

**REPORT ON TARGET EXAMINATION**  
**OF THE**  
**CENTRAL NEW JERSEY REGIONAL 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**

**CENTRAL NEW JERSEY REGIONAL 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  
TEL (609) 292-5350  
FAX (609) 292-6765

**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 Central New Jersey Regional 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 the 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 Fund was created in February, 1992 in accordance with P.L. 1983, C. 372, entitled "An act concerning joint insurance funds for local units of governments, and supplementing Chapter 10 of Title 40A of the New Jersey statutes." The Fund is a self-administered group of municipalities established for the purpose of providing self-funded employee benefits for the member municipalities. The following coverage's are offered by the Fund to its members at the choice of the individual member unit:

- Medical
- Dental
- Vision
- Prescription
- Disability

A participating municipality may be terminated by a majority vote of the Fund Commissioners or a two thirds vote of the Executive Committee for nonpayment of assessments or continued noncompliance after written notice to comply with the bylaws or other obligations. Termination may occur only after proper notice has been given, in accordance with the Fund's bylaws. A participating member 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 Administrator, PERMA Risk Management Services, is responsible for the overall administration of the Fund. Fees paid to the Administrator encompass all administrative duties, which are performed at the Administrators' office. Accordingly, the Fund does not maintain any fixed assets or incur any employee payroll expense.

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. All local government officers and employees of the Fund appropriately filed the form in 2015.

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

<u>MUNICIPALITY</u>	<u>FUND COMMISSIONER</u>	
Plumsted Township	Eric Sorchik	Commissioner
Brick Township	Joseph Gilsonen	Executive Committee Member
Township of Aberdeen	Angela Morin	Commissioner
Manasquan River REG'L S.A.	Brian Brach	Commissioner
Borough of Interlaken	Dawn McDonald	Commissioner
West Long Branch Township	Victor Cantillo	Commissioner
Eatontown S. A.	Theodore F. Lewis, Jr	Commissioner
Borough of Neptune City	Mary Sapp	Commissioner
Keyport Borough	Lorene Wright	Commissioner
Toms River MUA	Stephen Acropolis	Commissioner
Borough of Red Bank	Eugenia Poulos	Executive Committee Member
Borough of Spring Lake	Jane Marban	Executive Committee Alternate
Manchester Township	Diane Lapp	Executive Committee Member
Borough of Allentown	June Madden	Commissioner
Englishtown Borough	Peter Gorbatuk	Commissioner
Borough of Matawan	Louis Ferrara	Commissioner
Township of Shrewsbury	Suzanne M. Veitengruber	Commissioner
Township of Bedminister	Judith A. Sullivan	Commissioner
Atlantic Highlands Borough	Adam Hubeny	Executive Committee Member
Brielle Borough	Thomas Nolan	Chair

Borough of Manasquan	Joseph DeIorio	Commissioner
Township of Montgomery	Donato Nieman	Executive Committee Member
Lakewood Township	William C. Rieker	Secretary
Ship Bottom Borough	Open	Commissioner

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

Actuarial Solutions, John Vataha	Actuary
Holman Frenia Allison, PC	Auditor
PERMA Risk Management Services	Administrator
Aetna	Third Party Administrator-Medical
QualCare	Third Party Administrator-Medical
Stephen Mayer	Treasurer
Connor Strong & Buckelew	Program Manager
Berry, Sahradnik, Kotzaz,	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 & Contracts Committee
- Wellness Committee
- Claims Committee
- Nominating Committee

**INSURANCE AND EXCESS INSURANCE**

The Fund is a self-administered group of municipalities established for the purpose of providing self-funded employee benefits for the member municipalities. The following coverage’s are offered by the Fund to its members at the choice of the individual member unit:

- Medical
- Dental
- Vision
- Prescription
- Disability

The coverage the Fund provides is unlimited to \$5,000,000 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 the member self-insured, (SIR) retention 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 Holman Frenia Allison, P.C. 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**

**EXHIBIT-A**

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**

**BALANCE SHEET AS OF DECEMBER 31, 2015**

**ASSETS**

Cash and Cash Equivalents	\$14,316,107
Investments	3,867,357
Assessments receivable	1,975,792
Excess Insurance Receivable	658,701
Interest receivable	3,753
Other Assets	<u>22,333</u>
<b>Total Assets</b>	<b><u>\$20,844,043</u></b>

**LIABILITIES AND RESERVES**

Accounts Payable	\$104
Accrued Expenses	12,957
IBNR Reserve	<u>2,895,395</u>
<b>Total Liabilities and Reserves</b>	<b><u>\$2,908,456</u></b>
<b>Net Assets Unrestricted</b>	<b><u>\$17,935,587</u></b>
<b>Total Liabilities, Reserves and Net Assets</b>	<b><u>\$20,844,043</u></b>



**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Operating Revenue:</b>		
Contributions	\$ <u>39,371,986</u>	\$ <u>38,071,631</u>
Total Revenues	\$ <u>39,371,986</u>	\$ <u>38,071,631</u>
<b>Operating Expenses:</b>		
Claims - Net Claims Adjustments	\$ 29,093,063	\$ 28,723,712
Premium Expenses	2,643,609	2,410,524
Contractual Expenses	775,901	790,844
Professional Contractual Expenses	1,136,942	1,054,812
Miscellaneous Expenses	<u>29,823</u>	<u>24,099</u>
<b>Total Expenses</b>	\$ <u>33,679,338</u>	\$ <u>33,003,991</u>
<b>Operating Income</b>	\$ <u>5,692,648</u>	\$ <u>5,067,640</u>
<b>Nonoperating Revenue/(Expenses):</b>		
Investment Income Gain (Loss)	\$ (7,941)	\$ 10,113
Dividend Income	443,466	737,613
Investment In Joint Venture	(2,535,083)	(8,508)
Dividend\ Paid	<u>(1,500,000)</u>	<u>(750,000)</u>
Total Nonoperating Revenue /(Expenses)	\$ <u>(3,599,558)</u>	\$ <u>(10,782)</u>
<b>Change in Net Position</b>	\$ 2,093,090	\$ 5,056,858
<b>Net Position, Beginning of Year</b>	<u>15,842,497</u>	<u>10,785,639</u>
<b>Net Position, End of Year</b>	\$ <u>17,935,587</u>	\$ <u>15,842,497</u>

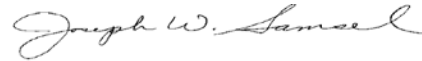
**LOSS RESERVES/IBNR**

The Loss Reserves/IBNR as reported by the Fund at December 31, 2015 was \$2,895,395. The reserves as reported were tested for reasonableness by the performance of a six month run off of the payments made in 2016. Paid losses were reconciled to Fund reports and no material exceptions were noted. Samples of payments were scheduled and traced to supporting documentation without exception.

**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,



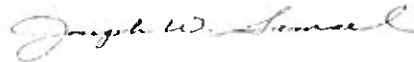
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Joseph Samsel CFE, CICA  
Examiner-In-Charge  
New Jersey Department of Banking and Insurance

**CENTRAL NEW JERSEY REGIONAL 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 20<sup>th</sup> day of June 2017.

  
\_\_\_\_\_  
Notary Public of New Jersey

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