

Utah Retirement Systems Public Employees Health Program

A Discrete Component Unit of the State of Utah

2018 Annual Financial Report

For the Year Ended December 31, 2018

PEHP
Health & Benefits





Supporting Its 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**

Utah Retirement Systems Public Employees Health Program

A Discrete Component Unit of the State of Utah



2018 Annual Financial Report

For the Year Ended December 31, 2018

Prepared by: Finance Department
Utah Retirement Systems | Public Employees Health Program
560 East 200 South • Salt Lake City, Utah 84102-2044
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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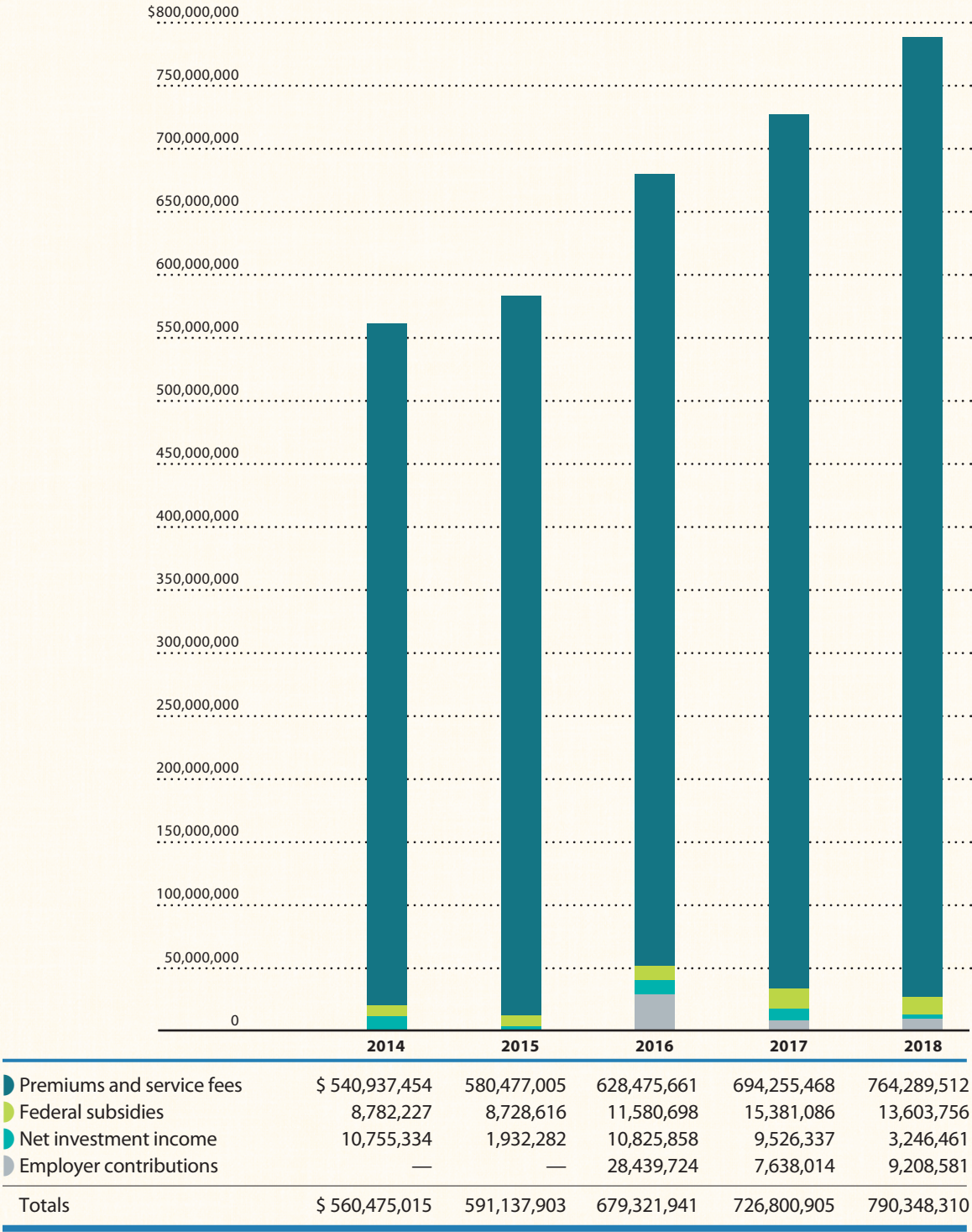
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Additions by Source

at December 31,



PUBLIC EMPLOYEES HEALTH PROGRAM

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

May 2, 2019

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

Dear Board Members:

We are pleased to present the 2018 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 2018.

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 31.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) beginning on page 23 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 23.

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 recommend by the actuary and approved by the board.

Independent Audit

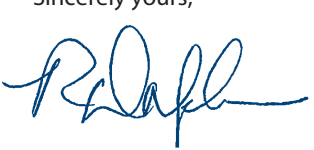
An annual audit of PEHP was conducted by the independent accounting Eide Bailly, LLP. The auditor's report on the financial statements is included in this report.


Acknowledgments

The compilation of 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

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.

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 LOFTIS
MANAGING DIRECTOR

May 2, 2019

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 \$6.8 million in excess reserves to various plan sponsors over the past year.

Membership growth also remains steady, reaching 162,356 for the medical plan as of December 31, 2018. This has enabled PEHP to keep the rate for administrative services the same since 2011, while building administrative reserves.

The past year has been particularly eventful in advancing PEHP’s leadership role in redefining health insurance and improving the overall healthcare market. In October, PEHP introduced a new, internally produced Cost Comparison Tool to replace the Cost Treatment Calculator licensed from Truven Analytics. The new Tool covers a full range of medical services, presents episode of care pricing, and gives price comparisons between different treatment locations and among healthcare providers of the same type.

Also in October, PEHP introduced “Cash Back,” a legislatively directed program that shares savings with health plan members when they choose lower-cost providers. The Program offers between \$50 and \$2,000 in cash back, depending on the service. The Program includes our Pharmacy Tourism program, which gained considerable local and national media attention.

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 4.35% 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.

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

Vice President

Ryan G. Hessenthaler
Appointed August 19, 2015
Term Expires July 1, 2019
Represents Investment Community

President

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

Board Members

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

Sheri K. Nelson
Appointed September 15, 2010
Term Expires July 1, 2019
Represents Public Employees

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

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



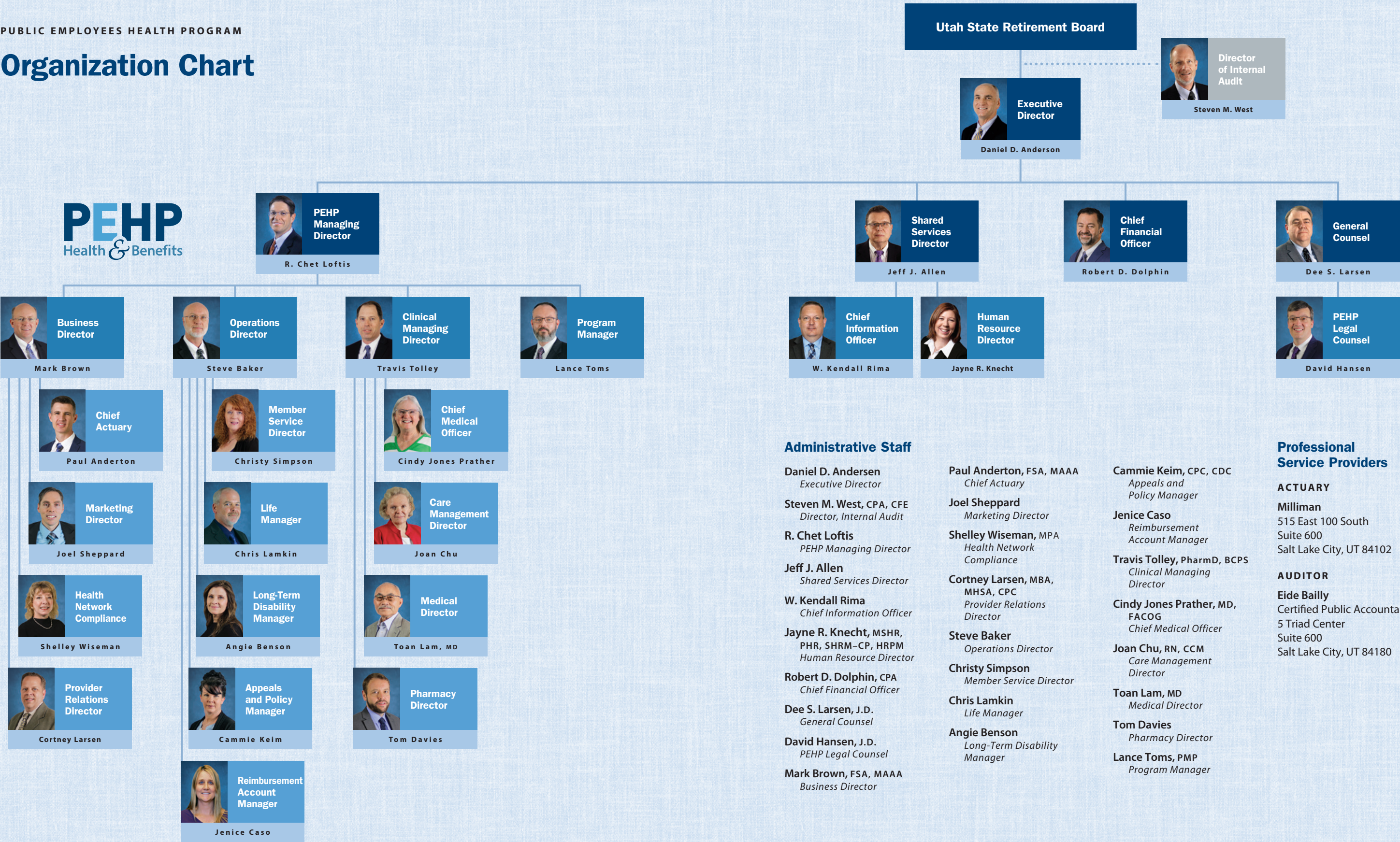
Daniel D. Andersen

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

Jeff J. Allen
Shared Services Director

W. Kendall Rima
Chief Information Officer

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

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

Shelley Wiseman, MPA
Health Network Compliance

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

Cammie 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
Certified Public Accountants
5 Triad Center
Suite 600
Salt Lake City, UT 84180



PUBLIC EMPLOYEES HEALTH PROGRAM

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.

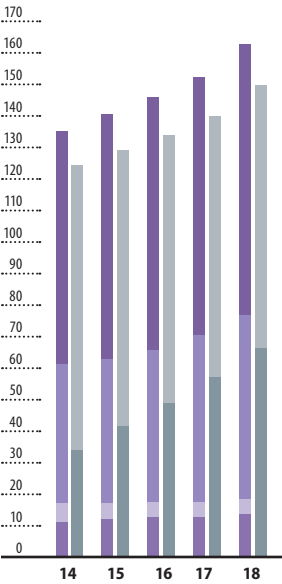
Plan Choices

PEHP offers both traditional healthcare plans and STAR HSA (Health Savings Account – eligible (Health Savings Account) 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.

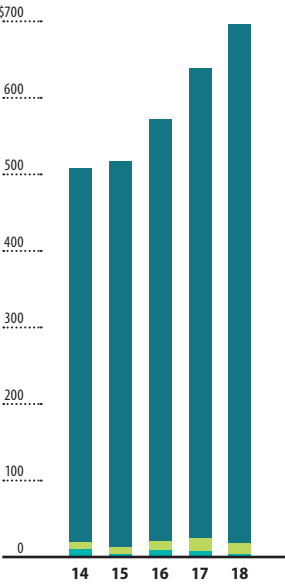
Public Employees Health Program

Medical Program (Concluded)

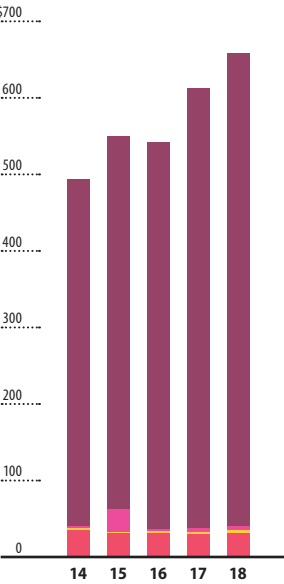
Total Membership Enrollment (in thousands)



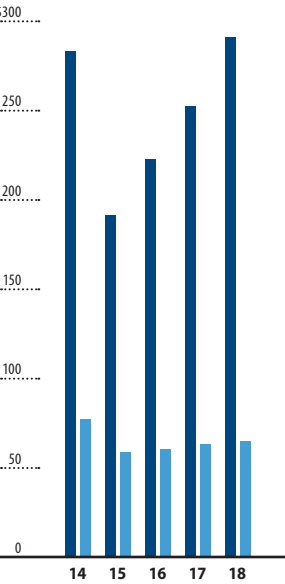
Additions by Source (\$ in millions)



Deductions by Type (\$ in millions)



Contingency Reserves (\$ in millions)



Count of Membership

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

Medical Program Additions by Source

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

Medical Program Deductions by Type

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

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
Total liabilities and reserves	76,960,391	58,296,382	59,954,259	62,290,944	61,705,192
Ending plan contingency reserve	\$ 205,363,290	132,219,202	161,665,363	189,015,280	228,464,060



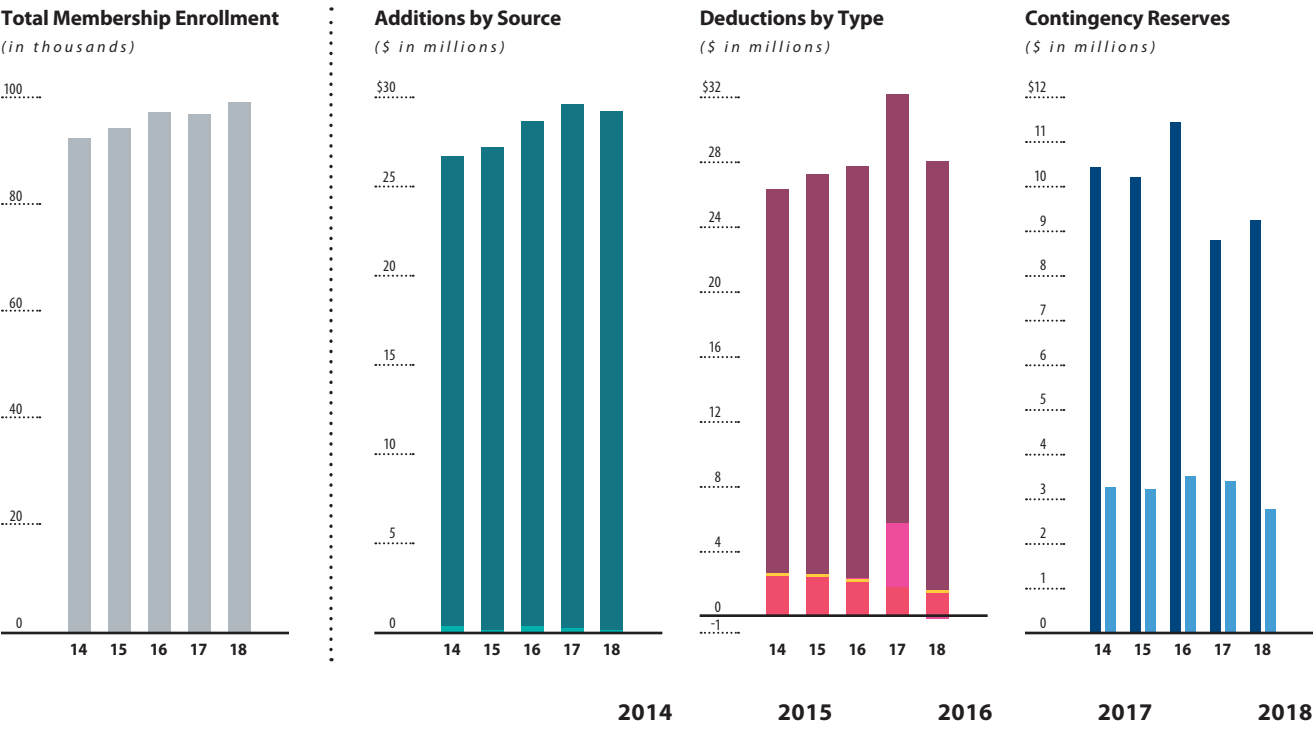
PUBLIC EMPLOYEES HEALTH PROGRAM

Dental Program

PEHP offers group dental insurance 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.

Public Employees Health Program

Dental Program *(Concluded)*



Count of Membership

Dental Enrollment	92,071	93,949	96,903	96,620	98,781
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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
Net investment income	310,082	53,351	302,559	221,236	52,350
Totals	\$ 26,652,006	27,090,295	28,604,414	29,489,677	29,099,216

Dental Program Deductions by Type

Claims and change in reserves	\$ 23,642,124	24,698,742	25,372,285	26,248,159	26,447,587
Experienced dividends	—	—	2,527	4,002,253	(2,165)
Commissions	185,313	186,744	212,526	—	149,284
Administrative expense and other	2,462,459	2,372,723	2,076,423	1,762,041	1,427,824
Totals	\$ 26,289,896	27,258,209	27,663,761	32,012,453	28,022,530

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
Total liabilities and reserves	3,255,619	3,197,020	3,495,745	3,369,737	2,748,473
Ending plan contingency reserve	\$ 7,158,382	6,990,468	7,931,119	5,408,345	6,485,030



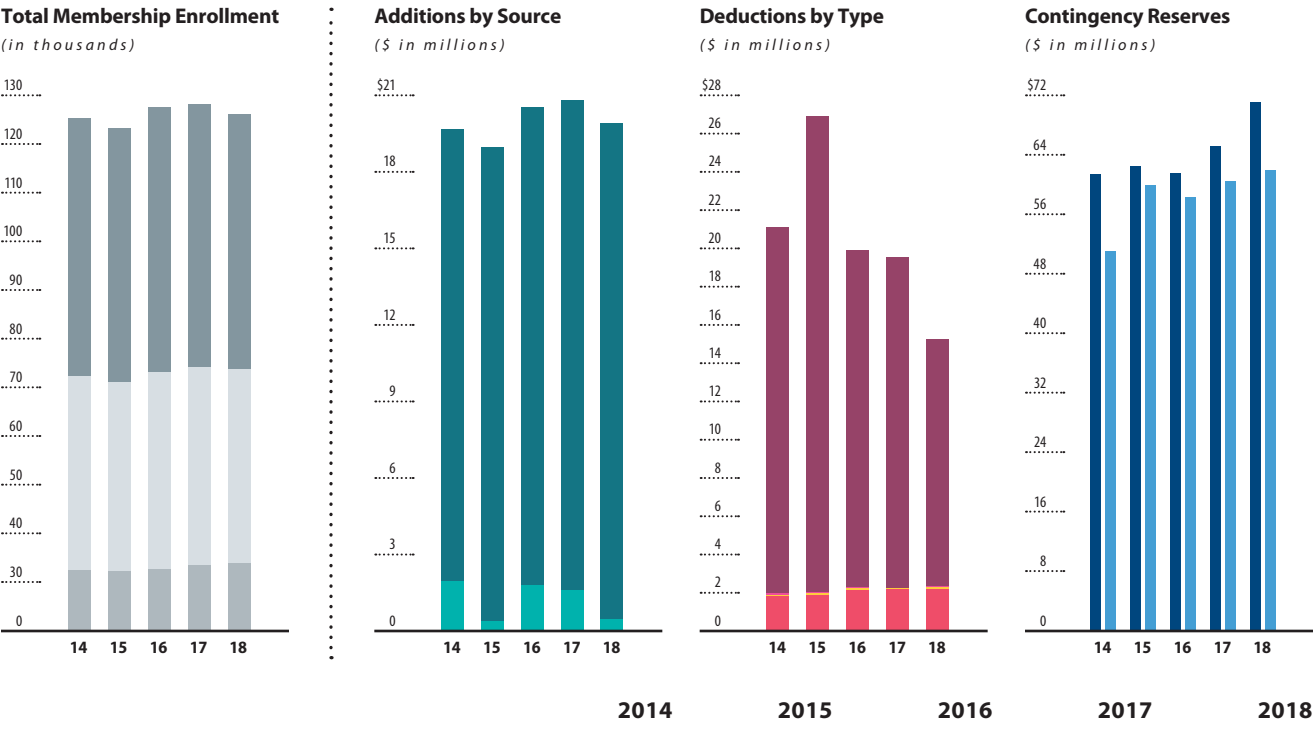
PUBLIC EMPLOYEES HEALTH PROGRAM

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.

Public Employees Health Program

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



Count of Membership					
Term life	91,733	90,121	93,973	93,289	90,178
AD&D	68,861	67,974	69,828	70,313	69,132
Retire life	21,127	20,802	21,672	22,939	23,545
Totals	181,721	178,897	185,473	186,541	182,855

Life Program Additions by Source					
Premiums and service fees	\$ 17,702,245	18,603,078	18,780,213	19,225,114	19,429,129
Net investment income	1,933,822	331,770	1,743,464	1,545,973	442,114
Totals	\$ 19,636,067	18,934,848	20,523,677	20,771,087	19,871,243

Life Program Deductions by Type					
Claims and change in reserves	\$ 19,181,326	24,906,979	17,643,295	17,331,947	12,937,185
Experienced dividends	614	86	52	—	50
Commissions	36,809	36,623	39,575	9,190	32,236
Administrative expense and other	1,758,174	1,832,430	2,091,150	2,129,120	2,149,254
Totals	\$ 20,976,923	26,776,118	19,774,072	19,470,257	15,118,726

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
Total liabilities and reserves	50,913,952	59,775,288	58,151,888	60,375,759	61,869,873
Ending plan contingency reserve	\$ 10,388,904	2,548,413	3,298,014	4,598,844	9,038,378



PUBLIC EMPLOYEES HEALTH PROGRAM

Long-Term Disability Insurance (LTD)

PEHP offers group Long-Term Disability insurance for the state, political subdivisions, and educational institutions. PEHP LTD is maintained on a financially and actuarially 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.

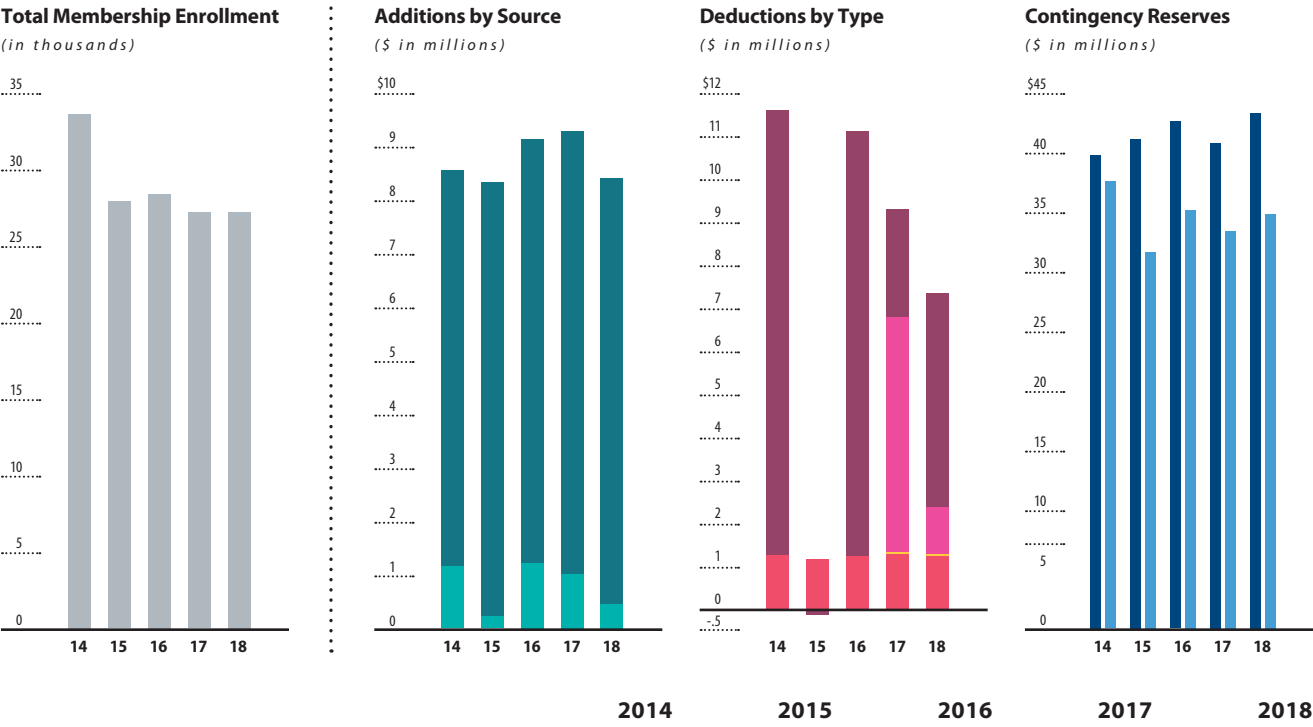
After 24 months of LTD:
Must be unable to perform any gainful employment due to physical disability (includes sedentary work)

Maximum Benefit:
Age 65 or retirement with Utah Retirement Systems

Line of Duty Benefit:
(External Force/Violence)
100% of regular salary

Public Employees Health Program

Long-Term Disability Insurance (LTD) (Concluded)



Count of Membership

LTD Enrollment	33,600	27,896	28,404	27,192	27,224
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LTD Program Additions by Source

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

LTD Program Deductions by Type

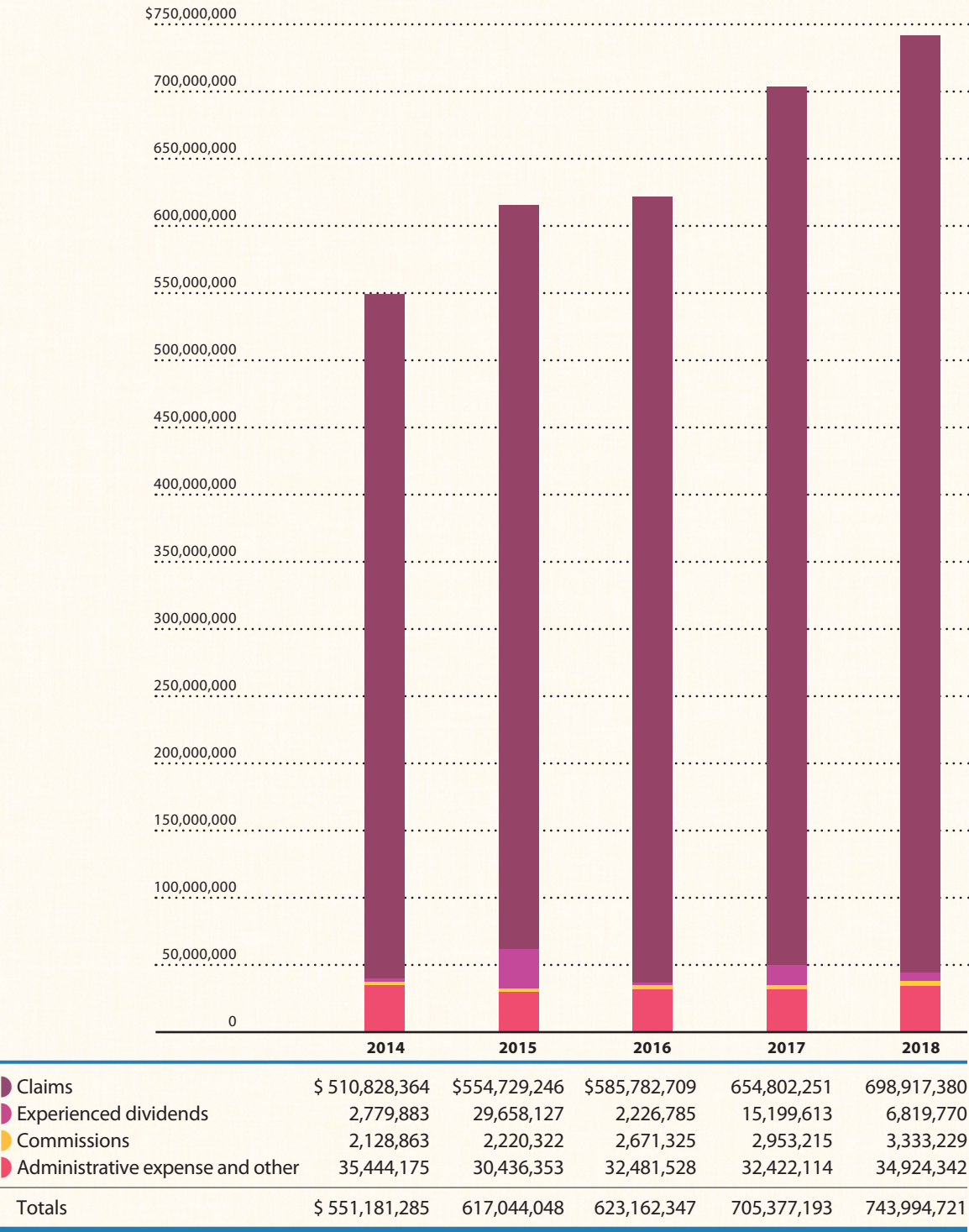
Claims and change in reserves	\$ 10,354,451	(83,638)	9,920,342	2,505,894	4,981,908
Experienced dividends	—	—	—	5,495,730	1,118,283
Commissions	—	—	—	4,412	3,274
Administrative expense and other	1,293,873	1,184,016	1,261,687	1,313,708	1,264,128
Totals	\$ 11,648,324	1,100,378	11,182,029	9,319,744	7,367,593

LTD Program Contingency Reserves

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

Deductions by Type

Calendar Year Ending December 31,



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, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government

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

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

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

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, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

What inspires you, inspires us. | eidebailly.com

5 Triad Center, Ste. 600 | Salt Lake City, UT 84180-1106 | T 801.532.2200 | F 801.532.7944 | EOE

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 23-25, the 10-year loss development schedule on pages 54-55, and the schedule of the proportionate share of the net pension liability and schedule of contributions on pages 56-57, 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, 2018 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 of the Public Employee Health Program as of December 31, 2017, were audited by other auditors, whose report dated May 8, 2018, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2019, 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.

Eide Bailly LLP

Salt Lake City, Utah
May 2, 2019

Auditor’s Report (Concluded)



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor’s Report

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 business type activities of Public Employee Health Program as of and for the year ended December 31, 2018 and the related notes to the financial statements which collectively comprise the basic financial statements, and have of the Public Employee Health Program as of and for the year ended December 31, 2018, and have issued our report thereon dated May 2, 2019.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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, and contracts, 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. No matters of noncompliance were noted during our procedures.

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
May 2, 2019

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PUBLIC EMPLOYEES HEALTH PROGRAM

Management’s Discussion and Analysis

For the Year Ended December 31, 2018

The management of Public Employees Health Program (PEHP) presents the following discussion and analysis of the financial statements for the year ended December 31, 2018. 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 88.30% of PEHP’s benefit expenses. Dental accounted for 3.75% leaving 7.95% 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 and Salt Lake County.

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 \$46.4 million as follows:
- » The medical program contingency reserves increased by \$39.5 million due primarily to favorable claims experience.
 - » Contingency reserves increased by \$1.08 million in the dental program due to favorable claim experience.
 - » The long-term disability program realized an increase of \$1 million in contingency reserves due to favorable claim experience.

Management Discussion & Analysis (Continued)

SUMMARY OF NET POSITION AT DECEMBER 31 IS AS FOLLOWS:

	2018	2017	Increase (Decrease)	Percent Increase (Decrease)
ASSETS AND OUTFLOWS:				
Cash, investments and receivables	\$ 422,427,352	388,576,969	33,850,383	8.71%
Receivables	78,634,095	78,149,157	484,938	0.62
Capital assets	67,445	156,954	(89,509)	(57.03)
Net OPEB asset	84,549	—	84,549	100.00
Deferred outflows relating to pensions and other post employment benefits	6,911,463	7,799,585	(888,122)	(11.39)
Total assets and deferred outflows	508,124,904	474,682,665	33,442,239	7.05
LIABILITIES AND INFLOWS:				
Claims and other	102,142,945	114,990,927	(12,847,982)	(11.17)
Life and long-term disability	77,708,006	76,915,407	792,599	1.03
Net pension liability	11,139,396	13,917,002	(2,777,606)	(19.96)
Deferred inflows relating to pensions and other post employment benefits	3,606,579	1,769,492	1,837,087	103.82
Total liabilities and deferred inflows	194,596,926	207,592,828	(12,995,902)	(6.26)
NET POSITION:				
Restricted for claim contingency reserves	277,833,446	236,099,926	41,733,520	17.68
Restricted for benefits	35,694,532	30,989,911	4,704,621	15.18
Total net position	\$ 313,527,978	\$267,089,837	\$46,438,141	17.39%

SUMMARY OF CHANGES IN NET POSITION FOR YEARS ENDED DECEMBER 31, 2018, AND 2017:

	2018	2017	Increase (Decrease)	Percent Increase (Decrease)
REVENUES:				
Premiums and fees	\$ 787,101,849	717,274,569	69,827,280	9.74%
Investment income	3,246,461	9,526,339	(6,279,878)	(65.92)
Total revenues	790,348,310	726,800,908	63,547,402	8.74
EXPENSES:				
Insurance benefits	705,737,148	670,001,864	35,735,284	5.33
Administrative and other expenses	38,173,021	35,375,332	2,797,689	7.91
Total benefits and expenses	743,910,169	705,377,196	38,532,973	5.46
Revenues over (under) benefits and expenses	46,438,141	21,423,712	25,014,429	116.76
NET POSITION:				
Beginning of year, restricted for claim contingency reserves	236,099,926	218,203,816	17,896,110	8.20
Beginning of year, restricted for benefits	30,989,911	27,462,309	3,527,602	12.85
Ending of year, restricted for claim contingency reserves	277,833,446	236,099,926	41,733,520	17.68
Ending of year, restricted for benefits	35,694,532	30,989,911	4,704,621	15.18
Ending net position, restricted	\$ 313,527,978	\$267,089,837	\$46,438,141	17.39%

Management Discussion & Analysis (Concluded)

- » Term life contingency reserve increased by \$6.2 million primarily from lower life claims paid in 2018 compared to 2017. Life claims decreased by \$4.7 million in 2018.
- » The retiree life program had a contingency reserve decrease of \$1.7 million. The decrease was due to an increase in the liability of \$2 million in 2018.
- » The reinsurance program had a contingency reserve decrease of \$4.4 million due to unfavorable claim experience.
- » The HRA Program reserves restricted for benefits increased by \$4.7 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.

Financial Analysis

- » The total of cash and investments increased by \$33.9 million due to favorable claim experience and positive investment returns.
- » Total receivables increased by \$485 thousand due to increased covered lives.
- » Capital assets include computers and office equipment. The net capital assets decreased by \$90 thousand due to depreciation expense.
- » The net pension liability decreased by \$2.8 million due to strong investment performance in 2017.
- » The total liabilities decreased by \$13 million due primarily from the decreased security lending non-cash collateral liability and lower claim reserves.

The Summary for the Statement of Changes in Net Position for the years ended December 31, 2018, and 2017 is as follows:

- » Premium and fee income increased by \$69.8 million, due primarily to increases in medical rates and additions of new business.
- » Investment income decreased by \$6.3 million due to the decrease in the bond yield. The market value of investments for the year decreased by \$15 million compared to \$426 thousand in the prior year. The total investment income (investment yield plus or minus adjustments to the market value) for the year ended December 31, 2018, was \$3.25 million for an overall return of 0.54%. 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 0.92%, whereas the return net of fees for the Dodge and Cox managed portfolio for the year was 0.43%.
- » Insurance benefits expense increased by \$35.8 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, 2018, and June 30, 2017, the administrative expenses were \$1,147,560, and \$611,685, under budget respectively as outlined in the table below.

	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017
Board approved budget	\$ 33,935,476	31,601,645
Actual expenditures	32,787,916	30,989,780
Variance (over) / under budget	\$ 1,147,560	611,865

Statements of Net Position

As of December 31, 2018

With comparative totals for December 31, 2017

	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 145,062,145	96,210,795
Investments	277,365,207	292,366,174
Receivables:		
Premium and service fees	55,474,782	55,470,599
Investments	2,141,818	2,123,646
Misc. receivables/prepaid expenses	21,017,495	20,554,912
Total receivables	78,634,095	78,149,157
Furniture and equipment net of accumulated depreciation	67,445	156,954
Net OPEB asset	84,549	—
Total assets	501,213,441	466,883,080
DEFERRED OUTFLOWS OF RESOURCES:		
Pension related amounts	6,911,463	7,799,585
LIABILITIES:		
Claims payable	23,274,077	25,826,191
Estimated liability for claims incurred but not reported	46,031,310	46,865,093
Life insurance reserves	58,981,653	56,703,394
Long-term disability claims reserves	17,368,814	18,460,795
Long-term disability medical premium reserves	1,357,539	1,751,218
Premiums payable	501,132	507,681
Unearned premiums	3,392,064	3,236,712
PPCA and other accrued expenses payable	4,671,074	5,302,395
Taxes payable	10,407	9,275
Experience dividend payable	4,204,445	226,153
Due to other agencies and other liabilities	17,135,821	15,689,745
Security lending liability	2,922,615	17,327,682
Net pension liability	11,139,396	13,917,002
Total liabilities	190,990,347	205,823,336
DEFERRED INFLOW OF RESOURCES:		
Pension related amounts	3,606,579	1,769,492
NET POSITION:		
Restricted for claims contingency reserves	277,833,446	236,099,926
Restricted for benefits	35,694,532	30,989,911
Total net position	\$ 313,527,978	267,089,837

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

Statements of Changes in Net Position

Year Ended December 31, 2018

With comparative totals for December 31, 2017

	2018	2017
REVENUES:		
Premiums earned and service fees, net of refunds	\$ 764,289,352	694,223,832
Federal subsidy	13,603,756	15,381,086
Employer contributions	9,208,582	7,638,014
Net investment income	3,246,461	9,526,339
Miscellaneous income	159	31,637
Total revenues	790,348,310	726,800,908
EXPENSES:		
Insurance benefits:		
Claims	697,526,410	653,463,949
Change in unpaid claims and claims incurred but not reported	1,390,968	1,338,302
Experience dividends	6,819,770	15,199,613
Total insurance benefits	705,737,148	670,001,864
Administrative and other expenses:		
Administrative expenses	34,752,735	33,372,830
Commissions	3,333,229	2,953,215
PPACA fees	224,003	208,581
Other	(136,946)	(1,159,294)
Total expenses	743,910,169	705,377,196
Revenue over (under) benefits and expenses	46,438,141	21,423,712
NET POSITION:		
Beginning of year, restricted for claim contingency and benefits	267,089,837	245,666,125
End of year, restricted for claims contingency and benefits	\$ 313,527,978	\$267,089,837

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

Statements of Cash Flow

For the Year Ended December 31, 2018
With comparative totals for December 31, 2017

	2018	2017
Cash flows from operating activities:		
Cash received from premiums and service fees	\$ 787,086,858	701,727,498
Cash paid for insurance benefits	(701,517,229)	(653,463,954)
Cash paid for administrative and other expenses	(37,700,992)	(27,466,771)
Policyholder experience dividends paid	(2,841,478)	(15,003,272)
Net cash provided (used) by operating activities	45,027,159	5,793,501
Cash flows from investing activities:		
Investment income	8,632,927	14,446,066
Proceeds from maturities of sales of fixed income securities	102,320,588	76,051,095
Purchases of fixed income securities	(107,129,324)	(92,145,976)
Net cash provided (used) by investing activities	3,824,191	(1,648,815)
Cash flows from capital and related financing activities:		
Proceeds from sale of assets	—	—
Purchases of equipment	—	(91,948)
Net cash provided (used) by financing activities	—	(91,948)
Net increase in cash and cash equivalents	48,851,350	4,052,738
Cash and cash equivalents at beginning of year	96,210,795	92,158,057
Cash and cash equivalents at end of year	145,062,145	96,210,795
Reconciliation of revenue over (under) benefits and expenses to net cash provided (used) by operating activities:		
Revenue over (under) benefits and expenses	46,438,141	21,423,712
Adjustments to reconcile revenue over (under) benefits and expenses to net cash provided (used) by operating activities:		
Depreciation	20,933	30,511
Net investment income	(3,246,461)	(9,526,339)
Pension related items	(136,946)	(1,159,294)
Change in assets and liabilities:		
Premiums and service fees	(170,347)	(15,373,411)
Employer contributions	—	(22,910)
Prepaid expenses and other current assets	(296,424)	3,104,397
Claims payable	(3,644,092)	1,002,590
Liability for claims incurred but not reported	(833,783)	347,626
Life insurance reserves	2,278,259	(11,919)
Long term disability claim reserves	—	—
Long term disability medical premium reserves	(393,679)	—
Experience dividend payable	3,978,292	196,341
Due to other agencies and other liabilities	1,514,653	5,229,481
Premium payables	(6,552)	(113,040)
Unearned premiums	155,352	(37,707)
Accrued expense payable	(631,319)	702,483
Taxes payable	1,132	980
Net cash provided by operating activities	\$ 45,027,159	5,793,501

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





PUBLIC EMPLOYEES HEALTH PROGRAM

Notes to Financial Statements

for Fiscal Years Ended December 31, 2018 and 2017

Note 1

Summary of Significant Accounting Policies

Organization and Nature of Business

1 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 approximately 370 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, medical risk pools can elect to participate in the PEHP sponsored reinsurance pool. This fund provides specific stop-loss

insurance for individual claimants who incur claims in excess of amounts between \$100,000 and \$250,000 during the fiscal years ended December, 31 2018 and 2017. 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 has reinsurance coverage for a life catastrophic occurrence in excess of \$7,500,000, not to exceed \$80,000,000 per year with a one-time reinstatement with additional premium. PEHP entered into an excess medical reinsurance agreement which provided for PEHP to retain medical losses on the first \$1,250,000 of loss or losses on any one person insured during the term of the reinsurance agreement, after which the re-insurer will pay 100% of the amount which exceeds \$1,250,000. The upper limit of the reinsurer’s liability ranges from \$2,000,000 to \$5,000,000 during the lifetime of the person. The limit is dependent on the participating group’s lifetime maximum. The retention per person will be reapplied to PEHP each calendar year. PEHP terminated this contract with the re-insurer effective December 31, 2017, and now self-insures excess medical risk. During the years ended December 31, 2018 and 2017, PEHP paid \$994,377 and \$729,047 respectively, in premiums under all 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.

Notes to Financial Statements (Continued)

December 31, 2018



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.

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, and preferred stock. 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 2.00% and 5.75% to calculate the present value of estimated future cash payments as of December 31, 2018 and 2017. 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.

Notes to Financial Statements (Continued)

December 31, 2018

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, 2018 and 2017, was \$35,694,532 and \$30,989,911, respectively.

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, 2018 the restricted claims contingency reserve is significantly higher than it would be at June 30, 2019.

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, 2018 and 2017.

Premium Revenue, Unearned Premiums, and Federal Subsidies

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 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

Notes to Financial Statements (Continued)

December 31, 2018



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.

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 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).

Note 2

Cash and Investments

Listed below is a summary of the deposit and investment portfolios as of December 31, 2018 and 2017. 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 (\$5,192,406), and (\$3,011,928) as of December 31, 2018 and 2017, respectively. The corresponding bank balance of the deposits was \$903,087 and \$3,233,832 as of December 31, 2018 and 2017, 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, 2018 and 2017 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, 2018 and 2017:

	2018	2017
Overnight repurchase agreements	\$ 52,716,770	37,352,125
Cash on deposit with Zions Bank	(5,192,406)	(3,011,928)
Cash on deposit with Northern Trust	97,537,481	61,870,298
Cash on deposit with URS	—	—
Petty cash	300	300
Total	\$ 145,062,145	96,210,795

Notes to Financial Statements (Continued)

December 31, 2018

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, 2018 and 2017, the overnight repurchase agreements of \$52,716,770 and \$37,352,125, 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, 2018 and 2017 of \$97,537,481 and \$61,870,298, respectively, are uninsured and uncollateralized.

The carrying values of deposits and investments are reconciled to the amounts recorded in the Statements of Net Position as of December 31, 2018, and 2017 as shown above right.

	2018	2017
Cash and cash equivalents	\$ 145,062,145	\$ 96,210,795
Investments	277,365,207	292,366,174
Total	\$ 422,427,352	\$ 388,576,969

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, 2018 and 2017, respectively.

Interest Rate Risk

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

INVESTMENT TYPE <i>as of December 31, 2018:</i> <i>(in thousands)</i>		Investment Maturities (in Years)				
		Fair Value	Less Than 1	1-5	6-10	11-20
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	—	—	—	—
Total investments	\$ 276,536	12,872	76,548	69,430	21,903	95,783

INVESTMENT TYPE		Investment Maturities (in Years)					
as of December 31, 2017:	(in thousands)	Fair Value	Less Than 1	1-5	6-10	11-20	More Than 20
U.S. Treasuries	\$ 44,162	601	22,730	20,831	—	—	—
U.S. Government Agencies	5,509	—	493	5,016	—	—	—
Corporate Bonds	104,553	1,872	55,646	45,630	1,405	—	—
Government Backed Mortgage Securities	95,879	—	389	8,462	24,305	62,723	—
Asset Backed Securities	15,974	—	12,114	1,518	2,342	—	—
Municipal Bonds	8,098	2,463	5,635	—	—	—	—
Non-Government Backed CMO's	—	—	—	—	—	—	—
Securities Lending Cash Collateral	17,328	17,328	—	—	—	—	—
Total investments	\$ 291,503	22,264	97,007	81,457	28,052	62,723	—

Notes to Financial Statements (Continued)

December 31, 2018

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.

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

The allowable duration range was 4.40 to 7.34 and 3.01 to 5.01 as of December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, 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” (S&P) or equivalent minimum rating. PEHP’s debt investments as of December 31, 2018 and 2017 were rated by S&P and/or an equivalent NRSRO and the ratings are presented below:

INVESTMENT TYPE	(in thousands)													Quality Ratings (000's)
	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
Total investments	\$ 276,536	10,103	26,077	53,590	4,840	80,081	19,343	32,876	5,730	3,791	3,472	16,166	299	20,168

INVESTMENT TYPE <i>as of December 31, 2017:</i>	(in thousands)								
	Fair Value	Quality Ratings (000's)							
		AAA	AA	A	BBB	BB	B	CCC	NR
U.S. Treasuries	\$ 44,162	27,346	—	—	601	—	—	—	16,215
U.S. Government Agencies	5,509	—	375	—	5,016	—	—	—	118
Corporate Bonds	104,553	—	5,006	21,703	71,325	3,884	513	2,122	—
Government Mortgage Backed Securities	95,879	133	95,746	—	—	—	—	—	—
Asset Backed Securities	15,974	10,297	5,107	—	—	—	—	349	221
Municipal Bonds	8,098	—	4,681	—	3,417	—	—	—	—
Non-Government Backed CMO's	—	—	—	—	—	—	—	—	—
Securities Lending Cash Collateral	17,328	—	—	—	—	—	—	—	17,328
Total investments	\$ 291,503	37,776	110,915	21,703	80,359	3,884	513	2,471	33,882

Notes to Financial Statements (Continued)

December 31, 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.

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, 2018, and 2017, PEHP had pledged non-cash collateral of \$1,995,722 and \$8,729,017, respectively.

Notes to Financial Statements (Continued)

December 31, 2018

As of December 31, 2018 and 2017, PEHP had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan as of December 31, 2018 and 2017 were \$2,791,564 and \$16,777,370 respectively, and the cash and non-cash collateral received for those securities on loan was \$2,922,616 and \$17,327,682, 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.

Investments	Fair Value Measurements Using			
	Fair Value	Level 1 Input	Level 2 Inputs	Level 3 Inputs
Asset Backed Securities	\$ 30,823	—	30,591	232
Corporate Bonds	109,702	—	109,132	570
U.S. Government Agencies	5,227	—	4,863	364
U.S. Treasuries	21,466	—	21,466	-
Government Backed Mortgage Securities	100,677	—	88,712	11,965
Municipal Bonds	5,419	—	5,419	—
Non-Government Backed CMO’s	299	—	—	299
Preferred Stock	830	830	—	—
Securities Lending Cash Collateral	2,923	—	2,923	—
Total investments	\$ 277,366	830	263,106	13,430

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 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 below at December 31, 2018 (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.

Notes to Financial Statements (Continued)

December 31, 2018



Note 3

Claims Payable and Benefit Reserves

3 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:

	2018	2017
Total claims liabilities at beginning of year	\$ 149,606,691	148,268,394
Claims incurred (including change in benefit reserve)	694,933,112	654,802,251
Claims paid	(697,526,410)	(653,463,954)
Total claim liabilities at end of year	\$ 147,013,393	149,606,691

Note 4

Policyholder Experience Dividends

4 During the years ended December 31, 2018 and 2017 the Board authorized experience dividends to participating agencies and members of \$6,819,770 and \$15,199,613 from claims contingency reserves accumulated by PEHP, through the end of the prior fiscal period. Of these \$4,204,445 and \$226,153 were payable

as of December 31, 2018, and 2017, respectively. 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, 2018, and 2017, claims contingency reserves accumulated by PEHP included Federal excess reserve amounts of \$3,980,564 and \$0 respectively.

Note 5

Retirement Plans

Organization and Nature of Business

5 **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.

Notes to Financial Statements (Continued)

December 31, 2018

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.

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.

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**
Noncontributory System	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%
Tier 2 Public Employee System	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, 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, 2018 are as follows:

System	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer 401(k)
Contributory System				
112- State and School Division Tier 2	N/A	N/A	18.87%	1.15%
Noncontributory System				
16- State and School Division Tier 1	N/A	N/A	22.19%	1.50%
Tier 2 DC Only				
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, 2018, the employer and employee contribution to the System were as shown to the right.

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.

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 2,549,487	N/A
Tier 2 Public Employees System	619,650	\$ —
Tier 2 DC Only System	174,193	N/A
Total Contributions	\$ 3,343,330	\$ —

Combined Pension Assets, Liabilities, Expense, and Deferred Outflows and Inflows of Resources Relating to Pensions

At December 31, 2018, we reported a net pension asset of \$0 and a net pension liability of \$11,139,396.

	(Measurement Date): December 31, 2017				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2016	Change (Decrease)
Noncontributory System	\$ —	\$ 11,113,078	0.4544553%	0.4283833%	0.0260720%
Tier 2 Public Employees System	—	26,318	0.2985041%	0.2999276%	(0.0014235)%
Total net pension asset/liability	\$ —	\$ 11,139,396			

Notes to Financial Statements (Continued)

December 31, 2018



The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 and rolled-forward using generally accepted 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, 2018, we recognized pension expense of \$3,229,517.

At December 31, 2018, 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	\$ 984	\$ 668,378
Changes in assumptions	2,841,393	87,129
Net difference between projected and actual earnings on pension plan investments	—	2,810,348
Changes in proportion and differences between contributions and proportionate share of contributions	725,756	40,724
Contributions subsequent to the measurement date	3,343,330	—
Total	\$ 6,911,463	\$ 3,606,579

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 follows:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2018	\$ 575,144
2019	860,425
2020	(488,069)
2021	(1,009,040)
2022	(5,622)
Thereafter	\$ 28,716

Notes to Financial Statements (Continued)

December 31, 2018



Noncontributory System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2018, we recognized pension expense of \$2,976,719.

At December 31, 2018, 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	\$ —	\$ 643,730
Changes in assumptions	2,805,974	84,465
Net difference between projected and actual earnings on pension plan investments	—	2,780,319
Changes in proportion and differences between contributions and proportionate share of contributions	695,655	40,724
Contributions subsequent to the measurement date	2,549,487	—
Total	\$ 6,051,116	\$ 3,549,238

\$2,549,487 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, 2017.

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2018	\$ 577,448
2019	862,730
2020	(485,373)
2021	(1,002,414)
2022	—
Thereafter	\$ —

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:

Tier 2 Public Employees System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2018, we recognized pension expense of \$252,798.

At December 31, 2018, 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	\$ 984	\$ 24,648
Changes in assumptions	35,419	2,664
Net difference between projected and actual earnings on pension plan investments	—	30,029
Changes in proportion and differences between contributions and proportionate share of contributions	30,101	—
Contributions subsequent to the measurement date	793,843	—
Total	\$ 860,347	\$ 57,341

Notes to Financial Statements (Continued)

December 31, 2018



\$793,843 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, 2017.

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
2018	\$ (2,304)
2019	(2,305)
2020	(2,696)
2021	(6,626)
2022	(5,622)
Thereafter	\$ 28,716

Actuarial Assumptions

The total pension liability in the December 31, 2017, 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 Rate of Return	6.95 percent, net of pension plan investment expense, including inflation

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, 2017, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

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	0.00	0.00	0.00
Totals	100.00%		4.75%
Inflation			2.50%
Expected arithmetic nominal return			7.25%

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:

Notes to Financial Statements (Continued)

December 31, 2018

CHANGES IN DISCOUNT RATE

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 24,264,551	\$ 11,113,078	\$ 121,093
Tier 2 Public Employees System	309,885	26,318	(192,352)
Total	\$ 24,574,436	\$ 11,139,396	\$ (71,259)

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

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 was reduced to 6.95 percent from 7.20 percent from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The table above presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the 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	2018	2017
401(k) Plan		
Employer contributions	\$ 611,072	587,598
Employee contributions	637,027	562,663
457(b) Plan		
Employer contributions	\$ —	—
Employee contributions	252,533	201,014
Roth IRA Plan		
Employer contributions	\$ N/A	N/A
Employee contributions	81,649	71,505
Traditional IRA Plan		
Employer contributions	\$ N/A	N/A
Employee contributions	7,712	6,124

Notes to Financial Statements (Continued)

December 31, 2018



Note 6

Post-Employment Healthcare Plan

6 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	14
Inactive, nonretired	0
Active members	54
Total membership	68

Net OPEB Liability/(Asset)

The net OPEB liability was measured as of December 31, 2018. 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 \$(84,549) thousand. Below are the changes in the net OPEB liability/(asset) and related ratios of the net OPEB liability:

NET OPEB LIABILITY/(ASSET)

Total OPEB liability	\$ 2,552,144
Plan fiduciary net position	2,636,693
Net OPEB liability (asset)	\$ (84,549)
Plan fiduciary net position as a percentage of total OPEB liability	103.31%
Net OPEB liability (asset) as a percentage of covered payroll	(2.67)%

The actuarial valuation was performed as of January 1, 2017. Update procedures were used to roll forward the total OPEB liability to December 31, 2018. All assumptions and methods used to develop the December 31, 2018 total OPEB liability are identical to those used in the January 1, 2017, actuarial valuation.

Notes to Financial Statements (Continued)

December 31, 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, 2016 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 7.50%, decreasing to an ultimate of 4.50% over 15 years.

SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS MULTIYEAR *

	2018	2017
Fiscal Year Ending December 31		
Total OPEB Liability		
Service Cost	\$ 19,025	20,368
Interest on the total OPEB liability	168,468	163,821
Changes of benefit terms	—	—
Difference between expected and actual experience	18,998	9,425
Changes of assumptions	—	—
Benefit payments	(359,523)	(369,968)
Net change in total OPEB liability	68,818	79,126
Total OPEB liability – beginning	2,483,326	2,404,200
Total OPEB liability – ending (a)	2,552,144	2,483,326
Plan Fiduciary Net Position		
Employer contributions	—	—
Employee contributions	—	—
OPEB plan net investment income	(10,079)	335,699
Benefit payments	(137,673)	(114,488)
OPEB plan administrative expense	(2,482)	—
Other	—	—
Net change in plan fiduciary net position	(148,832)	221,211
Plan fiduciary net position – beginning	2,785,525	2,564,314
Plan fiduciary net position – ending (b)	2,636,693	2,785,525
Net OPEB liability (asset)– ending (a) - (b)	\$ (84,549)	(302,199)
Plan fiduciary net position as a percentage of total OPEB liability	103.31%	112.17%
Covered-employee payroll	\$ 3,165,708	3,165,708
Net OPEB liability as a percentage of covered-employee payroll	(2.67)%	(9.55)%

*Additional years will be displayed as they become available.



Notes to Financial Statements (Continued)

December 31, 2018



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 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 31,2018, are summarized in the top right table.

TARGET ALLOCATIONS

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	0	0.00	0.00
Totals	100%		4.75%
Inflation			2.50
Expected arithmetic nominal return			7.25%

**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.

Notes to Financial Statements (Continued)

December 31, 2018

Required Contributions

For the year ended December 31, 2018, the annual cost (expense) of \$0 for UREPEHP was equal to the ARC. The net Other Post-Employment Benefits (OPEB) obligation for 2018 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 % of Covered Payroll
2009	\$246,685	\$246,685	—	\$6,061,724	4.1%
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%

NOTES TO THE SCHEDULE OF CONTRIBUTIONS

Valuation Date: January 1, 2017

Methods and Assumptions Used to Determine Contribution Rates:

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 7.50%, decreasing to an ultimate of 4.50% over 15 years.



Notes to Financial Statements (Continued)

December 31, 2018



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, 2017 and a measurement date of December 31, 2018.

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 3.71% (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 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%
\$ 108,003	\$ (84,549)	\$ (259,042)

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
\$ (322,267)	\$ (84,549)	\$ 130,267

Notes to Financial Statements (Continued)

December 31, 2018

Note 7

Related Party Transactions

7 PEHP makes payments to the Systems for administrative expenses. Such expenses totaled \$29,484,406 and \$23,877,344 during the years ended December 31, 2018, and 2017, respectively.

At December 31, 2018, and 2017, the cash due to the Systems for PEHP is \$1,930,602 and \$3,251,529, respectively.

Note 8

Commitments and Contingencies

8 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.

Note 9

Capital Assets

9 The capital assets of PEHP are:

Depreciation expense for the years ended December 31, 2018 and 2017, amounted to \$20,933 and \$34,816, respectively.

December 31, 2018				
	Beginning Balance	Additions	Deletions	Equipment Ending Balance
Furniture and equipment	\$ 60,128	—	13,201	46,927
Computer equipment	97,059	17,360	91,859	22,560
Vehicles	384,033	—	23,471	360,562
Leasehold improvements	—	—	—	—
Total	\$ 541,220	17,360	128,531	430,049
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	—	—	—	—
Total	\$ 384,266	—	\$21,663	362,603
Net capital assets	\$ 67,446			

December 31, 2017				
	Beginning Balance	Additions	Deletions	Equipment Ending Balance
Furniture and equipment	\$ 79,309	—	\$ 19,181	60,128
Computer equipment	533,918	—	436,859	97,059
Vehicles	295,083	91,950	3,000	384,033
Leasehold improvements	653,786	—	653,786	-
Total	\$ 1,562,096	91,950	\$ 1,112,826	541,220
Accumulated Depreciation				
	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and equipment	\$ 79,309	—	19,181	60,128
Computer equipment	533,918	—	517,586	16,332
Vehicles	249,071	58,735	—	307,806
Leasehold improvements	604,283	—	604,283	—
Total	\$ 1,466,581	58,735	\$ 1,141,050	384,266
Net capital assets	\$156,954			

Notes to Financial Statements (Concluded)

December 31, 2018

Note 10

Compensated Absences

10 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, 2018 and 2017 was \$1,515,509 and \$1,666,608, respectively.

Note 11

Net Investment Income

11 Net investment income consisted of the following items for the years ended December 31:

Asset Class	2018	2017
Interest income	\$ 12,665,977	\$ 10,648,641
Net investment income (loss)	(9,121,878)	(826,336)
Investment income	3,544,099	9,822,305
Less: investment expenses	297,638	295,966
Net investment income	\$ 3,246,461	\$ 9,526,339

Note 12

Review of Subsequent Events

12 Management has evaluated subsequent events through May 2019, which is the date the financial statements were available to be issued. No events have occurred subsequent to December 31, 2018 requiring recording or disclosure in these financial statements.



Required Supplementary Information

for Fiscal Year Ended December 31, 2018

PUBLIC EMPLOYEES HEALTH PROGRAMS

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 54-55 for the years presented.

	2009-2010	2010-2011	2011-2012	2012-2013	2013	2014	2015	2016	2017	2018
1) Required premiums, investment revenue, and interest income:										
Premiums earned	554,927	542,551	538,812	483,790	249,713	487,504	526,471	557,323	616,296	678,753
Premiums ceded	(542,593)	(514,064)	(552,778)	(472,838)	(235,065)	(490,359)	(562,878)	(509,884)	(578,996)	(622,978)
Net premiums earned	12,334	28,487	(13,966)	10,952	14,649	(2,855)	(36,407)	47,438	37,300	55,775
Interest income	9,555	5,695	7,498	2,496	2,848	7,349	1,318	5,597	5,505	2,050
2) Unallocated expenses	5,246	6,925	5,172	4,942	5,846	8,863	8,757	11,615	15,413	15,304
3) Estimated incurred losses and expenses, end of policy year:										
Incurred	501,591	472,218	478,176	443,285	214,766	467,419	498,908	539,617	598,659	650,304
Ceded	—	—	—	—	—	—	—	—	—	—
Net incurred	501,591	472,218	478,176	443,285	214,766	467,419	498,908	539,617	598,659	650,304
4) Paid (cumulative) as of:										
End of policy year	452,237	431,651	428,394	403,708	176,249	424,825	452,298	489,747	547,899	598,239
One year later	498,575	470,169	474,314	442,687	214,508	466,292	497,795	539,600	598,435	
Two years later	498,333	469,956	474,260	444,028	214,439	465,950	496,845	539,214		
Three years later	498,231	469,915	474,221	443,505	214,299	465,798	496,435			
Four years later	498,215	469,716	—	—	—	—				
Five years later	498,202	—	—	—	—					
Six years later	—	—	—	—						
Seven years later	—	—	—							
Eight years later	—	—								
Nine years later	—									
5) Reestimated ceded losses and expense	498,202	469,716	474,221	444,028	214,587	467,419	498,908	539,617	598,659	650,304
6) Reestimated incurred losses and expenses:										
End of policy year	501,591	472,218	478,176	443,285	214,766	467,419	498,908	539,617	598,659	650,304
One year later	498,744	470,218	474,369	442,799	214,587	466,329	497,686	539,523	598,415	
Two years later	498,333	469,956	474,260	444,028	214,313	465,935	496,790	539,159		
Three years later	498,231	469,915	474,221	443,505	214,174	465,798	496,435			
Four years later	498,215	469,716	—	—	—	—				
Five years later	498,202	—	—	—	—					
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	(3,390)	(2,502)	(3,955)	220	(591)	(1,622)	(2,473)	(458)	(244)	—

See Independent Auditor's Report.

Required Supplementary Information *(Continued)*

PUBLIC EMPLOYEES HEALTH PROGRAM

Schedule of the Proportionate Share of the Net Pension Liability

For the Year Ended December 31, 2018

Last Ten Fiscal Years *

	Noncontributory Retirement System			Tier 2 Public Employees System		
	2018	2017	2016	2018	2017	2016
Proportion of the net pension liability (asset)	0.4544553%	0.4283833%	0.4142337%	0.2985041%	0.2999276%	0.2985967%
Proportionate share of the net pension liability (asset)	\$ 11,113,078	\$ 13,883,546	\$13,012,267	\$ 26,318	\$ 33,456	\$ (652)
Covered employee payroll	\$ 11,674,107	\$ 11,217,836	\$ 8,867,342	\$ 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*	95.2%	123.8%	146.7%	0.9%	1.4%	(0.0)%
Plan fiduciary net position as a percentage of the total pension liability	89.2%	84.9%	84.5%	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, 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
Noncontributory System	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
Tier 2 Public Employees System*	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
Tier 2 Public Employees DC Only System*	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

* 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.

Statement of Net Position by Program

As of December 31, 2018

	Medical	Dental	Long-Term Disability	Term Life	Retiree Life	Reinsurance	Health Reimbursement Arrangement Plan (HRA)	OPEB and Pensions	Totals
ASSETS:									
Cash and cash equivalents	\$ 69,914,040	2,361,233	1,167,291	12,154,437	11,879,572	11,273,172	36,312,400	—	145,062,145
Investments	146,863,998	4,719,048	41,119,335	18,175,646	27,361,232	39,125,948	—	—	277,365,207
Receivables:									
Premiums and service fees	51,526,590	2,092,708	594,038	957,903	—	303,543	—	—	55,474,782
Investments	1,119,603	45,026	391,950	175,589	171,271	175,844	62,535	—	2,141,818
Employer contributions	—	15,488	—	—	—	—	217,821	—	233,309
Misc. receivable/prepaid expense	20,677,576	—	41,462	32,600	—	32,548	—	—	20,784,186
Total receivables	73,323,769	2,153,222	1,027,450	1,166,092	171,271	511,935	280,356	—	78,634,095
Furniture and equipment, net of accumulated depreciation of \$362,603	67,445	—	—	—	—	—	—	—	67,445
Net OPEB asset	—	—	—	—	—	—	—	84,549	84,549
Total assets	290,169,252	9,233,503	43,314,076	31,496,175	39,412,075	50,911,055	36,592,756	84,549	501,213,441
DEFERRED OUTFLOWS OF RESOURCES:									
Pension related amounts	—	—	—	—	—	—	—	6,911,463	6,911,463
LIABILITIES:									
Claims payable	20,429,420	921,911	—	1,922,746	—	—	—	—	23,274,077
Estimated liability for claims incurred but not reported	30,113,431	1,358,919	14,558,960	—	—	—	—	—	46,031,310
Life insurance reserves	—	—	—	3,005,100	55,976,553	—	—	—	58,981,653
Long-term disability claims reserves	—	—	17,368,814	—	—	—	—	—	17,368,814
Long-term disability medical premium reserves	—	—	1,357,539	—	—	—	—	—	1,357,539
Premiums payable	276,654	220,250	4,228	—	—	—	—	—	501,132
Unearned premiums	2,722,274	194,915	—	39,039	435,836	—	—	—	3,392,064
PPCA and other accrued expenses payable	1,187,655	2,754	4,546	10,774	—	3,465,345	—	—	4,671,074
Taxes payable	10,244	—	—	-	—	163	—	—	10,407
Experienced dividend payable	3,086,162	—	1,118,283	—	—	—	—	—	4,204,445
Due to other agencies and administrative reserve	2,331,836	—	346	—	—	13,905,415	898,224	—	17,135,821
Securities lending liability	1,547,516	49,724	433,277	191,518	288,307	412,273	—	—	2,922,615
Net pension liability	—	—	—	—	—	—	—	11,139,396	11,139,396
Total liabilities	61,705,192	2,748,473	34,845,993	5,169,177	56,700,696	17,783,196	898,224	11,139,396	190,990,347
DEFERRED INFLOW OF RESOURCES:									
Deferred inflows of resources relating to pensions	—	—	—	—	—	—	—	3,606,579	3,606,579
NET POSITION:									
Restricted for claims contingency reserves	228,464,060	6,485,030	8,468,083	26,326,998	(17,288,621)	33,127,859	—	(7,749,963)	277,833,446
Restricted for benefits	—	—	—	—	—	—	35,694,532	—	35,694,532
Total net position	\$ 228,464,060	6,485,030	8,468,083	26,326,998	(17,288,621)	33,127,859	35,694,532	(7,749,963)	313,527,978

See Independent Auditor's Report.

PUBLIC EMPLOYEES HEALTH PROGRAM

Statement of Changes in Net Position by Program

For the Year Ended December 31, 2018

	Medical	Dental	Long-Term Disability	Term Life	Retiree Life	Reinsurance	Health Reimbursement Arrangement Plan (HRA)	OPEB and Pensions	Totals
REVENUES:									
Premiums earned and service fees	\$ 680,826,582	29,046,865	7,953,824	14,295,596	5,133,531	27,006,363	26,591	—	764,289,352
Federal subsidy	13,603,756	—	—	—	—	—	—	—	13,603,756
Employer contributions	—	—	—	—	—	—	9,208,582	—	9,208,582
Net investment income	1,421,107	52,350	457,317	203,222	238,892	288,732	584,841	—	3,246,461
Miscellaneous income	15	—	—	—	—	144	—	—	159
Total revenues	695,851,460	29,099,215	8,411,141	14,498,818	5,372,423	27,295,239	9,820,014	—	790,348,310
EXPENSES:									
Insurance benefits:									
Health/pharmacy claims paid	623,285,053	—	—	—	—	(182,159)	5,113,301	—	628,216,195
Dental claims paid	—	26,797,638	—	—	—	—	—	—	26,797,638
Disability claims paid	—	—	5,084,603	—	—	—	—	—	5,084,603
Life claims paid	—	—	—	7,117,006	4,590,153	—	—	—	11,707,159
Reinsurance premiums	24,413,455	—	—	312,983	—	—	—	—	24,726,438
Provision for unpaid claims and claims incurred but not reported	613,688	(350,051)	(102,695)	(864,215)	2,094,241	—	—	—	1,390,968
Reinsurance claims paid	(30,872,766)	—	—	—	—	31,867,143	—	—	994,377
Experience dividends	5,703,602	(2,165)	1,118,283	50	—	—	—	—	6,819,770
Total insurance benefits	623,143,032	26,445,422	6,100,191	6,565,824	6,684,394	31,684,984	5,113,301	—	705,737,148
Administrative and other expenses:									
Administrative expenses	29,909,220	1,427,824	1,264,128	1,732,478	416,776	217	2,092	—	34,752,736
Commissions	3,126,425	149,284	3,274	32,236	—	22,010	—	—	3,333,229
PPACA fees	224,003	—	—	—	—	—	—	—	224,003
Other expenses	—	—	—	—	—	—	—	(136,946)	(136,946)
Total expenses	656,402,680	28,022,530	7,367,593	8,330,538	7,101,170	31,707,211	5,115,393	(136,946)	743,910,169
Revenues over (under) benefits and expenses	\$ 39,448,780	1,076,685	1,043,548	6,168,280	(1,728,747)	(4,411,972)	4,704,621	136,946	46,438,141
NET POSITION:									
Beginning of year, restricted for claim contingency and benefits	\$ 189,015,280	5,408,345	7,424,535	20,158,718	(15,559,874)	37,539,831	30,989,911	(7,886,909)	267,089,837
End of year, restricted for claims contingency and benefits	\$ 228,464,060	6,485,030	8,468,083	26,326,998	(17,288,621)	33,127,859	35,694,532	(7,749,963)	313,527,978

See Independent Auditor's Report.

PUBLIC EMPLOYEES HEALTH PROGRAM

Medical Program Risk Pools
Statement of Net Position

December 31, 2018

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)	Utah School Boards Association (USBA)	Self Funded Health Care Groups	Medicare Supplement	Totals
ASSETS:							
Cash and cash equivalents	\$ 18,623,777	2,298,422	34,774,202	(1,484,696)	(681,537)	16,383,872	69,914,040
Investments	86,421,826	8,729,860	39,047,321	12,523,135	—	141,856	146,863,998
Receivables:							
Premiums and service fees	30,882,657	32,220	9,051,198	6,662,149	2,966,084	1,932,282	51,526,590
Investments	616,696	100,804	186,594	36,708	5,582	173,219	1,119,603
Misc. receivable/prepaid expense	7,867,139	483,195	3,031,409	729,178	873,974	7,692,681	20,677,576
Total receivables	39,366,492	616,219	12,269,201	7,428,035	3,845,640	9,798,182	73,323,769
Furniture and equipment, net of accumulated depreciation	67,445	—	—	—	—	—	67,445
Total assets	144,479,540	11,644,501	86,090,724	18,466,474	3,164,103	26,323,910	290,169,252
LIABILITIES:							
Claims payable	10,496,468	1,065,929	6,058,694	1,413,710	—	1,394,619	20,429,420
Estimated liability for claims incurred but not reported	15,472,032	1,571,204	8,930,654	2,083,840	—	2,055,701	30,113,431
Premiums payable	230,267	—	64,576	(453)	554	(18,290)	276,654
Unearned premiums	288,418	420,082	18,522	5,187	3,617	1,986,448	2,722,274
Accrued expenses payable	661,503	9,880	302,070	22,186	154,226	37,790	1,187,655
Taxes payable	10,244	—	—	—	—	—	10,244
Experienced dividend payable	2,862,281	—	223,881	—	—	—	3,086,162
Due to other agencies and administrative reserve	(811,999)	619,929	181,895	—	2,342,011	—	2,331,836
Securities lending liability	910,633	91,987	411,444	131,957	—	1,495	1,547,516
Total liabilities	30,119,847	3,779,011	16,191,736	3,656,427	2,500,408	5,457,763	61,705,192
NET POSITION:							
Restricted for claims contingency reserves	\$ 114,359,693	7,865,490	69,898,988	14,810,047	663,695	20,866,147	228,464,060

See Independent Auditor's Report.

PUBLIC EMPLOYEES HEALTH PROGRAM

Medical Program Risk Pools
Statement of Changes in Net Position

For the Year Ended December 31, 2018

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)	Utah School Boards Association (USBA)	Self Funded Health Care Groups	Medicare Supplement	Totals
REVENUES:							
Premiums earned and service fees	\$ 335,379,993	29,253,972	178,049,089	38,956,231	62,097,063	37,090,234	680,826,582
Federal subsidy	—	—	—	—	—	13,603,756	13,603,756
Investment income	803,335	109,914	295,476	77,888	6,556	127,938	1,421,107
Miscellaneous income	1	—	5	9	—	—	15
Total revenues	336,183,329	29,363,886	178,344,570	39,034,128	62,103,619	50,821,928	695,851,460
EXPENSES:							
Insurance benefits:							
Health/pharmacy claims paid	305,463,600	26,287,601	152,873,656	33,307,254	61,460,153	43,892,789	623,285,053
Reinsurance premiums	7,338,473	1,181,241	13,787,099	2,106,642	—	—	24,413,455
Provision for unpaid claims and claims incurred but not reported	(1,345,217)	421,772	1,431,818	428,127	(501,037)	178,225	613,688
Reinsurance claims paid	(10,703,981)	(1,233,313)	(16,126,336)	(1,403,850)	(1,405,286)	—	(30,872,766)
Experience dividends	2,862,829	—	2,840,773	—	—	—	5,703,602
Total insurance benefits	303,615,704	26,657,301	154,807,010	34,438,173	59,553,830	44,071,014	623,143,032
Administrative and other expenses:							
Administrative expenses	13,432,620	1,709,385	7,866,344	1,609,443	3,029,798	2,261,630	29,909,220
PPACA fees	118,499	13,105	60,407	13,169	18,823	—	224,003
Commissions	—	—	2,021,736	—	5,420	1,099,269	3,126,425
Total expenses	317,166,823	28,379,791	164,755,497	36,060,785	62,607,871	47,431,913	656,402,680
Revenues over (under) expenses	19,016,506	984,095	13,589,073	2,973,343	(504,252)	3,390,015	39,448,780
NET POSITION:							
Beginning of year, restricted for claim contingency	95,343,187	6,881,395	56,309,915	11,836,704	1,167,947	17,476,132	189,015,280
End of year, restricted for claim contingency reserve	\$ 114,359,693	7,865,490	69,898,988	14,810,047	663,695	20,866,147	228,464,060

See Independent Auditor's Report.

Dental Program Risk Pools
Statement of Net Position

December 31, 2018

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)	Retiree Dental	Totals
ASSETS:					
Cash and cash equivalents	\$ 709,958	373,496	951,991	325,788	2,361,233
Investments	2,936,132	417,136	1,362,264	3,516	4,719,048
Receivables:					
Premiums and service fees	1,550,210	1,044	543,896	(2,442)	2,092,708
Investments	22,538	4,775	17,438	275	45,026
Misc. receivable/prepaid expense	8,774	2,284	3,782	648	15,488
Total receivables	1,581,522	8,103	565,116	(1,519)	2,153,222
Total assets	5,227,612	798,735	2,879,371	327,785	9,233,503
LIABILITIES:					
Claims payable	544,474	84,587	259,485	33,365	921,911
Estimated liability for claims incurred but not reported	802,568	124,683	382,487	49,181	1,358,919
Premiums payable	220,306	—	(56)	—	220,250
Unearned premiums	62,443	50,408	2,910	79,154	194,915
PPCA and other accrued expenses payable	1,506	261	939	48	2,754
Securities lending liability	30,938	4,395	14,354	37	49,724
Total liabilities	1,662,235	264,334	660,119	161,785	2,748,473
NET POSITION:					
Restricted for claims contingency reserves	\$ 3,565,377	534,401	2,219,252	166,000	6,485,030

See Independent Auditor's Report.

Dental Program Risk Pools
Statement of Changes in Net Position

For the Year Ended December 31, 2018

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)	Retiree Dental	Totals
REVENUES:					
Premiums and service fees	\$ 17,454,947	2,272,722	8,309,053	1,010,143	29,046,865
Investment income	28,542	5,213	18,381	214	52,350
Total revenues	17,483,489	2,277,935	8,327,434	1,010,357	29,099,215
EXPENSES:					
Insurance benefits:					
Health/pharmacy claims paid	16,289,185	2,379,188	7,330,506	798,759	26,797,638
Provision for unpaid claims and claims incurred but not reported	(279,962)	(24,576)	(53,119)	7,606	(350,051)
Experience dividends	(2,165)	—	—	—	(2,165)
Total insurance benefits	16,007,058	2,354,612	7,277,387	806,365	26,445,422
Administrative and other expenses:					
Administrative expenses	833,182	107,915	379,095	107,632	1,427,824
Commission	—	—	149,284	—	149,284
Total expenses	16,840,240	2,462,527	7,805,766	913,997	28,022,530
Revenues over (under) expenses	643,249	(184,592)	521,668	96,360	1,076,685
NET POSITION:					
Beginning of year, restricted for claims contingency reserves	2,922,128	718,993	1,697,584	69,640	5,408,345
End of year, restricted for claims contingency reserves	\$ 3,565,377	534,401	2,219,252	166,000	6,485,030

See Independent Auditor's Report.

Statements of Net Position (Unaudited)

As of June 30, 2018
With comparative totals for June 30, 2017

	6/30/2018	6/30/2017
ASSETS:		
Cash and cash equivalents	\$ 110,346,598	80,555,375
Investments	289,728,547	272,495,736
Receivables:		
Premium and service fees	54,667,200	49,202,213
Investments	2,260,615	1,882,649
Misc. receivables/prepaid expenses	16,616,287	19,423,569
Total receivables	73,544,102	70,508,431
Furniture and equipment net of accumulated depreciation	156,954	95,515
Net pension asset	—	652
Total assets	473,776,201	423,655,709
DEFERRED OUTFLOWS OF RESOURCES:		
Pension related amounts	7,799,585	5,349,062
LIABILITIES:		
Claims payable	27,039,528	29,527,240
Estimated liability for claims incurred but not reported	47,043,982	53,450,759
Life insurance reserves	56,703,395	55,137,146
Long-term disability claims reserves	17,368,814	19,539,132
Long-term disability medical premium reserves	1,751,218	2,251,049
Premiums payable	634,410	2,896,230
Unearned premiums	3,363,355	2,432,909
PPCA and other accrued expenses payable	3,887,843	4,584,609
Taxes payable	3,799	11,896
Experience dividend payable	3,088,434	1,481,911
Due to other agencies and other liabilities	18,760,429	15,377,143
Security lending liability	17,159,095	2,993,394
Net pension liability	13,917,002	13,012,267
Total liabilities	210,721,304	202,695,685
DEFERRED INFLOW OF RESOURCES:		
Pension related amounts	1,769,492	1,383,650
NET POSITION:		
Restricted for claims contingency reserves	234,569,207	194,332,347
Restricted for benefits	34,515,783	30,593,089
Total net position	\$ 269,084,990	224,925,436

Statements of Changes in Net Position (Unaudited)

Fiscal Year July 1, 2017 - June 30, 2018
With comparative totals for June 30, 2017

	6/30/2018	6/30/2017
REVENUES:		
Premiums earned and service fees, net of refunds	\$ 734,443,380	652,994,030
Federal subsidy	11,900,815	13,042,831
Employer contributions	8,193,004	33,680,454
Net investment income	1,770,496	4,858,943
Miscellaneous income	13,398	35,110
Total revenues	756,321,093	704,611,368
EXPENSES:		
Insurance benefits:		
Claims	675,123,135	603,676,140
Change in unpaid claims and claimed incurred but not reported	(6,014,127)	17,948,281
Experience dividends	7,140,751	13,180,333
Total insurance benefits	676,249,759	634,804,754
Administrative and other expenses:		
Administrative expenses	33,861,493	32,969,495
Commissions	3,209,581	2,766,828
Other	(1,159,294)	268,974
Total expenses	712,161,539	670,810,051
Revenue over (under) benefits and expenses	\$ 44,159,554	33,801,317
NET POSITION:		
Beginning of year, restricted for claim contingency and benefits	\$ 224,925,436	191,124,119
End of year, restricted for claims contingency and benefits	\$ 269,084,990	224,925,436

PUBLIC EMPLOYEES HEALTH PROGRAM

Statement of Net Position by Program (Unaudited)

As of June 30, 2018

	Medical	Dental	Long-Term Disability	Term Life	Retiree Life	Reinsurance	Health Reimbursement Arrangement Plan (HRA)	OPEB and Pensions	Totals
ASSETS:									
Cash and cash equivalents	\$ 51,482,026	2,178,582	685,101	11,233,510	11,568,538	(1,569,000)	34,767,841	—	110,346,598
Investments	143,318,711	5,011,820	41,193,151	19,155,196	26,168,891	54,880,778	—	—	289,728,547
Receivables:									
Premiums and service fees	50,705,790	2,054,106	634,062	921,788	—	351,454	—	—	54,667,200
Investments	1,672,926	50,116	63,144	203,074	(145,184)	371,048	45,491	—	2,260,615
Employer contributions	—	44,118	—	—	—	—	167,009	—	211,127
Misc. receivable/prepaid expense	16,229,108	—	148,423	32,595	—	(4,966)	—	—	16,405,160
Total receivables	68,607,824	2,148,340	845,629	1,157,457	(145,184)	717,536	212,500	—	73,544,102
Furniture and equipment, net of accumulated depreciation	156,954	—	—	—	—	—	—	—	156,954
Total assets	263,565,515	9,338,742	42,723,881	31,546,163	37,592,245	54,029,314	34,980,341	—	473,776,201
DEFERRED OUTFLOWS OF RESOURCES:									
Pension related amounts	—	—	—	—	—	—	—	7,799,585	7,799,585
LIABILITIES:									
Claims payable	21,952,819	1,023,749	1,091,981	2,970,979	—	—	—	—	27,039,528
Estimated liability for claims incurred but not reported	32,358,957	1,509,030	13,175,995	—	—	—	—	—	47,043,982
Life insurance reserves	—	—	—	2,821,082	53,882,313	—	—	—	56,703,395
Long-term disability claims reserves	—	—	17,368,814	—	—	—	—	—	17,368,814
Long-term disability medical premium reserves	—	—	1,751,218	—	—	—	—	—	1,751,218
Premiums payable	326,848	303,335	4,240	(13)	—	—	—	—	634,410
Unearned premiums	2,704,790	191,369	49	39,026	428,155	(34)	—	—	3,363,355
PPCA and other accrued expenses payable	(1,450,585)	1,061	8,599	6,315	6,401	5,316,052	—	—	3,887,843
Taxes payable	3,985	—	(186)	—	—	—	—	—	3,799
Experienced dividend payable	3,088,434	—	—	—	—	—	—	—	3,088,434
Due to other agencies and other liabilities	4,376,967	—	346	—	—	13,918,558	464,558	—	18,760,429
Securities lending liability	12,959,043	388,218	489,134	1,573,081	(1,124,645)	2,874,264	—	—	17,159,095
Net pension liability	—	—	—	—	—	—	—	13,917,002	13,917,002
Total liabilities	76,321,258	3,416,762	33,890,190	7,410,470	53,192,224	22,108,840	464,558	13,917,002	210,721,304
DEFERRED INFLOW OF RESOURCES:									
Pension related amounts	—	—	—	—	—	—	—	1,769,492	1,769,492
NET POSITION:									
Restricted for claims contingency reserves	187,244,257	5,921,980	8,833,691	24,135,693	(15,599,979)	31,920,474	—	(7,886,909)	234,569,207
Restricted for benefits	—	—	—	—	—	—	34,515,783	—	34,515,783
Total net position	\$ 187,244,257	5,921,980	8,833,691	24,135,693	(15,599,979)	31,920,474	34,515,783	(7,886,909)	269,084,990

PUBLIC EMPLOYEES HEALTH PROGRAM

Statement of Changes in Net Position by Program (Unaudited)

Fiscal Year July 1, 2017 - June 30, 2018

	Medical	Dental	Long-Term Disability	Term Life	Retiree Life	Reinsurance	Health Reimbursement Arrangement Plan (HRA)	OPEB and Pensions	Totals
REVENUES:									
Premiums earned and service fees	\$ 654,475,170	28,900,279	8,399,307	14,372,899	5,033,869	23,235,064	26,792	—	734,443,380
Federal subsidy	11,900,815	—	—	—	—	—	—	—	11,900,815
Employer contributions	—	—	—	—	—	—	8,193,004	—	8,193,004
Investment income	548,049	56,251	335,659	23,613	451,131	27,044	328,749	—	1,770,496
Miscellaneous income	13,398	—	—	—	—	—	—	—	13,398
Total revenues	666,937,432	28,956,530	8,734,966	14,396,512	5,485,000	23,262,108	8,548,545	—	756,321,093
EXPENSES:									
Insurance benefits:									
Health/pharmacy claims paid	605,994,027	—	—	—	—	(53,461)	4,616,704	—	610,557,270
Dental claims paid	—	26,465,434	—	—	—	—	—	—	26,465,434
Disability claims paid	—	—	4,145,466	—	—	—	—	—	4,145,466
Life claims paid	—	—	—	6,913,691	4,832,070	—	—	—	11,745,761
Reinsurance premiums	21,033,199	—	—	318,110	—	247,538	—	—	21,598,847
Provision for unpaid claims and claims incurred but not reported	(6,053,570)	(389,923)	(1,772,089)	599,772	1,601,683	—	—	—	(6,014,127)
Reinsurance claims paid	(31,927,895)	—	—	—	—	32,538,252	—	—	610,357
Experience dividends	7,145,009	(19)	(4,270)	31	—	—	—	—	7,140,751
Total insurance benefits	596,190,770	26,075,492	2,369,107	7,831,604	6,433,753	32,732,329	4,616,704	—	676,249,759
Administrative and other expenses:									
Administrative expenses	28,974,844	1,412,925	1,335,976	1,733,971	405,013	(10,383)	9,147	—	33,861,493
Commissions	3,177,945	(14,625)	7,686	17,164	—	21,411	—	—	3,209,581
Other expenses	—	—	—	—	—	—	—	(1,159,294)	(1,159,294)
Total expenses	628,343,559	27,473,792	3,712,769	9,582,739	6,838,766	32,743,357	4,625,851	(1,159,294)	712,161,539
Revenues over (under) expenses	38,593,873	1,482,738	5,022,197	4,813,773	(1,353,766)	(9,481,249)	3,922,694	1,159,294	44,159,554
NET POSITION:									
Beginning of year, restricted for claims contingency and benefits	148,650,384	4,439,242	3,811,494	19,321,920	(14,246,213)	41,401,723	30,593,089	(9,046,203)	224,925,436
End of year, restricted for claims contingency and benefits	\$ 187,244,257	5,921,980	8,833,691	24,135,693	(15,599,979)	31,920,474	34,515,783	(7,886,909)	269,084,990

Financial Statements by Program as of 6/30/18 (Continued)

PUBLIC EMPLOYEES HEALTH PROGRAM

Medical Program Risk Pools
Statement of Net Position (Unaudited)

As of June 30, 2018

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)	Utah School Board Associations (USBA)	Self Funded Healthcare Groups	Medicare Supplement	Totals
ASSETS:							
Cash and cash equivalents	\$ 1,467,413	355,751	25,457,904	6,809,192	(465,041)	17,856,807	51,482,026
Investments	88,919,070	9,313,770	40,447,240	3,812,629	(239,647)	1,065,649	143,318,711
Receivables:							
Premiums and service fees	28,903,354	32,849	10,620,927	6,394,339	2,795,105	1,959,216	50,705,790
Investments	832,239	65,160	526,474	109,574	—	139,479	1,672,926
Misc. receivables/prepaid expense	7,391,641	677,291	2,849,248	847,643	686,972	3,776,313	16,229,108
Total receivables	37,127,234	775,300	13,996,649	7,351,556	3,482,077	5,875,008	68,607,824
Furniture and equipment net of accumulated depreciation	156,954	—	—	—	—	—	156,954
Total assets	127,670,671	10,444,821	79,901,793	17,973,377	2,777,389	24,797,464	263,565,515
LIABILITIES:							
Claims payable	12,260,190	1,102,661	6,103,726	1,196,363	—	1,289,879	21,952,819
Estimated liability for claims incurred but not reported	18,071,799	1,625,348	8,997,032	1,763,467	—	1,901,311	32,358,957
Premiums payable (pass through dental and vision)	323,949	—	12,631	(636)	(75)	(9,021)	326,848
Unearned premiums	231,462	557,840	28,219	4,400	4,570	1,878,299	2,704,790
PPACA and other accrued expenses payable	(1,475,451)	1,972	15,069	3,611	272	3,942	(1,450,585)
Taxes payable	3,985	—	—	—	—	—	3,985
Experience dividend payable	2,862,281	—	226,153	—	—	—	3,088,434
Due to other agencies and other liabilities	883,211	751,291	305,375	—	2,437,090	—	4,376,967
Security lending liability	6,446,802	504,749	4,078,243	848,798	—	1,080,451	12,959,043
Total liabilities	39,608,228	4,543,861	19,766,448	3,816,003	2,441,857	6,144,861	76,321,258
NET POSITION:							
Restricted for claims contingency reserves	\$ 88,062,443	5,900,960	60,135,345	14,157,374	335,532	18,652,603	187,244,257

Financial Statements by Program 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, 2017 - June 30, 2018

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)	Utah School Board Associations (USBA)	Self Funded Healthcare Groups	Medicare Supplement	Totals
REVENUES:							
Premiums earned and service fees, net of refunds	\$ 332,449,431	28,198,489	167,424,230	39,046,150	49,463,282	37,893,588	654,475,170
Federal subsidy	—	—	—	—	—	11,900,815	11,900,815
Net investment income	436,312	52,617	108,218	24,479	(20,643)	(52,934)	548,049
Miscellaneous income	101	—	55	134	13,108	—	13,398
Total revenues	332,885,844	28,251,106	167,532,503	39,070,763	49,455,747	49,741,469	666,937,432
EXPENSES:							
Insurance benefits:							
Health/pharmacy claims paid	304,344,270	25,848,746	149,087,389	34,349,878	47,768,107	44,595,638	605,994,027
Reinsurance premiums	6,064,004	1,093,851	11,897,664	1,977,680	—	—	21,033,199
Provision for unpaid claims and claims incurred but not reported	(3,296,269)	155,432	(2,503,088)	(92,289)	—	(317,356)	(6,053,570)
Reinsurance claims paid	(10,180,422)	(1,566,855)	(16,633,885)	(2,513,310)	(1,033,423)	—	(31,927,895)
Experience dividends	2,863,006	611,925	3,021,684	648,394	—	—	7,145,009
Total insurance benefits	299,794,589	26,143,099	144,869,764	34,370,353	46,734,684	44,278,282	596,190,770
Administrative and other expenses:							
Administrative expenses	13,407,375	1,707,358	7,555,261	1,607,168	2,476,784	2,220,898	28,974,844
Commission	—	—	2,066,376	—	13,108	1,098,461	3,177,945
Total benefits and expenses	313,201,964	27,850,457	154,491,401	35,977,521	49,224,576	47,597,641	628,343,559
Revenues over (under) expenses	19,683,880	400,649	13,041,102	3,093,242	231,171	2,143,828	38,593,873
NET POSITION:							
Beginning of year, restricted for claims contingency reserves	68,378,563	5,500,311	47,094,243	11,064,132	104,361	16,508,775	148,650,384
End of year, restricted for claims contingency reserves	\$ 88,062,443	5,900,960	60,135,345	14,157,374	335,532	18,652,603	187,244,257

Dental Program Risk Pools
Statment of Net Position (Unaudited)

As of June 30, 2018

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)	Retiree Dental	Totals
ASSETS:					
Cash and cash equivalents:	\$ 801,797	290,695	839,931	246,159	2,178,582
Investments	3,089,762	457,741	1,456,060	8,257	5,011,820
Receivables:					
Premiums and service fees	1,487,645	1,890	567,104	(2,533)	2,054,106
Investments	26,880	6,650	15,867	719	50,116
Misc. receivables/prepaid expense	21,023	10,497	12,469	129	44,118
Total receivables	1,535,548	19,037	595,440	(1,685)	2,148,340
Total assets	5,427,107	767,473	2,891,431	252,731	9,338,742
LIABILITIES:					
Claims payable	628,487	82,922	271,422	40,918	1,023,749
Estimated liability for claims incurred but not reported	926,404	122,230	400,083	60,313	1,509,030
Premiums payable	303,188	—	147	—	303,335
Unearned premiums	60,060	62,966	2,041	66,302	191,369
PPACA and other accrued expenses payable	576	222	235	28	1,061
Security lending liability	208,220	51,517	122,909	5,572	388,218
Total liabilities	2,126,935	319,857	796,837	173,133	3,416,762
NET POSITION:					
Restricted for claims contingency reserves	\$ 3,300,172	447,616	2,094,594	79,598	5,921,980

Dental Program Risk Pools
Statement of Changes in Net Position (Unaudited)

Fiscal Year July 1, 2017 - June 30, 2018

	State of Utah	Salt Lake City	Local Government Risk Pool (LGRP)	Retiree Dental	Totals
REVENUES:					
Premiums and service fees	\$ 17,634,366	2,234,315	8,170,000	861,598	28,900,279
Investment income	50,950	1,046	4,303	(48)	56,251
Total revenues	17,685,316	2,235,361	8,174,303	861,550	28,956,530
EXPENSES:					
Insurance benefits:					
Health/pharmacy claims paid	16,168,195	2,378,132	7,204,968	714,139	26,465,434
Provision for unpaid claims and claims incurred but not reported	(275,244)	(34,202)	(109,778)	29,301	(389,923)
Experience dividends	(19)	—	—	—	(19)
Total insurance benefits	15,892,932	2,343,930	7,095,190	743,440	26,075,492
Administrative and other expenses:					
Administrative expenses	828,877	107,997	373,765	102,286	1,412,925
Commission	—	—	(14,625)	—	(14,625)
Total expenses	16,721,809	2,451,927	7,454,330	845,726	27,473,792
Revenues over (under) expenses	963,507	(216,566)	719,973	15,824	1,482,738
NET POSITION:					
Beginning of year, restricted for claims contingency reserves	2,336,665	664,182	1,374,621	63,774	4,439,242
End of year, restricted for claims contingency reserves	\$ 3,300,172	447,616	2,094,594	79,598	5,921,980





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