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State of Mississippi
State and School Employees'
Life and Health Insurance Plan
Independent Auditor's Reports and
Financial Statements
June 30, 2020

State of Mississippi
State and School Employees’
Life and Health Insurance Plan
June 30, 2020

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Independent Auditor's Report

Members of the State of Mississippi State and School
Employees' Health Insurance Management Board
State of Mississippi State and School Employees'
Life and Health Insurance Plan
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Mississippi State and School Employees' Life and Health Insurance Plan (the Plan), an enterprise fund of the State of Mississippi, as of and for the year ended June 30, 2020, and the related notes to the 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 accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 auditor's 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 control 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 plan net position of the State of Mississippi State and School Employees' Life and Health Insurance Plan as of June 30,

2020, and the changes in its plan net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 2*, the financial statements present only the financial statements of the Plan and do not purport to, and do not, present fairly the financial position of the State of Mississippi as of June 30, 2020, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Management has also omitted a schedule of ten-year revenue and claims development information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
November 12, 2020

State of Mississippi
State and School Employees'
Life and Health Insurance Plan
Statement of Net Position
June 30, 2020

Assets

Cash and cash equivalents	
Equity in the State's internal investment pool	\$ 107,169,395
Cash	<u>149,438,811</u>
Total cash and cash equivalents	256,608,206
Interest receivable	<u>19,400</u>
Total assets	<u>256,627,606</u>

Liabilities

Liabilities

Accounts payable and other liabilities	14,620,974
Claims and benefits payable	53,884,100
Unearned revenue	<u>21,220,319</u>
Total liabilities	<u>89,725,393</u>

Net Position

Unrestricted net position	<u><u>\$ 166,902,213</u></u>
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State of Mississippi
State and School Employees'
Life and Health Insurance Plan
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

Operating Revenues	
Charges for premiums	<u>\$ 777,731,971</u>
Operating Expenses	
Claims and benefits	755,866,446
Contractual services	32,697,713
Subsidies	<u>1,955,120</u>
Total operating expenses	<u>790,519,279</u>
Operating loss	<u>(12,787,308)</u>
Nonoperating Revenues	
Investment income	<u>3,194,339</u>
Total nonoperating revenues	<u>3,194,339</u>
Nonoperating Expenses	
Amounts paid to other state funds	<u>(1,750,000)</u>
Total nonoperating expenses	<u>(1,750,000)</u>
Change in Net Position	(11,342,969)
Net Position, Beginning of Year	<u>178,245,182</u>
Net Position, End of Year	<u><u>\$ 166,902,213</u></u>

State of Mississippi
State and School Employees'
Life and Health Insurance Plan
Statement of Cash Flows
Year Ended June 30, 2020

Cash Flows From Operating Activities

Premiums collected	\$ 784,759,521
Payments to suppliers for goods and services	(31,181,896)
Payments for claims and benefits	(765,032,385)
Payments for other taxes	(1,955,120)
Net cash used in operating activities	<u>(13,409,880)</u>

Cash Flows From Noncapital Financing Activities

Amounts paid to other State funds	(1,750,000)
Net cash used in noncapital financing activities	<u>(1,750,000)</u>

Cash Flows From Investing Activities

Investment income received	3,257,090
Net cash provided by investing activities	<u>3,257,090</u>

Net Decrease in Cash and Cash Equivalents (11,902,790)

Cash and Cash Equivalents, Beginning of Year 268,510,996

Cash and Cash Equivalents, End of Year \$ 256,608,206

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (12,787,308)
Change in operating assets and liabilities	
Due from other governments	3,442
Accounts payable and other liabilities	1,515,817
Claims and benefits payable	(9,165,939)
Unearned revenue	7,024,108
Total adjustments	<u>(622,572)</u>
Net cash used in operating activities	<u><u>\$ (13,409,880)</u></u>

Presented on the Statement of Net Position

Equity in the State's internal investment pool	\$ 107,169,395
Cash	<u>149,438,811</u>
Total cash and cash equivalents	<u><u>\$ 256,608,206</u></u>

State of Mississippi
State and School Employees'
Life and Health Insurance Plan
Notes to Financial Statements
June 30, 2020

Note 1: Description of the Plan

The following brief description of the State of Mississippi State and School Employees' Life and Health Insurance Plan (the Plan) is provided for general information purposes only. Participants should refer to Title 25 Chapter 15 of the Mississippi Code, as amended, or the Plan Document for more complete information.

The Plan, which is amended annually by the Board, was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972). The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan is maintained solely for the benefit of eligible employees, dependents and retirees. The Plan is accounted for in various nonmajor proprietary funds of the State of Mississippi (the State) as discussed in *Note 2*.

The 14-member board, which administers the Plan, is comprised of the Chairman of the Workers' Compensation Commission; the State Personnel Director; the Commissioner of Insurance; the Commissioner of Higher Education; the State Superintendent of Public Education; the Executive Director of the Department of Finance and Administration; the Executive Director of the Mississippi Community College Board; the Executive Director of the Public Employees Retirement System; two appointees of the Governor; the Chairman of the Senate Insurance Committee, or his designee; the Chairman of the House of Representatives Insurance Committee, or his designee; the Chairman of the Senate Appropriations Committee, or his designee; and the Chairman of the House of Representatives' Appropriations Committee, or his designee. The Board has a fiduciary responsibility to manage the funds of the Plan. The Plan maintains a budget approved by the Board.

General

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan.

Premiums and Participants

Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan.

Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted

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monthly from his or her state retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the Board determines actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determines actuarially to cover the full cost of insurance. At June 30, 2020, retirement premiums range from \$192 to \$1,643, depending on the coverage (Base or Select), dependent coverage, Medicare eligibility and date of hire.

Fees for third-party medical claims administration services provided by Blue Cross and Blue Shield of Mississippi, which totaled approximately \$19,095,000 for the year ended June 30, 2020, are included in contractual services in the accompanying statement of revenues, expenses and changes in net position.

Pursuant to the authority granted by Mississippi Statute, the Board has the authority to establish and change premium rates for the participants, employers and other contributing entities. An outside consulting actuary advises the Board regarding changes in premium rates. If premium rates are changed, they generally become effective at the beginning of the next calendar year or next fiscal year.

Plan participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the Plan. If the assets of the Plan were to be exhausted, participants would not be responsible for the Plan's liabilities.

At June 30, 2020, the Plan provided health coverage to 320 employer units, with approximately 138,000 primary participants (not including dependents). Approximately 58,000 dependents participated in the Plan as well.

Benefits

A provider network arrangement is available for health benefits. According to this arrangement, network providers agree to accept amounts for covered services that do not exceed the charges allowed by the Plan. Therefore, the network provider can only expect to receive payment from the participant for the charges allowed by the network agreement.

The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. A member who elects the Select option is responsible for the in-network calendar year medical deductible of \$1,000 for individuals and \$2,000 for families. Once the medical deductible is met, the Plan begins to pay a percentage of the allowable charge for covered medical expenses. Services when using network providers and non-network providers are covered at 80% and 60%,

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respectively, after the appropriate deductibles. The Plan reimburses allowed medical charges at 100% once the member has reached \$2,500 and \$3,500 per member coinsurance/copayment maximum for network providers and non-network providers, respectively.

A member who elects the Base option is responsible for the calendar year medical deductible of \$1,800 for individuals and \$3,000 for families. Once the medical deductible is met, the Plan begins to pay a percentage of the allowable charge for covered medical expenses. Services when using network provider and non-network providers are covered at 80% and 60%, respectively, after the appropriate deductibles. The Plan reimburses allowed charges at 100% once the member has reached \$2,500 and \$3,500 per member coinsurance/copayment maximum for network providers and non-network providers, respectively, and \$5,000 and \$7,000 per family coinsurance/copayment maximum for network providers and non-network providers, respectively.

In addition, for both coverage options, when using non-network providers, the member is responsible for the excess of billed charges over allowed charges.

A member who elects the Select option is also responsible for the calendar year pharmacy deductible of \$75. A member who elects the Base option is responsible for the calendar year deductible of \$1,800 for individuals and \$3,000 for families, which can be comprised of both medical and pharmacy claims. In addition to the applicable deductibles, members are responsible for the copayments. Medications are categorized as preferred generic, nonpreferred generic, preferred brand or nonpreferred brand. When purchasing generic medications from a network provider, the member is responsible for a copayment of up to between \$12 and \$30, depending on a 30-day supply. When purchasing preferred brand medications from a network provider, the member is responsible for a copayment of up to \$45, depending on a 30-day supply. When purchasing nonpreferred brand medications from a network provider, the member is responsible for a copayment of up to \$100, depending on a 30-day supply.

Basic life insurance benefits for active employees are equal to two times the annual salary, raised to the next higher thousand, with a minimum amount of \$30,000 and a maximum amount of \$100,000.

Retirees may continue their term life insurance coverage at a reduced benefit level of \$5,000, \$10,000 or \$20,000. Participating employees who retired prior to July 1, 1999, are limited to benefit levels of \$2,000, \$4,000 or \$10,000.

Totally disabled employees approved for continued coverage by Minnesota Life can continue group life insurance coverage to age 65 with the same amount of term life insurance coverage they have as an active employee.

Dependents are not eligible for life insurance coverage.

Coverage similar to a Medicare supplement benefit plan is available to those retired participants and their dependents who are eligible to enroll in Medicare, where Medicare is the primary payer.

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This coverage provides for reimbursement of Medicare-eligible expenses for the amounts not paid by Medicare. Medicare expenses are generally reimbursed at 100% of eligible Medicare expenses not previously reimbursed by Medicare. The Plan only provides benefits for covered expenses outlined in the Plan Document.

The Plan does not provide prescription drug coverage for Medicare eligible retirees, Medicare eligible surviving spouses or Medicare eligible dependents of retirees and surviving spouses.

All medical and pharmacy benefits for the Plan are processed and paid by third-party administrators (TPAs). Life benefits are provided by a life insurance carrier who is the underwriter of the group term life insurance policy.

A summary of available coverage and eligible groups is as follows:

	Active Employee	Non-Medicare Retirees	Dependents	COBRA	Medicare Retirees
Medical	X	X	X	X	X
Pharmacy	X	X	X	X	
Life	X	X			X

Plan Termination

The Plan was created by the State Legislature and could be terminated by the same body.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The Plan is accounted for by the State of Mississippi in Funds 3315300000, 3315400000 and 8820500000. The Plan's financial statements have been prepared on the accrual basis of accounting.

The Plan has adopted for reporting purposes Governmental Accounting Standards Board (GASB) Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. The Plan is deemed to be a stand-alone risk-sharing public entity risk pool under the provisions of GASB 10. This statement requires public entity risk pools to account for their activities as a business-type activity.

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Basis of Presentation

The financial statements present only the financial statements of the Plan and do not purport to, and do not, present fairly the financial position of the State of Mississippi as of June 30, 2020, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

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, including claims and benefits payable, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Claims and Benefits Payable

The Plan establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies, depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage of such general liabilities. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation, because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made.

The medical, pharmacy and life benefits payable include an estimate of claim processing expenses associated with paying claims, which have been incurred but not yet paid. The length of time for which costs must be estimated depends on the coverage involved.

Unearned Revenue

Unearned revenue represents premiums for insurance collected in advance of the coverage period.

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Premiums

Premiums are recognized in the period when the benefit coverage is provided. Premiums are due monthly from the employers or participants based on the rates adopted by the Board.

Minimum Net Position

At June 30, 2020, the Plan has no legally required minimum net position. However, the Board requires the Plan to maintain a minimum amount of net position for solvency purposes. The Board has elected the Plan to hold in surplus an amount at least equal to approximately one-half of one month's plan expenditures based upon the average monthly expenditures for the last 12 months. The minimum net position required by the Board at June 30, 2020, was approximately \$32,946,000.

Pharmacy Rebate

Under the Plan's agreement with its pharmacy benefit manager, the Plan receives 100% of manufacturers' rebates received by the pharmacy benefit manager related to Plan claims. Such rebates are treated as a reduction in claims and benefits.

Administrative Expenses

Administrative expenses are primarily related to the Plan's procurement of professional services, including fees paid to TPAs to process and pay benefits which are reflected in the accompanying statement of revenues, expenses and changes in net position as contractual services.

The Plan does not record deferred acquisition costs, since administrative expenses are primarily maintenance expenses and not acquisition expenses.

Note 3: Cash and Cash Equivalents

Cash and cash equivalents include equity in the State's internal investment pool and a bank account. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Plan's deposits may not be returned or the Plan may not be able to recover collateral securities in the possession of an outside party. None of the Plan's cash and cash equivalents is exposed to custodial credit risk.

The Plan is authorized by the Board and state statute to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements. Investment policy for the Plan is governed by State statute [Section 27-105-33, Mississippi Code Ann. (1972)].

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State and School Employees'
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Equity in the State's Internal Investment Pool

Equity in the State's internal investment pool is cash equity with the Office of the State Treasurer of the State of Mississippi (the State Treasurer) and consists of pooled demand deposits and investments recorded at fair value. The State Treasurer is authorized to invest all excess treasury funds of the State under Section 27-105-33, Mississippi Code Ann. (1972). Amounts on deposit with the State Treasurer are maintained in a pooled account, which is required by Mississippi statutes to be insured or collateralized. The amount of collateral securities required to be pledged to secure public deposits is established by rules and regulations promulgated by the State Treasurer. In accordance with the State Treasurer's policies, the market value of collateral securities to be pledged by financial institutions through the State Treasurer's Office must be 105% of the carrying value of the amount on deposit, less any federal insurance coverage.

Cash

Cash includes amounts on deposit with a Mississippi financial institution. Section 27-105-5, Mississippi Code Ann. (1972) authorizes the State Treasurer to implement a statewide collateral pool program, which secures all state and local public funds deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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Notes to Financial Statements
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Note 4: Claims and Benefits Payable

As discussed in *Note 2*, the Plan established a liability for both reported and unreported insured events, which included estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those liabilities for and during the years ended June 30, 2020 and 2019:

	Year Ended June 30, 2020			
	Medical	Pharmacy	Life	Total
Unpaid claims and claims adjustment expenses at beginning of year	<u>\$ 47,483,399</u>	<u>\$ 9,568,170</u>	<u>\$ 5,998,470</u>	<u>\$ 63,050,039</u>
Incurred claims and claims adjustment expenses				
Provision for insured events	<u>490,378,906</u>	<u>251,257,792</u>	<u>14,229,748</u>	<u>755,866,446</u>
Payments (receipts)				
Claims and claims adjustment expenses attributable to				
Insured events of the current year	<u>437,888,006</u>	<u>248,742,467</u>	<u>13,285,001</u>	<u>699,915,474</u>
Insured events of prior years	<u>63,059,367</u>	<u>1,114,327</u>	<u>943,217</u>	<u>65,116,911</u>
	<u>500,947,373</u>	<u>249,856,794</u>	<u>14,228,218</u>	<u>765,032,385</u>
Total unpaid claims and claims adjustment expenses at end of year	<u><u>\$ 36,914,932</u></u>	<u><u>\$ 10,969,168</u></u>	<u><u>\$ 6,000,000</u></u>	<u><u>\$ 53,884,100</u></u>
	Year Ended June 30, 2019			
	Medical	Pharmacy	Life	Total
Unpaid claims and claims adjustment expenses at beginning of year	<u>\$ 55,664,674</u>	<u>\$ 8,750,949</u>	<u>\$ 6,111,795</u>	<u>\$ 70,527,418</u>
Incurred claims and claims adjustment expenses				
Provision for insured events	<u>515,344,891</u>	<u>227,064,773</u>	<u>15,834,573</u>	<u>758,244,237</u>
Payments (receipts)				
Claims and claims adjustment expenses attributable to				
Insured events of the current year	<u>473,650,576</u>	<u>224,078,987</u>	<u>15,174,836</u>	<u>712,904,399</u>
Insured events of prior years	<u>49,875,590</u>	<u>2,168,565</u>	<u>773,062</u>	<u>52,817,217</u>
	<u>523,526,166</u>	<u>226,247,552</u>	<u>15,947,898</u>	<u>765,721,616</u>
Total unpaid claims and claims adjustment expenses at end of year	<u><u>\$ 47,483,399</u></u>	<u><u>\$ 9,568,170</u></u>	<u><u>\$ 5,998,470</u></u>	<u><u>\$ 63,050,039</u></u>

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Note 5: Related Party Transactions

Amounts are transferred between the Plan's funds and other funds of the State to facilitate payments of expenses and maintain desired operating balances in the Plan. Transfers represent flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment. In accordance with governmental accounting standards, such transfers are reported as "amounts paid to other state funds" in the Plan's stand-alone financial statements. During 2020, transfers of \$1,750,000 from the Plan were made to other state funds for administrative purposes. Additionally, a trust was created by the Board in June 2018 for the post-employment benefits other than pensions associated with the Plan and was funded with a \$1,000,000 transfer. The trust is not included with the Plan's financial statements but is reported with other fiduciary funds of the State of Mississippi.

Note 6: Premium Deficiency Reserve

A premium deficiency reserve is recorded at the end of the year when the anticipated costs of settling claims for the following year are in excess of the anticipated premium receipts for the following year. Anticipated premium receipts are projected based on the premium rates adopted by the Board for the following plan year and current enrollment levels. Incurred claims for subsequent years are projected based on current year incurred claims, increased for anticipated inflation rates. A premium deficiency reserve of \$140,900,000 was in place at June 30, 2020, and is included in unrestricted net position.

Note 7: Risks and Uncertainties

As described in *Note 2*, the estimates of claims and benefits payable are reported based on certain assumptions pertaining to interest rates, health care inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Note 8: Commitments and Contingencies

In the normal course of operations, there are various legal actions and proceedings pending against the Plan. In management's opinion, the ultimate liability, if any, resulting from these legal actions will not have a material adverse effect on the Plan's financial position, changes in net position or liquidity.

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According to the Plan Document, all claims must be reported within 12 months of the day that the services were provided. The Plan is not aware of any material claims that were denied or paid improperly that should be reserved for in the financial statements. To the extent such claims exist, the Plan may be responsible for payment.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may affect the plan net position, changes in plan net position and cash flows of the Plan. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 9: Postemployment Benefits Other Than Pensions

Postemployment benefits other than pensions represent the portion of the actuarial present value of projected health care benefit payments that are attributed to past periods of employee service rendered as determined under the provisions of GASB No. 75 for employers and GASB No. 74 for plans. Postemployment benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and their beneficiaries and dependents and (2) active employees and their beneficiaries and dependents after retirement from service. Prior to an active employee's full eligibility date, the postemployment benefit liability is the portion of the expected postemployment benefit liability that is attributed to that employee's service rendered to the valuation date.

The actuarial present value of the expected postemployment benefit liability is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

The postemployment benefit liability is a liability of the State of Mississippi and other participating employers and not of the Plan. Therefore, the postemployment benefit liability is not recognized in the accompanying financial statements.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditor's Report

Members of the State of Mississippi State and School
Employees' Health Insurance Management Board
State of Mississippi State and School Employees'
Life and Health Insurance Plan
Jackson, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State of Mississippi State and School Employees' Life and Health Insurance Plan (the Plan), an enterprise fund of the State of Mississippi, which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2020, which contained an *Emphasis of Matter* paragraph regarding the entity reflected in the financial statements and *Other Matters* paragraphs regarding the omission of required supplementary information for management's discussion and analysis and a schedule of ten-year revenue and claims development information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
November 12, 2020