

NEW JERSEY SCHOOLS INSURANCE GROUP
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2021 AND 2020



NEW JERSEY SCHOOLS INSURANCE GROUP
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INDEPENDENT AUDITOR'S REPORT

The Chairperson and Members
of the Board of Trustees
New Jersey Schools Insurance Group
Mount Laurel, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the New Jersey Schools Insurance Group (the "Group") as of and for the fiscal years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Group's basic 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 an opinion on these financial statements based on our audits. 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 in compliance with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, 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 from 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 risks 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 statements.

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

The Chairperson and Members
of the Board of Trustees
New Jersey Schools Insurance Group

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Group as of June 30, 2021 and 2020 and the changes in its financial position and its cash flows for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Group's proportionate share of the net pension liability, schedule of the Group's contributions to the retirement system and changes in Group's Total opeb liability and related ratios 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2021 on our consideration of the Group'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 financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Group's internal control over financial reporting and compliance.

Respectfully Submitted,



Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
October 20, 2021

**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**

INDEPENDENT AUDITOR'S REPORT

The Chairperson and Members
of the Board of Trustees
New Jersey Schools Insurance Group
Mount Laurel, New Jersey

We have audited, in accordance with the 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 in compliance with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the New Jersey Schools Insurance Group (the "Group"), as of June 30, 2021 and for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the Group's basic financial statements, and have issued our report thereon dated October 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Group'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Group'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 Group'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

The Chairperson and Members
of the Board of Trustees
New Jersey Schools Insurance Group

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Group's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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, and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 and the audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Respectfully Submitted,



Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
October 20, 2021

New Jersey Schools Insurance Group Management's Discussion and Analysis - Unaudited

This section of the annual financial report of the New Jersey Schools Insurance Group (the "Group") presents a discussion and analysis of the financial performance of the Group for the fiscal years ended June 30, 2021, 2020, and 2019. Please read it in conjunction with the basic financial statements that follow this section.

Overview of Basic Financial Statements

The Group's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of the Group is to provide property and casualty insurance coverage for school districts that are members of the Group. The Group maintains separate enterprise funds by incurred years and lines of coverage. The basic financial statements are presented on an accrual basis of accounting. The three basic financial statements presented are as follows:

Comparative Statements of Net Position – This statement presents information reflecting the Group's assets, deferred outflows, liabilities, deferred inflows, reserves, and net position. Net position represents the amount of total assets and deferred outflows less total liabilities, reserves and deferred inflows.

Comparative Statements of Revenues, Expenses, and Changes in Net Position – This statement reflects the Group's operating revenues and expenses, as well as non-operating items during the reporting period. The change in net position for an enterprise fund is similar to net profit or loss for any other insurance company.

Comparative Statements of Cash Flows – The comparative statements of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, investing and capital and related financing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

Financial Highlights

The following tables summarize the net position and results of operations for the Group as of and for the fiscal years ended June 30, 2021, 2020, and 2019.

Statements Of Net Position

| | <u>6/30/2021</u> | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>2020 to 2021 Change</u> | |
|---|-----------------------|-----------------------|-----------------------|----------------------------|-------------------|
| | | | | <u>Amount</u> | <u>Percentage</u> |
| Assets | | | | | |
| Cash And Cash Equivalents | \$ 217,156,519 | \$ 189,221,644 | \$ 169,732,210 | \$ 27,934,875 | 14.76% |
| Investments | 190,625,401 | 190,157,935 | 184,653,311 | 467,466 | 0.25% |
| Capital Assets | 290,840 | 375,552 | 535,526 | (84,712) | -22.56% |
| Other Assets | <u>1,652,309</u> | <u>4,266,871</u> | <u>4,931,501</u> | <u>(2,614,562)</u> | <u>-61.28%</u> |
| Total Assets | <u>409,725,069</u> | <u>384,022,002</u> | <u>359,852,548</u> | <u>25,703,067</u> | <u>6.69%</u> |
| Deferred Outflows of Resources | <u>2,885,877</u> | <u>4,033,406</u> | <u>6,023,951</u> | <u>(1,147,529)</u> | <u>-28.45%</u> |
| Current Liabilities | | | | | |
| Loss Reserves | 192,342,000 | 200,032,000 | 208,977,000 | (7,690,000) | -3.84% |
| Other Liabilities | <u>19,145,537</u> | <u>15,634,886</u> | <u>12,013,740</u> | <u>3,510,651</u> | <u>22.45%</u> |
| Total Current Liabilities | <u>211,487,537</u> | <u>215,666,886</u> | <u>220,990,740</u> | <u>(4,179,349)</u> | <u>-1.94%</u> |
| Long-Term Liabilities | | | | | |
| Safety Grant Payable | 8,500,000 | 11,000,000 | 13,485,278 | (2,500,000) | -22.73% |
| Retirement Benefits | 2,026,709 | 2,178,712 | 2,199,850 | (152,003) | -6.98% |
| Net Pensions Liabilities | <u>12,995,945</u> | <u>14,481,115</u> | <u>15,969,473</u> | <u>(1,485,170)</u> | <u>-10.26%</u> |
| Total Long-Term Liabilities | <u>23,522,654</u> | <u>27,659,827</u> | <u>31,654,601</u> | <u>(4,137,173)</u> | <u>-14.96%</u> |
| Total Liabilities And Reserves | <u>235,010,191</u> | <u>243,326,713</u> | <u>252,645,341</u> | <u>(8,316,522)</u> | <u>-3.42%</u> |
| Deferred Inflows of Resources | <u>5,728,017</u> | <u>5,495,590</u> | <u>5,406,562</u> | <u>232,427</u> | <u>4.23%</u> |
| Net Position | | | | | |
| Invested in Capital Assets | 290,840 | 375,552 | 535,526 | (84,712) | -22.56% |
| Unrestricted | <u>171,581,898</u> | <u>138,857,553</u> | <u>107,289,070</u> | <u>32,724,345</u> | <u>23.57%</u> |
| Net Position - Unrestricted | <u>\$ 171,872,738</u> | <u>\$ 139,233,105</u> | <u>\$ 107,824,596</u> | <u>\$ 32,639,633</u> | <u>23.44%</u> |

Financial Highlights Continued

Statements Of Revenues, Expenses, And Changes In Net Position Summary

| | <u>6/30/2021</u> | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>2020 to 2021 Change</u> | |
|------------------------------|-----------------------|-----------------------|-----------------------|----------------------------|-------------------|
| | | | | <u>Amount</u> | <u>Percentage</u> |
| Operating Revenue | | | | | |
| Assessment Revenue | | | | | |
| & Other Income | <u>\$ 135,322,802</u> | <u>\$ 136,444,091</u> | <u>\$ 132,146,959</u> | <u>\$ (1,121,289)</u> | <u>-0.82%</u> |
| Operating Expenses | | | | | |
| Provision For Claims And | | | | | |
| Claims Adj Recoveries | 34,361,082 | 46,314,878 | 51,009,732 | (11,953,796) | -25.81% |
| Reinsurance Premiums | 39,706,292 | 36,295,296 | 34,027,780 | 3,410,996 | 9.40% |
| Salaries and Fringe Benefits | 8,411,685 | 9,193,102 | 9,463,928 | (781,417) | -8.50% |
| Agent Commissions | 16,112,143 | 15,395,690 | 14,581,903 | 716,453 | 4.65% |
| Safety Grant Expense | 2,000,000 | 2,000,000 | 2,000,000 | - | 0.00% |
| Professional Services | 1,368,364 | 1,411,814 | 1,453,725 | (43,450) | -3.08% |
| Other | 1,513,639 | 1,852,655 | 2,007,921 | (339,016) | -18.30% |
| Depreciation | <u>533,334</u> | <u>573,721</u> | <u>504,819</u> | <u>(40,387)</u> | <u>-7.04%</u> |
| Total Operating Expenses | <u>104,006,539</u> | <u>113,037,156</u> | <u>115,049,808</u> | <u>(9,030,617)</u> | <u>-7.99%</u> |
| Operating Income | <u>31,316,263</u> | <u>23,406,935</u> | <u>17,097,151</u> | <u>7,909,328</u> | |
| Investment Income | <u>1,323,370</u> | <u>8,001,574</u> | <u>8,146,590</u> | <u>(6,678,204)</u> | <u>-83.46%</u> |
| Change In Net Position | <u>\$ 32,639,633</u> | <u>\$ 31,408,509</u> | <u>\$ 25,243,741</u> | <u>\$ 1,231,124</u> | <u>3.92%</u> |

The Group's total assets increased by 6.69% and total liabilities and reserves decreased by 3.42%. Included in total liabilities and reserves, loss reserves decreased by 3.84%.

Operating income increased by \$7,909,328 primarily due to a decrease in the in operating expenses of \$9,030,617.

Investment income for the fiscal year ended June 30, 2021 decreased by \$6,678,204 from the prior year due to investment interest on US Treasury Notes and Bills yields falling to record lows in spring of 2020 in the wake of the COVID-19 pandemic. This attributed to unrealized losses this year which effected investment earnings. Realized gains and interest were less than the preceding year due to yields and the shorter duration that US Treasury Notes and Bills were held before being sold.

Net Position increased by \$32,639,633.

Economic Conditions

As a school board insurance group, the Group continues to be subject to many of the same economic conditions and trends as the commercial insurance market, including, but not limited to, inflationary trends in claim costs, depressed U.S. Treasury Bond yields, and inflationary trends in the cost of obtaining excess/reinsurance.

Contacting the Group's Management

This financial report is designed to provide the New Jersey Schools Insurance Group's members and the Department of Banking and Insurance of the State of New Jersey with a general overview of the Group's finances and to demonstrate the Group's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Executive Director's Office at 6000 Midlantic Drive, Mount Laurel, New Jersey 08054.

NEW JERSEY SCHOOLS INSURANCE GROUP
COMPARATIVE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|-----------------------|-----------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 217,156,519 | \$ 189,221,644 |
| Investments | 190,625,401 | 190,157,935 |
| Assessment Receivable, Net | 232,376 | 2,421,760 |
| Accrued Interest and Dividends | 284,804 | 579,961 |
| Reinsurance Receivable | 688,536 | 835,383 |
| Prepaid Expenses and Other Assets | 446,593 | 429,767 |
| | <hr/> | <hr/> |
| Total Current Assets | 409,434,229 | 383,646,450 |
| | <hr/> | <hr/> |
| Capital Assets | 290,840 | 375,552 |
| | <hr/> | <hr/> |
| Total Assets | 409,725,069 | 384,022,002 |
| | <hr/> | <hr/> |
| <u>DEFERED OUTFLOWS OF RESOURCES</u> | | |
| Related to Pension | 2,885,877 | 4,033,406 |
| | <hr/> | <hr/> |
| <u>LIABILITIES AND RESERVES</u> | | |
| Current Liabilities: | | |
| Unearned Assessments | 389,616 | 383,061 |
| Accounts Payable and Accrued Expenses | 7,816,265 | 7,422,379 |
| Return of Member Assessments Payable | 6,346,945 | 3,279,199 |
| Safety Grant Payable | 4,592,711 | 4,550,247 |
| | <hr/> | <hr/> |
| Total Current Liabilities | 19,145,537 | 15,634,886 |
| | <hr/> | <hr/> |
| Claims Reserves: | | |
| Case Reserves | 107,546,000 | 107,622,000 |
| IBNR Reserves | 84,796,000 | 92,410,000 |
| | <hr/> | <hr/> |
| Total Claims Reserves | 192,342,000 | 200,032,000 |
| | <hr/> | <hr/> |
| Long-Term Liabilities | | |
| Safety Grant Payable | 8,500,000 | 11,000,000 |
| Other Post Employment Benefits | 2,026,709 | 2,178,712 |
| Net Pensions Liabilities | 12,995,945 | 14,481,115 |
| | <hr/> | <hr/> |
| Total Long-Term Liabilities | 23,522,654 | 27,659,827 |
| | <hr/> | <hr/> |
| Total Liabilities and Reserves | 235,010,191 | 243,326,713 |
| | <hr/> | <hr/> |
| <u>DEFERED INFLOWS OF RESOURCES</u> | | |
| Related to Pension | 5,728,017 | 5,495,590 |
| | <hr/> | <hr/> |
| <u>NET POSITION</u> | | |
| Investment in Capital Assets | 290,840 | 375,552 |
| Unrestricted | 171,581,898 | 138,857,553 |
| | <hr/> | <hr/> |
| Total Net Position | <u>\$ 171,872,738</u> | <u>\$ 139,233,105</u> |

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

NEW JERSEY SCHOOLS INSURANCE GROUP
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|----------------|----------------|
| Operating Revenue: | | |
| Assessment Revenue | | |
| Assessments from Participating Members | \$ 141,662,804 | \$ 139,694,084 |
| Return of Member Assessments | 6,346,945 | 3,279,199 |
| | <hr/> | <hr/> |
| Net Assessment Revenue | 135,315,859 | 136,414,885 |
| Claims Servicing Revenue | 4,188 | 8,444 |
| Other Income | 2,755 | 20,762 |
| | <hr/> | <hr/> |
| Total Operating Revenue | 135,322,802 | 136,444,091 |
| | <hr/> | <hr/> |
| Operating Expenses: | | |
| Provision for Claims and Claims Adjustment Expense | 34,361,082 | 46,314,878 |
| Reinsurance Premiums | 39,706,292 | 36,295,296 |
| Salaries and Fringe Benefits | 8,411,685 | 9,193,102 |
| Agent Commissions | 16,112,143 | 15,395,690 |
| Safety Grant Expense | 2,000,000 | 2,000,000 |
| Management Fees | 675,000 | 675,000 |
| Office Expenses | 1,078,481 | 1,330,282 |
| Consulting and Professional Fees | 693,364 | 736,814 |
| Travel and Meeting Expense | 18,552 | 102,980 |
| Other | 416,606 | 419,393 |
| Depreciation | 533,334 | 573,721 |
| | <hr/> | <hr/> |
| Total Operating Expenses | 104,006,539 | 113,037,156 |
| | <hr/> | <hr/> |
| Operating Income | 31,316,263 | 23,406,935 |
| Non-Operating Revenue: | | |
| Investment Income | 1,323,370 | 8,001,574 |
| | <hr/> | <hr/> |
| Change In Net Position | 32,639,633 | 31,408,509 |
| Net Position, Beginning | 139,233,105 | 107,824,596 |
| | <hr/> | <hr/> |
| Net Position, Ending | \$ 171,872,738 | \$ 139,233,105 |
| | <hr/> | <hr/> |

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

NEW JERSEY SCHOOLS INSURANCE GROUP
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| Cash Flows From Operating Activities: | | |
| Assessments Received | \$ 140,579,544 | \$ 139,168,827 |
| Reinsurance Premiums Paid | (39,706,292) | (36,295,296) |
| Claims Paid | (41,904,235) | (54,357,348) |
| Operating Expenses Paid | (20,574,622) | (20,229,005) |
| Salaries and Fringe Benefits | (11,168,902) | (11,123,025) |
| Other Income Received | 6,943 | 29,206 |
| | <hr/> | <hr/> |
| Net Cash Flows Provided By Operating Activities | 27,232,436 | 17,193,359 |
| | <hr/> | <hr/> |
| Cash Flows From Investing Activities: | | |
| Proceeds from the Sales and Maturities of Investment Securities | 151,190,000 | 203,709,905 |
| Purchase of Investments | (153,416,209) | (208,104,434) |
| Investment Income | 3,377,270 | 7,104,351 |
| | <hr/> | <hr/> |
| Net Cash Provided By Investing Activities | 1,151,061 | 2,709,822 |
| | <hr/> | <hr/> |
| Cash Flows From Capital and Related Financing Activities: | | |
| Purchase of Capital Assets | (448,622) | (413,747) |
| | <hr/> | <hr/> |
| Net Increase in Cash and Cash Equivalents | 27,934,875 | 19,489,434 |
| | <hr/> | <hr/> |
| Cash and Cash Equivalents - Beginning | 189,221,644 | 169,732,210 |
| | <hr/> | <hr/> |
| Cash and Cash Equivalents - Ending | <u>\$ 217,156,519</u> | <u>\$ 189,221,644</u> |
| | <hr/> | <hr/> |
| Reconciliation of Operating Income to Net Cash | | |
| Provided By Operating Activities: | | |
| Operating Income | \$ 31,316,263 | \$ 23,406,935 |
| Adjustments to Reconcile Operating Income to Net Cash | | |
| Provided By Operating Activities: | | |
| Depreciation | 533,334 | 573,721 |
| Changes in Assets and Liabilities: | | |
| (Increase)/Decrease in Assets | | |
| Assessment Receivable | 2,189,384 | (545,970) |
| Reinsurance Receivable | 146,847 | 902,530 |
| Prepaid Expenses and Other Assets | (16,826) | 95,198 |
| Net Changes in Deferred Outflows | 1,147,529 | 1,990,545 |
| Increase/(Decrease) in Liabilities | | |
| Accounts Payable and Accrued Expenses | 393,886 | 579,267 |
| Member Return Payable | 3,067,746 | 3,279,199 |
| Safety Grant Payable | 42,464 | (258,033) |
| Change in Loss Reserves | (7,690,000) | (8,945,000) |
| Unearned Assessments | 6,555 | 20,713 |
| Net Pension Liability | (4,137,173) | (3,994,774) |
| Net Changes in Deferred Inflows | 232,427 | 89,028 |
| | <hr/> | <hr/> |
| Net Cash Flows Provided By Operating Activities | <u>\$ 27,232,436</u> | <u>\$ 17,193,359</u> |
| | <hr/> | <hr/> |

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 1: ORGANIZATION AND DESCRIPTION OF THE GROUP

The New Jersey Schools Insurance Group (the “Group”) was formed on October 22, 1983, in accordance with the New Jersey Statutes (NJSA 18A:18b-1 et seq). The bylaws of the Group, as supplemented by the Risk Management Plan, set forth the various procedures, which are to be followed in the organization, administration and operation of the Group. During the fiscal year ended June 30, 2014, the Bylaws were amended changing the name from New Jersey School Boards Association Insurance Group to New Jersey Schools Insurance Group.

Membership in the Group is open to all qualified New Jersey school districts and/or educational institutions as determined by the Group’s Trustees. The school district’s and/or educational institution’s Board may apply for membership by resolution. All applicants to the Group must also include a letter certifying that the school district has never defaulted on a claim and has not been canceled for non-payment of insurance premiums for a period of at least two (2) years prior to the date of application. This certification must also be included in the Members Resolution of Participation. The Trustees may approve qualified applicants by majority vote.

The Group provides coverage for workers’ compensation, general and automobile liability, auto physical damage, property, errors and omissions, and crime. The Group uses reinsurance agreements to reduce its exposure to large losses on the types of coverages.

All members' contributions to the Group, including a reserve for contingencies, are based on actuarial assumptions determined by the Group's actuary. The Commissioner of Banking and Insurance may order additional assessments to supplement the Group's claim, loss retention or administrative accounts to assure the payment of the Group’s obligations.

A summary of the risk amounts by the Group, by line of coverage are as follows:

| <u>Line of Coverage</u> | <u>Retention</u> |
|--|--|
| Workers’ compensation | \$1,000,000 per occurrence for fund years 2004 to 2021, \$350,000 per occurrence for fund years 1992 to 2002, and \$500,000 per occurrence for fund years 1986 to 1991 and 2003. For periods prior to 1987, annual aggregate retention based on minimum varying percentages of standard earning premium. |
| General liability and automobile liability | \$500,000 per occurrence for fund years 2003 to 2021, \$100,000 per occurrence for fund years 1999 to 2002, \$250,000 per occurrence for fund years 1988 to 1998, and \$200,000 per occurrence for periods prior to fund year 1988. |
| Property | \$1,000,000 per occurrence for fund years 2002 to 2021, \$150,000 per occurrence for fund year 1989 to 2001, and \$250,000 per occurrence for period prior to fund year 1989. |
| Crime | \$100,000 per occurrence. |

In addition, there are aggregate retentions applicable to losses in excess of the per occurrence retentions. For fund years 1994 to 1998, the aggregate retention is \$250,000 for general and automobile liability losses and \$350,000 for workers’ compensation losses. For fund years 1999 to 2002, the aggregate retention is \$100,000 for general and automobile liability and \$350,000 workers’ compensation losses.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 1: ORGANIZATION AND DESCRIPTION OF THE GROUP (CONT'D)

For fund years 2003 to 2008, the aggregate retention is \$500,000 for general and automobile liability and workers' compensation losses. For fund years 2003 to 2008, there was an additional one time, inner aggregate retention of \$500,000, excess of the \$500,000 retention for general and automobile liability.

The Group also writes policies covering equipment breakdown, cyber liability, supplemental indemnity, environmental, and crisis management. All of which are ceded 100% to reinsurance. The errors and omissions prior to 2004, and 2008 to 2020, was ceded 100% to reinsurance. During 2004 to 2008, the Group had a \$1,000,000 retention.

During the fiscal years ended June 30, 2021 and 2020, there were 374 and 375 New Jersey School Districts, respectively, that were members of the Group.

The Group also provides claims processing services for several New Jersey School Districts. The Group does not retain any risk for these school districts. The Group had revenue from these services of \$4,188 and \$8,444 during the fiscal years ended June 30, 2021 and 2020, respectively.

Brokerage of policies is administered by Willis Re Pooling under contract with the Group. The Group administers the billings to members.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant policies followed by the Group in the preparation of the accompanying financial statements:

Component Unit

In evaluating how to define the Group for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended. Blended component units, although legally separate entities, are in-substance part of the primary entity's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary entity.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the primary entity's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the primary entity and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the primary entity is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary entity could warrant its inclusion within the reporting entity.

Based upon the application of these criteria the Group has no component units and is not includable in any other reporting entities.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation

The financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Member Assessments are recognized as revenue at the time of assessment.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the comparative statements of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments, which may be purchased by New Jersey governmental units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (“GUDPA”), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Group has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Investments

The Group generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The Group categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment Income Allocation

Interest accruals and interest payments on cash instruments are allocated every month based upon each line of coverage share of opening cash and investment balances.

Annual Assessments

By May 15th of each year, the gross claim Group assessment is determined by the actuary and when combined with the expense and premium projections, constitutes the Group’s budget. Assessments for participating School Districts are determined by the underwriting criteria established by management in consultation with the Board of Trustees. Assessments are recognized over the course of the year for which coverage is being provided. The annual assessment shall be paid to the Group in one (1) installment, except for Workers’ Compensation, where members may request up to a maximum of twelve (12) monthly installments. Installment billings must be paid not later than sixty (60) days after billing.

Supplemental Assessments

If the Group is unable to pay indemnification obligations and expenses from a fund administered by it, the Trustees shall by majority vote levy upon the member school districts’ additional assessments wherever needed or so ordered by the Trustees or the Commissioner of Banking and Insurance to supplement the Group’s claim, loss retention or administrative accounts to assure the payment of the Group’s obligations.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred Rent

The Group records rent expense on a straight-line basis on its office leases, which contains fixed annual rental increases. The difference between rent expense and payments made under the lease are reflected as deferred rent.

Assessments Earned

Assessments earned are recognized on a daily pro rata basis over the term of the policy assessments applicable to the unexpired terms of the policies in force are reported as a liability and classified as unearned assessment at the balance sheet date.

Assessments Receivable

Assessments receivable are unsecured, and non-interest bearing and are recorded when invoices are issued. The recording of invoices has nothing to do with financial statement presentation. Payments of assessments receivable are allocated to specific invoices identified on the members' invoice or if unspecified, they are applied "on account" to the member until identification is received from the member. Assessments receivable are written off when they are determined to be uncollectible.

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable fiscal year end.

Capital Assets

Capital Assets primarily consist of office furniture and equipment. Additions are recorded at cost and depreciation is provided on the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 5 years. Maintenance and repairs are charges to expense as incurred.

Deferred Outflows of Resources

The Group reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its comparative statements of net position. The only deferred outflows of resources reported in this fiscal year's financial statements are a deferred outflow of resources for contributions made to the Group's defined benefit pension plan between the measurement date of the net pension liability from the plan and the end of the Group's fiscal year.

Deferred Inflows of Resources

The Group's comparative statements of net position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. Deferred inflows of resources are reported in the Group's comparative statements of net position for a deferred amount for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of five (5) years, including the current fiscal year.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

Unpaid Claims Liabilities

The Group establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) 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. Because actual claims 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 coverage's 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 reflected in reserves and cumulative expenses in the periods being reported upon.

A. **Reported Claims Case Reserves**

Case reserves include estimated unpaid claims cost for both future payments of losses and related allocated claim adjustment expenses as reported by the claims adjuster.

B. **Claims Incurred But Not Reported (IBNR) Reserve**

In order to recognize claims incurred but not reported, a reserve is calculated by the Group's actuary.

Case and IBNR Reserves represent the estimated liability on expected future development on claims already reported to the Group and claims incurred but not reported and unknown loss events that are expected to become claims. The liabilities for claims and related adjustment expenses are evaluated using Group and industry data, case basis evaluations and other statistical analyses, and represent estimates of the ultimate net cost of all losses incurred through June 30, 2021.

These liabilities are subject to variability between estimated ultimate losses determined as described and the actual experience as it emerges, including the impact of future changes in claim severity, frequency, and other factors.

Management believes that the liabilities for unpaid claims are adequate. The estimates are reviewed periodically and as adjustments to these liabilities become necessary, such adjustments are reflected in current operations.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Unpaid Claims Liabilities (Cont'd)

Reinsurance

Specific Excess Insurance - The Group records each claim at the estimated ultimate cost of settlement even if the costs should exceed the Group's specific claim self-insured retention level. Although the excess carrier is liable to the Group for the amounts insured, the Group remains liable to its insureds for the full amount of the policies written whether or not the excess carrier meets its obligations to the Group. Failure of the excess carrier to honor its obligations could result in losses to the Group.

Losses ceded to excess carriers for the fiscal years ended June 30, 2021 and 2020 amounted to \$9,005,941 and \$5,443,005, respectively.

Fund Transfers

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

Inter-trust fund transfers may be conducted by the Group at any time. Inter-trust fund transfers require prior approval of the Department of Banking and Insurance and may be conducted only where each member participates in every loss retention fund account during that fund year.

The Commissioner of the Department of Banking and Insurance shall waive the full participation requirement provided the Group demonstrates to the Department that it maintains records of each members pro rata share of each claim or loss retention fund account, and that the transfer shall be made so that any potential dividend shall not be reduced for a member that did not participate in the account receiving the transfer.

Inter-year fund transfers require prior approval of the Department of Banking and Insurance. The Group 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 that has been completed for at least twenty-four 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 outlined in N.J.A.C. 11:15-4.21.

The membership for each fiscal year involving inter-year transfers must be identical between fiscal years. The Commissioner of the Department of Banking and Insurance shall waive the identical membership requirement provided the Group demonstrates to the Department that it maintains records of each members pro rata share of each claim or loss retention fund account, and that the transfer shall be made so that any potential dividend shall not be reduced for a member that did not participate in the year receiving the transfer.

Subrogation

Subrogation and all other recoverable claim amounts, excluding excess insurance, are recognized upon receipt of cash only.

Income Taxes

The Group is exempt from income taxes under Section 115 of the Internal Revenue Code.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Net Position

In accordance with the provisions of the Governmental Accounting Standards Board Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", the Trustees have classified its net position as unrestricted. This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets" and includes net position that may be allocated for specific purposes by the Trustees.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from member contributions. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and investments in government securities.

Operating expenses include expenses associated with the fund operations, including claims expense, insurance and administrative expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Recently Issued Accounting Pronouncements

Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement originally would have become effective for the Authority in the fiscal year ending June 30, 2021, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 30, 2022. Management has not yet determined the impact of this Statement on the financial statements.

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Group's deposits might not be recovered. Although the Group does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Group in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Group relative to the happening of a future condition. If the Group had any such funds, they would be shown as Uninsured and Uncollateralized.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 3: CASH AND CASH EQUIVALENTS (CONT'D)

Custodial Credit Risk (Cont'd)

Of the Group's bank balance of \$218,396,630 as of June 30, 2021, \$250,000 was insured while \$218,146,630 was collateralized under GUDPA.

Of the Group's bank balance of \$192,084,316 as of June 30, 2020, \$250,000 was insured while \$191,834,316 was collateralized under GUDPA.

New Jersey Cash Management Fund

During the fiscal year, the Group participated in the New Jersey Cash Management Fund. The Cash Management Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At June 30, 2021 and 2020, the Group's deposits with the New Jersey Cash Management Fund were \$342,653 and \$342,446, respectively.

Note 4: INVESTMENTS

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Group will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Group, and are held by either the counterparty or the counterparty's trust department or agent but not in the Group's name. All of the Group's investments are in United States Treasury Bills and Notes totaling \$190,616,498 and \$190,098,188, respectively as of June 30, 2021 and 2020 and Blackrock Liquidity Treasury CI Adm of \$8,903 and \$59,747, respectively as of June 30, 2021 and 2020 were uninsured and unregistered with securities held by either the counterparty or counterparty's trust department or agent, but not in the Group's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To limit risk, the Group's investment policy provides that no investment or deposit shall have a maturity longer than five (5) years from date of purchase.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Group may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Group has an investment policy that limits its investment choices.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Group does not place a limit on the amount that may be invested in any one issuer. All of the Group's investments are in debt obligations.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 4: INVESTMENTS (CONT'D)

As of June 30, 2021 and 2020, the Group had the following investments and maturities.

| <u>Investment</u> | <u>Interest Rate</u> | <u>Maturities</u> | <u>Credit Rating</u> | <u>Market Value</u> | |
|----------------------------------|----------------------|-------------------|----------------------|----------------------|----------------------|
| | | | | <u>6/30/2021</u> | <u>6/30/2020</u> |
| Blackrock Liquidity Treas Cl Adm | | | AAA | \$ 8,903 | \$ 59,747 |
| US TREASURY BILL | 0.875% | 9/10/2020 | AAA | | 4,798,191 |
| US TREASURY BILL | 0.875% | 11/3/2020 | AAA | | 9,513,284 |
| US TREASURY BILL | 0.875% | 11/12/2020 | AAA | | 4,856,704 |
| US TREASURY BILL | 0.875% | 12/10/2020 | AAA | | 9,241,814 |
| US TREASURY BILL | | 9/9/2021 | AAA | 5,018,268 | |
| US TREASURY BILL | | 12/30/2021 | AAA | 9,525,565 | |
| US TREASURY NOTE | 1.500% | 7/15/2020 | AAA | | 9,429,807 |
| US TREASURY NOTE | 1.375% | 8/31/2020 | AAA | | 9,238,256 |
| US TREASURY NOTE | 1.375% | 9/30/2020 | AAA | | 9,322,606 |
| US TREASURY NOTE | 1.375% | 1/31/2021 | AAA | | 9,313,640 |
| US TREASURY NOTE | 1.125% | 2/28/2021 | AAA | | 19,116,470 |
| US TREASURY NOTE | 1.250% | 3/31/2021 | AAA | | 9,324,463 |
| US TREASURY NOTE | 1.250% | 4/30/2021 | AAA | | 9,391,512 |
| US TREASURY NOTE | 1.375% | 5/31/2021 | AAA | | 9,528,110 |
| US TREASURY NOTE | 1.125% | 6/30/2021 | AAA | | 10,341,401 |
| US TREASURY NOTE | 1.125% | 7/31/2021 | AAA | 9,608,640 | 9,698,976 |
| US TREASURY NOTE | 1.125% | 8/31/2021 | AAA | 9,316,647 | 9,401,742 |
| US TREASURY NOTE | 1.125% | 9/30/2021 | AAA | 9,224,472 | 9,309,296 |
| US TREASURY NOTE | 1.500% | 10/31/2021 | AAA | 9,771,583 | 9,896,744 |
| US TREASURY NOTE | 1.500% | 11/30/2021 | AAA | 9,255,016 | 9,372,500 |
| US TREASURY NOTE | 1.375% | 1/31/2022 | AAA | 18,792,860 | 19,002,672 |
| US TREASURY NOTE | 1.250% | 4/30/2022 | AAA | 9,627,984 | |
| US TREASURY NOTE | 1.250% | 9/30/2022 | AAA | 4,799,232 | |
| US TREASURY NOTE | 1.250% | 10/31/2022 | AAA | 9,695,829 | |
| US TREASURY NOTE | 1.250% | 11/30/2022 | AAA | 9,393,796 | |
| US TREASURY NOTE | 1.250% | 12/31/2022 | AAA | 9,306,989 | |
| US TREASURY NOTE | 1.250% | 1/31/2023 | AAA | 12,712,530 | |
| US TREASURY NOTE | 1.250% | 2/28/2023 | AAA | 12,734,063 | |
| US TREASURY NOTE | 1.250% | 3/31/2023 | AAA | 12,500,970 | |
| US TREASURY NOTE | 1.250% | 4/30/2023 | AAA | 9,382,422 | |
| US TREASURY NOTE | 1.250% | 5/31/2023 | AAA | 9,629,253 | |
| US TREASURY NOTE | 1.250% | 6/30/2023 | AAA | 10,320,379 | |
| | | | | <u>\$190,625,401</u> | <u>\$190,157,935</u> |

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 4: INVESTMENTS (CONT'D)

Fair Value Measurements of Investments

The Group categorizes its fair value disclosures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Group's fair value measurements as of June 30, 2021 and 2020 includes \$190,616,498 and \$190,098,188, respectively of United States Treasury Bills and Notes. In addition, fair value measurements include \$8,903 and \$59,747, respectively of Blackrock Liquidity Treasury CI Adm, a mutual fund that invests in U.S. Treasury bills, notes, and other obligations issued or guaranteed as to principal and interest by the United States Treasury. These investments are valued using quoted market prices for identical assets (Level 1 inputs).

Note 5: CAPITAL ASSETS

Capital assets balances and activity for the fiscal years ended June 30, 2021 and 2020 were as follows:

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|----------------------------------|----------------------|----------------------|
| Capital Assets Being Depreciated | | |
| Furniture and Equipment | | |
| Beginning of Year Balance | \$ 1,398,984 | \$ 1,437,167 |
| Additions | 448,622 | 413,747 |
| Deletions | <u>(1,164,487)</u> | <u>(451,930)</u> |
| End of Year Balance | <u>683,119</u> | <u>1,398,984</u> |
| Accumulated Depreciation | | |
| Beginning of Year Balance | 1,023,432 | 901,641 |
| Depreciation Expense | 533,334 | 573,721 |
| Deletions | <u>(1,164,487)</u> | <u>(451,930)</u> |
| End of Year Balance | <u>392,279</u> | <u>1,023,432</u> |
| Net Capital Assets | <u>\$ 290,840</u> | <u>\$ 375,552</u> |

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts Payable and Accrued Expenses for the fiscal years ended June 30, 2021 and 2020 were as follows:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Accounts Payable and Accrued Expenses - Vendors | \$ 3,542,471 | \$ 3,560,089 |
| Rate Stabilization Reserves - SubFunds | 2,312,681 | 1,968,064 |
| Due to Reinsurers | <u>1,961,113</u> | <u>1,894,226</u> |
| | <u>\$ 7,816,265</u> | <u>\$ 7,422,379</u> |

Note 7: SAFETY GRANTS

During the fiscal year ended in June 30, 2009, the Group approved a new safety grant program to the membership of the Group. The Group recognized that in this current climate of tightening school budgets, it has become increasingly difficult to spend money on safety. In an effort to help alleviate this problem, the Group approved this grant. The program is designed to help members make safety, security and educational related purchases toward loss prevention at the membership level.

Upon renewal, each member will be eligible for the grant amount defined by the Group's Trustees and allocated to sub funds and non-sub funds by the Group's independent actuary. Each sub fund members grant amount will be determined by the Group's independent actuary and/or by its respective grant sub fund committee. The Group developed the guidelines, application and approval process under which all members may apply for a grant. Based on the criteria of the grant and the review of each members' application, grants were awarded for \$2,000,000 for the fiscal years ended June 30, 2021 and 2020, respectively.

Scheduled payments of the awards are allocated over future years. In order to be eligible to receive a scheduled payment during a fiscal year, the grant recipient must have been a member of record as of the July 1st of the payment year. During the fiscal year ended June 30, 2021, the Group paid \$4,457,536 on previously awarded grants including \$3,000,000 for grants awarded for the June 30, 2018 year-end and \$1,457,536 for the June 30, 2017 year-end.

As of June 30, 2021 and 2020 total safety grants payable, assuming all grant recipients are members of record as of July 1st of the payment year are as follows:

| Year | Payable | Total | Award Years | | | | <u>6/30/2017</u> |
|-----------|---------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | | | <u>6/30/2021</u> | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> | <u>and Prior</u> |
| 6/30/2022 | \$ | 4,592,711 | | | | \$ 3,000,000 | \$ 1,592,711 |
| 6/30/2023 | | 4,500,000 | | | \$ 2,000,000 | 2,500,000 | |
| 6/30/2024 | | 2,000,000 | | \$ 2,000,000 | | | |
| 6/30/2025 | | 2,000,000 | \$ 2,000,000 | | | | |
| | | <u>\$ 13,092,711</u> | <u>\$ 2,000,000</u> | <u>\$ 2,000,000</u> | <u>\$ 2,000,000</u> | <u>\$ 5,500,000</u> | <u>\$ 1,592,711</u> |

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 8: CHANGES IN UNPAID CLAIMS LIABILITIES

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

The following represents changes in those aggregate undiscounted reported and unreported liabilities for the fiscal years ended June 30, 2021 and 2020 and for all open Fund years net of excess insurance recoveries: The Group maintains contracts for insurance including excess insurance covering losses in excess of an amount established between the Group and the insurer up to the limits of coverage set forth in the contract on a specific occurrence, or per accident or annual aggregate basis.

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| Unpaid Claims and Claim Adjustment Expenses, Beginning of Year | <u>\$ 200,032,000</u> | <u>\$ 208,977,000</u> |
| Incurred Claims And Claim Adjustment Expenses: | | |
| Provision For Insured Events Of Current Fund Year | 46,384,885 | 65,990,936 |
| Decrease in Provision for Insured Events of Prior Years | <u>(12,023,803)</u> | <u>(19,676,058)</u> |
| Total Incurred Claims And Claims Adjustment Expenses All Fund Years | <u>34,361,082</u> | <u>46,314,878</u> |
| Payments: | | |
| Claims And Claims Adjustment Expenses Attributable to Insured Events of the Current Period | 3,016,252 | 15,802,628 |
| Insured Events of Prior Years | <u>39,034,830</u> | <u>39,457,250</u> |
| Total Incurred Claims and Claim Adjustment Expenses | <u>42,051,082</u> | <u>55,259,878</u> |
| Total Unpaid Claim And Claim Adjustment Expenses End of Year | <u>\$ 192,342,000</u> | <u>\$ 200,032,000</u> |

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 9: LONG-TERM LIABILITIES

During the fiscal years ended June 30, 2021 and 2020, the following changes occurred in long-term obligations:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Pension Liabilities | | |
| Beginning of Year | \$ 14,481,115 | \$ 15,969,473 |
| Increases | 8,351,857 | 9,993,793 |
| Decreases | <u>(9,837,027)</u> | <u>(11,482,151)</u> |
| Net Pension Liability End of Year | <u>12,995,945</u> | <u>14,481,115</u> |
| Other Post Employment Benefits Obligation | | |
| Beginning of Year | 2,178,712 | 2,199,850 |
| Increases | 347,143 | 487,850 |
| Decreases | <u>(499,146)</u> | <u>(508,988)</u> |
| Net Other Post Employment Benefits Obligation End of Year | <u>2,026,709</u> | <u>2,178,712</u> |
| Safety Grants Payable | | |
| Beginning of Year | 15,550,247 | 18,293,558 |
| Safety Grant Award Payments | <u>(4,457,536)</u> | <u>(4,743,311)</u> |
| Safety Grants Payable End of Year | 13,092,711 | 15,550,247 |
| Less Current Portion | <u>(4,592,711)</u> | <u>(4,550,247)</u> |
| Long-Term Portion of Safety Grants Payable End of Year | <u>8,500,000</u> | <u>11,000,000</u> |
| Total Long Term Liabilities | <u>\$ 23,522,654</u> | <u>\$ 27,659,827</u> |

Note 10: PENSION PLAN

A substantial number of Group employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). The plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about the PERS pension plan's fiduciary net position, which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.state.nj.us/treasury/pensions/financial-reports.shtml>

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLAN (CONT'D)

General Information about Pension Plan

Plan Description

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan, which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Group, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Vesting and Benefit Provisions

The vesting and benefit provisions are set by N.J.S.A. 43:15A. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier Definition

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate was 7.50% of base salary, effective July 1, 2018. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) was 10.0%. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLAN (CONT'D)

General Information about the Pension Plans (Cont'd)

Contributions (Cont'd)

The Group's contractually required contribution rate for the fiscal years ended June 30, 2021 and 2020 was 14.44% and 13.90% of the Group's covered payroll. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2020, the Group's contractually required contribution to the pension plan for the fiscal year ended June 30, 2021 was \$871,808, and was paid by April 1, 2021. Based on the most recent PERS measurement date of June 30, 2019, the Group's contractually required contribution to the pension plan for the fiscal year ended June 30, 2020 was \$781,749, and was paid by April 1, 2020. Employee contributions to the Plan during the fiscal years ended June 30, 2021 and 2020 were \$456,507 and \$444,217, respectively.

Pension Liabilities, Pension Expense (Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Group's proportionate share of the net pension liability was \$12,995,945. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020. The Group's proportion of the net pension liability was based on a projection of the Group's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2020 measurement date, the Group's proportion was .0796936193%, which was a decrease of .00006744933% from its proportion measured as of June 30, 2019.

At June 30, 2020, the Group's proportionate share of the net pension liability was \$14,481,115. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. The Group's proportion of the net pension liability was based on a projection of the Group's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2019 measurement date, the Group's proportion was .0803681126%, which was a decrease of .0007384241% from its proportion measured as of June 30, 2018.

For the fiscal years ended June 30, 2021 and 2020, the Group recognized pension expense of \$849,326 and \$1,350,277, respectively. These amounts were based on the plan's June 30, 2020 and 2019 measurement dates, respectively.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLAN (CONT'D)

Pension Liabilities, Pension Expense (Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources - At June 30, 2021 and 2020, the Group reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | <u>June 30, 2021</u> | | <u>June 30, 2020</u> | |
|--|----------------------|--------------------|----------------------|--------------------|
| | Measurement Date | | Measurement Date | |
| | <u>June 30, 2020</u> | | <u>June 30, 2019</u> | |
| | <u>Deferred</u> | <u>Deferred</u> | <u>Deferred</u> | <u>Deferred</u> |
| | <u>Outflows of</u> | <u>Inflows of</u> | <u>Outflows of</u> | <u>Inflows of</u> |
| | <u>Resources</u> | <u>Resources</u> | <u>Resources</u> | <u>Resources</u> |
| Differences between Expected and Actual Experience | \$ 236,635 | \$ 45,959 | \$ 259,917 | \$ 63,971 |
| Changes of Assumptions | 421,603 | 5,441,525 | 1,445,992 | 5,026,349 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 444,212 | - | - | 228,590 |
| Changes in Proportion and Differences between Group Contributions and Proportionate Share of Contributions | 904,457 | 240,533 | 1,531,257 | 176,680 |
| Group Contributions Subsequent to the Measurement Date | <u>878,970</u> | <u>-</u> | <u>796,240</u> | <u>-</u> |
| | <u>\$2,885,877</u> | <u>\$5,728,017</u> | <u>\$4,033,406</u> | <u>\$5,495,590</u> |

The deferred outflows of resources related to pensions totaling \$878,970 and \$796,240 will be included as a reduction of the net pension liability in the fiscal years ended June 30, 2022 and 2021, respectively. This amount is based on an estimated April 1, 2022 and April 1, 2021 contractually required contribution, prorated from the pension plan measurement date of June 30, 2020 and June 30, 2019 to the Group's fiscal year end of June 30, 2021 and 2020.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLAN (CONT'D)

Pension Liabilities, Pension Expense (Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The Group will amortize the other deferred outflows of resources and deferred inflows of resources related to PERS over the following number of years:

| | Deferred Outflows of <u>Resources</u> | Deferred Inflows of <u>Resources</u> |
|--|---|--|
| Differences between Expected and Actual Experience | | |
| Year of Pension Plan Deferral: | | |
| June 30, 2015 | 5.72 | - |
| June 30, 2016 | 5.57 | - |
| June 30, 2017 | 5.48 | - |
| June 30, 2018 | - | 5.63 |
| June 30, 2019 | 5.21 | - |
| June 30, 2020 | 5.16 | - |
| Changes of Assumptions | | |
| Year of Pension Plan Deferral: | | |
| June 30, 2014 | 6.44 | - |
| June 30, 2015 | 5.72 | - |
| June 30, 2016 | 5.57 | - |
| June 30, 2017 | - | 5.48 |
| June 30, 2018 | - | 5.63 |
| June 30, 2019 | - | 5.21 |
| June 30, 2020 | - | 5.16 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | | |
| Year of Pension Plan Deferral: | | |
| June 30, 2016 | 5.00 | - |
| June 30, 2017 | 5.00 | - |
| June 30, 2018 | 5.00 | - |
| June 30, 2019 | 5.00 | - |
| June 30, 2020 | 5.00 | - |

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLAN (CONT'D)

Pension Liabilities, Pension Expense (Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Changes in Proportion and Differences between Group Contributions and Proportionate Share of Contributions | | |
| Year of Pension Plan Deferral: | | |
| June 30, 2014 | 6.44 | 6.44 |
| June 30, 2015 | 5.72 | 5.72 |
| June 30, 2016 | 5.57 | 5.57 |
| June 30, 2017 | 5.48 | 5.48 |
| June 30, 2018 | 5.63 | 5.63 |
| June 30, 2019 | 5.21 | 5.21 |
| June 30, 2020 | 5.16 | 5.16 |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending <u>June 30,</u> | |
|--|-----------------------|
| 2022 | \$ (1,261,617) |
| 2023 | (1,223,655) |
| 2024 | (777,097) |
| 2025 | (379,754) |
| 2026 | <u>(79,021)</u> |
| | <u>\$ (3,721,144)</u> |

Actuarial Assumptions

The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020 and 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLAN (CONT'D)

Actuarial Assumptions (Cont'd)

| | Measurement Date <u>June 30, 2020</u> | Measurement Date <u>June 30, 2019</u> |
|--------------------------------|--|--|
| Inflation Rate: | | |
| Price | 2.75% | 2.75% |
| Wage | 3.25% | 3.25% |
| Salary Increases: | | |
| Through 2026 | 2.00% - 6.00% | 2.00% - 6.00% |
| | Based on Years of Service | Based on Years of Service |
| Thereafter | 3.00% - 7.00% | 3.00% - 7.00% |
| | Based on Years of Service | Based on Years of Service |
| Investment Rate of Return | 7.00% | 7.00% |
| Period of Actuarial Experience | | |
| Study upon which Actuarial | | |
| Assumptions were Based | July 1, 2014 - June 30, 2018 | July 1, 2014 - June 30, 2018 |

For the June 30, 2020 and 2019 measurement date, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

For the June 30, 2019 measurement date, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLAN (CONT'D)

Actuarial Assumptions (Cont'd)

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2020 and 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2020 and 2019 are summarized in the table below:

| <u>Asset Class</u> | <u>Measurement Date</u> <u>June 30, 2020</u> | | <u>Measurement Date</u> <u>June 30, 2019</u> | |
|-----------------------------------|---|---|---|---|
| | <u>Target</u> <u>Allocation</u> | <u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u> | <u>Target</u> <u>Allocation</u> | <u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u> |
| Risk Mitigation Strategies | 3.00% | 3.40% | 3.00% | 4.67% |
| Cash Equivalents | 4.00% | 0.50% | 5.00% | 2.00% |
| U.S. Treasuries | 5.00% | 1.94% | 5.00% | 2.68% |
| Investment Grade Credit | 8.00% | 2.67% | 10.00% | 4.25% |
| High Yield | 2.00% | 5.95% | 2.00% | 5.37% |
| Private Credit | 8.00% | 7.59% | 6.00% | 7.92% |
| Real Assets | 3.00% | 9.73% | 2.50% | 9.31% |
| Real Estate | 8.00% | 9.56% | 7.50% | 8.33% |
| U.S. Equity | 27.00% | 7.71% | 28.00% | 8.26% |
| Non-U.S. Developed Markets Equity | 13.50% | 8.57% | 12.50% | 9.00% |
| Emerging Markets Equity | 5.50% | 10.23% | 6.50% | 11.37% |
| Private Equity | 13.00% | 11.42% | 12.00% | 10.85% |
| | <u>100.00%</u> | | <u>100.00%</u> | |

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLAN (CONT'D)

Actuarial Assumptions (Cont'd)

Discount Rate - Discount Rate - The discount rate used to measure the total pension liability at June 30, 2020 was 7.00%. The single blended discount rate as based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 2.21% as of June 30, 2020, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from pension plan members will be made at the current member contribution rates and that contributions from employers will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability at June 30, 2019 was 6.28%. The single blended discount rate as based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from pension plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current pension plan members through 2057. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Group's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the Group's proportionate share of the net pension liability at June 30, 2020, the plan measurement date, calculated using a discount rate of 7.00%, as well as what the Group's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

| | 1% Decrease <u>(6.00%)</u> | Current Discount Rate <u>(7.00%)</u> | 1% Increase <u>(8.00%)</u> |
|--|----------------------------------|--|----------------------------------|
| Groups's Proportionate Share of the Net Pension Liability | <u>\$ 18,122,166</u> | <u>\$ 12,995,945</u> | <u>\$ 11,165,266</u> |

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLAN (CONT'D)

Sensitivity of Group's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the Group's proportionate share of the net pension liability at June 30, 2019, the plan measurement date, calculated using a discount rate of 6.28%, as well as what the Group's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

| | 1% Decrease <u>(5.28%)</u> | Current Discount Rate <u>(6.28%)</u> | 1% Increase <u>(7.28%)</u> |
|---|----------------------------------|--|----------------------------------|
| Group's Proportionate Share of the Net Pension Liability | <u>\$ 18,292,001.00</u> | <u>\$ 14,481,115.00</u> | <u>\$ 11,269,903.00</u> |

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension (benefit) expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS' respective fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided - The Group has established a postemployment benefit plan to assist retirees in paying for medical coverage. The plan provides a lifetime monthly payment of \$500 to all eligible employees with full vesting occurring at retirement age 60 with 25 years of service. No assets are accumulated in a trust. In accordance with GASB Statement 75, this plan is considered a Single Employer, Defined Benefit OPEB Plan that is not administered through a Trust that meets the criteria in paragraph 4 of GASB Statement 75.

Employees Covered by Benefit Terms - At June 30, 2021 and 2020, the following employees were covered by the benefit terms:

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| Inactive Employees or Beneficiaries | | |
| Currently Receiving Benefit Payments | 4 | 4 |
| Inactive Employees Entitled to but Not Yet Receiving Benefit Payments | | |
| Active Employees | 75 | 75 |
| | <u>79</u> | <u>79</u> |

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Total OPEB Liability

The Group's total OPEB liability of \$2,026,709 as of June 30, 2021 and \$2,178,712 as of June 30, 2020, respectively, was measured as of June 30, 2021. The liabilities were determined by an actuarial valuation as of June 30, 2019 and June 30, 2018 with the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2021 and June 30, 2020.

Actuarial Assumptions and Other Inputs - The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|----------------|
| Inflation | 2.50% Annually |
| Discount Rate | 1.92% |
| Healthcare Cost Trend Rates | N/A |

The discount rate was based on the 20-year Municipal AA bond rate.

An experience study was not performed on the actuarial assumptions used in the June 30, 2020 valuation since the plan had insufficient data to produce a study with credible results. Withdrawal, mortality, and salary increase rates were updated to those used in the July 1, 2020 New Jersey Public Employees' Retirement System actuarial valuation. The actuary has used his/her professional judgement in applying these assumptions to this plan.

The following table shows the changes in the total OPEB liability for the fiscal years ended June 30, 2021 and 2020, respectively:

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|---|----------------------|----------------------|
| Balance at Beginning of Year | \$ 2,178,712 | \$ 2,199,850 |
| Changes for the Year: | | |
| Service Cost | \$ 121,597 | \$ 189,011 |
| Interest Cost | 56,166 | 66,530 |
| Benefit Payments | (15,876) | (11,238) |
| Changes of Assumptions | 169,100 | 232,068 |
| Differences Between Expected and Actual Demographic Experience | <u>(482,990)</u> | <u>(497,509)</u> |
| Net Changes | <u>(152,003)</u> | <u>(21,138)</u> |
| Balance at End of Year | <u>\$ 2,026,709</u> | <u>\$ 2,178,712</u> |

There were no changes of benefit terms at June 30, 2021 or 2020.

The discount rate changed to 1.92% from 2.45% as of June 30, 2021. There were also changes in the assumptions regarding withdrawal, mortality and salary increase rates.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Changes in the Total OPEB Liability

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Group, as well as what the Group's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

| | June 30, 2021 | | |
|----------------------|-------------------------------------|--|-------------------------------------|
| | 1.00% Decrease <u>(0.92%)</u> | Current Discount Rate <u>(1.92%)</u> | 1.00% Increase <u>(2.92%)</u> |
| Total OPEB Liability | \$ 2,404,229 | \$ 2,026,709 | \$ 1,722,766 |
| | June 30, 2020 | | |
| | 1.00% Decrease <u>(1.45%)</u> | Current Discount Rate <u>(2.45%)</u> | 1.00% Increase <u>(3.45%)</u> |
| Total OPEB Liability | \$ 2,536,524 | \$ 2,178,712 | \$ 1,888,139 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - Since the plan provides a lifetime monthly payment of \$500 to all eligible employees with full vesting occurring at retirement age 60 with 25 years of service. The total OPEB liability of the Group does not have any sensitivity if the total OPEB liability were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

Note 12: COMMITMENTS AND CONTINGENCIES

Lease Agreement – The Group leases its office location at 6000 Midlantic Drive, Mount Laurel, NJ under the terms of a ten-year operating lease agreement dated July 14, 2015. The terms of the lease require fixed monthly base payments in addition to a proportionate share of real estate taxes and common area charges and utilities through December 31, 2025.

Future minimum payments under the lease agreement are as follows:

| Fiscal Year <u>Ended</u> | <u>Base Rent</u> |
|-----------------------------|------------------|
| 6/30/2022 | \$ 257,436 |
| 6/30/2023 | 264,462 |
| 6/30/2024 | 271,487 |
| 6/30/2025 | 278,513 |
| 6/30/2026 | 141,013 |

Total costs and expenses charged to rent expense were \$462,873 and \$502,376 for the fiscal years ended June 30, 2021 and 2020.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 12: COMMITMENTS AND CONTINGENCIES (CONT'D)

Operation – In the normal course of its operations, the Group has a number of lawsuits filed by claimants in various stages. Although estimated loss reserves have been established by the Group, a number of these cases may possibly be settled for amounts in excess of the Group's loss reserves. No provision for these contingencies had been included in the financial statements since the amounts are not reasonably estimable.

Impact of Pandemic – Management continues to evaluate the impact of the pandemic on the organization. The members experienced a lower frequency of workers' compensation claims during the time period when school facilities were ordered to be closed. So, while the total financial impact of any COVID-19-related workers' compensation claims remains uncertain, management is confident that they have sufficient resources to pay any such claims in accordance with New Jersey law. Further, the New Jersey Tort Claims Act provides certain immunity provisions that could be asserted to bar COVID-19 claims asserted against the members; however, those immunity provisions have yet to be tested in the courts in the context of COVID-19. Management expects an increase in excess premiums beginning in 2022 and is currently taking steps to address this increase.

Note 13: SUBSEQUENT EVENT - RETURN OF MEMBER ASSESSMENTS

Subsequent to year end, the board of trustees of the New Jersey Schools Insurance Group authorized the Group's Executive Director to seek approval from the Commissioner of the New Jersey Department of Banking and Insurance pursuant to N.J.A.C. 11:15-4.21(b) to request a waiver of the twenty-four month requirement of N.J.A.C. 11:15-4.21(a) due to the COVID-19 pandemic, and upon receipt of approval of the Commissioner, the Executive Director is to conduct an initial refund of \$6,346,945 in workers' compensation member contributions for the 2020/2021 fiscal year to be performed in accordance with N.J.A.C. 11:15-4.21(d) and paid in proportion to the member's participation in the respective funds.

For the fiscal year ended June 30, 2020, the Group' board of trustees approved a refund of \$3,100,232 in workers' compensation member contributions for the 2019/2020 fiscal year, and \$178,967 in auto liability member contributions for the 2019/2020 fiscal year, to be performed in accordance with N.J.A.C. 11:15-4.21(d) and paid in proportion to the member's participation in the respective funds.

NEW JERSEY SCHOOLS INSURANCE GROUP
REQUIRED SUPPLEMENTARY INFORMATION

NEW JERSEY SCHOOLS INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | <u>Property</u> | <u>Auto Liability</u> | <u>General Liability</u> | <u>Workers' Compensation</u> | <u>Auto Physical Damage</u> | <u>Errors and Omissions</u> | <u>Total</u> |
|--|-----------------|---------------------------|------------------------------|----------------------------------|---------------------------------|---------------------------------|----------------|
| Total Unpaid Claim And Claim Adjustment Expenses - Beginning | \$ 3,949,000 | \$ 6,250,000 | \$ 31,146,000 | \$ 158,387,000 | \$ 190,000 | \$ 110,000 | \$ 200,032,000 |
| Incurred Claims And Claims Adjustment Expenses: | | | | | | | |
| Provision For Insured Events Of Current Fund Year | 4,525,244 | 2,181,460 | 6,248,250 | 33,318,931 | 111,000 | - | 46,384,885 |
| Changes In Provision For Insured Events Of Prior Fund Years | 1,702,738 | (2,307,623) | (449,157) | (8,348,052) | (86,000) | (2,535,709) | (12,023,803) |
| Total Incurred Claims And Claims Adjustment Expenses All Fund Years | 6,227,982 | (126,163) | 5,799,093 | 24,970,879 | 25,000 | (2,535,709) | 34,361,082 |
| Payments (Net Of Subrogation): | | | | | | | |
| Claims And Claims Adjustment Payments: | | | | | | | |
| Attributable To Insured Events Of Current Fund Year | 817,611 | 183,460 | 6,250 | 2,008,931 | | | 3,016,252 |
| Attributable To Insured Events Of Prior Fund Years | 4,919,371 | (9,623) | 5,256,843 | 31,403,948 | | (2,535,709) | 39,034,830 |
| Total Payments All Fund Years | 5,736,982 | 173,837 | 5,263,093 | 33,412,879 | - | (2,535,709) | 42,051,082 |
| Total Unpaid Claim And Claim Adjustment Expenses - Ending | \$ 4,440,000 | \$ 5,950,000 | \$ 31,682,000 | \$ 149,945,000 | \$ 215,000 | \$ 110,000 | \$ 192,342,000 |

NEW JERSEY SCHOOLS INSURANCE GROUP
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF JUNE 30, 2021

| | Policy Period Ended June 30 | | | | | | | | | |
|--|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|
| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
| Net Earned Required Contribution | | | | | | | | | | |
| And Investment and Other Revenue: | | | | | | | | | | |
| Earned | \$ 106,470,504 | \$ 114,582,115 | \$ 120,432,583 | \$ 124,444,276 | \$ 125,981,007 | \$ 133,032,729 | \$ 132,174,107 | \$ 134,062,268 | \$ 140,741,560 | \$ 141,797,844 |
| Ceded | 22,927,326 | 26,172,619 | 26,839,580 | 29,099,924 | 32,261,555 | 32,280,231 | 32,574,759 | 34,027,780 | 36,295,296 | 39,706,292 |
| Net Earned | 83,543,178 | 88,409,496 | 93,593,003 | 95,344,352 | 93,719,452 | 100,752,498 | 99,599,348 | 100,034,488 | 104,446,264 | 102,091,552 |
| Unallocated Expenses | 21,081,829 | 28,842,130 | 27,751,696 | 28,525,311 | 28,912,964 | 35,116,066 | 39,894,971 | 29,222,529 | 29,858,697 | 27,961,651 |
| Estimated Claims And Expenses, End of Policy Year: | | | | | | | | | | |
| Incurred | 66,985,183 | 66,404,082 | 78,845,561 | 73,996,026 | 66,247,665 | 68,985,161 | 75,585,827 | 72,589,410 | 66,129,628 | 46,392,252 |
| Ceded | - | - | - | - | - | 343,802 | 61,645 | 707,595 | 138,692 | 5,367 |
| Net Incurred | 66,985,183 | 66,404,082 | 78,845,561 | 73,996,026 | 66,247,665 | 68,641,359 | 75,524,182 | 71,881,815 | 65,990,936 | 46,386,885 |
| Paid (Cumulative) As Of: | | | | | | | | | | |
| End Of Policy Year | 14,408,893 | 14,799,082 | 20,977,561 | 17,465,026 | 13,283,259 | 15,641,161 | 18,291,827 | 18,386,410 | 15,802,628 | 3,016,252 |
| One Year Later | 24,453,866 | 23,643,822 | 35,420,195 | 28,061,255 | 25,117,981 | 26,893,217 | 32,757,710 | 32,141,971 | 27,219,898 | |
| Two Years Later | 28,641,074 | 21,341,951 | 43,921,706 | 38,774,424 | 29,925,636 | 34,157,653 | 38,716,852 | 40,791,599 | | |
| Three Years Later | 46,281,423 | 23,412,071 | 80,479,069 | 44,993,702 | 36,023,320 | 41,166,933 | 48,326,303 | | | |
| Four Years Later | 50,909,174 | 72,473,634 | 86,432,399 | 49,788,623 | 42,439,183 | 45,713,198 | | | | |
| Five Years Later | 48,982,236 | 76,049,068 | 90,416,080 | 53,630,102 | 45,788,942 | | | | | |
| Six Years Later | 52,117,925 | 77,698,507 | 93,284,577 | 56,438,748 | | | | | | |
| Seven Years Later | 53,779,397 | 78,549,933 | 94,593,457 | | | | | | | |
| Eight Years Later | 54,748,453 | 80,376,649 | | | | | | | | |
| Nine Years Later | 55,256,853 | | | | | | | | | |
| Re-Estimated Ceded Claims And Expenses | 8,252,495 | 30,578,235 | 34,605,317 | 2,295,215 | 4,681,909 | 1,768,008 | 6,452,411 | 4,594,101 | 559,694 | 5,367 |
| Re-Estimated Net Incurred Claims And Expenses: | | | | | | | | | | |
| End of Policy Year | 66,985,183 | 66,404,082 | 78,845,561 | 73,996,026 | 66,247,665 | 68,641,359 | 75,524,182 | 71,881,815 | 65,990,936 | 46,386,885 |
| One Year Later | 62,627,866 | 64,775,822 | 98,447,195 | 71,039,255 | 61,843,827 | 65,561,337 | 67,891,544 | 66,071,586 | 57,725,204 | |
| Two Years Later | 61,014,074 | 50,189,951 | 79,719,706 | 66,961,209 | 57,100,482 | 63,149,044 | 63,215,380 | 62,741,498 | | |
| Three Years Later | 69,461,423 | 45,871,071 | 72,638,530 | 64,704,487 | 55,791,166 | 58,901,925 | 62,642,892 | | | |
| Four Years Later | 67,805,174 | 57,350,005 | 71,621,033 | 63,708,408 | 53,518,208 | 58,141,190 | | | | |
| Five Years Later | 54,022,522 | 56,617,833 | 69,684,763 | 63,357,887 | 52,863,033 | | | | | |
| Six Years Later | 54,412,055 | 54,280,272 | 69,001,260 | 63,426,533 | | | | | | |
| Seven Years Later | 52,783,251 | 53,611,698 | 68,506,140 | | | | | | | |
| Eight Years Later | 51,445,678 | 54,659,414 | | | | | | | | |
| Nine Years Later | 50,845,358 | | | | | | | | | |
| Decrease In Estimated Net Incurred Claims And Expenses From End Of Policy Year | \$ (16,139,825) | \$ (11,744,668) | \$ (10,339,421) | \$ (10,569,493) | \$ (13,384,632) | \$ (10,500,169) | \$ (12,881,290) | \$ (9,140,317) | \$ (8,265,732) | \$ - |

NEW JERSEY SCHOOLS INSURANCE GROUP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GROUP'S PRORATIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT PLAN YEARS

| | Measurement Date Ending June 30, | | | | | | | |
|---|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| Group's Proportion of the Net Pension Liability | 0.0616007408% | 0.0650904158% | 0.0706814610% | 0.0699392154% | 0.0757942739% | 0.0811065367% | 0.0803681126% | 0.0796936193% |
| Group's Proportionate Share of the Net Pension Liability | \$ 11,773,126 | \$ 12,186,706 | \$ 15,866,572 | \$ 20,713,990 | \$ 17,643,695 | \$ 15,969,473 | \$ 14,481,115 | \$ 12,995,945 |
| Group's Covered Payroll (Plan Measurement Period) | \$ 4,159,680 | \$ 4,401,760 | \$ 4,855,756 | \$ 4,822,836 | \$ 5,385,532 | \$ 5,661,976 | \$ 5,663,648 | \$ 5,815,344 |
| Group's Proportionate share of the Net Pension Liability as a Percentage of Covered Payroll | 283.03% | 276.86% | 326.76% | 429.50% | 327.61% | 282.05% | 255.69% | 223.48% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 48.72% | 52.08% | 47.93% | 40.14% | 48.10% | 53.60% | 56.27% | 58.32% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

NEW JERSEY SCHOOLS INSURANCE GROUP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GROUP'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS

| | Fiscal Year Ending June 30, | | | | | | | |
|---|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
| Contractually Required Contribution | \$ 536,596 | \$ 607,671 | \$ 621,330 | \$ 702,153 | \$ 806,748 | \$ 819,170 | \$ 816,707 | \$ 878,970 |
| Contribution in Relation to the Contractually Required Contribution | (536,596) | (607,671) | (621,330) | (702,153) | (806,748) | (819,170) | (816,707) | (878,970) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Group's Covered Payroll (Fiscal Year) | \$ 4,692,709 | \$ 4,979,739 | \$ 5,022,119 | \$ 5,367,663 | \$ 5,460,764 | \$ 5,612,964 | \$ 5,875,886 | \$ 6,086,567 |
| Contributions as a Percentage of Group's Covered Payroll | 11.43% | 12.20% | 12.37% | 13.08% | 14.77% | 14.59% | 13.90% | 14.44% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

NEW JERSEY SCHOOLS INSURANCE GROUP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE GROUP'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FIVE FISCAL YEARS

| | Fiscal Year Ending June 30, | | | | |
|--|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
| Service Cost | \$ 152,116 | \$ 573,752 | \$ 183,506 | \$ 189,011 | \$ 121,597 |
| Interest Cost | 36,265 | 53,404 | 59,917 | 66,731 | 56,166 |
| Difference Between Expected and Actual Experience | | | | (497,509) | (482,990) |
| Changes of Assumptions | | | | 232,068 | 169,100 |
| Benefit Payments | <u>(12,000)</u> | <u>(23,892)</u> | <u>(10,180)</u> | <u>(11,238)</u> | <u>(16,076)</u> |
| Net Change in Total OPEB Liability | 176,381 | 603,264 | 233,243 | (20,937) | (152,203) |
| Total OPEB Liability - Beginning of Fiscal Year | <u>1,186,962</u> | <u>1,363,343</u> | <u>1,966,607</u> | <u>2,199,850</u> | <u>2,178,913</u> |
| Total OPEB Liability - End of Fiscal Year | <u>\$ 1,363,343</u> | <u>\$ 1,966,607</u> | <u>\$ 2,199,850</u> | <u>\$ 2,178,913</u> | <u>\$ 2,026,710</u> |
| Covered-Employee Payroll | \$ 5,759,503 | \$ 5,862,754 | \$ 5,927,674 | \$ 6,074,656 | \$ 6,121,984 |
| Total OPEB Liability as a Percentage of Covered-Employee Payroll | 23.67% | 33.54% | 37.11% | 35.87% | 33.11% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 1: POSTEMPLOYMENT BENEFITS - PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms

The June 30, 2020 measurement date included two changes to the plan provisions. Chapter 157, P.L. 2019 expanded the definition of regular or assigned duties for purposes of accidental disability. The Division of Pension and Benefits (DPB) also adopted a new policy regarding the crediting of interest on member contributions for the purpose of refund of accumulated deductions.

Changes in Assumptions

The Discount Rate changed at June 30th over the following years, 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017, 5.66% 2018, 6.28% 2019, and 7.00% 2020.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017, 2018, 2019, and 2020.

Note 2: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - GROUP PLAN

Changes in Benefit Terms

None

Changes in Assumptions

The discount rate changed to 1.92% from 2.45% as of June 30, 2021. There were also changes in the assumptions regarding withdrawal, mortality and salary increase rates.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, and contracts related to the financial statements that are required to be reported in accordance with Government Auditing Standards and in compliance with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

None.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AS PREPARED BY MANAGEMENT

This section identifies the status of prior year audit findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

There were no findings in the prior year.

APPRECIATION

We express our appreciation for the assistance provided to us during our audit.

Respectfully submitted,

Bowman & Company LLP
Certified Public Accountants
& Consultants



James J. Miles, Jr.
Certified Public Accountant