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LAURA FREED  
Board Chair

**AGENDA ITEM**

Action Item

Information Only

**Date:** September 30, 2021

**Item Number:** IV.II.I

**Title:** Chief Financial Officer Budget Report

**Summary**

This report addresses the Operational Budget as of June 30, 2021 to include:

1. Budget Status
2. Budget Totals
3. Claims Summary

Budget Account 1338 – Operational Budget – Shown below is a summary of the operational budget account status as of June 30, 2021 with comparisons to the same period in Fiscal Year 2020. The budget status is reported on a cash basis and does not include incurred expenses and income owed to the fund.

The budget status report reflects actual income of \$386.4 million as of June 30, 2021 compared to \$370.1 million as of June 30, 2020 or a decrease of 4.4%. Total expenses for the period have decreased by \$2.5 million or 0.6% for the same period.

The budget status report shows Realized Funding Available (cash) at \$154.8 million. This compares to \$132.0 million for last year. The table below reflects the actual revenue and expenditures for the period.

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**Operational Budget 1338**

	FISCAL YEAR 2021			FISCAL YEAR 2020		
	Actual as of 6/30/2021	Work Program	Percent	Actual as of 6/30/2020	Fiscal Year 2020 Close	Percent
Beginning Cash	154,541,329	154,541,329	100%	150,276,433	150,276,433	100%
Premium Income	366,550,801	375,455,443	98%	353,826,673	378,746,198	93%
All Other Income	19,835,354	20,897,373	95%	16,243,687	17,070,199	95%
Total Income	386,386,154	396,352,816	97%	370,070,360	395,816,398	93%
Personnel Services	2,311,337	2,896,914	80%	2,504,369	2,603,314	96%
Operating - Other than Personnel	2,169,759	2,646,875	82%	2,026,253	2,073,172	98%
Insurance Program Expenses	381,160,437	418,380,481	91%	383,531,409	386,256,172	99%
All Other Expenses	507,874	647,864	78%	606,816	618,845	98%
Total Expenses	386,149,407	424,572,134	91%	388,668,846	391,551,503	99%
Change in Cash	236,748	(28,219,318)		(18,598,487)	4,264,895	
REALIZED FUNDING AVAILABLE	154,778,077	126,322,011	123%	131,677,946	154,541,328	85%
Incurred But Not Reported Liability	(51,514,000)	(51,514,000)		(58,790,000)	(58,790,000)	
Catastrophic Reserve	(34,835,000)	(34,835,000)		(24,201,541)	(24,201,541)	
HRA Reserve	(30,550,651)	(30,550,651)		(36,204,203)	(36,204,203)	
NET REALIZED FUNDING AVAILABLE	37,878,426	9,422,360		12,482,202	35,345,584	

***Current Budget Projections***

The following table represents projections for FY 2021. The projection reflects total income to be less than budgeted by 0.6% (\$547.4 million vs \$550.9 million), total expenditures are projected to be less than budgeted by 8.5% (\$388.4 million vs \$424.7 million); total reserves are projected to be more than budgeted by 22.0% (\$159.0 million vs \$130.4 million).

State Subsidies are projected to be less than the budgeted amount by \$6.0 million (2.1%), Non-State Subsidies are projected to be less than budgeted by \$4.7 million (16.3%), and Premium Income is projected to be more than budgeted by \$4.0 million (5.8%). This overall decrease in budgeted revenue is due in part to a reduction in State Subsidies as a result of average enrollment as compared to budgeted enrollment and a change in the mix of plan tiers. The mix of participants is as follows:

- 3.74% fewer state actives,
- 0.72% fewer state non-Medicare retirees,
- 3.13% fewer non-state actives,
- 5.57% fewer non-state, non-Medicare retirees
- 4.50% fewer state Medicare retirees, and
- 7.15% fewer non-state Medicare retirees

<b>Budgeted and Projected Income (Budget Account 1338)</b>					
<b>Description</b>	<b>Budget</b>	<b>Actual 6/30/21</b>	<b>Projected</b>	<b>Difference</b>	
Carryforward	154,541,329	154,541,329	154,541,329	0	0.0%
State Subsidies	278,042,182	270,063,530	272,183,708	(5,858,474)	-2.1%
Non-State Subsidies	29,075,407	24,294,731	24,331,749	(4,743,658)	-16.3%
Premium	68,337,854	72,192,540	72,292,309	3,954,455	5.8%
All Other	20,897,373	19,835,354	24,098,398	3,201,025	15.3%
<b>Total</b>	<b>550,894,145</b>	<b>540,927,483</b>	<b>547,447,493</b>	<b>(3,446,652)</b>	<b>-0.6%</b>
<b>Budgeted and Projected Expenses (Budget Account 1338)</b>					
<b>Description</b>	<b>Budget</b>	<b>Actual 6/30/21</b>	<b>Projected</b>	<b>Difference</b>	
Operating	6,191,653	4,988,970	5,269,833	921,820	14.9%
State Employee Ins Cost	303,157,249	276,309,925	272,645,012	30,512,237	10.1%
State Retirees Ins Cost	57,514,279	53,810,064	57,348,279	166,000	0.3%
Non-State Employees Ins Cost	151,001	139,243	150,501	500	0.3%
Non-State Retirees Ins Cost	14,327,972	12,626,957	14,327,472	500	0.0%
State Medicare Ret Ins Cost	25,382,152	22,914,268	22,037,902	3,344,250	13.2%
Non-State Medicare Ret Ins Cost	17,991,547	15,359,981	16,657,214	1,334,333	7.4%
<b>Total Insurance Costs</b>	<b>418,524,200</b>	<b>381,160,437</b>	<b>383,166,380</b>	<b>35,357,820</b>	<b>8.4%</b>
<b>Total Expenses</b>	<b>424,715,853</b>	<b>386,149,407</b>	<b>388,436,213</b>	<b>36,279,640</b>	<b>8.5%</b>
Restricted Reserves	116,899,651	116,899,651	112,217,050	4,682,601	4.0%
Differential Cash Available	13,464,777	37,878,426	46,794,230	(33,329,453)	-247.5%
<b>Total Reserves</b>	<b>130,364,428</b>	<b>154,778,077</b>	<b>159,011,280</b>	<b>(28,646,852)</b>	<b>-22.0%</b>
<b>Total of Expenses and Reserves</b>	<b>555,080,281</b>	<b>540,927,483</b>	<b>547,447,493</b>	<b>7,632,788</b>	<b>1.4%</b>

Expenses for Fiscal Year 2021 are projected to be \$36.3 million (8.5%) less than budgeted when changes to reserves are excluded. Operating expenses are projected to be less than budgeted by \$0.9 million (14.9%). Employee and Retiree insurances costs are projected to be less than budgeted by \$35.4 million (8.4%) when taken in total (see table above for specific information). The significant reduction in projected expenditures compared to the budget is substantially due to the claims suppression experienced due to COVID-19.

Total reserves for the year ending June 30, 2021 are projected to be \$159 million. Reserves include \$52.3 million for Incurred but not Reported (IBNR) claims, \$35.0 million for the Catastrophic Reserve to insure plan solvency, \$25.1 million in HRA reserves, and a projected differential of cash available of \$47.0 million.

### ***Differential Cash Available for FY 2022***

PEBP ended FY 2021 with \$159.0 million of cash on hand to balance forward to FY 2022. The FY 2022 budget was built with a balance forward amount of \$126.1 million. PEBP will submit work programs to transfer the additional cash authority from FY 2021 to FY 2022 and make necessary adjustments to the required reserve and claims category authority for FY 2022. Once all the adjustments are approved through the state budget process, PEBP is projecting a final differential cash available for FY 2022 of \$38.6 million.

### **Recommendations**

None.