



STATE OF ALASKA
GROUP HEALTH AND LIFE BENEFITS FUND
(An Internal Service Fund of the State of Alaska)

Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
GROUP HEALTH AND LIFE BENEFITS FUND
(An Internal Service Fund of the State of Alaska)

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KPMG LLP
Suite 200
3800 Centerpoint Drive
Anchorage, AK 99503

Independent Auditors' Report

The Division of Retirement and Benefits and
State of Alaska Department of Administration
State of Alaska Group Health and Life Fund:

Opinion

We have audited the financial statements of the Group Health and Life Benefits Fund (the Fund) of the State of Alaska, as of and for the years ended June 30, 2024 and 2023, and the related notes to the 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 financial position of the Fund as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Alaska 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the State of Alaska, as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' 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 auditors' 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 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, 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 State of Alaska'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.

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

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Anchorage, Alaska
October 15, 2024

STATE OF ALASKA
GROUP HEALTH AND LIFE BENEFITS FUND
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Management's Discussion and Analysis (Unaudited)
June 30, 2024 and 2023

This section presents management's discussion and analysis (MD&A) of the Group Health and Life Benefits Fund's (the Plan) financial condition and performance for the years ended June 30, 2024 and 2023. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements and notes to financial statements to better understand the financial condition and performance of the Plan during the fiscal years ended June 30, 2024 and 2023. Information for fiscal year 2022 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2024 were as follows:

- The Plan's net position increased by \$879 thousand during fiscal year 2024.
- The Plan's health insurance premiums during fiscal year 2024 totaled \$152.6 million, an increase of \$9.8 million from fiscal year 2023.
- The Plan's investments saw income of \$1.1 million during fiscal year 2024.
- The Plan's benefit expense during fiscal year 2024 totaled \$179.1 million, an increase of \$30.2 million from fiscal year 2023.
- The Plan's administrative expense during fiscal year 2024 totaled \$6.5 million, an increase of \$772 thousand from fiscal year 2023.
- During fiscal year 2024, the Plan received a transfer in of \$20.0 million from the State of Alaska's General Fund to bring its unobligated balance to \$10.2 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's basic financial statements. The Plan's financial statements comprise four components: (1) statements of net position; (2) statements of changes in net position; (3) statements of cash flows; and (4) notes to financial statements.

Statements of net position – These statements present information regarding the Plan's assets, liabilities, and resulting net position. These statements reflect the Plan's cash and cash equivalents, receivables, and other assets, less liabilities at June 30, 2024 and 2023.

Statements of changes in net position – These statements present how the Plan's net position changed during the fiscal years ended June 30, 2024 and 2023, as a result of health insurance premiums, investment income, operating expenses, and transfers in.

Statements of cash flows – These statements present cash flows from operating, financing, and investing activities. The Plan presents its cash flows statements using the direct method for reporting cash received and disbursed during the fiscal years ended June 30, 2024 and 2023.

The above statements represent resources available for investment and payment of benefits as of June 30, 2024 and 2023, and the sources and uses of those funds during fiscal years 2024 and 2023.

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Notes to financial statements – The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules that are essential to a full understanding of the Plan's financial statements.

Condensed Financial Information

Description	Net position				2022
	2024	2023	Increase (decrease)		
			Amount	Percentage	
Assets:					
Cash and cash equivalents	\$ 12,445,549	23,715,892	(11,270,343)	(47.5)%	\$ 16,663,117
Due from State of Alaska General Fund	19,991,132	2,362,284	17,628,848	746.3	9,480,302
Accounts receivable	2,599,349	2,053,341	546,008	26.6	1,713,093
Other assets	593,160	593,160	—	—	593,160
Total assets	35,629,190	28,724,677	6,904,513	24.0	28,449,672
Liabilities:					
Claims payable	23,816,000	17,409,000	6,407,000	36.8	17,336,000
Accrued expenses	1,636,563	2,018,017	(381,454)	(18.9)	1,116,248
Total liabilities	25,452,563	19,427,017	6,025,546	31.0	18,452,248
Unrestricted net position	\$ 10,176,627	9,297,660	878,967	9.5%	\$ 9,997,424

Description	Changes in net position				2022
	2024	2023	Increase (decrease)		
			Amount	Percentage	
Unrestricted net position, beginning of year	\$ 9,297,660	9,997,424	(699,764)	(7.0)%	\$ 13,977,626
Operating revenue:					
Health insurance premiums	152,560,303	142,801,280	9,759,023	6.8	129,817,536
Other revenue	12,841,942	10,232,419	2,609,523	25.5	8,216,113
Total operating revenue	165,402,245	153,033,699	12,368,546	8.1	138,033,649
Operating expenses:					
Healthcare benefits	179,056,034	148,866,216	30,189,818	20.3	145,502,536
Administrative	6,528,931	5,756,785	772,146	13.4	5,645,421
Total operating expenses	185,584,965	154,623,001	30,961,964	20.0	151,147,957
Operating loss	(20,182,720)	(1,589,302)	(18,593,418)	(1,169.9)	(13,114,308)
Nonoperating revenue:					
Investment income (loss)	1,082,746	833,603	249,143	29.9	(335,371)
Loss before transfers in	(19,099,974)	(755,699)	(18,344,275)	(2,427.5)	(13,449,679)
State of Alaska transfers in	19,978,941	55,935	19,923,006	35,618.1	9,469,477
Change in unrestricted net position	878,967	(699,764)	1,578,731	225.6	(3,980,202)
Unrestricted net position, end of year	\$ 10,176,627	9,297,660	878,967	9.5%	\$ 9,997,424

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Financial Analysis of the Plan

The statements of net position as of June 30, 2024 and 2023 show total assets exceeding total liabilities by \$10,176,627 and \$9,297,660, respectively. This represents the total plan net position held in trust for healthcare benefits on each of those dates. The entire amount is available to cover the Plan's obligation to pay healthcare benefits for its members and their beneficiaries, as well as administrative costs.

This represents an increase in net position of \$878,967 or 9.5% from fiscal year 2023 to 2024 and a decrease in net position of \$699,764 or 7.0% from fiscal year 2022 to 2023. Over the long term, health insurance premiums collected and other income received are anticipated to sufficiently fund the costs of the Plan.

During fiscal year 2024, the Plan saw a significant increase in healthcare benefit costs, up \$30.2 million or 20.3% from fiscal year 2023. While the Division of Retirement and Benefits (Division) works to maintain a level premium and use of network medical providers to contain costs, medical conditions may exist within the membership that drive costs higher than anticipated. The Division continues to work with the Plan's actuaries and administration to monitor and adjust premiums while managing expenses to control costs. The Division expects that there will continue to be increases in future healthcare benefit costs. The Plan must continue to balance revenue while managing expenses to meet current and future healthcare benefit costs.

Insurance Premium Calculations

The overall objective of the Plan is to have sufficient funds to meet healthcare benefit costs. The insurance premiums are recommended each year by the Division's benefit consultant with review by the advisory committee and the administrator's approval. Insurance premiums are based on the Plan's benefit year. The benefit consultant reviews the historical claims experience and administrative costs and uses that data to estimate trends to recommend premiums for the next benefit year.

Health Insurance Premiums and Investment Income

The revenue required to fund healthcare benefits is accumulated through a combination of employer and employee health insurance premiums, other revenue, and investment income.

	Revenue				
	2024	2023	Increase (decrease)		2022
			Amount	Percentage	
Health insurance premiums	\$ 152,560,303	142,801,280	9,759,023	6.8%	\$ 129,817,536
Other revenue	12,841,942	10,232,419	2,609,523	25.5	8,216,113
Investment income (loss)	1,082,746	833,603	249,143	29.9	(335,371)
Total	\$ 166,484,991	153,867,302	12,617,689	8.2%	\$ 137,698,278

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Health insurance premiums paid by the State of Alaska were \$1,908 per employee per month during fiscal year 2024, \$1,793 per employee per month during fiscal year 2023, and were \$1,685 per employee per month in fiscal year 2022. Changes to health insurance premiums are the result of actual and anticipated changes in healthcare costs related to covered benefits. Premiums are based on historical and anticipated experience. The average monthly employee count increased by approximately 175 or 3.0% in fiscal year 2024 and increased by 66 or 1.2% in fiscal year 2023. This increase contributed to higher premiums collected from both the employer and the member.

Other revenue increased to \$12,841,942 in fiscal year 2024 from \$10,232,419 in fiscal year 2023, an increase of \$2,609,523 or 25.5%, and to \$10,232,419 in fiscal year 2023 from \$8,216,113 in fiscal year 2022, an increase of \$2,016,306 or 24.5%. The increases in fiscal years 2024 and 2023 were primarily due to additional pharmacy rebates received each year due to increases in pharmacy spend during those same years.

Investment income increased by \$249,143 or 29.9% from amounts recorded in fiscal year 2023, and increased by \$1,168,974 or 348.6% from amounts recorded in fiscal year 2022. The Plan is invested in the General Fund and Other Nonsegregated Investments (GeFONSI), which is an investment pool managed by the State of Alaska, Treasury Division in the Department of Revenue. For fiscal years 2024 and 2023, the GeFONSI investments generated 5.60% and 3.56% rates of return, respectively. The GeFONSI annualized rate of return was 2.52% over the last three years and 1.95% over the last five years. The invested balance decreased by \$11,270,343 in fiscal year 2024 and increased by \$7,052,775 in fiscal year 2023.

Benefits and Expenses

The primary expense of the Plan is the payment of healthcare benefits. These cost of benefits and administering the Plan comprise the cost of operations.

	Expenses				
	2024	2023	Increase (decrease)		2022
			Amount	Percentage	
Healthcare benefits	\$ 179,056,034	148,866,216	30,189,818	20.3%	\$ 145,502,536
Administrative	6,528,931	5,756,785	772,146	13.4	5,645,421
Total	<u>\$ 185,584,965</u>	<u>154,623,001</u>	<u>30,961,964</u>	<u>20.0%</u>	<u>\$ 151,147,957</u>

Healthcare benefit expenses increased by \$30,189,818 or 20.3% in fiscal year 2024 and increased by \$3,363,680 or 2.3% in fiscal year 2023. Fiscal year 2024 reflects a 20.3% increase in healthcare benefit due to an increase in the number of claimants whose costs exceeded \$1 million in annual claims costs from fiscal year 2023, with one member incurring covered costs exceeding \$13 million, while fiscal year 2023 reflected a 1.2% increase in healthcare benefit membership counts and a 1.1% increase in healthcare benefit cost per member.

Administrative expenses increased by \$772,146 or 13.4% in fiscal year 2024 and increased \$111,364, or 2.0% in fiscal year 2023. The increase in administrative expense during fiscal year 2024 was due to increases in personnel services and contractual services. For fiscal year 2023, the increase in administrative expenses was primarily due to an increase in contractual services.

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Economic Conditions, Market Environment, and Results

The net investment rate of return of 5.60% during fiscal year 2024 was significantly higher than the five-year average of 1.95%. For fiscal year 2024, most equities were up 11 – 23%, while higher yields lead to strong cash and bond returns of 3 – 6%. Most portfolios did well versus the five-year numbers which include a very challenging fiscal year 2022.

Due to the increased utilization of the health plan for medical services and specialty medications, as well as high costs related to a small portion of membership, the Plan saw a drop in available balance for payment of healthcare claims costs. For fiscal year 2024, healthcare claims costs drew down on Plan assets. The Plan requested and received a transfer in of \$20.0 million to maintain a minimum target claim reserve balance of one and one-half times the amount of the outstanding claims in the Plan. For fiscal year 2023, healthcare claims costs drew down on Plan assets. The Plan requested and received a transfer in of \$55,935 to maintain a minimum target claim reserve balance of one and one-half times the amount of the outstanding claims in the Plan.

During fiscal year 2024, the 33rd Alaska State Legislature enacted one law that affects the Plan. Conference Committee Substitute (CS) for House Bill 268, Section 34(d), appropriates an amount necessary to maintain a minimum target claim reserve balance of one and one-half times the amount of outstanding claims of the Plan at the end of fiscal year 2025.

Requests for Information

This financial report is designed to provide a general overview of the Plan's financial condition for those with interest in the Plan's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

State of Alaska Group Health and Life Fund
Division of Retirement and Benefits, Finance Section
P.O. Box 110203
Juneau, Alaska 99811-0203

Questions concerning any of the investment information provided in this report or requests for additional investment information should be addressed to:

State of Alaska
Department of Revenue, Treasury Division
P.O. Box 110405
Juneau, Alaska 99811-0405

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Statements of Net Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets:		
Cash and cash equivalents:		
Investment in State of Alaska General Fund and Other Nonsegregated Investments Pool	\$ 12,445,549	23,715,892
Due from State of Alaska General Fund	19,991,132	2,362,284
Accounts receivable	2,599,349	2,053,341
Other assets	<u>593,160</u>	<u>593,160</u>
Total assets	<u>35,629,190</u>	<u>28,724,677</u>
Liabilities:		
Claims payable	23,816,000	17,409,000
Accrued expenses	<u>1,636,563</u>	<u>2,018,017</u>
Total liabilities	<u>25,452,563</u>	<u>19,427,017</u>
Unrestricted net position	<u>\$ 10,176,627</u>	<u>9,297,660</u>

See accompanying notes to financial statements.

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Statements of Changes in Net Position

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenue:		
Employer health insurance premiums	\$ 132,405,871	123,100,188
Member health insurance premiums	<u>20,154,432</u>	<u>19,701,092</u>
Total health insurance premiums	<u>152,560,303</u>	<u>142,801,280</u>
Other revenue:		
Pharmacy rebate	12,399,562	9,916,291
Pharmacy management allowance	186,798	166,558
Miscellaneous revenue	<u>255,582</u>	<u>149,570</u>
Total other revenue	<u>12,841,942</u>	<u>10,232,419</u>
Total operating revenue	<u>165,402,245</u>	<u>153,033,699</u>
Operating expenses:		
Healthcare benefits	179,056,034	148,866,216
Administrative	<u>6,528,931</u>	<u>5,756,785</u>
Total operating expenses	<u>185,584,965</u>	<u>154,623,001</u>
Operating loss	<u>(20,182,720)</u>	<u>(1,589,302)</u>
Nonoperating revenue:		
Investment income	<u>1,082,746</u>	<u>833,603</u>
Loss before transfers in	(19,099,974)	(755,699)
State of Alaska transfers in	<u>19,978,941</u>	<u>55,935</u>
Change in unrestricted net position	878,967	(699,764)
Total unrestricted net position, beginning of year	<u>9,297,660</u>	<u>9,997,424</u>
Total unrestricted net position, end of year	<u>\$ 10,176,627</u>	<u>9,297,660</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received for premiums from the State of Alaska and employees	\$ 155,096,037	140,493,614
Cash received from third-party administrator	11,994,477	9,923,301
Cash payments for benefits to third-party administrator	(172,832,156)	(147,907,126)
Cash payments to employees	(787,288)	(462,451)
Cash payments to suppliers	(5,880,094)	(5,297,643)
Net cash used in operating activities	<u>(12,409,024)</u>	<u>(3,250,305)</u>
Cash flows from noncapital financing activity:		
Operating subsidies and transfers in from other funds	<u>55,935</u>	<u>9,469,477</u>
Cash flows from investing activities:		
Investment income received	<u>1,082,746</u>	<u>833,603</u>
Net increase (decrease) in cash and cash equivalents	(11,270,343)	7,052,775
Cash and cash equivalents, beginning of year	<u>23,715,892</u>	<u>16,663,117</u>
Cash and cash equivalents, end of year	<u>\$ 12,445,549</u>	<u>23,715,892</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (20,182,720)	(1,589,302)
Adjustments to reconcile operating loss to net cash used in operating activities:		
(Increase) decrease in assets:		
Due from State of Alaska General Fund	2,294,158	(2,295,524)
Accounts receivable	(546,008)	(340,248)
Increase (decrease) in liabilities:		
Claims payable	6,407,000	73,000
Accrued expenses	(381,454)	901,769
Net cash used in operating activities	<u>\$ (12,409,024)</u>	<u>(3,250,305)</u>
Supplemental schedule of noncash financing activities:		
State of Alaska transfers in	\$ 19,978,941	55,935

See accompanying notes to financial statements.

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(1) Description

The following brief description of the State of Alaska Group Health and Life Benefits Fund (the Plan), an Internal Service Fund of the State of Alaska (the State), is provided for general information purposes only. Participants should refer to the Select Benefits Information Booklet for more complete information.

(a) General

The Plan was established on July 1, 1997, to provide self-insured healthcare benefits to eligible employees of the State. The Plan is an internal service fund of the State financial reporting entity and is included as such in the State's Annual Comprehensive Financial Report (ACFR). As of June 30, 2024 and 2023, there were 6,202 and 5,943 employees, respectively, excluding dependents, covered by the Plan.

Prior to July 1, 1997, healthcare benefits for state employees were fully insured through the payment of premiums to an insurance company.

(b) Benefits

The Plan offers medical, dental, vision, and audio benefits to eligible state employees and their dependents.

(c) Eligibility

The Plan does not provide benefits to members of the following collective bargaining units, who chose to receive health coverage through a union trust:

- Labor, Trades, and Crafts Unit
- Public Safety Airport Security Unit
- Public Safety Troopers Unit
- Masters, Mates, and Pilots
- General Government Unit.

Long-term nonpermanent employees of the State are covered by the Plan, including permanent and long-term nonpermanent seasonal and part-time employees who elect coverage.

The Plan also provides coverage for state legislators and elected officials.

(d) Flexible Benefits

Employees who are not covered through a union trust are eligible for flexible healthcare benefits. A monthly employer premium is paid for each eligible employee under this program. The amount of employer premium paid for each eligible employee is determined by the Department of Administration, Division of Retirement and Benefits (the Division) and the consulting actuary, and can be adjusted annually. The legislative branch approves the premiums through the budgetary process. Employees select from available coverage options that offer different benefits or pay benefits at different rates. In

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most instances, the employee is responsible to pay a portion of the health costs through a pretax payroll contribution, and the amount of the contribution will vary based on collective bargaining provisions and the employee coverage option selected.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Plan's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). Insurance premiums are recognized as revenue in the period in which they are due. Benefits are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when premiums are received, or payment is made. Transfers are recognized in the period the authorizing legislation is signed into law.

(b) Financial Statement Presentation

The Plan distinguishes operating revenue and expenses from nonoperating revenue and expenses. The principal operating revenue of the Plan is employer and employee health insurance premiums. Operating expenses for the Plan include healthcare benefits and administrative costs. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expense.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

(d) Investments

The Plan participates in the State of Alaska General Fund and Other Nonsegregated Investments (GeFONSI) pool, which invests in fixed-income securities that are valued each business day using an independent pricing service. The Department of Revenue, Division of Treasury (the Treasury) calculates a participant's daily cash balance in the GeFONSI using the GeFONSI's actual daily rate of return. Interest is compounded daily.

GeFONSI investment income is distributed to pool participants if prescribed by statute or if appropriated by state legislature.

(e) Statements of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include the Plan's investment in the GeFONSI at June 30, 2024 and 2023. This investment pool has the general characteristics of a demand deposit account.

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(f) Administration

The Plan is administered by the Division, which utilizes the services of claims administrators Aetna and Delta Dental of Alaska to process medical, dental, and vision claims, and utilizes the services of pharmacy benefit manager OptumRx to process prescription drug claims. Some of the specialized benefits provided by the Plan are administered by Vision Service Plan, PayFlex, EDHC (Surgery Plus), Beacon OHSS, Teladoc, and Hinge Health. Other administrative expenses are related to employees of the Division and related office expenses.

(g) Funding

The Plan is self-insured for all benefits. The Plan's funding policy provides for the collection of insurance premiums from employees, if applicable, and the State. Insurance premium amounts are actuarially determined on an annual basis and adjusted, as necessary. The State retains the risk of loss of allowable claims.

(h) Due from State of Alaska General Fund

Amounts due from State of Alaska General Fund represent the net revenues received after June 30, but not otherwise recorded as accruals, and transfers in related to legislative appropriations that were paid in the subsequent fiscal year.

(i) Federal Income Tax Status

The Plan is an internal service fund of the State financial reporting entity and is included as such in the State's ACFR. The Plan is not subject to federal income tax by virtue of the Plan's status as a government entity.

(3) Investments

The Treasury has created a pooled environment by which it manages the investments. The Commissioner of Revenue (the Commissioner) has fiduciary responsibility. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The fund invests in the State's internally managed GeFONSI pool. The complete financial activity of the funds is shown in the State of Alaska ACFR available from the Department of Administration, Division of Finance.

Assets in the pool are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Securities are valued each business day using prices obtained from a pricing service.

The accrual basis of accounting is used for investment income and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by the state legislature.

For additional information on interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk, see the separately issued report on the "Invested Assets Under the Investment Authority of the Commissioner of Revenue (Audited)" at:

<https://treasury.dor.alaska.gov/home/investments/annual-investment-reports>

STATE OF ALASKA
GROUP HEALTH AND LIFE BENEFITS FUND
(An Internal Service Fund of the State of Alaska)

Notes to Financial Statements

June 30, 2024 and 2023

(4) Claims Payable

The liabilities for claims payable and claims incurred but not reported (IBNR) represent the estimated amounts necessary to settle all outstanding claims incurred as of the balance sheet date. The Plan's reserve estimates for IBNR are based primarily on historical development patterns adjusted for current trends that would modify experience. Claims are reevaluated periodically to consider the effects of inflation, claims settlement trends, and other economic factors. The process of establishing loss reserves is subject to uncertainties that are normal, recurring, and inherent in the healthcare business.

Changes in the balances of claims liabilities were as follows:

	2024	2023
Total, beginning of year	\$ 17,409,000	17,336,000
Healthcare benefits	179,056,034	148,866,216
Benefits paid	(172,649,034)	(148,793,216)
Total, end of year	\$ 23,816,000	17,409,000
End of year:		
Incurred but not reported	\$ 23,816,000	17,409,000
Total, end of year	\$ 23,816,000	17,409,000

(5) Transfers In

During fiscal year 2024, even with higher revenues from increased employer and member health insurance premiums, the Plan encountered an asset drawdown of \$18,357,231, which was significantly more than fiscal year 2023. As a result, the Plan requested and received a transfer in from the General Fund as enacted in Senate Committee Substitute of Committee Substitute House Bill 39 [SCS CS HB39, Sec 59(d), page 145, line 1] to maintain the Plan's minimum target reserve balance of one and one-half times the amount of outstanding claims in the Plan. The operating transfer was received by the Plan in August 2024.

During fiscal year 2023, even with higher revenues from increased employer and member health insurance premiums, the Plan encountered asset drawdown of \$755,699, which was significantly less than fiscal year 2022. As a result, the Plan requested and received a transfer in from the General Fund as enacted in House Bill 281 [HB281, Sec 63(d), page 171, line 9] to maintain the Plan's minimum target reserve balance of one and one-half times the amount of outstanding claims in the Plan. The operating transfer was received by the Plan in September 2023.