



**STATE OF ALASKA
RETIREE HEALTH FUND**

(An Enterprise Fund of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

**STATE OF ALASKA
RETIREE HEALTH FUND**
(An Enterprise Fund of the State of Alaska)

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3800 Centerpoint Drive
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Independent Auditors' Report

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

Opinion

We have audited the financial statements of the Retiree Health Fund (the Fund) of the State of Alaska, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Fund'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 financial position of the Fund, as of June 30, 2025 and 2024, 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 Fund 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, 2025 and 2024, 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.

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 the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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.



Supplementary Information

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

KPMG LLP

Anchorage, Alaska
October 20, 2025

**STATE OF ALASKA
RETIREE HEALTH FUND**
(An Enterprise Fund of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2025 and 2024

This section presents management's discussion and analysis (MD&A) of the State of Alaska Retiree Health Fund's (the Fund) financial condition and performance for the years ended June 30, 2025 and 2024. 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 Fund during the fiscal years ended June 30, 2025 and 2024. Information for fiscal year 2023 is presented for comparative purposes.

Financial Highlights

The Fund's financial highlights for the year ended June 30, 2025 were as follows:

- The Fund's unrestricted net position increased by \$87.7 million during fiscal year 2025.
- The Fund's health premiums totaled \$97.9 million, an increase of \$4.8 million from fiscal year 2024.
- The Fund net investment income was \$81.5 million, an increase of \$3.3 million compared to fiscal year 2024.
- The Fund's benefit expense totaled \$88.6 million, an increase of \$7.2 million from fiscal year 2024.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fund's basic financial statements. The Fund's basic financial statements are composed of four components: (1) statements of net position; (2) statements of revenue, expenses, and 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 Fund's assets, liabilities, and resulting net position. These statements reflect the Fund's investments at fair value, along with cash and cash equivalents, receivables, and other assets less liabilities at June 30, 2025 and 2024.

Statements of revenue, expenses, and changes in net position – These statements present how the Fund's net position changed during the fiscal years ended June 30, 2025 and 2024, as a result of health premiums, net investment income, healthcare benefits, and operating expenses.

Statements of cash flows – These statements present the Fund's cash flows from operations and investing activities. The Fund presents its cash flows statement using the direct method for reporting cash received and disbursed during the fiscal years ended June 30, 2025 and 2024.

The above statements represent resources available for investment and payment of benefits as of June 30, 2025 and 2024, and the sources and uses of those funds during fiscal years 2025 and 2024.

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 Fund's financial statements.

Supplemental schedules – Supplemental schedules include detailed information on the underlying individual funds that comprise the Fund and are composed of three components: (1) combining statement of net position;

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(2) combining statement of revenue, expenses, and changes in net position; and (3) combining statement of cash flows.

Condensed Financial Information

Net position					
Description	2025	2024	Increase (decrease)		2023
			Amount	Percentage	
Assets:					
Cash and cash equivalents	\$ 39,037,523	53,108,067	(14,070,544)	(26.5)%	\$ 61,706,935
Investments at fair value	950,514,041	841,975,272	108,538,769	12.9	740,086,949
Receivables	737,396	65,092	672,304	1,032.9	132,047
Other assets	2,335,018	2,335,018	—	—	2,335,018
Total assets	992,623,978	897,483,449	95,140,529	10.6	804,260,949
Liabilities:					
Current liabilities:					
Claims payable	29,126,000	26,527,000	2,599,000	9.8	24,510,000
Accrued expenses	849,531	1,377,461	(527,930)	(38.3)	394,253
Due to State of Alaska General Fund	27,245	74,084	(46,839)	(63.2)	146,915
Total current liabilities	30,002,776	27,978,545	2,024,231	7.2	25,051,168
Noncurrent liabilities:					
Claims payable	47,779,000	42,323,000	5,456,000	12.9	38,688,000
Total liabilities	77,781,776	70,301,545	7,480,231	10.6	63,739,168
Net position - unrestricted	\$ 914,842,202	827,181,904	87,660,298	10.6%	\$ 740,521,781

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Condensed Financial Information (continued)

Revenue, expenses, and changes in net position					
Description	2025	2024	Increase (decrease)		2023
			Amount	Percentage	
Net position, beginning of year	\$ 827,181,904	740,521,781	86,660,123	11.7%	\$ 655,223,119
Operating revenue:					
Health insurance premiums	97,850,957	93,027,185	4,823,772	5.2	91,483,730
Employer group waiver plan	171,697	149,089	22,608	15.2	157,728
Medicare retiree drug subsidy	2,772	4,073	(1,301)	(31.9)	2,618
Pharmacy rebates	402,573	304,095	98,478	32.4	174,232
Pharmacy management allowance	397	409	(12)	(2.9)	322
Miscellaneous income	19,302	16,253	3,049	18.8	14,956
Total operating revenue	98,447,698	93,501,104	4,946,594	5.3	91,833,586
Operating expenses:					
Healthcare benefits	88,558,412	81,349,107	7,209,305	8.9	67,848,507
Administrative	3,768,804	3,700,918	67,886	1.8	3,565,855
Total operating expenses	92,327,216	85,050,025	7,277,191	8.6	71,414,362
Operating income	6,120,482	8,451,079	(2,330,597)	(27.6)	20,419,224
Nonoperating revenue:					
Net investment income	81,539,816	78,209,044	3,330,772	4.3	64,879,438
Change in net position	87,660,298	86,660,123	1,000,175	1.2	85,298,662
Net position, end of year	\$ 914,842,202	827,181,904	87,660,298	10.6%	\$ 740,521,781

Financial Analysis of the Fund

The statements of net position as of June 30, 2025 and 2024 show a net position of \$914,842,202 and \$827,181,904, respectively. The entire amount is available to cover the Fund's obligation to pay healthcare benefits for its members and their beneficiaries.

This represents an increase in total net position of \$87,660,298 or 10.6% from fiscal year 2024 to 2025, and an increase of \$86,660,123 or 11.7% from fiscal year 2023 to 2024. The fiscal year 2025 increase is attributed to the Long-Term Care (LTC) plan with increases in premiums collected as well as an increase in investment income, offset partly by an increase in operating loss from the Dental, Vision, and Audio (DVA) plan. The increase in fiscal year 2024 is attributed to the LTC plan with an increase in premiums collected and increases in both interest and dividends.

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Premiums are collected monthly from retirees to cover members, dependents, and beneficiaries. Over the long term, healthcare premiums collected for the major medical; DVA; and LTC funds are expected to cover all claims costs. It is anticipated that there will continue to be increases in future healthcare costs and these funds must continue to accumulate assets to meet current and future claims costs.

The investment of fund assets is a long-term undertaking. On an annual basis, the Commissioner of Revenue reviews the asset allocation policies related to fund assets and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk/return level given the Fund's constraints and objectives.

During fiscal years 2025 and 2024, the asset allocation for the major medical fund was 100% Short-term Fixed Income Fund and the asset allocation for the DVA fund was 100% General Fund and Other Nonsegregated Investments (GeFONSI). The asset allocation for the LTC fund was as follows:

	2025		2024	
	LTC		LTC	
	Allocation	Range	Allocation	Range
Broad market fixed income pool	69.0%	± 5	52.0%	± 5
Domestic equity pool	15.0	± 5	25.0	± 5
International equity pool	11.0	± 5	18.0	± 5
Real assets	4.0	± 3	4.0	± 3
Short-term fixed income pool	1.0	- 1 / + 2	1.0	- 1 / + 2
Total	100.0%		100.0%	

Insurance Premium Calculations

The overall objective of the Fund is to have sufficient funds to meet healthcare benefit costs. The insurance premiums are recommended each year by the Division of Retirement and Benefits' (the Division) benefit consultant with review by the advisory committee and the administrator's approval. Insurance premiums are based on the Fund'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.

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Health Insurance Premiums and Investment Income

The revenue required to fund postemployment healthcare benefits is accumulated through a combination of employer and member health insurance premiums, prescription drug rebates, and net investment income.

	Revenue				
			Increase (decrease)		
	2025	2024	Amount	Percentage	2023
Employer health insurance premiums	\$ 1,471,362	1,436,158	35,204	2.5%	\$ 1,447,664
Member health insurance premiums	96,379,595	91,591,027	4,788,568	5.2	90,036,066
Employer group w aiver plan	171,697	149,089	22,608	15.2	157,728
Medicare retiree drug subsidy	2,772	4,073	(1,301)	(31.9)	2,618
Pharmacy rebates	402,573	304,095	98,478	32.4	174,232
Pharmacy management allow ance	397	409	(12)	(2.9)	322
Miscellaneous income	19,302	16,253	3,049	18.8	14,956
Net investment income	81,539,816	78,209,044	3,330,772	4.3	64,879,438
Total	\$ 179,987,514	171,710,148	8,277,366	4.8%	\$ 156,713,024

Employer-paid Major Medical premiums were \$1,098 for calendar years 2025, and \$1,046 for calendar year 2024 and 2023 per month per eligible retiree. Member health insurance premiums received increased as a result of higher member participation counts within the Medial and DVA plans.

The Division of Retirement and Benefits (the Division) implemented a group Medicare Part D prescription drug plan known as an enhanced Employer Group Waiver Plan (EGWP) for all Medicare-eligible members covered under the Retiree Health Fund (RHF) Major Medical Fund. During fiscal year 2025, the RHF received \$171,697 in EGWP funds from the Center of Medicare and Medicaid Services (CMS) through the EGWP Plan Sponsor, OptumRx, compared to fiscal year 2024 receipts of \$149,089, and fiscal year 2023 receipts of \$157,728. The changes each year are based on prescription drug usage as well as costs of those same prescription drugs that determine EGWP funds paid to the Fund.

Pharmacy rebates are reimbursed to the RHF by the third-party administrators. During fiscal year 2025, the RHF received \$402,573 in pharmacy rebates compared to \$304,095 received during fiscal year 2024, and \$174,232 during fiscal year 2023. The increases result from higher usage of prescription drugs in the Major Medical plan.

The Fund's net investment income in fiscal year 2025 increased by \$3,330,772 or 4.3% from the amounts in fiscal year 2024. The Fund's net investment income in 2024 increased by \$13,329,606 or 20.5% from amounts recorded in fiscal year 2023. Fiscal year 2025 and 2024 investment returns were higher due to strong investment markets and due to higher levels of investment capital in the LTC plan as it continues to receive contributions in excess of annual claims costs, though those costs are expected to increase as members begin using their LTC coverage.

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The plans' rate of returns for the year ended June 30 and annualized were as follows:

	Year ended		Annualized	
	2025	2024	3 years	5 years
Major Medical	5.02 %	5.71 %	4.91 %	2.98 %
DVA	5.23	5.60	4.79	2.56
LTC	9.22	9.83	9.40	5.88

Benefits and Expenses

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

	Expenses				
	2025	2024	Increase		2023
			Amount	Percentage	
Healthcare benefits	\$ 88,558,412	81,349,107	7,209,305	8.9%	\$ 67,848,507
Administrative	3,768,804	3,700,918	67,886	1.8	3,565,855
Total	<u>\$ 92,327,216</u>	<u>85,050,025</u>	<u>7,277,191</u>	<u>8.6%</u>	<u>\$ 71,414,362</u>

Healthcare benefits expense increased by \$7,209,305 or 8.9% from fiscal year 2024 and 13,500,600 or 19.9% from fiscal year 2023. The fiscal year 2025 increase in healthcare benefits expense is due to higher total claims primarily within the LTC plan by \$4.1 million. The fiscal year 2024 increase in healthcare benefits expense is due to higher total claims primarily within the LTC plan by \$11.7 million.

Administrative expenses increased by \$67,886 or 1.8% from fiscal year 2024 and administrative expenses increased by \$135,063 or 3.8% from fiscal year 2023. The increase in fiscal year 2025 is mostly due to management and consulting and data processing service fees. The increase in fiscal year 2024 is mostly due to contractual services such as increases in advertising, communication, rental/leases and legal fees. The Fund's benefit consultants and the Division continue to identify and develop premiums necessary to cover claims and administrative cost.

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Funding

Postemployment healthcare benefits are funded by health insurance premiums received from participants in the retirement system as well as from income earned on fund investments. Healthcare insurance premiums are recommended each year by the Division's consultant with the governing body's concurrence and the Administrator's approval.

Economic Conditions, Market Environment, and Results

The overall objective of the Fund is to have sufficient funds to meet current and future claim costs. The premiums for the major medical and DVA plans are calculated each year based on the anticipated claims and administrative costs for the following year. The benefit consultant reviews the historical claims experience and administrative costs and uses that data to estimate trends to develop premiums. The amount of reserves is considered when setting the premiums. The premiums for the LTC plan have been developed to provide future benefits for the retirees, much like an annuity. The LTC plan will accumulate large reserves to pay future benefits.

Requests for Information

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

State of Alaska Retiree Health 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

**STATE OF ALASKA
RETIREE HEALTH FUND**
(An Enterprise Fund of the State of Alaska)

Statements of Net Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets:		
Current assets:		
Cash and cash equivalents:		
Investment in State of Alaska General Fund		
and other nonsegregated investments pool	\$ 11,292,232	15,876,840
Short-term fixed income pool	<u>27,745,291</u>	<u>37,231,227</u>
Total cash and cash equivalents	<u>39,037,523</u>	<u>53,108,067</u>
Investments:		
Broad market fixed income pool	647,022,224	438,033,756
Domestic equity pool	153,074,939	219,091,750
International equity pool	112,858,990	152,937,593
Real estate investment trust pool	<u>37,557,888</u>	<u>31,912,173</u>
Total investments	<u>950,514,041</u>	<u>841,975,272</u>
Receivables:		
Accounts receivable	101,491	62,178
Due from State of Alaska General Fund	<u>635,905</u>	<u>2,914</u>
Total receivables	<u>737,396</u>	<u>65,092</u>
Total current assets	990,288,960	895,148,431
Noncurrent assets:		
Other assets	<u>2,335,018</u>	<u>2,335,018</u>
Total assets	<u>992,623,978</u>	<u>897,483,449</u>
Liabilities:		
Current liabilities:		
Claims payable	29,126,000	26,527,000
Accrued expenses	849,531	1,377,461
Due to State of Alaska General Fund	<u>27,245</u>	<u>74,084</u>
Total current liabilities	<u>30,002,776</u>	<u>27,978,545</u>
Noncurrent liabilities:		
Claims payable	<u>47,779,000</u>	<u>42,323,000</u>
Total noncurrent liabilities	<u>47,779,000</u>	<u>42,323,000</u>
Total liabilities	<u>77,781,776</u>	<u>70,301,545</u>
Net position – unrestricted	<u>\$ 914,842,202</u>	<u>827,181,904</u>

See accompanying notes to financial statements.

STATE OF ALASKA
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(An Enterprise Fund of the State of Alaska)

Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating revenue:		
Employer health insurance premiums	\$ 1,471,362	1,436,158
Member health insurance premiums	<u>96,379,595</u>	<u>91,591,027</u>
Total health insurance premiums	<u>97,850,957</u>	<u>93,027,185</u>
Other income:		
Employer group waiver plan	171,697	149,089
Medicare retiree drug subsidy	2,772	4,073
Pharmacy rebates	402,573	304,095
Pharmacy management allowance	397	409
Miscellaneous income	<u>19,302</u>	<u>16,253</u>
Total other income	<u>596,741</u>	<u>473,919</u>
Total operating revenue	<u>98,447,698</u>	<u>93,501,104</u>
Operating expenses:		
Healthcare benefits	88,558,412	81,349,107
Administrative	<u>3,768,804</u>	<u>3,700,918</u>
Total operating expenses	<u>92,327,216</u>	<u>85,050,025</u>
Operating income	<u>6,120,482</u>	<u>8,451,079</u>
Nonoperating revenue:		
Investment income:		
Net appreciation in fair value	58,812,772	63,410,183
Interest	21,347,811	13,662,055
Dividends	<u>1,521,489</u>	<u>1,307,687</u>
Total investment income	81,682,072	78,379,925
Less investment expense	<u>142,256</u>	<u>170,881</u>
Net investment income	<u>81,539,816</u>	<u>78,209,044</u>
Increase in net position	87,660,298	86,660,123
Net position, beginning of year	<u>827,181,904</u>	<u>740,521,781</u>
Net position, end of year	<u>\$ 914,842,202</u>	<u>827,181,904</u>

See accompanying notes to financial statements.

STATE OF ALASKA
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Statements of Cash Flows

Years ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash received for premiums from the State of Alaska	\$ 838,371	1,532,600
Cash received for premiums from others	96,379,595	91,592,966
Cash received from third-party administrator	557,428	442,493
Cash payments for benefits to third-party administrator	(80,552,424)	(75,772,710)
Cash payments to employees	(3,465)	(3,813)
Cash payments to suppliers	(4,291,096)	(2,711,125)
Net cash provided by operating activities	<u>12,928,409</u>	<u>15,080,411</u>
Cash flows from investing activities:		
Purchase of investments	(708,217,134)	(179,484,260)
Proceeds from sale and maturities of investments	634,517,596	133,700,845
Investment income received	46,700,585	22,104,136
Net cash used in investing activities	<u>(26,998,953)</u>	<u>(23,679,279)</u>
Net increase (decrease) in cash and cash equivalents	(14,070,544)	(8,598,868)
Cash and cash equivalents, beginning of year	<u>53,108,067</u>	<u>61,706,935</u>
Cash and cash equivalents, end of year	<u>\$ 39,037,523</u>	<u>53,108,067</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,120,482	8,451,079
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Increase) decrease in assets:		
Accounts receivable	(39,313)	(29,487)
Due from State of Alaska General Fund	(632,991)	96,442
Increase (decrease) in liabilities:		
Claims payable	8,055,000	5,652,000
Accrued expenses	(527,930)	983,208
Due to State of Alaska General Fund	(46,839)	(72,831)
Net cash provided by operating activities	<u>\$ 12,928,409</u>	<u>15,080,411</u>

See accompanying notes to financial statements.

**STATE OF ALASKA
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Notes to Financial Statements
June 30, 2025 and 2024

(1) Description

The following brief description of the State of Alaska Retiree Health Fund (the Fund), an Enterprise Fund of the State of Alaska (the State), is provided for general information purposes only. Participants should refer to the “AlaskaCare Defined Benefit Retiree Insurance Information Booklet” and the “State of Alaska Long-Term Care Booklet” for more complete information.

(a) General

The Fund was established on July 1, 1997 to provide low-cost health insurance options to retirees of the Public Employees’ Retirement System (PERS), Teachers’ Retirement System (TRS), Judicial Retirement System (JRS), and Elected Public Officers’ Retirement System (EPORS) (collectively referred to as the Retirement Systems). The Fund is an enterprise fund of the State financial reporting entity and is included as such in the State’s Annual Comprehensive Financial Report (ACFR).

(b) Premiums and Participants

The Fund’s major medical health insurance premiums are funded by the applicable Retirement Systems as well as contributions from the Alaska Department of Transportation and Public Facilities for retired members of the Marine Engineers Beneficial Association. The Fund’s health plan options for voluntary dental, vision, and audio (DVA) as well as voluntary long-term care (LTC) are funded by monthly premiums paid by members and eligible recipients. A member may extend coverage to dependents for an additional monthly premium based on the coverage requested.

(c) Benefits

The Fund offers major medical, voluntary DVA, and voluntary LTC insurance options to eligible recipients of the Retirement Systems and their dependents.

(d) Medical

The Fund provides medical benefits to qualified benefit recipients of the Retirement Systems. The State pays the medical premiums for benefit recipients of the EPORS, for benefit recipients of the Marine Engineers Beneficial Association and the Masters Mates and Pilots who retired from the State after July 1, 1986, and for benefit recipients of the Northwest Marine Trust who retired from the State before July 1, 1984. Retiree COBRA enrollees must elect coverage and pay a premium to continue participation.

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(e) *Voluntary DVA and LTC*

Individuals receiving benefits from one of the Retirement Systems, including alternate payees under a QDRO, may elect insurance coverage for themselves and their eligible dependents. If coverage is elected, the premiums are paid by deductions from retirement checks or may be paid directly.

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The Fund'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 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.

(b) *Financial Statement Presentation*

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

(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 Department of Revenue, Treasury Division (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 General Fund and Other Nonsegregated Investments Pool (GeFONSI). The complete financial activity of the funds is shown in the State's ACFR available from the Department of Administration, Division of Finance.

Assets in the pools 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. GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by state legislature. Income in the Short-term Fixed Income Pool, Broad Market Fixed Income Pool, Domestic Equity Pool,

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International Equity Pool, and Real Estate Investment Trust Pool is allocated to the pool participants daily on a pro rata basis.

(e) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include the Fund's investment in the GeFONSI and the Short-term Fixed Income Pools. These investment pools have the general characteristics of a demand deposit account.

(f) Administration

The Fund is administered by the State's Division of Retirement and Benefits (the Division). The Division utilizes the services of claims administrators, Aetna, Moda Health, PayFlex, and CHCS Services Inc. to process all medical, DVA, and LTC claims and utilizes the services of pharmacy benefit manager OptumRx to process prescription drug claims. Monthly administrative fees are paid to these claims administrators. Other administrative expenses are related to employees of the Division and related office expenses.

(g) Funding

The Fund is self-insured for all benefits. The Fund's funding policy provides for the collection of insurance premiums from the Retirement Systems administered by the Division, as well as from benefit recipients, as applicable. Premium amounts are actuarially determined on an annual basis and adjusted, as necessary. The Retirement Systems retain the risk of loss of allowable claims.

(h) Due from (to) State of Alaska General Fund

Amounts due from State of Alaska General Fund represent the amounts remitted by employers to the General Fund but not yet transmitted to the System. Amounts due to the State of Alaska General Fund represent the amounts paid by others on behalf of the System.

(i) Other Income

Other income consists of Employer Group Waiver Plan (EGWP) rebates, Medicare Part D Retiree Drug Subsidy (RDS) rebates, pharmacy rebates, pharmacy management allowance, and other miscellaneous items. This other income is recognized on an accrual basis.

(j) Federal Income Tax Status

The Plan is an enterprise 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.

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(3) Investments

At June 30, 2025, the Fund's share of pool investments was as follows:

Investment pool	Major medical	LTC	Total
Cash and cash equivalents:			
Short-term fixed income pool	\$ 20,843,767	6,901,524	27,745,291
Domestic fixed income:			
Broad market fixed income pool	—	647,022,224	647,022,224
Equity:			
Domestic equity pool	—	153,074,939	153,074,939
International equity pool	—	112,858,990	112,858,990
Real Assets:			
Real estate investment trust pool	—	37,557,888	37,557,888
Total	\$ 20,843,767	957,415,565	978,259,332

DVA

GeFONSI balance \$ 11,292,232

At June 30, 2024, the Fund's share of pool investments was as follows:

Investment pool	Major medical	LTC	Total
Cash and cash equivalents:			
Short-term fixed income pool	\$ 21,110,251	16,120,976	37,231,227
Domestic fixed income:			
Broad market fixed income pool	—	438,033,756	438,033,756
Equity:			
Domestic equity pool	—	219,091,750	219,091,750
International equity pool	—	152,937,593	152,937,593
Real Assets:			
Real estate investment trust pool	—	31,912,173	31,912,173
Total	\$ 21,110,251	858,096,248	879,206,499

DVA

GeFONSI balance \$ 15,876,840

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 "Internal Investment Pool" at <https://treasury.dor.alaska.gov/home/investments/annual-investment-reports>.

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(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 and the present value of amounts not yet due (PVANYD) for LTC as of the balance sheet date. The Fund's reserve estimates for IBNR are based primarily on historical development patterns adjusted for current trends that would modify past experience. The Fund's reserve estimates for PVANYD are based on an actuarial valuation that considers expected future benefits, expense, and premium revenue discounted to the current valuation date. 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:

	<u>2025</u>	<u>2024</u>
Total, beginning of year	\$ 68,924,084	63,344,915
Healthcare benefits	88,558,412	81,849,107
Benefits paid	<u>(80,550,251)</u>	<u>(76,269,938)</u>
Total, end of year	\$ <u>76,932,245</u>	<u>68,924,084</u>
End of year:		
Current liabilities:		
Due to State of Alaska General Fund	\$ 27,245	74,084
Claims payable and IBNR	4,431,000	8,589,000
PVANYD	<u>24,695,000</u>	<u>17,938,000</u>
	29,153,245	26,601,084
Noncurrent liabilities:		
Claims payable and IBNR	4,746,000	4,205,000
PVANYD	<u>43,033,000</u>	<u>38,118,000</u>
Total, end of year	\$ <u>76,932,245</u>	<u>68,924,084</u>

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(5) Employer Group Waiver Program

Effective January 1, 2019, the Fund implemented a group Medicare Part D prescription drug plan known as an enhanced EGWP for all Medicare-eligible members covered under the Major Medical Fund. The enhanced EGWP leverages increased federal subsidies to the Major Medical Fund for prescription drugs covered by Medicare Part D while also providing coverage for medications not covered by Medicare Part D through a “wrap” of additional benefits. Moving to an enhanced EGWP has resulted in the Fund receiving significantly higher subsidies, while simultaneously maintaining the prescription drug coverage retirees had prior to implementation of the enhanced EGWP. Currently, EGWP is the primary program used by the Division; however, there are still retirees that are covered by the RDS if they do not meet the requirements of EGWP.

(6) Medicare Part D Retiree Drug Subsidy

A provision of Medicare Part D provides sponsors of postemployment healthcare funds the opportunity to receive an RDS payment if the sponsor’s fund provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The RDS is equal to 28% of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, by virtue of continuing to be covered by the sponsor’s Fund. The Fund was approved for participation in the Medicare Part D program beginning calendar year 2006.

SUPPLEMENTAL SCHEDULES

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Combining Schedule of Net Position

June 30, 2025

	<u>Major medical</u>	<u>Dental, vision, and audio</u>	<u>Long-term care</u>	<u>Total</u>
Assets:				
Current assets:				
Cash and cash equivalents:				
Investment in State of Alaska General Fund and other nonsegregated investments pool	\$ —	11,292,232	—	11,292,232
Short-term fixed income pool	20,843,767	—	6,901,524	27,745,291
Total cash and cash equivalents	20,843,767	11,292,232	6,901,524	39,037,523
Investments:				
Broad market fixed income pool	—	—	647,022,224	647,022,224
Domestic equity pool	—	—	153,074,939	153,074,939
International equity pool	—	—	112,858,990	112,858,990
Real estate investment trust pool	—	—	37,557,888	37,557,888
Total investments	—	—	950,514,041	950,514,041
Receivables:				
Accounts receivable	101,491	—	—	101,491
Due to State of Alaska General Fund	635,905	—	—	635,905
Total receivables	737,396	—	—	737,396
Total current assets	21,581,163	11,292,232	957,415,565	990,288,960
Noncurrent assets:				
Other assets	3,570	1,131,448	1,200,000	2,335,018
Total assets	21,584,733	12,423,680	958,615,565	992,623,978
Liabilities:				
Current liabilities:				
Claims payable	244,000	4,187,000	24,695,000	29,126,000
Accrued expenses	90,572	607,178	151,781	849,531
Due to State of Alaska General Fund	—	8,901	18,344	27,245
Total current liabilities	334,572	4,803,079	24,865,125	30,002,776
Noncurrent liabilities:				
Claims payable	—	—	47,779,000	47,779,000
Total noncurrent liabilities	—	—	47,779,000	47,779,000
Total liabilities	334,572	4,803,079	72,644,125	77,781,776
Net position – unrestricted	\$ 21,250,161	7,620,601	885,971,440	914,842,202

See accompanying independent auditors' report.

STATE OF ALASKA
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Combining Schedule of Revenue, Expenses, and Changes in Net Position

Year ended June 30, 2025

	Major medical	Dental, vision, and audio	Long-term care	Total
Operating revenue:				
Employer health insurance premiums	\$ 1,471,362	—	—	1,471,362
Member health insurance premiums	243,461	52,857,449	43,278,685	96,379,595
Total health insurance premiums	1,714,823	52,857,449	43,278,685	97,850,957
Other income:				
Employer group waiver plan	171,697	—	—	171,697
Medicare retiree drug subsidy	2,772	—	—	2,772
Pharmacy rebates	402,573	—	—	402,573
Pharmacy management allowance	397	—	—	397
Miscellaneous income	13,647	5,655	—	19,302
Total other income	591,086	5,655	—	596,741
Total operating revenue	2,305,909	52,863,104	43,278,685	98,447,698
Operating expenses:				
Healthcare benefits	2,975,131	54,597,038	30,986,243	88,558,412
Administrative	71,778	2,792,361	904,665	3,768,804
Total operating expenses	3,046,909	57,389,399	31,890,908	92,327,216
Operating income (loss)	(741,000)	(4,526,295)	11,387,777	6,120,482
Nonoperating revenue:				
Investment income:				
Net appreciation in fair value	1,024,831	702,881	57,085,060	58,812,772
Interest	—	—	21,347,811	21,347,811
Dividends	—	—	1,521,489	1,521,489
Total investment income	1,024,831	702,881	79,954,360	81,682,072
Less investment expense	5,777	—	136,479	142,256
Net investment income	1,019,054	702,881	79,817,881	81,539,816
Change in unrestricted net position	278,054	(3,823,414)	91,205,658	87,660,298
Net position, beginning of year	20,972,107	11,444,015	794,765,782	827,181,904
Net position, end of year	\$ 21,250,161	7,620,601	885,971,440	914,842,202

See accompanying independent auditors' report.

**STATE OF ALASKA
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Combining Schedule of Cash Flows

Year ended June 30, 2025

	Major medical	Dental, vision, and audio	Long-term care	Total
Cash flows from operating activities:				
Cash received for premiums from the State of Alaska	\$ 838,371	—	—	838,371
Cash received for premiums from others	243,461	52,857,449	43,278,685	96,379,595
Cash received from third-party administrator	551,773	5,655	—	557,428
Cash payments for benefits to third-party administrator	(2,878,131)	(54,796,038)	(22,878,255)	(80,552,424)
Cash payments to employees	(3,465)	—	—	(3,465)
Cash payments to suppliers	(37,547)	(3,354,555)	(898,994)	(4,291,096)
Net cash provided by (used in) operating activities	(1,285,538)	(5,287,489)	19,501,436	12,928,409
Cash flows from investing activities:				
Purchase of investments	—	—	(708,217,134)	(708,217,134)
Proceeds from sale and maturities of investments	—	—	634,517,596	634,517,596
Investment income received	1,019,054	702,881	44,978,650	46,700,585
Net cash provided by (used in) investing activities	1,019,054	702,881	(28,720,888)	(26,998,953)
Net increase (decrease) in cash and cash equivalents	(266,484)	(4,584,608)	(9,219,452)	(14,070,544)
Cash and cash equivalents, beginning of year	21,110,251	15,876,840	16,120,976	53,108,067
Cash and cash equivalents, end of year	\$ 20,843,767	11,292,232	6,901,524	39,037,523
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (741,000)	(4,526,295)	11,387,777	6,120,482
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
(Increase) decrease in assets:				
Accounts receivable	(39,313)	—	—	(39,313)
Due from State of Alaska General Fund	(632,991)	—	—	(632,991)
Increase (decrease) in liabilities:				
Claims payable	97,000	(199,000)	8,157,000	8,055,000
Accrued expenses	30,766	(564,367)	5,671	(527,930)
Due to State of Alaska General Fund	—	2,173	(49,012)	(46,839)
Net cash provided by (used in) operating activities	\$ (1,285,538)	(5,287,489)	19,501,436	12,928,409

See accompanying independent auditors' report.

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Combining Schedule of Net Position

June 30, 2024

	<u>Major medical</u>	<u>Dental, vision, and audio</u>	<u>Long-term care</u>	<u>Total</u>
Assets:				
Current assets:				
Cash and cash equivalents:				
Investment in State of Alaska General Fund and other nonsegregated investments pool	\$ —	15,876,840	—	15,876,840
Short-term fixed income pool	21,110,251	—	16,120,976	37,231,227
Total cash and cash equivalents	21,110,251	15,876,840	16,120,976	53,108,067
Investments:				
Broad market fixed income pool	—	—	438,033,756	438,033,756
Domestic equity pool	—	—	219,091,750	219,091,750
International equity pool	—	—	152,937,593	152,937,593
Real estate investment trust pool	—	—	31,912,173	31,912,173
Total investments	—	—	841,975,272	841,975,272
Receivables:				
Accounts receivable	62,178	—	—	62,178
Due from State of Alaska General Fund	2,914	—	—	2,914
Total receivables	65,092	—	—	65,092
Total current assets	21,175,343	15,876,840	858,096,248	895,148,431
Noncurrent assets:				
Other assets	3,570	1,131,448	1,200,000	2,335,018
Total assets	21,178,913	17,008,288	859,296,248	897,483,449
Liabilities:				
Current liabilities:				
Claims payable	147,000	4,386,000	21,994,000	26,527,000
Accrued expenses	59,806	1,171,545	146,110	1,377,461
Due to State of Alaska General Fund	—	6,728	67,356	74,084
Total current liabilities	206,806	5,564,273	22,207,466	27,978,545
Noncurrent liabilities:				
Claims payable	—	—	42,323,000	42,323,000
Total noncurrent liabilities	—	—	42,323,000	42,323,000
Total liabilities	206,806	5,564,273	64,530,466	70,301,545
Net position – unrestricted	\$ 20,972,107	11,444,015	794,765,782	827,181,904

See accompanying independent auditors' report.

STATE OF ALASKA
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Combining Schedule of Revenue, Expenses, and Changes in Net Position

Year ended June 30, 2024

	<u>Major medical</u>	<u>Dental, vision, and audio</u>	<u>Long-term care</u>	<u>Total</u>
Operating revenue:				
Employer health insurance premiums	\$ 1,436,158	—	—	1,436,158
Member health insurance premiums	204,851	49,571,071	41,815,105	91,591,027
Total health insurance premiums	<u>1,641,009</u>	<u>49,571,071</u>	<u>41,815,105</u>	<u>93,027,185</u>
Other income:				
Employer group waiver plan	149,089	—	—	149,089
Medicare retiree drug subsidy	4,073	—	—	4,073
Pharmacy rebates	304,095	—	—	304,095
Pharmacy management allowance	409	—	—	409
Miscellaneous income	14,314	93	1,846	16,253
Total other income	<u>471,980</u>	<u>93</u>	<u>1,846</u>	<u>473,919</u>
Total operating revenue	<u>2,112,989</u>	<u>49,571,164</u>	<u>41,816,951</u>	<u>93,501,104</u>
Operating expenses:				
Healthcare benefits	1,592,592	52,896,911	26,859,604	81,349,107
Administrative	69,421	2,695,183	936,314	3,700,918
Total operating expenses	<u>1,662,013</u>	<u>55,592,094</u>	<u>27,795,918</u>	<u>85,050,025</u>
Operating income (loss)	<u>450,976</u>	<u>(6,020,930)</u>	<u>14,021,033</u>	<u>8,451,079</u>
Nonoperating revenue:				
Investment income:				
Net appreciation in fair value	1,124,539	960,933	61,324,711	63,410,183
Interest	—	—	13,662,055	13,662,055
Dividends	—	—	1,307,687	1,307,687
Total investment income	<u>1,124,539</u>	<u>960,933</u>	<u>76,294,453</u>	<u>78,379,925</u>
Less investment expense	17,176	—	153,705	170,881
Net investment income	<u>1,107,363</u>	<u>960,933</u>	<u>76,140,748</u>	<u>78,209,044</u>
Change in unrestricted net position	1,558,339	(5,059,997)	90,161,781	86,660,123
Net position, beginning of year	<u>19,413,768</u>	<u>16,504,012</u>	<u>704,604,001</u>	<u>740,521,781</u>
Net position, end of year	<u>\$ 20,972,107</u>	<u>11,444,015</u>	<u>794,765,782</u>	<u>827,181,904</u>

See accompanying independent auditors' report.

STATE OF ALASKA
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Combining Schedule of Cash Flows

Year ended June 30, 2024

	Major medical	Dental, vision, and audio	Long-term care	Total
Cash flows from operating activities:				
Cash received for premiums from the State of Alaska	\$ 1,532,600	—	—	1,532,600
Cash received for premiums from others	204,851	49,571,164	41,816,951	91,592,966
Cash received from third-party administrator	442,493	—	—	442,493
Cash payments for benefits to third-party administrator	(1,748,592)	(52,704,910)	(21,319,208)	(75,772,710)
Cash payments to employees	(3,813)	—	—	(3,813)
Cash payments to suppliers	(26,160)	(1,819,542)	(865,423)	(2,711,125)
Net cash provided by (used in) operating activities	401,379	(4,953,288)	19,632,320	15,080,411
Cash flows from investing activities:				
Purchase of investments	—	—	(179,484,260)	(179,484,260)
Proceeds from sale and maturities of investments	—	—	133,700,845	133,700,845
Investment income (loss) received	1,107,363	960,933	20,035,840	22,104,136
Net cash provided by (used in) investing activities	1,107,363	960,933	(25,747,575)	(23,679,279)
Net increase (decrease) in cash and cash equivalents	1,508,742	(3,992,355)	(6,115,255)	(8,598,868)
Cash and cash equivalents, beginning of year	19,601,509	19,869,195	22,236,231	61,706,935
Cash and cash equivalents, end of year	\$ 21,110,251	15,876,840	16,120,976	53,108,067
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 450,976	(6,020,930)	14,021,033	8,451,079
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
(Increase) decrease in assets:				
Accounts receivable	(29,487)	—	—	(29,487)
Due from State of Alaska General Fund	96,442	—	—	96,442
Increase (decrease) in liabilities:				
Claims payable	(156,000)	192,000	5,616,000	5,652,000
Accrued expenses	39,448	872,870	70,890	983,208
Due to State of Alaska General Fund	—	2,772	(75,603)	(72,831)
Net cash provided by (used in) operating activities	\$ 401,379	(4,953,288)	19,632,320	15,080,411

See accompanying independent auditors' report.