



New Jersey Schools Insurance Group  
6000 Midlantic Drive, Suite 300 North  
Mount Laurel, New Jersey 08054  
www.njsig.org

**Board of Trustees Meeting of October 19, 2022**  
**Action Item**  
**Safety Grant**  
**NJSIG No. 1022-2**

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NJSIG's most recent fund year ending 6/30/2022 resulted in a \$15.1 million GAAP change in net position, when using the actuary's 65% confidence level reserving methodology, and prior to any new safety grant allocation. NJSIG incurred a 6/30/2022 investment loss of \$(1.9) million, primarily due to GAAP required financial reporting investment adjustments to market value of \$(3.5) in unrealized losses. The resulting GAAP net fiscal year surplus for 2021/2022 would remain at the \$15.1 million

NJSIG has consistently strengthened its reserves to the actuaries' 65% confidence level over the past five years. Since NJSIG's reserves currently exceed the minimum range of actuarially determined thresholds, there is no imperative for additional 2021/2022 reserving.

NJSIG's Safety Grant Policy #3710 mandates that safety grant declarations be based on net fiscal year surplus. Net fiscal year surplus means that amount of monies in a trust account established pursuant to N.J.A.C. 11:15-4.6(b) 10 that is in excess of all costs, earned investment income, refunds made pursuant to N.J.A.C. 11:15-4.21, incurred losses and loss adjustment expenses, and incurred but not reported reserves, including the associated loss adjustment expenses attributed to the fund, net of any recoverable per occurrence or aggregate excess insurance or reinsurance for a particular year. Thus, safety grants cannot be paid from investment income, however this fiscal year resulted in a loss of investment, due to the mandated GAAP adjustment of investments to market value. As such, there will not be any change to the reported 2021/2022 \$15.1million of NJSIG's net fiscal year surplus.

NJSIG currently has \$8.6 million in cumulative, outstanding (i.e., not yet paid) safety grants that have been allocated by the Board in prior fiscal years and are scheduled to be paid out as follows:

<b>Allocated/ As of FY:</b>	<b>FY DATE Paid to Member:</b>	<b>FY 17/18 Grant Amounts</b>	<b>FY 18/19 Grant Amounts</b>	<b>FY 19/20 Grant Amounts</b>	<b>FY 20/21 Grant Amounts</b>	<b>TOTAL PAYABLE</b>
20/21	10/2022 (22/23)	2,500,000	2,000,000			<b>4,500,000</b>
21/22	10/2023 (23/24)	0	0	2,000,000		<b>2,000,000</b>
22/23	10/2024 (24/25)				2,000,000	<b>2,000,000</b>
Unallocated - rollover amounts						<b>100,744</b>
						<b>8,600,744</b>

NJSIG management recommends the following action for the remaining \$15.1 million of 2021/2022 GAAP net fiscal year surplus:

- Adding a new \$2 million safety grant declaration to fiscal year 2023/2024, to be paid out in October 2025 (FY2025/2026).

Implementing these recommendations would result in cumulative, outstanding safety grant allocations of \$10.6 million, to be paid out as follows:

Allocated/ As of FY:	FY DATE Paid to Member:	FY 17/18 Grant Amounts	FY 18/19 Grant Amounts	FY 19/20 Grant Amounts	FY 20/21 Grant Amounts	FY 21/22 Grant Amounts	TOTAL PAYABLE
20/21	10/2022 (22/23)	2,500,000	2,000,000				4,500,000
21/22	10/2023 (23/24)	0	0	2,000,000			2,000,000
22/23	10/2024 (24/25)				2,000,000		2,000,000
23/24	10/2025 (25/26)					2,000,000	<u>2,000,000</u>
Unallocated - rollover amounts							<u>100,744</u>
							<u>10,600,744</u>

Implementing these recommendations would also increase NJSIG’s GAAP aggregate net current surplus for all fiscal years (i.e., the sum of NJSIG’s net fiscal year surplus for all fiscal years and all lines of coverage), from \$171.8 million to \$184.9 million (after the FY2022 safety grant allocation).

**Recommended Resolution NJSIG No. 1022-2:** Approve a new \$2 million safety grant to be expensed from the 2021/2022 fund year for inclusion with cumulative future safety grant awards, allocated to fiscal year 2023/2024 and to be distributed in October 2025, as per NJSIG’s Safety Grant Policy #3710 guidelines.

Michele Carosi  
Chief Financial Officer