Financial Statements, Required Supplementary Information, and Other Supplementary Information

West Virginia Public Employees Insurance Agency
Years Ended June 30, 2021 and 2020
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

West Virginia Public Employees Insurance Agency

Financial Statements, Required Supplementary Information, and Other Supplementary Information

Years Ended June 30, 2021 and 2020

Contents

Ernst & Young LLP
900 United Center
500 Virginia Street East
Charleston, WV 25301

Tel: +1 304 343 8971
Fax: +1 304 357 5994
ey.com

Report of Independent Auditors

Finance Board and Management
West Virginia Public Employees Insurance Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Public Employees Insurance Agency (PEIA), an enterprise fund of the State of West Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise PEIA'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 conformity with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Governmental 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 of 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 auditors' 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 PEIA, an enterprise fund of the State of West Virginia, as of June 30, 2021, and the revenues, expenses, and changes in financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The financial statements of PEIA for the year ended June 30, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on September 29, 2020.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 9 and the Ten-Year Claims Development Information on pages 41 through 42 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, which 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, 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise PEIA's basic financial statements as a whole. The accompanying other supplementary information: Form 7, Deposits Disclosure; Form 8, Investments Disclosure; Form 8-A, Deposits and Investment Disclosure; Form 9, Accounts Receivable; Form 10, Due (To) From Primary Government; and Form 11, Component Unit – A/R Balances on pages 43 through 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the accompanying other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021, on our consideration of PEIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 PEIA's internal control over financial reporting and compliance.

Ernst & Young LLP

October 15, 2021

Management's Discussion and Analysis

(Dollars In Thousands)

West Virginia Public Employees Insurance Agency

Management's Discussion and Analysis
(Dollars In Thousands)

This section of the West Virginia Public Employees Insurance Agency's (PEIA) annual financial report presents management's discussion and analysis of its financial performance for the fiscal years ended June 30, 2021 and 2020. Please read it in conjunction with the basic financial statements, which follow this section.

Overview of the Financial Statements

PEIA's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities. The primary purpose of PEIA is to provide group health and prescription drug insurance for the employees of State agencies, colleges and universities, county school boards, and other governmental units as set forth in the West Virginia Public Employees Insurance Act of 1971, as amended. PEIA operates in a manner similar to any other insurance company. PEIA is an enterprise fund of the State and is combined with other similar funds to comprise the enterprise funds of the State of West Virginia. The basic financial statements are presented on the accrual basis of accounting. The three basic financial statements presented within the financial statements are as follows:

Statement of Net Position – This statement presents information reflecting PEIA's assets, liabilities, and net position. Net position represents the amount of total assets less total liabilities. The statement of net position is categorized as to current and noncurrent assets and liabilities. For purposes of the basic financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or are collectible or become due within 12 months of the statement date.

Statement of Revenues, Expenses, and Changes in Net Position – This statement reflects PEIA's operating revenues and expenses, as well as nonoperating revenues during the fiscal year. The major source of operating revenues is premium income, while major expense areas include medical and prescription drug claims costs. The change in net position for an enterprise fund is similar to net profit or loss for any other insurance company.

Statement of Cash Flows – The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, capital, and noncapital financing and investing activities. Cash collections and payments are reflected on this statement to arrive at net increase or decrease in cash for the fiscal year.

(In Thousands)

Financial Highlights

The following table summarizes the statement of net position and the changes in net position as of and for the years ended June 30:

				Change 2021–2020		Change 2020–2019	
	2021	**2020**	**2019**	**Amount**	**Percentage**	**Amount**	**Percentage**
Assets							
Cash and cash equivalents	**$ 20,330**	$ 7,411	$ 11,957	$ 12,919	174.3%	$ (4,546)	-38.0%
Equity position in – investment pool	**10,057**	30,436	36,592	(20,379)	-67.0%	(6,156)	-16.8%
Premium receivable	**9,005**	9,407	8,643	(402)	-4.3%	764	8.8%
Other current assets	**59,187**	58,951	43,999	236	0.4%	14,952	34.0%
Total current assets	**98,579**	106,205	101,191	(7,626)	-7.2%	5,014	5.0%
Equity position in investment pools	**270,948**	260,386	225,314	10,562	4.1%	35,072	15.6%
Equity position in investment pool – restricted	**9,403**	13,817	12,774	(4,414)	-31.9%	1,043	8.2%
Capital assets, net	**66**	101	146	(35)	-34.7%	(45)	-30.8%
Total assets	**378,996**	380,509	339,425	(1,513)	-0.4%	41,084	12.1%
Deferred outflows of resources							
Pension and OPEB	**706**	358	431	348	97.2%	(73)	-16.9%
Total deferred outflows of resources	**706**	358	431	348	97.2%	(73)	-16.9%
Liabilities							
Claims payable	**98,087**	73,366	64,897	24,721	33.7%	8,469	13.0%
Other current liabilities	**108,466**	67,031	34,361	41,435	61.8%	32,670	95.1%
Total current liabilities	**206,553**	140,397	99,258	66,156	47.1%	41,139	41.4%
Noncurrent liabilities:							
Other noncurrent liabilities	**752**	819	938	(67)	-8.2%	(119)	-12.7%
Premium stabilization fund	**9,403**	13,817	12,774	(4,414)	-31.9%	1,043	8.2%
Total liabilities	**216,708**	155,033	112,970	61,675	39.8%	42,063	37.2%
Deferred inflows of resources							
Pension and OPEB	**620**	432	499	188	43.5%	(67)	-13.4%
Total deferred inflows of resources	**620**	432	499	188	43.5%	(67)	-13.4%
Net position:							
Investment in capital assets	**66**	101	146	(35)	-34.7%	(45)	-30.8%
Unrestricted	**162,308**	225,301	226,241	(62,993)	-28.0%	(940)	-0.4%
Total net position	**$ 162,374**	$ 225,402	$ 226,387	$ (63,028)	-28.0%	$ (985)	-0.4%
Premium revenue	**$ 628,089**	$ 607,152	$ 593,602	$ 20,937	3.4%	$ 13,550	2.3%
Less payments to managed care organizations and life insurance premiums	**(56,514)**	(51,664)	(47,942)	(4,850)	9.4%	(3,722)	7.8%
Net premium revenue	**571,575**	555,488	545,660	16,087	2.9%	9,828	1.8%
Administrative fees, net	**4,915**	4,817	4,775	98	2.0%	42	0.9%
Total operating revenues	**576,490**	560,305	550,435	16,185	2.9%	9,870	1.8%
Claims expense, net	**677,841**	571,036	542,674	106,805	18.7%	28,362	5.2%
Administrative service fees	**19,491**	20,209	11,829	(718)	-3.6%	8,380	70.8%
Other expenses	**3,803**	6,014	7,340	(2,211)	-36.8%	(1,326)	-18.1%
Total operating expenses	**701,135**	597,259	561,843	103,876	17.4%	35,416	6.3%
Operating loss	**(124,645)**	(36,954)	(11,408)	(87,691)	237.3%	(25,546)	223.9%
State appropriation	**21,000**	31,000	31,000	(10,000)	-32.3%	–	100.0%
Net investment income (loss)	**40,617**	4,969	12,241	35,648	717.4%	(7,272)	-59.4%
Total nonoperating income (loss)	**61,617**	35,969	43,241	25,648	71.3%	(7,272)	-16.8%
Change in net position	**(63,028)**	(985)	31,833	(62,043)	6298.8%	(32,818)	-103.1%
Net position, beginning of year	**225,402**	226,387	194,554	45,508	20.1%	50,916	26.2%
Net position, end of year	**$ 162,374**	$ 225,402	$ 226,387	$ (63,028)	-28.0%	$ (985)	-0.4%

Cash and Cash Equivalents

Cash and cash equivalents plus the current and restricted portion of equity position in investment pool at the end of the year decreased $11,874 as the result of $72,648 net cash used in operating activities, $30,718 net cash provided by capital and noncapital financing activities, and $30,056 net cash provided by investing activities.

Last year, cash and cash equivalents plus the current and restricted portion of equity position in investment pool at the end of the year decreased $9,659 as the result of $9,614 net cash used in operating activities, $30,060 net cash provided by capital and noncapital financing activities, and $30,105 net cash used in investing activities.

Equity Position in Investment Pools Current and Noncurrent

In the current year, the current and noncurrent portion of the equity position in investment pool decreased $14,231 as a result of a $20,379 decrease in the current equity caused by timing of payments of obligations at year-end, a $10,562 increase in noncurrent not restricted equity because of favorable investment appreciation in the pool, and a decrease of $4,414 in noncurrent restricted equity due to utilization of the Minnesota Life Premium Stabilization Fund to offset life insurance premiums.

Last year, the current and noncurrent portion of the equity position in investment pool increased by $29,959 as a result of current year operating results, investment earnings, and investment of the $26,000 received of the $31,000 State Appropriation awarded to PEIA.

Total Assets

As described in detail above, total assets for the current year decreased $1,513 due to operating results, market appreciation in the non-current portion of the equity position in investment pool, investment of the $21,000 State Appropriation received, a decrease in premiums receivable, and a decrease in capital assets.

Last year, as described in detail above, total assets for the current year increased by $41,084 due to operating results, market appreciation in the noncurrent portion of the equity position in investment pool, investment of the $26,000 State Appropriation received, an increase in premiums receivable, and a decrease in capital assets.

Claims Payable

Claims payable increased $24,721, resulting from an increase in claims Incurred but Not Reported (IBNR) of $23,680 combined with an increase in current claims payable of 1,041. Last year, claims payable increased $8,469 resulting from an $8,110 increase in IBNR and a $359 increase in current claims payable. Claims payable is experiencing dramatic shifts in seasonality and payment timing because of the pandemic. Additionally, PEIA's change in Third Party Administrator for adjudicating medical claims effective July 1, 2019, has shifted the timing of payments for claims compared to seasonal norms. These shifts are causing changes in the IBNR year over year.

Other Current Liabilities

Other current liabilities in the current year increased $41,435, or 61.8%, due to an increase in the Premium Deficiency Reserve. A premium deficiency reserve is required when policies in force as of the financial statement date are expected to produce a loss when claims cost (including IBNR) plus expected claims adjustment expenses are expected to exceed related premiums. Last year, other current liabilities in the current year increased $32,670, or 95.1%, also due to an increase in the Premium Deficiency Reserve.

Premium Stabilization Reserve

The premium stabilization reserve held at Minnesota Life on behalf of PEIA decreased $4,414 in the current year. PEIA utilized dollars held in the PSR to stabilize member costs by offering lower premiums than the plan anticipated to incur for life claims expense.

Last year, the premium stabilization reserve held at Minnesota Life on behalf of PEIA increased $1,043. PEIA continued to offer members low life insurance rates while using reserve dollars to fund the difference between what was billed by the carrier to pay claims and what was withheld in member premiums. The utilization of the reserve by PEIA was offset by an operational gain of $4,026 at the Life Insurance Carrier for the Basic and Optional Life Insurance Risk Pools netting to the increase in the total reserve balance.

Total Operating Revenue

For the current year, operating revenue increased 2.9%, or $16,185, because net premium revenue increased $16,087 due to the reduction in the PayGo premium charges owed to the Retiree Health Benefits and Trust (RHBT) fund redirecting more of the total employer health premiums to the PEIA fund. Payments to managed care organizations and life insurance premiums increased $4,850.

Last year, operating revenue increased 1.8%, or $9,870, because premium revenue increased $14,714 due to the reduction in the PayGo premium charges owed to the RHBT fund redirecting more of the total employer health premiums to the PEIA fund. Payments to managed care organizations and life insurance premiums increased $3,722. Life insurance premiums increased slightly because PEIA continued to spend down part of the Premium Stabilization Reserve held at Minnesota Life.

Claims Expense

Medical claims expense increased $74,985, primarily resulting from the premium deficiency reserve increase of $36,631 and less than favorable claims experience compared with last year. Unfavorable claims experience is due to the pent-up demand for medical care in the fourth quarter of 2020 shifting to the 2021 plan year because of denial of elective procedures at the start of the pandemic to give hospitals relief. Drug claims expense increased $31,820 because of the upward trend of price inflation in the pharmaceutical industry.

Last year, medical claims expense increased $24,412, primarily resulting from the premium deficiency reserve increase of $33,176 and lower claims expense by $8,764 compared with last year. Drug claims expense increased $3,950. The reduction in medical and increase in drug claims expense in the current year are attributable to the exposure of cost trends in health care rising nationwide combined with the effects of delayed medical procedures due to COVID-19.

Nonoperating Income

Nonoperating income increased 71.3%, or $25,648. This increase is due to market appreciation on investments of $35,648 offset by a $10,000 decrease in budget appropriations awarded by the State. Last year, nonoperating income decreased 16.8%, or $7,272. This decrease is due to unfavorable market conditions in 2020 resulting in $7,272 in investment losses.

Net Position

In the current year net position decreased $63,028. The decrease in net position comprises both $124,645 of operating loss largely because of higher medical and drug claims expense and $61,617 in non-operating income due to the $21,000 State funding appropriation and investment income of $40,617.

Last year, the net position decreased $985, or 0.4%. The decrease in net position comprises both $36,954 of operating loss due to increased operating expenses and $35,969 in nonoperating income due to the $31,000 State funding appropriation and investment income of $4,969.

Economic Conditions and Other Matters

As of March 2020, globally all sectors of industry were affected by the pandemic health crisis caused by the virus COVID-19. Companies have undertaken and are generally in the process of making a diverse range of operational adjustments in response to the effects of COVID-19. Many states issued stay-at-home orders and closed public spaces, and medical facilities delayed non-emergent procedures. Each of these steps was implemented as a measure of public safety and to prevent the health care sector from being overwhelmed with more patients than capacity would allow. The magnitude of the disruption of COVID-19, across all industry sectors, is still unknown. There is immense uncertainty regarding the economy, future earnings, and elements impacting health care costs specifically.

In 2021, PEIA's claims costs increased 18.7%. Medical procedures that would have been performed in the last quarter of 2020 shifted to plan year 2021. Currently, the impact on plan utilization because of care limitations imposed by providers of health care is largely undeterminable. PEIA expects to continue to see erratic seasonality shifts in utilization as both providers and health departments respond with the necessary changes to mitigate public health risk.

Our Third-Party Administrator reports PEIA has incurred $16,544 in costs for confirmed COVID-19-diagnosed patient care through June 30, 2021, with an average cost per member of $1,579 (in dollars). There were 10,475 members who sought inpatient services within 14 days of a COVID-19 diagnosis. To date, PEIA has tested 73,189 unique members in its population for COVID-19. A total of 27,108 and 4,065 members have been fully or partially vaccinated, respectively, for a total incurred cost of $1,617 to the plan. Reporting is based on plan experience and does not account for members who do not seek medical care.

Legislative Matters

There were no legislative matters causing material effects to the operations of PEIA as of June 30, 2021.

Request for Information

This financial report is designed to provide PEIA's customers, governing officials, legislators, citizens, and taxpayers with a general overview of PEIA's accountability for the money it receives. If you have questions about this report or need additional information, contact the Chief Financial Officer at +1 304 558 7850 extension 72627.

West Virginia Public Employees Insurance Agency

Statements of Net Position

(In Thousands)

	June 30	
	2021	**2020**
Assets		
Current assets:		
Cash and cash equivalents	**$ 20,330**	$ 7,411
Equity position in investment pool	**10,057**	30,436
Premiums receivable:		
Other, less allowance for doubtful accounts of $66 and $266, respectively	**5,197**	7,319
Premiums due from State of West Virginia	**3,808**	2,088
Appropriation due from State of West Virginia	**–**	5,000
Accounts receivable:		
Due from RHBT	**1,722**	6,457
Prescription rebates	**56,762**	40,924
Other	**703**	6,570
Total current assets	**98,579**	106,205
Noncurrent assets:		
Equity position in investment pool	**270,948**	260,386
Equity position in investment pool – restricted	**9,403**	13,817
Capital assets, net of accumulated depreciation of $10,294 and $10,242, respectively	**66**	101
Total noncurrent assets	**280,417**	274,304
Total assets	**378,996**	380,509
Deferred outflows of resources related to:		
Pension	**468**	214
OPEB	**238**	144
Total deferred outflows of resources	**706**	358

West Virginia Public Employees Insurance Agency

Statements of Net Position (continued)
(In Thousands)

	June 30	
	2021	**2020**
Liabilities		
Current liabilities:		
Claims payable	**$ 98,087**	$ 73,366
Premium deficiency reserve	**83,166**	46,535
Accounts payable	**2,963**	4,104
Unearned revenue	**19,889**	13,854
Other accrued liabilities	**2,448**	2,538
Total current liabilities	**206,553**	140,397
Noncurrent liabilities:		
Other accrued liabilities:		
Other noncurrent liabilities	**752**	819
Premium stabilization fund	**9,403**	13,817
Total noncurrent liabilities	**10,155**	14,636
Total liabilities	**216,708**	155,033
Deferred inflows of resources related to:		
Pension	**38**	157
OPEB	**582**	275
Total deferred inflows of resources	**620**	432
Net position		
Investment in capital assets	**66**	101
Unrestricted	**162,308**	225,301
Total net position	**$ 162,374**	$ 225,402

See accompanying notes.

West Virginia Public Employees Insurance Agency

Statements of Revenues, Expenses, and Changes in Net Position

(In Thousands)

	Year Ended June 30 2021	2020
Operating revenues:		
Premiums net of recoveries (provisions) of bad debts of $23 and $(23), respectively	**$ 628,089**	$ 607,152
Less:		
Payments to managed care organizations	**(53,971)**	(49,905)
Basic life insurance premiums ceded	**(2,543)**	(1,759)
Net premium revenue	**571,575**	555,488
Administrative fees, net of refunds	**4,915**	4,817
Total operating revenues	**576,490**	560,305
Operating expenses:		
Claims expense, net	**677,841**	571,036
Administrative service fees	**19,491**	20,209
Other expenses	**3,803**	6,014
Total operating expenses	**701,135**	597,259
Operating loss	**(124,645)**	(36,954)
Nonoperating revenues:		
Investment income, net of fees	**40,617**	4,969
State appropriation	**21,000**	31,000
Total nonoperating income	**61,617**	35,969
Change in net position	**(63,028)**	(985)
Net position:		
Net position, beginning of year	**225,402**	226,387
Net position, end of year	**$ 162,374**	$ 225,402

See accompanying notes.

West Virginia Public Employees Insurance Agency

Statements of Cash Flows

(In Thousands)

	Year Ended June 30	
	2021	**2020**
Cash flows from operating activities		
Cash received from participants	**$ 567,098**	$ 545,536
Cash received from pharmacy rebates	**81,912**	77,791
Cash paid to employees for salaries and benefits	**(1,917)**	(1,741)
Cash paid to suppliers and others	**(21,340)**	(24,018)
Cash paid for claims	**(698,401)**	(607,182)
Net cash used in operating activities	**(72,648)**	(9,614)
Cash flows from noncapital financing activities		
Advances to RHBT	**4,735**	4,076
State appropriation	**26,000**	26,000
Net cash provided by noncapital financing activities	**30,735**	30,076
Cash flows from capital and related financing activities		
Purchases of capital assets	**(17)**	(16)
Net cash used in capital and related financing activities	**(17)**	(16)
Cash flows from investing activities		
Purchases of investments	**(138,575)**	(214,820)
Sale of investments	**128,014**	179,746
Investment earnings	**40,617**	4,969
Net cash provided by (used in) investing activities	**30,056**	(30,105)
Net decrease in cash and cash equivalents	**(11,874)**	(9,659)
Cash and cash equivalents at beginning of year	**51,664**	61,323
Cash and cash equivalents at end of year	**$ 39,790**	$ 51,664
Cash and cash equivalents consist of:		
Cash and cash equivalents	**$ 20,330**	$ 7,411
Equity position in investment pool – current	**10,057**	30,436
Equity position in investment pool – restricted	**9,403**	13,817
	$ 39,790	$ 51,664

West Virginia Public Employees Insurance Agency

Statements of Cash Flows (continued)
(In Thousands)

	Year Ended June 30	
	2021	**2020**
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	**$ (124,645)**	$ (36,954)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	**52**	62
Provision for uncollectible accounts	**(177)**	(23)
Pension and OPEB expense	**9**	115
(Increase) decrease in operating assets:		
Premiums receivable	**2,299**	(1,299)
Due from State of West Virginia	**(1,720)**	558
Provider refunds receivable	**–**	585
Prescription rebates receivable	**(15,838)**	(9,241)
Other	**5,867**	(5,372)
(Decrease) increase in operating liabilities:		
Claims payable	**24,721**	8,469
Accounts payable	**(1,141)**	(442)
Premium deficiency	**36,631**	33,176
Unearned revenue	**6,035**	240
Other accrued liabilities	**(90)**	(304)
Premium stabilization fund	**(4,414)**	1,043
Deferred outflows of resources, pension, and OPEB	**(237)**	(227)
Total adjustments	**51,997**	27,340
Net cash used in operating activities	**$ (72,648)**	$ (9,614)
Noncash investing activities		
Increase in fair value of investments	**$ 40,561**	$ 4,071

See accompanying notes.

1. Reporting Entity

The State of West Virginia Public Employees Insurance Agency (PEIA) was established under the Public Employees Insurance Act of 1971. PEIA is an agency of the State of West Virginia (State) and, accordingly, is reported as an enterprise fund of the primary government in the State's Comprehensive Annual Financial Report.

PEIA provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active employees of the State and various related State and non-State agencies. Additionally, all participants may elect to purchase additional life insurance under the optional life insurance policy. All premium rates are established based upon projected coverage costs as reviewed and approved by the PEIA Finance Board. See "Annual Financial Plan" for further discussion of this process. PEIA's enrollment consists of 75,660 health and basic life insurance policyholders and 8,187 policyholders with life insurance only. PEIA insures 165,418 individuals, including participants and dependents.

During the 2006 Regular Session of the West Virginia Legislature, House Bill 4654 was enacted creating the West Virginia Retiree Health Benefit Trust Fund (RHBT) for the purpose of providing for and administering retiree postemployment health care benefits and the respective revenues and costs of those benefits as a cost-sharing multiple employer plan. As a consequence of the legislation, health insurance policies covering 43,036 retirees and their dependents, along with the related revenues, claims costs, and expenses, were transferred to the RHBT effective July 1, 2006. The RHBT and PEIA jointly share administrative duties relating to the other postemployment benefit (OPEB) operations. Both entities are housed in the same office space and share expenses. Expenses directly attributable to the OPEB plan are charged to the RHBT. Other operating expenses, except personnel, are allocated based on policyholder count between PEIA and the RHBT. Personnel expenses attributable to two dedicated employees are charged in full to the RHBT, while the balance of the combined expense is allocated between the two entities based on estimated time requirements.

The basic financial statements of PEIA are intended to present the financial position, changes in financial position, and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of PEIA. They do not purport to and do not present fairly the net position of the State as of June 30, 2021 and 2020, or the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

2. Summary of Significant Accounting Policies

Basis of Reporting

PEIA operates as an enterprise fund. Accordingly, the financial statements of PEIA have been prepared on the accrual basis in conformity with GAAP for governmental entities as prescribed or permitted by the Governmental Accounting Standards Board (GASB). Operating revenues are derived mainly from premiums earned net of related reinsurance premiums plus administrative fees billed. Operating expenses consist primarily of claims, administrative service fees, and various general and administrative costs. All other items are considered nonoperating.

Annual Financial Plan

West Virginia Code 5-16-5 requires the PEIA Finance Board to prepare a proposed annual financial plan. The plan must be designed to generate sufficient revenues to meet all expected expenses, including insurance, administrative expenses, and incurred but not reported claims (IBNR) of PEIA. An independent professional actuary must review the plan and give an opinion stating that the plan may reasonably be expected to generate sufficient revenue to meet estimated insurance claims and administrative expenses. The financial plan must be presented to the Governor and the Legislature no later than January 1, prior to the beginning of the new plan year.

The PEIA Finance Board establishes PEIA premiums based upon its approved annual financial plan. The financial plan projects the anticipated costs of the program for each fiscal year and the premium levels necessary to meet these costs. Any variances between projected and incurred costs are incorporated into subsequent financial plans and subsequent premiums are adjusted accordingly on a prospective basis. Premiums assessed by PEIA are not subject to retroactive adjustment based upon actual costs incurred.

PEIA Reserve Funds

West Virginia Code Section 5-16-25 requires the PEIA Finance Board to maintain a reserve of 10% of projected plan costs for the purpose of offsetting unanticipated claim losses in any fiscal year and to provide future stability. In the event the reserve fund exceeds certain parameters specified in the Code, the excess is to be remitted to the RHBT in accordance with Senate Bill 129, which became effective July 1, 2007. The provision of the Code was amended effective March 9, 2019, with the passage of House Bill 3139 removing the requirement that excess funds be transferred to the RHBT.

2. Summary of Significant Accounting Policies (continued)

West Virginia Code Section 11B-2-15a established a special account, designated as the PEIA Rainy Day Fund, which is an interest-bearing account administered by the Secretary of Revenue. The PEIA Rainy Day Fund consists of moneys appropriated by the Legislature, income from investment of moneys held in the special revenue account, and all other sums available for deposit to the account, public or private. The Secretary of Revenue, upon approval of the Governor, may transfer funds from this account to PEIA in any fiscal year for the purpose of reducing or preventing benefit cuts and premium rate increases. On March 9, 2019, West Virginia House Bill 2665 enacted an appropriation transfer of $105 million from the State's General Revenue Fund to the PEIA Rainy Day Fund. There were no transfers from the PEIA Rainy Day Fund to PEIA for the fiscal year ended June 30, 2021.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of amounts on deposit with the West Virginia State Treasurer's office, outside financial institutions, and amounts deposited in an investment pool managed by the West Virginia Board of Treasury Investments (BTI) that is reported as part of equity position in investment pool – current – unrestricted and noncurrent – restricted, respectively.

Premiums Receivable

All premiums receivable are reported at their gross premium value due from employers and individual subscribers. The gross value is then reduced by the estimated portion that is expected to be uncollectible based upon management's review of the payment status of the underlying accounts and other economic factors that are deemed necessary in the circumstances.

Accounts Receivable

Accounts receivable include overpayments made by third-party administrators that are due to PEIA and estimated prescription refunds and rebates that are due to PEIA from third-party administrators and other drug companies. The estimated prescription refunds/rebate receivable is based upon estimated prescription claim count and historical average rebate per claim.

2. Summary of Significant Accounting Policies (continued)

Equity Position in Investment Pools

PEIA owns equity positions in the State government investment pools managed by the West Virginia Investment Management Board (WVIMB) and the BTI. Some investment pool funds are subject to market risk because of changes in interest rates, bond prices, and stock prices. Investment earnings and losses are allocated to PEIA based on the balance of PEIA's investments maintained in relation to the total investments of all State agencies participating in the Pool. The equity position in investment pools is reported at amortized cost or fair value which is measured based on the units of ownership at a value per unit reported by the respective pool, and changes in fair value are included in investment income.

A 13-member Board of Trustees governs the WVIMB. Three members of the Board of Trustees serve by virtue of their office: the Governor, the Auditor, and the Treasurer. The other ten are appointed by the Governor and confirmed by the State Senate. All appointees must have experience in pension management, institutional management, or financial markets. In addition, one must be an attorney experienced in finance and investment matters and another must be a certified public accountant. Only six of the ten appointed Trustees may be from the same political party. The Governor serves as Chairman of the Board. A Vice-Chairman is elected by the Trustees. A Secretary, who need not be a member of the Board of Trustees, is also elected by the Trustees to keep a record of the proceedings of the Board. Details regarding these investment pools and a copy of the WVIMB financial report can be obtained by contacting West Virginia Investment Management Board, 500 Virginia Street, East, Suite 200, Charleston, West Virginia 25301, or by calling +1 304 645 2672.

A five-member Board of Directors governs the BTI. The Governor, Treasurer, and Auditor serve as ex-officio members of the Board of Directors. The Governor appoints the two remaining members subject to the advice and consent of the State Senate. Of the two members appointed by the Governor, one shall be a certified public accountant and one shall be an attorney and both shall have experience in finance, investing, and management. The State Treasurer is Chairman of the Board. The BTI prepares separately issued financial statements covering the pooled fund, which can be obtained from its website or a published copy from the West Virginia Board of Treasury Investments, 315 70th Street, South East, Charleston, West Virginia 25304, or by calling +1 304 340 5030.

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

Investments are classified in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not considered active, observable inputs other than observable quoted prices for the asset or liability, or inputs derived principally from or corroborated by observable market data.

Level 3 – Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

GAAP does not require external investment pools to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value (NAV) per share practical expedient. All the investments held with the WVBTI and the WVIMB are valued using the NAV per share practical expedient.

2. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets with an initial cost of $500 (in dollars) or greater are recorded at cost. PEIA has assigned a useful life of three to five years for capital assets. Depreciation expense computed using the straight-line method was $52 and $62 for the years ended June 30, 2021 and 2020, respectively.

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Balances of deferred outflows of resources may be presented on the statements of net position as aggregations of different types of deferred amounts. Deferred outflows also consisted of other amounts related to differences between projected and actual earnings on pension plan investments, differences between expected and actual experience related to pension or OPEB, and changes in proportion and differences between PEIA's contributions and proportionate share of contributions.

Claims Payable and Expense

The liability for unpaid claims and claims processing costs is based on an actuarial estimate of the ultimate cost of settling such claims incurred as of the statement of net position date (including claims reported and in process of settlement, claims reported but not yet processed for settlement, and claims incurred but not yet reported or processed for settlement). The estimated actuarial liability reflects certain assumptions, which include such factors as enrollment, utilization, inflation, and other societal and economic factors. Adjustments to the estimated actuarial liability for the final settlement of claims will be reflected in the year that the actual results of the settlement of the claims are made and are known. The estimated liability is adjusted annually based on the most current claim incurrence and claim settlement history (see Note 7). Year-end claims payable balances are generally liquidated within the next fiscal year. Claims relating to participants in managed care organizations (MCOs) as well as claims relating to participants covered under the optional life insurance plan are not considered in the liability as PEIA has no liability for the participants who elect such coverage. Additionally, the estimated liability for unpaid claims and claims processing costs is recorded net of amounts ceded to reinsurers for basic life benefits as management believes these reinsured risks are fully recoverable. However, in the event a reinsurer is unable financially to satisfy an obligation, PEIA is responsible for such liability. Claims expense is reported net of pharmacy rebate income of $97,750 and $87,032 for the years ended June 30, 2021 and 2020, respectively.

2. Summary of Significant Accounting Policies (continued)

Premium Deficiency Reserve

Premium deficiency is required when policies in force as of the financial statement date are expected to produce a loss when claims cost (including IBNR) plus expected claims adjustment expenses are expected to exceed related premiums. In making its determination, management took into consideration anticipated premium revenue and claims costs. PEIA did not include anticipated investment income in determining whether a premium deficiency exists. Adjustments to the estimated premium deficiency liability are reflected as a change in estimate in the year the actual results are known. Management has determined a premium deficiency reserve of $83,166 and $46,535 is necessary as of the years ended June 30, 2021 and 2020, respectively.

PEIA participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to PEIA. If the assets of PEIA were to be exhausted, participants would not be responsible for the liabilities.

Unearned Revenue

Unearned revenue includes premium revenues collected for future contract periods. These revenues will be recognized in the operating periods in which they are earned.

Compensated Absences, Including Postemployment Benefits

Employees fully vest in all earned but unused annual leave and PEIA accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. In accordance with State personnel policies, employees vest in any remaining unused sick leave only upon retirement, at which time any unused compensated absence time can be converted into employer paid premiums for postemployment health care coverage through the RHBT or be converted into a greater retirement benefit under the State’s Public Employees’ Retirement System. Employees hired after July 1, 2001, are not eligible to convert unused time to employer paid premiums.

2. Summary of Significant Accounting Policies (continued)

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Balances of deferred inflows of resources may be presented on the statements of plan net position as aggregations of different types of deferred amounts. Deferred inflows on the statements of plan net position are composed of amounts related to differences between projected and actual earnings on pension investments, changes in proportion and differences of PEIA's contributions, and the proportionate share of contributions and differences in assumptions. Deferred inflows of resources related to OPEB relate to differences between expected and actual experience, net different between expected and actual earnings on OPEB plan investments and changes in proportion, and differences between employer contributions and the proportionate share of contributions.

Insurance Programs and Related Premium Revenues

PEIA offers the following types of coverage to its participants: health coverage through a self-insured preferred provider benefit (PPB) plan, health coverage through external MCOs, and life and accidental death and dismemberment (AD&D) insurance benefits under basic and optional plans. PEIA collects premiums for participants in the PPB plan and uses these premiums in the administration of the plan. Additionally, PEIA has the statutory authority to raise additional revenues in the form of premiums without the need for external (legislative) action.

For participants who elect coverage through MCOs, PEIA collects premiums from employers and remits a capitation fee to an MCO carrier. The capitation fees paid by PEIA to each MCO are in accordance with their respective contracts. Benefits are the responsibility of each MCO carrier. The premiums earned by PEIA have been included in gross premium revenue while the capitation fees submitted to each MCO carrier are reflected as a reduction in premium revenue on the financial statements.

Effective July 1, 2017, the Finance Board approved that opt-out employers (OPEB ineligible) were no longer required to pay a retiree subsidy contribution to RHBT, but instead would be responsible for the equivalent full active health PEIA premium. Accordingly, all payments received by opt-out employers subsequent to July 1, 2017, are recorded as PEIA premiums.

2. Summary of Significant Accounting Policies (continued)

As of the June 2021 coverage month, PEIA provided health coverage to 120 State agency divisions with approximately 20,515 primary participants (not including dependents), 55 county school boards with approximately 29,674 primary participants, 631 local government entities with approximately 15,425 primary participants and 22 college and university entities with approximately 10,046 primary participants. Approximately 93,036 dependents participated in PEIA health plans as well.

As of the June 2020 coverage month, PEIA provided health coverage to 120 State agency divisions with 20,723 primary participants (not including dependents), 55 county school boards with 29,781 primary participants, 467 local government entities with 28,220 primary participants, and 20 college and university entities with 10,048 primary participants. 91,296 dependents participated in PEIA health plans as well.

Employees covered through PEIA are eligible to obtain decreasing term life insurance under a basic and optional life insurance plan. Basic life benefits, which include AD&D averaging from $0.60 to $1.20 a month for a $5,000 to $10,000 policy (depending on age), are available to active State employees at no cost to the employee. Coverage amounts decrease with age. No AD&D benefits are available to retirees. Basic life benefits are available to retirees with coverage ranging from $3 to $5 per month for a $2,500 or $5,000 policy, depending on age. PEIA has reinsured 100% of these basic benefits; however, PEIA remains contingently liable in the event the insurer does not honor its obligation. The premiums earned for basic life insurance are reflected in gross premiums and the related amounts ceded to the reinsurer are reflected as a reduction in premium revenue on the financial statements.

Active employees may elect to obtain additional optional coverage for both life and AD&D with coverage from $0.20 (in dollars) to $288 (in dollars) per month that decreases with age. Active employees may also elect dependent optional life coverage and AD&D at a level up to $40,000 per spouse and $15,000 per child. Retirees may obtain optional life insurance coverage from $0.40 (in dollars) to $501 (in dollars) per month depending on age; however, optional AD&D insurance is not available to retirees. Retirees may also elect dependent optional life coverage at levels up to $40 for a spouse and $15 per child; however, dependent optional AD&D insurance is not available to retirees. Amounts collected by PEIA acting in an agency capacity from employees for optional coverage totaled $10 and $7 during the fiscal years ended June 30, 2021 and 2020, respectively, and were remitted directly to the carrier. Accordingly, such amounts are not reflected in the financial statements.

2. Summary of Significant Accounting Policies (continued)

Revenues include an administrative fee that PEIA charges to all participating entities in the plan. The fee is based on the participating entities' number of employees enrolled in the plan.

Administrative Service Fees

PEIA contracts with and pays administrative service fees to two third-party administrators. Services include processing of insurance claims, precertification reviews, utilization reviews, and various other duties. The majority of related fees are assessed each month based upon the number of covered participants or claims processed at predetermined rates without regard to the period in which a claim is incurred, processed, or settled.

Operating Revenues and Expenses

Balances classified as operating revenues and expenses are those that comprise PEIA's ongoing operations. Principal operating revenues include health insurance premiums, life insurance premiums, and insurance administration fees, less amounts paid to MCOs and life insurance reinsurers. Operating expenses include the cost of medical claims, drug claims, claims adjudication, administration, and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

Net Position

PEIA reports net position in three components, if applicable: net investment in capital assets, restricted, and unrestricted.

> Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Summary of Significant Accounting Policies (continued)

Restricted – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. There are no restrictions at June 30, 2021 or 2020.

Unrestricted Assets – Unrestricted assets consist of assets that do not meet the definition of "restricted" or "investment in capital assets." In the governmental environment, assets are often designated to indicate that management does not consider them to be available for general operations. These types of constraints on resources are internal and management can remove or modify them. Such internal designations are not reported on the face of the statements of net position.

New Accounting Pronouncements

The GASB has issued Statement No. 87 (GASB 87), *Leases*. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of GASB 87 were effective for reporting periods beginning after December 15, 2019; however, with consideration for the COVID-19 pandemic, the GASB postponed the effective date of GASB 87. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which delayed the GASB 87 effective date by 18 months. This issuance now requires the adoption of GASB 87 for all fiscal years that begin subsequent to June 15, 2021.

PEIA has not yet determined the effect, if any, this statement will have on its financial statements.

(Dollars In Thousands)

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, PEIA has evaluated events and transactions for potential recognition or disclosure through October 15, 2021, the date the accompanying financial statements were available for issuance.

3. Cash and Cash Equivalents

Following is a summary of PEIA's cash and cash equivalents as of June 30:

	2021	2020
Cash and cash equivalents on deposit with State Treasurer	**$ 17,550**	$ 4,541
Deposits with outside financial institutions	**2,780**	2,870
Cash and cash equivalents reported on statement of net assets	**20,330**	7,411
Equity position in investment pool with BTI – current – unrestricted	**10,057**	30,436
Equity position in investment pool with BTI – noncurrent – restricted	**4,949**	6,190
Equity position in investment pool with Minnesota Life – noncurrent – restricted	**4,454**	7,627
Total cash and cash equivalents	**$ 39,798**	$ 51,664

4. Deposit and Investment Disclosures

Deposits With Outside Financial Institutions

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, PEIA's deposits might not be recovered. PEIA has no deposit policy for custodial credit risk.

As of June 30, 2021 and 2020, the carrying amount of PEIA's outside bank deposits was $2,780 and the bank balances totaled $2,870.

4. Deposit and Investment Disclosures (continued)

Equity Position in Investment Pools Managed by BTI

West Virginia Money Market Pool

PEIA participates in the BTI's West Virginia Money Market Pool, which reported at amortized cost. The criteria specify that the pool must transact with its participants at a stable NAV per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place limitations or restrictions on participant withdrawals from the pool, such as redemption notice periods or maximum transaction amounts, or any authority to impose liquidity fees or redemption gates. Accordingly, as a pool participant PEIA measures its investment in this pool at amortized cost, which approximates market value of \$19,460 and \$44,253 at June 30, 2021 and 2020, respectively. These deposits are reported as equity position in investment pools. Investment income earned is prorated to PEIA at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the Pool. Such funds are available to PEIA with overnight notice. The BTI's audited financial statements, including the West Virginia Money Market Pool, are available on its website, wvbti.com.

Credit Risk, Interest Rate Risk, and Custodial Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The West Virginia Money Market Pool has been rated AAAm by Standard & Poor's. A fund rated "AAAm" has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. PEIA does not have a policy to limit credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. PEIA does not have a policy to limit interest rate risk.

(Dollars In Thousands)

4. Deposit and Investment Disclosures (continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, PEIA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The West Virginia Money Market Pool, which is a pooled investment, is exempt from custodial credit disclosure. PEIA does not have a policy for custodial credit risk.

Equity Position in Investment Pools Managed by the WVIMB

PEIA's investments in the following investment pools are managed by the WVIMB. Such investments, which are stated at fair value (actual asset allocation), are reported as part of equity position in investment pools on the statements of net position. PEIA can withdraw directly from the short term fixed income pool. If additional funds are requested, the WVIMB would need to liquidate holdings in the individual investment.

	Asset Value at June 30	
	2021	**2020**
Asset allocation (actual):		
TIPS pool	**$ 40,744**	$ 30,849
Domestic equity – large cap	**32,032**	–
Domestic equity – non-large cap	**5,426**	–
Domestic equity	**–**	27,301
International nonqualified pool	**9,573**	7,161
International equity pool	**23,308**	19,678
Total return fixed income	**75,233**	58,208
Core fixed income	**32,254**	24,556
Short term fixed income	**–**	51,000
Hedge fund	**52,378**	41,632
Total	**$ 270,948**	$ 260,385

(Dollars In Thousands)

4. Deposit and Investment Disclosures (continued)

Asset Allocation

Based upon WVIMB's determination of the appropriate risk tolerance for the fund, WVIMB has adopted the following broad asset allocation guidelines for the assets managed for PEIA. (Policy targets have been established on a market value basis.)

	Policy Target		Strategic Allocation	
Asset Class	**2021**	**2020**	**2021**	**2020**
Equity	**20%**	20%	**25%**	25%
Fixed income	**80**	80	**40**	40
TIPS	**–**	–	**15**	15
Hedge funds	**–**	–	**20**	20
Total	**100%**	100.%	**100%**	100%
Cash	*	*	*	*

* *WVIMB staff has authority to change the cash allocation plus or minus 10%, as necessary, in consultation with the appropriate representatives with PEIA. Not all cash is invested with the WVIMB.*

Redemption

The Short-Term Fixed Income Pool is a stable dollar fund that is used to hold monies awaiting withdrawal or investment. Redemptions from the Short-Term Fixed Income Pool may be completed on any WVIMB business day to the extent there are funds available. For cash to be available for withdrawal from the Short-Term Fixed Income Pool, redemptions will be required from the primary, long term investment pools based on the notification requirements in the following paragraph.

If the PEIA plans to withdraw funds beyond the established cash target, if any, then advance notice is required to allow the WVIMB to raise the cash for the Redemption request. Advanced notice is required to be provided to the WVIMB by the 18th of the preceding month to effectuate the transactions required to raise the cash. As an example, for cash to be available for withdrawal in the month of April, notice should be provided before March 18.

4. Deposit and Investment Disclosures (continued)

Cash withdrawn from the primary, long term investment pools will be deposited into the WVIMB's Short Term Fixed Income Pool until an Investment Redemption request is submitted.

Credit Risk, Interest Rate Risk, and Custodial Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. Each of the WVIMB investments is considered to be pooled investments and are unrated. PEIA does not have a policy to limit credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. PEIA does not have a policy to limit interest rate risk.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, PEIA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The WVIMB investments, which are pooled investments, are exempt from custodial credit disclosure. PEIA does not have a policy for custodial credit risk.

Investment Objectives

PEIA's investments with WVIMB's objective is to provide adequate liquidity to meet cash flow requirements and allow for growth of assets in an amount at least equal to inflation. The following is additional information of each pool's investment objective:

U.S. Treasury Inflation Protected Securities (TIPS)

The pool was established to offer an additional level of diversification over and above the nominal fixed-income securities in an attempt to mitigate the risk of inflation. The main objective for the Pool is to generate a return that exceeds the rate of inflation over a market cycle, to provide investment income and stability of principal and to diversify interest rate exposure. The Pool's performance is measured against the Bloomberg Barclays U.S. Treasury Inflation Protection Index on an annualized basis over rolling three- to five-year periods, gross of fees. The Pool invests in BlackRock U.S. Treasury Inflation Protected Securities Fund B (BlackRock). BlackRock invests primarily in a portfolio of debt securities with the objective of closely approximating the total rate of return for all outstanding U.S. Treasury Inflation Protected Securities with a maturity of one year or greater.

4. Deposit and Investment Disclosures (continued)

Domestic Equity Pool

The Domestic Equity Pool's objective is to exceed, net of external investment management fees, the Russell 3000 Stock Index over three- to five-year periods.

Large Cap Domestic Equity Pool

On July 1, 2020, the IMB created the Large Cap Domestic Equity Pool to invest in U.S. equities of large-cap growth and value stocks. This pool's objective is to equal or exceed, net of external investment management fees, the S&P 500 Stock Index over three- to five-year periods. The pool invests in the BlackRock Equity Index Fund B (BlackRock). BlackRock uses a replication indexing approach to achieve investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P 500 Stock index.

Non-Large Cap Domestic Equity Pool

On July 1, 2020, the IMB created the Non-Large Cap Domestic Equity Pool to invest in U.S. equities of small- and mid-cap growth and value stocks. This pool's objective is to equal or exceed, net of external investment management fees, the Russell 2500 Index over three- to five-year periods.

International Non-Qualified Pool

This pool invests in The Silchester International Investors International Value Equity Trust (Silchester). The pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. The pool exists for participants who are not "qualified" (as defined by the Internal Revenue Code). Silchester invests in a diversified developed country, non-U.S. equity, bottom-up, value-oriented portfolio of securities with limited exposure to emerging markets and no unreasonable concentration exposure to any single issuer or country.

4. Deposit and Investment Disclosures (continued)

International Equity Pool

This pool invests in the equities of international companies. The objective of the pool is to outperform the international equity market as measured by Morgan Stanley Capital International's All Country World Free Ex US Index over a full market cycle (three to five years), net of external investment management fees.

Total Return Fixed Income Pool

This pool's objective is to generate investment income and provide stability and diversification, but not at the expense of total return. The pool's investment objective is to outperform the Bloomberg Barclays U.S. Universal Bond Index over three- to five-year periods, net of external investment management fees.

Core Fixed Income Pool

The main objective of this pool is to generate investment income and provide stability and diversification, but not at the expense of the total return. The pool's investment objective is to outperform the Bloomberg Barclays U.S. Aggregate Bond Index over three- to five-year periods, net of external investment management fees.

Short Term Fixed Income

The main objective of the Pool is to maintain sufficient liquidity to meet the daily disbursements requested by participants and to invest any contributions until the time the money is transferred to other WVIMB operated investment pools without sustaining capital losses while earning a small return above inflation. The Pool's benchmark, net of external investments management fees, is the Citigroup 90-Day Treasury Bill Index.

Hedge Fund Pool

This pool was established to hold the WVIMB's investments in hedge funds. Albourne America, LLC has been retained by the WVIMB to provide consulting services for this investment strategy.

(Dollars In Thousands)

5. Equity Position in Investment Pool – Restricted (Premium Stabilization Fund) Managed by BTI and Minnesota Life

Optional life insurance premiums are funded entirely by program participants. The premium stabilization fund consists of accumulated dividends and interest on the participant optional life insurance policies. The premium stabilization fund is invested in the BTI Money Market Pool (see Note 4 for investment disclosures related to this Pool). To the extent that these policyholder premiums are refunded to PEIA in the form of dividends and interest by the life insurance company, the funds are refunded to the related optional life policyholders by way of reductions in future premium increases. This account is utilized to track the accumulated balance due to optional life policyholders. Noncurrent assets include $9,403 and $13,817 as of June 30, 2021 and 2020, respectively, restricted to meet this obligation.

The following table represents changes in the premium stabilization fund for the years ended June 30:

Rating	**2021**	**2020**
Premium stabilization fund – beginning of year	**$ 13,817**	$ 12,774
Life insurance dividends, interest received, and pool results	**(4,414)**	7,083
Amounts used to lower optional life rates	**–**	(6,040)
Premium stabilization fund – end of year	**$ 9,403**	$ 13,817

6. Capital Assets

Capital asset activity for the years ended June 30 was as follows:

Assets	**2020**	**Additions**	**Disposals**	**2021**
Intangible assets	**$ 9,026**	**$ –**	**$ –**	**$ 9,026**
Equipment	**1,317**	**17**	**–**	**1,334**
Total capital assets	**10,343**	**17**	**–**	**10,360**
Intangible assets	**(8,815)**	**–**	**–**	**(8,815)**
Equipment	**(1,427)**	**(52)**	**–**	**(1,479)**
Total accumulated depreciation	**(10,242)**	**(52)**	**–**	**(10,294)**
Total capital assets, net	**$ 101**	**$ (35)**	**$ –**	**$ 66**

(Dollars In Thousands)

6. Capital Assets (continued)

Assets	2019	Additions	Disposals	2020
Intangible assets	$ 9,026	$ –	$ –	$ 9,026
Equipment	1,301	16	–	1,317
Total capital assets	10,327	16	–	10,343
Intangible assets	(8,815)	–	–	(8,815)
Equipment	(1,365)	(62)	–	(1,427)
Total accumulated depreciation	(10,180)	(62)	–	(10,242)
Total capital assets, net	$ 147	$ (45)	$ –	$ 101

7. Unpaid Claims Liabilities

As discussed in Note 2, PEIA establishes a liability for both reported and unreported insured events, which includes an estimate of future payments of losses. The following represents changes in those aggregate liabilities for PEIA for the years ended June 30:

Rating	2021	2020
Claims payable, beginning of year	**$ 73,366**	$ 64,897
Incurred claims expenses:		
Provision for insured events of the current year	**647,600**	541,610
Decrease in provision for insured events of prior years	**(6,390)**	(3,750)
Total incurred claims expense	**641,210**	537,860
Payments:		
Claim payments, net of rebates, attributable to insured events of:		
Current year	**564,186**	462,582
Prior years	**52,303**	66,809
Total payments, net	**616,489**	529,391
Claims payable, end of year	**$ 98,087**	$ 73,366

The above payments are net of pharmacy rebates earned of $97,750 and $87,032 for the years ended June 30, 2021 and 2020, respectively.

8. Other Postemployment Benefits (OPEB)

Plan Description

PEIA participates in the West Virginia Other Postemployment Benefit Plan (the Plan) a cost-sharing, multiple employer, defined benefit other postemployment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The Plan is administered by a combination of the PEIA and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with approval of the Finance Board. The Finance Board comprises nine members. Finance Board members are appointed by the Governor, serve a term of four years, and are eligible for reappointment. The State Department of Administration cabinet secretary serves as Chairman of the Board. Four members represent labor, education, public employees, and public retirees. Four remaining members represent the public at large.

The Plan had approximately 43,036 policyholders and 63,316 covered lives at June 30, 2021. PEIA currently has approximately 22 employees eligible to receive RHBT benefits.

Active employees who retire are eligible for the PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement is a participating employer under the Consolidated Public Retirement Board (CPRB) and, as of July 1, 2008, forward, is a participating employer with PEIA. Active employees who, as of July 1, 2008, have ten years or more of credited service in the CPRB and whose employer at the time of their retirement does participate with CPRB, but does not participate with PEIA will be eligible for PEIA retiree coverage provided they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by PEIA, that the employer will pay to PEIA the nonparticipating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium himself or herself. Active employees who are members of the Teacher's Defined Contribution Retirement (TDCR) plan must be either 55 years of age and have 12 or more years of credited service or be at least 60 years of age with five years of service, and their last employer immediately prior to retirement must be a participating employer under TDCR plan, or the CPRB system to qualify to continue PEIA insurance benefits upon retirement. Employees who participate in non-State retirement systems but are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and similar plans), or are approved, in writing, by the PEIA Director must, in the case of education

8. Other Postemployment Benefits (OPEB) (continued)

employees, meet the minimum eligibility requirements of the State Teacher's Retirement System and in all other cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

For additional financial information, please refer to the audited financial statements of the RHBT. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at peia.wv.gov. If you have any questions about this report or need additional information, contact the Chief Financial Officer, Jason Haught, at +1 304 558 7850, ext. 72627 or the RHBT Controller, Jennifer Priddy, at +1 304 558 7850, ext. 20298. You can also submit your questions in writing to West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, WV 25304.

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

The medical and prescription drug insurance is provided through two options:

- Self-Insured Preferred Provider Benefit Plan – primarily for non-Medicare-eligible retirees and spouses
- External MCOs – primarily for Medicare-eligible retirees and spouses

Contributions

Contributions into the RHBT include PayGo, retiree leave conversion billings, and other matters, including billing adjustments. PayGo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute to the RHBT this premium at the established rate for every active policyholder per month. PEIA's contributions to the RHBT were $59, $60, and $64 for the fiscal years ended June 30, 2021, 2020, and 2019, respectively.

(Dollars In Thousands)

8. Other Postemployment Benefits (OPEB) (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021 and 2020, PEIA reported a liability of $186 and $595, respectively, for its proportionate share of the net OPEB liability. PEIA's proportion of the net OPEB liability each year is based on PEIA's share of contributions to the OPEB plan relative to the contributions of all employers participating in the RHBT for the respective year. At June 30, 2021, PEIA's proportionate share was 0.0421%, which was an increase of 0.0063% from its proportionate share as of June 30, 2019.

For the years ended June 30, 2021 and 2020, PEIA recognized OPEB expense of $(115) and $0.27, respectively.

Sensitivity of PEIA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

A Single Discount Rate of 6.65% was used to measure the total OPEB liability. The following presents PEIA's proportionate share of the net OPEB liability calculated using the discount rate of 6.65%, as well as what PEIA's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	1.00% Decrease (6.15%)	Discount Rate (7.15%)	1.00% Increase (8.15%)
PEIA's proportionate share of net OPEB liability	$ 265	$ 186	$ 120

(Dollars In Thousands)

8. Other Postemployment Benefits (OPEB) (continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents PEIA's proportionate share of the net OPEB liability of the Plan, as well as what PEIA's net OPEB liability would be if it were calculated using health care cost trend rates that are 1 percentage point lower:

	1% Decrease	Health Care Cost Trend Rates	1% Increase
Net OPEB liability	$ 112	$ 186	$ 276

9. Pension Plan

Plan Description

All full-time PEIA employees are eligible to participate in the State's Public Employees' Retirement System (PERS), a multiple-employer defined benefit cost-sharing public employee retirement system administered by the West Virginia CPRB. Chapter 5, Article 10 of the West Virginia Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. Benefits under PERS include deferred retirement, early retirement, and death and disability benefits and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements and actuarial information for PERS that may be obtained at wvretirement.com.

Benefits Provided

Employees are eligible for normal retirement at age 60 with 5 or more years of credited service, or at least age 55 with age and service equal to 80 or greater. For all employees hired on or after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service or at least age 55 with 30 or more years of service. The straight-life annuity retirement benefit, established by State statute, is equivalent to 2% of the employee's final average salary multiplied by years of service. Final average salary is the average of the 3 consecutive highest annual earnings out of the last 15 years of earnings. For all employees hired on or after July 1, 2015, average salary is the average of the 5 consecutive highest annual earnings out of the last 15 years of earnings.

9. Pension Plan (continued)

Terminated members with at least 5 years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015 who have separated from employment with a participating PERS agency prior to retirement, the retirement age increases to age 64.

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 10.0% for the years ended June 30, 2021, 2020, and 2019. Beginning February 7, 2012, new hires are required to pay the employee's contribution of 4.5%. For all employees hired on or after July 1, 2015, the employee contribution increased to 6.0%. PEIA's contributions to the plan were $178, $167, and $148 for the fiscal years ended June 30, 2021, 2020, and 2019, respectively.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2021 and 2020, PEIA reported a liability of $566 and $225, respectively, for its proportionate share of the net pension liability. PEIA's proportion of the net pension liability was based on PEIA's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2020. At June 30, 2021, PEIA's proportionate share was 0.10700%, which was an increase of 0.00246% for its proportionate share measured as of June 30, 2020.

For the years ended June 30, 2021 and 2020, PEIA recognized pension expense of $147 and $115, respectively.

(Dollars In Thousands)

9. Pension Plan (continued)

Sensitivity of PEIA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The following presents the proportionate share of the net pension liability of PEIA, calculated using the discount rate of 7.50%, as well as what PEIA's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

Net Pension Liability		
1.00% Decrease 6.50%	**Current Discount Rate 7.50%**	**1.00% Increase 8.50%**
$ 1,442	$ 566	$ (175)

10. Litigation

PEIA is engaged in various legal actions that it deems to be in the ordinary course of business. The ultimate outcome of these matters is unknown. PEIA believes that it has adequately provided for probable costs of current litigation, as these legal actions are resolved; however, PEIA could realize positive and/or negative impact to financial performance in the period in which these legal actions are ultimately decided.

Required Supplementary Information

(In Thousands)

West Virginia Public Employees Insurance Agency

Ten-Year Claims Development Information

(In Thousands)

The table below illustrates how PEIA's earned premiums (net of reinsurance) and investment income compare with related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by PEIA as of the end of each of the years presented. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned and ceded premiums, administrative fees, other operating income, State appropriations, and investment income net of fees. (2) This line shows each fiscal year's other operating costs of PEIA, including overhead and unallocated claims expense not allocable to individual claims. (3) This line shows PEIA's incurred and ceded claims and allocated claims adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage occurred (called accident year). (4) These lines show the cumulative amounts paid as of the end of successive years for each accident year. (5) This line shows the most current estimate of losses assumed by reinsurers for each accident year. (6) These lines show how each accident year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims and reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (7) This line compares the latest re-estimated net incurred claims amount with the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual accident years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature accident years. The columns of the table show data for successive accident years.

	Year Ended June 30									
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
1) Premiums, investment, and other revenues:										
Earned	$ 570,677	$ 582,682	$ 606,681	$ 578,350	$ 562,179	$ 652,785	$ 626,836	$ 641,618	$ 647,938	**$ 694,621**
Ceded	54,952	52,720	50,623	51,599	51,176	48,953	44,457	47,942	51,664	**56,514**
Net earned	515,725	529,962	556,058	526,751	511,003	603,832	582,379	593,676	596,274	**638,107**
2) Unallocated expenses	22,560	22,484	25,253	28,553	22,421	18,199	18,580	19,169	26,223	**23,294**
3) Estimated incurred claims and allocated claims adjustment expense, end of accident year:										
Incurred	556,025	531,589	566,392	607,350	608,128	591,410	557,883	580,267	593,274	**706,884**
Ceded	54,952	52,720	50,623	51,599	51,176	48,953	44,457	47,942	51,664	**56,514**
Net incurred	501,073	478,869	515,769	555,751	556,952	542,457	513,426	532,325	541,610	**650,370**
4) Paid (cumulative) claims and allocated claims adjustment expense as of:										
End of accident year	444,524	436,560	471,415	474,120	500,897	480,228	460,173	484,495	462,582	**564,186**
One year later	491,427	489,742	528,128	532,549	571,120	535,595	507,701	551,304	514,885	
Two years later	491,264	490,133	528,128	532,549	571,120	535,595	507,701	551,304		
Three years later	491,264	490,133	528,128	532,549	571,120	535,595	507,701			
Four years later	491,264	490,133	528,128	532,549	571,120	535,595				
Five years later	491,264	490,133	528,128	532,549	571,120					
Six years later	491,264	490,133	528,128	532,549						
Seven years later	491,264	490,133	528,128							
Eight years later	491,264	490,133								
Nine years later	491,264									

West Virginia Public Employees Insurance Agency

Ten-Year Claims Development Information (continued)

(In Thousands)

	Year Ended June 30									
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
5) Re-estimated ceded claims and expenses	$ 52,720	$ 52,720	$ 50,623	$ 51,599	$ 51,176	$ 48,953	$ 44,457	$ 47,942	$ 51,664	**$** –
6) Re-estimated net incurred claims and allocated claims adjustment expense:										
End of accident year	501,073	478,869	515,769	555,751	556,952	542,457	513,426	532,325	541,610	**647,600**
One year later	496,773	479,329	515,689	557,931	553,322	546,787	509,436	529,555	**528,990**	
Two years later	496,913	479,339	515,689	557,931	554,012	547,687	508,636	**535,785**		
Three years later	496,743	479,339	515,689	557,981	554,092	547,507	**508,636**			
Four years later	496,743	479,339	515,689	557,981	554,092	**547,507**				
Five years later	496,743	479,339	515,689	557,981	**554,092**					
Six years later	496,743	479,339	515,689	**557,981**						
Seven years later	496,743	479,339	**515,689**							
Eight years later	496,743	**479,339**								
Nine years later	**496,743**									
7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of accident year	(4,330)	470	(80)	2,230	(2,860)	5,050	(4,790)	3,460	(12,620)	–

Note: The above financial data is summarized for individual contract periods. Subsequent premium and related expense adjustments and reserve developments are recorded in the year incurred for fiscal year financial reporting but are included in the applicable contract year for purposes of the above schedule. Accordingly, components of change in net assets as determined on a contract-year basis will differ from that included in PEIA's fiscal year financial statements.

Other Supplementary Information
(In Thousands)

West Virginia Public Employees Insurance Agency

Form 7, Deposits Disclosure

(In Thousands)

June 30, 2021

		Carrying Amount	
Cash with State Treasurer	$	17,550	
Deposit in transit		–	
Cash in outside bank accounts		2,780	
Total carrying amount of deposits		20,330	
Cash equivalents (with BTI and Minnesota Life)		19,460	
Total cash	$	39,790	(1)(3)

See independent auditor's report on other financial information.

(1) Agrees to audited statement of net position as follows:

Cash and cash equivalents	$	20,330	(2)
Equity position in investment pool – current		10,057	(2)
Equity position in investment pool – noncurrent and restricted		9,403	(2)
Total cash equivalents	$	39,790	(2)(3)

(2) Agrees to audited statement of cash flows.

(3) Agrees to Note 4, cash and cash equivalents.

West Virginia Public Employees Insurance Agency

Form 8, Investments Disclosure

(In Thousands)

June 30, 2021

Investment Pool	Amount Unrestricted	Amount Restricted	Amount Reported	Fair Value
West Virginia Board of Treasury Investments (BTI):				
WV Money Market Pool	$ 10,057	$ 4,949	$ 15,006	$ 15,006
Total equity position in investment pool with BTI	$ 10,057 (1)	$ 4,949 (3)	$ 15,006	$ 15,006 (5)
Minnesota Life Insurance:				
Cash and cash equivalents	$ –	$ 4,454 (3)	$ 4,454	$ 4,454
West Virginia Investment Management Board (IMB) Investment Pools:				
Total return fixed income	$ 75,233		$ 75,233	$ 75,233
Core fixed income	32,254		32,254	32,254
TIPS	40,744		40,744	40,744
Domestic equity – Large Cap	32,032		32,032	32,032
Domestic equity – Non-Large Cap	5,426		5,426	5,426
International nonqualified	9,573		9,573	9,573
Hedge fund	52,378		52,378	52,378
International equity	23,308		23,308	23,308
Total equity position in investment pools with IMB	$ 270,948	$ –	$ 270,948	$ 270,948 (1)

See independent auditor's report on other financial information.

(1) Agrees to the audited statement of net position.

(2) Agrees to audited statement of net position as follows:

Equity position in investment pool – current	$ 10,057 (1)
Equity position in investment pool – noncurrent and restricted	280,351 (1)
Total	$ 290,408 (4)

(3) Agrees to audited statement of net position as follows:

Total equity position in investment pool with BTI	$4,949
Cash and cash equivalents	4,454
Total	$ 9,403 (1)

(4) Agrees to Form 8a.

(5) Amortized cost approximates fair value.

West Virginia Public Employees Insurance Agency

Form 8-A, Deposits and Investments Disclosure

(In Thousands)

June 30, 2021

Reconciliation of cash and cash equivalents and investments as reported in the financial statements to the amounts disclosed in the footnotes:

Cash and cash equivalents as reported	$	20,330 [1][2]
Equity position in investment pools as reported	$	290,408 [3]

See independent auditor's report on other financial information.

[1] Agrees to audited statement of net position.

[2] Agrees to Form 7.

[3] Agrees to Form 8.

West Virginia Public Employees Insurance Agency

Form 9, Accounts Receivable

(In Thousands)

June 30, 2021

Total accounts receivable	$	69,917 [1]
Less allowance for doubtful accounts		(1,725) [1]
Total accounts receivable, net	$	68,192

See independent auditor's report on other financial information.

[1] Agrees to audited statement of net position as follows:

Premium receivable:		
Due from State of West Virginia	$	3,808 [2]
Other, net		5,197 [2]
Accounts receivable:		
Due from RHBT		1,722 [2]
Prescription rebates		56,762 [2]
Other		703 [2]
Total accounts receivable, net	$	68,192
Allowance for doubtful accounts:		
Premium receivable – other	$	66 [2]
Provider refunds		1,659 [2]
	$	1,725

[2] Agrees to the audited statement of net position.

West Virginia Public Employees Insurance Agency

Form 10, Due (To) From Primary Government
(In Thousands)

June 30, 2021

Agency		Total
Adjutant General	$	1
Administration, Dept of		4
Agriculture		(2)
Anthony Correctional Center		(9)
Architects, Board of		(1)
Attorney General		1
Auditors Office		(1)
Board of Medicine		(3)
Bureau of Senior Services		(3)
Culture and History		(14)
Department of Education		(68)
Department of Highways		22
Department of Labor		(2)
Division of Financial Institution		(1)
DOT Office of Administrative Hearings		(6)
Forestry, Division of		(2)
Health Dept		(57)
Homeland Security – Emergency Management		(6)
Hopemont State Hospital		(5)
House of Delegates (Staff)		(6)
Human Rights Commission		(6)
Human Services, Dept of		(6)
Jackie Withrow Hospital		(3)
Joint Comm on Govt & Finance		(1)
Lakin State Hospital		(1)
Mildred Mitchell-Bateman Hospital		(8)
Military Affairs & Public Safety		(2)
Military Authority		(8)
Motor Vehicles		(25)
Mt Olive Correctional Facility		2
National Coal Heritage Area Authority		(1)
Natural Resources		(2)
Northern Correctional Facility		1
Off of Miner's Health Safety & Training		(6)
Public Safety		12
Public Service Commission		(49)
Public Transit		(1)

West Virginia Public Employees Insurance Agency

Form 10, Due (To) From Primary Government (continued)

(In Thousands)

Agency		Total
Senate	$	(33)
Supreme Court/Judicial		1
Tourism, Division of		(3)
Treasurer of State's Office		1
Welch Emergency Hospital		(25)
William R Sharpe Jr Hospital		(9)
WV Board of Barbers and C		(18)
WV Center for Nursing		(3)
WV Division of Juvenile Services		2
WV Massage Therapy Licensure Bd		(2)
WV School for the Deaf and Blind		(61)
		(412)
Total primary government		(412)
Total component units		4,220 [2]
Due from State of West Virginia, net	$	3,808 [1]

See independent auditor's report on other financial information.

[1] Agrees to the audited statement of net position.

[2] Agrees to Form 11.

West Virginia Public Employees Insurance Agency

Form 11, Component Unit – A/R Balances

(In Thousands)

June 30, 2021

Unit		Amount
Blue Ridge Community & Technical College	$	(24)
Bluefield State College		(14)
BridgeValley Community and Technical College		(12)
Concord College		(9)
Corrections / Denmar Facility, Dept of		1
Corrections / Salem Corr, Dept of		(3)
Development Office		(3)
Educational Broadcasting		(11)
Fairmont State University		(9)
Glenville State College		(6)
Higher Education Policy Commission		(1)
Housing Development Corporation		17
Jobs Investment Trust Board		9
Kanawha Valley CTC		(1)
Marshall University		4
Mountwest Community & Tec		(25)
New River Comm. & Tech		(13)
Pierpont Community & Technical College		(1)
Point Pleasant Housing Authority		8
Public Defender 11th Judicial Circuit		4
Public Defender Corp / 15th Judicial		14
Public Defender Corp / 30th Jud Circuit		3
Public Defender / 7th Judicial Circuit		4
Public Defender - 13th Circuit		18
Railroad Maintenance Authority		(6)
Randolph County Housing Authority		11
Reg Jail & Correctional Fac Auth		3
Rehabilitation Services, Division of		(15)
School Building Authority		(5)
School of Osteopathic Medicine		(12)
Shepherd University		(20)
The Housing Authority of the County of Jackson		5
West Liberty State College		(4)
West Virginia Lottery Commission		(6)
West Virginia University		4,084
Williamson Housing Authority		6
WV Assoc. of Rehabilitation Facilities		4
WV Network for Educational Telecom		(2)
WV Northern Community College		(1)
WV Parkways Econ. Dev. & Tourism Auth.		(2)
WV State University		(1)
WVU Parkersburg		231
Total component units	$	4,220 (1)

See independent auditor's report on other financial information.

(1) Agrees to Form 10.

Ernst & Young LLP
900 United Center
500 Virginia Street East
Charleston, WV 25301

Tel: +1 304 343 8971
Fax: +1 304 357 5994
ey.com

Independent Auditors' 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*

Finance Board and Management
West Virginia Public Employees Insurance Agency

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the West Virginia Public Employees Insurance Agency (PEIA), which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PEIA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PEIA's internal control. Accordingly, we do not express an opinion on the effectiveness of PEIA'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PEIA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Ernst & Young LLP

October 15, 2021

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