

# State Sponsored Group Insurance Fund

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## Financial Statements for Fiscal Year Ended September 30, 2025



**Prepared by**  
The Michigan Civil Service  
Commission  
Employee Benefits Division  
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## **Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7



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Office of the Auditor General

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**Doug A. Ringler, CPA, CIA**  
Auditor General

Independent Auditor's Report on the Financial Statements  
and Other Reporting Required by *Government Auditing Standards*

Gail M. Wilson, Chair  
Michigan Civil Service Commission  
Capitol Commons Center  
and  
Michelle Lange, Director  
Department of Technology, Management, and Budget  
Elliott-Larsen Building  
and  
John Gnodtke, State Personnel Director  
Michigan Civil Service Commission  
Capitol Commons Center  
Lansing, Michigan

## Report on the Audit of the Financial Statements

### ***Opinion***

We have audited the financial statements of the State Sponsored Group Insurance Fund (SSGIF), an internal service fund of the State of Michigan, as of and for the fiscal year ended September 30, 2025 and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the State Sponsored Group Insurance Fund as of September 30, 2025 and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SSGIF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 SSGIF and do not purport to, and do not, present fairly the financial position of the State of Michigan as of September 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



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Page 2

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

### ***Auditor's 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 auditor's 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 SSGIF'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.



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Page 3

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will also issue a report dated January 21, 2026 on our consideration of SSGIF'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 SSGIF'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 SSGIF's internal control over financial reporting and compliance.



Doug Ringler  
Auditor General  
January 21, 2026

State Sponsored Group Insurance Fund  
Statement of Net Position  
As of September 30, 2025

**Assets**

Current assets:

Cash	\$ 412
Equity in common cash (Note 3)	120,821,482
Accounts receivable:	
Amounts due from other funds (Note 4)	4,972,912
Amounts due from component units (Note 4)	94,120
Miscellaneous - net (Note 5)	<u>45,987,833</u>

Total current assets 171,876,758

Other noncurrent assets (Note 6) 2,000,000

Total assets \$ 173,876,758

**Liabilities and Net Position**

Current liabilities:

Accounts payable and other liabilities:

Claim liabilities (Note 7)	\$ 64,704,843
Vouchers payable	35,569,616
Unearned revenue	<u>101,054</u>

Total current liabilities 100,375,514

Long-term liabilities:

Claim liabilities (Note 7) 91,643,877

Total liabilities 192,019,391

Net Position

Unrestricted (Note 8) (18,142,633)

Total liabilities and net position \$ 173,876,758

State Sponsored Group Insurance Fund  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended September 30, 2025

**Operating revenues**

Premium contributions	\$ 917,727,111
Miscellaneous	<u>(25,599)</u>

Total operating revenues	917,701,513
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**Operating expenses**

Claim payments and premiums	1,003,061,235
Service fees and other administrative expense	<u>27,241,243</u>

Total operating expenses	<u>1,030,302,477</u>
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Operating income (loss)	(112,600,965)
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**Nonoperating revenues**

Interest revenues	6,194,734
Other	<u>11,466</u>

Change in net position	(106,394,765)
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Net position at beginning of fiscal year	<u>88,252,132</u>
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Net position at end of fiscal year	<u><u>\$ (18,142,633)</u></u>
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State Sponsored Group Insurance Fund  
Statement of Cash Flows  
For the Fiscal Year Ended September 30, 2025

**Cash flows from operating activities**

Cash received from customers	\$ 914,591,939
Payments to suppliers	(1,213,065)
Claims paid	(1,024,093,498)
Other receipts	<u>11,466</u>
Net cash provided (used) by operating activities	<u>\$ (110,703,157)</u>

**Cash flows from investing activities**

Interest on equity in common cash	<u>\$ 6,194,734</u>
Net cash provided (used) by investing activities	<u>\$ 6,194,734</u>

Net cash provided (used) - all activities \$ (104,508,424)

Cash and cash equivalents at beginning of fiscal year \$ 225,330,317

**Cash and cash equivalents at end of fiscal year** \$ 120,821,893

**Reconciliation of operating income to net cash provided by operating activities**

Operating income (loss)	\$ (112,600,965)
Adjustments to reconcile operating income with net cash provided (used) by operating activities:	
Other nonoperating revenues	11,466
Changes in assets and liabilities:	
Amounts due from other funds and component units	(2,952,388)
Miscellaneous receivables	(11,965,235)
Other assets	-
Accounts payable and other liabilities	<u>16,803,964</u>
Net cash provided (used) by operating activities	<u><u>\$ (110,703,157)</u></u>

**Reconciliation of cash and cash equivalents**

Cash	\$ 412
Equity in common cash	<u>120,821,482</u>
<b>Cash and cash equivalents at end of fiscal year</b>	<u><u>\$ 120,821,893</u></u>



State Sponsored Group Insurance Fund  
Notes to the Financial Statements  
September 30, 2025

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**Note 1 Summary of Significant Accounting Policies**

**Reporting Entity**

The accompanying financial statements report the financial position, changes in financial position, and cash flows of the State Sponsored Group Insurance Fund, a proprietary fund of the State of Michigan, as of and for the fiscal year ended September 30, 2025. They are not intended to present the financial position, changes in financial position, and cash flows of the State of Michigan or its internal service funds in conformity with accounting principles generally accepted in the United States of America. The State Sponsored Group Insurance Fund is reported as an internal service fund in the *State of Michigan Annual Comprehensive Financial Report (SOMACFR)*.

The footnotes accompanying these financial statements relate directly to the State Sponsored Group Insurance Fund. The *SOMACFR* provides more extensive disclosures regarding the State's significant accounting policies; budgeting, budgetary control, and legal compliance; common cash; pension benefits; and other postemployment benefits.

**Measurement Focus, Basis of Accounting, and Presentation**

The financial statements contained in this report are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Rebates, adjustments, and other related receipts are netted against expense. Operating revenues and expenses generally result from providing insurance benefits. All other revenues and expenses are reported as nonoperating.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

State Sponsored Group Insurance Fund  
Notes to the Financial Statements  
September 30, 2025

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**State Sponsored Group Insurance Fund Cash Account**

The Fund utilizes the State Treasurer's Common Cash pool as its primary cash account for the insurance programs it administers. For the purposes of the statement of cash flows, the Fund considers cash and equity in the State's Treasurer's Common Cash pool to be cash equivalents. Premiums collected are deposited and claim payments and administrative expenses are paid from this account. Because a single account is used, an individual insurance program can have a deficit cash balance while the Fund in total can have a positive cash balance.

**Note 2 Description of the State Sponsored Group Insurance Fund**

The Fund was administratively established to account for employee insurance benefit programs, which are largely self-funded. Five group insurance programs are offered to State employees: health, dental, vision, long-term disability, and life.

To participate in these programs, an employee must be appointed for at least 720 hours and be either full-time or at least 40% part-time (the 40% requirement does not apply to the health program). Funding for the various insurance programs is based on the respective pay action determinations made by the Civil Service Commission and varies among employee groups. In general, funding for each program is as follows:

- Health insurance is funded based upon an employee's hire date and union code. The State Health Plan is funded 80% and 20% by the State and the employee, respectively. The State contributes a maximum of 85% of the cost for those employees enrolled in health maintenance organizations up to the amount paid for the same coverage under the State Health Plan.
  - Effective October 31, 2010, C.O.P.S. Trust (Coalition of Public Safety Employees Health Trust) became available only to MSPTA (State Police) represented employees. This is an optional health insurance plan, and this new plan did not replace the State's current PPO and HMO plans.

State Sponsored Group Insurance Fund  
Notes to the Financial Statements  
September 30, 2025

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- Effective October 1, 2011, the State of Michigan offered health insurance to Other Eligible Adult Individuals (OEAI) to elected unions through the collective bargaining process. Employees currently represented by MSEA, UAW Local 6000, SEIU Local 517 M, and NEREs may enroll one OEAI.
- Effective January 1, 2021, the State of Michigan offered a high deductible health plan (HDHP) with health savings account (HSA) to active employees. The State determines the premium contribution, which was set at 88% by the State, 12% by the employee for 2024 and 2025. The State contributes to a Health Savings Account for HDHP enrollees in the amount of \$800 for individual enrollees and \$1,600 for employees who enroll with one or more dependents. The HSA contribution is prorated for mid-year enrollments.
- Dental insurance is funded 95% and 5% by the State and the employee, respectively.
- The State contributes 100% for vision insurance for employees.
- Contribution rates for long-term disability insurance vary depending on the unused hours of sick leave accumulated by the employee. However, in total, long-term disability is funded 50% and 50% by the State and the employee, respectively.
- The State contributes 100% for employee life insurance coverage, and the employee contributes 100% for dependent life insurance coverage.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* prohibits the reporting of retiree related postemployment benefits within the State Sponsored Group Insurance Fund. No retiree related activity, including accumulated net position, is reflected in this report. The retiree activity is recorded in certain other employee benefit trust funds in the *SOMACFR*.

State Sponsored Group Insurance Fund  
Notes to the Financial Statements  
September 30, 2025

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More specific information concerning eligibility requirements, benefit level, and funding policies is included in employee collective bargaining agreements, benefit plan booklets, and rules and regulations issued by the Civil Service Commission.

**Note 3 Equity in the State Treasurer's Common Cash**

Equity in the State Treasurer's Common Cash pool represents the State Sponsored Group Insurance Fund's interest, at market, in an investment pool managed by the State Treasurer.

The investment authority for the Common Cash pool is found in Act 105, P.A. 1855, as amended. The State Treasurer may invest surplus funds belonging to the State in the bonds, notes, and other evidences of indebtedness of the United States government or its agencies and in prime commercial paper. Certificates of deposit are permitted in financial institutions whose principal office is located in the State of Michigan.

The State Sponsored Group Insurance Fund's pro-rata share of the State Treasurer's Common Cash pool was \$120,821,482 at September 30, 2025. For the total amount of deposits and investments in the State Treasurer's Common Cash pool and their specific risks, please refer to the *SOMACFR*.

**Common Cash Deposits**

**Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the State's deposits may not be recovered.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized,
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

State Sponsored Group Insurance Fund  
Notes to the Financial Statements  
September 30, 2025

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The State Treasurer's Common Cash pool policy requires the following criteria to lessen the custodial credit risk: All financial institutions holding the State's money must pledge collateral equal to the amount of the account balance for all demand and time deposits, to secure the State's funds; a bank, savings and loan association, or credit union holding the State's funds must be organized under the law of Michigan or federal law and maintain a principal office or branch office in the State of Michigan; and no deposit in any financial organization may be in excess of 50% of the net worth of the organization.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of deposits.

Act 35, P.A. 1997, requires State deposits to be held in a financial institution that maintains a principal office or branch office located in the State of Michigan. The State had no Common Cash pool deposits subject to foreign currency risk at September 30, 2025.

**Common Cash Investments**

Types of Investments

State Treasurer's Common Cash pool investments can include prime commercial paper, certificate of deposits, and emergency municipal notes.

Risk

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. The custodial credit risk, the credit risk, the interest rate risk, the concentration of credit risk, and the foreign currency risk are discussed in the following paragraphs.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure by a counterparty, the State Sponsored Group Insurance Fund will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

State Sponsored Group Insurance Fund  
Notes to the Financial Statements  
September 30, 2025

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Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either:

- a. The counterparty or
- b. The counterparty's trust department or agent, but not in the government's name.

The State Treasurer does not have an investment policy for managing custodial credit risk. At September 30, 2025, Common Cash pooled investments were not exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or another counterparty to an investment will not fulfill its obligations.

The State Treasurer requires that prime commercial paper investments be rated within one of the two highest ratings classifications ("1" or "2") at the time of purchase from one of the nationally recognized ratings organizations (NRSROs) specified in Public Act 314 of 1965, as amended. Borrowers must have at least \$400.0 million in commercial paper outstanding, and the State Treasurer may not invest in more than 10% of the borrower's outstanding debt.

The State Treasurer's investment in emergency municipal loans is evidenced by unrated notes held by the State in the State's name. In addition, at September 30, 2025, prime commercial paper investments were rated at A-1, P-1, or above.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The State Treasurer's Common Cash pool policy states that cash equivalents are to be invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk.

State Sponsored Group Insurance Fund  
Notes to the Financial Statements  
September 30, 2025

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The State Treasurer does not have a policy for controlling interest rate risk regarding the Common Cash pool investments in the special loan program (Emergency Financial Assistance Loan Program). These loan programs are investments created through legislation. Although some interest rate risk exposure exists, interest rate risk is not a consideration when entering into the special loan programs.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investment with a single issuer.

The State Sponsored Group Insurance Fund is invested in pooled investments in the State of Michigan Common Cash pool, which is excluded from concentration of credit risk disclosure requirements.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of deposits.

The State Treasurer's Common Cash pool investment policy does not allow for investment in foreign investments or currency; therefore, the State Sponsored Group Insurance Fund is not exposed to foreign currency risk.

**Note 4 Interfund Receivables**

The statement of net position includes interfund receivables totaling \$5,067,032 at September 30, 2025. These receivables are composed of the amounts assessed for insurance accruals relating to the last pay period of the fiscal year and amounts due from component units.

**Note 5 Miscellaneous Receivables and Revenues**

The statement of net position includes miscellaneous receivables of \$45,987,833 at September 30, 2025. These receivables are predominately composed of amounts anticipated to be received from third party administrators for activity such as rebates and settlements.

Included in miscellaneous receivables are amounts recorded for overpayments to claimants who were eligible to receive long-term disability benefits but later were awarded Social Security disability and/or pension disability benefits

State Sponsored Group Insurance Fund  
Notes to the Financial Statements  
September 30, 2025

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retroactive to periods initially covered by long-term disability. At September 30, 2025, the receivable balance for these overpayments and related allowance for doubtful accounts totals \$4,073,860 and \$3,363,985 respectively. A decrease to the allowance for doubtful accounts in the amount of \$430,681 was recognized during the year against operating expenses.

**Note 6 Other Noncurrent Assets**

Two third party administrators requested a working capital advance at the start of the contract totaling \$2,000,000 and will hold these advances throughout the entire length of the contract. The advances will be classified as current assets one year from the end of the contracts. None of the advances were classified as a current asset in miscellaneous receivable as of September 30, 2025.

**Note 7 Claim Liabilities**

Expenses and liabilities for incurred claims and incurred but not reported or not processed claims, based on estimates from the plan administrators, have been recorded as liabilities in the amount of \$156,348,720 at September 30, 2025. The short-term portion of \$64,704,843 at September 30, 2025, is based on claims information received from plan administrators. Each of the various insurance carriers, with the exception of the long-term disability provider, has professional actuarial staff or outside professional contractors that estimate these amounts based on the programs past experience.

The long-term disability program estimates the incurred and incurred but not reported or not processed liability using actuarial principles, the program's past experience, and information from prior actuary studies. The long-term portion, related to the long-term disability program, is reported at a discounted present value of \$90,029,254 at September 30, 2025. For all claims incurred prior to October 1, 2025, the discounted present value of the long-term disability liability was calculated over a 20-year period using a discount rate of approximately 0.80%. The remaining long-term claim liability of \$1,614,623 pertains to health care and behavioral health insurance programs.



State Sponsored Group Insurance Fund  
Notes to the Financial Statements  
September 30, 2025

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Changes in the State Sponsored Group Insurance Fund's claim liability for employee insurance benefit programs for the fiscal years ended September 30, 2025, and 2024, are as follows:

Beginning balance – October 1, 2023	\$ 123,328,346
Current year claims, premiums, and changes	869,651,139
Claims payments and premiums paid	<u>(848,087,756)</u>
Ending balance – September 30, 2024	\$ 144,891,729
Current year claims, premiums, and changes	986,321,480
Claims payments and premiums paid	<u>(974,864,488)</u>
Ending balance – September 30, 2025	<u><u>\$ 156,348,720</u></u>

**Note 8 Unrestricted Net Position**

The statement of net position includes an unrestricted net position balance of (\$18,142,633) at September 30, 2025. The unrestricted net position deficit resulted from employer and employee contributions being less than recognized expenses and amounts required at the benefit program level. Recommended net position surpluses to cover catastrophic losses of the State Sponsored Group Insurance Fund (based on target funding levels suggested by the State Sponsored Group Insurance Fund's benefits consultants) were \$82,978,281 at September 30, 2025.

**Note 9 Commitments and Contingencies**

The State Sponsored Group Insurance Fund has contracted with various third parties to administer the group insurance programs offered to State employees. The current contracts expire on different dates ranging from December 31, 2025, through March 31, 2029.

From time to time, the Fund is party to lawsuits and claims arising in the normal course of business. When this occurs, the Fund has defended and intends to continue to defend these actions vigorously and believes, based on currently available information, that adverse settlements, if any, will not be material to its financial position or results of operations.

State Sponsored Group Insurance Fund  
Notes to the Financial Statements  
September 30, 2025

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**Note 10 Risk Management**

The Fund is exposed to various risks related to general liability and property losses, portions of its employee insurance benefit and employee bonding programs, automobile liability, and workers' compensation and unemployment insurance claims. The State of Michigan has elected not to purchase commercial insurance for many of the risks of losses to which the Fund is exposed, but to self-insure for such risks. More detailed information on risk management is available in the State of Michigan's Annual Comprehensive Financial Report.