

REPORT ON TARGET EXAMINATION
OF THE
BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
9 CAMPUS DRIVE, SUITE 216
PARSIPPANY, NEW JERSEY 07054
AS AT DECEMBER 31, 2015

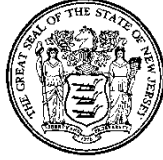
Filed

September 8, 2017

**Commissioner
Department of Banking &
Insurance**

BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND

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State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION
PO Box 325
TRENTON, NJ 08625-0325

Chris Christie
Governor

Kim Guadagno
Lt. Governor

Richard J. Badolato
Commissioner

Peter L. Hartt
Director

March 7, 2017

Honorable Richard J. Badolato
Commissioner
Banking and Insurance State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets, liabilities, and excess insurance/reinsurance of the:

The Bergen Municipal Employee Benefits Fund
C/O PERMA Risk Management Services,
9 Campus Drive, Suite 216
Parsippany, New Jersey 07054

hereinafter referred to in this report as the "Fund."

SCOPE OF EXAMINATION

This financial condition examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted under the provisions of **N.J.S.A. 40A:10-47** of the New Jersey Revised Statutes.

The examination was completed as of December 31, 2015. The examination was limited to the assets and liabilities reported by the Fund and included a review of Corporate Governance as well as other administrative aspects of the Fund and the Funds Excess Insurance program in place at December 31, 2015. The examination was conducted at the office of the Fund's Executive

Director, PERMA Risk Management Services, 9 Campus Drive, Suite 216, Parsippany, New Jersey 07054.

The conduct of the examination was governed by the procedures outlined in the National Association of Insurance Commissioners Financial Condition Handbook and followed accepted procedures of regulatory authorities and generally accepted insurance company examination standards. In determining the emphasis to be placed on specific accounts, consideration was given to the Fund's system of internal control, the nature and size of each account, its relative importance to solvency and the results of the previous financial condition examination.

In the verification of matters as shown in this report, limited test checks were made, some complete and others partial. Consideration was allowed for limiting the verification on certain accounts at a point where they were determined to be substantially correct or the account under review was considered insignificant and not crucial to the Fund's solvency.

HISTORY

The Bergen Municipal Employee Benefits Fund (the "Fund") was established on April 1, 1992, 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 a self-administered group of local government entities formed for the purpose of providing employee benefits for its members. The following coverage's are offered by the Fund to its members at the choice of the individual member unit.

- Medical
- Dental
- Prescription
- Vision

The exact terms and conditions of coverage are detailed in the Fund's Risk Management Plan. The Fund's self-administered benefits are processed by Delta dental Of New Jersey, Inc., Aetna, Inc. and Express Scripts, Inc. As of December 31, 2015, the Fund consisted of twenty-eight municipalities. Subsequent to year end the fund acquired two additional municipalities. Each member assigns a representative to the Fund. The Board of Commissioners (the "Board"), which governs as the executive committee, is elected consisting of five (5) commissioners and two (2) alternates. The Board also elects the chairperson and secretary who serve co-terminously with their underlying local office until January 1st of the following year.

The Board may approve membership by two-thirds (2/3) vote of the committee, if the applicant's claim experience, plan design, and personnel practices are compatible with the Fund's objectives and the applicant meets other criteria established by the Fund. Membership may be terminated by a two-thirds vote of the Board for nonpayment of assessments or continued noncompliance after written notice to comply with the bylaws or other obligations. Termination may occur only after proper notice has been given, in accordance with the Fund's bylaws. A participant may withdraw before the end of its membership by giving proper notices and following required procedures at least sixty (60) days before the date of withdrawal.

The Address of the registered agent upon whom process may be served at December 31, 2015 was obtained and is noted below

PERMA Risk Management
Services 9 Campus Drive, Suite
216 Parsippany, NJ 07054

MANAGEMENT AND CONTROL

Each participating Local Unit shall appoint one Commissioner to represent the Local Unit as a Representative to the Fund. The person appointed shall be either a member of its governing body, or one of its employees. Each participating Local Unit may also appoint an alternate Fund Commissioner who shall be a member of its governing body Board, or one of its employees, who shall serve as the Fund Commissioner in the absence of the appointed regular Fund Commissioner. In the event that the number of local units represented is an even number, an additional commissioner shall be annually selected by the participating local units on a rotating basis. If the total number of member local units exceeds seven, the commissioners shall annually meet to select a committee of seven which includes the Chairman and Secretary to serve as the Executive Committee of the Fund.

Each term of office shall expire on January 1 or when a successor is duly appointed and qualified in accordance with the Fund's By-laws. The Commissioners shall hold office for two years or the remainder of their terms as elected officials, whichever shall be less, except that those Commissioners who are employees of the member local unit shall serve at the pleasure of the appointing authority. The unexpired term of a commissioner shall be filled by the appointing local unit in the manner generally prescribed by law or provided by its bylaws. Fund Commissioners can be removed from office for cause by two-thirds (2/3) vote of the full membership of Fund Commissioners.

The Fund Commissioners are hereby required, authorized and empowered to operate the Fund in accordance with the By-laws and appropriate State laws and regulations.

Pursuant to **N.J.S.A. 40A:9-22.6**, Commissioners are required to file an annual Financial Disclosure Statement with the Local Finance Board. Fund Commissioner Anthony Luna from the Borough of Lodi was issued a Notice of Violation from the Local Finance Board for his failure to timely file the Financial Disclosure Statement. Mr. Luna neither appealed the finding of the violation nor paid the assessed \$100 fine.

The following is listing of Board Representatives and Commissioners serving at December 31, 2015.

<u>MUNICIPALITY</u>	<u>FUND COMMISSIONER</u>	<u>TITLE</u>
Borough of Lodi	Anthony Luna	Commissioner
Borough of Montvale	Timothy Lane	Commissioner
Borough of Hillsdale	Chrisoula Looes	Commissioner
Borough of Ft. Lee	Alfred Restaino	Commissioner
Borough of Carlstadt	Joseph Crifasi	Commissioner
Borough of Saddle River	Michael Mariniello	Executive Committee Member
Borough of Moonachie	Anthony Ciannanmea	Commissioner
Borough of Alpine	Paul Tomasko	Commissioner
Wanaque Valley Regional S. A.	Frank Covelli	Commissioner
Borough of Emerson	Elizabeth Garis	Commissioner
Borough of N. Arlington	Open	Commissioner

Township of S. Hackensack	Donna Gambutti	Executive Committee Member
Borough of Wallington	Victor Baginski	Secretary
East Rutherford BOE	Open	Commissioner
Carlstadt BOE	Open	Commissioner
Borough of Oakland	Richard Kunze	Executive Committee Member
Borough of Franklin Lakes	Gregory Chapman Hart	Executive Committee Member
Borough of Wood-Ridge	Dominick Azzolini	Commissioner
Borough of Westwood	John Birkner	Commissioner
Township of Rochelle Park	Elizabeth Kroll	Commissioner
Borough of Ridgely Park	Hugo Poli	Executive Committee Member
Borough of Rutherford	Peter Van Winkle	Chair
Borough of East Rutherford	John Hansen	Commissioner
Township of Fairfield	Joseph Catenaro	Executive Committee Alternate
Borough of Parkridge	Kelly O'Donnell	Commissioner
Borough of Maywood	Roberta Stern	Commissioner
Fairfield BOE	Dan Saragnese	Commissioner
Township of Mine Hill	Katelyn Wild	Commissioner

The following is listing of Fund Professionals serving at December 31, 2015.

Actuarial Solutions, John Vataha	Actuary
Learch, Vincci, Higgins LLP	Auditor
PERMA Risk Management Services	Administrator
Aetna	Third Party Administrator-Medical
Joseph Iannaconni	Treasurer
LaMendola Associates	Board Advisor
Connor Strong & Buckelew	Benefits Consultant
Huntington Bailey LLP	Attorney
Delta Dental	Third Party Administrator – Dental

The following is a listing of committees maintained by the Fund at December 31, 2015.

Executive Committee
Finance Committee
Wellness Committee
Small Claims Committee

INSURANCE AND EXCESS INSURANCE

The Fund is a self-administered group of local government entities formed for the purpose of providing employee benefits for its members. The following coverage's are offered by the Fund to its members at the choice of the individual member unit.

- Medical
- Dental
- Prescription
- Vision

The coverage the Fund provides is unlimited coverage for each specific claim. The Fund is a

member of the Municipal Reinsurance Health Insurance Fund (MRHIF). As a member of MRHIF the Fund is provided excess insurance/reinsurance protection as follows:

Specific Excess

\$500,000 less member self-insured retention, (SIR) of \$225,000 with coverage provided by MRHIF. Munich American Reinsurance Company provides unlimited coverage above the combined MRHIF and member SIR of \$500,000 through a reinsurance agreement with MRHIF

Aggregate

\$10,000,000 in excess of the Fund's aggregate retention as noted above is provided by Munich American Reinsurance Company through a reinsurance agreement with MRHIF.

AUDITED FINANCIAL REPORT

Pursuant to N.J.S.A. 40A:10-46 and N.J.A.C. 11:2-26.4 an annual audit was performed by the CPA firm Lerch, Vinci & Higgins, LLP and an audited financial CPA report was filed with the Commissioner of the Department of Banking and Insurance.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

Exhibit A – Balance Sheet as of December 31, 2015

**Exhibit B – Comparative Statements of Revenues, Expenses and Changes in Net Position
For The Years Ended December 31, 2015 And 2014**

BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
BALANCE SHEET AS OF DECEMBER 31, 2015

ASSETS

Cash	\$6,558,522
Investments	6,996,068
Assessments Receivable	1,664,906
Interest receivable	2,018
Excess Insurance Receivable	89,924
Other	198,985
Prepaid Items	34,349
	<hr/>
Total Assets	<u>\$15,544,772</u>

LIABILITIES AND RESERVES

Loss Reserves – IBNR	\$1,874,351
Accounts Payable	19,357
Unearned Revenue	324,958
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Total Liabilities and Reserves	<u>\$2,218,666</u>
Net Assets Unrestricted	<u>\$13,326,106</u>
Total Liabilities, Reserves and Net Assets	<u>\$15,544,772</u>

EXHIBIT-B

BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Revenue:		
Employer Contributions	\$ 21,575,949	\$ 19,229,527
Employee/Cobra Contributions	<u>176,499</u>	<u>157,754</u>
Total Operating Revenue	\$ <u>21,752,448</u>	\$ <u>19,387,281</u>
Operating Expenses:		
Benefits Paid To/For Participants	\$ 14,859,143	\$ 14,178,954
Excess Insurance Recoverable	(277,887)	347,471
Other Recoverables	(215,283)	46,111
HMO/PPO Premiums	54,276	55,432
Medicare Advantage	407,881	521,152
Excess Insurance Premiums	1,387,223	1,280,916
General and Administrative	1,518,379	1,477,696
Increase(Decrease) In Loss Reserves-IBNR	<u>624,334</u>	<u>(574,809)</u>
Total Expenses	\$ <u>18,358,066</u>	\$ <u>17,332,923</u>
Operating Income	\$ <u>3,394,382</u>	\$ <u>2,054,358</u>
Non Operating Revenue/(Expenses):		
Dividend Income	\$ 442,962	\$ 557,413
Interest Income	<u>5,648</u>	<u>1,167</u>
Total Non Operating Revenue	\$ <u>448,610</u>	\$ <u>558,580</u>
Change in Net Position	\$ 3,842,992	\$ 2,612,938
Net Position, Beginning of Year	11,895,865	9,284,215
Equity Distribution	<u>(2,412,751)</u>	<u>(1,288)</u>
Net Position, End of Year	\$ <u>13,326,106</u>	\$ <u>11,895,865</u>

LOSS RESERVES/IBNR

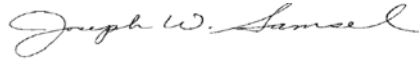
The Loss Reserves/IBNR as established by the Fund at December 31, 2015 totaled \$1,874,351. The reserves as reported were tested for reasonableness by the performance of a six month run off of the payments made in 2016. This review indicated that the reserves reported by the Fund were adequate.

Paid losses were reconciled to Fund reports and no material exceptions were noted. Samples of payments were scheduled and traced to supporting documentation.

ACKNOWLEDGEMENT

The examination was completed at the office of the Fund's Executive Director, PERMA Risk Management Services, 9 Campus Drive, Suite 216, Parsippany, New Jersey 07054. We would like to acknowledge the courtesy and assistance extended to us by the officials of the Fund during our examination.

Respectfully Submitted,



Joseph Samsel CFE, CICA

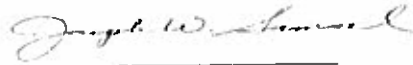
Examiner-In-Charge

New Jersey Department of Banking and Insurance

BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND

I, Joseph Samsel, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2015 to the best of my information, knowledge and belief.

Respectfully Submitted,



Joseph Samsel CFE, CICA
Examiner-In-Charge
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me,
on this 20th day of June 2017.


Notary Public of New Jersey

SHEILA M. TKACS
NOTARY PUBLIC
STATE OF NEW JERSEY
My Commission Expires: July 2020