Financial Statements, Required Supplementary Information, and Other Supplementary Information

West Virginia Public Employees Insurance Agency
Years Ended June 30, 2026 and 2025
With Reports of Independent Auditors

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West Virginia Public Employees Insurance Agency

Financial Statements, Required Supplementary Information, and Other Supplementary Information

Years Ended June 30, 2026 and 2025

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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

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Report of Independent Auditors

Finance Board and Management
West Virginia Public Employees Insurance Agency

Report on the Financial Statements

Opinion

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 years ended June 30, 2026 and 2025 , and the related notes to the financial statements, which collectively comprise PEIA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the net position of PEIA at June 30, 2026 and 2025, and the related changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PEIA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PEIA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PEIA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PEIA's ability to continue as a going concern for a reasonable period of time.

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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Ten-Year Claims Development Information be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise PEIA's financial statements. 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 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying other supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 15, 2026 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PEIA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PEIA's internal control over financial reporting and compliance.

Ernst & Young LLP

October 15, 2026

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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, 2026 and 2025. 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 the 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 in this statement to arrive at net increase or decrease in cash for the fiscal year.

Detailed Analyses

Overview of financial condition

As of June 30, 2026, total assets have increased by $157.5 million (43.8%) to $517.1 million, up from $359.6 million as of June 30, 2025. This growth is mainly due to increase in premiums, and favorable investment income

Total liabilities increased by $35.4 million (24.8%) to $178.1 million, up from $142.7 million. The rise is due to higher medical claims and prescription drug expenses during the year.

PEIA's net position has increased to $339.0 million (56.2%), reflecting the net surplus of $122 million achieved during the period.

PEIA's liquidity position has also increased, providing a strong foundation for operational stability, with cash and cash equivalents totaling $144 million as of June 30, 2026. This represents an increase of $26.0 million (22%) from $118.0 million as of June 30, 2025.

A detailed analysis of cash flow reveals the following:

- Operating activities: Net cash provided by operating activities was $134.5 million, an increase of $137.2 million (5,069%) from plan year 2025.

- Investing activities: Net cash used in investing activities was $125.1 million, an increase of $128.3 million (4,042%) from plan year 2025. Financing activities: Net cash provided by capital and noncapital financing activities was $16.2 million, a decrease of $58.3 million (78.3%) from plan year 2025.

Cash and Cash Equivalents

Cash and cash equivalents, plus the current and restricted portion of equity in investment pools, increased by $25,600 at the year end. This increase was driven by $134,511 net cash provided by operations and $16,176 net cash provided by noncapital financing activities, offset by $125,087 in net cash used in investing activities.

Last year, the total cash, cash equivalents, and the current and restricted portion of equity position in the investment pool increased by $74,949 at year-end. This was driven by $74,483 in net cash provided by financing activities and $3,173 in net cash provided by investing activities, offset by $2,707 in net cash used in operating activities.

Equity Position in Investment Pools Current and Noncurrent

The current and noncurrent portions of the equity position in investment pools increased by $208,737. This increase was driven by the $134,511 net cash provided by operating activities, $33,013 reallocation of operating cash to investments, $25,038, market appreciation of investments with the West Virginia Investment Management Board and interest income from the West Virginia Board of Treasury Investments, and $16,176 net cash provided by noncapital financing activities.

Last year, the equity position in the current and noncurrent investment pools increased by $84,744. This increase was driven by $18,744 from market appreciation of investments with the West Virginia Investment Management Board and interest income from the West Virginia Board of Treasury Investments and $74,483 in net cash provided by financing activities. These gains were partially offset by $2,707 in cash used for operations and $5,776 in cash held to pay off payables.

Claims Payable

Claims payable increased by $23,020 (23.2%). This is primarily due to a 31% increase in backlog compared to the previous year, as noted in the June 2026 report from Continuing Care Actuaries.

Last year, claims payable decreased by $36,826 (27.1%). As noted in the June 2025 report from Continuing Care Actuaries, this is primarily due to a 37% decrease in the backlog compared to 2024.

Other Current Liabilities

Other current liabilities increased by $12,371 (31.8%). This increase is primarily driven by a $10,560 increase in unearned revenue and a $2,700 increase in flexible benefit plan liabilities, offset by an $889 payment toward miscellaneous vendor liabilities.

Last year, other current liabilities increased by $5,586 (16.8%). This rise was primarily driven by a $6,404 increase in unearned revenue and a $399 increase in compensated absences, in compliance with GASB 101. The unearned revenue specifically relates to appropriations received from the Department of Education, designated for future premium obligations of its plan members. These increases were partially offset by reductions of $661 in the premium deficiency reserve, $547 in accounts payable, and $9 in other current liabilities.

Premium Stabilization Reserve

The Premium Stabilization Reserve (PSR) held by PEIA remained at $4,590 for both 2025 and 2026.

Total Operating Revenue

This year, total operating revenue increased by $104,842 (11.4%). This growth was primarily driven by a $118,785 (12%) increase in premium revenue, resulting from the PEIA Finance Board's implementation of 14-16% premium increases for both State and Non-State plans effective July 1, 2025. Administrative fees also increased slightly by $259 (5.2%). This is offset by payments to managed care organizations and life insurance premiums which rose by $14,202 (19.7%) due to the managed care Health Plan's premium increase for 2026.

Last year, total operating revenue increased by $65,819 (7.7%). Premium revenue increased by $71,510, following the PEIA Finance Board's implementation of premium increases for both State and Non-State plans, as well as a spousal surcharge for family plans effective July 1, 2024. Administrative fees also saw a minor increase of $26 (0.5%). This is offset by payments to managed care organizations and life insurance premiums rose by $5,717 due to the managed care Health Plan's premium increase for 2025.

Claims Expense

This year, total claims increased by $34,304 (4%), driven primarily by an $18,158 (3%) rise in medical claims expenses and a $16,146 (6%) increase in net drug claims. According to the 2026 Pharmacy Benefit Manager's annual review, diabetes medications were the primary driver behind the increase in drug claims. They remained the top overall expense, accounting for 25% of the total net cost ($72,274). Within that category, GLP-1 medications alone represented $57,450, or 19.6% of total net costs.

Total claims decreased by $23,156 last year, primarily driven by a $29,243 (5%) reduction in medical claims expenses. This was partially offset by a $6,087 (3%) increase in net drug claims, which was mainly driven by diabetes medications. According to the 2025 Pharmacy Benefit Manager's annual review, diabetes medicines remained the top expense, accounting for 26% of the total plan cost ($73,239). Of that amount, GLP-1 medications alone represented $53,600, or 18.1% of the overall cost.

Due to rising medical and prescription drug costs, PEIA management and its actuaries continue to collaborate on estimating the cost increases for the 2026 finance plan. A primary factor driving volatility in these estimates is the shift in hospital service reimbursement levels from approximately 110% of Medicare to 100% of Medicare.

Due to this volatility, the actual claims experience for 2026 was higher than 2025, but remained lower than projected:

- Total medical and drug claims expenses reached $896.2 million, representing a $34.3 million (4%) increase compared to last year's total of $861.9 million. However, this figure is $127.1 million (12.4%) lower than the $1,023 million projected in the 2026 financial plan.

- Medical claims expenses were $631.5 million, an increase of $18.1 million (3%) compared to last year's $613.4 million. However, this figure remains 11% lower than the $705.6 million projected in the 2026 finance plan.

- Prescription drug claims expenses totaled $264.7 million, representing a $16.1 million (6.5%) increase compared to last year's total of $248.6 million. However, this amount was $53 million (16.7%) lower than the 2026 finance plan estimate of $317.7 million.

Net investment income

PEIA's net investment income increased by $6,294 (33.6%). This growth is primarily due to an increase in investments and the appreciation of equity positions within investment pools. PEIA's investments are managed by the West Virginia Investment Management Board and the Board of Treasury Investments.

Last year, PEIA's net investment income increased by $4,186 (28.8%). This was primarily driven by an increase in investments, the appreciation of long-term equity, and interest income from short-term investment instruments. PEIA's investments are managed by the West Virginia Investment Management Board and the Board of Treasury Investments.

Nonoperating income

Nonoperating income decreased by $80,706 (76.3%), primarily due to receiving no State direct transfer of appropriations compared to $87,000 last year. This was offset by a $6,294 increase in market appreciation in the equity position in investment pools.

Last year, nonoperating income increased by $91,186 (626.4%). This increase was primarily driven by an $87,000 direct transfer of State appropriations and a $4,186 increase in market appreciation from our equity position in investment pools.

Net Position

This year, PEIA's net position increased by $121,974. This improvement compared to last year is driven by $104,583 (11.4%) increase in net premium revenue; a $259 (5.2%) increase in administrative fees; $37,943 (4.3%) increase in operating expenses; and an $80,706 (76.3%) decrease in nonoperating income.

Last year, PEIA's net position increased by $135,781. This improvement compared to last year is driven by $65,793 (7.7%) increase in net premium revenue, $26 (0.5%) increase in administrative fees, $22,315 (2.4%) decrease in operating expenses and $91,186 (626.4%) increase in nonoperating income.

In 2026, PEIA, like other public health insurers, continues to face economic challenges including premium rate increases due to inflation, the rising cost of high-value drugs like glucagon-like peptide 1 (GLP-1) and continued increases in utilization.

Demand for GLP-1 medications in the U.S. remains extremely high in 2026, driven by significant growth in utilization for both diabetes management and weight loss. According to the Evernorth Research Institute's 2025 Pharmacy in Focus Report, GLP-1 utilization for weight loss was projected to increase by 73.1%. Furthermore, Evernorth's 2026 market outlook projects that utilization for weight management will continue to grow at an estimated rate of 20%.

PEIA has maintained its decision not to cover GLP-1 medications for weight loss since March 15, 2024, and currently covers them exclusively for diabetes management. PEIA management continues to work with the Pharmacy Benefit Manager (PBM) to implement cost-saving strategies for these products. As a result of these efforts, diabetes prescription drug claims for 2026 have decreased by 2.9% (Evernorth's WV PEIA FY26 Annual Review).

Compared to the projected 17% increase in prescription drug costs in the 2026 Financial Plan, the actual net drug claims costs for 2026 increased by only 6.5% compared to 2025.

Significant Capital Asset and Long-Term Financing Activity

PEIA did not enter into any new long-term financing agreements, leases, or subscription-based information technology arrangements (SBITAs) during the year. There are no significant capital commitments during the fiscal period.

Currently Known Facts, Decisions, or Conditions

Financial Outlook

PEIA's FY 2026 results show an increased trend and a reduced prescription drug in comparison with FY 2025. Specifically, trend data for FY 2026 indicates a total medical trend of 9.27% (up from 7.0% in FY 2025) and the prescription drugs trend of 2.2% (down from 7% in FY 2025). The overall trend was 6.8%, in FY 2025.

These new trend results will now be incorporated into the actuaries' forecast tools to develop new trend assumptions. For 2027, the medical and prescription drug trend assumptions will change to 6% and 12.75% respectively.

For FY 2027, the PEIA Finance Board passed the financial plan with the following modifications effective July 1, 2026.

- 3% Aggregate Premium Increase for both employees and employers.
- PEIA Self Insured PPB Plans were renamed:
    - PPB Plan A is now PPB Gold
    - PPB Plan C is now PPB Gold High-Deductible Plan
    - PPB Plan B is now PPB Silver
    - PPB Plan D benefits have changed, and it is now the PPB WV Bronze High-Deductible Plan. Note: State Fund employee-members of this plan will receive a one-time $500 employer contribution into a Health Savings Account (HSA) upon enrollment.
- Non-State Agencies: Non-state public employers must enroll at least 50% of their employees into a PEIA health plan

Due to increasing medical and prescription drug cost trends for FY 2027, healthcare cost increases will continue to exceed general inflation. As a result, the Finance Board will need to assume either increased premiums or benefit changes to offset these trends during the upcoming FY 2028 Finance Plan process.

New laws affecting PEIA

WV Legislature passed the following House Bills into law in 2026.

HB 4089 – The "Jessica Huffman's Law" - Requires health insurance policies issued or renewed after January 1, 2027, to cover **scalp cooling systems** used to reduce hair loss during cancer chemotherapy.

HB 4965 – Patient-Centered Treatment Flexibility Act - Allows patients covered by the **Public Employees Insurance Agency (PEIA)** to switch to an alternative, medically appropriate treatment of equal or lesser cost without needing a new, separate prior authorization.

PEIA has submitted a fiscal note estimating the potential cost at $13 million.

HB 5430 – Pharmacy Benefit Manager (PBM) Reform - Targets prescription drug costs by banning "spread pricing**,**" enhancing transparent fee structures independent of drug costs, and moving PEIA marketplace oversight under the State Insurance Commissioner.

PEIA anticipates potential savings from HB 5430, and will monitor the implications of this law. PEIA complied with this law by issuing cost containment in the Request for Proposal (RFP) to the vendors,

ACCESS System was implemented the go-live in August 2026. The annual subscription fee is about $1.5 million.

Financial Summary

The following table summarizes the statement of net position as of June 30:

	2026	2025	2024	Change 2026–2025 Amount	Change 2026–2025 Percentage	Change 2025–2024 Amount	Change 2025–2024 Percentage
Assets							
Cash and cash equivalents	**$ 8,833**	$ 41,846	$ 36,069	$ (33,013)	-78.9%	$ 5,777	16.0%
Equity position in – investment pools	**134,761**	76,148	6,976	58,613	77.0%	69,172	991.6%
Premium receivable	**16,277**	13,439	15,538	2,838	21.1%	(2,099)	-13.5%
Other current assets	**42,456**	63,966	47,530	(21,510)	-33.6%	16,436	34.6%
Total current assets	**202,327**	195,399	106,113	6,928	3.5%	89,286	84.1%
Equity position in investment pools	**308,997**	159,436	144,301	149,561	93.8%	15,135	10.5%
Equity position in investment pools-restricted	**5,153**	4,590	4,153	563	12.3%	437	10.5%
Capital assets, net	–	–	51	–	0.0%	(51)	-100.0%
Pension & OPEB	**637**	170	43	467	274.7%	127	295.3%
Total assets	**517,114**	359,595	254,661	157,519	43.8%	104,934	41.2%
Deferred outflows of resources							
Pension and OPEB	**412**	444	286	(32)	-7.2%	158	55.2%
Total deferred outflows of resources	**412**	444	286	(32)	-7.2%	158	55.2%
Liabilities							
Claims payable	**122,310**	99,290	136,116	23,020	23.2%	(36,826)	-27.1%
Other current liabilities	**51,224**	38,853	33,267	12,371	31.8%	5,586	16.8%
Total current liabilities	**173,534**	138,143	169,383	35,391	25.6%	(31,240)	-18.4%
Noncurrent liabilities:							
Premium stabilization fund	**4,590**	4,590	4,153	–	0.0%	437	10.5%
Total liabilities	**178,124**	142,733	173,536	35,391	24.8%	(30,803)	-17.8%
Deferred inflows of resources							
Pension and OPEB	**355**	233	119	122	52.4%	114	95.8%
Total deferred inflows of resources	**355**	233	119	122	52.4%	114	95.8%
Net position:							
Net investment in capital assets	–	–	51	–		(51)	-100.0%
Unrestricted	**339,047**	217,073	81,241	121,974	56.2%	135,832	167.2%
Total net position	**$ 339,047**	$ 217,073	$ 81,292	$ 121,974	56.2%	$ 135,781	167.0%

Financial Summary

The following table summarizes the statement of changes net position for the year ended June 30:

				Change 2026–2025		Change 2025–2024	
	2026	**2025**	**2024**	**Amount**	**Percentage**	**Amount**	**Percentage**
Premium revenue	**$ 1,106,987**	$ 988,202	$ 916,692	$ 118,785	12.0%	$ 71,510	7.8%
Less payments to managed care organizations and life insurance premiums	**(86,239)**	(72,037)	(66,320)	(14,202)	19.7%	(5,717)	8.6%
Net premium revenue	**1,020,748**	916,165	850,372	104,583	11.4%	65,793	7.7%
Administrative fees, net	**5,240**	4,981	4,955	259	5.2%	26	0.5%
Total operating revenues	**1,025,988**	921,146	855,327	104,842	11.4%	65,819	7.7%
Claims expense, net	**896,248**	861,944	885,100	34,304	4.0%	(23,156)	-2.6%
Administrative service fees	**24,904**	21,225	21,796	3,679	17.3%	(571)	-2.6%
Other expenses	**7,900**	7,940	6,528	(40)	-0.5%	1,412	21.6%
Total operating expenses	**929,052**	891,109	913,424	37,943	4.3%	(22,315)	-2.4%
Operating income (loss)	**96,936**	30,037	(58,097)	66,899	222.7%	88,134	151.7%
State appropriation	**–**	87,000	–	(87,000)	-100.0%	87,000	100.0%
Net investment income (loss)	**25,038**	18,744	14,558	6,294	33.6%	4,186	28.8%
Total nonoperating income	**25,038**	105,744	14,558	(80,706)	-76.3%	91,186	626.4%
Change in net position	**121,974**	135,781	(43,539)	(13,807)	-10.2%	179,320	411.9%
Net position, beginning of year	**217,073**	81,292	124,831	135,781	167.0%	(43,539)	-34.9%
Net position, end of year	**$ 339,047**	$ 217,073	$ 81,292	$ 121,974	56.2%	$ 135,781	167.0%

West Virginia Public Employees Insurance Agency

Statements of Net Position
(Dollars In Thousands)

	June 30	
	2026	**2025**
Assets		
Current assets:		
Cash and cash equivalents	**$ 8,833**	$ 41,846
Equity position in investment pool	**134,761**	76,148
Premiums receivable other, net of allowance for doubtful accounts of $75 for both years	**10,426**	8,396
Premiums due from State of West Virginia	**5,851**	5,043
Accounts receivable:		
Due from RHBT	**4,957**	21,133
Prescription rebates	**28,799**	37,083
Other	**8,700**	5,750
Total current assets	**202,327**	195,399
Noncurrent assets:		
Equity position in investment pool– unrestricted IMB	**308,997**	159,436
Equity position in investment pool – restricted IMB	**5,151**	4,588
Equity position in investment pool – restricted BTI	**2**	2
Net Pension and OPEB asset	**637**	170
Total noncurrent assets	**314,787**	164,196
Total assets	**517,114**	359,595
Deferred outflows of resources related to:		
Pension and OPEB	**412**	444
Total deferred outflows of resources	**412**	444
Liabilities		
Current liabilities:		
Claims payable	**122,310**	99,290
Accounts payable	**6,796**	7,685
Unearned revenue	**38,489**	27,928
Other accrued liabilities	**5,939**	3,240
Total current liabilities	**173,534**	138,143
Noncurrent liabilities:		
Other noncurrent liabilities		
Premium stabilization fund	**4,590**	4,590
Total noncurrent liabilities	**4,590**	4,590
Total liabilities	**178,124**	142,733
Deferred inflows of resources related to:		
Pension and OPEB	**355**	233
Total deferred inflows of resources	**355**	233
Net position		
Unrestricted	**339,047**	217,073
Total net position	**$ 339,047**	$ 217,073

See accompanying notes.

West Virginia Public Employees Insurance Agency

Statements of Revenues, Expenses, and Changes in Net Position
(Dollars In Thousands)

	Year Ended June 30	
	2026	**2025**
Operating revenues:		
Premiums net of recoveries (provisions) of bad debts of ($75) for both years	**$ 1,106,987**	$ 988,202
Less:		
Payments to managed care organizations	**(84,117)**	(69,930)
Basic life insurance premiums ceded	**(2,122)**	(2,107)
Net premium revenue	**1,020,748**	916,165
Administrative fees, net of refunds	**5,240**	4,981
Total operating revenues	**1,025,988**	921,146
Operating expenses:		
Claims expense, net	**896,248**	861,944
Administrative service fees	**24,904**	21,225
Other expenses	**7,900**	7,940
Total operating expenses	**929,052**	891,109
Operating income	**96,936**	30,037
Nonoperating revenues:		
Investment income, net of fees	**25,038**	18,744
State appropriation	**–**	87,000
Total nonoperating income	**25,038**	105,744
Change in net position	**121,974**	135,781
Net position:		
Net position, beginning of year	**217,073**	81,292
Net position, end of year	**$ 339,047**	$ 217,073

See accompanying notes.

West Virginia Public Employees Insurance Agency

Statements of Cash Flows
(Dollars In Thousands)

	Year Ended June 30 2026	2025
Cash flows from operating activities		
Cash received from participants	**$ 1,028,485**	$ 919,310
Cash received from pharmacy rebates	**132,328**	144,963
Cash paid to employees for salaries and benefits	**(2,074)**	(2,057)
Cash paid to suppliers and others	**(18,672)**	(20,529)
Cash paid for claims	**(1,005,556)**	(1,044,394)
Net cash provided by (used in) operating activities	**134,511**	(2,707)
Cash flows from noncapital financing activities		
Payments from or (Advances to) RHBT	**16,176**	(12,501)
State appropriation	**–**	87,000
Net cash provided by noncapital financing activities	**16,176**	74,499
Cash flows from capital and related financing activities		
Purchases and sale of capital assets, net	**–**	(16)
Net cash used in capital and related financing activities	**–**	(16)
Cash flows from investing activities		
Purchases of investments	**(130,000)**	–
Sale of investments	**–**	–
Interest and dividends received	**4,913**	3,173
Net cash provided by (used in) investing activities	**(125,087)**	3,173
Net increase in cash and cash equivalents	**25,600**	74,949
Cash and cash equivalents at beginning of year	**117,996**	43,047
Cash and cash equivalents at end of year	**$ 143,596**	$ 117,996
Cash and cash equivalents consist of:		
Cash and cash equivalents	**$ 8,833**	$ 41,846
Equity position in investment pool – current	**134,761**	76,148
Equity position in investment pool – restricted	**2**	2
	$ 143,596	$ 117,996

West Virginia Public Employees Insurance Agency

Statements of Cash Flows (continued)
(Dollars In Thousands)

	Year Ended June 30 2026	2025
Reconciliation of operating income to net cash used in operating activities:		
Operating income (loss)	**$ 96,936**	$ 30,037
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	**–**	67
Pension and OPEB expense	**(313)**	(170)
(Increase) decrease in operating assets:		
Premiums receivable	**(2,030)**	3,053
Due from State of West Virginia	**(808)**	(954)
Prescription rebates receivable	**8,285**	(4,038)
Other	**(2,950)**	103
(Decrease) increase in operating liabilities:		
Claims payable	**23,020**	(36,826)
Accounts payable	**(889)**	(548)
Premium deficiency	**–**	(661)
Unearned revenue	**10,560**	6,403
Other accrued liabilities	**2,700**	390
Premium stabilization fund	**–**	437
Deferred outflows of resources, pension, and OPEB	–	–
Total adjustments	**37,575**	(32,744)
Net cash provided by (used in) operating activities	**$ 134,511**	$ (2,707)
Noncash investing activities		
Increase in fair value of investments	**$ 150,125**	$ 15,571

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 Annual Comprehensive Financial Report (ACFR).

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 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 provides health coverage for 158,332 individuals, including policyholders and their 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 healthcare benefits and the respective revenues and costs of those benefits as a cost-sharing multiple-employer plan. As a result of the legislation, health insurance policies covering approximately 42,000 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 benefits (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, 2026 and 2025, 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 an 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

WV 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. Any financial plans developed pursuant to WV Code 5-16-5 may not be submitted to the Governor or to the Legislature without the actuary's written professional opinion that the plan may be reasonably expected to generate sufficient revenues to meet all estimated program and administrative costs for the fiscal year for which the plan is proposed. 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.

West Virginia Code Section 5-16-5(d)4 requires the financial plan to be implemented by the director on July 1 of the fiscal year. In addition to each final approved financial plan required under this section, the finance board shall also simultaneously submit financial statements based on generally accepted accounting principles (GAAP) and the final approved plan restated on an accrual basis of accounting, which shall include allowances for incurred but not reported claims. The financial statements and the accrual-based financial plan restatement shall not affect the approved financial plan.

2. Summary of Significant Accounting Policies (continued)

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. As of June 30, 2026, PEIA has an ending reserve of 33%.

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.

Effective May 22, 2024, Senate Bill 1011 was passed, expiring the funds from the Department of Revenue held for the PEIA Rainy Day Reserve to the unappropriated surplus balance of the State Fund, General Revenue. The balance, including accrued interest, expired in May 2024 was $83,215.

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 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.

2. Summary of Significant Accounting Policies (continued)

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 are based upon actual rebate receipts received after the financial statement date but prior to the audit report issuance date.

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 the West Virginia Investment Management Board, 500 Virginia Street, East, Suite 200, Charleston, West Virginia 25301, or by calling +1 304 645 2672.

2. Summary of Significant Accounting Policies (continued)

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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

Capital Assets

Furniture, equipment, and other 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 these capital assets. Furniture, equipment, and other capital assets are depreciated in a systematic and rational manner over the useful life of the underlying asset.

Leasing arrangements with a cost greater than $25,000 (in dollars) and subscription-based information technology arrangements (SBITA) with a cost greater than $100,000 (in dollars) annually are recognized as a right-to-use asset in accordance with provisions of GASB 87 and GASB 96 and are presented separately from other capital assets.

Lease assets are measured and recorded at the amount of the initial lease liability, plus any payments made to a lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Subscription assets are measured and recorded at the amount of the initial subscription liability, plus payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor before the commencement of the subscription term. SBITA assets are amortized in a systematic and rational manner over the subscription term.

2. Summary of Significant Accounting Policies (continued)

PEIA has no right-to-use lease assets or subscription-based information technology assets as of June 30, 2026 or 2025.

Depreciation expense computed using the straight-line method was $0 and $67 for the years ended June 30, 2026 and 2025, 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 in which 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 8). 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.

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 no premium deficiency reserve is necessary for both June 30, 2026 and 2025.

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 healthcare 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 net position as aggregations of different types of deferred amounts. Deferred inflows on the statements of 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 difference 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 in 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 after July 1, 2017, are recorded as PEIA premiums.

2. Summary of Significant Accounting Policies (continued)

As of the June 2026 coverage month, PEIA provided health coverage to 168 State agency divisions with approximately 20,391 primary participants (not including dependents), 55 county school boards and 4 multicounty vocational centers with approximately 29,083 primary participants, 707 local government entities with approximately 15,202 primary participants, and 24 college and university entities with approximately 9,879 primary participants. Approximately 83,777 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 average in cost $1.98 (in dollars) a month for a $10,000 (in dollars) policy, are available to active State employees at no cost to the employee. No AD&D benefits are available to retirees. Basic life benefits are available to retirees with coverage ranging from $5.56 (in dollars) to $11.14 (in dollars) per month for a $2,500 (in dollars) or $5,000 (in dollars) 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 in the financial statements.

Active employees may elect to obtain additional optional coverage for both life and AD&D with coverage from $0.30 (in dollars) to $444 (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 (in dollars) per spouse and $15,000 (in dollars) per child ranging from $3.00 (in dollars) to $20.00 (in dollars) per month. 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 $40,000 (in dollars) for a spouse and $15,000 (in dollars) per child ranging from $9.00 (in dollars) to $68.00 (in dollars); however, dependent optional AD&D insurance is not available to retirees. Amounts collected by PEIA acting in an agency capacity from employee coverage totaled $9,889 and $10,197 during the fiscal years ended June 30, 2026 and 2025, respectively, and were remitted directly to the carrier. Accordingly, such amounts do not impact the financial statements.

2. Summary of Significant Accounting Policies (continued)

Administrative Service Fees

PEIA contracts with and pays administrative service fees to two third-party administrators. Services include processing of insurance claims, pre-certification reviews, utilization reviews, and various other duties. Most 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

PEIA distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. In accordance with GASB 103, operating revenues and expenses are all revenues and expenses other than non-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, and less amounts paid to MCOs and life insurance reinsurers. The administration fee is based on the participating entities' number of employees enrolled in the plan and is charged to all employers. Operating expenses include the cost of medical claims, drug claims, claims adjudication, administration, and depreciation of capital assets.

Net Position

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

Net 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. There is no net investment in capital assets at June 30, 2026 and 2025.

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

2. Summary of Significant Accounting Policies (continued)

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 restricted net position balances at June 30, 2026 or 2025.

Unrestricted Assets – Unrestricted assets consist of assets that do not meet the definition of "restricted" or "net 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 issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. This statement requires that the information presented in management's discussion and analysis (MD&A) be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements; (2) Financial Summary; (3) Detailed Analyses; (4) Significant Capital Asset and Long-Term Financing Activity; and (5) Currently Known Facts, Decisions, or Conditions. The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also provide clarity regarding what information should be presented in MD&A. PEIA adopted this standard effective July 1, 2025 and had no material impact.

In December of 2025, GASB issued Statement No. 105, *Subsequent Events* (GASB 105). The primary objective of this statement is to improve the financial reporting requirements for subsequent events. The requirements of GASB 105 are effective for fiscal years beginning after June 15, 2026. PEIA does not anticipate this statement having a material impact on the financial statements.

3. Cash and Cash Equivalents

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

	2026	2025
Cash and cash equivalents on deposit with State Treasurer	**$ 2,841**	$ 38,544
Deposits with outside financial institutions	**5,992**	3,302
Cash and cash equivalents reported on statement of net assets	**8,833**	41,846
Equity position in investment pool with BTI – current – unrestricted	**134,761**	76,148
Equity position in investment pool with BTI – noncurrent – restricted	**2**	2
Total cash and cash equivalents	**$ 143,596**	$ 117,996

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, 2026 and 2025, the carrying amount of PEIA's outside bank deposits was $5,992 and $3,302, respectively. For the same dates, the bank balances totaled $5,992 and $3,302, respectively.

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 is 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

4. Deposit and Investment Disclosures (continued)

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 fair value of $134,761 and $76,148 on June 30, 2026 and 2025, 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. 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. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts have been rated for credit risk by any organization. The West Virginia Money Market Pool is subject to 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.

Custodial credit risk of cash deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The BTI does not have a deposit policy for custodial credit risk. BTI management does not believe any of its proprietary fund's deposits are exposed to custodial credit risk. PEIA does not have a policy for custodial credit risk.

4. Deposit and Investment Disclosures (continued)

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	
	2026	**2025**
Asset allocation (actual):		
TIPS pool	**$ 49,296**	$ 23,883
Domestic equity – large cap	**20,687**	21,634
Domestic equity – non-large cap	**2,943**	3,363
International nonqualified pool	**4,615**	4,228
International equity pool	**10,440**	9,487
Total return fixed income	**101,817**	45,621
Core fixed income	**47,545**	19,394
Absolute return	**76,687**	–
Hedge fund	**–**	36,412
Short-term fixed income pool	**118**	2
Total	**$ 314,148**	$ 164,024

4. Deposit and Investment Disclosures (continued)

Asset Allocation

Based upon the WVIMB's determination of the appropriate risk tolerance for the fund, the 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	**2026**	**2025**	**2026**	**2025**
Equity	**12%**	20%	**12%**	20%
Fixed income	**48**	80	**48**	40
Private Markets:				
Private Credit and Income	**–**	–	**–**	1
Private Equity	**–**	–	**–**	2
Real Estate	**–**	–	**–**	2
TIPS	**16**	–	**16**	15
Hedge funds	**24**	–	**24**	20
Total	**100%**	100%	**100%**	100%
Cash		*		*

* *WVIMB staff have 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.

4. Deposit and Investment Disclosures (continued)

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 investment redemption request. Advanced notice is required to be provided to the WVIMB by the 18th day 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.

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 a pooled investment and is 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 objective for its investments with the WVIMB is to provide adequate liquidity to meet cash flow requirements and allow for asset growth that at least matches inflation. Below is additional information regarding 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

4. Deposit and Investment Disclosures (continued)

investment income and stability of principal, and to diversify interest rate exposure. The Pool's performance is measured against the Bloomberg 1-10 Year Treasury Inflation Protected Securities Index on an annualized basis over rolling three- to five-year periods, gross of fees.

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 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 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. Assets are managed by Cooper Creek Partners Management and Westfield Capital Management.

International Non-Qualified Pool

This pool invests in a commingled equity fund, specifically 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 portfolio of equity securities of companies incorporated in any country other than the United States, 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, provide stability, and enhance diversification but not at the expense of total return. The pool's investment objective is to outperform the Bloomberg 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, provide stability, and enhance diversification but not at the expense of the total return. The pool's investment objective is to outperform the Bloomberg 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 FTSE 3 Month US T-Bill Index.

Hedge Fund Pool

This pool was established to hold the WVIMB's investments in hedge funds. The objective of the pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 basis points. The secondary benchmark is the FTSE 3 Month US T-Bill Index plus 500 basis points.

4. Deposit and Investment Disclosures (continued)

Private Markets Pool

This pool was established to hold the WVIMB's investments in private credit and income funds, private equity funds, real estate investment trusts, and real estate limited partnership funds. The objective of the Pool is to enhance the diversification and stability of the portfolio while generating a higher level of income than generally available in the public fixed income markets and to provide for long-term growth of participants' assets and risk reduction through diversification.

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 in the participants' optional life insurance policies. The premium stabilization fund is invested in both the BTI Money Market Pool and with PEIA's long-term investments held in WVIMB pools (see Note 4 for investment disclosures related to these Pools). 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 $5,153 and $4,590 as of June 30, 2026 and 2025 respectively, restricted to meet this obligation.

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

	2026	**2025**
Premium stabilization fund – beginning of year	**$ 4,590**	$ 4,153
Life insurance dividends, interest received, and pool results	**563**	437
Premium stabilization fund – end of year	**$ 5,153**	$ 4,590

6. Capital Assets

Capital asset activity was as follows:

Assets	June 30, 2025	Additions	Reclass	June 30, 2026
Intangible assets	**$ 8,815**	**$ –**	**$ –**	**$ 8,815**
Equipment	**1,564**	**–**	**–**	**1,564**
Right to use	**996**	**–**	**–**	**996**
Total capital assets	**11,375**	**–**	**–**	**11,375**
Intangible assets	**(8,815)**	**–**	**–**	**(8,815)**
Equipment	**(1564)**	**–**	**–**	**(1564)**
Leases	**(996)**	**–**	**–**	**(996)**
Total accumulated depreciation	**(11,375)**	**–**	**–**	**(11,375)**
Total capital assets, net	**$ –**	**$ –**	**$ –**	**$ –**

Assets	June 30, 2024	Additions	Disposals	June 30, 2025
Intangible assets	$ 9,026	$ –	$ (211)	$ 8,815
Equipment	1,337	16	211	1,564
Right to use	996	–	–	996
Total capital assets	11,359	16	–	11,375
Intangible assets	(8,815)	–	–	(8,815)
Equipment	(1,497)	(67)	–	(1,564)
Leases	(996)	–	–	(996)
Total accumulated depreciation	(11,308)	(67)	–	(11,375)
Total capital assets, net	$ 51	$ (51)	$ –	$ –

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	2026	2025
Claims payable, beginning of year	**$ 99,290**	$ 136,116
Incurred claims expenses:		
Provision for insured events of the current year	**871,149**	874,505
Increase (decrease) in provision for insured events of prior years	**(30,130)**	(11,900)
Total incurred claims expense	**841,019**	862,605
Payments:		
Claim payments, net of rebates, attributable to insured events of:		
Current year	**796,286**	822,839
Prior years	**21,713**	76,592
Total payments, net	**817,999**	899,431
Claims payable, end of year	**$ 122,310**	$ 99,290

The above payments are net of pharmacy rebates earned of $124,043 and $149,001 for the years ended June 30, 2026 and 2025, 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 that 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

8. Other Postemployment Benefits (OPEB) (continued)

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. Six members represent labor, education, public employees, public retirees, hospitals, and non-hospital healthcare providers. The four remaining members represent the public at large. The Plan had approximately 42,000 policyholders and 61,000 covered lives for the years ended June 30, 2026 and 2025.

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 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 RHBT Controller, Jessica Virtz, at +1 304 558 7850, ext. 18646. You can also submit your questions in writing to West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, West Virginia 25304.

8. Other Postemployment Benefits (OPEB) (continued)

Benefits Provided

- The Plan provides medical and prescription drug insurance and 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 $15 and $1 for the fiscal years ended June 30, 2026 and 2025, respectively.

OPEB Liabilities (Asset) and OPEB Expense

On June 30, 2026, and 2025, PEIA reported an OPEB liability of $20 and an OPEB asset of $$170, respectively, for its proportionate share of the net OPEB liability (asset). PEIA's proportion of the net OPEB liability (asset) 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, 2026 and 2025, PEIA's proportionate share was 0.02145% and 0.00165%, respectively. This was an increase of 0.0198% from its proportionate share as of June 30, 2025.

For the years ended June 30, 2026 and 2025, PEIA recognized OPEB expense (income) of $11 and $(63), respectively.

8. Other Postemployment Benefits (OPEB) (continued)

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

A single discount rate of 7.40% was used to measure the total OPEB asset. The following presents PEIA's proportionate share of the net OPEB asset calculated using the discount rate of 7.40%, 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 (6.40%) or one percentage point higher (8.40%) than the current rate:

	1.00% Decrease (6.40%)	Discount Rate (7.40%)	1.00% Increase (8.40%)
PEIA's proportionate share of net OPEB liability (asset)	$ 77	$ 20	$ (28)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

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

	1.00% Decrease	Healthcare Cost Trend Rates	1.00% Increase
Net OPEB liability (asset)	$ 51	$ 20	$ 105

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. 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. 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. The funding policy required employer contributions of 9.0% for each of the years ended June 30, 2025, 2024, and 2023. Beginning February 7, 2012, new hires are required to pay the employees' 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 $181, $170, and $175 for the fiscal years ended June 30, 2026, 2025, and 2024, respectively.

9. Pension Plan (continued)

Pension Asset (Liability) and Pension Expense

On June 30, 2026, and 2025, PEIA reported asset of $657 and $169, respectively, for its proportionate share of the net pension asset (liability). PEIA's proportion of the net pension asset (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, 2025. As of June 30, 2026, PEIA's proportionate share was .0.14920%, which was a decrease of 0.0023% for its proportionate share measured as of June 30, 2025. The total proportionate share of the pension contribution reported by PERS for PEIA and RHBT combined has been reallocated based on the appropriate ratio of personnel expenses charged to each agency. For the years ended June 30, 2026 and 2025, PEIA's proportion of personnel expenses was 65%.

For the years ended June 30, 2026 and 2025, PEIA recognized pension (expense) income of $(102) and $89, respectively.

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

The discount rate used to measure the net pension asset was 7.25%. The following presents the proportionate share of the net pension asset of PEIA, calculated using the discount rate of 7.25%, as well as what PEIA's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

1.00% Decrease 6.25%	Current Discount Rate 7.25%	1.00% Increase 8.25%
$ (2)	$ 4	$ 9

10. Litigation

PEIA is engaged in various legal actions that it deems to be in the ordinary course of business. The ultimate outcomes of these matters are unknown. PEIA believes that it has adequately provided for probable costs of current litigations 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

(Dollars In Thousands)

	Year Ended June 30									
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
1) Premiums, investment, and other revenues:										
Earned	$ 652,785	$ 626,836	$ 641,618	$ 647,938	$ 694,621	$ 685,940	$ 698,214	$ 916,692	$ 988,202	$ 1,106,997
Ceded	48,953	44,457	47,942	51,664	56,514	56,731	56,237	66,320	72,037	86,239
Net earned	603,832	582,379	593,676	596,274	638,107	629,209	641,977	850,372	916,165	1,020,758
2) Unallocated expenses	18,199	18,580	19,169	26,223	23,294	23,274	33,487	28,324	29,165	32,804
3) Estimated incurred claims and allocated claims adjustment expense, end of accident year:										
Incurred	591,410	557,883	580,267	593,274	706,884	770,370	763,802	956,114	946,542	957,388
Ceded	48,953	44,457	47,942	51,664	56,514	56,731	56,237	66,320	72,037	86,239
Net incurred	542,457	513,426	532,325	541,610	650,370	713,639	707,565	889,794	874,505	871,149
4) Paid (cumulative) claims and allocated claims adjustment expense as of:										
End of accident year	480,228	460,173	484,495	462,582	564,186	617,247	615,350	771,576	822,839	796,286
One year later	535,595	507,701	551,304	514,885	650,611	617,247	615,350	771,576	871,828	
Two years later	535,595	507,701	551,304	514,885	650,611	617,247	615,350	846,683		
Three years later	535,595	507,701	551,304	514,885	650,611	617,247	686,575			
Four years later	535,595	507,701	551,304	514,885	650,611	617,347				
Five years later	535,595	507,701	551,304	514,885	650,611					
Six years later	535,595	507,701	551,304	514,885						
Seven years later	535,595	507,701	551,304							
Eight years later	535,595	507,701								
Nine years later	571,120									

West Virginia Public Employees Insurance Agency

Ten-Year Claims Development Information (continued)

(Dollars In Thousands)

	Year Ended June 30									
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
5) Re-estimated ceded claims and expenses	$ 48,953	$ 44,457	$ 47,942	$ 51,664	$ 56,514	$ 56,731	$ 56,237	$ 66,320	$ 72,037	$ 86,239
6) Re-estimated net incurred claims and allocated claims adjustment expense:										
End of accident year	542,457	513,426	532,325	541,610	650,370	713,639	707,565	889,794	874,505	**871,149**
One year later	546,787	509,436	529,555	528,990	648,040	708,579	700,795	889,794	**874,505**	
Two years later	547,687	508,636	535,785	542,550	648,960	715,689	700,795	**889,794**		
Three years later	547,507	508,636	529,395	541,470	651,190	715,689	**700,795**			
Four years later	547,507	508,636	532,255	542,030	651,190	**715,689**				
Five years later	547,507	508,636	532,255	542,030	**651,190**					
Six years later	547,507	508,636	532,255	**542,030**						
Seven years later	547,507	508,636	**532,255**							
Eight years later	547,507	**508,636**								
Nine years later	**547,507**									
7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of accident year	5,050	(4,790)	(70)	420	820	2,050	(20,990)	(42,963)	(544)	–

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

(Dollars In Thousands)

June 30, 2026

	Carrying Amount	
Cash with State Treasurer	$ 2,841	
Deposit in transit		
Cash in outside bank accounts	5,992	
Total carrying amount of deposits	8,833	
Cash equivalents (with BTI and Met Life)	134,763	
Total cash	$ 143,596	(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	$ 8,833	(2)
Equity position in investment pool – current	134,761	(2)
Equity position in investment pool – noncurrent and restricted	2	(2)
Total cash equivalents	$ 143,596	(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

(Dollars In Thousands)

June 30, 2026

Investment Pool	Amount Unrestricted	Amount Restricted	Amount Reported	Fair Value
West Virginia Board of Treasury Investments (BTI):				
WV Money Market Pool	$ 134,761	$ 2	$ 134,763	$ 134,763
Total equity position in investment pool with BTI	$ 134,761	$ 2 [3]	$ 134,763	$ 134,763 [5]
Met Life Insurance:				
Cash and cash equivalents	$ –	$ – [3]	$ –	$ –
West Virginia Investment Management Board (IMB) Investment Pools:				
Absolute Return	$ 71,536	$ 5,151	$ 76,687	$ 76,687
Core fixed income	47,545		47,545	47,545
TIPS	49,296		49,296	49,296
Domestic equity – Large Cap	20,687		20,687	20,687
Domestic equity – Non-Large Cap	2,943		2,943	2,943
International nonqualified	4,615		4,615	4,615
Total return fixed income	101,817		101,817	101,817
Short-Term fixed income	118		118	118
International equity	10,440		10,440	10,440
Total equity position in investment pools with IMB	308,997	$ 5,151	$ 314,148	$ 314,148 [1]

[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	$ 134,761 [1]
Equity position in investment pool – noncurrent and restricted	314,150 [1]
Total	$ 448,911 [4]

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

Total equity position in investment pool with BTI	$ 134,763
Cash and cash equivalents	8,833
Total	$ 143,596 [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

(Dollars In Thousands)

June 30, 2026

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	$ 8,833	(1)(2)
Equity position in investment pools as reported	$ 448,911	(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

(Dollars In Thousands)

June 30, 2026

Total accounts receivable	$	58,808	(1)
Less allowance for doubtful accounts		(75)	(1)
Total accounts receivable, net	$	58,733	

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	$	5,851	(2)
Other, net		10,426	(2)
Accounts receivable:			
Due from RHBT		4,957	(2)
Prescription rebates		28,799	(2)
Other		8,700	(2)
Total accounts receivable, net	$	58,733	

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

West Virginia Public Employees Insurance Agency

Form 10, Due (To) From Primary Government

(Dollars In Thousands)

June 30, 2026

Agency	Total
Workforce WV / Payroll-05303	$ –
WV PERS Non-State	
WV PERS State	–
WV Teachers Retirement Board	–
Separated Pre-Retirement	–
ABC COMMISSION	–
ADJUTANT GENERAL	(18)
ADMINISTRATION, DEPT OF	(3)
AERONAUTICS COMMISSION	(1)
AGRICULTURE	3
ARCHITECTS, BOARD OF	(1)
ATTORNEY GENERAL	(9)
AUDITORS OFFICE	–
BLUE RIDGE COMMUNITY & TE	(15)
BOARD OF MEDICINE	(22)
BOARD OF RESPIRATORY CARE	(1)
BUREAU OF SENIOR SERVICES	(2)
COMMERCE, OFFICE OF SECRETARY, DEPT OF	(22)
CORRECTIONS/SALEM CORR,DEPT OF	(3)
CORRECTIONS/ST. MARYS CORR, DEPT OF	1
CULTURE AND HISTORY	(48)
DCR-CENTRAL REGIONAL JAIL	(1)
DCR-CHICK BUCKBEE JUVENILE CENTER	–
DCR-NORTHERN REGIONAL JAIL	–
DCR-PARKERSBURG CORRECTIONAL CENTER	–
DCR-RUBENSTEIN JUVENILE CENTER	1
DCR-SOUTH CENTRAL REGIONAL JAIL	–
DCR-SOUTHERN REGIONAL JAIL	–
DCR-TIGER MORTON JUVENILE CENTER	–
DCR-TYGART VALLEY REGIONAL JAIL	(1)
DCR-WESTERN REGIONAL JAIL	–
DCR-YOUTH REPORTING CENTERS	–
DEPARTMENT OF CORRECTIONS	(5)
DEPARTMENT OF EDUCATION	(45)
DEPARTMENT OF LABOR	(10)
DEPT OF HEALTH FACILITIES	–
DIVISION OF PROTECTIVE SERVICES	

West Virginia Public Employees Insurance Agency

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

(Dollars In Thousands)

Agency	Total
FORESTRY, DIVISION OF	$ (6)
HEALTH CARE AUTHORITY	(3)
HEALTH DEPT	(36)
HIGHWAYS, DEPT OF	–
HOPEMONT STATE HOSPITAL	(1)
HOUSE OF DELEGATES (STAFF)	–
HUMAN RIGHTS COMMISSION	(7)
HUMAN SERVICES, DEPT OF	(45)
HUTTONSVILLE CORRECTIONAL CENTER	2
INSURANCE COMMISSION	–
JACKIE WITHROW HOSPITAL	(6)
JOINT COMM ON GOVT & FINANCE	–
LAKIN CORRECTIONAL FACILITY	1
LAKIN STATE HOSPITAL	(7)
LIBRARY COMMISSION	(15)
MILDRED MITCHELL-BATEMAN HOSPITAL	(12)
MILITARY AUTHORITY	(8)
MOTOR VEHICLES	(47)
MT OLIVE CORRECTIONAL FACILITY	–
NATIONAL COAL HERITAGE AREA AUTHORITY	(2)
NATURAL RESOURCES	(14)
NORTHERN CORRECTIONAL FACILITY	(2)
OFF OF MINERS HEALTH,SAFETY & TRAINING	(5)
OFFICE OF INSPECTOR GENERAL	–
PROFESSIONAL SURVEYORS, WV BOARD OF	(1)
PUBLIC SAFETY	5
PUBLIC SERVICE COMMISSION	(57)
PUBLIC TRANSIT	–
REAL ESTATE APPRAISER/LIC CERT BD	(1)
REAL ESTATE COMMISSION	–
REHABILITATION SERVICES, DIVISION OF	(2)
SECRETARY OF STATE	(21)
SENATE	(48)
SENATE STAFF	(1)
SUPREME COURT / JUDICIAL	–
TAX DEPT - BUDGET OFFICE	(2)
TOURISM, DIVISION OF	(1)
TREASURER OF STATE'S OFFICE	(4)
VETERANS AFFAIRS	(12)

West Virginia Public Employees Insurance Agency

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

(Dollars In Thousands)

Agency	Total	
WELCH EMERGENCY HOSPITAL	$ (5)	
WILLIAM R SHARPE JR HOSPITAL	(12)	
WV BOARD OF BARBERS AND C	(9)	
WV CENTER FOR NURSING	(3)	
WV DIVISION OF JUVENILE SERVICES	(1)	
WV MASSAGE THERAPY LICENSURE BD	(5)	
WV MULTIMODAL TRANSPORTATION	(5)	
WV OFFICE OF TAX APPEALS	(1)	
WV SCHOOL FOR THE DEAF AND BLIND	(6)	
WV STATE BD OF EXAMINERS FOR LPNS	(14)	
Total primary government	(621)	
Total component units	6,472	(2)
Due from State of West Virginia, net	$ 5,851	(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

(Dollars In Thousands)

June 30, 2025

Unit		Amount
ASSOC OF REHABILITATION FACILITIES	$	8
BLUEFIELD HOUSING AUTHORITY		–
BLUEFIELD STATE COLLEGE		(6)
BRIDGEMONT CTC		–
BRIDGEVALLEY COMMUNITY AND TECHNICAL COLLEGE		(2)
CONCORD COLLEGE		(35)
DEVELOPMENT OFFICE		(1)
DIVISION OF CORRECTIONS AND REHABILITATION		(1)
DUNBAR HOUSING AUTHORITY		–
EASTERN WV COMMUNITY & TECHNICAL COLLEGE		(1)
ECONOMIC DEVELOPMENT AUTHORITY		(7)
EDUCATIONAL BROADCASTING		(162)
FAIRMONT STATE UNIVERSITY		(45)
GLENVILLE STATE COLLEGE		–
HIGHER EDUCATION POLICY COMMISSION		(3)
KANAWHA VALLEY CTC		(1)
MARSHALL UNIVERSITY		104
MOUNTWEST COMMUNITY & TECH.		–
NEW RIVER COMM. & TECH.		(23)
PIERPONT COMMUNITY & TECHNICAL COLLEGE		(1)
PUBLIC DEFENDER 12TH JUDICIAL CIRCUIT		–
PUBLIC DEFENDER CORP 25TH JUDICIAL		–
PUBLIC DEFENDER CORP 2ND JUDICIAL CIRCUIT		–
PUBLIC DEFENDER CORP/15TH JUDICIAL		15
PUBLIC DEFENDER CORP/30TH JUD CIRCUIT		7
PUBLIC DEFENDER CORPORATION FOR KANAWHA COUNTY		34
RACING COMMISSION		–
RAILROAD MAINTENANCE AUTHORITY		(2)
REG JAIL & CORRECTIONAL FAC AUTH		–
SCHOOL BUILDING AUTHORITY		–
SCHOOL OF OSTEOPATHIC MEDICINE		(1)
SHEPHERD UNIVERSITY		(26)
WATER DEVELOPMENT AUTHORITY		(15)
WEST LIBERTY STATE COLLEGE		1
WEST VIRGINIA LOTTERY COMMISSION		(1)
WEST VIRGINIA UNIVERSITY		6,642
WV NETWORK FOR EDUCATIONAL TELECOM		(4)
WV NORTHERN COMMUNITY COLLEGE		–
WV PARKWAYS ECON.DEV.& TOURISM AUTH.		(4)

West Virginia Public Employees Insurance Agency

Form 11, Component Unit – A/R Balances (continued)

(Dollars In Thousands)

Unit		Amount	
WV SOUTHERN COMMUNITY COLLEGE	$	(11)	
WV STATE UNIVERSITY		(12)	
WVU PARKERSBURG		25	
Total component units	$	6,472	(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

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Report of Independent Auditors 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the West Virginia Public Employees Insurance Agency (PEIA), which comprise the statement of net position as of June 30, 2026, 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, 2026.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

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

Ernst & Young LLP

October 15, 2026

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