.

The surprise “Brexit” vote on June 23 which will lead to the departure of the United Kingdom from the European Union has led to significant volatility and uncertainty. The initial sell off of equities and credit spreads has been somewhat mitigated going into quarter end. Domestically US banks received positive news from the Federal Reserve that all 33 U.S. based banks passed the stress tests, albeit with one conditional approval.

With the renewed uncertainty in the markets and concerns about global growth, the expectations of any Fed rate hikes for 2016 have been tabled for now. Foreign central banks continue to be very accommodative with many global rates turning negative. US rates continue to be positive and this is creating a “relative value” trade for US rates and US corporate credit as the global search for yield continues. These technicals are overwhelming the fundamentals at this time.

The 9 basis points in tightening by industrials and utilities, respectively, and the 15 basis points improvement in BBB bonds contributed to the 7 basis points of tightening among corporates. Financials lagged with only

3 basis points of tightening. They remain wide to the nine year tight levels.

Option Adjusted Corporate Spreads in Basis Points*							
Index Sector	9-yr Tights				2Q16 Change	Year to Year Change	Difference from Tights
	12/31/06	06/30/15	03/31/16	06/30/16			
Aggregate Index	38	51	56	55	-1	4	17
Corporates	88	145	163	156	-7	11	68
Industrials	102	153	168	159	-9	6	57
Utilities	102	137	151	142	-9	5	40
Financials	69	133	155	152	-3	19	83
AAA	53	84	80	87	7	3	34
AA	58	86	89	87	-2	1	29
A	86	118	125	123	-2	5	37
BBB	122	184	215	200	-15	16	78

\*Data from Barclays Capital as of 06.30.16

Prime reiterates our defensive stance with a modest overweight to corporates. We continue to hold the market leaders within sectors especially those who have already completed a merger and are actively de-levering. We avoid shareholder friendly issuers unless they have sufficient capacity for more debt within their rating category. Prime will increase allocations to financial names that represent value considering the significant improvement in their capital levels reflected in the stress tests. We expect new issue activity to slow during the summer months and will seek value in the secondary markets through tactical trades.

# Economic Outlook

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## Municipals

Municipal yields continued to fall during the second quarter, with a precipitous drop following the United Kingdom popular vote to leave the European Union. According to Barclays Index Data, the full 30+ year Municipal Bond Index has returned 4.33% year to date versus 5.31% for the broad U.S. Aggregate.

The municipal yield curve continued to flatten during the quarter with long-end yields plummeting. According to Municipal Market Data, 30-year, AAA pre-tax yields dropped over 65 basis points touching a new all-time low yield of 2.00% before retracing to finish the quarter at 2.02%. At the same time, 10-year, AAA yields fell about 35 basis points, finishing the quarter at 1.35% (also setting a new all-time low yield of 1.29%) with 5-year yields falling roughly 20 basis points.

The impressive demand for exempts continued throughout the quarter, with non-traditional investors overwhelming the space. According to the Federal Reserve Board flow of funds data, foreign buyers, who don't benefit from the tax exempt status of municipals, broadly increased their holdings of exempt municipals seeking any investment with positive yields. At the same time, demand remained robust from the traditional municipal investor base including individuals, commercial banks and insurance companies. Lastly, bond funds continued to see heavy inflows. Dating back to Q4 2015, exempt funds have seen inflows for 38 straight weeks providing over \$40 billion of new capital.

As we enter the 3<sup>rd</sup> quarter, Prime is slightly less bullish on the tax exempt municipal sector given current technicals. Although the ratios of pretax municipal yields to Treasuries (one of the primary gauges for judging the relative value of exempts) are within a basis point or two of fair value in the 5-and 10-year tenors, they are somewhat rich by historical standards further out the curve. At the same time, credit

quality spreads have compressed to recent year tight.

## Mortgage and Asset Backed Securities

Over the quarter mortgage backed securities (MBS) benefitted from the continued flight to quality trade. With the Brexit outcome and the overall slowing global growth, MBS has benefitted from offering positive yields and liquidity. Issuance in the agency backed mortgage space has picked up this quarter, due to housing seasonals, while demand from foreign investors and domestic banks has not overwhelmed supply. In addition, with the Feds cautious stance on rates, the reinvestment of monthly mortgage pay-downs will continue for the foreseeable future creating a positive technical in the space. Lastly, while mortgage rates have seen some pressure with falling interest rates, prepayment environment remains fairly protected for most of the MBS market.

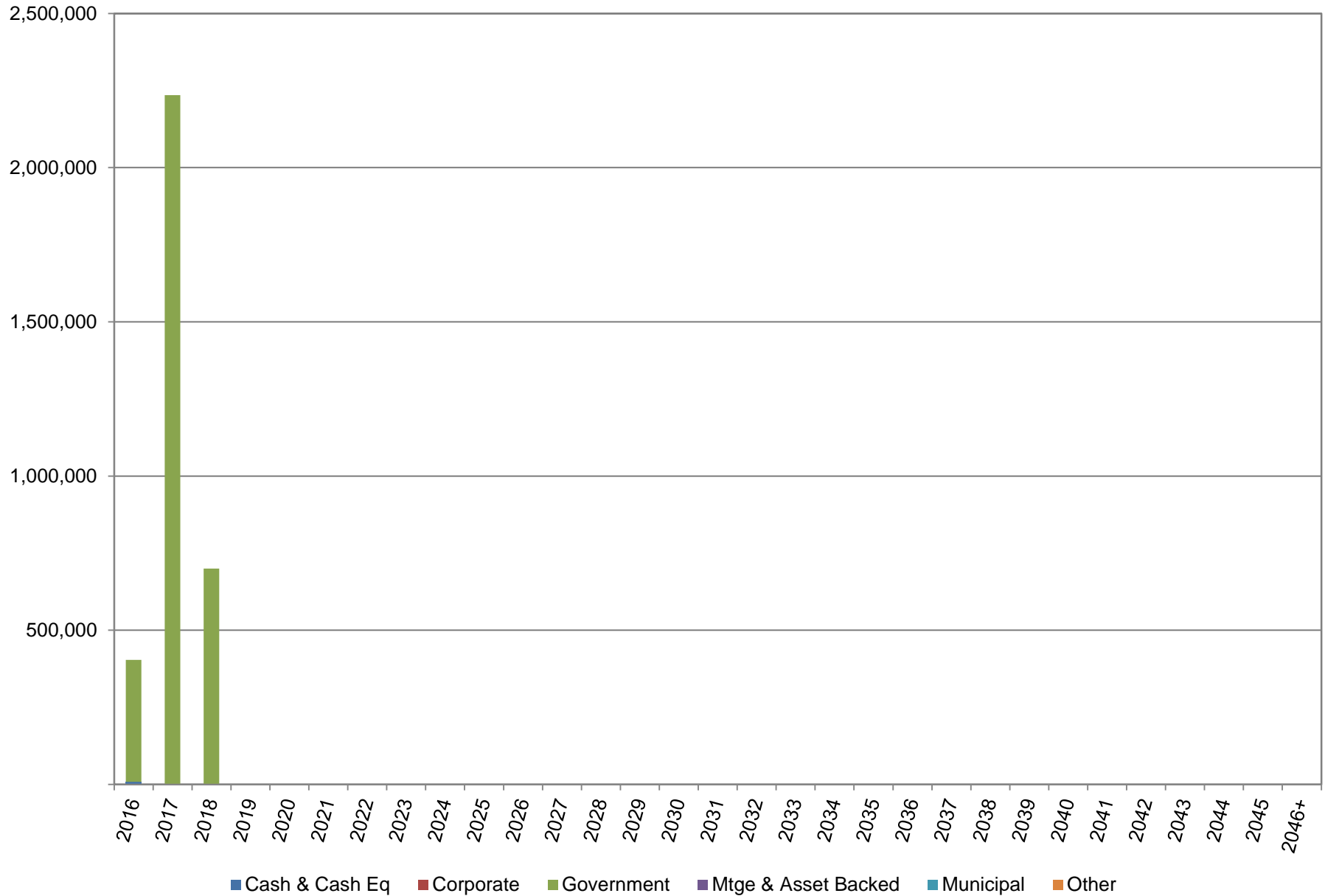
Prime remains positioned to take advantage of any future spread widening by maintaining a slight underweight. Our focus in residential mortgages remains in agency-backed products only.

For shorter duration securities, we prefer an allocation to asset-backed securities. Prime continues to recommend a healthy overweight to this sector, as issuance has been limited and these securities have experienced 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.

# 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
<b>Fixed Income</b>											
Treasury	3,330,118	3,335,445	5,327	0.64	0.50	1.08	0.02	16	5,332	1	(5)
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- 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
<b>Total</b>	<b>3,330,118</b>	<b>3,335,445</b>	<b>5,327</b>	<b>0.64</b>	<b>0.50</b>	<b>1.08</b>	<b>0.02</b>	<b>16</b>	<b>5,332</b>	<b>1</b>	<b>(5)</b>
<b>Short Term</b>											
Sweep Money Market	108,893	108,893	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	(100,451)	(100,451)	0	0.00	0.00	0.00	0.00	0	0	0	0
<b>Total</b>	<b>8,443</b>	<b>8,443</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Fixed Income &amp; Short Term</b>											
<b>Total</b>	<b>3,338,561</b>	<b>3,343,887</b>	<b>5,327</b>	<b>0.64</b>	<b>0.50</b>	<b>1.08</b>	<b>0.02</b>	<b>16</b>	<b>5,332</b>	<b>1</b>	<b>(5)</b>
<b>Equity</b>											
Common Stock	0	0	0					0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>											
<b>Total</b>	<b>3,338,561</b>	<b>3,343,887</b>	<b>5,327</b>					<b>16</b>	<b>5,332</b>	<b>1</b>	<b>(5)</b>

## Maturity Schedule By Weighted Average Life



## Effective Maturity Schedule

Year	Book Value	Tax Equiv. Book Yield	% of Total Book Value
2016	395,219	0.46	12%
2017	2,234,404	0.66	67%
2018	700,495	0.71	21%
2019+	0	0.00	0%
<b>Subtotal</b>	<b>3,330,118</b>	<b>0.64</b>	<b>100%</b>
(inc. ABS, Agcy, CMBS, Corp, Muni, UST)			
MBS	0	0.00	0%
<b>TOTAL</b>	<b>3,330,118</b>	<b>0.64</b>	<b>100%</b>

# Performance

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**Tax-Equivalent Total Return  
as of 06/30/2016  
Inception Date: 08/01/2014**

	<b>Prime</b>	<b>Benchmark</b>	<b>Difference</b>
Quarter to Date	0.34%	0.41%	-0.07%
Year to Date	0.78%	0.85%	-0.07%
Since Inception	0.47%	0.48%	-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
04/01/2016	912828F47	US TREASURY N/B	Treasury	AA+	Aaa	0.500	09/30/2016	N/A	100.03	145,046	0.44	0.44
04/01/2016	912828P20	US TREASURY N/B	Treasury	AA+	Aaa	0.750	01/31/2018	N/A	99.98	199,969	0.76	0.76
04/01/2016	912828UE8	US TREASURY N/B	Treasury	AA+	Aaa	0.750	12/31/2017	N/A	99.98	149,977	0.46	0.46
04/11/2016	912828UR9	US TREASURY N/B	Treasury	AA+	Aaa	0.750	02/28/2018	N/A	100.08	200,164	0.71	0.71
04/11/2016	912828UU2	US TREASURY N/B	Treasury	AA+	Aaa	0.750	03/31/2018	N/A	100.05	200,094	0.73	0.73
06/30/2016	912828K25	US TREASURY N/B	Treasury	AA+	Aaa	0.750	04/15/2018	N/A	100.29	100,293	0.59	0.59
<b>Total</b>										<b>995,543</b>	<b>0.63</b>	<b>0.63</b>

## 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
05/02/2016	Sell	912828WQ9	US TREASURY	Treasury	AA+	Aaa	0.500	06/30/2016	06/30/2016	100.04	100,027	16	0.33	0.33
05/19/2016	Sell	912828F88	US TREASURY	Treasury	AA+	Aaa	0.375	10/31/2016	10/31/2016	99.97	149,954	5	0.44	0.44
06/30/2016	Maturity	912828WQ9	US TREASURY	Treasury	AA+	Aaa	0.500	06/30/2016	06/30/2016	100.00	100,000	0	0.33	0.33
<b>Total</b>											<b>349,981</b>	<b>21</b>	<b>0.38</b>	<b>0.38</b>



# *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
<b>Money Market</b>																	
99C001734	04/08/2016			108,893	BANK OF AMERICA/MERRILL	0.00			108,893	108,893	108,893	0	0.00	0.00	0.00	0.00	
-	06/30/2016			(100,451)	Securities (Payable) / Receivable	0.00			(100,451)	(100,451)	(100,451)	0	0.00	0.00	0.00	0.00	0.00
<b>Total Money Market</b>				<b>8,443</b>					<b>8,443</b>	<b>8,443</b>	<b>8,443</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Treasury</b>																	
912828B74	07/21/2015	AA+	Aaa	200,000	US TREASURY N/B	0.63	02/15/2017	02/15/2017	200,173	200,069	200,226	157	0.57	0.44	0.62	0.63	0.01
912828C73	07/31/2015	AA+	Aaa	225,000	US TREASURY N/B	0.88	04/15/2017	04/15/2017	226,073	225,500	225,734	234	0.59	0.46	0.78	0.79	0.01
912828F47	04/01/2016	AA+	Aaa	145,000	US TREASURY N/B	0.50	09/30/2016	09/30/2016	145,046	145,023	145,096	72	0.44	0.24	0.25	0.25	0.01
912828H29	04/27/2015	AA+	Aaa	250,000	US TREASURY N/B	0.63	12/31/2016	12/31/2016	250,655	250,196	250,263	67	0.47	0.41	0.50	0.50	0.00
912828H78	06/29/2015	AA+	Aaa	200,000	US TREASURY N/B	0.50	01/31/2017	01/31/2017	199,969	199,989	200,094	105	0.51	0.42	0.58	0.59	0.01
912828J92	07/31/2015	AA+	Aaa	225,000	US TREASURY N/B	0.50	03/31/2017	03/31/2017	224,755	224,889	225,059	169	0.57	0.47	0.74	0.75	0.01
912828K25	06/30/2016	AA+	Aaa	100,000	US TREASURY N/B	0.75	04/15/2018	04/15/2018	100,293	100,293	100,288	(5)	0.59	0.59	1.78	1.79	0.04
912828P20	04/01/2016	AA+	Aaa	200,000	US TREASURY N/B	0.75	01/31/2018	01/31/2018	199,969	199,974	200,566	592	0.76	0.57	1.57	1.59	0.03
912828SY7	07/31/2015	AA+	Aaa	210,000	US TREASURY N/B	0.63	05/31/2017	05/31/2017	209,927	209,963	210,221	257	0.64	0.51	0.91	0.91	0.01
912828TM2	09/10/2015	AA+	Aaa	200,000	US TREASURY N/B	0.63	08/31/2017	08/31/2017	199,563	199,740	200,196	456	0.74	0.54	1.16	1.17	0.02
912828TS9	09/10/2015	AA+	Aaa	200,000	US TREASURY N/B	0.63	09/30/2017	09/30/2017	199,376	199,618	200,210	592	0.78	0.54	1.25	1.25	0.02
912828TW0	09/30/2015	AA+	Aaa	200,000	US TREASURY N/B	0.75	10/31/2017	10/31/2017	200,344	200,221	200,516	295	0.67	0.56	1.32	1.33	0.02
912828UA6	02/02/2016	AA+	Aaa	200,000	US TREASURY N/B	0.63	11/30/2017	11/30/2017	199,446	199,569	200,180	611	0.78	0.56	1.41	1.42	0.03
912828UE8	04/01/2016	AA+	Aaa	150,000	US TREASURY N/B	0.75	12/31/2017	12/31/2017	149,977	149,980	150,411	431	0.76	0.57	1.50	1.50	0.03
912828UR9	04/11/2016	AA+	Aaa	200,000	US TREASURY N/B	0.75	02/28/2018	02/28/2018	200,164	200,145	200,574	429	0.71	0.58	1.65	1.66	0.04
912828UU2	04/11/2016	AA+	Aaa	200,000	US TREASURY N/B	0.75	03/31/2018	03/31/2018	200,094	200,083	200,568	485	0.73	0.59	1.74	1.75	0.04
912828XP0	08/28/2015	AA+	Aaa	225,000	US TREASURY N/B	0.63	07/31/2017	07/31/2017	224,763	224,866	225,245	379	0.68	0.52	1.07	1.08	0.02
<b>Total Treasury</b>				<b>3,330,000</b>					<b>3,330,587</b>	<b>3,330,118</b>	<b>3,335,445</b>	<b>5,327</b>	<b>0.64</b>	<b>0.50</b>	<b>1.08</b>	<b>1.09</b>	<b>0.02</b>
<b>Grand Total</b>				<b>3,338,443</b>					<b>3,339,030</b>	<b>3,338,561</b>	<b>3,343,887</b>	<b>5,327</b>	<b>0.64</b>	<b>0.50</b>	<b>1.08</b>	<b>1.08</b>	<b>0.02</b>

# Glossary of Terms

Security Types	
<b>Adjustable Rate Mortgage (ARM)</b>	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.
<b>Agency</b>	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.
<b>Asset-Backed Security (ABS)</b>	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.
<b>Collateralized Mortgage Obligation (CMO)</b>	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.
<b>Commercial Mortgage-Backed Security (CMBS)</b>	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.
<b>Corporate (Corp)</b>	A fixed income security issued by a private corporation.
<b>Mortgage Pass-Through (MPT)</b>	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.
<b>Preferred Stock (Preferred)</b>	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.
<b>Tax-exempt Municipal (ExMuni)</b>	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.
<b>Taxable Municipal (TaxMuni)</b>	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.
<b>Treasury</b>	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	
<b>Average Life</b>	The dollar-weighted average time to maturity of a stream of principal cash flows. Also referred to as “weighted average life” or “WAL”.
<b>Basis Point (bp)</b>	1/100 of 1% (or equivalently .0001).
<b>Benchmark</b>	<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>
<b>Book Income</b>	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.
<b>Book Value</b>	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.
<b>Book Yield</b>	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.
<b>Cash Flow</b>	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.
<b>Convexity</b>	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.
<b>Credit Risk</b>	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.
<b>Duration</b>	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.)	
<b>DYCARR<sup>SM</sup></b>	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.
<b>FICO Score</b>	A generic credit score developed by Fair, Isaac and Company, Inc., designed to predict the likelihood of borrowers becoming delinquent in their credit obligations.
<b>Gross Domestic Product (GDP)</b>	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.
<b>Interest Rate Risk</b>	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.
<b>Loan to Value (LTV)</b>	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.
<b>Market Value</b>	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.
<b>Option Adjusted Spread (OAS)</b>	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.
<b>Realized Gain/(Loss)</b>	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.
<b>Tax Equivalent Yield</b>	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%).
<b>Total Return</b>	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.
<b>Unrealized Gain/(Loss)</b>	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.
<b>Volatility Adjusted Duration</b>	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.
<b>Whole Loan</b>	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).
<b>Yield</b>	The implied return achievable for purchasing a bond at a given price.

# *Appendix*

## Presentation Overview

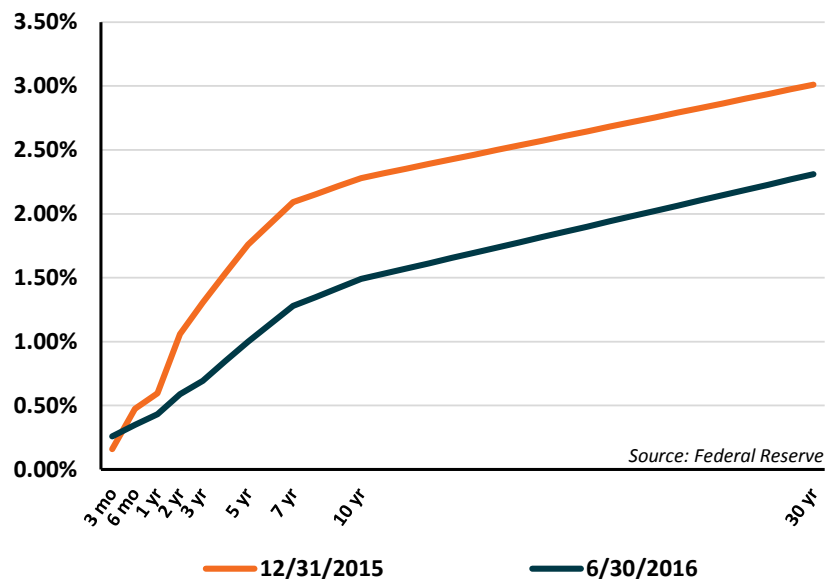
## Overview

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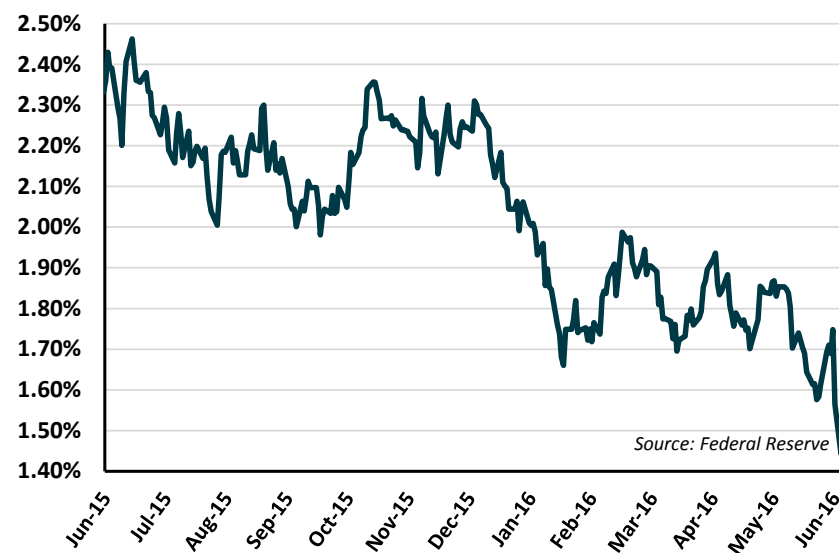
- Economic overview and market update
- Portfolio review
- Performance

# Treasury Yields and World Bond Yields

## Treasury Yield Curves



## 10 Year Yields



## US Treasury Yields

	12/31/2015	6/30/2016
<b>3 Month</b>	0.16%	0.26%
<b>2 Year</b>	1.06%	0.59%
<b>5 Year</b>	1.76%	1.00%
<b>10 Year</b>	2.28%	1.49%
<b>30 Year</b>	3.01%	2.31%

Source: Federal Reserve

## 10 Year World Bond Yields

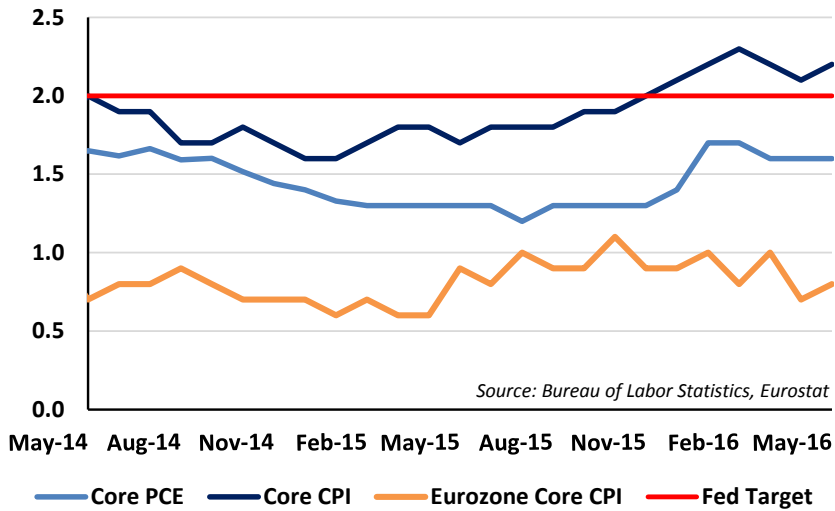
	12/31/2015	6/30/2016	Difference
<b>US</b>	2.28%	1.49%	-0.79%
<b>UK</b>	1.96%	0.86%	-1.10%
<b>Germany</b>	0.63%	-0.13%	-0.76%
<b>France</b>	0.99%	0.18%	-0.81%
<b>Italy</b>	1.60%	1.25%	-0.34%
<b>Spain</b>	1.77%	1.16%	-0.61%
<b>Portugal</b>	2.50%	2.97%	0.47%
<b>Japan</b>	0.27%	-0.23%	-0.49%

Source: Federal Reserve, Bloomberg

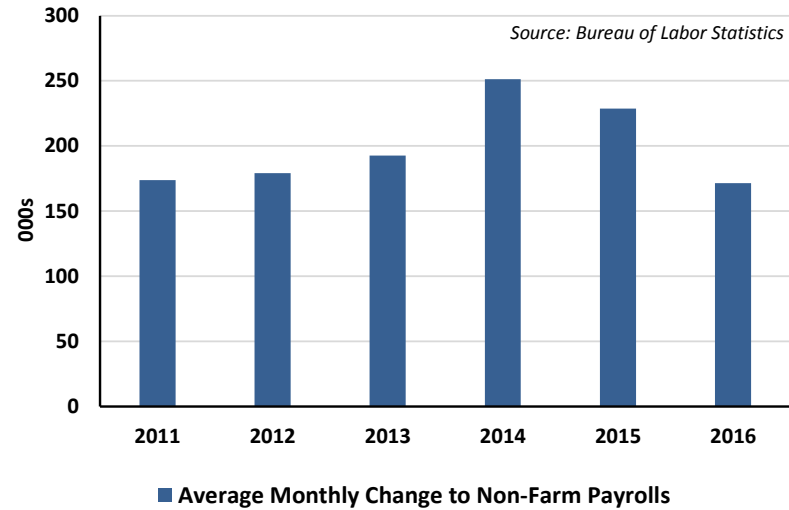


# Key Fed Indicators

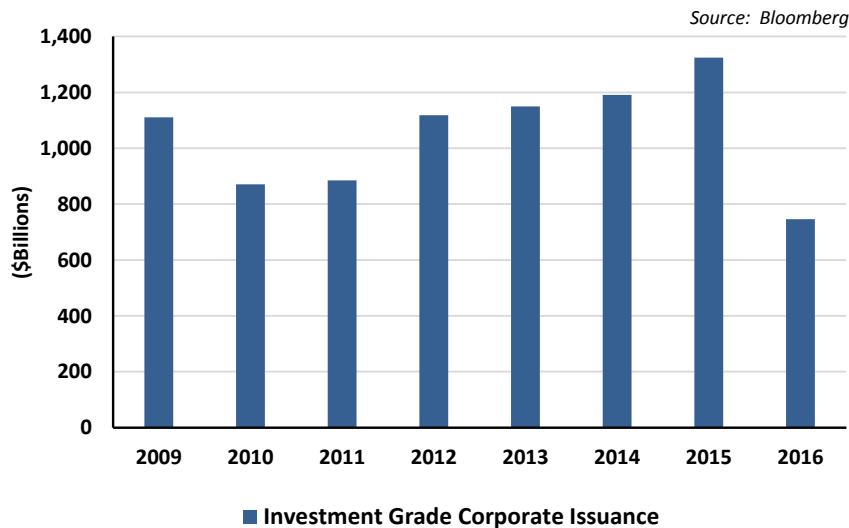
## Inflation



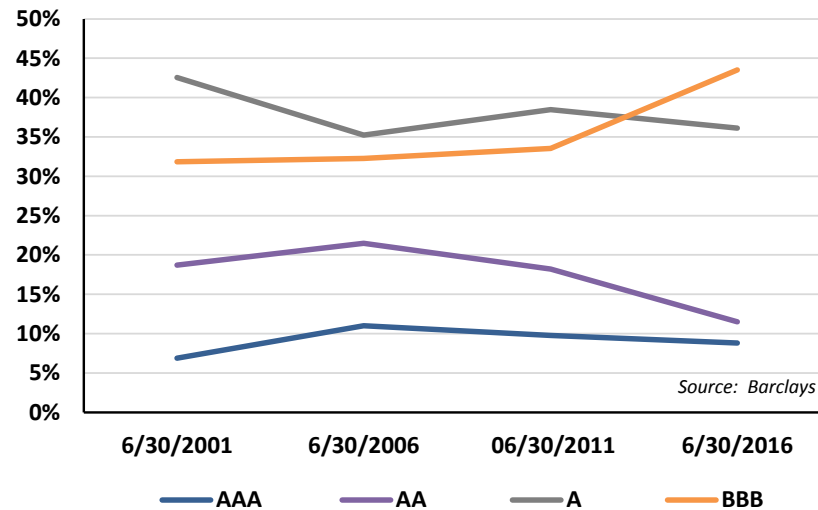
## Employment



## Corporate Issuance



## Barclays US Credit Ratings



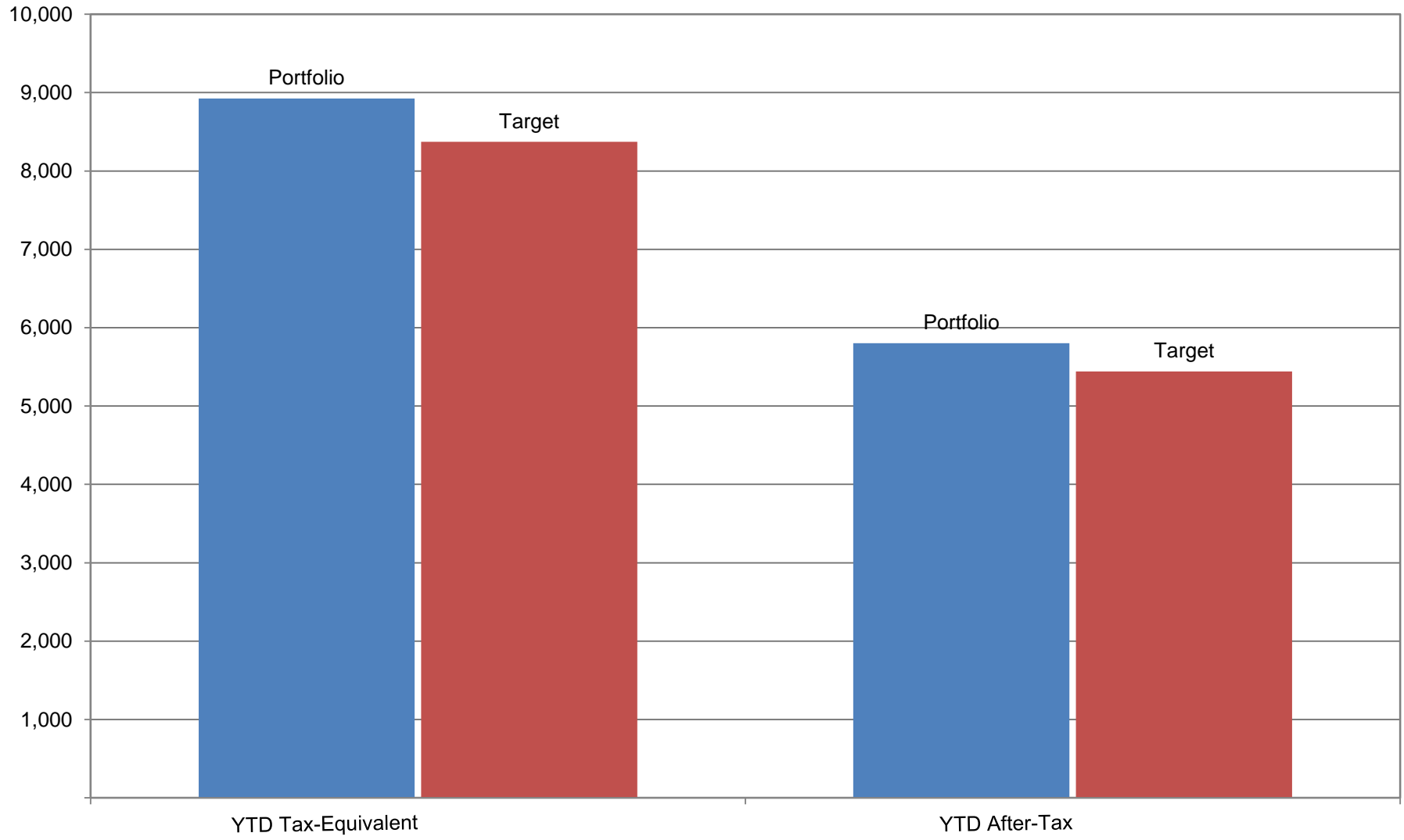
## Portfolio Changes

Public Entity Joint Insurance Fund	06/30/2015	09/30/2015	12/31/2015	03/31/2016	06/30/2016
<b>Treasury Yields</b>					
2 yr Treasury Yield	0.64%	0.63%	1.06%	0.74%	0.59%
5 yr Treasury Yield	1.63%	1.38%	1.77%	1.22%	1.01%
10 yr Treasury Yield	2.33%	2.06%	2.28%	1.78%	1.49%
<b>Book Statistics</b>					
Tax-Equivalent Book Yield	0.29%	0.55%	0.53%	0.55%	0.64%
Book Value (\$)	1,999,958	3,150,758	2,905,568	2,909,519	3,338,561
Projected Tax-Equivalent Income, next 12 months (\$)	5,885	17,182	15,380	16,052	21,474
Unrealized Gains/(Losses) (\$)	136	3,081	(9,163)	(465)	5,327
YTD Realized Gains/(Losses) (\$)	0	0	666	0	21
<b>Portfolio Risk Statistics</b>					
Effective Duration	0.73	1.39	1.11	0.99	1.08
Convexity	0.01	0.03	0.02	0.02	0.02
Weighted Average Life	0.73	1.40	1.12	1.00	1.08
Average Rating	AAA	AAA	AAA	AAA	AAA
<b>Portfolio Sector Allocation</b>					
Treasury	69%	100%	99%	92%	100%
Agency	30%	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	1%	0%	1%	8%	0%

# Income Year to Date

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Year to Date, as of 06/30/2016



# Performance

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**Tax-Equivalent Total Return**  
**as of 06/30/2016**  
**Inception Date: 08/01/2014**

	<b>Prime</b>	<b>Benchmark</b>	<b>Difference</b>
Quarter to Date	0.34%	0.41%	-0.07%
Year to Date	0.78%	0.85%	-0.07%
Since Inception	0.47%	0.48%	-0.02%

**Benchmark Composition:**

100.0% PEJIF Duration Matched Treasury

**PUBLIC ENTITY JOINT INSURANCE FUND CERTIFICATES ISSUED 6/1/2016 to 6/30/2016**

JIF Member	ISSUED	CERT HOLDER	COVERAGE	HOLDER DESCRIPTION
City of East Orange	6/30/2016	Pierce-Eagle Equipment Co.	2016 GL/AL/WC/APD	Certificate holder is included as an additional insured (Lessor) and loss payee as respects the City of East Orange's short term lease (approximately 4 days from start date of 6/30/16) of 2013 Vac Con Model V311SHA S/N 04136462 on 2013 Peterbilt Model 348 VIN 2NP3LNOX7DM207968 valued at \$369,000. *
City of East Orange	6/10/2016	PSE&G HOLIDAY LIGHTING GROUP	2016 GL/AL/WC	Certificate holder is included as an additional insured as respects the City of East Orange's attachment of holiday decorations, banners and signs to poles during 2016. *
City of East Orange	6/22/2016	East Orange Board of Education	2016 GL/AL/WC	Certificate holder is included as an additional insured (Premises Owner) as respects the City of East Orange Recreation Department sponsored Fireworks display at Paul Robeson Stadium on 7/4/16 rain date 7/5/16. *
City of Passaic	6/30/2016	Preakness Valley Golf Course	2016 GL/AL/WC	Evidence of insurance as respects the City of Passaic's use of four golf carts from 7/1/16 to 7/4/16.
Town of West New York	6/16/2016	JESCO INC.	2016 GL/PROP	JESCO Inc. is included as additional insured (Lessor) and loss payee as respects the Town of West New York's short term rental of 2015 John Deere 524K Loader valued at \$234,000 contract #038241, item to be returned to JESCO on 6/17/16. *
City of Perth Amboy	6/14/2016	Harbortown Terrace LLC	2016 GL	Evidence of insurance as respects the City of Perth Amboy sponsored Family Fun Day at Harbortown Terrace on 6/18/16.
City of Perth Amboy	6/17/2016	Perth Amboy Board of Education	2016 GL/AL/WC	Evidence of insurance as respects the City of Perth Amboy Recreation Department's use of the certificate holder's premises for the MAPS Summer Day Camp from 7/1/16 through 8/12/16.
City of Perth Amboy	6/20/2016	Bow Tie Pool	2016 GL/AL/WC	Evidence of insurance as respects the City of Perth Amboy MAPS Summer Day Camp trip to Bow Tie Pool on 7/14/16.

**PUBLIC ENTITY JOINT INSURANCE FUND CERTIFICATES ISSUED 6/1/2016 to 6/30/2016**

JIF Member	ISSUED	CERT HOLDER	COVERAGE	HOLDER DESCRIPTION
City of Plainfield	6/16/2016	County of Union	2016 GL/AL/WC	The County of Union, its Board of Chosen Freeholders, officers, employees, agents, servants and the State of New Jersey are included as Additional Insured under the General Liability policy as respects the City of Plainfield's use of Cedar Brook Park for a concert & fireworks display on 7/2/16 rain date 7/3/16. The General Liability coverage is provided on a primary and non-contributory basis to the County of Union, et al. Where applicable, a waiver of subrogation in favor of the County of Union, its Board of Chosen Freeholders, officers, employees, agents, servants and the State of New Jersey is to be included in those policies of insurance where permitted by law. *
City of Plainfield	6/28/2016	County of Union	2016 GL/AL/WC	The County of Union, its Board of Chosen Freeholders, officers, employees, agents, servants and the State of New Jersey are included as Additional Insured under the General Liability policy as respects the renewal funding of 2016 GAP Subcontract Package for Plainfield Action Services. The General Liability insurance coverage is provided on a coverage is provided on a primary and non-contributory basis to the County of Union, et al. Where applicable, a waiver of subrogation in favor of the County of Union, its Board of Chosen Freeholders, officers, employees, agents, servants and the State of New Jersey is to be included in those policies of insurance where permitted by law. *
Township of Teaneck	6/28/2016	Modular Space Corporation	2016 GL/PROP	Certificate holder is included as an additional insured (Lessor) and loss payee as respects the Township of Teaneck's rental of an equipment trailer valued at \$11,200 located at Votee Park from 7/5/16 through 11/11/16. *