



**STATE OF ALASKA
GROUP HEALTH AND LIFE FUND**

(An Internal Service Fund of the State of Alaska)

Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

The Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Group Health and Life Fund:

We have audited the accompanying financial statements of the State of Alaska Group Health and Life Fund (the Plan), an internal service fund of the State of Alaska, as of and for the years ended June 30, 2017 and 2016, and the related notes to financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the State of Alaska Group Health and Life Fund as of June 30, 2017 and 2016, and its changes in fiduciary net position and cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, on pages 3–8, be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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 audit 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

November 27, 2017

**STATE OF ALASKA
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(An Internal Service Fund of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2017 and 2016

This section presents management's discussion and analysis (MD&A) of the Group Health and Life Fund's (the Plan) financial condition and performance for the years ended June 30, 2017 and 2016. 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, 2017 and 2016. Information for fiscal year 2015 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights as of June 30, 2017 were as follows:

- The Plan's net position decreased by \$4.1 million during fiscal year 2017.
- The Plan's health insurance premiums during fiscal year 2017 totaled \$121.6 million, an increase of \$3.5 million from fiscal year 2016.
- The Plan's interest and dividend income during fiscal year 2017 was \$103,582.
- The Plan's benefit expense during fiscal year 2017 totaled \$123.5 million, a decrease of \$7.4 million from fiscal year 2016.
- The Plan's administrative expense during fiscal year 2017 totaled \$5.7 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) statement of fiduciary net position; (2) statement of changes in fiduciary net position; (3) statement of cash flows; and (4) notes to financial statements.

Statement of Fiduciary Net Position – This statement presents information regarding the Plan's assets, liabilities, and resulting net position. This statement reflects the Plan's cash and cash equivalents, receivables, and other assets less liabilities at June 30, 2017 and 2016.

Statement of Changes in Fiduciary Net Position – This statement presents how the Plan's net position changed during the fiscal years ended June 30, 2017 and 2016, as a result of health insurance premiums, interest and dividend income, and operating expenses.

Statement of Cash Flows – This statement presents cash flows from operations, financing and investing activities. The Plan presents its cash flows statement using the direct method for reporting cash received and disbursed during the fiscal year.

The above statements represent resources available for investment and payment of benefits as of June 30, 2017 and 2016, and the sources and uses of those funds during fiscal years 2017 and 2016.

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.

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Condensed Financial Information

Fiduciary net position					
Description	2017	2016	Position increase (decrease)		2015
			Amount	Percentage	
Assets:					
Cash and cash equivalents	\$ 16,985,737	15,095,401	1,890,336	12.5%	\$ 30,808,700
Due from State of Alaska General Fund	173,114	7,491,389	(7,318,275)	(97.7)	2,182,137
Other assets	<u>593,160</u>	<u>931,064</u>	<u>(337,904)</u>	<u>(36.3)</u>	<u>931,064</u>
Total assets	<u>17,752,011</u>	<u>23,517,854</u>	<u>(5,765,843)</u>	<u>(24.5)</u>	<u>33,921,901</u>
Liabilities:					
Claims payable	15,325,000	16,831,000	(1,506,000)	(8.9)	16,114,684
Due to State of Alaska General Fund	—	—	—	—	2,211,537
Accrued expenses	<u>305,018</u>	<u>479,592</u>	<u>(174,574)</u>	<u>(36.4)</u>	<u>842,179</u>
Total liabilities	<u>15,630,018</u>	<u>17,310,592</u>	<u>(1,680,574)</u>	<u>(9.7)</u>	<u>19,168,400</u>
Net position	<u>\$ 2,121,993</u>	<u>6,207,262</u>	<u>(4,085,269)</u>	<u>(65.8)%</u>	<u>\$ 14,753,501</u>

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Condensed Financial Information, Continued

Description	Changes in fiduciary net position				2015
	2017	2016	Position increase (decrease)		
			Amount	Percentage	
Net position, beginning of year	\$ 6,207,262	14,753,501	(8,546,239)	(57.9)%	\$ 16,631,813
Operating revenues:					
Health insurance premiums	121,571,496	118,044,392	3,527,104	3.0	123,246,330
Other revenue	3,444,797	2,039,274	1,405,523	68.9	1,617,284
Total operating revenues	125,016,293	120,083,666	4,932,627	4.1	124,863,614
Operating expenses:					
Healthcare benefits	123,488,164	130,861,656	(7,373,492)	(5.6)	121,448,036
Administrative	5,716,980	5,395,273	321,707	6.0	5,464,020
Total operating expenses	129,205,144	136,256,929	(7,051,785)	(5.2)	126,912,056
Operating loss	(4,188,851)	(16,173,263)	11,984,412	(74.1)	(2,048,442)
Nonoperating revenues:					
Interest and dividend income	103,582	127,024	(23,442)	(18.5)	170,130
Loss before transfers in	(4,085,269)	(16,046,239)	11,960,970	(74.5)	(1,878,312)
State of Alaska transfer in	—	7,500,000	(7,500,000)	100.0	—
Change in net position	(4,085,269)	(8,546,239)	4,460,970	(52.2)	(1,878,312)
Net position, end of year	\$ 2,121,993	6,207,262	(4,085,269)	(65.8)%	\$ 14,753,501

Financial Analysis of the Plan

The statements of fiduciary net position as of June 30, 2017 and 2016 show total assets exceeding total liabilities by \$2,121,993 and \$6,207,262, respectively. These amounts represent 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.

These amounts also represent a decrease in net position of \$4,085,269 or 65.8%, and \$8,546,239 or 57.9% from fiscal years 2016 and 2015, respectively. Over the long term, healthcare insurance premiums collected and investment income earned are expected to cover all costs of the plan. In fiscal year 2016, the Plan experienced higher utilization of the health plan, and also experienced much higher claim costs on a small group of eligible members. During fiscal year 2016, the Plan received a transfer of \$7.5 million from the general fund. During fiscal year 2017, the Plan implemented an insurance premium increase while continuing efforts to contain health claim costs through various measures. 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 exist within the membership that drive costs higher than anticipated. The Division continues to work with the Plan's actuaries

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and administration to monitor and adjust premiums as needed to help offset these increases. The Division expects that there will continue to be increases in future healthcare costs. The Plan must continue to accumulate assets to meet current and future claim costs.

Insurance Premium Calculations

The overall objective of the Plan is to have sufficient funds to meet claim costs. The insurance premiums are recommended each year by the Division's benefit consultant with the governing body's concurrence 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.

Healthcare Insurance Premiums and Investment Income

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

	Revenues				
	2017	2016	Increase (decrease)		2015
			Amount	Percentage	
Health insurance premiums	\$ 121,571,496	118,044,392	3,527,104	3.0%	\$ 123,246,330
Other revenue	3,444,797	2,039,274	1,405,523	68.9	1,617,284
Interest and dividend income	103,582	127,024	(23,442)	(18.5)	170,130
Total	\$ 125,119,875	120,210,690	4,909,185	4.1%	\$ 125,033,744

Healthcare insurance premiums paid by the State of Alaska were \$1,555 per month per person in the second half of fiscal year 2017, \$1,346 per month per person in the first half of fiscal year 2017 and the second half of fiscal year 2016. Insurance premiums were \$1,346 per month per person for the first half of fiscal year 2016 and all of fiscal year 2015. 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. During fiscal year 2017, there was a decrease of 295 members from fiscal year 2016, but was offset by the increase in insurance premiums paid by the employer and member.

Interest and dividend income decreased by \$23,442 or 18.5% from amounts recorded in fiscal year 2016, and \$43,106 or 25.3% from amounts recorded in fiscal year 2015. The Plan is invested in the General Fund and Other Nonsegregated Investments (GeFONSI). The GeFONSI is an investment pool managed by the State of Alaska, Treasury Division in the Department of Revenue. For fiscal years 2017 and 2016, the GeFONSI investments generated 0.56% and 0.82% rates of return, respectively. The GeFONSI annualized rate of return was 0.61% over the last three years and 0.54% over the last five years. The invested balance decreased by \$1,890,336 and \$15,713,299 in fiscal years 2017 and 2016, respectively, which contributed to the decline in interest and dividend income.

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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				2015
	2017	2016	Increase (decrease)		
			Amount	Percentage	
Healthcare benefits	\$ 123,488,164	130,861,656	(7,373,492)	(5.6)%	\$ 121,448,036
Administrative	5,716,980	5,395,273	321,707	6.0	5,464,020
Total	<u>\$ 129,205,144</u>	<u>136,256,929</u>	<u>(7,051,785)</u>	<u>(5.2)%</u>	<u>\$ 126,912,056</u>

Benefit expenses decreased by \$7,373,492 or 5.6% from fiscal year 2016 and increased by \$9,413,620 or 7.8% from fiscal year 2015. Fiscal year 2017 saw a decrease in covered members and a decrease in healthcare costs. Fiscal year 2016 saw a decrease in covered members and an increase in healthcare costs. As previously noted, the Plan had experienced higher utilization, as well as high cost claims on a small portion of membership in fiscal year 2016, which has led to the increase in healthcare costs. The Plan contracts with two third-party administrators (TPAs), both of whom use networks in efforts to reduce healthcare benefit costs.

Administrative expenses increased by \$321,707 or 6.0% from fiscal year 2016, and decreased by \$68,747 or 1.3% from fiscal year 2015. The Plan currently pays two TPA administrative fees, where previously, the Plan had paid only one.

Economic Conditions, Market Environment, and Results

Net investment rate of return remains below the five-year average, ending the year at 59.0% of the five-year rate of return of 1.39%. Short-term fixed income rates of returns are expected to remain low during fiscal year 2018.

Due to the increased utilization of the health plan, as well as high costs related to a small portion of membership, the Plan saw a drop in available balance for payment of health costs. In fiscal year 2016, the Division requested and received an appropriation of \$7.5 million to assist in the cash flow and increase the net position of the Plan. The Division continues to work on ways to reduce costs going forward as well as increase premiums moderately to counteract the drawdown of funds.

The Plan continues to analyze various methods to increase its net position centered around increases to health insurance premiums and working with TPAs to further contain medical costs. In fiscal year 2016, the Division requested and secured additional funding during the 30th Alaska State Legislature in Spring 2017. Additional funding was secured through Conference Committee Substitute (CCS) HB 57, section 26(d) to provide an amount necessary to have an unobligated balance of \$10,000,000 in the Plan at the end of the fiscal year 2018.

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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

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Statements of Fiduciary Net Position

June 30, 2017 and 2016

	2017	2016
Assets:		
Cash and cash equivalents (notes 2 and 3):		
Investment in State of Alaska General Fund and Other		
Nonsegregated Investments Pool	\$ 16,985,737	15,095,401
Due from State of Alaska General Fund	173,114	7,491,389
Other assets	593,160	931,064
	<u>17,752,011</u>	<u>23,517,854</u>
Liabilities:		
Claims payable (note 4)	15,325,000	16,831,000
Accrued expenses	305,018	479,592
	<u>15,630,018</u>	<u>17,310,592</u>
Unrestricted net position	<u>\$ 2,121,993</u>	<u>6,207,262</u>

See accompanying notes to financial statements.

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Statements of Changes in Fiduciary Net Position
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Employer health insurance premiums	\$ 104,889,392	102,108,434
Member health insurance premiums	16,682,104	15,935,958
Other revenue	3,444,797	2,039,274
Total operating revenues	<u>125,016,293</u>	<u>120,083,666</u>
Operating expenses:		
Healthcare benefits (note 4)	123,488,164	130,861,656
Administrative	5,716,980	5,395,273
Total operating expenses	<u>129,205,144</u>	<u>136,256,929</u>
Operating loss	<u>(4,188,851)</u>	<u>(16,173,263)</u>
Nonoperating revenues:		
Interest and dividend income	103,582	127,024
Loss before transfers in	(4,085,269)	(16,046,239)
Transfers in	<u>—</u>	<u>7,500,000</u>
Change in unrestricted net position	(4,085,269)	(8,546,239)
Total unrestricted net position, beginning of year	<u>6,207,262</u>	<u>14,753,501</u>
Total unrestricted net position, end of year	<u>\$ 2,121,993</u>	<u>6,207,262</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received for premiums from the State of Alaska	\$ 121,571,496	118,044,392
Cash received from third-party administrator	3,444,797	2,039,274
Cash payments for benefits to third-party administrator	(124,994,164)	(132,356,877)
Cash payments to employees	(176,443)	(131,664)
Cash payments to suppliers	(5,558,932)	(3,435,448)
Net cash used in operating activities	(5,713,246)	(15,840,323)
Cash flows from noncapital financing activity:		
Operating subsidies and transfers in from other funds	7,500,000	—
Cash flows from investing activity:		
Interest and dividend income received	103,582	127,024
Net increase (decrease) in cash and cash equivalents	1,890,336	(15,713,299)
Cash and cash equivalents, beginning of year	15,095,401	30,808,700
Cash and cash equivalents, end of year	\$ 16,985,737	15,095,401
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (4,188,851)	(16,173,263)
Adjustments to reconcile operating loss to net cash used in operating activities:		
(Increase) decrease in assets:		
Due from State of Alaska General Fund	(181,725)	2,190,748
Other assets	337,904	—
Increase (decrease) in liabilities:		
Claims payable	(1,506,000)	716,316
Due to State of Alaska General Fund	—	(2,211,537)
Accrued expenses	(174,574)	(362,587)
Net cash used in operating activities	\$ (5,713,246)	(15,840,323)
Non-cash financing activities:		
Transfers in	\$ —	7,500,000

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 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.

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 Comprehensive Annual Financial Report (CAFR). As of June 30, 2017 and 2016, there were 5,976 and 6,271 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.

Benefits

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

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

All other permanent and 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.

Flexible Benefits

Employees who are not covered through a union trust are eligible for flexible healthcare benefits. Beginning January 1, 2016, 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 legislature and/or the appropriate collective bargaining agreement and can be adjusted each year. Each of the available options offer different benefits or pays benefits at different rates. In most instances, the employee is responsible to pay a portion of the health costs through a pre-tax payroll contribution, and the amount of the contribution will vary based on collective bargaining provisions and the employee selection of employee-only or family coverage.

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Prior to January 1, 2016, employees were provided benefit credits by the State. Employees used the benefit credits to purchase the benefits they wanted. Benefit credits equal the amount that the state contributes towards health benefits for all employees. If the cost of the benefit option selected by an employee exceeded the amount of their benefit credit, the difference was funded by the employee through pre-tax payroll deductions. If the cost of the benefit options selected by an employee was less than the amount of the benefit credit, the remaining benefit credit was contributed to a healthcare reimbursement account for that employee.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Insurance premiums are recognized as revenue in the period in which they are due. Benefits are recognized when due and payable.

Financial Statement Presentation

The Plan distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Plan's principal ongoing operations. The principal operating revenues of the Plan are employer and member health insurance premiums. Operating expenses for the Plan include benefits and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Investments

The Plan participates in the State General Fund and Other Nonsegregated Investments (GeFONSI) pool. GeFONSI invests in fixed income securities that are valued each business day using an independent pricing service. Money market funds are valued at amortized cost, which approximates fair value.

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

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, 2017 and 2016. This investment pool has the general characteristics of a demand deposit account.

Administration

The Plan is administered by the State's Division of Retirement and Benefits (the Division). The Division utilizes the services of claims administrators, Aetna, Moda Health, HealthSmart Benefit Solutions (HealthSmart), and

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PayFlex, to process all medical, dental, and prescription drug claims. Some of the managed-care vision benefits provided by the Plan are administered by Vision Service Plan (VSP).

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.

Due from (to) State of Alaska General Fund

Amounts due from (to) the State of Alaska General Fund represent the amounts paid by the Plan on behalf of others and amounts paid by others on behalf of the Plan.

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 comprehensive annual financial report. The Plan is not subject to federal income tax by virtue of the Plan's status as a governmental entity.

(3) Investments

The Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages the investments for which 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 GeFONSI consists of investments in the State's internally managed Short-term Fixed Income Pool, Short-term Liquidity Fixed Income Pool, and the Intermediate-term Fixed Income Pool. The complete financial activity of the funds is shown in the State of Alaska CAFR 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 and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by the state legislature. Income in the Short-term, Short-term Liquidity, and Intermediate-term fixed income pools is allocated to pool participants daily on a pro rata basis.

At June 30, 2017, the Plan's share of pool investments was as follows:

GeFONSI balance	\$ <u>16,985,737</u>
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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 of the Commissioner of Revenue at <http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx>.

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(4) Claims Payable

The liability for claims incurred but not reported (IBNR) represents the estimated amounts necessary to settle all outstanding claims as of the balance sheet date. The Plan's reserve estimates are based primarily on historical development patterns adjusted for current trends that would modify past 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 during the years ended June 30 were as follows:

	2017	2016
Beginning of year:		
Due to State of Alaska General Fund for outstanding warrants	\$ —	2,211,537
Incurred but not reported	16,831,000	16,114,684
Total, beginning of year	16,831,000	18,326,221
Benefit deduction	123,488,164	130,861,656
Benefits paid	(124,994,164)	(132,356,877)
Total, end of year	\$ 15,325,000	16,831,000
End of year:		
Incurred but not reported	\$ 15,325,000	16,831,000
Total, end of year	\$ 15,325,000	16,831,000

(5) Transfers In

The Plan became aware of higher utilization and higher cost claimants midway through fiscal year 2016. Analysis indicated that additional funds were necessary to continue paying claims, allow time for the Division to look at premium modifications, and devise ways to mitigate the higher claim costs.

To secure the necessary funds, the Division requested a \$7.5 million appropriation to bolster the Plan's net position. Funding was received via CCS HB 256, Section 26(d) to provide the needed cash infusion from the General Fund for payment of claims and operations. Payment was received by the Plan in July 2016.

In fiscal year 2017, the Plan secured additional funding through CCS HB 57, section 26(d) to provide an amount necessary to have an unobligated balance of \$10,000,000 in the Plan at the end of the fiscal year 2018.