

# Utah Retirement Systems Public Employees Health Program

A Discrete Component Unit of the State of Utah

## 2019 Annual Financial Report

*For the Year Ended December 31, 2019*

**PEHP**  
Health & Benefits









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A Discrete Component Unit of the State of Utah



## 2019 Annual Financial Report

*For the Year Ended December 31, 2019*

Prepared by: Finance Department  
Utah Retirement Systems | Public Employees Health Program  
560 East 200 South • Salt Lake City, Utah 84102-2044  
[www.pehp.org](http://www.pehp.org)

Daniel D. Andersen, URS Executive Director  
R. Chet Loftis, PEHP Managing Director  
Robert D. Dolphin, URS Chief Financial Officer



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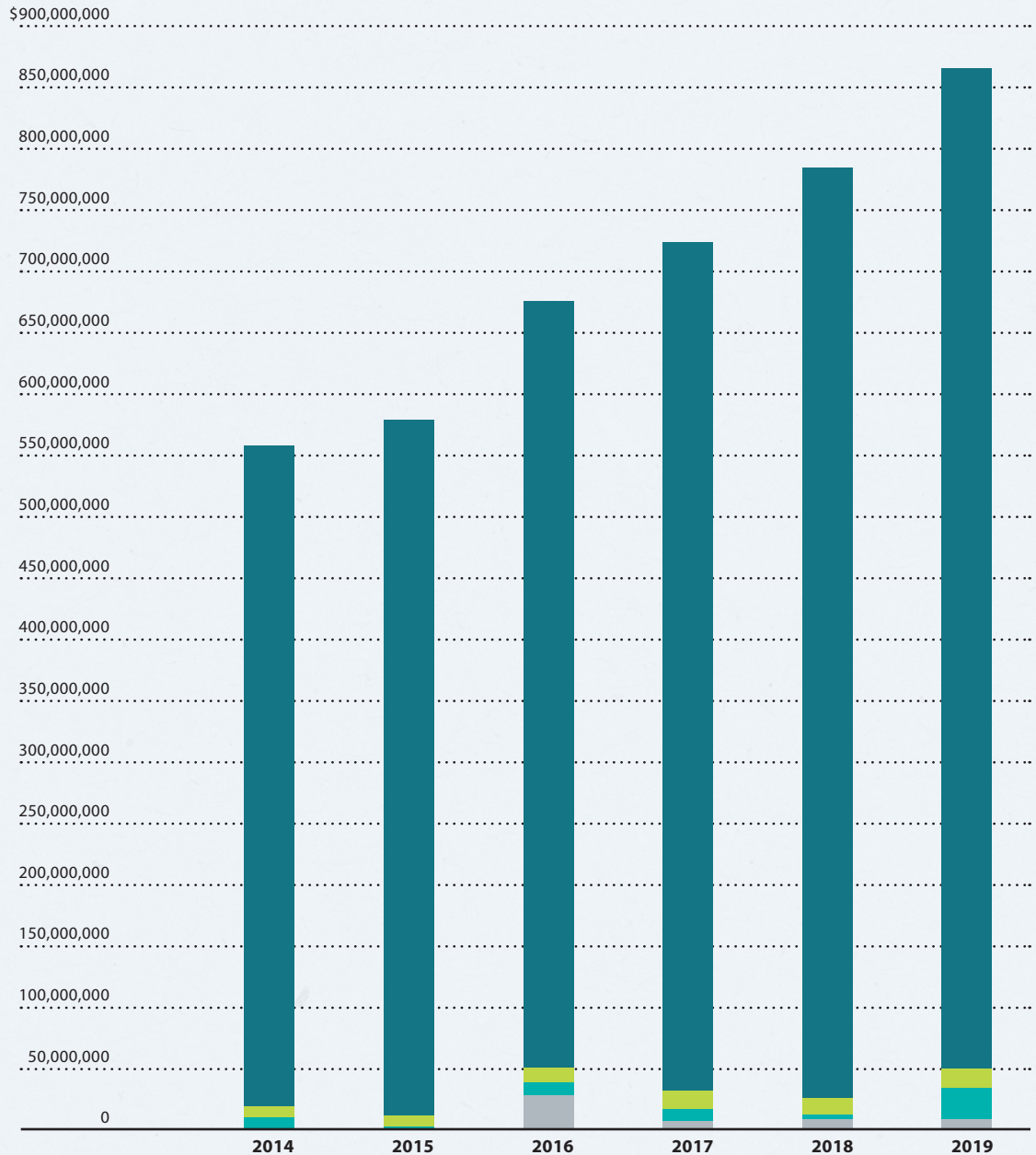
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PUBLIC EMPLOYEES HEALTH PROGRAM

# Additions by Source

At December 31,



	2014	2015	2016	2017	2018	2019
● Premiums and service fees	\$ 540,937,454	580,477,005	628,475,661	694,255,468	764,289,512	816,803,324
● Federal subsidies	8,782,227	8,728,616	11,580,698	15,381,086	13,603,756	15,862,210
● Net investment income	10,755,334	1,932,282	10,825,858	9,526,337	3,246,461	25,357,732
● Employer contributions	—	—	28,439,724	7,638,014	9,208,581	9,266,955
Totals	\$ 560,475,015	591,137,903	679,321,941	726,800,905	790,348,310	867,290,221



# Letter of Transmittal

UTAH STATE RETIREMENT BOARD  
**PUBLIC EMPLOYEES HEALTH PROGRAM**

560 East 200 South  
Salt Lake City, Utah 84102-2044  
801-366-7700  
800-365-8772  
801-366-7734 FAX

DANIEL D. ANDERSEN  
EXECUTIVE DIRECTOR

R. CHET LOFITS  
MANAGING DIRECTOR

April 30, 2020

Utah State Retirement Board  
560 East 200 South  
Salt Lake City, UT 84102-2044

Dear Board Members:

We are pleased to present the 2019 Annual Financial Report of the Public Employees Health Program, also known as PEHP Health & Benefits (PEHP). PEHP is a component unit of the State of Utah, administered by the Utah State Retirement Board (Board) for calendar year 2019.

PEHP administers group medical and other insurance benefits to agencies of the state of Utah, local governments, and other public entities within the state. The financial reporting entity of PEHP includes administration of medical and dental risk pools, reinsurance, long term disability, Medicare Supplement, term life, retiree life, and health reimbursement arrangement (HRA). The program is administered under the Utah State Retirement Board. PEHP medical and dental risk are divided into state and various other employers' risk pools.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of PEHP. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of PEHP.

For financial reporting purposes, PEHP adheres to accounting principles generally accepted in the United States of America. PEHP applies all applicable pronouncements of the Governmental Accounting Standards Board (GASB). Investments of PEHP are presented at fair value and are in accordance with the "prudent person rule."



PEHP provides a mechanism for covered employers to provide covered individuals with group health, dental, medical, disability, life insurance, Medicare supplement, conversion coverage, cafeteria, flex plan and other programs requested by the state, its political subdivisions, or educational institutions in the most efficient and economical manner. There is created the "Public Employees' Trust Fund" for the purpose of paying the benefits and costs of administering the program as indicated in the notes to the basic financial statements on page 30.

### **Management's Discussion and Analysis**

The Management's Discussion and Analysis (MD&A) beginning on page 22 provides an overview and analysis of PEHP. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

### **Financial Information**

Management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived. This system includes written policies and procedures and an internal audit department that reports to the Board. Discussion and analysis of net position and related additions and deductions are presented in the MD&A beginning on page 22.

### **Actuarial**

PEHP is maintained on an actuarially sound basis thus protecting participants' future benefits. The actuarial valuations are performed annually that meet the qualification standards for performing these valuations in accordance with the American Academy of Actuaries and are consistent with internal management strategies. PEHP is maintained on a financially and actuarial sound basis by payments from covered employers and covered individuals. The reserves in a risk pool are maintained at the level recommended by the actuary and approved by the Board.

### **Independent Audit**

An annual audit of PEHP was conducted by the independent accountant Eide Bailly LLP. The auditor's report on the financial statements is included in this report.

### **Acknowledgments**

This report reflects the combined efforts of the staff under the leadership of the Utah State Retirement Board. The report is intended to provide extensive and reliable information for making management decisions, determining compliance with legal provisions, and determining responsible stewardship for the assets contributed by the members and their employers.

We would like to take this opportunity to express our gratitude to the Board, the staff, the advisors, and the many people who have worked so diligently to assure the successful operation and financial soundness of PEHP.

Sincerely yours,



Robert D. Dolphin  
Chief Financial Officer



R. Chet Loftis  
Managing Director



**PUBLIC EMPLOYEES HEALTH PROGRAM**

# Letter from Managing Director

UTAH STATE RETIREMENT BOARD

**PUBLIC EMPLOYEES HEALTH PROGRAM**

560 East 200 South  
Salt Lake City, Utah 84102-2044  
801-366-7700  
800-365-8772  
801-366-7734 FAX

DANIEL D. ANDERSEN  
EXECUTIVE DIRECTOR

R. CHET LOFITS  
MANAGING DIRECTOR

April 30, 2020

Utah State Retirement Board  
560 East 200 South  
Salt Lake City, UT 84102-2044

Dear Board Members:

PEHP Health & Benefits is a division of the Utah Retirement Systems that proudly serves Utah's public employees through high quality and competitively priced medical, dental, life, and long-term disability insurance plans. As a government entity, PEHP embraces both a public mission and a commitment to creating customer value, excelling in the market, and improving healthcare.

Over the past year, PEHP has remained financially sound in all respects. Insurance reserves continue to meet or exceed recommended levels for all risk pools and for all product lines, allowing PEHP to return \$13.3 million in excess reserves to various plan sponsors over the past year.

Membership growth also remains steady, reaching an all-time high of over 168 thousand subscribers for the medical plan as of December 31, 2019. This has enabled PEHP to keep the rate for administrative services the same since 2011, while building administrative reserves.

The past year has been crucial in positioning PEHP for the future with the decision to replace TACs—our 40-year-old homegrown core IT administrative system—with HealthEdge. By all measures, HealthEdge is best of class. Significantly, HealthEdge enables customers to create new functionality with simple, plain language instructions in place of complex and time-consuming computer programming. PEHP secured favorable contract terms and is on target with an aggressive

schedule of bringing initial groups online in September 2020.

Clearly, nothing is as fundamental to a health plan as the ability to pay claims and perform other core functions. HealthEdge gives PEHP a solid, cost-effective, and technologically advanced platform for doing so long into the future.

Also critical to PEHP's future is its relationship with provider partners, especially with the advent of new payment arrangements. In 2019, PEHP successfully negotiated a three-year risk share arrangement with Intermountain Healthcare that includes a reduction in physician fees, a global budget for all hospital and physician services with fixed annual increases, and a formula for sharing savings or losses. This arrangement is a significant development in improving the healthcare system and strengthening PEHP's position in managing costs.

PEHP continued to further the cause of price transparency by adding prescription medications to its market-leading Cost Comparison. With the Tool, members can look up a prescription medication by name or condition, see alternatives to that medication by price, and then compare the price of the preferred drug at local pharmacies. This Tool helps members have more informed discussions with their doctor about medication options. PEHP's Pharmacy Tourism Program, which added Victoria, British Columbia as a second destination, also continued to garner national attention as the most visible part of PEHP's Cash Back Program.

Healthcare is a complex, ever evolving, and increasingly expensive part of the economy. The most significant ongoing challenge facing PEHP and the rest of the industry is to mitigate the annual rate of increase in medical costs. Absent this, plan sponsors are likely to reduce benefits to employees, seek coverage from other plan administrators, or cease to offer insurance benefits to employees.

Managing costs while providing excellent coverage is our primary focus. This past year saw reasonable renewals for our risk pools, including a 4.5% renewal for the state of Utah.

Other areas of focus include serving members by reducing the risk of adverse coverage events and providing tools, advice, and support for healthcare decisions. The cumulative impact of these efforts were again demonstrated in member survey results, showing high and improving customer satisfaction at 92% up from 89% in 2017.

At its essence, PEHP is a reflection of the talented and committed people who choose to work here. Together we put mission and members first, we provide excellent products at cost, and we proudly serve the public sector with distinction.

Sincerely yours,



R. Chet Loftis, Managing Director



## Utah State Retirement Board



*Pictured Left to Right*

*President*

**Ryan G. Hessenthaler**  
Appointed August 19, 2015  
Term Expires July 1, 2023  
Represents Investment Community

**Larry W. Evans**  
Appointed August 21, 2019  
Term Expires July 1, 2023  
Represents Public Employees

**Laura O. Houston**  
Appointed July 2, 2014  
Term Expires July 1, 2022  
Represents Investment Community

**Roger G. Donohoe**  
Appointed December 17, 2014  
Term Expires July 1, 2020  
Represents Education Employees

**Edward T. Alter**  
Appointed February 2, 2012  
Term Expires July 1, 2019  
Represents Investment Community

*Vice President*

**David C. Damschen**  
State Treasurer  
Member Since December 10, 2015  
Ex-officio Member

**William W. Wallace**  
Appointed September 18, 2013  
Term Expires July 1, 2021  
Represents Investment Community

### Utah Retirement Systems Executive Director



Daniel D. Andersen

### PEHP Managing Director

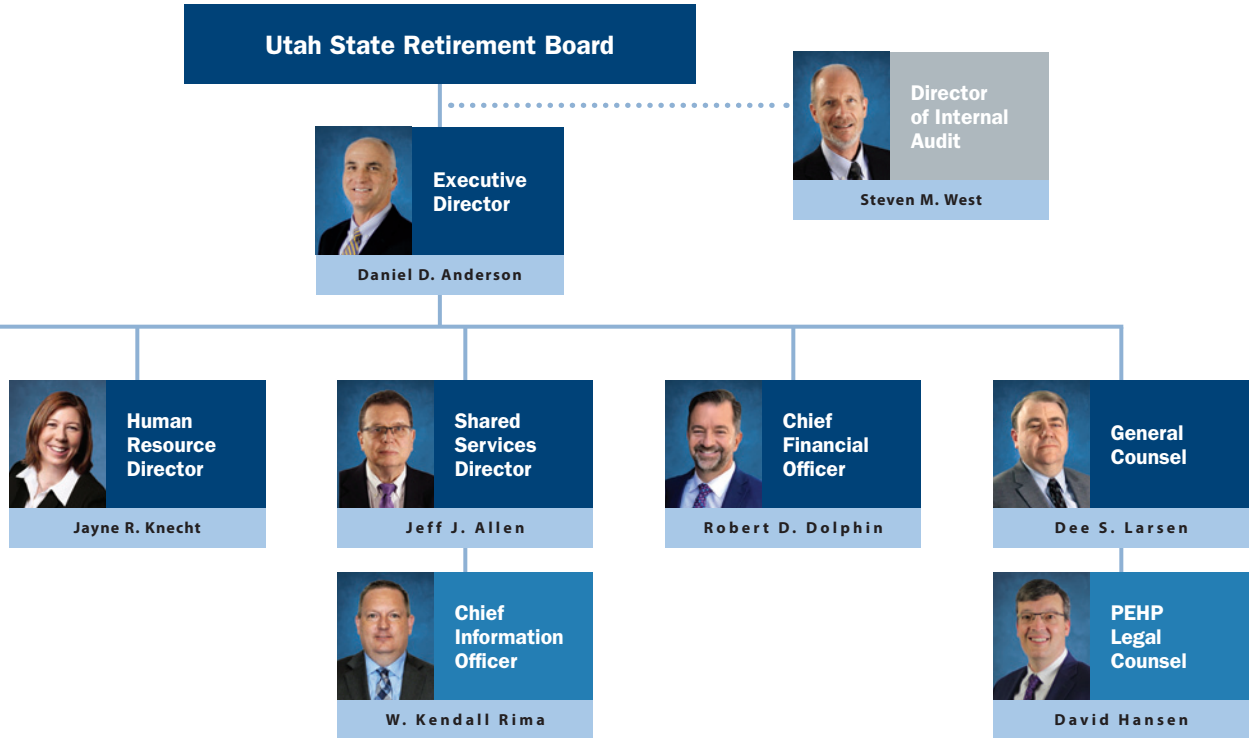


R. Chet Loftis

# Organization Chart







### Administrative Staff

**Daniel D. Andersen**  
*Executive Director*

**Steven M. West, CPA, CFE**  
*Director, Internal Audit*

**R. Chet Loftis**  
*PEHP Managing Director*

**Jayne R. Knecht, MSHR, PHR, SHRM-CP, HRPM**  
*Human Resource Director*

**Jeff J. Allen**  
*Shared Services Director*

**W. Kendall Rima**  
*Chief Information Officer*

**Robert D. Dolphin, CPA**  
*Chief Financial Officer*

**Dee S. Larsen, J.D.**  
*General Counsel*

**David Hansen, J.D.**  
*PEHP Legal Counsel*

**Mark Brown, FSA, MAAA**  
*Business Director*

**Paul Anderton, FSA, MAAA**  
*Chief Actuary*

**Joel Sheppard**  
*Marketing Director*

**Cortney Larsen, MBA, MHSA, CPC**  
*Provider Relations Director*

**Steve Baker**  
*Operations Director*

**Christy Simpson**  
*Member Service Director*

**Chris Lamkin**  
*Life Manager*

**Angie Benson**  
*Long-Term Disability Manager*

**Camie Keim, CPC, CDC**  
*Appeals and Policy Manager*

**Jenice Caso**  
*Reimbursement Account Manager*

**Travis Tolley, PharmD, BCPS**  
*Clinical Managing Director*

**Cindy Jones Prather, MD, FACOG**  
*Chief Medical Officer*

**Joan Chu, RN, CCM**  
*Care Management Director*

**Toan Lam, MD**  
*Medical Director*

**Tom Davies**  
*Pharmacy Director*

**Lance Toms, PMP**  
*Program Manager*

### Professional Service Providers

#### ACTUARY

**Milliman**  
515 East 100 South  
Suite 600  
Salt Lake City, UT 84102

#### AUDITOR

**Eide Bailly LLP**  
Certified Public Accountants  
5 Triad Center  
Suite 600  
Salt Lake City, UT 84180



# Medical

## Program

**PEHP** offers group health insurance and Medicare supplement coverage for the state, its political subdivisions, and educational institutions. PEHP acts as a self-insurer and administers separate risk pools for the state of Utah and other covered employers who have chosen to participate with PEHP. PEHP is maintained on a financially and actuarially sound basis for covered employers and covered individuals. A medical network is a group of doctors, hospitals, and other providers that have agreed to accept a specific price for their services. PEHP has three networks – Summit, Advantage, and Preferred.

**Summit Network** — The Summit Network is based on the University of Utah, Mountain Star and Steward Healthcare hospitals. Members who typically choose this network want a broad choice of hospitals, surgical centers, and imaging centers throughout the Wasatch Front. Hospitals on the Summit Network within Salt Lake County include Salt Lake Regional Hospital, University of Utah Hospital, Huntsman Cancer Institute, Primary Children’s Hospital, St. Mark’s Hospital, Lone Peak Hospital and Jordan Valley Hospital.

**Advantage Network** — The Advantage Network is based on the Intermountain Healthcare facilities and providers. It also contains many non-facility providers who are not affiliated with IHC. Members who choose this network typically want to go to IHC facilities.

**Preferred Network** — The Preferred network consists of all providers and facilities in both the Summit and Advantage networks. It includes all major hospitals in Utah.

### PLAN CHOICES

PEHP offers both traditional healthcare plans and STAR HSA (Health Savings Account – eligible healthcare plans. Traditional plans offer co-pays, lower deductibles, higher employee premiums, and individual-level maximum out-of-pockets; whereas, STAR HSA plans offer higher deductibles, lower employee premiums, and employer contributions to a health savings account that an employee can add to on a tax-free basis and use to pay for healthcare expenses.

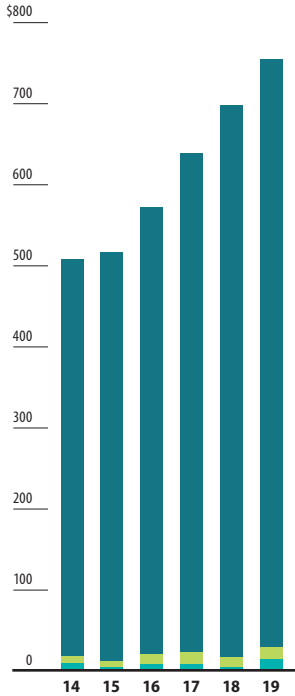


# Medical Program *(Concluded)*

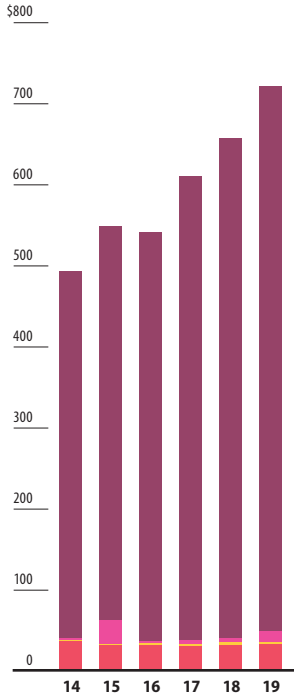
**Total Membership Enrollment**  
*(In thousands)*



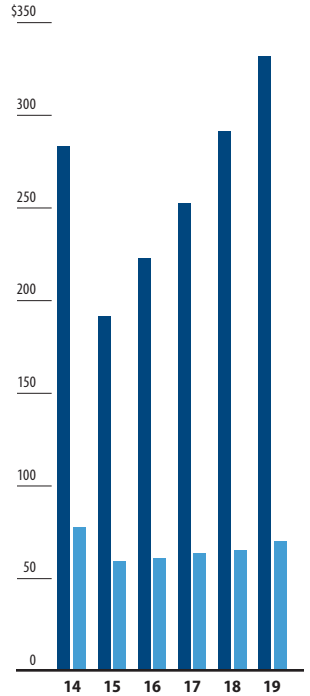
**Additions by Source**  
*(\$ in millions)*



**Deductions by Type**  
*(\$ in millions)*



**Contingency Reserves**  
*(\$ in millions)*



2014 2015 2016 2017 2018 2019

**Count of Membership**

● Advantage Network	73,781	77,765	80,321	81,570	86,127	87,873
● Summit Network	44,111	45,565	47,918	53,069	58,196	61,827
● Preferred Network	5,891	5,272	5,051	4,773	4,825	4,697
● Medicare	10,765	11,478	12,222	12,725	13,208	13,618
<b>Totals</b>	<b>134,548</b>	<b>140,080</b>	<b>145,512</b>	<b>152,137</b>	<b>162,356</b>	<b>168,015</b>
● Traditional Plan	90,447	87,425	84,816	82,737	83,449	84,543
● Star HSA Plan	33,336	41,177	48,474	56,675	65,699	69,854
<b>Totals</b>	<b>123,783</b>	<b>128,602</b>	<b>133,290</b>	<b>139,412</b>	<b>149,148</b>	<b>154,397</b>

**Medical Program Additions by Source**

● Premiums and service fees	\$ 489,491,291	504,343,732	552,242,433	616,327,475	680,826,597	725,225,526
● Federal subsidies	8,782,227	8,728,616	11,580,698	15,381,086	13,603,756	15,862,210
● Net investment income	7,348,609	1,285,142	6,210,176	5,505,254	1,421,106	13,007,263
<b>Totals</b>	<b>\$ 505,622,127</b>	<b>514,357,490</b>	<b>570,033,307</b>	<b>637,213,815</b>	<b>695,851,459</b>	<b>754,094,999</b>

**Medical Program Deductions by Type**

● Claims	\$ 453,471,777	486,892,939	505,776,675	573,085,316	617,439,430	672,804,420
● Experienced dividends	2,779,269	29,658,041	2,224,206	5,701,630	5,703,602	13,268,290
● Commissions	1,906,741	1,996,956	2,409,626	2,907,487	3,126,425	3,477,564
● Administrative expense and other	34,108,355	29,280,677	30,176,635	28,169,556	30,133,223	30,877,872
<b>Totals</b>	<b>\$ 492,266,142</b>	<b>547,828,613</b>	<b>540,587,142</b>	<b>609,863,989</b>	<b>656,402,680</b>	<b>720,428,146</b>

**Medical Program Contingency Reserves**

● Total assets available to pay benefits	\$ 282,323,681	190,515,584	221,619,622	251,306,224	290,169,252	332,562,951
● Total liabilities and reserves	76,960,391	58,296,382	59,954,259	62,290,944	61,705,192	70,432,038
Ending plan contingency reserve	\$ 205,363,290	132,219,202	161,665,363	189,015,280	228,464,060	262,130,913



# Dental

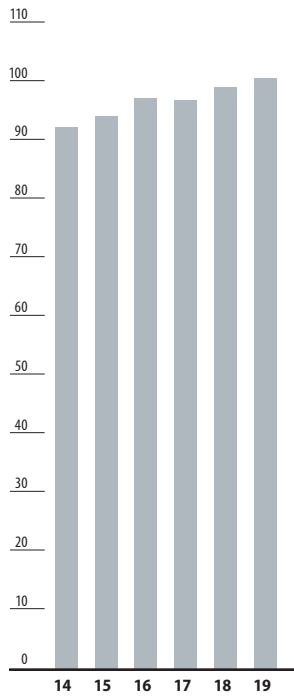
## Program

**PEHP** offers group dental insurance for the state, its political subdivision, and educational institutions. PEHP acts as a self-insurer and administers separate risk pools for the state of Utah and other covered employers who have chosen to participate with PEHP. PEHP is maintained on a financially and actuarial sound basis for covered employers and covered individuals.

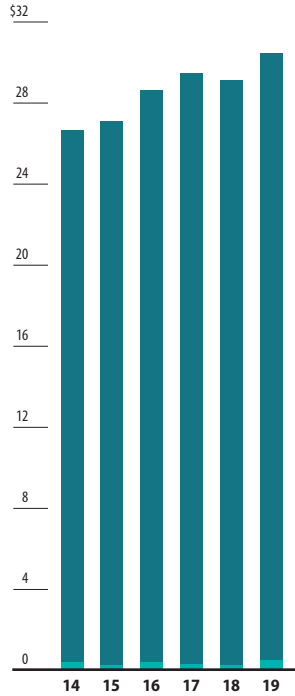


# Dental Program *(Concluded)*

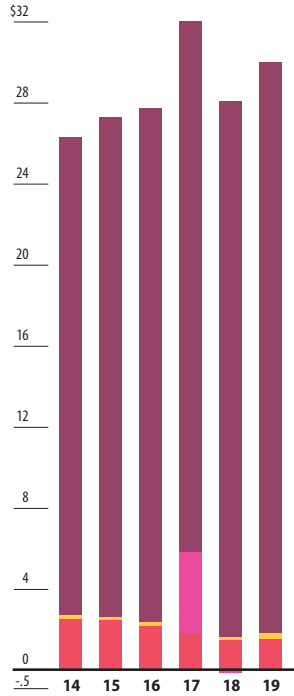
**Total Membership Enrollment**  
*(In thousands)*



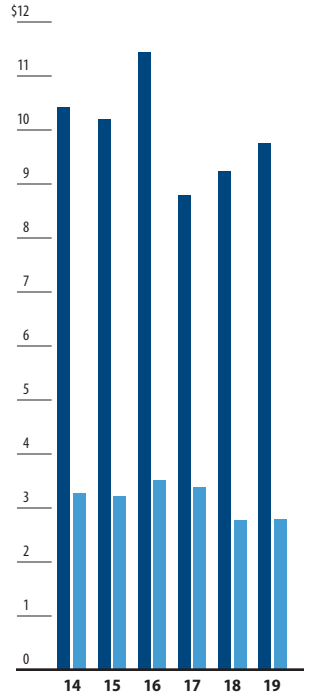
**Additions by Source**  
*(\$ in millions)*



**Deductions by Type**  
*(\$ in millions)*



**Contingency Reserves**  
*(\$ in millions)*



**2014                      2015                      2016                      2017                      2018                      2019**

**Count of Membership**

● Dental Enrollment	92,071	93,949	96,903	96,620	98,781	100,345
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**Dental Program Additions by Source**

● Premiums and service fees	\$ 26,341,924	27,036,944	28,301,855	29,268,441	29,046,866	30,003,604
● Net investment income	310,082	53,351	302,559	221,236	52,350	429,111
<b>Totals</b>	<b>\$ 26,652,006</b>	<b>27,090,295</b>	<b>28,604,414</b>	<b>29,489,677</b>	<b>29,099,216</b>	<b>30,432,715</b>

**Dental Program Deductions by Type**

● Claims	\$ 23,642,124	24,698,742	25,372,285	26,248,159	26,447,587	28,197,746
● Experienced dividends	—	—	2,527	4,002,253	(2,165)	133
● Commissions	185,313	186,744	212,526	—	149,284	304,045
● Administrative expense and other	2,462,459	2,372,723	2,076,423	1,762,041	1,427,824	1,455,592
<b>Totals</b>	<b>\$ 26,289,896</b>	<b>27,258,209</b>	<b>27,663,761</b>	<b>32,012,453</b>	<b>28,022,530</b>	<b>29,957,516</b>

**Dental Program Contingency Reserves**

● Total assets available to pay benefits	\$ 10,414,001	10,187,488	11,426,864	8,778,082	9,233,503	9,746,071
● Total liabilities and reserves	3,255,619	3,197,020	3,495,745	3,369,737	2,748,473	2,785,842
<b>Ending plan contingency reserve</b>	<b>\$ 7,158,382</b>	<b>6,990,468</b>	<b>7,931,119</b>	<b>5,408,345</b>	<b>6,485,030</b>	<b>6,960,229</b>



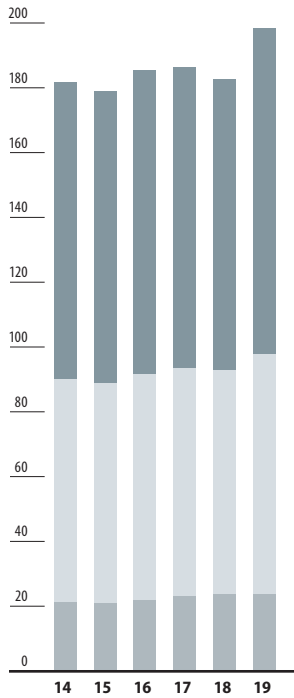
# Group Term, Accidental Death and Dismemberment (AD&D), and Retiree Life Insurance

**PEHP** offers group term, AD&D and retiree life insurance for the state, its political subdivisions, and educational institutions. PEHP term life insurance provides up to \$500,000 of voluntary coverage. The Group AD&D plan provides benefits for death due to an accident on or off the job, for permanent loss of speech, hearing, eyesight, or limb function due to an accident, to supplement lost wages and to cover out-of-pocket expenses the medical plan may not pay.

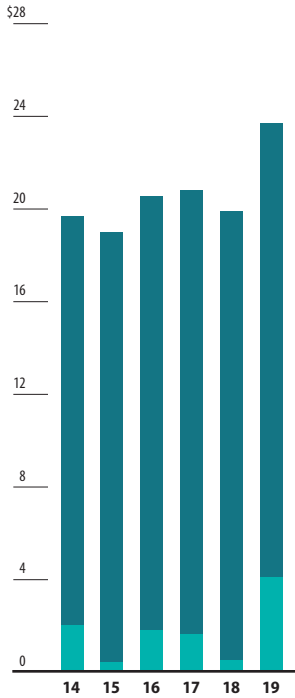


## Group Term, Accidental Death and Dismemberment (AD&D) and Retiree Life Insurance *(Concluded)*

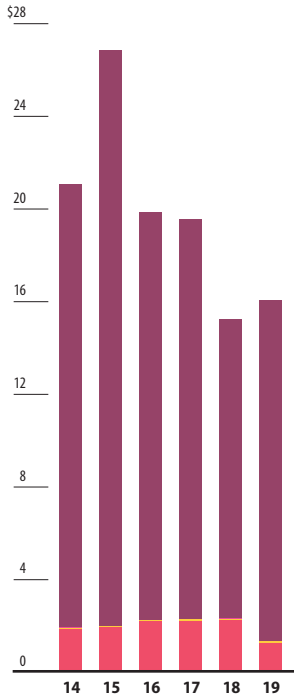
**Total Membership Enrollment**  
*(In thousands)*



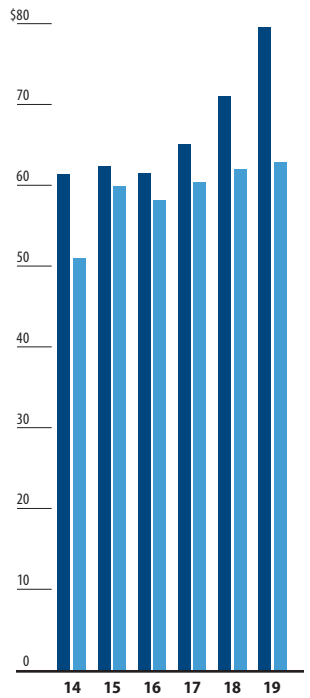
**Additions by Source**  
*(\$ in millions)*



**Deductions by Type**  
*(\$ in millions)*



**Contingency Reserves**  
*(\$ in millions)*



**2014                      2015                      2016                      2017                      2018                      2019**

**Count of Membership**

● Term life	91,733	90,121	93,973	93,289	90,178	100,467
● AD&D	68,861	67,974	69,828	70,313	69,132	74,351
● Retiree life	21,127	20,802	21,672	22,939	23,545	23,507
<b>Totals</b>	<b>181,721</b>	<b>178,897</b>	<b>185,473</b>	<b>186,541</b>	<b>182,855</b>	<b>198,325</b>

**Life Program Additions by Source**

● Premiums and service fees	\$ 17,702,245	18,603,078	18,780,213	19,225,114	19,429,129	19,663,834
● Net investment income	1,933,822	331,770	1,743,464	1,545,973	442,114	4,019,456
<b>Totals</b>	<b>\$ 19,636,067</b>	<b>18,934,848</b>	<b>20,523,677</b>	<b>20,771,087</b>	<b>19,871,243</b>	<b>23,683,290</b>

**Life Program Deductions by Type**

● Claims	\$ 19,181,326	24,906,979	17,643,295	17,331,947	12,937,185	14,813,316
● Experienced dividends	614	86	52	—	50	—
● Commissions	36,809	36,623	39,575	9,190	32,236	65,818
● Administrative expense and other	1,758,174	1,832,430	2,091,150	2,129,120	2,149,254	1,138,242
<b>Totals</b>	<b>\$ 20,976,923</b>	<b>26,776,118</b>	<b>19,774,072</b>	<b>19,470,257</b>	<b>15,118,726</b>	<b>16,017,376</b>

**Life Program Contingency Reserves**

● Total assets available to pay benefits	\$ 61,302,856	62,323,701	61,449,902	64,974,603	70,908,251	79,524,200
● Total liabilities and reserves	50,913,952	59,775,288	58,151,888	60,375,759	61,869,873	62,819,909
<b>Ending plan contingency reserve</b>	<b>\$ 10,388,904</b>	<b>2,548,413</b>	<b>3,298,014</b>	<b>4,598,844</b>	<b>9,038,378</b>	<b>16,704,291</b>



# Long-Term Disability Insurance (LTD)

**PEHP** offers group Long-Term Disability insurance for the state, its political subdivision, and educational institutions. PEHP LTD is maintained on a financially and actuarial sound basis for covered employers and covered individuals. LTD is a safety net should an employee become disabled and unable to work. The LTD benefit is paid by the participating employer and provides two-thirds of regular monthly salary for accidental bodily injury, disease, or illness.

## SUMMARY BENEFITS

**Benefit Amount:**

Two-thirds of salary

**Waiting Period:**

Three months; closest to the first of the month.

**First 24 months of LTD:**

Must be unable to perform regular job.

**After 24 months of LTD:**

Must be unable to perform any gainful employment due to physical disability (includes sedentary work)

**Maximum Benefit:**

Age 65 or retirement with Utah Retirement Systems

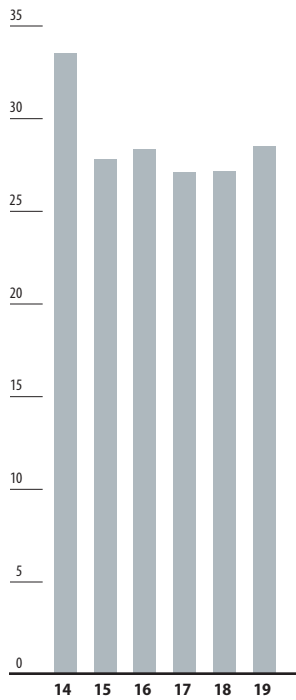
**Line of Duty Benefit:** (*External Force/Violence*)

100% of regular salary

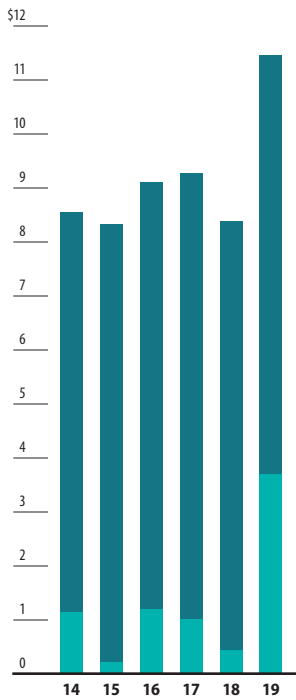


## Long-Term Disability Insurance (LTD) *(Concluded)*

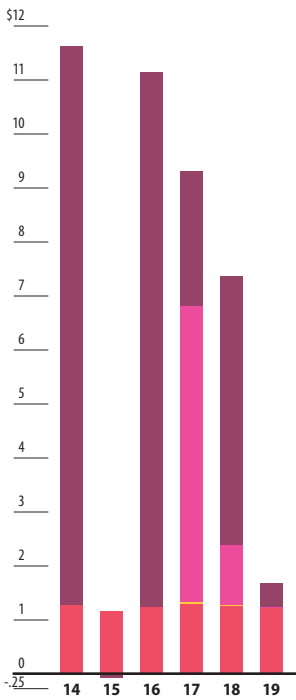
**Total Membership Enrollment**  
*(In thousands)*



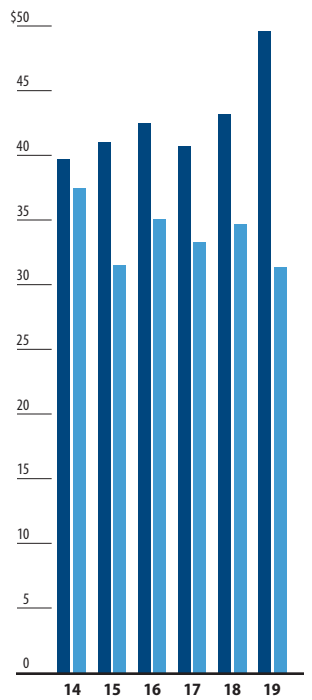
**Additions by Source**  
*(\$ in millions)*



**Deductions by Type**  
*(\$ in millions)*



**Contingency Reserves**  
*(\$ in millions)*



2014                      2015                      2016                      2017                      2018                      2019

**Count of Membership**

● Total LTD Enrollment	33,600	27,896	28,404	27,192	27,224	28,584
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**Life Program Additions by Source**

● Premiums and service fees	\$ 7,401,994	8,116,499	7,916,397	8,266,192	7,953,824	7,760,090
● Net investment income	1,162,821	229,253	1,222,460	1,027,606	457,317	3,720,820
Totals	\$ 8,564,815	8,345,752	9,138,857	9,293,798	8,411,141	11,480,910

**Life Program Deductions by Type**

● Claims	\$ 10,354,451	(83,638)	9,920,342	2,505,894	4,981,908	438,458
● Experienced dividends	—	—	—	5,495,730	1,118,283	2,612
● Commissions	—	—	—	4,412	3,274	—
● Administrative expense and other	1,293,873	1,184,016	1,261,687	1,313,708	1,264,128	1,233,855
Totals	\$ 11,648,324	1,100,378	11,182,029	9,319,744	7,367,593	1,674,925

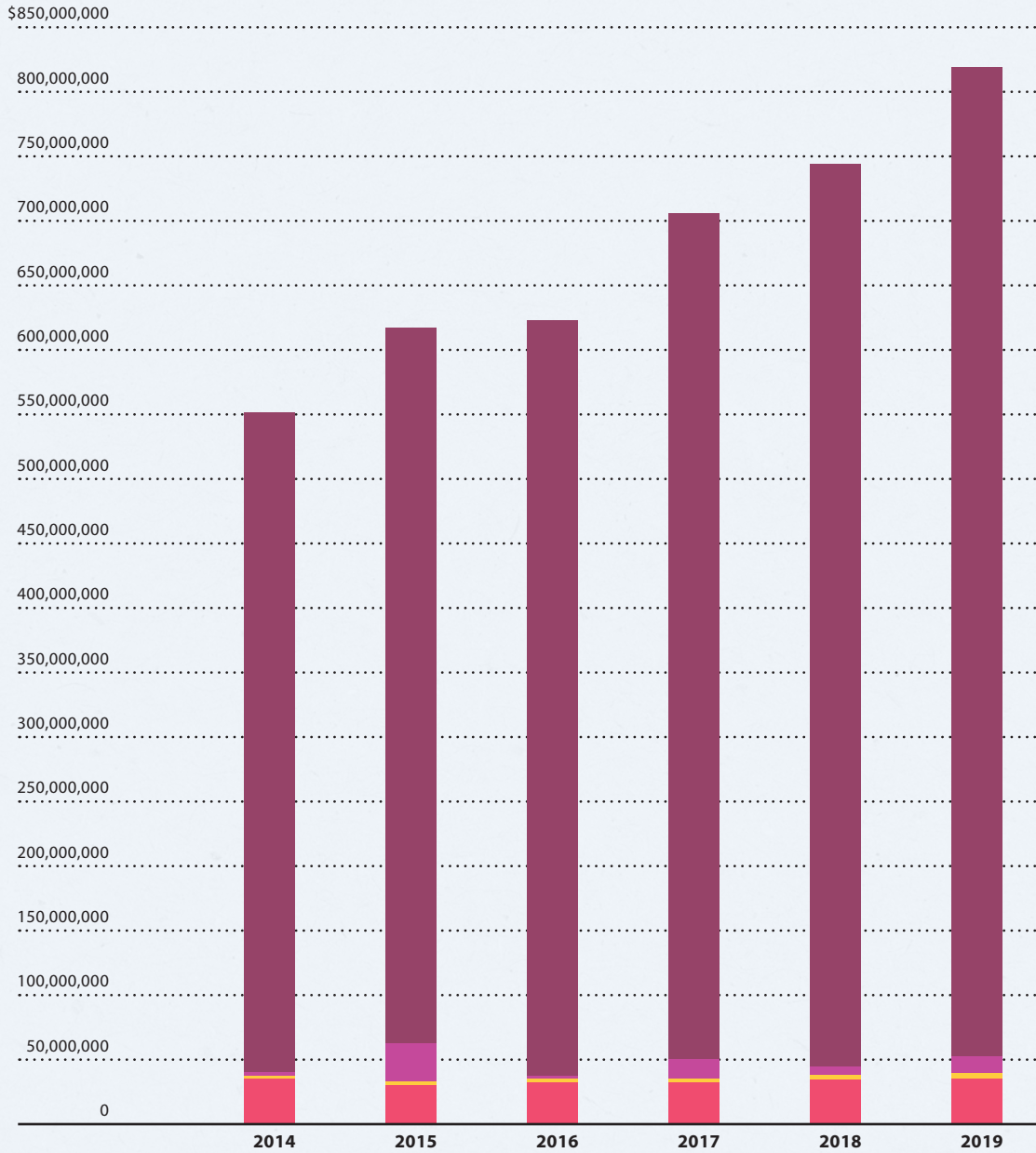
**Life Program Contingency Reserves**

● Total assets available to pay benefits	\$ 39,810,128	41,170,436	42,614,444	40,832,526	43,314,076	49,779,564
● Total liabilities and reserves	37,561,851	31,676,785	35,163,963	33,407,991	34,845,993	31,505,496
Ending plan contingency reserve	\$ 2,248,277	9,493,651	7,450,481	7,424,535	8,468,083	18,274,068

PUBLIC EMPLOYEES HEALTH PROGRAM

# Deductions by Type

Calendar Year Ending December 31,



● Claims	\$ 510,828,364	554,729,246	585,782,709	654,802,251	698,917,378	766,084,911
● Experienced dividends	2,779,883	29,658,127	2,226,785	15,199,613	6,819,770	13,271,035
● Commissions	2,128,863	2,220,322	2,671,325	2,953,215	3,333,229	3,918,671
● Administrative expense and other	35,444,175	30,436,353	32,481,528	32,422,114	34,839,792	35,522,995
<b>Totals</b>	<b>\$ 551,181,285</b>	<b>617,044,048</b>	<b>623,162,347</b>	<b>705,377,193</b>	<b>743,910,169</b>	<b>818,797,612</b>



# Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Utah State Retirement Board  
Public Employees Health Program  
Salt Lake City, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of the Public Employee Health Program, a department of Utah Retirement Systems, as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Public Employee Health Program's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing*

*Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Employee Health Program, a department of Utah Retirement Systems, as of December 31, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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## Auditor's Report *(Continued)*

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 22-26, the 10-year loss development schedule on pages 58-59, and the schedule of the proportionate share of the net pension liability and schedule of contributions on pages 60-61, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked "Unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information throughout this report packet marked "Unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The financial statements include summarized comparative information as of and for the year ended June 30, 2019 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020 on our consideration of Public Employee Health Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 Public Employee Health Program'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 Public Employee Health Program's internal control over financial reporting and compliance.



Salt Lake City, Utah  
April 30, 2020



## Auditor's Report *(Concluded)*



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

To the Board of Directors  
Utah Retirement Board  
Public Employees Health Program  
Salt Lake City, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Public Employee Health Program as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Public Employee Health Program's basic financial statements, and have issued our report thereon dated April 30, 2020.

#### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the

entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Public Employee Health Program'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

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

*Eide Bailly LLP*  
Salt Lake City, Utah  
April 30, 2020

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# Management's Discussion and Analysis

*For the Year Ended December 31, 2019*



The management of Public Employees Health Program (PEHP) presents the following discussion and analysis of the financial statements for the year ended December 31, 2019. PEHP is authorized and created under Title 49, Chapters 20 and 21, of the Utah Code to organize and administer self insurance risk pools for employee benefits for the state, its educational institutions, and political subdivisions.

PEHP, as a trust organization, does not own any assets, have any liabilities, or earn income. All accounting transactions, including PEHP expenses, are recorded or allocated to the various risk pools and lines of business. This is consistent with the statute that created PEHP, to organize and administer funded self-insurance risk pools. PEHP does not report the various risk pools as separate funds. Therefore, the risk pool reporting is provided as schedules in the supplemental information.

The long-term disability, term life, retiree life, and health reimbursement arrangement plan (HRA) lines of business, and the Medicare Supplement and reinsurance risk pools are singular risk pools in which all participating employers share the risk. The medical and the dental lines of business are divided into various risk pools of single or multiple employer pools. The medical line of business, including Medicare supplement, encompasses 88.03% of PEHP's benefit expenses. Dental accounted for 3.62% leaving 8.35% for all of the other lines of business in total.

PEHP is a "public entity risk pool" as defined by GASB Statement No. 10, encompassing three of the four types of pools identified. Risk is shared in the long-term disability, term life, retiree life, and health reimbursement arrangement lines of business, the Medicare supplement program and in the medical and dental risk pools for the Utah School Board Association and the Local Government Risk Pool. Catastrophic reinsurance is purchased from private insurance companies through the "Reinsurance" risk pool and the term life program. PEHP acts as a third-party administrator and provides administrative services only and holds no significant contingency reserves for Jordan School District, Canyons School District, Salt Lake School District, and Salt Lake County.





**The medical line of business, including Medicare supplement, encompasses 88.03% of PEHP's benefit expenses. Dental accounted for 3.62% leaving 8.35% for all of the other lines of business in total.**



**Management Discussion & Analysis** (Continued)**Summary of Net Position at December 31 is as Follows:**

	2019	2018	2017	2019 Increase (Decrease)	2018 Increase (Decrease)	2019 Percentage Change	2018 Percentage Change
<b>Assets and Outflows:</b>							
Cash, cash equivalents, and investments	\$ 486,094,573	422,427,352	388,576,969	63,667,221	33,850,383	15.1%	8.7%
Receivables	69,719,324	78,634,095	78,149,157	(8,914,771)	484,938	(11.3)	0.6
Capital assets	44,276	67,445	156,954	(23,169)	(89,509)	(34.4)	(57.0)
Net OPEB asset	680,551	84,549	—	596,002	84,549	704.9	0.0
Deferred outflows relating to pensions and other post employment benefits	8,732,691	6,911,463	7,799,585	1,821,228	(888,122)	26.4	(11.4)
Total assets and deferred outflows	565,271,415	508,124,904	474,682,665	57,146,511	33,442,239	11.2	7.1
<b>Liabilities and Inflows:</b>							
Claims and other	110,514,170	102,142,945	114,990,927	8,371,225	(12,847,982)	8.2	(11.2)
Life and long-term disability	74,932,398	77,708,006	76,915,407	(2,775,608)	792,599	(3.6)	1.0
Net pension liability	16,895,778	11,139,396	13,917,002	5,756,382	(2,777,606)	51.7	(20.0)
Deferred inflows relating to pensions and other post employment benefits	908,482	3,606,579	1,769,492	(2,698,097)	1,837,087	74.8	103.8
Total liabilities and deferred inflows	203,250,828	194,596,926	207,592,828	8,653,902	(12,995,902)	4.4	(6.3)
<b>Net Position:</b>							
Restricted for claim contingency reserves	323,096,920	277,833,446	236,099,926	45,263,474	41,733,520	16.3	17.7
Restricted for benefits	38,923,667	35,694,532	30,989,911	3,229,135	4,704,621	9.0	15.2
Total net position	\$ 362,020,587	313,527,978	267,089,837	48,492,609	46,438,141	15.5%	17.4%

**Summary of Changes in New Position for Years Ended December 31, 2019, 2018, and 2017:**

	2019	2018	2017	2019 Increase (Decrease)	2018 Increase (Decrease)	2019 Percentage Change	2018 Percentage Change
<b>Revenues:</b>							
Premiums and fees	\$ 841,932,489	787,101,849	717,274,569	54,830,640	69,827,280	7.0%	9.7%
Investment income	25,357,732	3,246,461	9,526,339	22,111,271	(6,279,878)	681.1	(65.9)
Total revenues	867,290,221	790,348,310	726,800,908	76,941,911	63,547,402	9.7	8.7
<b>Expenses:</b>							
Insurance benefits	779,355,946	705,737,148	670,001,864	73,618,798	35,735,284	10.4	5.3
Administrative and other expenses	39,441,666	38,173,021	35,375,332	1,268,645	2,797,689	3.3	7.9
Total benefits and expenses	818,797,612	743,910,169	705,377,196	74,887,443	38,532,973	10.1	5.5
Revenues over (under) benefits and expenses	48,492,609	46,438,141	21,423,712	2,054,468	25,014,429	4.4	116.8
<b>Net Position:</b>							
Beginning of year, restricted for claim contingency reserves	277,833,446	236,099,926	218,203,816	41,733,520	17,896,110	17.7	8.2
Beginning of year, restricted for benefits	35,694,532	30,989,911	27,462,309	4,704,621	3,527,602	15.2	12.8
Ending of year, restricted for claim contingency reserves	323,096,920	277,833,446	236,099,926	45,263,474	41,733,520	16.3	17.7
Ending of year, restricted for benefits	38,923,667	35,694,532	30,989,911	3,229,135	4,704,621	9.0	15.2
Ending net position, restricted	\$ 362,020,587	313,527,978	267,089,837	48,492,609	46,438,141	15.5%	17.4%



## Management Discussion & Analysis *(Continued)*

GASB Statement No. 10 provides guidelines for recording and reporting of revenues, expenses, liabilities, assets, and specified supplementary information. PEHP records transactions according to these guidelines. Given the short-term nature of PEHP's lines of business, the required supplementary information presented is deemed sufficient to meet the principles of GASB Statement No. 10. PEHP has also adopted the financial reporting provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 63 amends certain portions of the financial reporting provisions of GASB Statement No. 10. GASB Statement No. 63 establishes the standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. PEHP has prepared the financial statements in accordance with GASB Statement No. 63.

### FINANCIAL CONDITION

PEHP works with the employers and actuaries to set medical and dental premium rates that will maintain appropriate reserve levels for each risk pool. The criteria vary depending on the type of risk pool. New risk pools provide an initial deposit or establish reserves over time.

Total contingency reserves increased by \$48.5 million as follows:

- » The medical program contingency reserves increased by \$33.7 million due primarily to favorable claims experience.
- » Contingency reserves increased by \$475.2 thousand in the dental program due to favorable claim experience.
- » The long-term disability program realized an increase of \$9.8 million in contingency reserves due to favorable claim experience and decline in the number of disables at year end.
- » Term life contingency reserve increased by \$3.8 million primarily from favorable claim experience and positive investment income of \$1.6 million compared to \$457 thousand investment income in 2018.
- » The retiree life program had a contingency reserve increase of \$3.9 million. The increase was due to a change in actuarial assumptions regarding mortality to match existing experience of policyholders and a decrease in the administrative expense rate.
- » The reinsurance program had a contingency reserve decrease of \$5.7 million due to unfavorable claim experience.
- » The HRA Program reserves restricted for benefits increased by \$3.2 million due to employer contributions exceeding benefit payments.

### FINANCIAL STATEMENTS

The financial statements for PEHP are prepared on the accrual basis of accounting in accordance with the generally accepted accounting principles in the United States, as promulgated by the Governmental Accounting Standards Board (GASB). PEHP is reported as a discrete component unit of the State of Utah. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the footnotes for more information.



**Management Discussion & Analysis** *(Concluded)*



**FINANCIAL ANALYSIS**

- » The total of cash and investments increased by \$63.7 million due to favorable claim experience and positive investment returns.
- » Total receivables decreased by \$8.9 million due to increased speed of premium collections.
- » Capital assets include computers and office equipment. The net capital assets decreased by \$23 thousand due to depreciation expense.
- » The net pension liability increased by \$5.8 million due to the pension fund earning a negative 0.22% return in 2018.
- » The total liabilities increased by \$8.7 million due primarily from the increase security lending non-cash collateral liability and higher claim reserves due to an increase in covered lives.

The Summary for the Statement of Changes in Net Position for the years ended December 31, 2019, and 2018 is as follows:

- » Premium and fee income increased by \$54.8 million, due primarily to increases in medical rates and additions of new business.
- » Investment income increased by \$22.1 million due to the increase in the bond yield. The market value of investments for the year increased by \$63.0 million compared to a decrease of \$15 million in the prior year. The total net investment income (investment yield plus or minus adjustments to the market value less investment expenses) for the year ended December 31, 2019, was \$25.4 million for an overall return of 7.67%. The benchmark used to measure the Dodge and Cox performance is Bloomberg Barclays U.S. Intermediate Aggregate Bond Index. For the calendar year, this index had a rate of return of 6.67%, whereas the return net of fees for the Dodge and Cox managed portfolio for the year was 5.56%.
- » Insurance benefits expense increased by \$73.7 million. This was due primarily to an increase in covered lives.

**BUDGETS**

Since the risk pools belong to the current participating employers, PEHP does not budget revenues and insurance benefit expenses. Budgets are prepared on administrative expenses. For the budget years ended June 30, 2019, and June 30, 2018, the administrative expenses were \$2,442,199 and \$1,147,560, under budget respectively as outlined in the table below.

	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018
Board approved budget	\$ 35,911,319	33,935,476
Actual expenditures	33,469,120	32,787,916
Variance (over) / under budget	\$ 2,442,199	1,147,560



PUBLIC EMPLOYEES HEALTH PROGRAM

# Statements of Net Position

As of December 31, 2019

With comparative totals for December 31, 2018

	2019	2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 133,345,964	145,062,145
Investments	352,748,609	277,365,207
Receivables:		
Premium and service fees	43,276,434	55,474,782
Investments	2,001,860	2,141,818
Misc. receivables/prepaid expenses	24,441,030	21,017,495
Total receivables	69,719,324	78,634,095
Furniture and equipment net of accumulated depreciation	44,276	67,445
Net OPEB asset	680,551	84,549
Total assets	556,538,724	501,213,441
<b>Deferred Outflows of Resources:</b>		
OPEB related amounts	132,845	—
Pension related amounts	8,599,846	6,911,463
Total deferred outflows	8,732,691	6,911,463
<b>Liabilities:</b>		
Claims payable	26,727,288	23,274,077
Estimated liability for claims incurred but not reported	49,888,955	46,031,310
Life insurance reserves	58,566,637	58,981,653
Long-term disability claims reserves	15,269,766	17,368,814
Long-term disability medical premium reserves	1,095,995	1,357,539
Premiums payable	259,201	501,132
Unearned premiums	3,304,678	3,392,064
PPCA and other accrued expenses payable	2,420,656	4,671,074
Taxes payable	102	10,407
Experience dividend payable	250,533	4,204,445
Due to other agencies and other liabilities	17,828,683	17,135,821
Security lending liability	9,834,074	2,922,615
Net pension liability	16,895,778	11,139,396
Total liabilities	202,342,346	190,990,347
<b>Deferred Inflows of Resources:</b>		
OPEB related amounts	521,825	—
Pension related amounts	386,657	3,606,579
Total deferred inflows	908,482	3,606,579
<b>Net Position:</b>		
Restricted for claims contingency reserves	323,096,920	277,833,446
Restricted for benefits	38,923,667	35,694,532
Total net position	\$ 362,020,587	313,527,978

The accompanying notes to the financial statements are an integral part of these statements.

PUBLIC EMPLOYEES HEALTH PROGRAM

## Statements of Changes in Net Position

Year Ended December 31, 2019

With comparative totals for December 31, 2018

	2019	2018
<b>Revenues:</b>		
Premiums earned and service fees, net of refunds	\$ 816,803,324	764,289,352
Federal subsidy	15,862,210	13,603,756
Employer contributions	9,266,955	9,208,582
Net investment income	25,357,732	3,246,461
Miscellaneous income	—	159
Total revenues	867,290,221	790,348,310
<b>Expenses:</b>		
Insurance benefits:		
Claims	761,549,663	697,526,410
Change in unpaid claims and claims incurred but not reported	4,535,248	1,390,968
Experience dividends	13,271,035	6,819,770
Total insurance benefits	779,355,946	705,737,148
Administrative and other expenses:		
Administrative expenses	34,678,281	34,752,735
Commissions	3,918,671	3,333,229
PPACA fees	203,659	224,003
Other expenses	641,055	(136,946)
Total expenses	818,797,612	743,910,169
Revenue over benefits and expenses	48,492,609	46,438,141
<b>Net Position:</b>		
Beginning of year, restricted for claim contingency and benefits	313,527,978	267,089,837
End of year, restricted for claims contingency and benefits	\$ 362,020,587	313,527,978

The accompanying notes to the financial statements are an integral part of these statements.



PUBLIC EMPLOYEES HEALTH PROGRAM

## Statements of Cash Flow

For the Year Ended December 31, 2019

With comparative totals for December 31, 2018

	2019	2018
Cash flows from operating activities:		
Cash received from premiums and service fees	\$ 854,260,606	787,086,858
Cash paid for insurance benefits	(761,791,592)	(701,517,229)
Cash paid for administrative and other expenses	(43,964,317)	(37,700,992)
Policyholder experience dividends paid	(17,224,947)	(2,841,478)
Net cash provided (used) by operating activities	31,279,750	45,027,159
Cash flows from investing activities:		
Investment income	13,750,979	8,632,927
Proceeds from maturities of sales of fixed income securities	209,419,330	102,320,588
Purchases of fixed income securities	(266,144,564)	(107,129,324)
Net cash provided (used) by investing activities	(42,974,255)	3,824,191
Cash flows from capital and related financing activities:		
Proceeds from sale of assets	—	—
Purchases of equipment	(21,676)	—
Net cash provided (used) by financing activities	(21,676)	—
Net increase (decrease) in cash and cash equivalents	(11,716,181)	48,851,350
Cash and cash equivalents at beginning of year	145,062,145	96,210,795
Cash and cash equivalents at end of year	133,345,964	145,062,145
Reconciliation of revenue over (under) benefits and expenses to net cash provided (used) by operating activities:		
Revenue over (under) benefits and expenses	48,492,609	46,438,141
Adjustments to reconcile revenue over (under) benefits and expenses to net cash provided (used) by operating activities:		
Depreciation	44,845	20,933
Net investment income	(25,357,732)	(3,246,461)
OPEB related items	(291,571)	—
Pension related items	932,626	(136,946)
Change in assets and liabilities:		
Premiums and service fees	12,198,347	(170,347)
Employer contributions	217,157	—
Prepaid expenses and other current assets	(3,640,691)	(296,424)
Claims payable	3,453,208	(3,644,092)
Liability for claims incurred but not reported	3,857,648	(833,783)
Life insurance reserves	(415,016)	2,278,259
Long term disability claim reserves	(2,099,048)	—
Long term disability medical premium reserves	(261,544)	(393,679)
Experience dividend payable	(3,953,912)	3,978,292
Due to other agencies and other liabilities	692,862	1,514,653
Premium payables	(241,929)	(6,552)
Unearned premiums	(87,386)	155,352
Accrued expense payable	(2,250,418)	(631,319)
Taxes payable	(10,305)	1,132
Net cash provided by operating activities	\$ 31,279,750	45,027,159

The accompanying notes to the financial statements are an integral part of these statements.

# Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018



## Note 1

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### Summary of Significant Accounting Policies

#### ORGANIZATION AND NATURE OF BUSINESS

**Public Employees Health Program (the “Program”) is a discrete component unit of the State of Utah created under the State of Utah Retirement Act to provide insurance services to public employees of the State of Utah. All “Program” employees are employed by URS with costs, assets, and liabilities allocated to PEHP.**

PEHP also provides insurance services to employees of 380 municipalities, school districts, and other public entities within the State of Utah. Under authority granted by the Retirement Act, PEHP is administered by the Utah State Retirement Board (the “Board”).

PEHP provides insurance services predominately for agencies of the State of Utah. Effective with the year ended June 30, 2003, the State of Utah changed its accounting for PEHP from an internal service fund to a discrete component unit of the State of Utah, in accordance with the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 10, Accounting for Financial Reporting for Risk Financing and Related Insurance Issues as defined in that statement.

Insurance products offered by PEHP include medical, dental, long-term disability, and life insurance. Public entities participating in the medical and dental programs are grouped into various risk pools for purposes of establishing rates, providing policyholder experience dividends, and retaining risk of loss from such insurance products. Under the Board’s current policy, commercial medical risk pools can elect to participate in the PEHP sponsored reinsurance pool. This fund provides specific stop-loss insurance for individual claimants





PEHP also provides insurance services to employees of 380 municipalities, school districts, and other public entities within the State of Utah.





## Notes to Financial Statements *(Continued)*

December 31, 2019 and 2018



who incur aggregate claims in excess of amounts between \$100,000 and \$250,000 during the fiscal years ended December 31, 2019 and 2018. During the years ended December 31, 2019, and 2018, PEHP collected medical reinsurance premiums of \$34,150,647 and \$27,006,363 respectively.

The fund also provides aggregate stop-loss coverage at various levels. Management believes that it has recorded claims payable and benefit reserves adequate to meet all actuarially determined losses. PEHP does not enter into any external medical reinsurance agreements.

PEHP has reinsurance coverage for a life catastrophic occurrence in excess of \$3,500,000, not to exceed \$80,000,000 per year with a one-time reinstatement with additional premium. The limit is dependent on the participating group's lifetime maximum. The retention per person will be reapplied to PEHP each calendar year. During the years ended December 31, 2019 and 2018, PEHP paid \$171,484 and \$994,377 respectively, in premiums under all life reinsurance agreements. PEHP also collects and passes through premiums for certain independent insurers.

The accounting policies of PEHP conform to accounting principles generally accepted in the United States of America in all material respects.

### **CASH AND CASH EQUIVALENTS**

For purposes of reporting cash flows, cash and cash equivalents reported on the Statements of Net Position and the Statements of Cash Flows include a demand account at a commercial financial institution and funds held on deposit with Utah Retirement Systems. The demand account is covered by an overnight repurchase agreement with the financial institution. PEHP considers all highly liquid debt instruments with a maturity of less than three months to be cash equivalents.

### **USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates which are particularly susceptible to change relate to the actuarial valuation of the claims incurred but not reported and benefit reserves. Actual results could differ from those estimates.

PEHP invests in various investment securities which, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that those changes could materially affect the amounts reported in the Statements of Net Position.

## Notes to Financial Statements *(Continued)*

December 31, 2019 and 2018

### INVESTMENTS

Investments are comprised of U.S. government securities and money market funds invested in U.S. government securities, agency notes and mortgage-backed securities, corporate notes and asset backed securities. These investments are carried at fair value determined on quoted market prices. Changes in the fair value of investments are recognized as investment income in the Statements of Changes in Net Position.

### INVESTMENT VALUATION

PEHP categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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.

### ALLOWANCE FOR DOUBTFUL ACCOUNTS

PEHP considers all receivables collectible and writes off any bad debt in the period in which it was determined to be uncollectible.

### FURNITURE AND EQUIPMENT

Furniture and equipment are defined by PEHP as assets with an initial cost of more than \$5,000. Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives for furniture and equipment range from three to ten years.

### CLAIM LIABILITIES AND BENEFIT RESERVES

PEHP establishes claim liabilities and benefit reserves based on actuarial and other estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Long-term disability benefit reserves are reported using discount rates between 1.75% and 3.50% to calculate the present value of estimated future cash payments as of December 31, 2019 and 2018. Because actual claim costs depend on such complex factors as inflation and changes in insurance benefits, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically by an actuary to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. Inflation is implicit in the calculation because reliance is based on historical data that reflects past inflation and other appropriate modifiers. Adjustments to claims liabilities and benefit reserves for changes in estimates are recorded in the Statements of Changes in Net Position in the period in which changes are made.

### HEALTH REIMBURSEMENT ARRANGEMENT

The Health Reimbursement Arrangement (HRA) is a tax-advantaged health savings plan for State employees funded by employer contributions to pay for qualified healthcare expenses incurred after retirement. No employee contributions are permitted. The plan net position as of December 31, 2019 and 2018, was \$38,923,667 and \$35,694,532, respectively.





**Notes to Financial Statements** *(Continued)*

December 31, 2019 and 2018

**CLAIMS CONTINGENCY RESERVES**

In order for PEHP to manage risks which are not accounted for when premiums were set to fund the costs of insurance benefits, PEHP maintains claims contingency reserves. The claims contingency reserves also manage risks which were accounted for in the premiums for a given coverage period, but where the potential impact of these risks could be higher than what was accounted for in the funding of insurance benefits. The claims contingency reserve is shown as restricted net position on the Statement of Net Position. In order to ensure that PEHP maintains adequate levels of claims contingency reserves, an independent external actuary was hired to evaluate the claims contingency reserves at June 30 and provide recommendations on appropriate claims contingency reserves levels.

The independent actuary's recommendation included an estimate of claims contingency reserves to cover the various risks faced by groups' benefit plans. Specifically, the claims contingency reserves estimates includes amounts to offset the following risks: (1) an underestimate of unpaid claim liabilities or IBNR estimates, which would impact funding for a future coverage period; (2) a trend fluctuation margin to cover the 95th percentile of trend estimate over the trend assumption used for setting the budget premium amounts for the employee benefit plan; (3) a claim fluctuation reserve to cover 95th percentile of the claim level variation over the average expected claim levels, when other actuarial assumptions used for funding the employee benefit plans are held constant; and (4) a reserve to cover variation in claim costs due to other unexpected or unknown contingent events such as data errors, unexpected litigation, natural disasters, a catastrophic epidemics etc.

At December 31, 2019 the restricted claims contingency reserve is significantly higher than it would be at June 30, 2020.

The estimate of each of the claims contingency reserves evaluated are presented in terms of days of average premium. The actuary performed an evaluation for each pool and provided to PEHP the appropriate level of the claims contingency reserve, in terms of days, for each of the pools evaluated.

To ensure that the claims contingency reserves are maintained at the recommended funding levels, PEHP evaluates the days of average premium at the end of each budget year. The budget year for PEHP is July 1 through June 30. PEHP performs this evaluation at the end of the budget year because PEHP's budget more closely matches the policy period for PEHP's insureds groups and presents a more accurate financial picture of the benefits paid for that policy period. If the claims contingency reserves are underfunded, a pool may potentially see an increase in premiums until claims contingency reserves are returned to the recommended levels. If the pool is overfunded, PEHP, will either: (1) refund a portion of the claims contingency reserves (in the form of policyholder experience dividends), (2) provide the pool a premium holiday, and/or (3) hold premiums constant for the next renewal period.

Please refer to Note 4 for the current year Policyholder Experience Dividends paid for the years ended December 31, 2019 and 2018.

**PREMIUM REVENUE, UNEARNED PREMIUMS**

Premium revenue is recorded in the month in which coverage is provided. Premiums received in advance are recorded as unearned premiums. PEHP receives Medicare part D



## Notes to Financial Statements *(Continued)*

December 31, 2019 and 2018

prescription drug subsidy settlements, which are calculated by the Center for Medicare Services (CMS). These settlements are significant estimates and gain contingencies, which are not recognized until adequate information is available to recognize the settlement.

### FEDERAL INCOME TAXES

PEHP is exempt from the payment of Federal income taxes under Section 115 of the Internal Revenue Code.

### PPACA FEES

The Patient Protection and Affordable Care Act (PPACA) fees are fees that are charged to all applicable insureds, as a result of the PPACA. This line item from the Statements of Changes in Net Position and Reserve Balances on page 11 represents the amount charged to PEHP during the year directly related to the PPACA. On January 22, 2018, H.R.195 was enacted, suspending the collection of the fees for calendar year 2019 for certain health-related taxes. This does not affect the filing or payment requirement for the fee for 2018 or 2020. The requirement to collect these has been repealed for years after 2020.

### PENSIONS

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

### SUBROGATION RECOVERABLE

The Company evaluates the value of potential subrogation recoverable in determining the reserve for unpaid claims and claims adjustment expenses. The nature of the recoverable is such that the length of collections, coverage of the member, and other parties with bona fide claim vary greatly from case to case. For this reason, the Company feels that although collections are probable, they are not reasonable estimates and therefore are not accrued for within the financial statements.

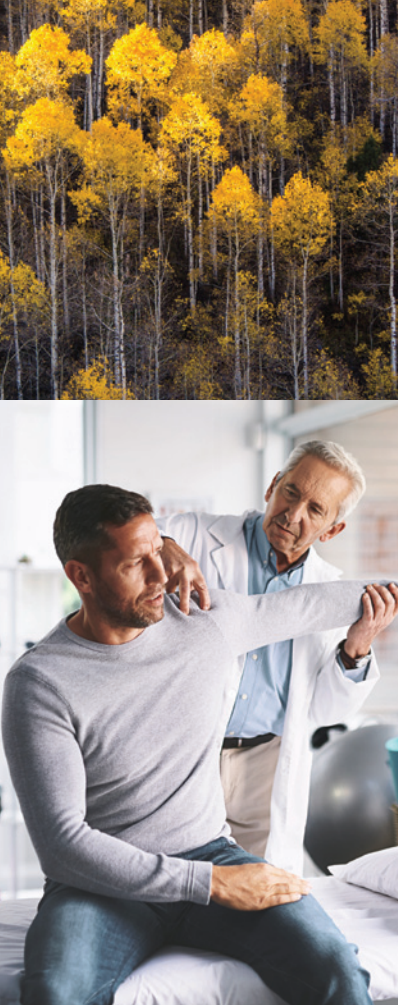
### DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statement will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue until that time).



**Notes to Financial Statements** *(Continued)*

December 31, 2019 and 2018

**Note 2****Cash and Investments**

Listed below is a summary of the deposit and investment portfolios as of December 31, 2019 and 2018. Investing is governed by the prudent man rule in accordance with statutes of the State of Utah. All investments of PEHP are considered to have been made in accordance with these governing statutes.

**DEPOSITS**

Deposits of PEHP are carried at cost plus accrued interest. The carrying amount of the deposits, net of outstanding checks, is accounted for in "Cash and Cash Equivalents" on the Statements of Net Position, and is (\$4,687,917), and (\$5,192,406) as of December 31, 2019 and 2018, respectively. The corresponding bank balance of the deposits was \$2,726,922 and \$903,087 as of December 31, 2019 and 2018, respectively. PEHP maintains non-interest bearing bank accounts at financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

As of December 31, 2019 and 2018 PEHP's cash deposit balances exceeded FDIC limits, management does not believe this is a material risk to PEHP. Cash and cash equivalents consisted of the following at December 31, 2019 and 2018:

	2019	2018
Overnight repurchase agreements	\$ 82,680,104	52,716,770
Cash on deposit with Zions Bank	(4,687,917)	(5,192,406)
Cash on deposit with Northern Trust	55,353,777	97,537,481
Petty cash	—	300
<b>Total</b>	<b>\$ 133,345,964</b>	<b>145,062,145</b>

**CUSTODIAL CREDIT RISK**

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2019 and 2018, the overnight repurchase agreements of \$82,680,104 and \$52,716,770, respectively are uninsured and are collateralized with securities held by the pledging financial institution's trust department or agent but not in PEHP's name. The deposits with Northern Trust and Dodge & Cox as of December 31, 2019 and 2018 of \$55,353,777 and \$97,537,481, respectively, are uninsured and uncollateralized.



**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018

The carrying values of deposits and investments are reconciled to the amounts recorded in the Statements of Net Position as of December 31, 2019, and 2018 as shown below.

	2019	2018
Cash and cash equivalents	\$ 133,345,964	145,062,145
Investments	352,748,609	277,365,207
<b>Total</b>	<b>\$ 486,094,573</b>	<b>422,427,352</b>

**INVESTMENTS**

The schedules below provide information about the credit risk, interest rate risk, and concentration of credit risk associated with PEHP's investments as of December 31, 2019 and 2018, respectively.

**INTEREST RATE RISK**

PEHP manages its exposure to fair value loss arising from increasing interest rates by complying with the following policy:

<b>Investment Type</b> As of December 31, 2019:	<i>(In thousands)</i>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>				
			<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>11-20</b>	<b>More Than 20</b>
U.S. Treasuries	\$ 65,425	—	44,186	21,239	—	—	
U.S. Government Agencies	5,814	—	260	5,554	—	—	
Corporate Bonds	116,953	3,383	72,784	38,831	1,955	—	
Government Backed Mortgage Securities	117,506	—	210	3,566	19,389	94,341	
Asset Backed Securities	35,085	—	2,704	33	13,008	19,340	
Municipal Bonds	161	—	161	—	—	—	
Non-Government Backed CMO's	264	—	—	—	264	—	
Securities Lending Cash Collateral	9,834	9,834	—	—	—	—	
<b>Total investments</b>	<b>\$ 351,042</b>	<b>13,217</b>	<b>120,305</b>	<b>69,223</b>	<b>34,616</b>	<b>113,681</b>	

<b>Investment Type</b> As of December 31, 2018:	<i>(In thousands)</i>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>				
			<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>11-20</b>	<b>More Than 20</b>
U.S. Treasuries	\$ 21,466	—	—	21,466	—	—	
U.S. Government Agencies	5,227	—	1,786	3,441	—	—	
Corporate Bonds	109,702	4,691	63,029	40,842	1,140	—	
Government Backed Mortgage Securities	100,677	—	322	2,232	19,153	78,970	
Asset Backed Securities	30,823	—	11,250	1,449	1,610	16,514	
Municipal Bonds	5,419	5,258	161	—	—	—	
Non-Government Backed CMO's	299	—	—	—	—	299	
Securities Lending Cash Collateral	2,923	2,923	—	—	—	—	
<b>Total investments</b>	<b>\$ 276,536</b>	<b>12,872</b>	<b>76,548</b>	<b>69,430</b>	<b>21,903</b>	<b>95,783</b>	

For the PEHP fixed income portfolio, the investment manager's portfolio will have an effective duration between 75 – 125% of the effective duration of the appropriate index.

Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investments full price.

**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018

PEHP compares an investment's effective duration against the Bloomberg Barclays U.S. Intermediate Aggregate Bond Index.

The allowable duration range was 2.78 to 4.64 and 3.14 to 5.23 as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the portfolio was within the policy guidelines.

**CREDIT RISK DEBT SECURITIES**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is PEHP's policy to limit its investments to the top ratings issued by nationally recognized statistical rating organizations (NRSROs) so the total investment portfolio maintains an "A" or equivalent minimum rating. The ratings for PEHP's debt instruments as of December 31, 2019 and 2018 are presented below.

Investment Type	(In thousands)														
	Fair Value	AAA	AA+	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB-	B	CCC	NR
U.S. Treasuries	\$ 65,425	65,425	—	—	—	—	—	—	—	—	—	—	—	—	—
U.S. Government Agencies	5,814	—	213	—	—	—	—	5,554	—	—	—	—	—	—	47
Corporate Bonds	116,953	—	939	1,312	4,862	4,971	12,261	25,803	39,680	18,707	6,625	1,793	—	—	—
Government Mortgage Backed Securities	117,506	104,948	—	—	—	—	—	—	—	—	—	—	—	—	12,558
Asset Backed Securities	35,085	3,705	28,671	—	—	—	—	—	—	—	—	—	2,591	—	118
Municipal Bonds	161	—	—	161	—	—	—	—	—	—	—	—	—	—	—
Non-Government Backed CMO's	264	—	—	—	—	—	—	—	—	—	—	—	—	264	—
Securities Lending Cash Collateral	9,834	—	—	—	—	—	—	—	—	—	—	—	—	—	9,834
<b>Total investments</b>	<b>\$ 351,042</b>	<b>174,078</b>	<b>29,823</b>	<b>1,473</b>	<b>4,862</b>	<b>4,971</b>	<b>12,261</b>	<b>31,357</b>	<b>39,680</b>	<b>18,707</b>	<b>6,625</b>	<b>1,793</b>	<b>2,591</b>	<b>264</b>	<b>22,557</b>

Investment Type	(In thousands)														
	Fair Value	AAA	AA+	A+	A	A-	BBB+	BBB	BBB-	BB+	BB-	B	CCC	NR	
U.S. Treasuries	\$ 21,466	—	21,466	—	—	—	—	—	—	—	—	—	—	—	—
U.S. Government Agencies	5,227	289	—	—	—	4,863	—	—	—	—	—	—	—	—	75
Corporate Bonds	109,702	—	—	12,902	4,840	19,673	19,343	32,876	5,730	3,791	3,472	—	—	—	7,075
Government Mortgage Backed Securities	100,677	—	—	36,128	—	55,545	—	—	—	—	—	—	—	—	9,004
Asset Backed Securities	30,823	9,814	4,611	70	—	—	—	—	—	—	—	16,166	—	—	162
Municipal Bonds	5,419	—	—	4,490	—	—	—	—	—	—	—	—	—	—	929
Non-Government Backed CMO's	299	—	—	—	—	—	—	—	—	—	—	—	—	299	—
Securities Lending Cash Collateral	2,923	—	—	—	—	—	—	—	—	—	—	—	—	—	2,923
<b>Total investments</b>	<b>\$ 276,536</b>	<b>10,103</b>	<b>26,077</b>	<b>53,590</b>	<b>4,840</b>	<b>80,081</b>	<b>19,343</b>	<b>32,876</b>	<b>5,730</b>	<b>3,791</b>	<b>3,472</b>	<b>16,166</b>	<b>299</b>	<b>20,168</b>	

## Notes to Financial Statements *(Continued)*

December 31, 2019 and 2018

### CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PEHP limits the amount that can be invested in any one issuer. The following limits apply to an Investment Manager's portfolio:

- » U.S. Government and Agency Securities – no restriction
- » AAA/Aaa Securities – no more than 5% of an Investment Manager's assets at market with a single issuer
- » AA-/Aa3 Securities or higher – no more than 4% of an Investment Manager's assets at market with a single issuer
- » A-/A3 Securities or higher – no more than 3% of an Investment Manager's assets at market with a single issuer
- » BBB-/Baa3 Securities or higher – no more than 2% of an Investment Manager's assets at market with a single issuer

If a security is downgraded within the investment grade categories listed above, the manager has 30 days to sell enough of the security to comply with the single issuer guideline applicable to the new rating.

No individual holding shall constitute more than 10% of the market value of the issuer with the exception of the U.S. government or its agencies, or collateralized mortgage obligations.

At the time of purchase, all issues shall be rated investment grade by at least two of the nationally recognized rating agencies. If the rating by the agencies is split rated, the lower rating will apply in determining investment grade status.

If a security is downgraded to below investment grade, the Investment Manager shall place the securities in a "basket" of securities downgraded below investment grade. The downgraded securities shall remain in the "basket" until the Investment Manager decides to sell them or until the securities are upgraded to investment grade. At no time shall downgraded securities placed in the basket exceed 5% of total portfolio value unless the basket is full when a security is downgraded. If the basket is full when a security is downgraded, the Investment Manager has 30 days to sell securities from the basket in order to bring it back to the 5% threshold. At no time should more than 1% of an Investment Manager's assets at market be with a single below investment grade issuer.

All investments are within Program limits.

### SECURITIES LENDING

PEHP participates in a securities lending program as authorized by Board policy, whereby securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash, government securities, and irrevocable bank letters of credit equal to 102% of the market value of the domestic securities on loan with a simultaneous agreement to return the collateral for the same securities in the future.





**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018



PEHP's custodial agent is the agent for its securities lending program. Securities under loan are maintained in PEHP's financial records and are classified in the preceding summary of investments. A corresponding liability is recorded for the market value of the collateral received. Under provision of GASB statement No. 28, collateral which cannot be pledged or sold is not recorded as investments nor is the related liability recorded in the financial statements. At December 31, 2019, and 2018, PEHP had pledged non-cash collateral of \$2,025,785 and \$1,995,722, respectively.

As of December 31, 2019 and 2018, PEHP had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan as of December 31, 2019 and 2018 were \$9,199,017 and \$2,791,564 respectively, and the cash and non-cash collateral received for those securities on loan was \$9,834,074 and \$2,922,616, respectively. Under the terms of the lending agreement, PEHP is indemnified against loss should the lending agent be unable to recover borrowed securities and distributions, due to borrower insolvency or failure of the lending agent to properly evaluate the creditworthiness of the borrower. In addition, PEHP is indemnified against loss should the lending agent fail to demand adequate and appropriate collateral on a timely basis.

All securities loaned can be terminated on demand by either PEHP or the borrower. Cash collateral is invested in the lending agent's short-term investment pool. The short-term investment pool guidelines specify that a minimum of 20% of the invested cash collateral be available each business day, and the dollar weighted average maturity of holding should not exceed 60 days. The relationship between the maturities of the short-term investment pool and PEHP's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which PEHP cannot determine. Since the securities lending collateral is in a pool maintained by the custodial bank, it was not necessary to report the total income and expenses of the security lending.

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs

Investments	Fair Value Measurements Using			
	Fair Value	Level 1 Input	Level 2 Inputs	Level 3 Inputs
Asset Backed Securities	\$ 35,085	—	35,058	27
Corporate Bonds	116,953	—	116,855	98
U.S. Government Agencies	5,813	—	5,600	213
U.S. Treasuries	65,425	—	65,425	—
Government Backed Mortgage Securities	117,506	—	105,010	12,496
Municipal Bonds	161	—	161	—
Non-Government Backed CMO's	264	—	264	—
Preferred Stock	1,708	1,708	—	—
Securities Lending Cash Collateral	9,834	—	9,834	—
<b>Total investments</b>	<b>\$ 352,749</b>	<b>1,708</b>	<b>338,207</b>	<b>12,834</b>

**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018

are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as shown on page 27 at December 31, 2019 (in thousands).

Debt and equity securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices. Mortgage-backed securities categorized as Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations categorized as Level 3 are valued using consensus pricing. Venture capital investments categorized as Level 3 are valued using either a discounted cash flow or market comparable companies technique. Investment derivative instruments categorized as Level 2 are valued using market approaches that consider, as applicable, benchmark interest rates or foreign exchange rates.

**Note 3****Claims Payable and Benefit Reserves**

Claims payable represent claims which have been reported to PEHP as of the valuation date. A liability for the estimate of claims incurred but not reported to PEHP as of the valuation date has also been recorded.

The following schedule reflects changes in the total claims payable and benefit reserves for the years ended December 31:

	2019	2018
Total claims liabilities at beginning of year	\$ 147,013,393	149,606,691
Claims incurred (including change in benefit reserve)	766,084,910	694,933,112
Claims paid	(761,549,662)	(697,526,410)
Total claim liabilities at end of year	\$ 151,548,641	147,013,393

**Note 4****Policyholder Experience Dividends**

During the years ended December 31, 2019 and 2018 the Board authorized experience dividends to participating agencies and members of \$13,271,035 and \$6,819,770 from claims contingency reserves accumulated by PEHP through the end of the prior fiscal period. Of these \$250,533 and \$4,204,445 were payable as of December 31, 2019 and 2018, respectively.



**Notes to Financial Statements** *(Continued)*

December 31, 2019 and 2018

For medical and dental plans, the board relies on actuarially determined ranges to determine the amount of claims contingency reserves available for experience dividends. For life and long-term disability plans, the Board considers claims contingency reserves of more than twelve months premiums to be available for experience dividends. Such dividends are granted at the discretion of the Board and are made in accordance with Title 49 of the Utah Code. The federal government is refunded its allocated share of the reserves for state agency risk pools in excess of 60 days of allowable expenditures. The state of Utah submits a calculated allocation amount to the federal cost allocation service, who accepts the federal refund amount. At December 31, 2019, and 2018, claims contingency reserves accumulated by PEHP included Federal excess reserve amounts of \$0 and \$3,980,564 respectively.

**Note 5****Retirement Plans****ORGANIZATION AND NATURE OF BUSINESS**

***Pensions:*** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Deferred outflows/inflows of resources:*** In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.





## Notes to Financial Statements *(Continued)*

December 31, 2019 and 2018

### GENERAL INFORMATION ABOUT THE PENSION PLAN

**Plan Description:** Eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following Pension Trust Funds:

#### DEFINED BENEFIT PLANS

- » Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- » Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer cost sharing public employee retirement system;

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

#### SUMMARY BENEFITS BY SYSTEM

**Benefits provided:** URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

System	Final Average Salary	Years of Service Required and or Age Eligible for Benefit	Benefit Percent per Year of Service	COLA**
<b>Noncontributory System</b>	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
<b>Tier 2 Public Employee System</b>	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

\*With actuarial reductions.

\*\*All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.



**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018

**CONTRIBUTION RATE SUMMARY**

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of December 31, 2019 are as follows:

System	Fund	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer 401(k)
<b>Contributory System</b>	112- State and School Division Tier 2	N/A	N/A	18.99%	1.03%
<b>Noncontributory System</b>	16- State and School Division Tier 1	N/A	N/A	22.19%	1.50%
<b>Tier 2 DC Only</b>	212- State and School	N/A	N/A	10.02%	10.00%

*Tier 2 rates include a statutory required contribution to finance the unfunded actuarial liability of the Tier 1 plans.*

For the fiscal year ended December 31, 2019, the employer and employee contribution to the System were as shown below.

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 2,508,939	N/A
Tier 2 Public Employees System	760,558	\$ —
Tier 2 DC Only System	213,072	N/A
<b>Total Contributions</b>	<b>\$ 3,482,569</b>	<b>\$ —</b>

Contributions reported are the URS Board approved required contributions by System. Tier 2 rates include a statutory required contribution to finance the unfunded actuarial liability of the Tier 1 plans.

**COMBINED PENSION ASSETS, LIABILITIES, EXPENSE, AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATING TO PENSIONS**

At December 31, 2019, we reported a net pension asset of \$0 and a net pension liability of \$16,895,778.

	(Measurement Date): December 31, 2018				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2017	Change (Decrease)
Noncontributory System	\$ —	\$ 16,773,512	0.4508382%	0.4544553%	(0.0036171)%
Tier 2 Public Employees System	—	122,266	0.2854840%	0.2985041%	(0.0130201)%
<b>Total net pension asset/liability</b>	<b>\$ —</b>	<b>\$ 16,895,778</b>			

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018, and rolled-forward using generally accepted



**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018

actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended December 31, 2019, we recognized pension expense of \$4,297,254.

At December 31, 2019, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 90,213	260,621
Changes in assumptions	1,736,735	2,197
Net difference between projected and actual earnings on pension plan investments	2,830,463	—
Changes in proportion and differences between contributions and proportionate share of contributions	459,866	123,839
Contributions subsequent to the measurement date	3,482,569	—
<b>Total</b>	<b>\$ 8,599,846</b>	<b>386,657</b>

\$3,482,569 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2018.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown at right:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2019	\$ 2,186,510
2020	844,031
2021	333,256
2022	1,341,070
2023	3,596
Thereafter	\$ 22,157

**NONCONTRIBUTORY SYSTEM PENSION EXPENSE,  
AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

For the year ended December 31, 2019, we recognized pension expense of \$3,981,305.

At December 31, 2019, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 89,355	235,351
Changes in assumptions	1,706,089	—
Net difference between projected and actual earnings on pension plan investments	2,790,648	—
Changes in proportion and differences between contributions and proportionate share of contributions	423,767	123,839
Contributions subsequent to the measurement date	2,508,939	—
<b>Total</b>	<b>\$ 7,518,798</b>	<b>359,190</b>





**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018



\$2,508,939 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2018.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown at right:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2019	\$ 2,172,731
2020	834,009
2021	322,274
2022	1,321,655
2023	—
Thereafter	\$ —

### **TIER 2 PUBLIC EMPLOYEES SYSTEM PENSION EXPENSE, AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

For the year ended December 31, 2019, we recognized pension expense of \$315,949.

At December 31, 2019, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 858	25,270
Changes in assumptions	30,646	2,197
Net difference between projected and actual earnings on pension plan investments	39,815	—
Changes in proportion and differences between contributions and proportionate share of contributions	36,099	—
Contributions subsequent to the measurement date	973,630	—
<b>Total</b>	<b>\$ 1,081,048</b>	<b>27,467</b>

\$973,630 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2018.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown at right:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2019	\$ 13,781
2020	10,021
2021	10,982
2022	19,415
2023	3,596
Thereafter	\$ 22,156

### **ACTUARIAL ASSUMPTIONS**

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.25 - 9.75 percent, average, including inflation
Investment	6.95 percent, net of pension plan
Rate of Return	investment expense, including inflation

**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40.00%	6.15%	2.46%
Debt securities	20.00	0.40	0.08
Real assets	15.00	5.75	0.86
Private equity	9.00	9.95	0.89
Absolute return	16.00	2.85	0.46
Cash and cash equivalents	—	—	—
<b>Totals</b>	<b>100.00%</b>		<b>4.75%</b>
Inflation			2.50%
Expected arithmetic nominal return			7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

**Discount rate:** The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent

**Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate:** The table on page 48 presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the



**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018

**Changes in Discount Rate**

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 30,149,734	\$ 16,773,512	\$ 5,582,631
Tier 2 Public Employees System	489,824	122,266	(161,395)
Total	\$ 30,639,558	\$ 16,895,778	\$ 5,421,236

*Pension plan fiduciary net position: Detailed information about the pension plans fiduciary net position is available in the separately issued URS financial report.*

proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate.

**DEFINED CONTRIBUTION SAVINGS PLANS**

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

PEHP participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- » 401(k) Plan
- » 457(b) Plan
- » Roth IRA Plan
- » Traditional IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended December 31, were as follows:

Asset Class		2019	2018
<b>401(k) Plan</b>	Employer contributions	\$ 932,500	611,072
	Employee contributions	671,007	637,027
<b>457(b) Plan</b>	Employer contributions	\$ —	—
	Employee contributions	256,002	252,533
<b>Roth IRA Plan</b>	Employer contributions	\$ N/A	N/A
	Employee contributions	83,649	81,649
<b>Traditional IRA Plan</b>	Employer contributions	\$ N/A	N/A
	Employee contributions	2,184	7,712





**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018

**Note 6****Post-Employment Healthcare Plan**

PEHP contributes to a noncontributory defined benefit post-employment healthcare plan to provide post-employment insurance benefits for retired employees of the Utah Retirement Office. This plan was established in 2005. The Utah Retirement Employees Post-Employment Healthcare Plan, (UREPEHP), is an agent multiple-employer post-employment healthcare plan administered by the Utah Retirement Office.

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources and expenses, information about the fiduciary net positions of the Other Postemployment Benefit Plan and additions to/ deductions from the Plans' fiduciary net positions have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. OPEB investments for the Plans are reported at fair value.

Assets and liabilities of the plan are identified separately for each employer. Plan assets may be used only for the payment of benefits to the members of that system, in accordance with the terms of the plan. UREPEHP issues a publicly available financial report that includes financial statements and required supplementary information for UREPEHP. A copy of the report may be obtained by writing the Utah Retirement Office, 560 East 200 South, Salt Lake City, UT 84102-2044 or by calling 1-800-365-8772.

**Membership***(as of January 1, 2017, the last actuarial valuation date)*

Number of retirees	19
Inactive, nonretired	0
Active members	44
Total membership	63

**NET OPEB LIABILITY/(ASSET)**

The net OPEB liability was measured as of December 31, 2019. Plan membership as of the most recent actuarial valuation is shown in the table above. The total OPEB liability, used to calculate the net OPEB liability, was determined by an actuarial valuation as of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The combined total net OPEB liability/(asset) is \$(680,551). Below are the changes in the net OPEB liability/(asset) and related ratios of the net OPEB liability/(asset):

**Net OPEB Liability/(Asset)**

Total OPEB liability	\$ 2,080,170
Plan fiduciary net position	2,760,721
Net OPEB liability/(asset)	\$ (680,551)
Plan fiduciary net position as a percentage of total OPEB liability	132.72%
Net OPEB liability/(asset) as a percentage of covered payroll	(25.16)%



**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018

**Summary of Actuarial Assumptions**

Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	6.95%, net of OPEB plan investment expense, including inflation
Inflation	2.50%
Salary Increases	3.25% to 8.50%, including inflation
Demographic Assumptions	The demographic assumptions were based on the experience study covering the five year period ending January 1, 2017 as conducted for the Utah Retirement Systems (URS).
Mortality Assumptions	Male retirees: 110% of 2017 PR UTAH Retiree Mortality Table for males, projected with Scale AA from 2017. Female retirees: 110% of 2017 PR UTAH Retiree Mortality Table for females, projected with Scale AA from 2017.
Participation Rates	All eligible members are assumed to convert all unused sick leave into health coverage at retirement.
Healthcare Trend Rates	Initial trend rate of 6.80%, decreasing to an ultimate of 4.50% over 12 years.

**Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratio Multiyear\***

Fiscal Year Ending December 31

	2019	2018	2017
<b>Total OPEB Liability</b>			
Service Cost	\$ 18,741	19,025	20,368
Interest on the total OPEB liability	170,621	168,468	163,821
Changes of benefit terms	—	—	—
Difference between expected and actual experience	(448,274)	18,998	9,425
Changes of assumptions	—	—	—
Benefit payments	(213,062)	(137,673)	(114,488)
Net change in total OPEB liability	(471,974)	68,818	79,126
Total OPEB liability – beginning	2,552,144	2,483,326	2,404,200
Total OPEB liability – ending (a)	\$ 2,080,170	2,552,144	2,483,326
<b>Plan Fiduciary Net Position</b>			
Employer contributions	—	—	—
Employee contributions	—	—	—
OPEB plan net investment income	361,102	(10,079)	335,699
Benefit payments	(213,062)	(137,673)	(114,488)
OPEB plan administrative expense	(24,012)	(1,080)	—
Other	—	—	—
Net change in plan fiduciary net position	124,028	(148,832)	221,211
Plan fiduciary net position – beginning	2,636,693	2,785,525	2,564,314
Plan fiduciary net position – ending (b)	2,760,721	2,636,693	2,785,525
Net OPEB liability/(asset)– ending (a) - (b)	\$ (680,551)	(84,549)	(302,199)
Plan fiduciary net position as a percentage of total OPEB liability	132.72%	103.31%	112.17%
Covered-employee payroll	\$ 2,704,431	3,165,708	3,165,708
Net OPEB liability as a percentage of covered-employee payroll	(25.16)%	(2.67)%	(9.55)%

\*Additional years will be displayed as they become available.

**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018

**Schedule of OPEB Expense Under GASB Statement No. 75**

Fiscal Year Ending December 31

Service cost	\$ 18,741
Interest on the total OPEB liability	170,621
Current-period benefit changes	—
Employee contributions	—
Projected earnings on plan investments	(175,012)
OPEB plan administrative expense	24,012
Other changes in plan fiduciary net position	—
Recognition of outflow (inflow) of resources due to liabilities	(72,589)
Recognition of outflow (inflow) of resources due to assets	2,552
<b>Total OPEB expense</b>	<b>\$ (31,675)</b>

**Deferred Outflows and Deferred Inflows Related to OPEB**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience, liability	\$ 13,534	\$ (372,953)
Changes in assumption	—	—
Difference between expected and actual experience, assets	119,311	(148,872)
<b>Total</b>	<b>\$ 132,845</b>	<b>\$ (521,825)</b>

**Deferred Outflows and Inflows to be Recognized in Future OPEB Expense**

Year Ending December 31,	Net Deferred Outflows (Inflows)
2020	\$ (70,037)
2021	(70,037)
2022	(70,036)
2023	(109,807)
2024	(69,063)
Thereafter	—
<b>Total</b>	<b>\$ (388,980)</b>

The actuarial valuation was performed as of January 1, 2019. Update procedures were used to roll forward the total OPEB liability to December 31, 2019. All assumptions and methods used to develop the December 31, 2019 total OPEB liability are identical to those used in the January 1, 2019, actuarial valuation.

**SINGLE DISCOUNT RATE**

A Single Discount Rate of 6.95% was used to measure the total OPEB liability. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 6.95%. The funding policy is to pay the recommended actuarially determined contribution, which is based on a maximum 20-year amortization period. The Fiduciary Net Position currently exceeds the total OPEB liability. As a result, the OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**TARGET ALLOCATIONS**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target





## Notes to Financial Statements (Continued)

December 31, 2019 and 2018



asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2019, are summarized in the table below.

Asset Class	Target Asset Allocation	Expected Return Arithmetic Basis	
		Real Return Arithmetic Basis	Long-term Expected Portfolio Real Rate of Return*
Equity securities	40%	6.15%	2.46%
Debt securities	20	0.40	0.08
Real assets	15	5.75	0.86
Private equity	9	9.95	0.89
Absolute return	16	2.85	0.46
Cash and cash equivalents	—	—	—
<b>Totals</b>	<b>100%</b>		<b>4.75%</b>
Inflation			2.50
<b>Expected arithmetic nominal return</b>			<b>7.25%</b>

\*The total URS Defined Benefit long-term expected rate of return is 6.95%, which is comprised of a 2.50% inflation assumption and a 4.45% net real rate of return.

## FUNDING POLICY

The contribution requirements of Utah Retirement Employees Post-Employment Healthcare Plan are determined by the Plan and approved by the Board. Utah Retirement Office is required to contribute the annual required contribution (ARC), an actuarially determined rate. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over an open 20-year period using the level dollar amount. The current dollar amount is \$0. Since the funded ratio exceeds 100% and the plan is closed to new entrants, there are no actuarial required contributions.

## REQUIRED CONTRIBUTIONS

For the year ended December 31, 2019, the annual cost (expense) of \$0 for UREPEHP was equal to the ARC. The net Other Post-Employment Benefits (OPEB) obligation for 2019 was as follows:

### Schedule of Contributions Multiyear Last 10 Fiscal Years

FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percent of Covered Payroll
2010	\$ 214,665	\$ 214,665	—	\$ 5,644,354	3.8%
2011	198,402	198,402	—	5,332,084	3.7
2012	198,402	198,402	—	5,251,506	3.8
2013	198,402	198,402	—	5,016,712	4.0
2014	198,402	198,402	—	4,835,836	4.1
2015	—	—	—	3,556,251	0.0
2016	—	—	—	2,593,658	0.0
2017	—	—	—	3,165,708	0.0
2018	—	—	—	3,165,708	0.0
2019	—	—	—	2,704,431	0.0

**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018

**Notes to the Schedule of Contributions**

<b>Valuation Date:</b>	January 1, 2019
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>	
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Dollar Contributions
Remaining Amortization Period	20 years, maximum
Asset Valuation Method	5-year smoothed
Investment Rate of Return	6.95%, net of OPEB plan investment expense, including inflation
Inflation	2.50%
Salary Increases	3.25% to 8.50%, including inflation

Demographic Assumptions	The demographic assumptions were based on the experience as conducted for the Utah Retirement Systems (URS).
Mortality Assumptions	Male retirees: 110% of 2017 PR UTAH Retiree Mortality Table for males, projected with Scale AA from 2017. Female retirees: 110% of 2017 PR UTAH Retiree Mortality Table for females, projected with Scale AA from 2017.
Participation Rates	All eligible members are assumed to convert all unused sick leave into health coverage at retirement.
Health Care Trend Rates	Initial trend rate of 6.80%, decreasing to an ultimate of 4.50% over 12 years.

**FREQUENCY AND TIMING OF THE ACTUARIAL VALUATION**

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the OPEB plan's fiscal year end. If update procedures are used to roll forward the total OPEB liability, the date of the actuarial valuation must be no more than 24 months earlier than the OPEB plan's most recent fiscal year-end.

***The total OPEB liability shown in this report is based on an actuarial valuation performed as of January 1, 2019 and a measurement date of December 31, 2019.***

**SINGLE DISCOUNT RATE**

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.95%; the municipal bond rate is 2.75% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 6.95%.

**SENSITIVITY OF NET OPEB LIABILITY – PEHP**

Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate, the following presents the plan's net OPEB liability, calculated using a Single Discount



**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018

Rate of 6.95%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

**Sensitivity of Net OPEB Liability/(Asset)  
to a Single Discount Rate Assumption – PEHP**

1% Decrease 5.95%	Current Single Discount Rate Assumption 6.95%	1% Increase 7.95%
\$ (530,004)	\$ (680,551)	\$ (818,044)

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

**Sensitivity of Net OPEB Liability/(Asset)  
to the Healthcare Cost Trend Rate Assumption – PEHP**

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ (843,454)	\$ (680,551)	\$ (498,852)

## Note 7

### Related Party Transactions

PEHP makes payments to the Systems for administrative expenses. Such expenses totaled \$33,289,320 and \$29,484,406 during the years ended December 31, 2019, and 2018, respectively. At December 31, 2019, and 2018, the cash due to the Systems for PEHP is \$650,296 and \$1,930,602, respectively.

## Note 8

### Commitments and Contingencies

PEHP has been or may be named as a defendant in certain lawsuits. While PEHP cannot predict the results of such actions, management believes that the liability, if any, resulting from such claims will not have a material effect on PEHP's operations or financial position. Losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated claims liabilities.





## Notes to Financial Statements (Continued)

December 31, 2019 and 2018

## Note 9

## Capital Assets

The capital assets of PEHP are: Depreciation expense for the years ended December 31, 2019 and 2018, amounted to \$44,845 and \$0, respectively.

	December 31, 2019			
	Equipment			
	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and equipment	\$ 46,926	—	—	46,926
Computer equipment	22,560	—	—	22,560
Vehicles	360,562	21,676	—	382,238
Leasehold improvements	—	—	—	—
<b>Total</b>	<b>\$ 430,048</b>	<b>21,676</b>	<b>—</b>	<b>451,724</b>
	Accumulated Depreciation			
	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and equipment	\$ 46,927	—	—	46,927
Computer equipment	13,880	3,472	—	17,352
Vehicles	301,796	41,373	—	343,169
Leasehold improvements	—	—	—	—
<b>Total</b>	<b>\$ 362,603</b>	<b>44,845</b>	<b>—</b>	<b>407,448</b>
<b>Net capital assets</b>				<b>\$ 44,276</b>
	December 31, 2018			
	Equipment			
	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and equipment	\$ 60,128	—	13,202	46,926
Computer equipment	97,059	17,360	91,859	22,560
Vehicles	384,033	—	23,471	360,562
Leasehold improvements	—	—	—	—
<b>Total</b>	<b>\$ 541,220</b>	<b>17,360</b>	<b>128,532</b>	<b>430,048</b>
	Accumulated Depreciation			
	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and equipment	\$ 60,128	—	13,201	46,927
Computer equipment	16,332	—	2,452	13,880
Vehicles	307,806	—	6,010	301,796
Leasehold improvements	—	—	—	—
<b>Total</b>	<b>\$ 384,266</b>	<b>—</b>	<b>\$21,663</b>	<b>362,603</b>
<b>Net capital assets</b>				<b>\$ 67,445</b>



**Notes to Financial Statements** (Continued)

December 31, 2019 and 2018

**Note 10****Compensated Absences**

The compensated absences liability represents the amount of unused leave to be paid to employees upon termination.

Program employees are granted leave in varying amounts, based on length of service. Some earned benefits may be forfeited if not taken within varying time periods. Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the accompanying financial statements. The compensated absences liability is calculated based on the pay rates in effect at period end. The compensated absences liability as of December 31, 2019 and 2018 was \$1,528,426 and \$1,515,509, respectively.

**Note 11****Net Investment Income**

Net investment income consisted of the items shown at right for the years ended December 31:

Asset Class	2019	2018
Interest income	\$ 14,355,669	12,665,977
Net investment income (loss)	11,331,931	(9,121,878)
Investment income	25,687,600	3,544,099
Less: investment expenses	329,868	297,638
Net investment income	\$ 25,357,732	3,246,461

**Note 12****Review of Subsequent Events**

Management has evaluated subsequent events through May 2020, which is the date the financial statements were available to be issued.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Company is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The Company's financial statements do not include adjustments to fair value that have resulted from these declines. Additionally, the Company is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Company's financial position is not known.

On April 9, 2020, the Board of Directors approved a \$30,508,463 experienced dividend refund due to excess reserves in the State of Utah Medical Program risk pool. Of the total approved refund, 91.5% went to participating employers and 8.5% went directly to individual members. The State of Utah received \$23,300,000 and sixteen other agencies received a proportionate share of \$4,618,134. The payments were issued to 24,635 active employees in the State of Utah Medical Program on April 23, 2020. As the dividend is not incurred until approved, the total experienced dividend was not reflected in the financial statements dated December 31, 2019.





## PEHP: Supporting it's members by

- » Doing the Right Thing
- » Being Fair & Consistent
- » Going the Extra Mile
- » Keeping Members Out of the Middle
- » Providing Helpful Tools
- » Helping Members Make Decisions
- » Improving Health and Wellness



# Required Supplementary Information

For Fiscal Year Ended December 31, 2019

## PUBLIC EMPLOYEES HEALTH PROGRAM

## 10-Year Loss Development (Unaudited)

(In thousands)

The following table compares the medical Program's earned revenues net of reinsurance and investment income to related costs of losses and loss adjustment expenses, net of reinsurance, assumed by PEHP.

The table is defined as follows: (1) shows each year's net earned premium, other operating revenues and interest income, (2) shows each year's other operating expenses including overhead and loss adjustment expenses not allocable to specific claims, (3) shows incurred losses and allocated loss adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred, (4) shows the cumulative amounts paid as of the end of successive years for each accident year, (5) shows the re-estimated amount for loss assumed by excess insurers or reinsurers as of the end of the current year for each of the accident years, (6) shows how each coverage year's incurred losses increased or decreased as of the end of the successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims, (7) compares the latest re-estimated incurred loss amounts to the amounts originally established. Information for PEHP is only available in the format shown on pages 58-59 for the years presented.

	2010-2011	2011-2012
1) Required premiums, investment revenue, and interest income:		
Premiums earned	524,615	505,998
2) Unallocated expenses	16,519	19,864
3) Estimated incurred losses and expenses, end of policy year:		
Incurred	472,218	478,176
Ceded	—	—
Net incurred	472,218	478,176
4) Paid (cumulative) as of:		
End of policy year	431,651	428,394
One year later	470,169	474,314
Two years later	469,956	474,260
Three years later	469,915	474,221
Four years later	469,716	—
Five years later	—	—
Six years later	—	—
Seven years later	—	—
Eight years later	—	—
Nine years later	—	—
5) Reestimated ceded losses and expense	469,716	474,221
6) Reestimated incurred losses and expenses:		
End of policy year	472,218	478,176
One year later	470,218	474,369
Two years later	469,956	474,260
Three years later	469,915	474,221
Four years later	469,716	—
Five years later	—	—
Six years later	—	—
Seven years later	—	—
Eight years later	—	—
Nine years later	—	—
7) Increase (decrease) in estimated incurred losses and expenses from end of accident year	(2,502)	(3,955)

See Independent Auditor's Report.

Public Employees Health Program

	2012-2013	2013-2014	2014	2015	2016	2017	2018	2019
	472,671	239,648	505,622	514,357	570,033	637,214	695,851	754,095
	24,557	11,470	31,836	28,013	29,180	31,077	33,260	34,355
	443,285	214,766	467,419	498,908	539,617	598,659	650,304	712,884
	—	—	—	—	—	—	—	—
	443,285	214,766	467,419	498,908	539,617	598,659	650,304	712,884
	403,708	176,249	424,825	452,298	489,747	547,899	598,239	652,539
	442,687	214,508	466,292	497,795	539,600	598,435	652,378	
	444,028	214,313	465,935	496,790	539,159	597,726		
	443,505	214,174	465,798	496,435	538,631			
	—	—	—	—				
	—	—	—					
	—	—						
	—	—						
	444,028	214,587	467,419	498,908	539,617	598,659	650,304	712,884
	443,285	214,766	467,419	498,908	539,617	598,659	650,304	712,884
	443,799	214,587	466,329	497,686	539,523	598,415	652,672	
	444,028	214,313	465,935	496,790	539,159	597,726		
	443,505	214,174	465,798	496,435	538,631			
	—	—	—	—				
	—	—	—					
	—	—						
	—	—						
	220	(591)	(1,622)	(2,473)	(986)	(933)	2,368	—

**Required Supplementary Information** (Continued)**PUBLIC EMPLOYEES HEALTH PROGRAM****Schedule of the Proportionate Share  
of the Net Pension Liability**

For the Year Ended December 31, 2019

Last Ten Fiscal Years \*

<b>Noncontributory System</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Proportion of the net pension liability/(asset)	0.4508382%	0.4544553%	0.4283833%	0.4142337%
Proportionate share of the net pension liability/(asset)	\$ 16,773,512	\$ 11,113,078	\$ 13,883,546	\$13,012,267
Covered employee payroll	\$ 11,623,196	\$ 11,674,107	\$ 11,217,836	\$ 8,867,342
Proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll*	144.31%	95.2%	123.8%	146.7%
Plan fiduciary net position as a percentage of the total pension liability	84.1%	89.2%	84.9%	84.5%
<b>Tier 2 Public Employees System</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Proportion of the net pension liability/(asset)	0.2854840%	0.2985041%	0.2999276%	0.2985967%
Proportionate share of the net pension liability/(asset)	\$ 122,266	\$ 26,318	\$ 33,456	\$ (652)
Covered employee payroll	\$ 3,332,718	\$ 2,923,350	\$ 2,459,647	\$ 1,879,519
Proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll*	3.67%	0.9%	1.4%	(0.0)%
Plan fiduciary net position as a percentage of the total pension liability	90.8%	97.4%	95.1%	100.2%

\* In accordance with paragraph 81a of GASB No. 68, PEHP will need to disclose a 10-year history of their proportionate share of the Net Pension Liability/(Asset) in their RSI. The 10-year schedule will need to be built prospectively. Additional information will be added as it becomes available.

See Independent Auditor's Report.



**Required Supplementary Information** (Concluded)

## PUBLIC EMPLOYEES HEALTH PROGRAM

**Schedule of Contributions**

For the Years Ended December 31, 2019, 2018, 2017, 2016 and 2015

	As of fiscal Year Ended December 31,	Actuarial Determined Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>Noncontributory System</b>	2015	\$ 1,784,278	1,784,278	—	8,538,319	20.90%
	2016	1,743,307	1,743,307	—	8,867,342	19.66
	2017	2,553,457	2,553,457	—	11,586,198	22.04
	2018	2,549,487	2,549,487	—	11,575,311	22.03
	2019	2,508,939	2,508,939	—	11,405,852	22.00
<b>Tier 2 Public Employees System*</b>	2015	\$ 258,145	258,145	—	1,235,304	20.90%
	2016	369,511	369,511	—	1,879,519	19.66
	2017	535,310	535,310	—	2,920,596	18.33
	2018	619,650	619,650	—	3,320,156	18.66
	2019	760,558	760,558	—	4,026,870	18.89
<b>Tier 2 Public Employees DC Only System*</b>	2015	\$ 47,247	47,247	—	472,098	10.01%
	2016	91,424	91,424	—	913,517	10.01
	2017	138,302	138,302	—	1,381,920	10.01
	2018	174,193	174,193	—	1,739,480	10.01
	2019	213,072	213,072	—	2,143,669	9.94

\* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 system was created effective July 1, 2011.

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

See Independent Auditor's Report.

# Supplementary Information

## PUBLIC EMPLOYEES HEALTH PROGRAM

## Statement of Net Position by Program

As of December 31, 2019

	Medical	Dental	Long-Term Disability
<b>Assets:</b>			
Cash and cash equivalents	\$ 78,223,066	1,739,238	(4,057,119)
Investments	188,922,124	6,276,450	52,940,295
Receivables:			
Premiums and service fees	40,037,191	1,656,879	468,541
Investments	1,052,583	42,327	368,282
Employer contributions	—	—	—
Misc. receivable/prepaid expense	24,283,711	31,177	59,565
Total receivables	65,373,485	1,730,383	896,388
Furniture and equipment, net of accumulated depreciation	44,276	—	—
Net OPEB asset	—	—	—
Total assets	332,562,951	9,746,071	49,779,564
<b>Deferred Outflows of Resources:</b>			
OPEB related amounts	—	—	—
Pension related amounts	—	—	—
Total deferred outflows	—	—	—
<b>Liabilities:</b>			
Claims payable	23,653,198	925,701	—
Estimated liability for claims incurred but not reported	34,865,350	1,364,502	13,659,103
Life insurance reserves	—	—	—
Long-term disability claims reserves	—	—	15,269,766
Long-term disability medical premium reserves	—	—	1,095,995
Premiums payable	146,487	129,309	4,228
Unearned premiums	2,621,625	194,977	—
PPCA and other accrued expenses payable	200,870	1,497	13,492
Taxes payable	—	—	—
Experienced dividend payable	250,533	—	—
Due to other agencies and other liabilities	3,475,832	—	346
Securities lending liability	5,218,143	169,856	1,462,566
Net pension liability	—	—	—
Total liabilities	70,432,038	2,785,842	31,505,496
<b>Deferred Inflow of Resources:</b>			
OPEB related amounts	—	—	—
Pension related amounts	—	—	—
Total deferred amounts	—	—	—
<b>Net Position:</b>			
Restricted for claims contingency reserves	262,130,913	6,960,229	18,274,068
Restricted for benefits	—	—	—
Total net position	\$ 262,130,913	6,960,229	18,274,068

See Independent Auditor's Report.

Public Employees Health Program

Term Life	Retiree Life	Reinsurance	Health Reimbursement Arrangement Plan (HRA)	OPEB and Pensions	Totals
10,849,792	10,805,043	(4,278,015)	40,063,959	—	133,345,964
24,190,596	32,578,338	47,840,806	—	—	352,748,609
733,624	1,299	378,900	—	—	43,276,434
165,068	160,840	165,382	47,378	—	2,001,860
—	—	—	664	—	664
39,600	—	26,313	—	—	24,440,366
938,292	162,139	570,595	48,042	—	69,719,324
—	—	—	—	—	44,276
—	—	—	—	680,551	680,551
35,978,680	43,545,520	44,133,386	40,112,001	680,551	556,538,724
—	—	—	—	132,845	132,845
—	—	—	—	8,599,846	8,599,846
—	—	—	—	8,732,691	8,732,691
2,148,389	—	—	—	—	26,727,288
—	—	—	—	—	49,888,955
3,041,923	55,524,714	—	—	—	58,566,637
—	—	—	—	—	15,269,766
—	—	—	—	—	1,095,995
60	—	(20,883)	—	—	259,201
36,778	451,298	—	—	—	3,304,678
5,769	8,508	2,190,520	—	—	2,420,656
—	—	102	—	—	102
—	—	—	—	—	250,533
—	—	13,164,171	1,188,334	—	17,828,683
654,104	948,366	1,381,039	—	—	9,834,074
—	—	—	—	16,895,778	16,895,778
5,887,023	56,932,886	16,714,949	1,188,334	16,895,778	202,342,346
—	—	—	—	521,825	521,825
—	—	—	—	386,657	386,657
—	—	—	—	908,482	908,482
30,091,657	(13,387,366)	27,418,437	—	(8,391,018)	323,096,920
—	—	—	38,923,667	—	38,923,667
30,091,657	(13,387,366)	27,418,437	38,923,667	(8,391,018)	362,020,587



**Supplementary Information** (Continued)

## PUBLIC EMPLOYEES HEALTH PROGRAM

**Statement of Changes in Net Position by Program**

For the Year Ended December 31, 2019

	Medical	Dental	Long-Term Disability
<b>Revenues:</b>			
Premiums earned and service fees	\$ 725,225,526	30,003,604	7,760,090
Federal subsidy	15,862,210	—	—
Employer contributions	—	—	—
Investment income	13,007,263	429,111	3,720,820
Miscellaneous income	—	—	—
<b>Total revenues</b>	<b>754,094,999</b>	<b>30,432,715</b>	<b>11,480,910</b>
<b>Expenses:</b>			
Insurance benefits:			
Health/pharmacy claims paid	676,915,396	—	—
Dental claims paid	—	28,188,373	—
Disability claims paid	—	—	3,698,907
Life claims paid	—	—	—
Reinsurance premiums	31,043,574	—	—
Provision for unpaid claims and claims incurred but not reported	7,975,697	9,373	(3,260,449)
Reinsurance claims paid	(43,130,247)	—	—
Experience dividends	13,268,290	133	2,612
<b>Total insurance benefits</b>	<b>686,072,710</b>	<b>28,197,879</b>	<b>441,070</b>
Administrative and other expenses:			
Administrative expenses	30,674,213	1,455,592	1,233,855
Commissions	3,477,564	304,045	—
PPACA fees	203,659	—	—
Other expenses	—	—	—
<b>Total expenses</b>	<b>720,428,146</b>	<b>29,957,516</b>	<b>1,674,925</b>
<b>Revenues over (under) benefits and expenses</b>	<b>33,666,853</b>	<b>475,199</b>	<b>9,805,985</b>
<b>Net Position:</b>			
Beginning of year, restricted for claim contingency and benefits	228,464,060	6,485,030	8,468,083
End of year, restricted for claims contingency and benefits	\$ 262,130,913	6,960,229	18,274,068

See Independent Auditor's Report.

Public Employees Health Program

Term Life	Retiree Life	Reinsurance	Health Reimbursement Arrangement Plan (HRA)	OPEB and Pensions	Totals
14,339,987	5,323,847	34,150,647	(377)	—	816,803,324
—	—	—	—	—	15,862,210
—	—	—	9,266,955	—	9,266,955
1,655,048	2,364,408	3,427,059	754,023	—	25,357,732
—	—	—	—	—	—
15,995,035	7,688,255	37,577,706	10,020,601	—	867,290,221
—	—	—	6,618,921	—	683,534,317
—	—	—	—	—	28,188,373
—	—	—	—	—	3,698,907
9,866,630	4,836,749	—	—	—	14,703,379
299,310	—	—	—	—	31,342,884
262,466	(451,839)	—	—	—	4,535,248
—	—	43,212,050	—	—	81,803
—	—	—	—	—	13,271,035
10,428,406	4,384,910	43,212,050	6,618,921	—	779,355,946
1,736,152	(597,910)	3,834	172,545	—	34,678,281
65,818	—	71,244	—	—	3,918,671
—	—	—	—	—	203,659
—	—	—	—	641,055	641,055
12,230,376	3,787,000	43,287,128	6,791,466	641,055	818,797,612
3,764,659	3,901,255	(5,709,422)	3,229,135	(641,055)	48,492,609
26,326,998	(17,288,621)	33,127,859	35,694,532	(7,749,963)	313,527,978
30,091,657	(13,387,366)	27,418,437	38,923,667	(8,391,018)	362,020,587

**Supplementary Information** (Continued)

## PUBLIC EMPLOYEES HEALTH PROGRAM

**Medical Program Risk Pools Statement of Net Position**

December 31, 2019

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)
<b>Assets:</b>			
Cash and cash equivalents	\$ 25,857,936	1,201,216	36,812,922
Investments	110,489,473	11,811,402	48,712,727
Receivables:			
Premiums and service fees	18,112,674	33,823	10,870,731
Investments	579,421	94,738	175,565
Misc. receivable/prepaid expense	8,734,312	495,554	3,737,556
Total receivables	27,426,407	624,115	14,783,852
Furniture and equipment, net of accumulated depreciation	44,276	—	—
Total assets	163,818,092	13,636,733	100,309,501
<b>Liabilities:</b>			
Claims payable	12,956,983	1,196,982	6,780,947
Estimated liability for claims incurred but not reported	19,098,887	1,764,378	9,995,270
Premiums payable (pass through dental and vision)	67,647	—	77,076
Unearned premiums	201,832	373,811	14,764
PPCA and other accrued expenses payable	130,968	9,641	49,474
Taxes payable	—	—	—
Experienced dividend payable	—	—	250,533
Due to other agencies and other liabilities	(711,957)	670,408	188,195
Securities lending liability	3,063,764	315,744	1,372,708
Total liabilities	34,808,124	4,330,964	18,728,967
<b>Net Position:</b>			
Restricted for claims contingency reserves	\$ 129,009,968	9,305,769	81,580,534

See Independent Auditor's Report.



Public Employees Health Program

Utah School Boards Association (USBA)	Self Funded Health Care Groups	Medicare Supplement	Totals
(2,799,907)	285,886	16,865,013	78,223,066
13,652,143	—	4,256,379	188,922,124
6,849,246	2,930,453	1,240,264	40,037,191
34,465	5,582	162,812	1,052,583
826,575	1,093,029	9,396,685	24,283,711
7,710,286	4,029,064	10,799,761	65,373,485
—	—	—	44,276
18,562,522	4,314,950	31,921,153	332,562,951
1,450,621	—	1,267,665	23,653,198
2,138,248	—	1,868,567	34,865,350
—	1,764	—	146,487
5,560	12,808	2,012,850	2,621,625
10,540	—	247	200,870
—	—	—	—
—	—	—	250,533
—	3,329,186	—	3,475,832
422,086	—	43,841	5,218,143
4,027,055	3,343,758	5,193,170	70,432,038
14,535,467	971,192	26,727,983	262,130,913

**Supplementary Information** (Continued)**PUBLIC EMPLOYEES HEALTH PROGRAM****Medical Program Risk Pools  
Statement of Changes in Net Position**

For the Year Ended December 31, 2019

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)
<b>Revenues:</b>			
Premiums earned and service fees	\$ 348,916,838	31,967,649	194,456,331
Federal subsidy	—	—	—
Investment income	7,608,709	812,971	3,340,507
Total revenues	356,525,547	32,780,620	197,796,838
<b>Expenses:</b>			
Insurance benefits:			
Health/pharmacy claims paid	323,434,845	29,452,847	170,069,822
Reinsurance premiums	9,683,174	1,383,038	17,514,979
Provision for unpaid claims and claims incurred but not reported	6,087,370	324,227	1,786,869
Reinsurance claims paid	(14,896,837)	(2,654,701)	(20,894,608)
Experience dividends	3,903,372	1,091,156	4,853,880
Total insurance benefits	328,211,924	29,596,567	173,330,942
Administrative and other expenses:			
Administrative expenses	13,540,681	1,730,141	8,179,076
PPACA fees	122,667	13,633	63,225
Commissions	—	—	4,542,049
Total expenses	341,875,272	31,340,341	186,115,292
Revenues over (under) expenses	14,650,275	1,440,279	11,681,546
<b>Net Position:</b>			
Beginning of year, restricted for claim contingency	114,359,693	7,865,490	69,898,988
End of year, restricted for claim contingency reserve	\$ 129,009,968	9,305,769	81,580,534

See Independent Auditor's Report.

Public Employees Health Program

Utah School Boards Association (USBA)	Self Funded Health Care Groups	Medicare Supplement	Totals
40,201,932	71,015,146	38,667,630	725,225,526
—	—	15,862,210	15,862,210
1,029,105	—	215,971	13,007,263
41,231,037	71,015,146	54,745,811	754,094,999
37,062,794	68,939,505	47,955,583	676,915,396
2,462,383	—	—	31,043,574
91,319	—	(314,088)	7,975,697
(3,155,976)	(1,528,125)	—	(43,130,247)
3,419,836	46	—	13,268,290
39,880,356	67,411,426	47,641,495	686,072,710
1,611,879	3,270,687	2,341,749	30,674,213
13,382	(9,248)	—	203,659
—	34,784	(1,099,269)	3,477,564
41,505,617	70,707,649	48,883,975	720,428,146
(274,580)	307,497	5,861,836	33,666,853
14,810,047	663,695	20,866,147	228,464,060
14,535,467	971,192	26,727,983	262,130,913



**Supplementary Information** (Continued)

## PUBLIC EMPLOYEES HEALTH PROGRAM

**Dental Program Risk Pools  
Statement of Net Position**

December 31, 2019

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)	Retiree Dental	Totals
<b>Assets:</b>					
Cash and cash equivalents	\$ 543,127	361,989	345,915	488,207	1,739,238
Investments	3,784,765	575,789	1,912,380	3,516	6,276,450
Receivables:					
Premiums and service fees	1,043,263	1,812	612,519	(715)	1,656,879
Investments	21,189	4,489	16,396	253	42,327
Misc. receivable/prepaid expense	18,000	4,876	7,283	1,018	31,177
Total receivables	1,082,452	11,177	636,198	556	1,730,383
Total assets	5,410,344	948,955	2,894,493	492,279	9,746,071
<b>Liabilities:</b>					
Claims payable	558,220	67,368	255,170	44,943	925,701
Estimated liability for claims incurred but not reported	822,828	99,301	376,126	66,247	1,364,502
Premiums payable (pass through dental and vision)	129,309	—	—	—	129,309
Unearned premiums	51,596	43,516	1,846	98,019	194,977
PPCA and other accrued expenses payable	925	132	440	—	1,497
Securities lending liability	104,744	15,422	49,653	37	169,856
Total liabilities	1,667,622	225,739	683,235	209,246	2,785,842
<b>Net Position:</b>					
Restricted for claims contingency reserves	\$ 3,742,722	723,216	2,211,258	283,033	6,960,229

See Independent Auditor's Report.

**Supplementary Information** *(Concluded)*

## PUBLIC EMPLOYEES HEALTH PROGRAM

**Dental Program Risk Pools  
Statement of Changes in Net Position***For the Year Ended December 31, 2019*

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)	Retiree Dental	Totals
<b>Revenues:</b>					
Premiums and service fees	\$ 17,524,666	2,700,177	8,472,589	1,306,172	30,003,604
Investment income	261,110	38,890	128,796	315	429,111
Total revenues	17,785,776	2,739,067	8,601,385	1,306,487	30,432,715
<b>Expenses:</b>					
Insurance benefits:					
Health/pharmacy claims paid	16,730,681	2,484,185	7,931,131	1,042,376	28,188,373
Provision for unpaid claims and claims incurred but not reported	34,006	(42,601)	(10,676)	28,644	9,373
Experience dividends	133	—	—	—	133
Total insurance benefits	16,764,820	2,441,584	7,920,455	1,071,020	28,197,879
Administrative and other expenses:					
Administrative expenses	843,611	108,668	384,879	118,434	1,455,592
Commission	—	—	304,045	—	304,045
Total expenses	17,608,431	2,550,252	8,609,379	1,189,454	29,957,516
Revenues over (under) expenses	177,345	188,815	(7,994)	117,033	475,199
<b>Net Position:</b>					
Beginning of year, restricted for claims contingency reserves	3,565,377	534,401	2,219,252	166,000	6,485,030
End of year, restricted for claims contingency reserves	\$ 3,742,722	723,216	2,211,258	283,033	6,960,229

*See Independent Auditor's Report.*

Public Employees Health Program

# Unaudited Supplementary Information

As of 6/30/19



## Unaudited Supplementary Information as of 6/30/19 (Continued)

## PUBLIC EMPLOYEES HEALTH PROGRAM

## Statements of Net Position (Unaudited)

As of Fiscal Year July 1, 2018 - June 30, 2019

With comparative totals for June 30, 2018

	6/30/2019	6/30/2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 171,723,983	110,346,598
Investments	293,320,078	289,728,547
Receivables:		
Premium and service fees	38,763,108	54,667,200
Investments	2,111,983	2,260,615
Misc. receivables/prepaid expenses	20,639,904	16,616,287
Total receivables	61,514,995	73,544,102
Furniture and equipment net of accumulated depreciation	67,445	156,954
Net pension asset	84,549	—
Total assets	526,711,050	473,776,201
<b>Deferred Outflows of Resources:</b>		
OPEB related amounts	—	—
Pension related amounts	6,911,463	7,799,585
<b>Liabilities:</b>		
Claims payable	26,029,654	27,039,528
Estimated liability for claims incurred but not reported	50,977,091	47,043,982
Life insurance reserves	58,981,653	56,703,395
Long-term disability claims reserves	16,923,606	17,368,814
Long-term disability medical premium reserves	1,138,596	1,751,218
Premiums payable	369,715	634,410
Unearned premiums	1,221,050	3,363,355
PPCA and other accrued expenses payable	12,565,023	3,887,843
Taxes payable	1,498	3,799
Experience dividend payable	5,262,061	3,088,434
Due to other agencies and other liabilities	19,370,145	18,760,429
Security lending liability	2,094,027	17,159,095
Net pension liability	11,139,396	13,917,002
Total liabilities	206,073,516	210,721,304
<b>Deferred Inflow of Resources:</b>		
OPEB related amounts	—	—
Pension related amounts	3,606,579	1,769,492
<b>Net Position:</b>		
Restricted for claims contingency reserves	286,093,548	234,569,207
Restricted for benefits	37,848,871	34,515,783
Total net position	\$ 323,942,418	269,084,990

**Unaudited Supplementary Information as of 6/30/19** (Continued)**PUBLIC EMPLOYEES HEALTH PROGRAM****Statements of Changes in Net Position (Unaudited)***Fiscal Year July 1, 2018 - June 30, 2019**With comparative totals for June 30, 2018*

	6/30/2019	6/30/2018
<b>Revenues:</b>		
Premiums earned and service fees, net of refunds	\$ 793,668,731	734,443,380
Federal subsidy	14,703,632	11,900,815
Employer contributions	8,743,142	8,193,004
Net investment income	21,489,552	1,770,496
Miscellaneous income	144	13,398
Total revenues	838,605,201	756,321,093
<b>Expenses:</b>		
Insurance benefits:		
Claims	731,094,707	675,123,135
Change in unpaid claims and claimed incurred but not reported	4,143,664	(6,014,127)
Experience dividends	10,699,684	7,140,751
Total insurance benefits	745,938,055	676,249,759
Administrative and other expenses:		
Administrative expenses	34,178,963	33,861,493
Commissions	3,549,328	3,209,581
PPACA fees	218,377	—
Other expenses	(136,946)	(1,159,294)
Total expenses	783,747,777	712,161,539
Revenue over (under) benefits and expenses	54,857,424	44,159,554
<b>Net Position:</b>		
Beginning of year, restricted for claim contingency and benefits	269,084,994	224,925,436
End of year, restricted for claims contingency and benefits	\$ 323,942,418	269,084,990



## Unaudited Supplementary Information as of 6/30/19 (Continued)

## PUBLIC EMPLOYEES HEALTH PROGRAM

## Statements of Cash Flow (Unaudited)

For the Fiscal Year Ended June 30, 2019

	2019
Cash flows from operating activities:	
Cash received from premiums and service fees	\$ 831,044,111
Cash paid for insurance benefits	(731,359,402)
Cash paid for administrative and other expenses	(32,762,854)
Policyholder experience dividends paid	(8,526,057)
Net cash provided (used) by operating activities	58,395,798
Cash flows from investing activities:	
Investment income	9,396,417
Proceeds from maturities of sales of fixed income securities	76,764,333
Purchases of fixed income securities	(83,179,164)
Net cash provided (used) by investing activities	2,981,586
Cash flows from capital and related financing activities:	
Proceeds from sale of assets	—
Purchases of equipment	—
Net cash provided (used) by financing activities	—
Net increase in cash and cash equivalents	61,377,384
Cash and cash equivalents at beginning of year	110,346,599
Cash and cash equivalents at end of year	171,723,983
Reconciliation of revenue over (under) benefits and expenses to net cash provided (used) by operating activities:	
Revenue over (under) benefits and expenses	54,857,424
Adjustments to reconcile revenue over (under) benefits and expenses to net cash provided (used) by operating activities:	
Depreciation	20,933
Net investment income	(21,489,552)
OPEB related items	—
Pension related items	(136,946)
Change in assets and liabilities:	
Premiums and service fees	15,904,092
Employer contributions	166,675
Prepaid expenses and other current assets	(4,190,290)
Claims payable	82,105
Liability for claims incurred but not reported	3,933,110
Life insurance reserves	2,278,259
Long term disability claim reserves	(1,537,189)
Long term disability medical premium reserves	(612,622)
Experience dividend payable	2,173,627
Due to other agencies and other liabilities	678,292
Premium payables	(264,695)
Unearned premiums	(2,142,304)
Accrued expense payable	8,674,191
Taxes payable	688
Net cash provided by operating activities	\$ 58,395,798

The accompanying notes to the financial statements are an integral part of these statements.



## Unaudited Supplementary Information as of 6/30/19 (Continued)

## PUBLIC EMPLOYEES HEALTH PROGRAM

## Statement of Net Position by Program (Unaudited)

As of June 30, 2019

	Medical	Dental	Long-Term Disability
<b>Assets:</b>			
Cash and cash equivalents	\$ 92,693,685	3,367,805	4,167,361
Investments	155,313,697	4,990,282	43,483,846
Receivables:			
Premiums and service fees	36,044,992	1,529,223	382,594
Investments	1,101,538	44,301	385,625
Employer contributions	—	—	—
Misc. receivable/prepaid expense	20,444,502	41,533	81,314
Total receivables	57,591,032	1,615,057	849,533
Furniture and equipment, net of accumulated depreciation	67,445	—	—
Net OPEB asset	—	—	—
Total assets	305,665,860	9,973,144	48,500,740
<b>Deferred Outflows of Resources:</b>			
Pension related amounts	—	—	—
<b>Liabilities:</b>			
Claims payable	23,081,444	1,025,464	—
Estimated liability for claims incurred but not reported	34,022,573	1,511,558	15,442,960
Life insurance reserves	—	—	—
Long-term disability claims reserves	—	—	16,923,606
Long-term disability medical premium reserves	—	—	1,138,596
Premiums payable	234,545	141,618	4,228
Unearned premiums	531,635	203,134	—
PPCA and other accrued expenses payable	5,075,872	218,010	1,881,063
Taxes payable	1,515	—	—
Experienced dividend payable	4,141,166	—	1,120,895
Due to other agencies and other liabilities	3,723,720	—	346
Securities lending liability	1,108,696	35,639	310,480
Net pension liability	—	—	—
Total liabilities	71,921,165	3,135,423	36,822,175
<b>Deferred inflow of Resources:</b>			
OPEB related amounts	—	—	—
Pension related amounts	—	—	—
<b>Net Position:</b>			
Restricted for claims contingency reserves	233,744,695	6,837,721	11,678,566
Restricted for benefits	—	—	—
Total net position (deficit)	\$ 233,744,695	6,837,721	11,678,566

Public Employees Health Programs

Term Life	Retiree Life	Reinsurance	Health Reimbursement Arrangement Plan (HRA)	OPEB and Pensions	Totals
14,868,062	13,694,537	4,169,641	38,762,893	—	171,723,983
19,220,690	28,934,383	41,377,179	—	—	293,320,078
665,346	—	140,953	—	—	38,763,108
172,757	168,506	173,001	66,256	—	2,111,983
—	—	—	333	—	333
39,800	—	32,421	—	—	20,639,571
877,903	168,506	346,375	66,589	—	61,514,995
—	—	—	—	—	67,445
—	—	—	—	84,549	84,549
34,966,655	42,797,426	45,893,194	38,829,482	84,549	526,711,050
—	—	—	—	6,911,463	6,911,463
1,922,746	—	—	—	—	26,029,654
—	—	—	—	—	50,977,091
3,005,100	55,976,553	—	—	—	58,981,653
—	—	—	—	—	16,923,606
—	—	—	—	—	1,138,596
30	—	(10,705)	—	—	369,715
42,069	444,212	—	—	—	1,221,050
840,139	1,248,479	3,301,459	—	—	12,565,023
—	—	(16)	—	—	1,498
—	—	—	—	—	5,262,061
—	—	14,665,467	980,611	—	19,370,145
137,245	206,608	295,359	—	—	2,094,027
—	—	—	—	11,139,396	11,139,396
5,947,329	57,875,853	18,251,564	980,611	11,139,396	206,073,516
—	—	—	—	—	—
—	—	—	—	3,606,579	3,606,579
29,019,326	(15,078,427)	27,641,630	—	(7,749,963)	286,093,548
—	—	—	37,848,871	—	37,848,871
29,019,326	(15,078,427)	27,641,630	37,848,871	(7,749,963)	323,942,418



## Unaudited Supplementary Information as of 6/30/19 (Continued)

## PUBLIC EMPLOYEES HEALTH PROGRAM

# Statement of Changes in Net Position by Program (Unaudited)

Fiscal Year July 1, 2018 - June 30, 2019

	Medical	Dental	Long-Term Disability
<b>Revenues:</b>			
Premiums earned and service fees	\$ 706,547,290	29,576,462	7,536,529
Federal subsidy	14,703,632	—	—
Employer contributions	—	—	—
Investment income	11,464,581	377,579	2,955,822
Miscellaneous income	—	—	—
<b>Total revenues</b>	<b>732,715,502</b>	<b>29,954,041</b>	<b>10,492,351</b>
<b>Expenses:</b>			
Insurance benefits:			
Health/pharmacy claims paid	649,368,716	—	—
Dental claims paid	—	27,292,860	—
Disability claims paid	—	—	5,211,120
Life claims paid	—	—	—
Reinsurance premiums	27,812,476	—	—
Provision for unpaid claims and claims incurred but not reported	2,792,241	4,243	117,154
Reinsurance claims paid	(36,924,296)	—	—
Experience dividends	9,580,973	(2,203)	1,120,895
<b>Total insurance benefits</b>	<b>652,630,110</b>	<b>27,294,900</b>	<b>6,449,169</b>
Administrative and other expenses:			
Administrative expenses	30,232,235	1,442,913	1,198,308
Commissions	3,134,345	300,487	—
PPACA fees	218,377	—	—
Other expenses	—	—	—
<b>Total expenses</b>	<b>686,215,067</b>	<b>29,038,300</b>	<b>7,647,477</b>
<b>Revenues over (under) expenses</b>	<b>46,500,435</b>	<b>915,741</b>	<b>2,844,874</b>
<b>Net Position:</b>			
Beginning of year, restricted for claims contingency and benefits	187,244,260	5,921,980	8,833,692
End of year, restricted for claims contingency and benefits	\$ 233,744,695	6,837,721	11,678,566



Public Employees Health Program

Term Life	Retiree Life	Reinsurance	Health Reimbursement Arrangement Plan (HRA)	OPEB and Pensions	Totals
14,239,628	5,229,208	30,505,253	34,361	—	793,668,731
—	—	—	—	—	14,703,632
—	—	—	8,743,142	—	8,743,142
1,466,961	1,671,949	2,814,703	737,958	—	21,489,552
—	—	144	—	—	144
15,706,589	6,901,157	33,320,100	9,515,460	—	838,605,201
—	—	(175,276)	6,182,373	—	655,375,812
—	—	—	—	—	27,292,860
—	—	—	—	—	5,211,120
9,590,077	4,705,083	—	—	—	14,295,160
308,493	—	—	—	—	28,120,970
(864,215)	2,094,241	—	—	—	4,143,664
—	—	37,723,081	—	—	798,785
19	—	—	—	—	10,699,684
9,034,374	6,799,324	37,547,805	6,182,373	—	745,938,055
1,722,995	(419,719)	2,231	—	—	34,178,963
65,587	—	48,909	—	—	3,549,328
—	—	—	—	—	218,377
—	—	—	—	(136,946)	(136,946)
10,822,956	6,379,605	37,598,945	6,182,373	(136,946)	783,747,777
4,883,633	521,552	(4,278,845)	3,333,088	136,946	54,857,424
24,135,693	(15,599,979)	31,920,475	34,515,783	(7,886,909)	269,084,994
29,019,326	(15,078,427)	27,641,630	37,848,871	(7,749,963)	323,942,418

## Unaudited Supplementary Information as of 6/30/19 (Continued)

## PUBLIC EMPLOYEES HEALTH PROGRAM

# Medical Program Risk Pools

## Statement of Net Position (Unaudited)

As of June 30, 2019

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)
<b>Assets:</b>			
Cash and cash equivalents	\$ 31,408,916	729,751	37,374,426
Investments	91,391,767	9,232,439	41,295,363
Receivables:			
Premiums and service fees	14,771,921	30,536	12,377,545
Investments	606,657	99,177	183,584
Misc. receivables/prepaid expense	9,167,039	607,990	3,867,317
Total receivables	24,545,617	737,703	16,428,447
Furniture and equipment net of accumulated depreciation	67,445	—	—
Total assets	147,413,746	10,699,893	95,098,235
<b>Liabilities:</b>			
Claims payable	11,613,639	1,172,731	7,361,034
Estimated liability for claims incurred but not reported	17,118,768	1,728,632	10,850,332
Premiums payable (pass through dental and vision)	176,178	—	82,047
Unearned premiums	231,196	525,212	17,968
PPACA and other accrued expenses payable	2,281,803	387,471	1,817,771
Taxes payable	(14,765)	268	10,742
Experience dividend payable	3,917,285	—	223,881
Due to other agencies and other liabilities	146,884	782,888	320,318
Security lending liability	652,527	65,887	294,696
Total liabilities	36,123,515	4,663,088	20,978,788
<b>Net Position:</b>			
Restricted for claims contingency reserves	\$ 111,290,231	6,036,805	74,119,447



Public Employees Health Program

Utah School Board Associations (USBA)	Self Funded Healthcare Groups	Medicare Supplement	Totals
(1,285,461)	617,074	23,848,980	92,693,685
13,244,295	—	149,833	155,313,697
6,637,069	1,454,009	773,912	36,044,992
36,114	5,582	170,424	1,101,538
834,344	627,169	5,340,642	20,444,502
7,507,527	2,086,759	6,284,979	57,591,032
—	—	—	67,445
19,466,361	2,703,833	30,283,791	305,665,860
1,440,376	—	1,493,663	23,081,444
2,123,148	—	2,201,694	34,022,573
(477)	476	(23,680)	234,545
6,334	1,967	(251,041)	531,635
574,691	—	14,138	5,075,872
3,805	1,465	—	1,515
—	—	—	4,141,166
—	2,473,630	—	3,723,720
94,505	—	1,080	1,108,696
4,242,382	2,477,538	3,435,854	71,921,165
15,223,980	226,295	26,847,938	233,744,695



## Unaudited Supplementary Information as of 6/30/18 (Continued)

## PUBLIC EMPLOYEES HEALTH PROGRAM

# Medical Program Risk Pools

## Statement of Changes in Net Position (Unaudited)

Fiscal Year July 1, 2018 - June 30, 2019

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)
<b>Revenues:</b>			
Premiums earned and service fees, net of refunds	\$ 342,153,996	30,459,725	187,698,825
Federal subsidy	—	—	—
Net investment income	6,549,319	699,478	2,965,681
Total revenues	348,703,314	31,159,204	190,664,506
<b>Expenses:</b>			
Insurance benefits:			
Health/pharmacy claims paid	314,769,428	28,739,310	160,895,710
Reinsurance premiums	8,626,456	1,276,810	15,565,717
Provision for unpaid claims and claims incurred but not reported	(1,599,582)	173,354	3,110,608
Reinsurance claims paid	(13,825,406)	(1,987,295)	(18,103,791)
Experience dividends	3,903,471	1,091,156	2,882,026
Total insurance benefits	311,874,367	29,293,336	164,350,271
Administrative and other expenses:			
Administrative expenses	13,483,548	1,717,076	8,065,054
PPACA fees	117,611	12,949	56,925
Commission	—	—	4,208,156
Total benefits and expenses	325,475,526	31,023,361	176,680,406
Revenues over (under) expenses	23,227,789	135,843	13,984,100
<b>Net Position:</b>			
Beginning of year, restricted for claims contingency reserves	88,062,442	5,900,962	60,135,347
End of year, restricted for claims contingency reserves	\$ 111,290,231	6,036,805	74,119,447

Public Employees Health Program

Utah School Board Associations (USBA)	Self Funded Healthcare Groups	Medicare Supplement	Totals
39,614,592	66,355,139	40,265,013	706,547,290
—	—	14,703,632	14,703,632
865,426	6,556	378,121	11,464,581
40,480,018	66,361,695	55,346,766	732,715,502
35,229,099	64,300,979	45,434,190	649,368,716
2,343,492	—	—	27,812,476
603,694	—	504,167	2,792,241
(2,091,417)	(916,388)	—	(36,924,296)
1,704,274	46	—	9,580,973
37,789,142	63,384,637	45,938,357	652,630,110
1,611,226	3,049,393	2,305,939	30,232,235
13,044	17,848	—	218,377
—	19,053	(1,092,864)	3,134,345
39,413,413	66,470,931	47,151,432	686,215,067
1,066,606	(109,236)	8,195,334	46,500,435
14,157,374	335,531	18,652,604	187,244,260
15,223,980	226,295	26,847,938	233,744,695



**Unaudited Supplementary Information as of 6/30/19** (Continued)

## PUBLIC EMPLOYEES HEALTH PROGRAM

**Dental Program Risk Pools**  
**Statement of Net Position (Unaudited)**

As of June 30, 2019

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)	Retiree Dental	Totals
<b>Assets:</b>					
Cash and cash equivalents:	\$ 1,669,560	456,070	858,742	383,433	3,367,805
Investments	3,105,254	441,069	1,440,443	3,516	4,990,282
Receivables:					
Premiums and service fees	891,814	1,618	637,121	(1,331)	1,529,223
Investments	22,175	4,698	17,156	272	44,301
Misc. receivables/prepaid expense	24,531	5,892	10,104	1,007	41,533
Total receivables	938,520	12,208	664,381	(52)	1,615,057
Total assets	5,713,334	909,346	2,963,566	386,898	9,973,144
<b>Liabilities:</b>					
Claims payable	595,909	100,772	280,029	48,755	1,025,464
Estimated liability for claims incurred but not reported	878,384	148,540	412,768	71,865	1,511,558
Premiums payable (pass through dental and vision)	141,674	—	(56)	—	141,618
Unearned premiums	55,385	56,994	2,599	88,155	203,134
PPACA and other accrued expenses payable	135,724	19,254	62,983	48	218,010
Security lending liability	22,155	3,153	10,294	37	35,639
Total liabilities	1,829,232	328,713	768,618	208,861	3,135,423
<b>Net Position:</b>					
Restricted for claims contingency reserves	\$ 3,884,103	580,633	2,194,948	178,037	6,837,721



**Unaudited Supplementary Information as of 6/30/19** (Concluded)

## PUBLIC EMPLOYEES HEALTH PROGRAM

# Dental Program Risk Pools

## Statement of Changes in Net Position (Unaudited)

Fiscal Year July 1, 2018 - June 30, 2019

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)	Retiree Dental	Totals
<b>Revenues:</b>					
Premiums and service fees	\$ 17,346,272	2,686,643	8,385,408	1,158,139	29,576,462
Investment income	223,643	36,473	116,460	1,003	377,579
Total revenues	17,569,915	2,723,116	8,501,868	1,159,143	29,954,041
<b>Expenses:</b>					
Insurance benefits:					
Health/pharmacy claims paid	16,229,949	2,437,430	7,697,363	928,119	27,292,860
Provision for unpaid claims and claims incurred but not reported	(80,598)	44,160	21,292	19,389	4,243
Experience dividends	(2,203)	—	—	—	(2,203)
Total insurance benefits	16,147,148	2,481,590	7,718,655	947,508	27,294,900
Administrative and other expenses:					
Administrative expenses	838,835	108,510	382,372	113,197	1,442,913
Commission	—	—	300,487	—	300,487
Total expenses	16,985,983	2,590,099	8,401,513	1,060,705	29,038,300
Revenues over (under) expenses	583,931	133,017	100,355	98,438	915,741
<b>Net Position:</b>					
Beginning of year, restricted for claims contingency reserves	3,300,171	447,616	2,094,593	79,599	5,921,980
End of year, restricted for claims contingency reserves	\$ 3,884,103	580,633	2,194,948	178,037	6,837,721



# PEHP Core Principles

Solving problems, not just processing claims.

Providing advice, not just cold facts.

Customizing information for the one.

Focusing on the greatest opportunities.

Using data wisely to address cost & quality.

Remembering everyone wins when  
health outcomes improve and costs are reduced.

Preserving benefits to avoid shifting costs.

Not letting the size of a problem deter us.

Adding value without increasing costs.

Going the extra mile to keep members out of the middle.

Providing excellent products at cost.



560 East 200 South, Salt Lake City, Utah 84102-2044

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