

**North Jersey Municipal Employee
Benefits Fund**
Parsippany, New Jersey

Annual Comprehensive Financial Report
For the Years Ended December 31, 2021 and 2020

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
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DECEMBER 31, 2021

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INTRODUCTORY SECTION

North Jersey Municipal Employee Benefits Fund

9 Campus Drive, Suite 216
Parsippany, NJ 07054
Telephone (201) 881-7632 Fax (201) 881-7633

June 3, 2022

Board of Fund Commissioners
North Jersey Municipal Employee Benefits Fund
9 Campus Drive, Suite 216
Parsippany, NJ 07054

Dear Commissioners:

The Annual Comprehensive Financial Report (ACFR) of the North Jersey Municipal Employee Benefits Fund (NJMEBF) for the year ended December 31, 2021 is hereby respectfully submitted. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the NJMEBF. We believe the data, as presented, are accurate in all material respects; that they are presented in a manner designed to fairly set forth the financial position and results of the operations of the NJMEBF as measured by the financial activity of its various membership years; and that all disclosures necessary to enable the reader to gain the maximum understanding of the NJMEBF's financial affairs have been included.

The ACFR is presented in three sections: introductory, financial, and statistical. The introductory section contains this transmittal letter, a list of the NJMEBF's members, a list of the NJMEBF's officers and an organizational chart. The financial section includes a management discussion and analysis of financial results and trends, the financial statements, as well as the independent auditors' opinion on the financial statements. The statistical section includes selected data covering the last ten years that the NJMEBF has been operational.

The NJMEBF was formed under State statutes, which authorize local government entities to pool resources to meet risk management needs. Specifically, the NJMEBF administers a program of self-funding and commercial insurance, and reinsurance that provides protection to members in the areas of medical, dental, vision, and prescription coverage. The NJMEBF also purchases reinsurance to cap its liabilities. The NJMEBF performs a number of tasks in accomplishing its mission, including contracting for support services such as claims and litigation management, financial management and reporting, actuarial services, and general management.

Economic Conditions and Outlook

The NJMEBF's economic condition and its outlook are strong. The NJMEBF has provided its members with stable assessments, comprehensive insurance, and responsive service. These factors have resulted in stability of membership, which is expected to continue in the future. For the future, the NJMEBF is evaluating ways of strengthening its network of service providers and finding means of offsetting inflationary increases in health care costs.

NJMEBF Initiatives

The NJMEBF benefited by virtue of its membership in the Municipal Reinsurance Health Fund by receiving lower assessments for reinsurance, a modest dividend and receiving discounted pricing for contracts negotiated for health joint insurance funds throughout the State. In 2021, through the MRHIF, the Fund has contracted with an Express Scripts coalition which should provide the Fund competitive pricing and strong rebates.

In addition, the NJMEBF continued its on-going, cyclical process for issuing “requests for proposals” from NJMEBF vendors and service providers.

The NJMEBF expanded its wellness program by combining dividends and grants to assure greater activity and by including additional entities in the development process.

Finally, the NJMEBF implemented programs to control the escalating cost of out of network claims.

Financial Management and Control

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board and necessarily include amounts based upon reliable estimates and judgments. The NJMEBF's books are maintained on a full accrual basis. A summary of significant accounting policies is discussed in more detail in the notes to the financial statements found in the financial section.

Internal Accounting Structure

The NJMEBF's accounting system is organized so that each membership year can be evaluated separately. The assets, liabilities, revenues, and expenses of each year and line of coverage are reported separately on a full accrual basis. This practice is necessary because the composition of the NJMEBF's membership, and the extent of participation within each line of coverage, varies from year to year.

The NJMEBF's management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable assurance that these objectives are being met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management. All internal control decisions are made within the above framework. Management believes that the NJMEBF's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Investment Management

The NJMEBF's investments are made in accordance with the Local Fiscal Affairs Law and the NJMEBF's Cash and Investment Management Plan. Investments for the year were limited to deposits in banks covered by the Governmental Unit Depository Protection Act, and deposits in the New Jersey Cash Management Fund, which is administered by the State of New Jersey's Division of Investments. In planning and executing investments, the NJMEBF emphasizes liquidity and safety. After these objectives are met, the NJMEBF seeks to optimize investment income.

As of December 31, 2021, the NJMEBF's portfolio consisted of the following:

Checking and Savings Accounts	\$ 18,679,824	99.99%
Cash Management Funds	<u>760</u>	<u>0.01%</u>
	<u>\$ 18,680,584</u>	<u>100.00%</u>

Independent Audit

Nisivoccia LLP, independent accountants, provide an independent, objective review of the fairness of the NJMEBF's reported financial position and results of operations. Their audit includes procedures they deem necessary to express an opinion as to the fairness of the financial statements. Their opinion is included in the financial section of this report.

Acknowledgments

Our appreciation is extended to each NJMEBF commissioner, and to the governing bodies of member municipalities, for their commitment to risk management and intergovernmental risk pooling.

Respectfully submitted,

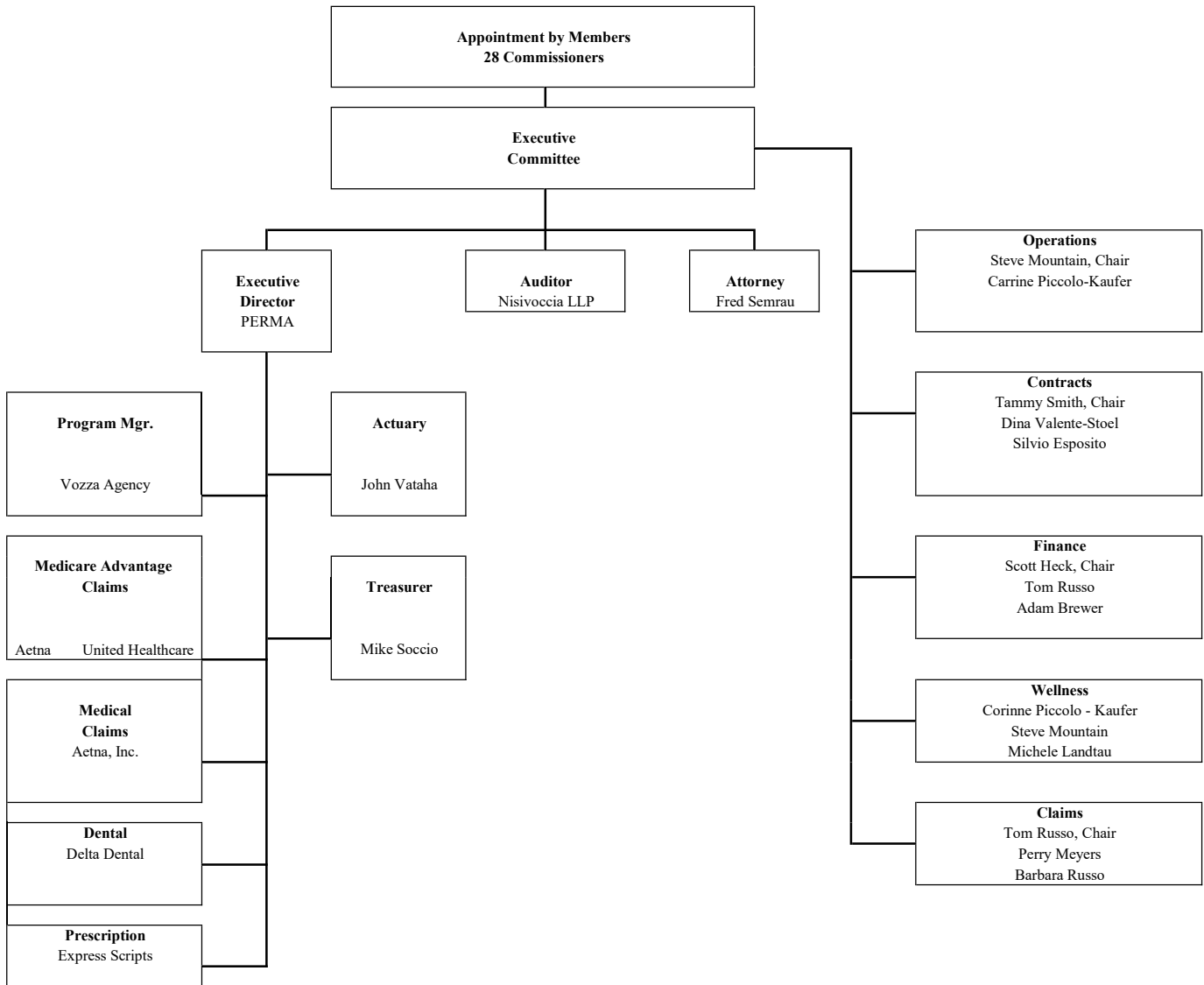
Brandon Lodics

Brandon Lodics, Executive Director

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
ROSTER OF OFFICIALS AND CONSULTANTS
DECEMBER 31, 2021

Silvio Esposito	Chairman-Executive Committee
Scott Heck	Secretary-Executive Committee
Stephen Mountain	Executive Committee
Dina Valente-Stoel	Executive Committee
Barbara Russo	Executive Committee
Tom Russo	Executive Committee
Tammy Smith	Executive Committee
Cathy Shanahan	Executive Committee Alternate
Corinne Kaufer	Executive Committee Alternate
Katie Yanke	Fund Commissioner
Mike Sondermeyer	Fund Commissioner
Keith Kazmark	Fund Commissioner
John Schmidt	Fund Commissioner
Diana Francisco	Fund Commissioner
John Shepherd	Fund Commissioner
Ralph Blakeslee	Fund Commissioner
Neil Spidaletto	Fund Commissioner
Michael Restel	Fund Commissioner
Joseph Sabatini	Fund Commissioner
Andrew Fiore	Fund Commissioner
Adam Brewer	Fund Commissioner
Debra Millikin	Fund Commissioner
PERMA Risk Management Services	Administrator
The Vozza Agency	Program Manager
Michael Soccio	Treasurer
Fred Semrau, Esquire	Attorney
Nisivoccia LLP	Auditor
Actuarial Solutions LLC	Actuary
United Healthcare, Inc.	Claims Administrators, Medicare Advantage
Aetna	Claims Administrators, Medical and Medicare Advantage
Delta Dental Plan of New Jersey, Inc.	Dental Provider
Express Scripts	Prescription Administrator

**NORTH JERSEY MUNICIPAL
EMPLOYEE BENEFITS FUND
2021 ORGANIZATIONAL CHART**



NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
MEMBERSHIP LISTING
DECEMBER 31, 2021

Andover Township
Berkeley Heights Township
Bloomingdale Borough
Byram Township
Dover Town
Hanover Township
Harding Borough
Hardyston Township
Hopatcong Borough
Jefferson Township
Kinnelon Borough
Knowlton Board of Education
Lincoln Park Borough
Madison Borough
Montville Township
Mountain Lakes Borough
Netcong Borough
Newton Town
Pequannock Township
Prospect Park Borough
Randolph Township
Ringwood Borough
Roxbury Township
Sparta Township
Wantage Township
West Milford Township
Wharton Borough
Woodland Park Borough

FINANCIAL SECTION



Mount Arlington, NJ
Newton, NJ
Bridgewater, NJ
973.298.8500
nisivoccia.com
Independent Member
BKR International

Independent Auditors' Report

The Honorable Chairperson and Members
of the Executive Committee
North Jersey Municipal Employee
Benefits Fund
Parsippany, New Jersey

Report on the Audit of the Financial Statements

Qualified Opinions

We have audited the accompanying financial statements of the North Jersey Municipal Employee Benefits Fund (the "Fund") as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the basis for qualified opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund as of December 31, 2021 and 2020 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

Matter Giving Rise to Qualified Opinions

As permitted by the Department of Community Affairs and Banking and Insurance, State of New Jersey, we did not extend our audit to the reserve and underlying actuarial assumptions for Incurred But Not Reported ("IBNR") reserve amounts, since they are prepared by the Fund's actuary.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

The Honorable Chairperson and Members
of the Executive Committee
North Jersey Municipal Employee Benefits Fund
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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the accompanying Comparative Reconciliation of Claims Liabilities by Fund and Ten-Year Claims Development Information Schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, are 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.

The Honorable Chairperson and Members
of the Executive Committee
North Jersey Municipal Employee Benefits Fund
Page 3

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying combining supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections and the supplementary data but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2022 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Fund's 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 Fund's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
June 3, 2022

Nisiwoccia LLP

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND

Management Discussion and Analysis

This section of the annual financial report of the Fund presents a discussion and analysis of the financial performance of the Fund for the years ended December 31, 2021 and 2020. Please read it in conjunction with the basic financial statements that follow this section.

Overview of Basic Financial Statements

The Fund'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 Fund is to provide medical and other health coverage for local governments that are members of the Fund. The Fund maintains separate enterprise funds by incurred years and line of coverage. The basic financial statements are presented on an accrual basis of accounting. The three basic financial statements presented are as follows:

Statement of Net Position – This statement presents information reflecting the Fund's assets, liabilities, deferred outflows and inflows of resources, and net position. Net position represents the amount of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources.

Statement of Revenue, Expenses, and Changes in Net Position – This statement reflects the Fund'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.

Statement of Cash Flows – The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating and investing 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 financial position and results of operations for the Fund as of and for the years ended December 31, 2021, 2020, and 2019.

Summary Statement of Net Position

	2021	2020	2020/2021 Percent Change	2019	2019/2020 Percent Change
Assets:					
Cash and Cash Equivalents	\$ 18,680,584	\$ 14,707,876	27.01%	\$ 6,474,299	127.17%
Investments		6,253,500	-100.00%	18,356,748	-65.93%
Other Assets	3,724,506	5,574,193	-33.18%	2,924,307	90.62%
Total Assets	<u>22,405,090</u>	<u>26,535,569</u>	-15.57%	<u>27,755,354</u>	-4.39%
Liabilities:					
Loss Reserves	3,043,000	2,786,000	9.22%	1,889,000	47.49%
Other Liabilities	2,556,852	3,245,312	-21.21%	1,841,574	76.22%
Total Liabilities	<u>5,599,852</u>	<u>6,031,312</u>	-7.15%	<u>3,730,574</u>	61.67%
Net Position	<u>\$ 16,805,238</u>	<u>\$ 20,504,257</u>	-18.04%	<u>\$ 24,024,780</u>	-14.65%

Summary Statement of Revenue, Expenses, and Changes in Net Position

	2021	2020	2020/2021 Percent Change	2019	2019/2020 Percent Change
Operating Revenue:					
Assessments and Other Income	<u>\$ 40,972,235</u>	<u>\$ 41,700,864</u>	-1.75%	<u>\$ 39,878,535</u>	4.57%
Operating Expenses:					
Provision for Health Claim Benefits	34,675,979	32,182,797	7.75%	28,824,779	11.65%
Reinsurance Premiums	3,896,183	3,410,126	14.25%	3,866,168	-11.80%
Professional and Contractual Services	<u>2,442,100</u>	<u>2,613,543</u>	-6.56%	<u>2,585,257</u>	1.09%
Total Operating Expenses	<u>41,014,262</u>	<u>38,206,466</u>	7.35%	<u>35,276,204</u>	8.31%
Operating Income	(42,027)	3,494,398	-101.20%	4,602,331	-24.07%
Change in Investment in Joint Venture	(935,632)	176,974	628.68%	(57,699)	-406.72%
Investment Income	88,252	308,105	-71.36%	581,517	-47.02%
Member Dividends	<u>(2,809,612)</u>	<u>(7,500,000)</u>	-62.54%	<u>(4,100,000)</u>	82.93%
Change in Net Position	<u>\$ (3,699,019)</u>	<u>\$ (3,520,523)</u>	5.07%	<u>\$ 1,026,149</u>	-443.08%

In 2021 Net Position decreased by 18.04% primarily due to an increase in expenses. Total assets decreased 15.57% and total liabilities decreased by 7.15%.

Claims expense increased by 7.75%. During the year reinsurance premiums increased by 14.25%. Investment in Joint Venture represents the value of the Fund's share of the Municipal Reinsurance Health Insurance Fund of which it is a member. Its share decreased in accordance with a decrease in the net position for that entity. Investment income decreased by 71.36% due to a low interest rate environment. In 2021 the Fund paid a dividend of \$2,809,612 as net position exceeded the Fund's net position retention guidelines.

Economic Conditions

The NJMEBF continues to be affected by inflation of health benefit costs. NJMEBF's strategy is to continue to attempt to moderate such increases by leveraging purchasing power with other Funds, using two of the largest and most effective medical networks in the nation, and assisting members with plan design and labor negotiation efforts.

BASIC FINANCIAL STATEMENTS

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
STATEMENT OF NET POSITION

ASSETS:

	December 31,	
	2021	2020
Cash & Cash Equivalents	\$ 18,680,584	\$ 14,707,876
Investments		6,253,500
Accrued Interest Receivable		57,745
Receivables:		
Employers' Contributions	193,512	254,229
Due from Reinsurers	1,452,686	1,948,008
Other Receivable	26,655	735,096
Rebates Receivable	1,058,170	650,000
Investment in Joint Venture	993,483	1,929,115
Total Assets	<u>22,405,090</u>	<u>26,535,569</u>

LIABILITIES:

Loss Reserves for Estimated Health Claims		
Incurred But Not Reported (unaudited)	3,043,000	2,786,000
Accounts Payable - Vendors	605	5,846
Accrued Expenses	146,252	218,919
Member Dividends Payable	2,407,034	3,020,547
Prepaid Employers' Contributions	2,961	
Total Liabilities	<u>5,599,852</u>	<u>6,031,312</u>

NET POSITION:

Unrestricted	<u>16,805,238</u>	<u>20,504,257</u>
Total Net Position	<u>\$ 16,805,238</u>	<u>\$ 20,504,257</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	For The Year Ended December 31,	
	2021	2020
Operating Revenue:		
Regular Assessments from Members	\$ 40,670,713	\$ 41,372,273
Employees' Contributions	301,522	304,936
Other Income		23,655
Total Operating Revenue	40,972,235	41,700,864
Operating Expenses:		
Provision for Health Claim Benefits (Net of reinsurance of \$1,452,685 and \$2,001,245 for 2021 and 2020, respectively)	34,675,979	32,182,797
Reinsurance Premiums (Net of Dividend of \$490,704 and \$707,674 for 2021 and 2020, respectively)	3,896,183	3,410,126
Administration	385,376	378,581
Claims Administration	864,624	904,414
Other Contractual/Non-Contractual Expenses	1,192,100	1,330,548
Total Operating Expenses	41,014,262	38,206,466
Operating Income/(Loss)	(42,027)	3,494,398
Non-operating Revenue/(Expense):		
Change in Investment in Joint Venture	(935,632)	176,974
Investment Income	88,252	308,105
Income/(Loss) Before Other Revenue Expenses and Transfers	(889,407)	3,979,477
Member Dividends	(2,809,612)	(7,500,000)
Change in Net Position	(3,699,019)	(3,520,523)
Net Position January 1	20,504,257	24,024,780
Net Position December 31	\$ 16,805,238	\$ 20,504,257

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
STATEMENT OF CASH FLOWS

	For The Year Ended December 31,	
	2021	2020
Cash Flows from Operating Activities:		
Assessments Collected	\$ 41,035,913	\$ 42,297,285
Wellness Program		23,655
Benefits Paid	(34,418,979)	(31,285,797)
Rebates and Advances	795,593	(3,145,371)
Reinsurance Premiums Paid	(3,896,183)	(3,410,126)
General and Administrative Expenses Paid	(2,520,008)	(2,556,797)
Net Cash Provided by Operating Activities	996,336	1,922,849
Cash Flows from Investing Activities:		
Proceeds from Sales and Maturities of Investment Securities	6,316,038	12,406,586
Purchase of Investment Securities	(62,538)	(356,586)
Investment Income	145,997	413,736
Net Cash Provided/(Used) by Investing Activities	6,399,497	12,463,736
Cash Flows from Noncapital Financing Activities:		
Net Assets Distribution to Participating Members	(3,423,125)	(6,153,008)
Net Cash Used in Noncapital Financing Activities	(3,423,125)	(6,153,008)
Net Increase/(Decrease) in Cash	3,972,708	8,233,577
Cash at Beginning of Year	14,707,876	6,474,299
Cash at End of Year	\$ 18,680,584	\$ 14,707,876
Reconciliation of Operating Income/(Loss)to Net Cash Provided/(Used) by Operating Activities:		
Operating Income	\$ (42,027)	\$ 3,494,398
Adjustments to Reconcile Operating Income/ (Loss) to Net Cash Provided/(Used) by Operating Activities:		
Changes in Assets and Liabilities:		
(Increase)/Decrease in Employers' Contributions Receivable	60,717	620,076
(Increase)/Decrease in Due from Reinsurers	495,322	(1,774,694)
(Increase)/Decrease in Other Recievable	708,441	(720,677)
(Increase)/Decrease in Rebates Receivable	(408,170)	(650,000)
Increase/(Decrease) in Accounts Payable	(5,241)	(13,320)
Increase/(Decrease) in Accrued Expenses	(72,667)	70,066
Increase/(Decrease) in Loss Reserves	257,000	897,000
Increase/(Decrease) in Prepaid Employers' Contributions	2,961	
Net Cash Provided by Operating Activities	\$ 996,336	\$ 1,922,849

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: NATURE OF OPERATIONS

The North Jersey Municipal Employee Benefits Fund (the "Fund") was created on January 1, 1993 in accordance with P.L. 1983, C.372, entitled "An act concerning joint insurance funds for local units of government, and supplementing Chapter 10 of Title 40A of the New Jersey statutes". The Fund is both an insured and self-administered group of local governmental units established for the purpose of providing low-cost insurance coverage for the member local governmental units in order to keep local property taxes at a minimum.

The following health benefit coverages are offered by the Fund to its members:

- a) Medical
- b) Prescription
- c) Dental

The initial members established the Fund for the purpose of containing medical costs. The Commissioners/Executive Committee of the Fund may approve subsequent membership by a two-thirds vote of the full authorized membership or may terminate any member by a majority vote, after proper notice has been given.

In prior years, participating employees had an open enrollment period each year during the month of November, during which they were able to switch between the regular indemnity plan, the HMO option or the PPO option. The changes were effective at the beginning of the next calendar year. Local units, which joined the Fund effective July 1 or later, and which conducted an open enrollment at the time they joined the fund, could defer their next open enrollment period until November of the following fund year. However, in 2004, the Fund discontinued all HMO's and incorporated them into the indemnity fund. The Fund has 28 members at December 31, 2021 of which 27 are municipalities and 1 is a school district.

The Executive Director and Administrator are responsible for the overall administration of the Fund. Fees paid to the Executive Director and Administrator encompass all administrative duties which are performed at their offices. Accordingly, the Fund does not maintain any fixed assets or incur any payroll expense.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the Fund's accounting policies are described below.

Reporting Entity

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Reporting Entity (Cont'd)

organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The combined financial statements include all funds of the Fund over which the Fund exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Fund is not includable in any other reporting entity on the basis of such criteria.

Basis of Accounting

The Fund utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. The Fund utilizes total economic resources as their measurement focus. Operating revenue, such as charges for services, result from exchange transactions associated with the principal activity of the Fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenue, such as subsidies and investment earnings, results from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Fund gives or receives value without directly receiving or giving equal value in exchange, generally do not occur, with the exception of investment earnings.

Income Taxes

The Fund, as an instrumentality of the State of New Jersey and therefore a governmental entity, has determined itself to be a tax-exempt organization and not subject to either federal or state income taxes.

Investments

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

Assessments

The gross claim fund assessment is determined by the actuary and, when combined with expense and premium projections, constitutes the Fund's budget. Assessments for participating municipalities are determined by underwriting criteria established by the Executive Committee and are certified by a majority vote of the Fund Commissioners. Assessments are adjusted on a monthly basis to reflect changes in the plan of benefits and employee census, utilizing a rating structure approved by the actuary.

Unpaid Claims Liabilities (Unaudited)

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, and future changes in claim severity and frequency, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Unpaid Claims Liabilities (Unaudited) (Cont'd)

actuarial and statistical techniques to produce current estimates that reflect recent developments, claim frequency and severity and other economic and social factors.

A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Amounts shown as negative loss reserves, if any, in Note 3 represent payments to the Claims Servicing Agents in excess of claims paid on the Fund's loss runs. These amounts are shown on the Balance Sheet as Advances to Claims Servicing Agents.

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

Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumption that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reinsurance

The Fund provides coverage on a self-insured basis and secures excess insurance and/or reinsurance in a form and an amount from an insurance company acceptable to the Commissioner of Banking and Insurance. The Fund uses reinsurance agreements to reduce its exposure to large losses on certain types of insurance. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. The policy form includes provisions for aggregate reinsurance in addition to specific (individual) reinsurance.

The Fund's reinsurance agreements are on a 12/24 exposure period covering claims incurred during the 12-month policy period from January 1 to December 31, which are paid within 24 months of the policy's inception or by December 31 of the subsequent year. Reinsurance premiums amounted to \$3,896,183 and \$3,410,126 for the years ended December 31, 2021 and 2020, respectively. \$1,452,685 and \$2,001,245 was deducted from loss reserves for the years ended December 31, 2021 and 2020, respectively, for reinsurance.

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Reinsurance (Cont'd)

The limits of liability under the various coverages are as follows:

A. Funds Self-Insured Retention (S.I.R.) Limit of Liability:

1. Medical:

<u>Fund Year</u>		
<u>2021</u>	<u>2020</u>	
a. \$ 375,000	\$ 350,000	Specific limit applied per enrolled employee per reinsurance policy year.
b. Not Purchased	\$ Not Purchased	Aggregate limit of liability applies for claims incurred in the reinsurance policy year. This amount is adjusted to reflect the actual membership of the Fund, the effective date of membership, and changes in the census and plan design of member local units.

B. Excess Insurers' Limit of Liability:

1. Medical:

<u>Fund Year</u>		
<u>2021</u>	<u>2020</u>	
a. N/A	\$9,625,000	Reimbursement in excess of the Fund's specific S.I.R. or \$375,000 per enrolled employee.
b. N/A	\$10,000,000	Reimbursement in excess of the Fund's aggregate S.I.R.

NOTE 3: LOSS RESERVES (Unaudited)

The liability for unpaid losses and loss adjustment expenses represents an estimate of the ultimate net cost of all losses and loss adjustment expenses incurred but not yet paid as of December 31, 2021. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

NOTE 3: LOSS RESERVES (Unaudited) (Cont'd)

Fund, various other industry statistics, including the effects of inflation and other societal or economic factors, and the Fund's self-insured retention level. Management believes that the liability for unpaid losses is adequate to cover the ultimate cost of unreported claims incurred but not yet paid. However, the ultimate cost may be more or less than the estimated liability. The unpaid losses are stated net of any recoveries from excess-loss insurance or reinsurance. The Fund has created a loss reserve for any reported and potential unreported losses which have taken place but in which the Fund has not received notices or reports of losses. Amounts shown as negative Imprest Account, if any, represent payments to the Claims Servicing Agents in excess of claims paid on the Fund's loss runs. This amount is shown on the Balance Sheet as Advances to Claims Servicing Agents. Loss reserves, which have been estimated by the Fund's Actuary, are as follows:

	<u>2021</u>	<u>2020</u>
Losses Incurred but not Reported (unaudited)	\$ 3,043,000	\$ 2,786,000
Total Loss Reserves	<u>\$ 3,043,000</u>	<u>\$ 2,786,000</u>
The following represents changes in the aggregate reserves for the Fund:		
	<u>2021</u>	<u>2020</u>
Unpaid Claims and Claim Adjustment Expenses, Beginning of Year	\$ 2,786,000	\$ 1,889,000
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Period	32,929,386	32,093,149
(Decrease)/Increase in Provision for Insured Events of Prior Years	<u>1,746,593</u>	<u>89,648</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>34,675,979</u>	<u>32,182,797</u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Period	29,886,385	29,307,154
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>4,532,594</u>	<u>1,978,643</u>
Total Payments	<u>34,418,979</u>	<u>31,285,797</u>
Total Unpaid Claims and Claim Adjustment Expenses, End of Year	<u>\$ 3,043,000</u>	<u>\$ 2,786,000</u>

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

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

NOTE 4: CASH AND CASH EQUIVALENTS

GASB requires disclosure of the level of custodial credit risk assumed by the Fund in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Fund ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Fund limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed in Note 5.

Custodial Credit Risk – The Fund's policy with respect to custodial credit risk requires that the Fund ensures that Fund's cash and cash equivalents are only deposited in financial institutions in which NJ insurance funds are permitted to invest their cash and cash equivalents.

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds; and in addition

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

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

	<u>2021</u>	<u>2020</u>
Checking and Savings Accounts	\$ 18,679,824	\$ 14,707,116
Cash Management Funds	<u>760</u>	<u>760</u>
	<u>\$ 18,680,584</u>	<u>\$ 14,707,876</u>

The carrying amount of the Fund's cash and cash equivalents at cost at December 31, 2021 was \$18,680,584 and the bank balance was \$18,689,174. The \$760 invested with the State of New Jersey Cash Management Fund is uninsured and unregistered.

The carrying amount of the Fund's cash and cash equivalents at cost at December 31, 2020 was \$14,707,876 and the bank balance was \$14,520,299. The \$760 invested with the State of New Jersey Cash Management Fund is uninsured and unregistered.

JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

NOTE 5: INVESTMENTS

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.
- (9) Debt obligations of federal agencies or government corporations with maturities not to exceed 10 years from the date of purchase, excluding mortgage backed or derivative obligations, provided that the investments are purchased through the State Division of Investment and are invested consistent with the rules and regulations of the State Investment Council.

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

NOTE 5: INVESTMENTS (Cont'd)

All of the Fund's investments are recorded at fair value based on quoted market prices (Level 1 inputs). The investments are held by the Fund's custodial bank trust department in the Fund's name. The bank's trust department is also its agent in purchasing and selling the securities. The investments are uninsured and unregistered. All of the funds held by the custodial bank are held in a fiduciary account, in the Fund's name, and are backed by the full faith and credit of the U.S. Government. As such, they are protected in the event of bankruptcy of the bank.

Investments at December 31, 2020 consisted of the following recurring fair value measurements as Level 1 inputs:

	<u>Balance Dec. 31, 2020</u>	<u>Weighted Average Maturity in Months</u>
U.S Treasury Notes	<u>\$ 6,253,500</u>	36.00
	<u>\$ 6,253,500</u>	<u>36.00</u>

The Fund did not hold any investments at December 31, 2021.

NOTE 6: MINIMUM NET POSITION REQUIREMENTS

The State of New Jersey has no statutory minimum net position requirements.

The Fund has accumulated deficit net position accounts as follows:

Fund Year 2020 - Medical	\$ 2,097,006
Fund Year 2021 - Administration	\$ 327,942
Fund Year 2021 - Medical	\$ 1,420,761
Fund Year 2021 - Reinsurance	\$ 27,977

NOTE 7: MEMBERSHIP IN JOINT INSURANCE FUND

The Fund is a member of the Municipal Reinsurance Health Insurance Fund (the "MRHIF"). The MRHIF is an insured and self-administered group of health insurance funds established for the purpose of providing low-cost health insurance coverage for their respective members in the form of reinsurance. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the MRHIF are elected.

As a member of the MRHIF, the Fund could be subject to supplemental assessments in the event of deficiencies. If the assets of the MRHIF were to be exhausted, members would become responsible for their respective shares of the MRHIF's liabilities.

The MRHIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment relates to the total assessments of the membership body.

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

NOTE 7: MEMBERSHIP IN JOINT INSURANCE FUND (Cont'd)

The Fund's equity interest in the MRHIF was \$993,483 and \$1,929,115, respectively, at December 31, 2021 and 2020. The Fund received a dividend in the amount of \$490,704 and \$707,674 during the years ending December 31, 2021 and 2020, respectively.

Selected, summarized financial information for the MRHIF as of December 31, 2021 is as follows:

Total Assets	<u>\$ 31,621,075</u>
Net Position	<u>\$ 9,687,884</u>
Total Revenue	<u>\$ 17,087,032</u>
Total Expenses	<u>\$ 19,975,765</u>
Change in Net Position	<u>\$ (7,388,733)</u>
Member Dividends	<u>\$ 4,500,000</u>

Financial statements for the MRHIF are available at the office of the MRHIF's Executive Director:

PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, NJ, 07054
201-881-7632

NOTE 8: CONTINGENT LIABILITIES

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

NOTE 9: SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States and specifically in New Jersey continues to have an impact on the Fund's operations and finances. Though the impact on the Fund's finances cannot be reasonably estimated at this date, the following is likely to continue through at least mid-year 2022: Interest on investments continues to be severely negatively impacted.

NOTE 10: OTHER RECEIVABLES

As of December 31, 2021, the NJMEBF's other receivables consisted of the following:

Miscellaneous	<u>\$ 26,655</u>
	<u>\$ 26,655</u>

REQUIRED SUPPLEMENTARY INFORMATION

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
RECONCILIATION OF CLAIMS LIABILITIES BY FUND
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Medical		Prescription		Dental		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Unpaid claims and claim adjustment expenses at beginning of year	\$ 793,032	\$ 353,031	\$ 1,121,829	\$ 780,832	\$ 871,139	\$ 755,137	\$ 2,786,000	\$ 1,889,000
Incurring claims and claim adjustment expenses:								
Provision for insured events of the current period	30,287,085	28,673,382	1,161,824	2,081,642	1,480,477	1,338,125	32,929,386	32,093,149
Increases/(decreases) in provision for insured events of prior years	2,251,830	407,456	(490,099)	(400,457)	(15,138)	82,649	1,746,593	89,648
Total incurred claims and claim adjustment expenses	32,538,915	29,080,838	671,725	1,681,185	1,465,339	1,420,774	34,675,979	32,182,797
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current period	27,565,085	26,344,382	925,823	1,740,647	1,395,477	1,222,125	29,886,385	29,307,154
Claims and claim adjustment expenses attributable to insured events of prior year	4,580,831	2,296,455	(149,099)	(400,459)	100,862	82,647	4,532,594	1,978,643
Total payments	32,145,916	28,640,837	776,724	1,340,188	1,496,339	1,304,772	34,418,979	31,285,797
Total unpaid claims and claim adjustment expenses at end of year	\$ 1,186,031	\$ 793,032	\$ 1,016,830	\$ 1,121,829	\$ 840,139	\$ 871,139	\$ 3,043,000	\$ 2,786,000

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION

Fiscal Period Ended December 31, 2021 and Policy Period Ended December 31,

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Required contribution and investment revenue:										
Earned	\$ 39,350,516	\$ 35,832,519	\$ 38,180,013	\$ 41,790,758	\$ 41,519,165	\$ 43,132,797	\$ 44,774,623	\$ 39,815,417	\$ 41,391,617	\$ 40,678,591
Ceded	1,046,183	1,204,267	1,228,436	2,752,352	2,731,604	3,967,624	4,662,341	4,583,708	4,117,800	4,386,887
Net Earned	38,304,333	34,628,252	36,951,577	39,038,406	38,787,561	39,165,173	40,112,282	35,231,709	37,273,817	36,291,704
Unallocated expenses	2,451,288	2,225,178	3,513,485	2,528,263	2,609,167	2,424,305	2,428,822	2,433,825	2,612,581	2,599,481
Estimated claims and expenses, end of policy year										
Incurred	31,695,703	29,909,391	33,199,119	33,928,066	36,078,621	35,284,714	33,120,754	29,854,985	34,041,157	33,393,614
Ceded	1,163,775	284,621	587,840	533,745	2,034,669	1,890,393	1,768,059	140,136	1,948,008	464,228
Net Incurred	30,531,928	29,624,770	32,611,279	33,394,321	34,043,952	33,394,321	31,352,695	29,714,849	32,093,149	32,929,386
Net paid (cumulative) as of:										
End of policy year	27,849,143	25,922,452	29,622,745	30,364,853	31,513,953	30,008,322	28,499,695	27,941,351	29,307,154	29,886,385
One year later	30,226,043	30,484,499	32,943,384	32,508,413	33,341,380	32,218,333	30,309,127	29,832,891	33,692,490	
Two years later	30,217,935	30,471,493	33,088,977	32,355,397	33,079,215	32,276,329	30,396,230	29,980,149		
Three years later	30,217,935	30,471,493	33,088,977	32,355,397	33,079,215	32,276,329	30,396,230			
Four years later	30,217,935	30,471,493	33,088,977	32,355,397	33,079,215	32,276,329				
Five years later	30,217,935	30,471,493	33,088,977	32,355,397	33,079,215					
Six years later	30,217,935	30,471,493	33,088,977	32,355,397						
Seven years later	30,217,935	30,471,493	33,088,977							
Eight years later	30,217,935									
Nine years later	30,217,935									
Reestimated ceded claims and expenses	1,163,775	284,621	903,618	288,612	333,277	508,695	33,177	193,373	988,457	464,228
Reestimated net incurred claims and expenses:										
End of policy year	30,531,928	29,624,770	32,611,279	33,357,140	34,043,952	33,394,321	31,352,695	29,714,849	32,093,149	32,929,386
One year later	30,236,042	30,489,498	32,951,096	32,518,412	33,391,379	32,238,332	30,424,629	29,832,891	33,692,484	
Two years later	30,217,935	30,471,493	33,088,977	32,355,397	33,079,214	32,276,328	30,396,235	29,980,149		
Three years later	30,217,935	30,471,493	33,088,977	32,355,397	33,079,214	32,276,328				
Four years later	30,217,935	30,471,493	33,088,977	32,355,397	33,079,214					
Five years later	30,217,935	30,471,493	33,088,977	32,355,397						
Six years later	30,217,935	30,471,493	33,088,977							
Seven years later	30,217,935	30,471,493								
Eight years later	30,217,935									
Nine years later	30,217,935									
Increase/(decrease) in estimated net incurred claims and expense from end of policy year	\$ (313,993)	\$ 846,723	\$ 477,698	\$ (1,038,924)	\$ (964,738)	\$ (1,117,993)	\$ (956,460)	\$ 265,300	\$ 1,599,335	\$ -0-

COMBINING SUPPLEMENTARY SCHEDULES

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
COMBINING SCHEDULE OF NET POSITION
DECEMBER 31, 2021

<u>ASSETS:</u>	Fund Year			
	Closed Years	2020	2021	Total
Cash and Cash Equivalents	\$ 15,717,208	\$ 451,407	\$ 2,511,969	\$ 18,680,584
Accrued Interest Receivable	(205)	205		
Receivables:				
Employers' Contributions			193,512	193,512
Due from Reinsurers		988,458	464,228	1,452,686
Other Receivable			26,655	26,655
Rebates Receivable			1,058,170	1,058,170
Investment in Joint Venture	993,591	26,256	(26,364)	993,483
Total Assets	16,710,594	1,466,326	4,228,170	22,405,090
<u>LIABILITIES:</u>				
Loss Reserves for Estimated Health				
Claims Incurred But Not Reported (unaudited)			3,043,000	3,043,000
Accounts Payable - Vendors			605	605
Accrued Expenses			146,252	146,252
Member Dividends Payable	2,407,034			2,407,034
Prepaid Employers' Contributions		2,643	318	2,961
Total Liabilities	2,407,034	2,643	3,190,175	5,599,852
<u>NET POSITION:</u>				
Unrestricted	14,303,560	1,463,683	1,037,995	16,805,238
Total Net Position	\$ 14,303,560	\$ 1,463,683	\$ 1,037,995	\$ 16,805,238

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
COMBINING SCHEDULE OF OPERATIONS AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

	Fund Year			
	Closed Years	2020	2021	Total
Operating Revenue:				
Assessments from				
Participating Members			\$ 40,670,713	\$ 40,670,713
Employees' Contributions			301,522	301,522
Total Operating Revenue			40,972,235	40,972,235
Operating Expenses:				
Provision for Health Claim Benefits, net	\$ 147,259	\$ 1,599,334	32,929,386	34,675,979
Reinsurance Premiums, net	(490,704)		4,386,887	3,896,183
Administration			385,376	385,376
Claims Administration			864,624	864,624
Other Contractual/Non-Contractual Expenses	(9,000)	(148,381)	1,349,481	1,192,100
Total Operating Expenses	(352,445)	1,450,953	39,915,754	41,014,262
Operating Income/(Loss)	352,445	(1,450,953)	1,056,481	(42,027)
Non-operating Revenue/(Expense):				
Change in Investment in Joint Venture	(460,327)	(448,941)	(26,364)	(935,632)
Investment Income	65,017	15,357	7,878	88,252
Income/(Loss) before Other Revenue, Expenses, Gains, Losses and Transfers	(42,865)	(1,884,537)	1,037,995	(889,407)
Member Dividends	(2,809,612)			(2,809,612)
Change in Net Position	(2,852,477)	(1,884,537)	1,037,995	(3,699,019)
Net Position January 1	17,156,037	3,348,220		20,504,257
Net Position December 31	\$ 14,303,560	\$ 1,463,683	\$ 1,037,995	\$ 16,805,238

REPORT PURSUANT TO GOVERNMENT AUDITING STANDARDS

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 Auditors' Report

The Honorable Chairperson and Members
of the Executive Committee
North Jersey Municipal Employee
Benefits Fund
Parsippany, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Jersey Municipal Employee Benefits Fund (the "Fund") as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated June 3, 2022. That qualified report also indicated that the scope of our audit did not include the IBNR reserves as permitted by the Departments of Community Affairs and Banking and Insurance, State of New Jersey.

Report on Internal Control Over Financial Reporting

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

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

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

The Honorable Chairperson and Members
of the Board of Fund Commissioners
North Jersey Municipal Employee Benefits Fund
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of 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*.

Purpose of this Report

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

Mount Arlington, New Jersey
June 3, 2022

Nisiovocia LLP

STATISTICAL SECTION

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
NET POSITION BY COMPONENT
LAST TEN YEARS
(Unaudited)

	December 31,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business-Type Activities										
Unrestricted	\$ 14,745,677	\$ 16,827,528	\$ 14,370,971	\$ 16,145,533	\$ 18,007,291	\$ 18,577,048	\$ 22,998,631	\$ 24,024,780	\$ 20,504,257	\$ 16,805,238
Total Business-Type Activities Net Position	\$ 14,745,677	\$ 16,827,528	\$ 14,370,971	\$ 16,145,533	\$ 18,007,291	\$ 18,577,048	\$ 22,998,631	\$ 24,024,780	\$ 20,504,257	\$ 16,805,238

Source - Insurance Fund Financial Records.

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
SCHEDULE OF CHANGE IN NET POSITION
LAST TEN YEARS
(Unaudited)

	Year Ended December 31,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue:										
Assessments from Participating Members	\$ 38,736,353	\$ 35,449,263	\$ 37,911,263	\$ 41,432,008	\$ 41,342,746	\$ 42,527,487	\$ 44,344,872	\$ 39,705,636	\$ 41,372,273	\$ 40,670,713
Employee Contributions	534,814	291,939	241,455	218,315	91,977	157,431	188,228	172,899	304,936	301,522
Other Income		500	1,000	1,500			13,541		23,655	
Investment Income	110,629	10,284	78,935	102,503	58,315	158,608	393,197	581,517	308,105	88,252
Change in Investment in Joint Venture	(364,480)	51,208	70,531	(128,915)	289,253	25,005	33,089	(57,699)	176,974	(935,632)
Total Revenue	39,017,316	35,803,194	38,303,184	41,625,411	41,782,291	42,868,531	44,972,927	40,402,353	42,185,943	40,124,855
Expenses:										
Provision for Health Claim Benefits, net	30,219,610	29,287,654	33,457,899	33,678,952	33,343,106	32,578,733	29,884,541	28,824,779	32,182,797	34,675,979
Reinsurance Premiums, net	746,392	681,439	790,493	2,425,184	1,196,568	3,534,813	4,118,096	3,866,168	3,410,126	3,896,183
Administration	322,971	291,682	264,871	300,328	299,040	307,192	322,229	336,381	378,581	385,376
Claims Administration	1,424,266	1,257,077	1,261,984	1,208,533	1,201,801	1,131,012	1,101,267	911,639	904,414	864,624
Other Contractual Services/Non-Contractual Expenses	696,299	685,561	1,987,483	1,037,669	2,377,509	1,033,058	1,025,211	1,337,237	1,330,548	1,192,100
Total Expenses	33,409,538	32,203,413	37,762,730	38,650,666	38,418,024	38,584,808	36,451,344	35,276,204	38,206,466	41,014,262
Member Dividends	1,200,000	1,517,930	2,997,011	1,200,183	1,502,509	3,713,966	4,100,000	4,100,000	7,500,000	2,809,612
Change in Net Position	\$ 4,407,778	\$ 2,081,851	\$ (2,456,557)	\$ 1,774,562	\$ 1,861,758	\$ 569,757	\$ 4,421,583	\$ 1,026,149	\$ (3,520,523)	\$ (3,699,019)

Source - Insurance Fund Financial Records.

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
MEMBER GROWTH ANALYSIS - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED DECEMBER 31, 2021
(Unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total number of members	25	24	25	24	24	24	25	27	28	28
Total employees	3,981	3,731	4,198	4,055	5,051	4,055	4,093	2,753	2,825	2,860 *
Total members assessments	\$ 38,736,353	\$ 35,449,263	\$ 37,911,263	\$ 41,432,008	\$ 41,342,746	\$ 42,527,487	\$ 44,344,872	\$ 39,705,636	\$ 41,372,273	\$ 40,670,713
Total reported losses	\$ 27,849,143	\$ 25,922,452	\$ 29,622,745	\$ 30,364,853	\$ 31,513,953	\$ 30,008,322	\$ 28,499,695	\$ 27,941,351	\$ 29,307,154	\$ 29,886,385

* Includes Medicare Advantage Plan Retirees

Source - Insurance Fund - Executive Director's Office and Third Party Claims Administrators

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
REPORTED LOSS HISTORY - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED DECEMBER 31, 2021
(Unaudited)

During its years of existence, the Fund has incurred the following reported losses (paid claims plus case reserves from claims incurred by Fund members) from claims coverages, and the change in the average cost per claim. These amounts do not include incurred but not reported ("IBNR") claim estimates.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Medical	\$ 24,677,639	\$ 22,869,985	\$ 26,002,695	\$ 26,277,673	\$ 25,546,183	\$ 26,574,226	\$ 25,203,105	\$ 24,434,829	\$ 26,344,382	\$ 27,565,085
Prescription	1,899,323	1,721,832	2,315,667	2,783,107	4,621,955	2,165,542	2,020,815	2,185,610	1,740,647	925,823
Dental	1,272,181	1,330,635	1,304,383	1,304,073	1,345,815	1,268,554	1,275,775	1,320,912	1,222,125	1,395,477
Total	<u>\$ 27,849,143</u>	<u>\$ 25,922,452</u>	<u>\$ 29,622,745</u>	<u>\$ 30,364,853</u>	<u>\$ 31,513,953</u>	<u>\$ 30,008,322</u>	<u>\$ 28,499,695</u>	<u>\$ 27,941,351</u>	<u>\$ 29,307,154</u>	<u>\$ 29,886,385</u>