State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD

AUDIT COMMITTEE MEETING

December 1, 2021 – 9:00 a.m.

Call In (Audio Only): 1-907-202-7104	**Code:** 418 218 618#

I. Call to Order

II. Roll Call

III. Public Meeting Notice

IV. A. Approval of Agenda
B. Approval of Minutes – October 15, 2021

V. Public / Member Participation, Communications and Appearances
(Three Minute Limit)

VI. Reports
A. Division of Retirement and Benefits Audited Financial Statements
Elizabeth Stuart & Melissa Beedle, KPMG
Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits

B. GASB 68/75 PERS & TRS Allocation Schedules for Participating Employers
Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits

C. Internal Audit Report
Melanie Helmick, Division Auditor, Division of Retirement & Benefits
Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits

D. Committee meeting with Independent Auditors

VII. Renaming the Comprehensive Annual Financial Report to the Annual Comprehensive Financial Report (ACFR)
Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits

VIII. Cost Allocation Discussion
Michael Holmes, Vice President, Financial Services, Maximus

IX. Periodic Self-Assessment

X. Review Committee Charter

XI. Future Meetings
A. Calendar Review
B. Agenda Items
C. Requests / Follow-Ups

XII. Other Matters to Properly Come Before the Committee

XIII. Public / Members Comments

XIV. Adjournment

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE MEETING

Videoconference

MINUTES OF
October 15, 2021

Friday, October 15, 2021

ATTENDANCE

Committee Present: Gayle Harbo, *Chair*
Lorne Bretz
Rob Johnson
Donald Krohn

Committee Absent:
Allen Hippler

ARM Board Trustees Present:
Commissioner Lucinda Mahoney

IAC Members Present:
None

Department of Revenue Staff Present:
Ryan Kauzlarich, Accountant V
Alysia Jones, Board Liaison

Department of Administration Staff Present:
Ajay Desai, Director, Division of Retirement and Benefits
Kevin Worley, Chief Financial Officer, Division of Retirement and Benefits
James Puckett, Chief Pension Officer, Division of Retirement and Benefits
Christina Maiquis, Accountant V, Division of Retirement and Benefits

ARMB Legal Counsel Present:
Benjamin Hofmeister, AAG, Department of Law

Consultants, Invited Participants, and Others Present:
Melissa Beedle, KPMG
David Kershner, Buck
Jan Carolyn Hardy, Public

I. CALL TO ORDER

CHAIR GAYLE HARBO called the meeting of the ARM Board Audit Committee to order at 1:00 p.m.

II. ROLL CALL

MR. BRETZ, MR. JOHNSON , MR. KROHN and CHAIR HARBO were present at roll call.

III. PUBLIC MEETING NOTICE

MS. ALYSIA JONES confirmed that public meeting notice requirements had been met.

IV. A. APPROVAL OF AGENDA

MR. JOHNSON moved to approve the agenda. MR. KROHN seconded the motion. The agenda was approved without objection.

B. APPROVAL OF MINUTES: September 22, 2021

MR. KROHN moved to approve the minutes of the September 22, 2021 meeting. MR. JOHNSON seconded the motion. The minutes were approved without objection.

V. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS & APPEARANCES – None.

VI. REVIEW OF DRAFT FINANCIAL STATEMENTS

A. Public Employees' Retirement System

MR. WORLEY said that before they begin the review of the draft financial statements, he wanted to go over information regarding the PERS, TRS, Judicial Retirement System and the National Guard financial statements. He explained that each contained a management's discussion and analysis section provided by the Division of Retirement and Benefits, with some additional discussion provided by the Treasury Division. He noted that Buck Consulting also provided information, showing the GASB requirements for net pension liability, net pension assets, and net OPEB liability or net OPEB assets. Also contained within were the actual financial statements, a statement of financial position, a statement of changes in financial position, notes to the financial statements, and a lot of information about the pension and OPEB liabilities. He noted that there was also the required supplementary information of fair market comparison of projected liabilities through June 30, 2021, and lastly a couple of supplemental schedules.

MR. WORLEY started the discussion with the Public Employees' Retirement System Financial statements noting that CHAIR HARBO had submitted different grammatical items for correction and that those would be corrected.

MR. JOHNSON asked if there were any material changes between the draft that they were reviewing; MR WORLEY said there were none in terms of disclosures. He said that there had not been any updated GASB disclosure requirements for pension systems and the OPEB system.

MR. JOHNSON asked what material changes occurred that had not been discussed since the last

Audit Committee meeting from last year's presentation; MR. WORLEY said that in the audit committee meeting in September, they did not present any information, it was the Treasury Division audits of the invested assets that they administered. He noted that the reports they were presenting were issued on Monday and no changes were made to them, other than CHAIR HARBO's minor corrections. He also noted that there were no changes from last year for PERS.

MR. WORLEY said the issue from last year to the present year was the amount of money that the Treasury Division had made investing the assets of the retirement and healthcare systems which had already been discussed.

MR JOHNSON asked if there was anything that was needed to be included to reflect the decision by the ARM Board at the special meeting to eliminate the normal costs; MR. WORLEY said that he would have to see what BETH STUART's thoughts were on that; MR. JOHNSON continued by stating that the impact of the decision with respect to the normal cost elimination was $88 million.

MS BEEDLE noted that MS. STUART had a conflicting meeting. She said that it was not a required disclosure to put in. She said that if it were ultimately decided that it was a meaningful disclosure, then it would have been added as a subsequent event in the financial statements.

CHAIR HARBO said the difference in all the statements from the previous drafts was the information about the CARES Act and the implications on employee withdrawals from different funds.

MR. WORLEY said the CARES Act referred to the Supplemental Benefit System and Deferred Comp Plans which were the only two affected on the state side. He said it was not allowed in the PERS and TRS Defined Contribution Plans. He said the one thing they did disclose was the Metcalfe case disclosed in the PERS and TRS financial statements.

MR. WORLEY said that if any substantive changes were made to any of the financial statements after the discussion with the Audit Committee, they would be presented to MS. HARBO and MS. JONES for distribution to everyone, so they would be made aware of any significant or major changes.

MR. WORLEY then reviewed the corrections by MS. HARBO. He said there were minor corrections of the use of words on page 6, nothing to do with numbers.

B. Teachers' Retirement System

MR. WORLEY said the same comments regarding the comment made by MR. JOHNSON about normal cost on the postemployment healthcare. He said they were again disclosing the Metcalfe case in the notes to the financial statements.

C. Judicial Retirement System

MR. WORLEY noted no impact on the issue of the normal cost rate with the Judicial Retirement System and the Metcalfe case did not affect the Judicial Retirement System.

D. Supplemental Benefits System

MR. WORLEY said that the SBS information was located at page 178 in the meeting packet. He said that SBS statements were different in that they did not have actuarial disclosures as required by the Governmental Accounting Standards Board, (GASB). He said there was CARES Act information related to SBS and Deferred Comp. He said the federal legislation that was passed allowed membership to access their Defined Contribution accounts. He said there had been discussions with the ARM Board that they would be making access available to SBS and Deferred Comp, not allowing members to access their PERS or TRS Defined Contribution accounts. He noted that the disclosure was within the financial statements. He said that there was a discussion about the amount of money that was disbursed through the CARES Act in SBS on page 186 of the packet. He said the amount was over $28 million per June 30th, 2021. He noted that investments went up from $4.2 billion to $5.1 billion.

E. Deferred Compensation Plan

MR. WORLEY said the Deferred Comp Plan's financial statements were very similar to the SBS financial statements and began on page 201 of the packet. He said the information regarding the CARES Act disbursements were located on page 209 and noted the Deferred Comp plan issued over $3.7 million in CARES Act distributions. He noted that the net position increased by under $220 million and also said there were new employers that had been added into the plan. The participating employers increased from 14 to 19 in FY2021.

F. National Guard and Naval Militia Retirement System

MR. WORLEY said that the National Guard and Naval Militia Plan was located on page 224. He said that the National Guard Plan was overfunded. He said it was similar to the PERS and TRS disclosures, he noted a management's discussion and analysis with actuarial data reflected in it. He said they were only showing one year because they had qualified opinion related to the data that was received from the National Guard as part of the Department of Military and Veterans Affairs.

MR. WORLEY said that there was not a lot of information available once a National Guard member leaves the state of Alaska. He said the Guard does not have access to that information, so it's hard to track people that have service within Alaska once they leave Alaska.

MR. JOHNSON asked when the dollar figure in the basis for qualified opinion section would get filled in. MS. BEEDLE said that would be filled in early in the next week, that last year it was approximately $2.5 to $3 million and expected it would be similar this year.

MS. HARBO asked if most of the National Guard people take their money as a lump sum when they leave service; MR. WORLEY said that he believed the valuation report showed that 100 percent of them would take the lump sum; MR. KERSHNER said that he thought it was more like 70/30 percent; MS. BEEDLE said that it the information was located on page 249 of the packet and that the assumption was 70 percent would elect a lump sum.

MR. WORLEY noted that during the December meeting they would be giving the reports in final and identify major changes, if any. He also said that they had eight additional allocation schedules of the PERS and TRS net pension liabilities and net OPEB assets or liabilities that were required for all the participating employers that participate in PERS and TRS and would be going over those schedules during the December meeting. He said when the PERS and TRS financial statements were issued as final, they would be working on the PERS and TRS annual comprehensive financial report that they issue to the Board as well as to the Legislature and the Governor's office for review of all the activities within PER and TRS required by statute.

VII. FUTURE MEETINGS

A. Calendar Review

MS. JONES noted that the December 1st meeting, per the Board's decision would be in Juneau/videoconference.

B. Agenda Items - None.

C. Requests/Follow-Ups - None.

VIII. OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE - None.

IX. PUBLIC/MEMBER COMMENTS - None.

X. ADJOURNMENT

MR. KROHN moved to adjourn the meeting. MR. BRETZ seconded the motion. The motion passed without objection.

The meeting was adjourned at 1:35 a.m.

ATTEST:

____

Corporate Secretary

Note: An outside contractor recorded the meeting and prepared the summary minutes. For in-depth discussion and more presentation details, please refer to the recording of the meeting and presentation materials on file at the ARMB office.

KPMG

Alaska Retirement Management Board

Discussion with Those Charged with Governance

Audit results for the year ending June 30, 2021

December 1, 2021

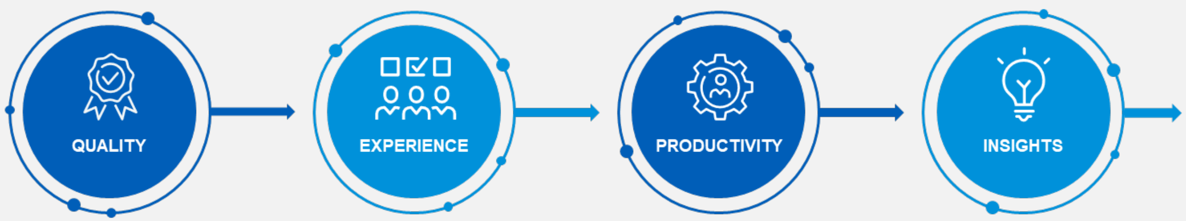
Our commitment to you

Delivering a better audit experience drives us.

With KPMG you can expect an experience that's better for your team, organizations and the capital markets. An experience that's built for a world that demands agility and integrity.

See patterns in what has passed. See where risks may emerge. See opportunities emerge. See opportunities to optimize processes. And see ahead to new possibilities.

We aim to deliver an exceptional client experience for the Alaska Retirement Management Board by focusing on:



Required Communications to Those Charged with Governance

Summary: Audit results required communications and other matters

Audit results		Response
	Outstanding matters	None.
	Significant unusual transactions	No significant unusual transactions identified during the audit.
	Uncorrected audit misstatements	See slide 5
	Corrected audit misstatements	See slide 6
	Financial presentation and disclosure omissions	No matters to communicate.
	Non-GAAP policies and practices	No matters to communicate.
	Auditors' report	See slide 8
	Changes to our risk assessment and planned audit strategy	No matters to report
	Significant accounting policies and practices	No matters to report
	Significant accounting estimates	See slide 10
	Other information	We will review the Annual Comprehensive Financial Reports when they are available for consistency with the financial statements and footnotes.

KPMG

Summary: Audit results required communications and other matters

Audit results

	Response
Subsequent events	No matters to report
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Noncompliance with laws and regulations	No matters to report
Significant difficulties encountered during the audit	No matters to report
Significant findings or issues discussed, or the subject of correspondence, with management	No matters to report
Management's consultation with other accountants	No matters to report
Difficult or contentious matters for which the auditor consulted	No matters to report
Disagreements with management	No matters to report
Other significant matters	No matters to report
Written communications	Management representation letters, including summary of uncorrected misstatement to be distributed under separate cover.

Uncorrected audit misstatements

Subsequent to the September 22 meeting, additional information was received related to the remaining private equity investments for which June 30 values had not previously been received and adjusted. The impact of these valuation changes resulted in an unadjusted audit misstatement for the lagged reporting as follows:

Account	Increase (decrease) to invested assets	Increase (decrease) to investment income	As a % of reported
Private equity investments	$79,917,000		1.5%
Private equity investment income		$79,917,000	3.8%
Total investment income			.8%

Corrected audit misstatements

The National Guard and Naval Militia Retirement System initially used an unsupported 7.0% discount rate to calculate the Total Pension Liability. As a result of our audit, management further evaluated the rate through coordination with Buck and lowered the discount rate to 5.75%. The corrected rate resulted in a $2,573,000 increase to the total pension liability reported in the financial statement disclosure.

Material weaknesses and significant deficiencies in internal control

Material weaknesses

Description	Potential effects	Status
Management does not have adequate processes in place to review the appropriateness of forward-looking assumptions	Total Pension Liability could be materially misstated	Deficiency exists at year end

Significant deficiencies

Description	Potential effects	Status
None reported		

Auditors' report

Modifications

- We have issued unmodified opinions for the following systems:
  - Public Employees' Retirement System (PERS)
  - Teachers' Retirement System (TRS)
  - Judicial Retirement System (JRS)
  - Deferred Compensation Plan (DCP)
  - Supplemental Benefits System (SBS)
  - Alaska Retirement Management Board Invested Assets

- We plan to issue a qualified opinion for a scope limitation for the following system:
  - National Guard and Naval Militia Retirement System

Emphasis of matter or other matter paragraphs

- Other matter paragraphs will be added to each System as relevant for:
  - Prior year comparative information
  - Required supplementary information
  - Supplemental schedules

Significant accounting policies and practices

Description of significant accounting policies and practices	Audit findings
— The Systems' policies are disclosed in Note 2 to the financial statements. — There were no changes in the selection of accounting policies from prior years.	**Qualitative aspects** — We did not identify indication of significant elements of management bias when reviewing these policies.

Significant accounting estimates

Description of significant accounting estimates

— The calculation of the Total Pension Liabilities and Total OPEB liabilities are considered significant estimates

Audit findings

Management's process used to develop the estimates

— The ARMB has contracted with Buck to assess the Total Pension and Total OPEB Liabilities based on actuarial methods described in GASB Statements No. 67 and 74 and assumptions adopted by the ARMB.

Significant assumptions used that have a high degree of subjectivity

— Rate of return

— Mortality rates

— Retirement rates

— Termination rates

Indicators of possible management bias

— None

Conclusions

— The assumptions used were reasonable and supported, except for NGNMRS, for which we identified a material misstatement.

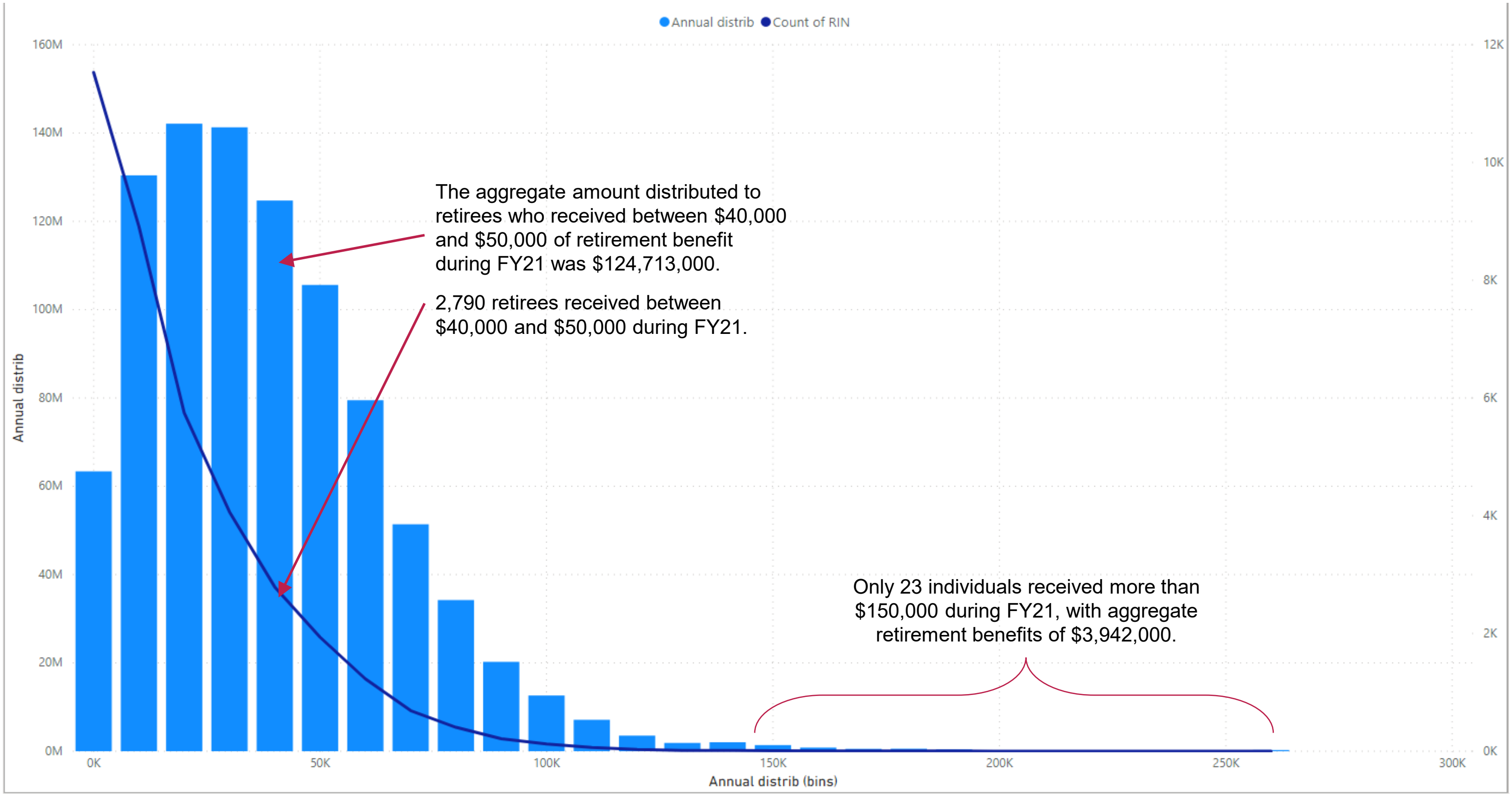
— The financial statement disclosures related to the Total Pension and Total OPEB liabilities are consistent with prior years and do not have any indication of management bias.

An intentional effort to deliver an exceptional audit experience

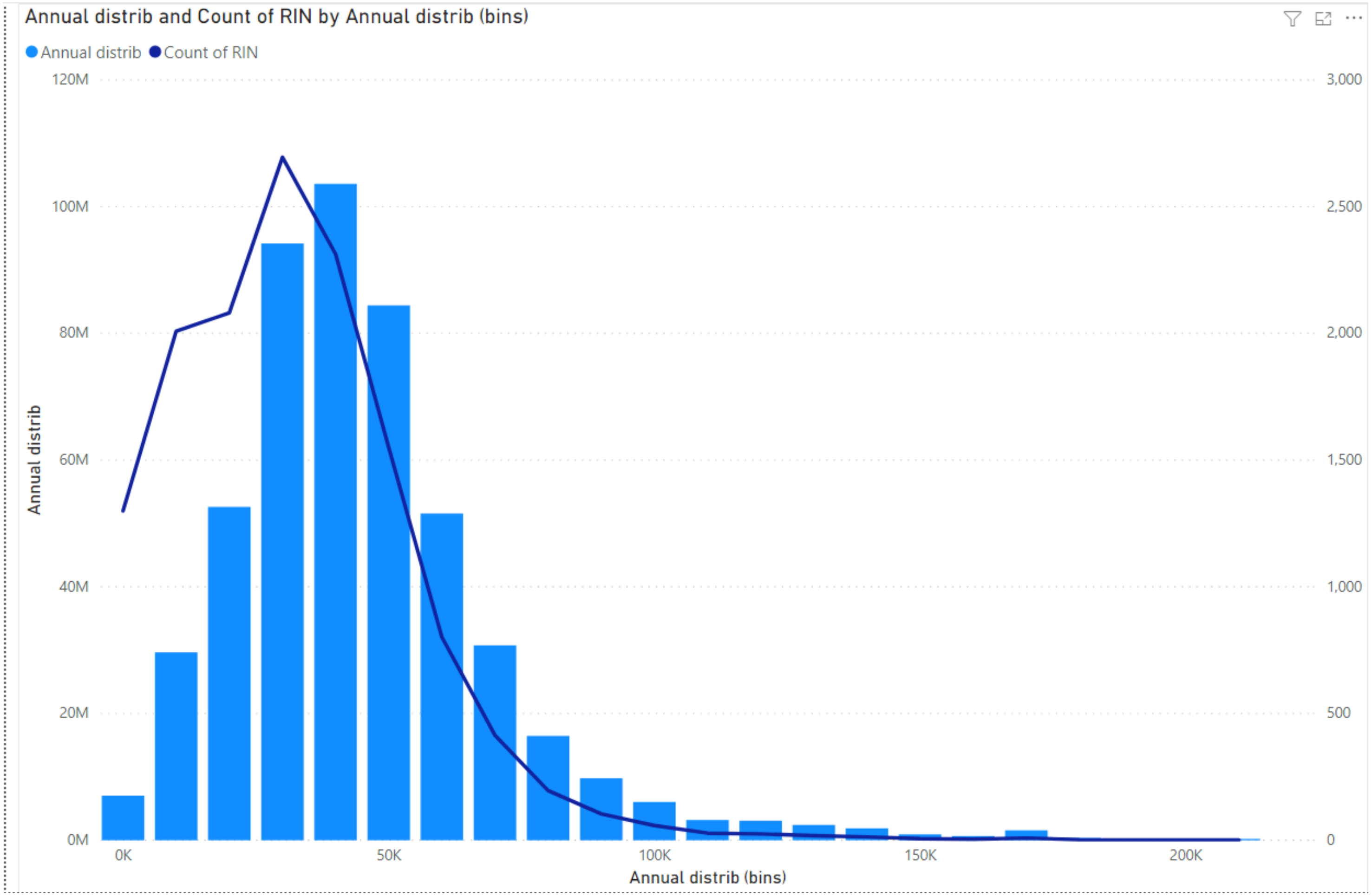
Transforming our audit process using data	Contributions and benefit payments	Census data
Quality	— We analyzed the entirety of contribution and benefit payment data, rather than statistically sampling. — We created visuals of transactions by participant in order to quickly identify outliers or unusual activity.	— We used advanced data analysis to compare the census data year over year, to identify all changes to relevant attributes in the census file.
Experience	— We shared our insights with management. — Based on our data analysis, we reduced the number of transactions sampled, resulting in a lesser demand on management.	— We shared our insights with management. — Rather than statistically sampling the census, we focused our work on data changes.
Productivity	— We were able to gain evidence over the broad population, with smaller sample sizes. — The audit process was less disruptive to the DRB staff.	— We were able to gain evidence over the broad population, with smaller sample sizes focused on recent transactions, rather than historical information. — The audit process was less disruptive to the DRB staff.
Insights	— The next pages show one example of analysis performed.	— We were able to specifically identify all additions to the closed DB pension plans and review the underlying data to determine appropriate eligibility.

Pension plan benefit insights - PERS

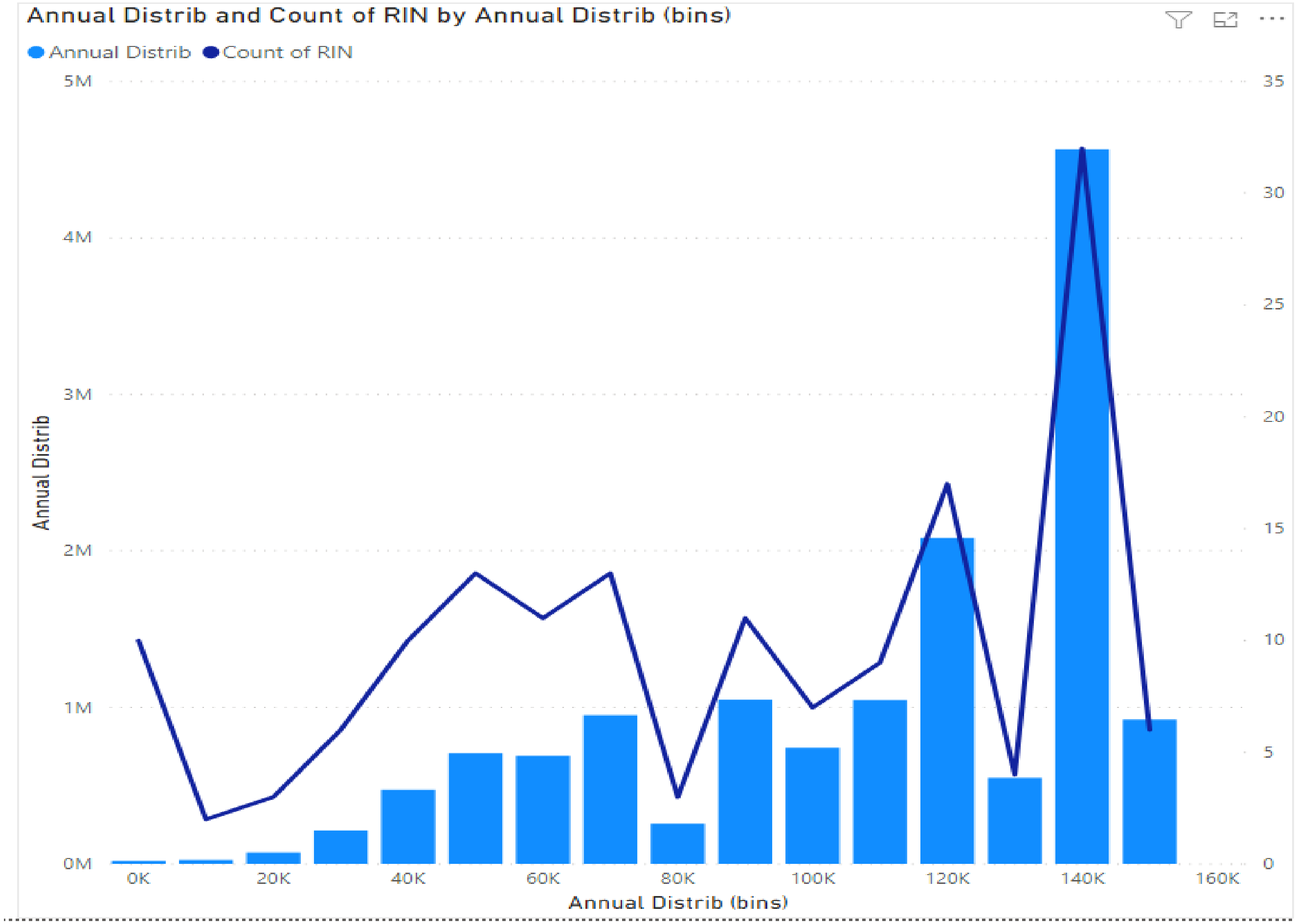
The distribution information on the following pages reflect System retirement benefit payments, distributed by the amount an individual beneficiary received on an annual basis. The bars represent the total dollars distributed by range (for example, individuals who received less than $10,000, between $10,000 and $20,000, between $20,000 and $30,000). The line represents the number of individuals who received annual benefit payments within that range.



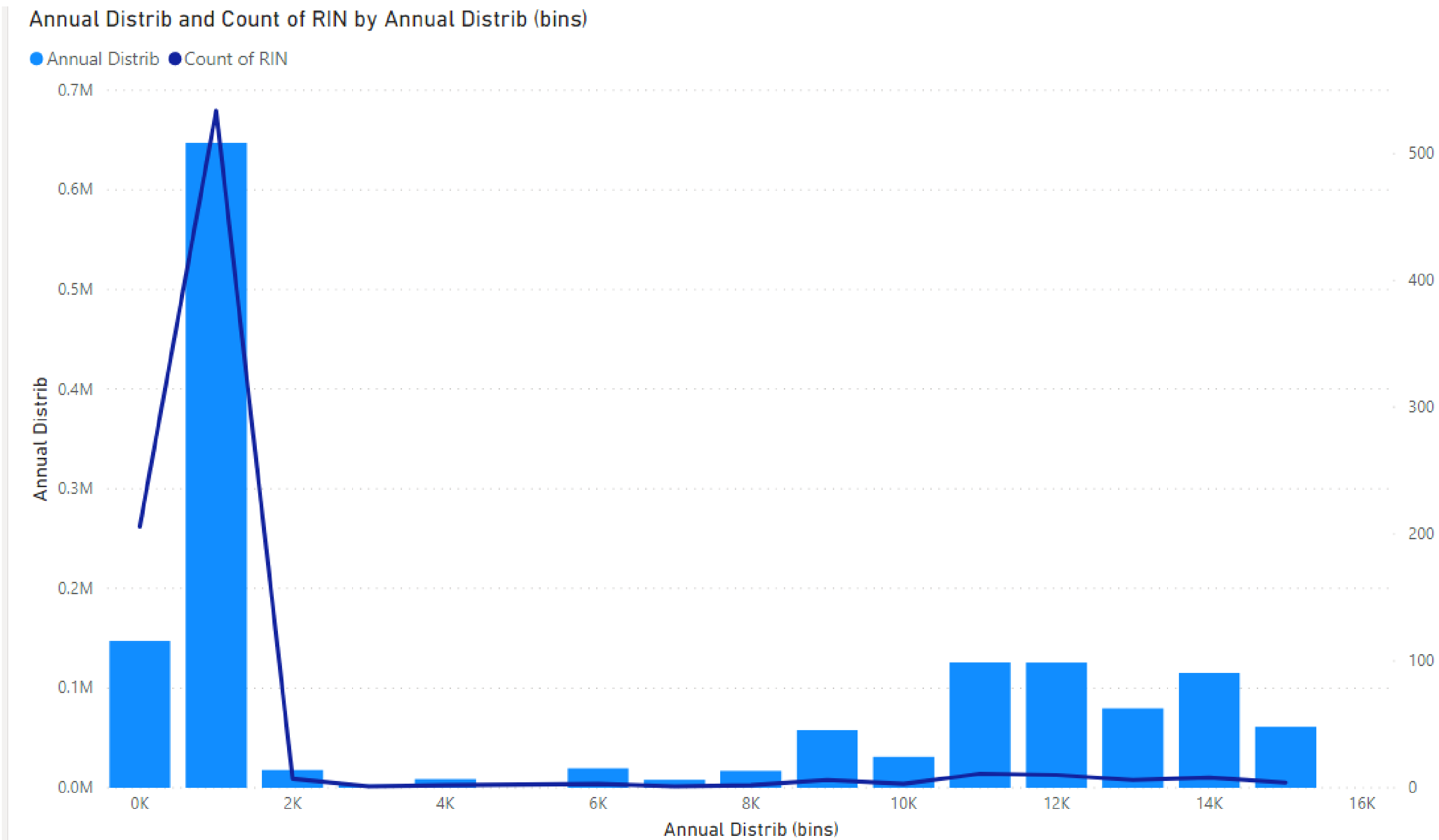
Pension plan benefit insights - TRS



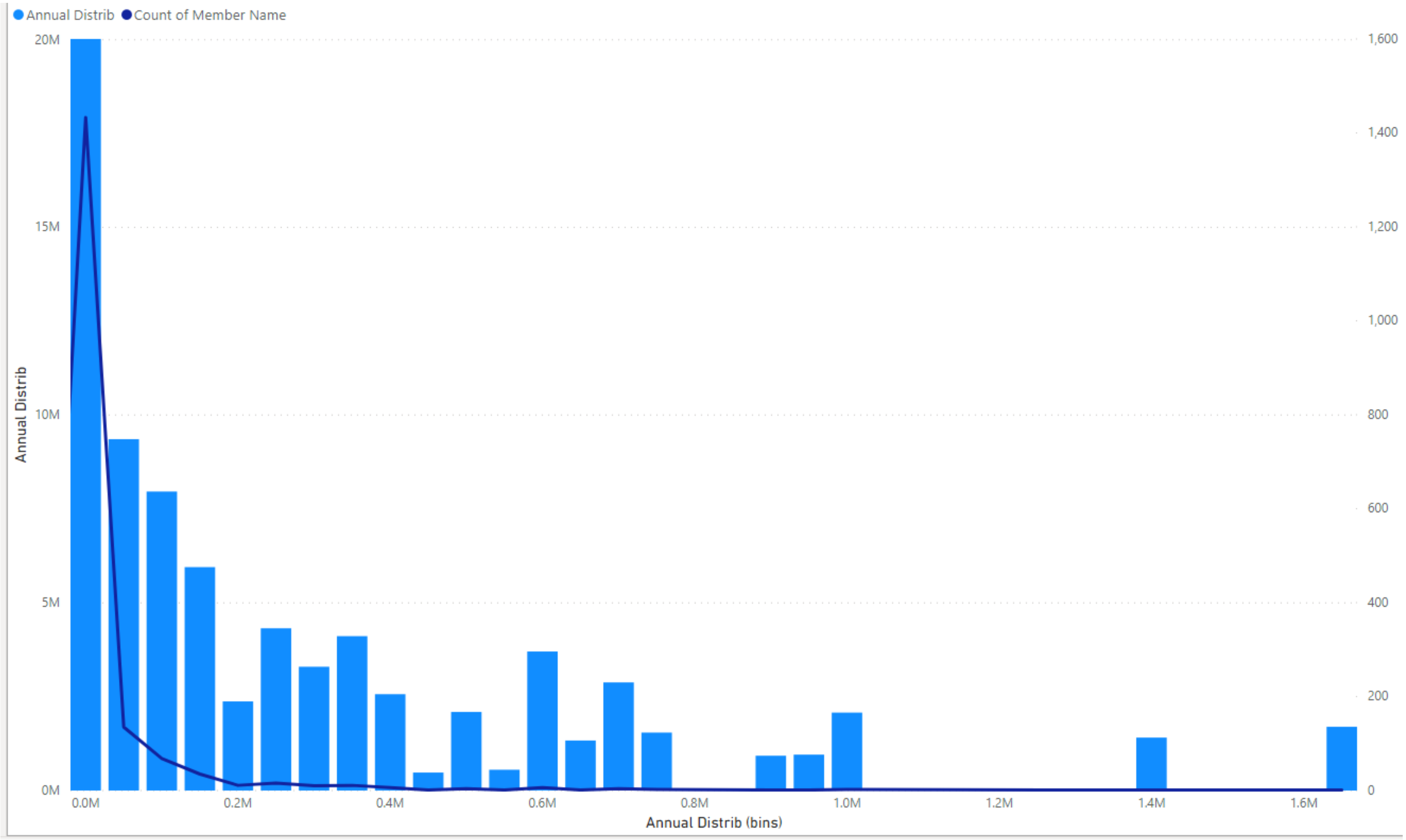
Pension plan benefit insights - JRS



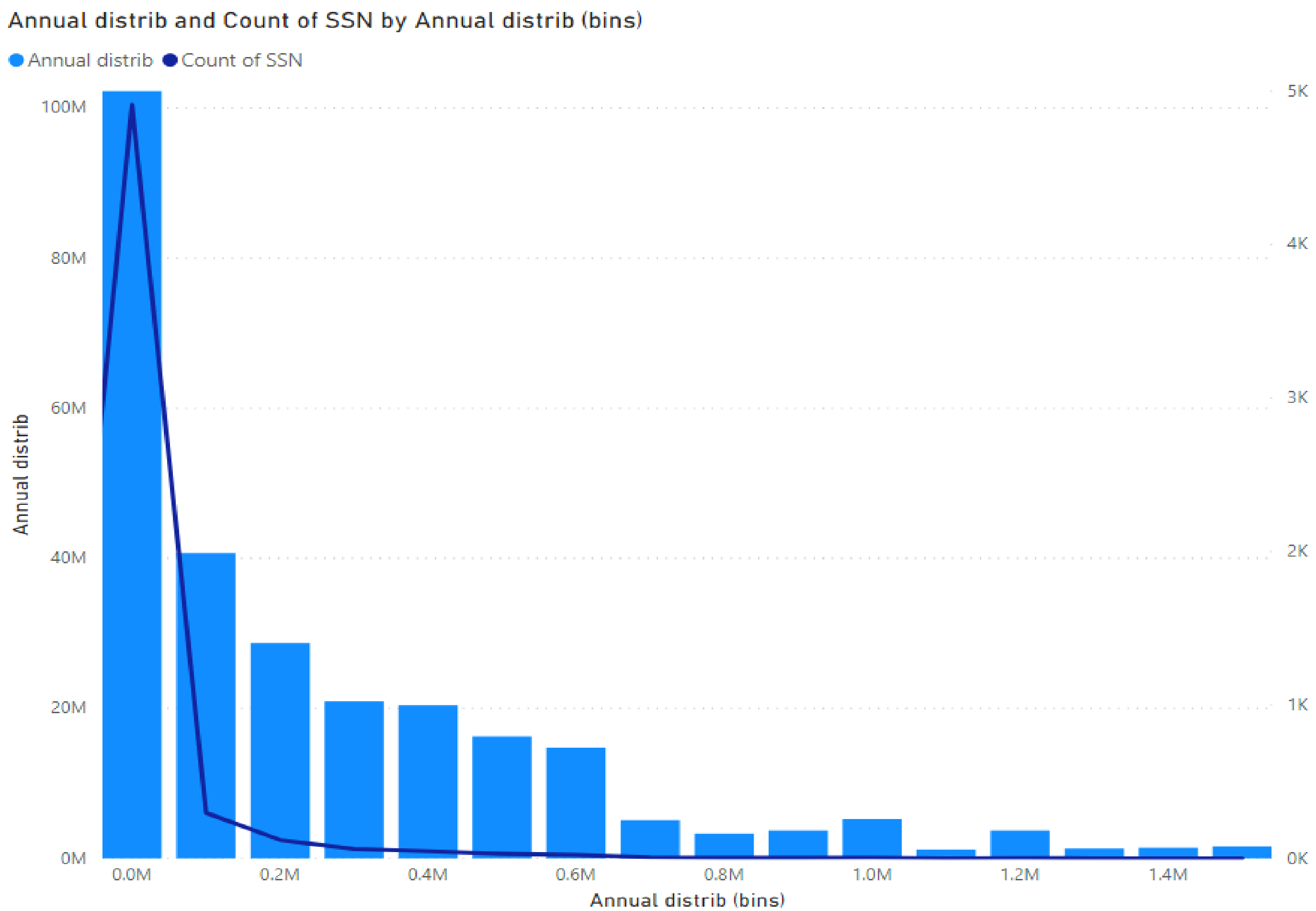
Pension plan benefit insights - MRS



Plan distribution insights - DCP



Plan distribution insights - SBS



Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2021

(With summarized financial information for June 30, 2020)

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Table of Contents

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 Public Employees' Retirement System:

We have audited the accompanying combining financial statements of the State of Alaska Public Employees' Retirement System (the System), a component unit of the State of Alaska, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the System'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 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 fiduciary net position of the State of Alaska Public Employees' Retirement System as of June 30, 2021, and the changes in fiduciary net position for the year then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Prior-Year Comparative Information

We have previously audited the System's 2020 combining financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–13 and the schedules of changes in employer net pension and other postemployment benefits liabilities and related ratios, schedules of employer and nonemployer contributions, and schedules of investment returns on pages 36–59 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.

Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The supplemental schedules on pages 60–61 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

October 20, 2021

This section presents management's discussion and analysis (MD&A) of the State of Alaska Public Employees' Retirement System's (the System) financial position and performance for the years ended June 30, 2021 and 2020. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to financial statements, required supplementary information, and supplemental schedules to better understand the financial condition and performance of the System during the fiscal years ended June 30, 2021 and 2020. Information for fiscal year 2019 is presented for comparative purposes.

Financial Highlights

The System's financial highlights for the year ended June 30, 2021 were as follows:

- The System's fiduciary net position restricted for pension benefits, postemployment healthcare benefits, and individuals increased by $5.3 billion.
- The System's plan member and employer contributions increased by $39.6 million when compared to fiscal year 2020.
- The State of Alaska (the State) directly appropriated $203.6 million to the System.
- The System's net investment income increased $5.0 billion when compared to fiscal year 2020, to $5.7 billion.
- The System's pension benefit expenditures totaled $921.9 million.
- The System's postemployment healthcare benefit expenditures totaled $463.9 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's financial statements. The System's financial statements are composed of three components: (1) combining statement of fiduciary net position, (2) combining statement of changes in fiduciary net position, and (3) notes to financial statements. This report also contains required supplementary information and other supplemental schedules.

Combining statement of fiduciary net position – This statement presents information regarding the System's assets, liabilities, and resulting net position restricted for pension benefits, postemployment healthcare benefits, and individuals. This statement reflects the System's investments at fair value, along with cash and cash equivalents, receivables, and other assets, less liabilities at June 30, 2021.

Combining statement of changes in fiduciary net position – This statement presents how the System's net position restricted for pension benefits, postemployment healthcare benefits, and individuals changed during the fiscal year ended June 30, 2021. This statement presents contributions and investment income during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2021, and the sources and uses of those funds during fiscal year 2021.

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 System's financial statements.

Required supplementary information and related notes – The required supplementary information consists of 12 schedules and related notes concerning the funded status of the System and actuarial assumptions and methods used in the actuarial valuation.

Supplemental schedules – Supplemental schedules include detailed information on administrative and investment deductions incurred by the System and payments to consultants (other than investment advisors) for professional services.

Condensed Financial Information

System net position (In thousands)

Description	2021	2020	Increase (decrease) Amount	Increase (decrease) Percentage	2019
Assets:					
Cash and cash equivalents	$ 251,009	193,689	57,320	29.6 %	$ 370,358
Contributions receivable	12,363	12,148	215	1.8	13,241
Due from State of Alaska General Fund	18,175	16,722	1,453	8.7	32,285
Due from Retiree Health Fund	2	—	2	100.0	—
Other accounts receivable	5,363	137	5,226	3,814.6	3,773
Investments	24,437,912	19,195,879	5,242,033	27.3	18,734,141
Other assets	984	982	2	0.2	982
Total assets	24,725,808	19,419,557	5,306,251	27.3	19,154,780
Liabilities:					
Claims payable	39,972	35,336	4,636	13.1	44,369
Accrued expenses	7,148	2,977	4,171	140.1	11,455
Forfeiture payable to employers	151	653	(502)	(76.9)	2,164
Securities lending collateral payable	57,659	23,049	34,610	150.2	30,489
Total liabilities	104,930	62,015	42,915	69.2	88,477
Net position	$ 24,620,878	19,357,542	5,263,336	27.2 %	$ 19,066,303

Condensed Financial Information (continued)

Changes in system net position (In thousands)

Description	2021	2020	Increase (decrease) Amount	Increase (decrease) Percentage	2019
Net position, beginning of year	$ 19,357,542	19,066,303	291,239	1.5 %	$ 18,462,541
Additions:					
Contributions – employers and plan members	810,572	770,926	39,646	5.1	744,612
Contributions – nonemployer State of Alaska	101,383	79,487	21,896	27.5	67,857
Net investment income	5,748,837	777,393	4,971,444	639.5	1,095,977
Employer Group Waiver Plan	52,416	33,212	19,204	57.8	7,076
Medicare Retiree Drug Subsidy	189	—	189	100.0	20,490
Pharmacy rebates	37,936	48,035	(10,099)	(21.0)	36,940
Pharmacy Management Allowance	189	—	189	100.0	—
Other income	1,309	625	684	109.4	1,351
Total additions	6,752,831	1,709,678	5,043,153	295.0	1,974,303
Deductions:					
Pension and postemployment healthcare benefits	1,385,828	1,325,783	60,045	4.5	1,282,149
Refunds of contributions	69,986	59,891	10,095	16.9	60,610
Administrative	33,681	32,765	916	2.8	27,782
Total deductions	1,489,495	1,418,439	71,056	5.0	1,370,541
Increase in net position	5,263,336	291,239	4,972,097	1,707.2	603,762
Net position, end of year	$ 24,620,878	19,357,542	5,263,336	27.2 %	$ 19,066,303

Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2021 and 2020 show net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $24,620,878,000 and $19,357,542,000, respectively. The entire amount is available to cover the System's obligation to pay pension and postemployment healthcare benefits to its members and their beneficiaries, as well as administrative costs.

This represents an increase in the System's net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $5,263,336,000 or 27.2% from fiscal year 2020 to 2021 and of $291,239,000 or 1.5% from fiscal year 2019 to 2020. Over the long term, plan member, employer, and nonemployer contributions, as well as investment income earned, are anticipated to sufficiently fund the pension benefit and postemployment healthcare costs of the System.

During the 31st Alaska State Legislature and as part of the State's Fiscal Year 2021 Operating Budget, House Bill 205 appropriated $203,585,000 from the General Fund and the Budget Reserve Fund to the Department of

Administration for deposit in the Defined Benefit Pension fund. The amount of the appropriation allocated to the State as an employer is included in Contributions – Employer. The remaining appropriation is reported as Contributions – Nonemployer State of Alaska.

The investment of pension funds is a long-term undertaking. On an annual basis, the Alaska Retirement Management Board (the Board) reviews and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk/return level given the System's constraints and objectives.

System Asset Allocation

During fiscal years 2021 and 2020, the Board adopted the following asset allocation for the Defined Benefit Pension Plan (DB Plan), Alaska Retiree Healthcare Trust (ARHCT Plan), and Defined Contribution Retirement Pension Plan's (DCR Plan) retiree medical plan, health reimbursement arrangement fund, and occupational death and disability fund:

	2021		2020	
	Pension and Healthcare Trusts		Pension and Healthcare Trusts	
	Allocation	Range	Allocation	Range
Broad domestic equity	28.0%	± 6%	26.0%	± 6%
Global equity (ex-U.S.)	19.0	± 4	18.0	± 4
Fixed income	22.0	± 10	24.0	± 10
Opportunistic	6.0	± 4	8.0	± 4
Real assets	13.0	± 7	13.0	± 7
Private equity	12.0	± 6	11.0	± 6
Total	100.0%		100.0%	
Expected return 20-year geometric mean	7.13%		7.13%	
Projected standard deviation	13.55		13.80	

For fiscal years 2021 and 2020, the DB Pension Plan's investments generated a 27.62% and 3.83% rate of return, respectively. For fiscal years 2021 and 2020, the Alaska Retiree Healthcare Trust Plan's investments generated a 27.71% and 3.90% rate of return, respectively.

(Continued)

Contributions, Investment Income, and Other Additions

The additions required to fund retirement benefits are accumulated through a combination of employer and plan member contributions, State appropriation, investment income, and other additions as follows:

	Additions (In thousands)				
			Increase (decrease)		
	2021	2020	Amount	Percentage	2019
Contributions – plan members	$ 188,469	183,638	4,831	2.6%	$ 179,604
Contributions – employers	622,103	587,288	34,815	5.9%	565,008
Contributions – nonemployer State of Alaska	101,383	79,487	21,896	27.5	67,857
Net investment income	5,748,837	777,393	4,971,444	639.5	1,095,977
Employer group waiver plan	52,416	33,212	19,204	57.8	7,076
Medicare retiree drug subsidy	189	—	189	100.0	20,490
Pharmacy rebates	37,936	48,035	(10,099)	(21.0)	36,940
Pharmacy Management Allowance	189	—	189	100.0	—
Other income	1,309	625	684	109.4	1,351
Total	$ 6,752,831	1,709,678	5,043,153	295.0%	$ 1,974,303

The System's employer contributions increased from $587,288,000 in fiscal year 2020 to $622,103,000 in fiscal year 2021, an increase of $34,815,000 or 5.9%. The System's employer contributions increased from $565,008,000 in fiscal year 2019 to $587,288,000 in fiscal year 2020, an increase of $22,280,000 or 3.9%. The increase in employer contributions for both fiscal year 2021 and 2020 are attributed to increases in member salaries.

The State provided $101,383,000 and $79,487,000 for fiscal years 2021 and 2020, respectively, in nonemployer contributions per Alaska Statute (AS) 39.35.280. The employer on-behalf amount (or additional State contributions as defined in AS 39.35.280) is calculated by the System's actuary. It is based on projected payroll and the difference between the actuarially determined contribution rate and the statutory effective rate. The employer effective contribution rate of 22.00% is established in AS 39.35.255(a).

The System's net investment income in fiscal year 2021 increased by $4,971,444,000 or 639.5% from amounts in fiscal year 2020. The System's net investment income in fiscal year 2020 decreased by $318,584,000 or 29.1% from amounts in fiscal year 2019. The investment returns received in fiscal year 2021 were higher than the returns seen in fiscal year 2020, causing an increase in investment income in comparison between 2021 and 2020. Over the long term, investment earnings play a significant role in funding Plan benefits. The Board continues to look at investment classes and strategies best suited to meet the expected earnings returns to meet future benefit payments.

Effective January 1, 2019, the Division of Retirement and Benefits (the Division) implemented a group Medicare Part D prescription drug plan known as an enhanced Employer Group Waiver Plan (EGWP) for all Medicare-eligible members covered under the Plan. During fiscal year 2021, the Plan received $52,416,000 in EGWP funds from the Center of Medicare and Medicaid Services (CMS) through the EGWP Plan Sponsor, OptumRx.

Pharmacy rebates are reimbursed to the Plan by the third-party administrators. These rebates are recorded as revenue when received by the Plan. During fiscal year 2021, the Plan received $37,936,000 in pharmacy rebates compared to $48,035,000 from fiscal year 2020. The decrease is due to the timing of receipt of funds.

The DB Pension Plan's investment rates of return for the year ended June 30 were as follows:

	Year ended		
	2021	**2020**	**2019**
Plan returns	27.62 %	3.83 %	6.40 %
Broad domestic equity	42.69	2.62	8.41
Global equity (ex-U.S.)	38.54	(3.59)	(0.08)
Fixed income	2.20	7.31	6.34
Opportunistic	23.86	0.52	7.21
Real assets	9.86	2.06	6.08
Absolute return	—	—	4.08
Private equity	50.67	10.47	17.66
Cash equivalents	—	—	2.50
Actuarially assumed rate of return	7.38	7.38	7.38

The Alaska Retiree Healthcare Trust Plan's investment rates of return for the year ended June 30 were as follows:

	Year ended		
	2021	**2020**	**2019**
Plan returns	27.71 %	3.90 %	6.44 %
Broad domestic equity	42.69	2.62	8.41
Global equity (ex-U.S.)	38.57	(3.59)	(0.09)
Fixed income	2.20	7.37	6.34
Opportunistic	23.86	0.51	7.20
Real assets	10.00	2.36	6.20
Absolute return	—	—	4.08
Private equity	50.67	10.52	17.66
Cash equivalents	—	—	2.50
Actuarially assumed rate of return	7.38	7.38	7.38

(Continued)

Benefits and Other Deductions

The primary deduction of the DB Plan is the payment of pension and other postemployment benefits, primarily healthcare. The primary deduction of the DCR Plan is the refund of contributions. These benefit payments, healthcare claims paid, refunds of contributions, and the cost of administering the System comprise the cost of operations as follows:

	Deductions (In thousands)				
			Increase (decrease)		
	2021	2020	Amount	Percentage	2019
Pension benefits	$ 921,899	885,252	36,647	4.1%	$ 837,381
Postemployment benefits	463,929	440,531	23,398	5.3	444,768
Refunds of contributions	69,986	59,891	10,095	16.9	60,610
Administrative	33,681	32,765	916	2.8	27,782
Total	$ 1,489,495	1,418,439	71,056	5.0%	$ 1,370,541

The System's DB pension benefit payments in 2021 increased $36,647,000 or 4.1% from fiscal year 2020, which increased $47,871,000 or 5.7% from fiscal year 2019. The increase in pension benefits in fiscal year 2021 is the result of a continued increase in the number of retirees and an increase in average pension benefits.

The System's postemployment healthcare benefit payments in fiscal year 2021 increased $23,398,000 or 5.3% from fiscal year 2020, which decreased $4,237,000 or 1.0% from fiscal year 2019. During fiscal year 2021, the System saw an increase in postemployment benefits as the number of retirees in the DB Plan continues to increase. The increase in retirees is offset by those retirees who transition over to Medicare due to age, and costs shift from the System to Medicare. The System continues to look at ways for cost containment while providing benefits applicable to the plan.

The System's refund of contributions increased $10,095,000 or 16.9% from fiscal year 2020 to 2021 and decreased $719,000 or 1.2% from fiscal year 2019 to 2020. The increase in refunds is entirely in the DCR Plan, where refunds increased $12,259,000 between fiscal year 2020 to 2021 and decreased $352,000 between fiscal year 2019 to 2020. Increases in refunds are attributed to the increase in the number of DCR Plan member accounts and higher member balances being refunded, as such refunds are the primary intended purpose of these balances. The System continues to look at ways to retain member contributions by emphasizing the low investment costs to members to maintain funds within the DCR Plan, with a number of investment options available.

The System's administrative costs in fiscal year 2021 increased $916,000 or 2.8% from fiscal year 2020 and increased $4,983,000 or 17.9% from fiscal year 2019 to 2020. The increased administrative cost in fiscal years 2021 and 2020 is primarily the management and consulting fees paid related to the retirement system modernization project, which is a total replacement of the existing legacy system.

Net Pension Liability

Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, requires the DB Plan to report the total pension liability, fiduciary net position, and net pension liability. The total pension liability represents the total obligation for the Plan's pension benefits related to costs incurred as a result of years of service, changes in benefit terms, changes in actuarial assumptions, and any differences between the actuarial assumptions and actual experience. The Plan's fiduciary net position represents the assets available to pay the Plan's future payment stream. The assets are derived from contributions received from participating employers, plan members, and nonemployer contributions, as well as investment earnings, less benefit payments during the year and the related costs to administer the Plan. The difference between the total pension liability and fiduciary net position is the net pension liability, or the unfunded portion of the total pension liability.

The components of the net pension liability of the participating employers of the Plan as of June 30 were as follows (in thousands):

		2021	2020
Total pension liability	$	15,580,808	15,370,337
Plan fiduciary net position		(11,912,309)	(9,469,161)
Employers' net pension liability	$	3,668,499	5,901,176
Plan fiduciary net position as a percentage of the total pension liability		76.46 %	61.61 %

Net OPEB (Asset) Liability

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Penson Plans*, requires the DB Other Postemployment Benefit (OPEB) Plans to report the total OPEB liability, fiduciary net position, and net OPEB liability for each plan. The total OPEB liability represents the total obligation for the Plan's postemployment healthcare benefits related to costs incurred as a result of years of service, changes in benefit terms, changes in actuarial assumptions, and any differences between the actuarial assumptions and actual experience. The Plan's fiduciary net position represents the assets available to pay the OPEB Plan's future payment stream. The assets are derived from contributions received from participating employers, plan members, and nonemployer contributions, as well as investment earnings, less benefit payments during the year and the related costs to administer the Plans. The difference between the total OPEB liability and fiduciary net position is the net OPEB liability (asset), or the unfunded (overfunded) portion of the total OPEB liability.

(Continued)

The components of the net OPEB asset of the participating employers of the Plans as of June 30, 2021 were as follows (in thousands):

		Alaska Retiree Healthcare Trust Plan (ARHCT Plan)	Occupational Death and Disability (ODD Plan)	Retiree Medical Plan (RMP)
Total OPEB liability	$	7,218,787	16,072	177,713
Plan fiduciary net position		(9,784,141)	(60,146)	(204,555)
Employers' net OPEB asset	$	(2,565,354)	(44,074)	(26,842)
Plan fiduciary net position as a percentage of the total OPEB liability		135.54 %	374.23 %	115.10 %

The components of the net OPEB liability (asset) of the participating employers of the Plans as of June 30, 2020 were as follows (in thousands):

		Alaska Retiree Healthcare Trust Plan (ARHCT Plan)	Occupational Death and Disability (ODD Plan)	Retiree Medical Plan (RMP)
Total OPEB liability	$	7,360,653	14,831	148,662
Plan fiduciary net position		(7,813,511)	(42,091)	(141,569)
Employers' net OPEB liability (asset)	$	(452,858)	(27,260)	7,093
Plan fiduciary net position as a percentage of the total OPEB liability		106.15 %	283.80 %	95.23 %

Funding

Retirement benefits are financed by accumulations from employers, plan members, State nonemployer contributions, and income earned on System investments:

- The employer contribution rate is adopted and set by the Board annually based on actuarial determinations made by the System's consulting actuary as reviewed by the Board's contracted actuary. AS 39.35.255(a) sets the employer effective contribution rate at 22.00%. The difference between the actuarially determined contribution rate adopted by the Board and the statutory employer effective rate is paid by the State as a direct appropriation per AS 39.35.280.
- AS 39.35.280 provides that additional State contributions are made each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions are sufficient to pay the System's past service liability at the contribution rate adopted by the Board for that fiscal year.

- Plan member contributions are set by AS 39.35.160 for the DB Plan and AS 39.35.730 for the DCR Plan.
- The Board works with an external consultant to determine the proper asset allocation strategy.

Legislation

During fiscal year 2021, the 32nd Alaska State Legislature enacted one law that affects the System. Conference Committee Substitute First Special Session House Bill 69, Section 73(b), appropriates $97.7 million from the General Fund to the Department of Administration for deposit in the System's defined benefit plan account as partial payment of the participating employers' contribution for fiscal year ending June 30, 2022.

This appropriation is to fund the difference between the statutory employer required contribution of 22% paid by participating employers for both defined benefit and defined contribution members and the actuarially determined contribution rate adopted by the Board for that fiscal year. This additional state contribution is specified in AS 39.35.280 – Additional State Contributions.

Senate Bill 55 (SB 55), an Act relating to employer contributions to the System, made changes to Alaska Statute (AS) 39.35.255 that indicated the State of Alaska, as a participating employer, shall contribute to the System every payroll period an amount sufficient to pay the full actuarially determined employer normal cost, all contributions required under AS 39.30.370 (HRA) and AS 39.35.750 (all DCR costs – employer match, ODD, RMP), and past service costs for members at the contribution rate adopted by the Board under AS 37.10.220 for the fiscal year for that payroll period. The State of Alaska, as an employer, will pay the full actuarial determined employer contribution rate adopted by the Board for each fiscal year effective July 1, 2021.

Economic Conditions, Future Contribution Rates, and Status of Unfunded Liability

Fiscal year 2021 had positive investment returns. Net investment income increased from $777,393,000 in fiscal year 2020, to $5,748,837,000 in fiscal year 2021, an increase of $4,971,444,000 or 639.5%. During fiscal year 2021, the System's actual rate of return on investments of 27.62% was above the 7.38% actuarially assumed rate of return. The Board continues to work with its investment counsel and the Alaska Department of Revenue, Treasury Division, to diversify the portfolio of the System to maintain an optimal risk/return ratio.

The consulting actuary recommended a decrease from the System's actuarially determined contribution rate of 30.85% in fiscal year 2021 to 30.11% in fiscal year 2022. The Board adopted the fiscal year 2022 actuarially determined contribution rate of 30.11%, which represented a decrease of 0.74%. The statutory employer effective contribution rate remains at 22% for fiscal years 2022 and 2021. With the passing of SB 55, the State of Alaska as an employer will begin paying the full actuarial rate beginning July 1, 2021, or 30.11%.

The June 30, 2020 and 2019 actuarial valuation reports for the DB Plan reported funding ratios based on valuation assets of 79.3% and 78.4%, respectively, as well as unfunded liabilities of $4.6 billion and $4.8 billion, respectively.

(Continued)

For fiscal years 2022 and 2021, the DCR Plan's employer contribution rate was established by AS 39.35.255(a) at 22.00%, except for the State of Alaska as modified by SB 55. The DCR Plan's actuarially determined occupational death and disability rate was adopted by the Board for fiscal years 2022 and 2021 to be 0.68% and 0.70%, respectively, for peace officers/firefighters; and 0.31% for all others. The DCR Plan retiree medical plan actuarially determined contribution rate was adopted by the Board for fiscal years 2022 and 2021 to be 1.07% and 1.27%, respectively.

Requests for Information

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

State of Alaska Public Employees' Retirement System
Division of Retirement and Benefits, Finance Section
P.O. Box 110203
Juneau, Alaska 99811-0203

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

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

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Combining Statement of Fiduciary Net Position

Year ended June 30, 2021
(With summarized financial information for June 30, 2020)

(In thousands)

	Defined benefit pension	Defined contribution pension	Alaska Retiree Healthcare Trust	Occupational death and disability	Retiree medical	Health reimbursement arrangement	System total June 30, 2021	System total June 30, 2020
Assets:								
Cash and cash equivalents:								
Short-term fixed-income pool	$ 105,905	2,993	74,250	621	2,101	6,704	192,574	169,589
Empower money market fund – non-participant directed	—	776	—	—	—	—	776	1,051
Securities lending collateral	30,277	—	25,000	150	513	1,719	57,659	23,049
Total cash and cash equivalents	136,182	3,769	99,250	771	2,614	8,423	251,009	193,689
Receivables:								
Contributions	12,363	—	—	—	—	—	12,363	12,148
Due from State of Alaska General Fund	4,092	7,962	2,643	261	909	2,308	18,175	16,722
Due from Retiree Health Fund	2	—	—	—	—	—	2	—
Other accounts receivable	155	—	5,207	—	1	—	5,363	137
Total receivables	16,612	7,962	7,850	261	910	2,308	35,903	29,007
Investments, at fair value:								
Fixed-income securities:								
Alternative fixed income pool	291,246	—	240,729	1,463	4,978	16,671	555,087	552,288
Barclays aggregate bond fund	1,697,168	—	1,402,791	8,530	29,009	97,146	3,234,644	2,755,701
Opportunistic fixed income pool	424,939	—	351,232	2,136	7,263	24,323	809,893	584,618
Total fixed-income securities	2,413,353	—	1,994,752	12,129	41,250	138,140	4,599,624	3,892,607
Broad domestic equity:								
Large cap pool	3,010,244	—	2,488,112	15,129	51,452	172,307	5,737,244	4,505,145
Small cap pool	255,086	—	210,841	1,282	4,360	14,601	486,170	398,109
Total broad domestic equity	3,265,330	—	2,698,953	16,411	55,812	186,908	6,223,414	4,903,254
Global equity ex-U.S.:								
International equity pool	1,799,583	—	1,487,442	9,045	30,759	103,008	3,429,837	2,797,787
Emerging markets equity pool	382,294	—	315,985	1,921	6,534	21,883	728,617	585,051
Total global equity ex-U.S.	2,181,877	—	1,803,427	10,966	37,293	124,891	4,158,454	3,382,838
Opportunistic:								
Alternative beta pool	109,666	—	90,644	551	1,874	6,277	209,012	202,553
Alternative equity pool	137,333	—	113,512	691	2,347	7,861	261,744	192,966
Other opportunities pool	7,199	—	5,950	36	123	412	13,720	25,095
Tactical allocation strategies pool	441,276	—	364,736	2,218	7,542	25,259	841,031	555,370
Total opportunistic	695,474	—	574,842	3,496	11,886	39,809	1,325,507	975,984
Private equity pool	1,770,792	—	1,463,644	8,900	30,267	101,360	3,374,963	2,218,664
Real assets:								
Real estate pools	541,245	—	448,327	2,726	9,271	31,047	1,032,616	903,601
Real estate investment trust pool	190,926	—	157,810	960	3,263	10,929	363,888	201,843
Infrastructure private pool	263,006	—	217,387	1,322	4,495	15,055	501,265	446,079
Energy pool	21,942	—	18,136	110	375	1,256	41,819	44,641
Farmland pool	317,463	—	262,399	1,596	5,426	18,172	605,056	591,685
Timber pool	129,417	—	106,970	651	2,212	7,408	246,658	239,733
Total real assets	1,463,999	—	1,211,029	7,365	25,042	83,867	2,791,302	2,427,582
Other investment funds:								
Participant directed at fair value:								
Collective investment funds	—	621,217	—	—	—	—	621,217	493,292
Pooled investment funds	—	1,227,154	—	—	—	—	1,227,154	825,612
Participant directed at contract value:								
Synthetic investment contracts	—	116,277	—	—	—	—	116,277	76,046
Total other investment funds	—	1,964,648	—	—	—	—	1,964,648	1,394,950
Total investments	11,790,825	1,964,648	9,746,647	59,267	201,550	674,975	24,437,912	19,195,879
Other assets	17	—	967	—	—	—	984	982
Total assets	11,943,636	1,976,379	9,854,714	60,299	205,074	685,706	24,725,808	19,419,557
Liabilities:								
Claims payable	—	—	39,972	—	—	—	39,972	35,336
Accrued expenses	1,050	481	5,601	3	6	7	7,148	2,977
Forfeitures payable to employers	—	151	—	—	—	—	151	653
Securities lending collateral payable	30,277	—	25,000	150	513	1,719	57,659	23,049
Total liabilities	31,327	632	70,573	153	519	1,726	104,930	62,015
Net position restricted for pension benefits, postemployment healthcare benefits, and individuals	$ 11,912,309	1,975,747	9,784,141	60,146	204,555	683,980	24,620,878	19,357,542

See accompanying notes to financial statements.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2021
(With summarized financial information for June 30, 2020)

(In thousands)

	Defined benefit pension	Defined contribution pension	Other postemployment benefit plans: Alaska Retiree Healthcare Trust	Occupational death and disability	Retiree medical	Health reimbursement arrangement	System total June 30, 2021	System total June 30, 2020
Additions:								
Contributions:								
Employers	$ 414,741	67,389	68,191	5,334	18,559	47,889	622,103	587,288
Plan members	70,614	117,855	—	—	—	—	188,469	183,638
Nonemployer State of Alaska	101,383	—	—	—	—	—	101,383	79,487
Total contributions	586,738	185,244	68,191	5,334	18,559	47,889	911,955	850,413
Investment income:								
Net appreciation in fair value	2,688,309	454,492	2,206,394	12,678	42,913	145,188	5,549,974	557,449
Interest	34,448	3	28,254	161	544	1,844	65,254	82,065
Dividends	98,019	—	81,272	464	1,571	5,319	186,645	190,164
Total investment income	2,820,776	454,495	2,315,920	13,303	45,028	152,351	5,801,873	829,678
Less investment expense	26,954	2,922	21,768	123	414	1,405	53,586	52,860
Net investment income before securities lending activities	2,793,822	451,573	2,294,152	13,180	44,614	150,946	5,748,287	776,818
Securities lending income	363	—	298	2	6	19	688	719
Less securities lending expense	73	—	60	—	1	4	138	144
Net income from securities lending activities	290	—	238	2	5	15	550	575
Net investment income	2,794,112	451,573	2,294,390	13,182	44,619	150,961	5,748,837	777,393
Other income:								
Employer group waiver plan	—	—	52,356	—	60	—	52,416	33,212
Medicare retiree drug subsidy	—	—	189	—	—	—	189	—
Pharmacy rebates	—	—	37,901	—	35	—	37,936	48,035
Pharmacy management allowance	—	—	189	—	—	—	189	—
Miscellaneous income	536	148	597	2	7	19	1,309	625
Total other income	536	148	91,232	2	102	19	92,039	81,872
Total additions	3,381,386	636,965	2,453,813	18,518	63,280	198,869	6,752,831	1,709,678
Deductions:								
Pension and postemployment benefits	921,899	—	462,977	431	247	274	1,385,828	1,325,783
Refunds of contributions	8,107	61,879	—	—	—	—	69,986	59,891
Administrative	8,232	5,140	20,206	32	47	24	33,681	32,765
Total deductions	938,238	67,019	483,183	463	294	298	1,489,495	1,418,439
Net increase	2,443,148	569,946	1,970,630	18,055	62,986	198,571	5,263,336	291,239
Net position restricted for pension benefits, postemployment healthcare benefits, and individuals:								
Balance, beginning of year	9,469,161	1,405,801	7,813,511	42,091	141,569	485,409	19,357,542	19,066,303
Balance, end of year	$ 11,912,309	1,975,747	9,784,141	60,146	204,555	683,980	24,620,878	19,357,542

See accompanying notes to financial statements.

(1) Description

The State of Alaska Public Employees' Retirement System (PERS or the System) is a component unit of the State of Alaska (the State). The System is administered by the Division of Retirement and Benefits within the Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Alaska Retirement Management Board (the Board) is responsible for overseeing the management and investment of the System. The Board consists of nine trustees as follows: two trustees consisting of the commissioner of administration and the commissioner of revenue, two trustees who are members of the general public, one trustee who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS), two trustees who are PERS members, and two trustees who are TRS members.

PERS acts as the common investment and administrative agency for the following multiple-employer plans:

Plan name	Type of plan
Defined Benefit Pension Plan	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (OPEB)	
Alaska Retiree Healthcare Trust (ARHCT) Plan	Cost-sharing, Defined Benefit OPEB
Occupational Death and Disability (ODD) Plan	Cost-sharing, Defined Benefit OPEB
Retiree Medical Plan (RMP)	Cost-sharing, Defined Benefit OPEB
Defined Contribution Other Postemployment Benefits	
Healthcare Reimbursement Arrangement Plan	Defined Contribution OPEB

At June 30, 2021, the number of participating local government employers and public organizations, including the State, was as follows:

	Defined Benefit Pension	Defined Contribution Pension	OPEB plans
State of Alaska	1	1	1
Municipalities	72	73	73
School districts	52	52	52
Other	25	25	25
Total employers	150	151	151

Inclusion in the plans is a condition of employment for eligible State employees, except as otherwise provided for judges, elected officers, and certain employees of the Alaska Marine Highway System. Any local government in the State may elect to have its permanent general and peace officer and firefighter employees covered by the System.

Defined Benefit Pension Plan

(a) General

The Defined Benefit Pension (DB) Plan provides pension benefits for eligible State and local government employees. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. With the passage of Senate Bill 141, the DB Plan is closed to all new members effective July 1, 2006.

The DB Plan's membership consisted of the following at June 30, 2021:

Inactive plan members or beneficiaries currently receiving benefits	36,704
Inactive plan members entitled to but not yet receiving benefits	5,112
Inactive plan members not entitled to benefits	10,366
Active plan members	10,066
Total DB Plan membership	62,248

(b) Pension Benefits

Members hired prior to July 1, 1986, with five or more paid-up years of credited service, are entitled to monthly pension benefits beginning at normal retirement age, 55, or early retirement age, 50. For members first hired after June 30, 1986, the normal and early retirement ages are 60 and 55, respectively. Members with 30 or more years of credited service (20 years for peace officers and firefighters) may retire at any age and receive a normal benefit.

The normal monthly pension benefit is based on years of service and average monthly compensation. For members hired prior to July 1, 1996, and all peace officers and firefighters, the average monthly compensation is based upon the members' three highest, consecutive years' salaries. For all other members hired after June 30, 1996, average monthly compensation is based upon the members' five highest, consecutive years' salaries.

The benefit related to all years of credited service prior to July 1, 1986, and for years of service through a total of 10 years for general members, is equal to 2.00% of the member's average monthly compensation for each year of service. The benefit for each year over 10 years of service subsequent to June 30, 1986 is equal to 2.25% of the member's average monthly compensation for the second 10 years and 2.50% for all remaining years of service. For peace officers and firefighters, the benefit for years of service through a total of 10 years is equal to 2.00% of the member's average monthly compensation and 2.50% for all remaining years of service.

Minimum benefits for members eligible for retirement are $25 per month for each year of credited service.

Married members must receive their benefits in the form of a joint and survivor annuity unless their spouse consents to another form of benefit or another person is eligible for benefits under a qualified domestic relations order.

The DB Plan has two types of postretirement pension adjustments (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the DB Plan's administrator if the funding ratio of the DB Plan meets or exceeds 105%. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

(c) Contributions

Contribution requirements of the active plan members and the participating employers are actuarially determined and approved by the Board as an amount that, when combined, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The DB Plan's members' contribution rates are 7.50% for peace officers and firefighters, 9.60% for some school district employees, and 6.75% for general DB Plan members, as required by statute. The statutory employer effective contribution rate is 22.00% of annual payroll, which for fiscal year 2021 is allocated 14.57% to the DB Pension Plan and 7.43% to the DB ARHCT Plan as determined by the actuary of the Plan. Alaska Statute (AS) 39.35.280 provides that the State, as a nonemployer contributing entity, contributes each July 1, or as soon after July 1 for the ensuing fiscal year, an amount that when combined with the total employer contributions is sufficient to pay the System's past service liability at the actuarially determined contribution rate adopted by the Board for that fiscal year. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the Defined Contribution Retirement Pension (DCR) Plan payroll. The DBUL amount is computed as the difference between:

(A) The amount calculated for the statutory employer effective contribution rate of 22.00% on eligible salary less

(B) The total of the employer contributions for:

- (1) The defined contribution employer matching amount
- (2) Major medical
- (3) Occupational death and disability
- (4) Health reimbursement arrangement.

The difference is deposited based on an actuarial allocation into the DB Plan's pension and healthcare funds. For fiscal year 2021, the DBUL is allocated 100.00% to the DB Pension Plan and 0.00% to the DB ARHCT Plan.

(d) Refunds

DB Plan member contributions may be voluntarily or, under certain circumstances, involuntarily refunded to the member or a garnishing agency 60 days after termination of employment. Voluntary refund rights are forfeited on July 1 following the member's 75th birthday or within 50 years of the member's last termination date. Members who have had contributions refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the total involuntary refunded balance and accrued interest. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest, as long as they have reestablished an employee relationship with a participating DB Plan employer before July 1, 2010. Members who have not reestablished an employee relationship with a participating DB Plan employer by June 30, 2010 are not eligible to reinstate voluntarily refunded service and forfeit any claim to DB Plan membership rights. Balances previously refunded to members accrue interest at the rate of 7.0% per annum compounded semiannually.

Defined Contribution Retirement Pension Plan

(a) General

The DCR Plan provides retirement benefits for eligible employees hired after July 1, 2006. Additionally, certain active members of the DB Plan were eligible to transfer to the DCR Plan if that member had not vested in the DB Plan. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

At June 30, 2021, membership in the DCR Plan consisted of 2,358 peace officer and firefighter members and 22,129 other members.

(b) Retirement Benefits

A participating member is immediately and fully vested in that member's contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. A member is partially vested in the employer contributions made on that member's behalf, and the related earnings, in the ratio of (a) 25% with two years of service; (b) 50% with three years of service; (c) 75% with four years of service; and (d) 100% with five years of service.

(c) Contributions

State statutes require an 8.0% contribution rate for DCR Plan members. Employers are required to contribute 5.0% of the member's compensation.

(d) Participant Distributions and Refunds of Contributions

A member is eligible to request a refund of contributions from their account 60 days after termination of employment.

(e) Participant Accounts

Participant accounts under the DCR Plan are self-directed with respect to investment options.

Each participant designates how contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

Record-keeping/administrative fees consisting of a fixed amount, applied in a lump sum each calendar year, and a variable amount, applied monthly, are deducted from each participant's account and applied pro rata to all the funds in which the employee participates. This fee is for all costs incurred by the recordkeeper and by the State. The investment management fees are netted out of the funds' performance.

Defined Benefit Other Postemployment Benefit Plans

(a) Alaska Retiree Healthcare Trust Plan

Beginning July 1, 2007, the ARHCT Plan, a healthcare trust fund of the State, was established. The ARHCT Plan is self-funded and provides major medical coverage to retirees of the DB Plan. The System retains the risk of loss of allowable claims for eligible members. The ARHCT Plan began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund.

Membership in the plan consisted of the following at June 30, 2021:

Inactive plan members or beneficiaries currently receiving benefits	36,704
Inactive plan members entitled to but not yet receiving benefits	5,112
Inactive plan members not entitled to benefits	10,366
Active plan members	10,066
Total DB Plan membership	62,248

(i) OPEB Benefits

Major medical benefits to cover medical expenses are provided to retirees and their surviving spouses at no premium cost for all members hired before July 1, 1986 (Tier 1), and disabled retirees. Members hired after June 30, 1986 (Tier 2), and their surviving spouses with 5 years of credited service (or 10 years of credited service for those first hired after June 30, 1996 [Tier 3]) must pay the full monthly premium if they are under age 60 and will receive benefits at no premium cost if they are over age 60. Tier 3 members with between 5 and 10 years of credited service must pay the full monthly premium regardless of their age. Tier 2 and Tier 3 members with less than 5 years of credited service are not eligible for postemployment healthcare benefits. Tier 2 members who are receiving a conditional benefit and are age eligible are eligible for postemployment healthcare benefits. In addition, peace officers and their surviving spouses with 25 years of peace officer membership service and all other members and their surviving spouses with 30 years of membership service receive benefits at no premium cost, regardless of their age or date of hire. Peace officers/firefighters who are disabled between 20 and 25 years must pay the full monthly premium.

(ii) Contributions

Employer contribution rates are actuarially determined and adopted by the Board. The 2021 statutory employer effective contribution rate is 22.00% of member's compensation, with 7.43% specifically allocated to ARHCT Plan.

(b) Occupational Death and Disability Plan

The Occupational Death and Disability Plan (ODD) provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. Members in the Death and Disability Plan consisted of the following at June 30, 2021:

Active plan members	24,481
Participating employers	151
Open claims	14

(i) Death Benefits

If (1) the death of an employee occurs before the employee's retirement and before the employee's normal retirement date, (2) the proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance and within the scope of the employee's duties, and (3) the injury or hazard is not the proximate result of willful negligence of the employee, then a monthly survivor's pension shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse later dies, the monthly survivor's pension shall be paid in equal parts to the dependent children of the employee.

If an active general DB Plan member dies from occupational causes, the spouse may receive a monthly pension equal to 40% of the DB Plan member's salary. If an active peace officer or firefighter DB Plan member dies from occupational causes, the spouse may receive a monthly pension equal to 50% of the DB Plan member's salary or 75% of the member's retirement benefit calculated as if the member had survived until normal retirement age, whichever is greater. When death is due to occupational causes and there is no surviving spouse, the DB Plan member's dependent child(ren) may receive the monthly pension until they are no longer dependents. If the member does not have a spouse or dependent children at the time of death, a lump-sum death benefit is payable to the named beneficiary(ies). The amount of the occupational death pension changes on the date the DB Plan member's normal retirement would have occurred if the DB Plan member had lived. The new benefit is based on the DB Plan member's average monthly compensation at the time of death and the credited service, including service that would have accrued if the DB Plan member had lived and continued to work until normal retirement. If the death was from nonoccupational causes and the DB Plan member was vested, the spouse may receive a monthly 50% joint and survivor option benefit based on the member's credited service and average monthly compensation at the time of death. If the DB Plan member is not married or vested, a lump-sum death benefit is payable to the named beneficiary(ies).

The monthly survivor's pension benefit for survivors of DCR Plan employees who were not peace officers or firefighters is 40% of the employee's monthly compensation in the month in which the employee dies. The monthly survivor's pension for survivors of employees who were peace officers or firefighters is 50% of the monthly compensation in the month in which the employee dies. While the monthly survivor's pension is being paid, the employer shall make contributions on behalf of the employee's beneficiaries based on the deceased employee's gross monthly compensation at the time of occupational death.

(ii) Disability Benefits

Active DB Plan members who become permanently disabled due to occupational or nonoccupational causes receive disability benefits until normal retirement age, or when the service requirement for normal retirement is met. Although there are no minimum service requirements for DB Plan members to be eligible for occupational disability, DB Plan members must be vested to receive nonoccupational disability benefits. The monthly occupational disability benefit is equal to 40% of the DB Plan member's salary at the time of the disability. The nonoccupational disability benefit is based on the DB Plan member's service and salary at the time of disability. At normal retirement age, a disabled general DB Plan member receives normal retirement benefits. A peace officer or firefighter DB Plan member may elect to receive normal retirement benefits calculated under the occupational disability benefit rules.

A DCR Plan member is eligible for an occupational disability benefit if employment is terminated because of a total and apparently permanent occupational disability before the member's normal retirement date. The occupational disability benefits accrue beginning the first day of the month following termination of employment as a result of the disability and are payable the last day of the month. If a final determination granting the benefit is not made in time to pay the benefit when due, a retroactive payment shall be made to cover the period of deferment.

(iii) Contributions

An employer shall contribute to each member's account based on the member's compensation. For fiscal year 2021, the rates are 0.70% for occupational death and disability for peace officers and firefighters and 0.31% for occupational death and disability for all other members.

(c) Retiree Medical Plan

The RMP is established under AS 39.35.880 – Medical Benefits. The Department of Administration, Division of Retirement and Benefits, which administers the System's health plans, finalized the Retiree Medical Plan for members eligible for the DCR Plan's health benefits plan in July 2016. The RMP provides major medical coverage to retirees of the DCR Plan. The RMP is self-insured. Members are not eligible to use the plan until they have at least 10 years of service and are Medicare age eligible.

Membership in the RMP was as follows at June 30, 2021:

Inactive plan members or beneficiaries currently receiving benefits	67
Inactive plan members entitled to but not yet receiving benefits	2,082
Inactive plan members not entitled to benefits	16,249
Active plan members	24,481
Total RMP membership	42,879

(i) OPEB Benefits

The medical benefits available to eligible persons means that an eligible person may not be denied medical coverage except for failure to pay the required premium. Major medical coverage, to cover medical expenses, takes effect on the first day of the month following the date of the RMP administrator's approval of the election and stops when the person who elects coverage dies or fails to make the required premium payment. The coverage for persons 65 years of age or older is the same as that available for persons under 65 years of age. The benefits payable to those persons 65 years of age or older supplement any benefits provided under the federal old age, survivors, and disability insurance program. The medical and optional insurance premiums owed by the person who elects coverage may be deducted from the health reimbursement arrangement account until the account balance becomes insufficient to pay the premiums; at this time, the person who elects coverage shall pay the premiums directly.

The cost of premiums for retiree major medical coverage for an eligible member or surviving spouse who is:

(1) Not eligible for Medicare is an amount equal to the full monthly group premium for retiree major medical insurance coverage,

(2) Eligible for Medicare is the following percentage of the premium:

(a) 30% if the member had 10 or more, but less than 15, years of service

(b) 25% if the member had 15 or more, but less than 20, years of service

(c) 20% if the member had 20 or more, but less than 25, years of service

(d) 15% if the member had 25 or more, but less than 30, years of service

(e) 10% if the member had 30 or more years of service.

(ii) Contributions

Employer contribution rates are actuarially determined and adopted by the Board. The 2021 employer effective contribution rate is 1.27% of member's compensation.

Defined Contribution Other Postemployment Benefit Plan

(a) General

The Health Reimbursement Arrangement (HRA) Plan is established under AS 39.30.300. The Department of Administration, Division of Retirement and Benefits administers the System's health plans. The HRA Plan allows for medical care expenses to be reimbursed from individual savings accounts established for eligible persons. The HRA Plan became effective July 1, 2006, at which time contributions by employers began.

Membership in the plan was as follows as of June 30, 2021:

Inactive plan members or beneficiaries currently receiving benefits	113
Inactive plan members entitled to but not yet receiving benefits	2,082
Inactive plan members not entitled to benefits	16,249
Active plan members	24,481
Total HRA Plan membership	42,925

(b) OPEB Benefits

Persons who meet the eligibility requirements of AS 39.35.870 are eligible for reimbursements from the individual account established for a member under the HRA Plan but do not have to retire directly from the System.

The Plan Administrator may deduct the cost of monthly premiums from the HRA individual account for the RMP insurance on behalf of an eligible person who elected the retiree major medical insurance under AS 39.35.880. Upon application of an eligible person, the HRA Plan administrator shall reimburse the costs for medical care expenses defined in 26 USC 213(d). Reimbursement is limited to the medical expenses of (1) an eligible member, the spouse of an eligible member, and the dependent children of an eligible member; or (2) a surviving spouse and the dependent children of an eligible member dependent on the surviving spouse. When the member's individual account balance is exhausted, any deductions from the HRA individual account end. If all eligible persons die before exhausting the member's individual account, the account balance reverts to the HRA Plan.

(c) Contributions

An employer shall contribute to the HRA Plan trust fund an amount equal to 3.00% of the average annual compensation of all employees in the TRS and PERS. The administrator maintains a record of each member to account for employer contributions on behalf of that member. The 2021 contribution amount was an annual contribution not to exceed $2,159.04 and was required for every pay period in which the employee was enrolled in the DCR Plan, regardless of the compensation paid during the year. An amount less than $2,159.04 would be deposited to a member's account if that member worked less than a full year.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). Contributions are due to the System when employee services have been performed and paid. Contributions are recognized as revenue when due pursuant to statutory requirements. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received, or payment is made.

(b) Use of Estimates

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

(c) Defined Benefit Pension and OPEB Investments

The System owns shares in various investment pools that are administered by the State of Alaska, Department of Revenue, Division of Treasury (Treasury). The System's investment in the pools, except for the short-term fixed-income pool, is reported at fair value based on the net asset value reported by the Treasury. The short-term fixed-income pool maintains a share price of $1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals.

(d) Defined Contribution Participant-directed Investments

The Board contracts with an external investment manager, through the Treasury, who is given the authority to invest in a wholly owned pooled environment to accommodate 14 participant-directed funds. Additionally, the Board contracts with external managers who manage a mix of collective investment funds and synthetic investment contracts. Income for the pooled investment and collective investment funds is credited to the fund's net asset value on a daily basis and allocated to pool participants daily on a pro rata basis.

Collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the DCR Plan. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

Pooled participant-directed investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the DCR Plan. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis. Underlying assets comprise domestic and international stocks, investment-grade bonds, federally guaranteed mortgages, money market instruments, and other cash equivalent instruments with maturities of less than one year, which include but are not limited to commercial paper, asset-backed securities, banker acceptances, certificates of deposit with ratings of A1/P1 or better as well as obligations of the U.S. government and its agencies, and repurchase agreements collateralized by U.S. Treasury instruments.

Synthetic Investment Contracts (SICs) are included in the Plan's statements at contract value. The Board's investment manager entered into the investment contracts, on behalf of the Board, with four financial institutions who provide wrap contracts that cover separately managed SIC portfolios. The accounts are credited with earnings and investment deposits, less administrative expenses charged by the financial institutions and investment withdrawals. They are fully benefit-responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The crediting interest rate is based on the approximate rate of interest that will amortize differences between contract and market value over the portfolio's average duration.

(e) Contributions Receivable

Contributions from the System's members and employers applicable to payrolls received through July 15 for wages paid for service through June 30 are accrued. These contributions are considered fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements.

(f) Due from State of Alaska General Fund

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

(g) Other Income

Other income consists of Medicare Part D Retiree Drug Subsidy (RDS) rebates, Employer Group Waiver Plan (EGWP) rebates, pharmacy rebates, and other miscellaneous items. The RDS are rebates provided to the plan sponsor. The State has elected to voluntarily put the RDS back into the trust and treat it as a contribution for purposes of calculating the net OPEB liability. The EGWP and pharmacy rebates are provided to the Plan through the third-party administrators and are treated as a reduction to the benefit payments for purposes of calculating the net OPEB liability. RDS and pharmacy rebates are recognized on a cash basis.

(h) Administrative Costs

Administrative costs are paid from contributions. The Board has established a funding policy objective that the required contributions be sufficient to pay the plan administrative expenses, normal costs, and past service costs.

(i) Federal Income Tax Status

The DB Plan and DCR Plan are qualified plans under Sections 401(a) and 414(d) of the Internal Revenue Code and are exempt from federal income taxes under Section 501(a).

(3) Investments

The Board is the investment oversight authority of the System's investments. As the fiduciary, the Board has the statutory authority to invest assets under the Prudent Investor Rule. Fiduciary responsibility for the Board's invested assets is pursuant to AS 37.10.210-390.

AS 37.10.071 provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board. Additionally, Treasury manages a mix of pooled investment funds, collective investment funds and SICs for the DCR participant-directed pension plans under the Board's fiduciary responsibility.

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Board has developed investment guidelines, policies, and procedures for Treasury staff and external investment managers to adhere to when managing investments. Treasury manages the U.S. Treasury Fixed-Income Pool, Real Estate Investment Trust Pool, and Treasury Inflation-Protected Securities Pool, in addition to acting as oversight manager for all externally managed investments. All other investments are managed by external management companies.

The short-term fixed-income pool is a State pool managed by Treasury that holds investments on behalf of the Board as well as other State funds.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2021 for the DB Pension Plan is 29.77%, the ARHCT Plan is 30.00%, the ODD Plan is 29.55%, and the RMP is 29.54%.

For additional information on securities lending, 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 State of Alaska Retirement and Benefits Plans at http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx.

(4) Net Pension Liability – Defined Benefit Pension Plan

The components of the net pension liability of the participating employers at June 30, 2021 were as follows (in thousands):

Total pension liability	$	15,580,808
Plan fiduciary net position		(11,912,309)
Employers' net pension liability	$	3,668,499
Plan fiduciary net position as a percentage of the total pension liability		76.46%

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

Inflation	2.50% per year
Salary increases	For Peace Officer/Firefighter, increases range from 7.75% to 2.75% based on service. For all others, increases range from 6.75% to 2.75% based on service.
Investment rate of return	7.38%, net of pension plan investment espenses. This is based on an average inflation rate of 2.50% and a real return of 4.88%.
Mortality	Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP -2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officer/firefighters, 40% of the time for all others.

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The actuarial assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 actuarial valuation, except the amount included in the

Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from plan assets.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.04%).

Asset class	Long-term expected real rate of return
Domestic equity	6.63%
Global equity (non-U.S.)	5.41
Aggregate bonds	0.76
Opportunistic	4.39
Real assets	3.16
Private equity	9.29
Cash equivalents	0.13

(b) Discount Rate

The discount rate used to measure the total pension liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability in accordance with the method prescribed by GASB 67. In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 2.18% as of June 30, 2021.

(c) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System, as of June 30, 2021, calculated using the discount rate of 7.38%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate (in thousands):

		1.00% decrease (6.38%)	Current discount rate (7.38%)	1.00% increase (8.38%)
Net pension liability	$	5,433,558	3,668,499	2,185,623

(5) Net OPEB Asset

The components of the net OPEB asset of the participating employers for each Plan at June 30, 2021 were as follows (in thousands):

		ARHCT Plan	ODD Plan	RMP
Total OPEB liability	$	7,218,787	16,072	177,713
Plan fiduciary net position		(9,784,141)	(60,146)	(204,555)
Employers' net OPEB asset	$	(2,565,354)	(44,074)	(26,842)
Plan fiduciary net position as a percentage of the total OPEB liability		135.54%	374.23%	115.10%

(a) Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2020, using the following actuarial assumptions, applied to all periods in the measurement, and rolled forward to the measurement date of June 30, 2021:

Inflation	2.50% per year
Salary increases	Graded by service, from 7.75% to 2.75% for peace officer/firefighter Graded by service, from 6.75% to 2.75% for all others
Investment rate of return	7.38%, net of postretirement healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real return of 4.88%.
Healthcare cost trend rates (ARHCT Plan and RMP)	Pre-65 medical: 6.5% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Prescription drug: 7.5% grading down to 4.5% EGWP: 7.5% grading down to 4.5%
Mortality (ARHCT Plan, ODD Plan and RMP)	Pre-commencement and post-commencement mortality rates were based upon the 2013–2017 actual mortality experience. Post-commencement mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. The rates for pre-commencement mortality were 100% of the RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.
(ODD Plan)	Deaths are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for all others. Disability mortality in accordance with the RP-2014 Disabled Table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. Retired member contributions were updated to reflect the 5% decrease from calendar year (CY) 20 to CY21.

3. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from plan assets.

The long-term expected rate of return on postretirement healthcare plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the postretirement healthcare plan's target asset allocation as of June 30, 2021 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.04%):

Asset class	Long-term expected real rate of return
Broad domestic equity	6.63%
Global equity (non-U.S.)	5.41
Aggregate bonds	0.76
Opportunistic	4.39
Real assets	3.16
Private equity	9.29
Cash equivalents	0.13

(b) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021 was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the postretirement healthcare plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on postretirement healthcare plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability in accordance with the method prescribed by GASB 74. In the event benefit payments are not covered by the Plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 2.18% as of June 30, 2021.

(Continued)

(c) Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset as of June 30, 2021, calculated using the discount rate of 7.38%, as well as what the System's net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate (in thousands):

		1.00% decrease (6.38%)	Current discount rate (7.38%)	1.00% increase (8.38%)
ARHCT Plan	$	(1,677,703)	(2,565,354)	(3,302,482)
ODD Plan		(42,202)	(44,074)	(45,563)
RMP		17,519	(26,842)	(60,348)

(d) Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset as of June 30, 2021, calculated using the healthcare cost trend rates as summarized in the 2020 actuarial valuation report, as well as what the System's net OPEB liability (asset) would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates (in thousands):

		1.00% decrease	Current healthcare cost trend rate	1.00% increase
ARHCT Plan	$	(3,388,772)	(2,565,354)	(1,571,703)
ODD Plan		N/A	N/A	N/A
RMP		(65,144)	(26,842)	25,347

(6) Claims Payable

The liability for claims payable and claims incurred but not reported, included in the claims payable amount on the statement of fiduciary net position, represent the estimated amounts necessary to settle all outstanding claims incurred as of the balance sheet date. The ARHCT and Retiree Medical 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 were as follows (in thousands):

		2021	2020
Total, beginning of year	$	35,336	44,369
Healthcare benefits		463,224	439,883
Benefits paid		(458,588)	(448,916)
Total, end of year	$	39,972	35,336

(7) Commitments and Contingencies

The Division is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Division of Retirement and Benefits' counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Division.

The System is a defendant in a class action lawsuit against the State alleging that the passage of Senate Bill (SB) 141 violated the Alaska Constitution by extinguishing a former member's ability to re-enter the PERS / TRS defined benefits plan. According to SB 141, a PERS / TRS defined benefit former member would have to re-employ into an eligible defined benefit position by June 30, 2010 or lose that former member's status (tier standing). If that former member re-entered the workforce in a valid PERS / TRS position but after June 30, 2010, that person would become a defined contribution retirement plan member, rather than reinstated into their prior defined benefit status (tier standing). The lawsuit challenged the effect of SB 141 as an unconstitutional diminishment of a promised defined benefit.

In April 2021, the Alaska Supreme Court found that a former member's ability to reinstate PERS / TRS status is an accrued benefit protected by Article XII, Section 7 of the Alaska Constitution. The Court held that not allowing former members to buy back into PERS / TRS defined benefit status resulted in an unconstitutional diminishment. This decision could lead to an increase in the number of employees previously believed to be ineligible for the defined benefit plan by operation of SB 141 for PERS / TRS. The case was returned to the Superior Court and the Department of Law filed a motion for final judgment. The class action group opposes the execution of final judgment and seeks to further litigate the specifics of the implementation of the Supreme Court's decision. The issue is currently under advisement by the Superior Court.

The Division is determining the impact of the Metcalfe decision on PERS and TRS. However, the Division has not implemented results from this decision as final judgment has not been entered. At this time, it is unclear exactly how many former members will seek to reinstate to the defined benefits plan or the precise impact the reintroduction of those former members to the defined benefits plan will cost.

(8) Employer Group Waiver Program

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

(9) Medicare Part D Retiree Drug Subsidy

One of the provisions of Medicare Part D provides sponsors of pension healthcare plans the opportunity to receive an RDS payment if the sponsor's plan provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The RDS is equal to 28% of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, by virtue of continuing to be covered by the sponsor's plan. The ARHCT Plan was approved for participation in the Medicare Part D program beginning calendar year 2006.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Changes in Employer Net Pension Liability and Related Ratios – Defined Benefit Pension Plan

Last 10 Fiscal Years

(In thousands)

		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total pension liability:											
Service cost	$	130,592	141,556	157,708	170,816	184,411	172,304	184,712	160,828	167,203	172,968
Interest		1,107,399	1,079,549	1,118,574	1,108,068	1,072,312	1,049,226	1,020,947	940,786	927,692	887,361
Differences between expected and actual experience		(97,514)	81,120	(243,120)	(302,874)	(184,252)	(118,947)	10,791	—	56,229	42,847
Changes of assumptions		—	—	502,790	—	—	—	541,390	—	—	—
Benefit payments, including refunds of member contributions		(930,006)	(895,523)	(848,019)	(812,877)	(777,187)	(742,174)	(696,542)	(651,917)	(634,187)	(593,279)
Net change in total pension liability		210,471	406,702	687,933	163,133	295,284	360,409	1,061,298	449,697	516,937	509,897
Total pension liability – beginning		15,370,337	14,963,635	14,275,702	14,112,569	13,817,285	13,456,876	12,395,578	11,945,881	11,428,944	10,919,047
Total pension liability – ending (a)		15,580,808	15,370,337	14,963,635	14,275,702	14,112,569	13,817,285	13,456,876	12,395,578	11,945,881	11,428,944
Plan fiduciary net position:											
Contributions – employer		414,741	350,028	350,601	299,665	263,597	235,360	226,136	206,204	179,976	182,695
Contributions – member		70,614	74,514	79,609	84,956	89,345	96,024	100,036	106,565	110,808	112,703
Contributions – nonemployer entity (State)		101,383	79,487	67,857	72,719	99,167	88,586	1,000,000	176,794	164,087	130,912
Total net investment income (loss)		2,794,112	378,119	540,088	725,310	1,048,006	(49,967)	253,311	1,207,484	738,656	1,650
Benefit payments, including refunds of member contributions		(930,006)	(895,523)	(848,019)	(812,877)	(777,187)	(742,175)	(696,542)	(651,917)	(610,247)	(570,883)
Administrative expenses		(8,232)	(7,017)	(7,429)	(6,250)	(7,526)	(7,243)	(7,553)	(8,223)	(7,120)	(6,743)
Other income		536	148	23	25	38	240	36	49	28	35
Net change in plan fiduciary net position		2,443,148	(20,244)	182,730	363,548	715,440	(379,175)	875,424	1,036,956	576,188	(149,631)
Plan fiduciary net position – beginning		9,469,161	9,489,405	9,306,675	8,943,127	8,227,687	8,606,862	7,731,438	6,694,482	6,118,294	6,267,925
Plan fiduciary net position – ending (b)		11,912,309	9,469,161	9,489,405	9,306,675	8,943,127	8,227,687	8,606,862	7,731,438	6,694,482	6,118,294
Plan's net pension liability (a)–(b)	$	3,668,499	5,901,176	5,474,230	4,969,027	5,169,442	5,589,598	4,850,014	4,664,140	5,251,399	5,310,650
Plan fiduciary net position as a percentage of the total pension liability		76.46 %	61.61 %	63.42 %	65.19 %	63.37 %	59.55 %	63.96 %	62.37 %	56.04 %	53.53 %
Covered payroll	$	893,910	956,120	1,033,526	1,096,605	1,166,107	1,251,066	1,328,384	1,405,197	1,470,540	1,515,868
Net pension liability as a percentage of covered payroll		410.39 %	617.20 %	529.67 %	454.37 %	443.31 %	446.79 %	365.11 %	331.92 %	357.11 %	350.34 %

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Employer and Nonemployer Contributions – Defined Benefit Pension Plan

Last 10 Fiscal Years

(In thousands)

Fiscal Year		Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2021	$	495,499	516,123	(20,624)	930,061	55.49 %
2020		429,322	429,515	(193)	1,004,467	42.76 %
2019		414,243	418,458	(4,215)	1,049,152	39.89 %
2018		395,663	372,383	23,280	1,159,599	32.11 %
2017		368,766	362,764	6,002	1,247,884	29.07 %
2016		566,615	323,946	242,669	1,322,925	24.49 %
2015		529,264	1,226,136	(696,872)	1,412,237	86.82 %
2014		358,718	382,998	(24,280)	1,405,198	27.26 %
2013		382,889	344,063	38,826	1,534,665	22.42 %
2012		351,674	313,607	38,067	1,522,399	20.60 %

See accompanying notes to required supplementary information (unaudited) and independent auditors’ report.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Defined Benefit Pension Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2021	29.77 %
2020	4.03 %
2019	5.88 %
2018	8.26 %
2017	12.99 %
2016	(0.36)%
2015	3.12 %
2014	18.43 %

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

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STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Changes in Employer Net OPEB (Asset) Liability and Related Ratios – Alaska Retiree Healthcare Trust Plan

(In thousands)

		2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	$	82,428	95,615	119,782	110,333	114,109
Interest		535,241	577,711	684,429	647,310	623,599
Differences between expected and actual experience		(80,821)	(88,229)	(147,463)	(149,287)	(28,042)
Changes of assumptions		(290,836)	(766,624)	(965,602)	259,497	—
Benefit payments, including refunds of member contributions		(440,234)	(407,069)	(420,429)	(413,273)	(405,872)
EGWP rebates		52,356	33,177	7,066	—	—
Net change in total OPEB liability		(141,866)	(555,419)	(722,217)	454,580	303,794
Total OPEB liability – beginning		7,360,653	7,916,072	8,638,289	8,183,709	7,879,915
Total OPEB liability – ending (a)		7,218,787	7,360,653	7,916,072	8,638,289	8,183,709
Plan fiduciary net position:						
Contributions – employer		68,191	107,298	102,266	85,731	124,541
Contributions – RDS		189	—	20,481	5,965	—
Total net investment income		2,294,391	318,157	449,098	598,342	859,980
		2,362,770	425,455	571,845	690,038	984,521
Benefit payments		(462,977)	(439,785)	(444,143)	(422,378)	(405,872)
EGWP rebates		52,356	33,177	7,066	—	—
Pharmacy rebates		37,901	48,006	36,921	20,268	—
Pharmacy management allowance		189	—	—	—	—
ASO fees		(15,347)	(15,290)	(13,207)	(11,163)	—
Net benefit payments		(387,878)	(373,892)	(413,363)	(413,273)	(405,872)
Administrative expenses, net of ASO fees		(4,859)	(6,203)	(3,665)	(3,822)	(15,960)
Other		597	459	874	106	43,009
Net change in plan fiduciary net position		1,970,630	45,819	155,691	273,049	605,698
Plan fiduciary net position – beginning		7,813,511	7,767,692	7,612,001	7,338,952	6,733,254
Plan fiduciary net position – ending (b)		9,784,141	7,813,511	7,767,692	7,612,001	7,338,952
Plan's net OPEB (asset) liability (a)–(b)	$	(2,565,354)	(452,858)	148,380	1,026,288	844,757
Plan fiduciary net position as a percentage of the total OPEB liability		135.54%	106.15%	98.13%	88.12%	89.68%
Covered payroll	$	893,910	956,120	1,033,526	1,093,605	1,166,107
Net OPEB (asset) liability as a percentage of covered payroll		(286.98%)	(47.36%)	14.36%	93.84%	72.44%

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Employer and Nonemployer Contributions – Alaska Retiree Healthcare Trust Plan

Last 10 Fiscal Years

(In thousands)

Fiscal Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2021	$ 101,330	68,191	33,139	930,061	7.33 %
2020	114,783	107,298	7,485	1,004,467	10.68 %
2019	99,083	102,266	(3,183)	1,049,152	9.75 %
2018	71,251	85,731	(14,480)	1,159,599	7.39 %
2017	133,845	124,541	9,304	1,247,884	9.98 %
2016	790,824	193,564	597,260	1,322,925	14.63 %
2015	782,258	171,028	611,230	1,412,237	12.11 %
2014	783,827	340,458	443,369	1,405,198	24.23 %
2013	612,792	373,205	239,587	1,534,665	24.32 %
2012	498,433	334,941	163,492	1,522,399	22.00 %

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STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Alaska Retiree Healthcare Trust Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2021	30.00 %
2020	4.16 %
2019	6.03 %
2018	8.35 %
2017	12.69 %

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

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STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Changes in Employer Net OPEB Liability and Related Ratios – Occupational Death and Disability Plan

(In thousands)

		2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	$	5,133	4,808	3,870	3,565	3,419
Interest		1,458	1,244	1,205	1,275	977
Differences between expected and actual experience		(4,919)	(3,022)	(3,252)	(5,625)	(470)
Changes in assumptions		—	—	(528)	—	—
Benefit payments, including refunds of member contributions		(431)	(479)	(398)	(392)	(313)
Net change in total OPEB liability		1,241	2,551	897	(1,177)	3,613
Total OPEB liability – beginning		14,831	12,280	11,383	12,560	8,947
Total OPEB liability – ending (a)		16,072	14,831	12,280	11,383	12,560
Plan fiduciary net position:						
Contributions – employer		5,334	4,387	4,083	2,215	2,196
Total net investment income		13,182	1,658	2,036	2,233	2,938
Benefit payments		(431)	(479)	(398)	(392)	(313)
Administrative expenses		(32)	—	(1)	—	(18)
Other		2	—	—	—	—
Net change in plan fiduciary net position		18,055	5,566	5,720	4,056	4,803
Plan fiduciary net position – beginning		42,091	36,525	30,805	26,749	21,946
Plan fiduciary net position – ending (b)		60,146	42,091	36,525	30,805	26,749
Plan's net OPEB asset (a)–(b)	$	(44,074)	(27,260)	(24,245)	(19,422)	(14,189)
Plan fiduciary net position as a percentage of the total OPEB liability		374.23 %	283.80 %	297.43 %	270.62 %	212.97 %
Covered payroll	$	1,460,483	1,353,078	1,256,848	1,133,799	1,040,377
Net OPEB asset as a percentage of covered payroll		(3.02)%	(2.01)%	(1.93)%	(1.71)%	(1.36)%

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Employer and Nonemployer Contributions – Occupational Death and Disability Plan

Last 10 Fiscal Years

(In thousands)

Fiscal Year		Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2021	$	5,266	5,334	(68)	1,443,017	0.37 %
2020		4,321	4,387	(66)	1,342,839	0.33 %
2019		3,944	4,083	(139)	1,218,186	0.34 %
2018		2,190	2,215	(25)	1,131,441	0.20 %
2017		2,226	2,196	30	1,059,791	0.21 %
2016		2,601	3,104	(503)	867,000	0.36 %
2015		2,337	2,790	(453)	778,980	0.36 %
2014		2,080	2,372	(292)	678,840	0.35 %
2013		1,328	1,541	(213)	590,380	0.26 %
2012		1,085	1,582	(497)	558,760	0.28 %

See accompanying notes to required supplementary information (unaudited) and independent auditors’ report.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Occupational Death and Disability Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2021	29.55 %
2020	4.28 %
2019	6.22 %
2018	8.06 %
2017	11.97 %

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors’ report.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Changes in Employer Net OPEB (Asset) Liability and Related Ratios – Retiree Medical Plan

(In thousands)

		2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	$	15,100	15,726	13,465	12,269	10,394
Interest		12,079	11,651	10,093	7,916	6,425
Differences between expected and actual experience		2,233	42	(1,340)	(724)	(46)
Change of assumptions		(184)	(20,884)	7,303	6,623	—
Benefit payments		(237)	(69)	(109)	(41)	—
EGWP rebates		60	34	10	—	—
Net change in total OPEB liability		29,051	6,500	29,422	26,043	16,773
Total OPEB liability – beginning		148,662	142,162	112,740	86,697	69,924
Total OPEB liability – ending (a)		177,713	148,662	142,162	112,740	86,697
Plan fiduciary net position:						
Contributions – employer		18,559	17,846	11,736	11,657	12,280
Contributions – RDS		—	—	9	—	—
Total net investment income		44,619	5,546	6,591	6,919	8,506
		63,178	23,392	18,336	18,576	20,786
Benefit payments		(247)	(98)	(128)	(41)	—
EGWP rebates		60	35	10	—	—
Pharmacy rebates		35	29	19	—	—
ASO fees		(25)	—	—	—	—
Net benefit payments		(177)	(34)	(99)	(41)	—
Administrative expenses		(22)	(27)	(14)	(4)	(12)
Other		7	—	—	2	1
Net change in plan fiduciary net position		62,986	23,331	18,223	18,533	20,775
Plan fiduciary net position – beginning		141,569	118,238	100,015	81,482	60,707
Plan fiduciary net position – ending (b)		204,555	141,569	118,238	100,015	81,482
Plan's net OPEB (asset) liability (a)–(b)	$	(26,842)	7,093	23,924	12,725	5,215
Plan fiduciary net position as a percentage of the total OPEB liability		115.10 %	95.23 %	83.17 %	88.71 %	93.98 %
Covered payroll	$	1,460,483	1,353,078	1,256,848	1,133,799	1,040,377
Net OPEB (asset) liability as a percentage of covered payroll		(1.84)%	0.52 %	1.90 %	1.12 %	0.50 %

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Employer and Nonemployer Contributions – Retiree Medical Plan

Last 10 Fiscal Years

(In thousands)

Fiscal Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2021	$ 18,326	18,559	(233)	1,443,017	1.29 %
2020	17,725	17,846	(121)	1,342,839	1.33 %
2019	11,451	11,736	(285)	1,218,186	0.96 %
2018	11,654	11,657	(3)	1,131,441	1.03 %
2017	12,506	12,280	226	1,059,791	1.16 %
2016	16,907	16,184	723	867,000	1.87 %
2015	15,190	14,552	638	778,980	1.87 %
2014	3,937	3,708	229	678,840	0.55 %
2013	3,365	3,195	170	590,380	0.54 %
2012	3,464	2,850	614	558,760	0.51 %

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Retiree Medical Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2021	29.54 %
2020	4.33 %
2019	6.21 %
2018	7.89 %
2017	11.93 %

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors’ report.

(1) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Buck. The significant actuarial methods and assumptions used in the defined benefit pension and postemployment healthcare benefit plan valuation as of June 30, 2020 were as follows:

(a) Actuarial cost method – Liabilities and contributions in the report are computed using the Entry Age Normal Actuarial Cost Method, level percent of pay.

Effective June 30, 2018, the Board adopted a layered UAAL amortization method: Layer #1 equals the sum of (i) the UAAL at June 30, 2018 based on the 2017 valuation, plus (ii) the FY18 experience gain/loss. Layer #1 is amortized over the remainder of the 25-year closed period that was originally established in 2014. Layer #2 equals the change in UAAL at June 30, 2018 due to the experience study and EGWP implementation. Layer #2 is amortized over a separate closed 25-year period starting in 2018. Future layers will be created each year based on the difference between actual and expected UAAL occurring that year, and will be amortized over separate closed 25-year periods. The UAAL amortization continues to be on a level percent of pay basis. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined.

Projected pension and postemployment healthcare benefits were determined for all active members. Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year from the assumed entry age to the assumed retirement age were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members and determining an average normal cost rate which is then related to the total payroll of active members. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for retired members and their beneficiaries currently receiving benefits, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

(b) Valuation of assets – The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY15, the asset value method recognizes 20% of the gain or loss each year, for a period of five years. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from financial statements.

(c) Valuation of retiree medical and prescription drug benefits – Base claims cost rates are incurred healthcare costs expressed as a rate per member per year. Ideally, claims cost rates should be derived for each significant component of cost that can be expected to require differing projection assumptions or methods (i.e., medical claims, prescription drug claims, administrative costs, etc). Separate analysis is limited by the availability and historical credibility of cost and enrollment data for each component of cost. This valuation reflects non-prescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes, as described below. Analysis to date on Medicare Part A coverage is limited since Part A claim data is not available by individual, nor is this status incorporated into historical claim data.

(d) Investment return – 7.38% per year, net of investment expenses

(e) Salary scale – Rates based upon the 2013–2017 actual experience. Inflation 2.50% per year and productivity 0.25% per year.

(f) Payroll growth – 2.75% per year (inflation + productivity)

(g) Total inflation – Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 2.50% annually.

(h) Mortality (pre-commencement) – Mortality rates based upon the 2013–2017 actual experience. RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Deaths are assumed to result from occupational causes 75% of the time for Peace Officer/Firefighters, and 40% of the time for Others.

(i) Mortality (post-commencement) – Mortality rates based upon the 2013–2017 actual experience. 91% of male and 96% of female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

(j) Total turnover – Select and ultimate rates based upon the 2013–2017 actual experience

(k) Disability – Incidence rates based on the 2013–2017 actual experience. Post-disability mortality in accordance with the RP-2014 disability table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Disabilities are assumed to be occupational 75% of the time for Peace Officer/Firefighters, 40% of the time for others.

(l) Retirement – Retirement rates based on the 2013–2017 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date. The modified cash refund annuity is valued as a three-year certain and life annuity.

(m) Spouse age difference – Males are assumed to be three years older than their wives. Females are assumed to be two years younger than husbands.

(n) Percent married for pension – For others, 75% of male members and 70% female members are assumed to be married. For peace officer/firefighters, 85% of male members and 60% of female members are assumed to be married.

(o) Dependent spouse medical coverage election – Applies to members who do not have double medical coverage. For others, 65% of male members and 60% female members are assumed to be married and cover a dependent spouse. For peace officer/firefighters, 75% of male members and 50% of female members are assumed to be married and cover a dependent spouse.

(p) Dependent children – Pension: None. Healthcare: Benefits for dependent children have been valued only for members currently covering their dependent children. These benefits are only valued through the dependent children's age 23 (unless the child is disabled).

(q) Contribution refunds – For others, 5% of terminating members with vested benefits are assumed to have their contributions refunded. For peace officers/firefighters, 10% of terminating members with vested benefits are assumed to have their contributions refunded; 100% of those with non-vested benefits are assumed to have their contributions refunded.

(r) Imputed data – Data changes from the prior year which are deemed to have an immaterial impact on liabilities and contribution rates are assumed to be correct in the current year's client data. Non-vested terminations with appropriate refund dates are assumed to have received a full refund of contributions. Active members with missing salary and service are assumed to be terminated with status based on their vesting percentage.

(s) Active rehire assumption – The normal cost used for determining contribution rates and in the projections includes a rehire assumption to account for anticipated rehires. The normal cost includes the following assumptions (which were developed based on the five years of rehire loss experience through June 30, 2017). For projections, these assumptions were assumed to grade to zero uniformly over a 20-year period. Pension – 18.77% and Healthcare – 17.09%.

(t) Re-employment option – All re-employed retirees are assumed to return to work under the standard option.

(u) Active data adjustment – No adjustment was made to reflect participants who terminate employment before the valuation date and are subsequently rehired after the valuation date.

(v) Alaska Cost of Living Allowance (COLA) – Of those benefit recipients who are eligible for the COLA, 70% of others and 65% of peace officer/firefighters are assumed to remain in Alaska and receive the COLA.

(w) Postretirement pension adjustment (PRPA) – 50% and 75% of assumed inflation, or 1.25% and 1.875%, respectively, is valued for the annual automatic PRPA as specified in the statute.

(x) Expenses – The investment return assumption is net of investment expenses. The Normal Cost as of June 30, 2020 was increased by the following amounts for administrative expenses (for projections, the percentage increase was assumed to remain constant in future years): Pension – $7,223,000 and Healthcare – $4,934,000.

(y) Part-time status – Part-time employees are assumed to earn 1.00 years of credited service per year for peace officer/firefighter and 0.75 years of credited service per year for other members.

(z) Service – Total credited service is provided by the State. This service is assumed to be the only service that should be used to calculate benefits. Additionally, the State provides claimed service (including Bureau of Indian Affairs service). Claimed service is used for vesting and eligibility purposes.

(aa) Final average earnings – Final average earnings is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future.

(bb) Per capita claims cost – Sample claims cost rates adjusted to age 65 for FY21 medical and prescription drug benefits are shown below:

		Medical	**Prescription drugs**
Pre-Medicare	$	15,360	3,393
Medicare Parts A and B		1,618	3,340
Medicare Part B only		5,340	3,340
Medicare Part D – EGWP		N/A	1,003

Members are assumed to attain Medicare eligibility at age 65. All costs are for the 2021 fiscal year (July 1, 2020–June 30, 2021).

The EGWP subsidy is assumed to increase in future years by the trend rates shown on the following page. No future legislative changes or other events are anticipated to impact the EGWP subsidy. If any legislative or other changes occur in the future that impact the EGWP subsidy (which could either increase or decrease the Plan's actuarial accrued liability), those changes will be evaluated and quantified when they occur.

(cc) Third-party administrator fees – $449 per person per year; assumed to increase at 4.5% per year.

(dd) Medicare Part B Only – It's assumed that 5% of actives hired before April 1, 1986 and current retirees who are not yet Medicare eligible will not be eligible for Medicare Part A.

(Continued)

(ee) Healthcare cost trend – The table below shows the rates used to project the cost from the shown fiscal year to the next fiscal year. For example, 6.5% is applied to the FY21 pre-Medicare medical claims cost to get the FY22 medical claims cost:

Fiscal year	Medical Pre-65	Medical Post-65	Prescription drugs/EGWP
2021	6.5%	5.4%	7.5%
2022	6.3	5.4	7.1
2023	6.1	5.4	6.8
2024	5.9	5.4	6.4
2025	5.8	5.4	6.1
2026	5.6	5.4	5.7
2027–2040	5.4	5.4	5.4
2041	5.3	5.3	5.3
2042	5.2	5.2	5.2
2043	5.1	5.1	5.1
2044	5.1	5.1	5.1
2045	5.0	5.0	5.0
2046	4.9	4.9	4.9
2047	4.8	4.8	4.8
2048	4.7	4.7	4.7
2049	4.6	4.6	4.6
2050+	4.5	4.5	4.5

For the June 30, 2014 valuation and later, the updated Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model estimates trend amounts that are projected out for 80 years. The model has been populated with assumptions that are specific to the State of Alaska.

(ff) Aging factors:

Age	Medical	Prescription drugs
0–44	2.0%	4.5%
45–54	2.5	3.5
55–64	2.5	1.5
65–74	3.0	2.0
75–84	2.0	(0.5)
85–94	0.3	(2.5)
95+	—	—

(gg) Retired member contributions for medical benefits – Currently contributions are required for System members who are under age 60 and have less than 30 years of service (25 for peace officers/ firefighters). Eligible tier 1 members are exempt from contribution requirements. Annual FY21 contributions based on monthly rates shown below for calendar 2021 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in tier 2 or 3 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled. For dependent children, the System values one-third of the annual retiree contribution is used to estimate the per-child rate based upon the assumed number of children in rates where children are covered.

	Calendar 2021		Calendar 2020
Coverage category	Annual contribution	Monthly contribution	Monthly contribution
Retiree only	$ 8,448	704	741
Retiree and spouse	16,896	1,408	1,482
Retiree and child(ren)	11,940	995	1,047
Retiree and family	20,388	1,699	1,788
Composite	12,552	1,046	1,101

(hh) Trend rate for retired member medical contributions – The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 0.0% is applied to the FY21 retired member medical contributions to get the FY22 retired member medical contributions.

Fiscal year	Trend assumption
2021	—%
2022	—
2023 +	4.0

Graded trend rates for retired member medical contributions are consistent with the rates used for the June 30, 2019 valuation. Actual FY21 retired member medical contributions are reflected in the valuation.

(ii) Healthcare participation – 100% of System paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 20% of non-System paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

The significant actuarial methods and assumptions used in the defined contribution occupational death and disability and retiree medical benefit plan valuation as of June 30, 2020 were as follows:

(a) Actuarial cost method – Liabilities and contributions shown in the report are computed using the Entry Age Normal Actuarial Cost Method, level percent of pay. Each year's difference between actual and expected unfunded actuarial accrued liability is amortized over 25 years as a level percentage of expected payroll.

(b) Valuation of assets – Effective June 30, 2006, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method was phased in over five years. Fair value of assets was $0 as of June 30, 2006. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements. Valuation assets are constrained to a range of 80% to 120% of the fair value of assets.

(c) Valuation of retiree medical and prescription drug benefits – Due to the lack of experience for the DCR retiree medical plan only, base claims costs are based on those described in the actuarial valuation as of June 30, 2020 for the Defined Benefit (DB) retiree medical plan covering TRS and PERS. The DB rates were used with some adjustments. The claims costs were adjusted to reflect the differences between the DCR medical plan and the DB medical plan. These differences include network steerage, different coverage levels, different Medicare coordination for medical benefits, and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles and out-of-pocket limits, projected FY21 claims costs were reduced 3.1% for medical claims, and 8.9% for prescription drugs. In addition, to account for the difference in Medicare coordination, projected FY21 medical claims costs for Medicare eligible retirees were further reduced 29.5%.

    FY19 and FY20 experience were compared to assess the impact of COVID-19 and whether an adjustment to FY20 claims was indicated for use in the June 30, 2020 valuation. A material decrease in medical claims during March 2020 to June 2020 was experienced due to COVID-19. Therefore, an adjustment was made for those months to adjust for the decrease that is not expected to continue in future years. There was an observed spike in prescription drug claims in March 2020; however, the FY20 prescription drug experience appears reasonable to use without adjustment for COVID-19. To adjust for the decrease in medical claims due to COVID-19 during the last 4 months of FY20, the per capita cost during the first 8 months was used as the basis for estimating claims that would have occurred in the absence of COVID-19.

    No implicit subsidies are assumed. Employees projected to retire with 30 years of service (25 years of service for Peace/Fire) prior to Medicare are valued with commencement deferred to Medicare eligibility because those members will be required to pay the full plan premium prior to Medicare. Explicit subsidies for disabled and normal retirement are determined using the plan-defined percentages of age-related total projected plan costs, again with no implicit subsidy assumed.

    The State transitioned to an Employer Group Waiver Program (EGWP) for DCR participants effective January 1, 2019. The estimated 2021 reimbursements under EGWP were provided by Segal Consulting (who worked with the EGWP administrator, Optum, to develop those estimates).

(d) Investment return – 7.38% per year, net of investment expenses.

(e) Salary scale – Salary scale rates based upon the 2013–2017 actual experience. Inflation 2.50% per year. Productive 0.25% per year.

(f) Payroll growth – 2.75% per year (inflation + productivity).

(g) Total inflation – Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 2.50% annually.

(h) Mortality (pre-commencement) – Mortality rates based upon the 2013–2017 actual experience, 100% of male and female of the RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Deaths are assumed to result from occupational causes 75% of the time for peace officer/firefighters, and 40% of the time for others.

(i) Mortality (post-commencement) – Mortality rates based upon the 2013–2017 actual experience, 91% of male and 96% of female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

(j) Total turnover – Select and ultimate rates based upon the 2013–2017 actual experience

(k) Disability – Incidence rates based upon the 2013–2017 actual experience. Disabilities are assumed to be occupational 75% of the time for peace officer/firefighters, and 40% of the time for others. For peace officer/firefighters, members are assumed to take the monthly annuity 100% of the time.

Post-disability mortality in accordance with the RP-2014 disabled table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

(l) Retirement – Retirement rates based upon the 2013–2017 actual experience.

(m) Spouse age difference – Males are assumed to be three years older than their wives. Females are assumed to be two years younger than husbands.

(n) Percent married for occupational death and disability – For others, 75% of male members and 70% female members are assumed to be married. For peace officer/firefighters, 85% of male members and 60% of female members are assumed to be married.

(o) Dependent spouse medical coverage election – Applies to members who do not have double medical coverage. For others, 65% of male members and 60% female members are assumed to be married and cover a dependent spouse. For peace officer/firefighters, 75% of male members and 50% of female members are assumed to be married and cover a dependent spouse.

(p) Part-time status – Part-time employees are assumed to earn 1.00 years of credited service per year for peace officer/firefighters and 0.75 years of credited service per year for other members.

(Continued)

(q) Peace officer/firefighter occupational disability retirement benefit commencement – The occupational disability retirement benefit is assumed to be first payable from the member's DC account and the retirement benefit payable from the occupational death and disability trust will commence five years later.

(r) Per capita claims cost – Sample claims cost rates (before base claims cost adjustments described below) adjusted to age 65 for FY20 medical and prescription drug benefits are shown below:

		Medical	Prescription drugs
Pre-Medicare	$	15,360	3,393
Medicare Parts A and B		1,618	3,340
Medicare Part D - EGWP		N/A	1,003

Members are assumed to attain Medicare eligibility at age 65. All other costs are for the 2021 fiscal year (July 1, 2020–June 30, 2021).

The EGWP subsidy is assumed to increase in future years by the trend rates shown on the following pages. No future legislative changes or other events are anticipated to impact the EGWP subsidy. If any legislative or other changes occur in the future that impact the EGWP subsidy (which could either increase or decrease the Plan's actuarial accrued liability), those changes will be evaluated and quantified when they occur.

(s) Third-party administrator fees – $449 per person per year; assumed trend rate of 4.5% per year.

(t) Base claims cost adjustments – Due to higher initial copays, deductibles, out of pocket limits, and member cost sharing compared to the DB medical plan, the following cost adjustments are applied to the per capita claims cost rates above: 0.969 for pre-Medicare medical; 0.674 for both Medicare medical and the Medicare coordination method (3.1% reduction for the medical plan and 29.5% reduction for the coordination method), and 0.911 for prescription drugs.

(u) Administrative expenses – Beginning with the June 30, 2018 valuation, the normal cost is increased for administrative expenses expected to be paid from plan assets during the year. The amounts included in the June 30, 2020 normal cost, which are based on the average of actual administrative expenses during the last two fiscal years, are $1,000 for occupational death and disability and $20,000 for retiree medical.

(Continued)

(v) Healthcare cost trend – The table below shows the rates used to project the cost from the shown fiscal year to the next fiscal year. For example, 6.5% is applied to the FY21 pre-Medicare medical claims cost to get the FY22 medical claims costs:

Fiscal year	Medical Pre-65	Medical Post-65	Prescription drugs/EGWP
2021	6.5%	5.4%	7.5%
2022	6.3	5.4	7.1
2023	6.1	5.4	6.8
2024	5.9	5.4	6.4
2025	5.8	5.4	6.1
2026	5.6	5.4	5.7
2027–2040	5.4	5.4	5.4
2041	5.3	5.3	5.3
2042	5.2	5.2	5.2
2043	5.1	5.1	5.1
2044	5.1	5.1	5.1
2045	5.0	5.0	5.0
2046	4.9	4.9	4.9
2047	4.8	4.8	4.8
2048	4.7	4.7	4.7
2049	4.6	4.6	4.6
2050+	4.5	4.5	4.5

For the June 30, 2014 valuation and later, the updated Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model estimates trend amounts that are projected out for 80 years. The model has been populated with assumptions that are specific to the State of Alaska.

(w) Aging factors:

Age	Medical	Prescription drugs
0–44	2.0%	4.5%
45–54	2.5	3.5
55–64	2.5	1.5
65–74	3.0	2.0
75–84	2.0	(0.5)
85–94	0.3	(2.5)
95+	—	—

(x) Retiree medical participation:

Decrement due to disability		Decrement due to retirement		
Age	Percent participation	Age	Percent participation	
<56	75.0%	55		50.0%
56	77.5	56		55.0
57	80.0	57		60.0
58	82.5	58		65.0
59	85.0	59		70.0
60	87.5	60		75.0
61	90.0	61		80.0
62	92.5	62		85.0
63	95.0	63		90.0
64	97.5	64		95.0
65+	100.0	65+	Years of service	
			<15	75.0%
			15–19	80.0
			20–24	85.0
			25–29	90.0
			30+	95.0

Participation assumption is a combination of (i) the service-based rates for retirement from employment at age 65+ and (ii) the age-based rates for retirement from employment before age 65. These rates reflect the expected plan election rate that varies by reason for decrement, duration that a member may pay full cost prior to Medicare eligibility, and availability of alternative and/or lower cost options, particularly in the Medicare market. This assumption is based on observed trends in participation from a range of other plans.

(y) Imputed data – Data changes from the prior year that are deemed to have immaterial impact on liabilities and contribution rates are assumed to be correct in the current year's client data. Non-vested terminations with appropriate refund dates are assumed to have received a full refund of contributions. Active members with missing salary and service are assumed to be terminated with status based on their vesting percentage.

(2) Changes in Actuarial Assumptions, Methods, and Benefits Since the Prior Valuation

Defined Benefit Pension and Postemployment Healthcare Benefit Plan

(a) Changes in Methods Since the Prior Valuation – June 30, 2019 to June 30, 2020

There were no changes in actuarial methods since the prior valuation.

(b) Changes in Assumptions Since the Prior Valuation – June 30, 2019 to June 30, 2020

Healthcare claim costs are updated annually. Retired member contributions were updated to reflect the 5% decrease from CY20 to CY21. The amounts included in the normal cost for administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets. There were no other changes in actuarial assumptions since the prior valuation.

(c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2019 to June 30, 2020

There were no changes in benefit provisions since the prior valuation.

Defined Contribution Occupational Death and Disability and Retiree Medical Benefits Plan

(a) Changes in Methods Since the Prior Valuation – June 30, 2019 to June 30, 2020

There were no changes in actuarial methods since the prior valuation.

(b) Changes in Assumptions Since the Prior Valuation – June 30, 2019 to June 30, 2020

Healthcare claim costs are updated annually. The medical and prescription drug relative value factors were updated this year. In addition, the 0.2% annual trend rate adjustment factor between the DB and DCR plans was removed. The amounts included in normal cost for administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets. There were no other changes in actuarial assumptions since the prior valuation.

(c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2019 to June 30, 2020

There have been no changes in benefit provisions valued since the prior valuation.

SUPPLEMENTAL SCHEDULES

Schedule 1

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Administrative and Investment Deductions

Years ended June 30, 2021 and 2020

(In thousands)

	Administrative	Investment	Totals 2021	Totals 2020
Personal services:				
Wages	$ 5,396	1,987	7,383	7,647
Benefits	3,398	917	4,315	4,240
Total personal services	8,794	2,904	11,698	11,887
Travel:				
Transportation	1	7	8	16
Per diem	—	1	1	4
Total travel	1	8	9	20
Contractual services:				
Management and consulting	19,402	507	19,909	20,330
Investment management and custodial fees	—	49,153	49,153	46,561
Accounting and auditing	131	13	144	196
Data processing	3,783	721	4,504	4,529
Communications	115	12	127	161
Advertising and printing	39	1	40	53
Rentals/leases	417	89	506	502
Legal	164	59	223	399
Medical specialists	25	—	25	31
Repairs and maintenance	7	—	7	10
Transportation	168	1	169	223
Securities lending expense	—	138	138	144
Other professional services	583	41	624	583
Total contractual services	24,834	50,735	75,569	73,722
Other:				
Equipment	34	4	38	28
Supplies	18	73	91	112
Total other	52	77	129	140
Total administrative and investment deductions	$ 33,681	53,724	87,405	85,769

See accompanying independent auditors' report.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2021 and 2020

(In thousands)

Firm	Services	2021	2020
Buck Global LLC	Actuarial services	$ 322	503
KPMG LLP	Auditing services	52	104
Groundswell Communications	Communications services	61	83
State Street Bank and Trust	Custodial banking services	1,001	920
Alaska IT Group	Data processing services	292	214
Applied Microsystems Incorporated	Data processing services	392	386
DLT Solutions	Data processing services	182	17
International Business Machines	Data processing services	15	20
Sagitec Solutions	Data processing services	2,503	2,603
SHI International Corporation	Data processing services	38	63
Sungard Availability Services	Data processing services	27	27
Unicom Systems	Data processing services	14	13
State of Alaska, Department of Law	Legal services	359	387
Agnew Beck Consulting	Management consulting services	17	9
Linea Solutions Incorporated	Management consulting services	40	236
Symphony Performance Health	Management consulting services	29	35
The Segal Company Incorporated	Management consulting services	344	254
Federal Hearings and Appeals Services	Medical specialist and consulting	21	—
Managed Medical Review Origination	Medical specialist and consulting	—	27
		$ 5,709	5,901

This schedule presents payments to consultants receiving greater than $10,000.

See accompanying independent auditors' report.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2021
(With summarized financial information for June 30, 2020)

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Table of Contents

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 Teachers' Retirement System:

We have audited the accompanying combining financial statements of the State of Alaska Teachers' Retirement System (the System), a component unit of the State of Alaska, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the System'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 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 fiduciary net position of the State of Alaska Teachers' Retirement System as of June 30, 2021, and the changes in fiduciary net position for the year then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Prior-Year Comparative Information

We have previously audited the System's 2020 combining financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–13 and the schedules of changes in employer net pension and other postemployment benefits liabilities and related ratios, schedules of employer and nonemployer contributions, and schedules of investment returns on pages 35–58 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.

Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The supplemental schedules on pages 59-60 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

October 20, 2021

This section presents management's discussion and analysis (MD&A) of the State of Alaska Teachers' Retirement System's (the System) financial position and performance for the years ended June 30, 2021 and 2020. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to financial statements, required supplementary information, and supplemental schedules to better understand the financial condition and performance of the System during the fiscal years ended June 30, 2021 and 2020. Information for fiscal year 2019 is presented for comparative purposes.

Financial Highlights

The System's financial highlights for the year ended June 30, 2021 were as follows:

- The System's fiduciary net position restricted for pension benefits, postemployment healthcare benefits, and individuals increased by $2.4 billion.
- The System's plan member and employer contributions increased by $7.4 million when compared to fiscal year 2020.
- The State of Alaska (the State) directly appropriated $134.9 million to the System.
- The System's net investment income increased $2.3 billion when compared to fiscal year 2020, to $2.7 billion.
- The System's pension benefit expenditures totaled $499.9 million.
- The System's postemployment healthcare benefit expenditures totaled $148.2 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's financial statements. The System's financial statements are composed of three components: (1) combining statement of fiduciary net position, (2) combining statement of changes in fiduciary net position, and (3) notes to financial statements. This report also contains required supplementary information and other supplemental schedules.

Combining statement of fiduciary net position – This statement presents information regarding the System's assets, liabilities, and resulting net position restricted for pension benefits, postemployment healthcare benefits, and individuals. This statement reflects the System's investments at fair value, along with cash and cash equivalents, receivables, and other assets, less liabilities at June 30, 2021.

Combining statement of changes in fiduciary net position – This statement presents how the System's net position restricted for pension benefits, postemployment healthcare benefits, and individuals changed during the fiscal year ended June 30, 2021. This statement presents contributions and investment income during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2021, and the sources and uses of those funds during fiscal year 2021.

(Continued)

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 System's financial statements.

Required supplementary information and related notes – The required supplementary information consists of 12 schedules and related notes concerning the funded status of the System and actuarial assumptions and methods used in the actuarial valuation.

Supplemental schedules – Supplemental schedules include detailed information on administrative and investment deductions incurred by the System and payments to consultants (other than investment advisors) for professional services.

Condensed Financial Information

System net position (In thousands)

			Increase (decrease)		
Description	**2021**	**2020**	**Amount**	**Percentage**	**2019**
Assets:					
Cash and cash equivalents	$ 114,711	87,201	27,510	31.5 %	$ 177,676
Contributions receivable	9,952	8,635	1,317	15.3	9,645
Due from State of Alaska General Fund	7,881	9,746	(1,865)	(19.1)	9,484
Other accounts receivables	1,834	33	1,801	5,457.6	1,256
Investments	11,461,725	9,103,247	2,358,478	25.9	8,972,425
Other assets	318	318	—	—	318
Total assets	11,596,421	9,209,180	2,387,241	25.9	9,170,804
Liabilities:					
Claims payable	12,733	10,812	1,921	17.8	12,561
Accrued expenses	2,403	1,177	1,226	104.2	3,313
Forfeitures payable to employers	61	159	(98)	(61.6)	873
Due to State of Alaska General Fund	5,274	2,543	2,731	107.4	2,664
Securities lending collateral payable	27,323	11,038	16,285	147.5	14,729
Total liabilities	47,794	25,729	22,065	85.8	34,140
Net position	$ 11,548,627	9,183,451	2,365,176	25.8 %	$ 9,136,664

Condensed Financial Information (continued)

Changes in System net position (In thousands)

Description	2021	2020	Increase (decrease) Amount	Increase (decrease) Percentage	2019
Net position, beginning of year	$ 9,183,451	9,136,664	46,787	0.5 %	$ 8,937,422
Additions:					
Contributions – employers and plan members	171,229	163,848	7,381	4.5	163,950
Contributions – nonemployer State of Alaska	134,070	140,219	(6,149)	(4.4)	127,365
Net investment income	2,713,316	368,015	2,345,301	637.3	525,251
Employer group waiver plan	18,296	11,706	6,590	56.3	2,518
Medicare retiree drug subsidy	62	—	62	100.0	6,714
Pharmacy rebates	12,101	15,832	(3,731)	(23.6)	11,867
Pharmacy managed allowance	85	—	85	100.0	—
Other income	549	348	201	57.8	488
Total additions	3,049,708	699,968	2,349,740	335.7	838,153
Deductions:					
Pension and postemployment healthcare benefits	648,104	624,402	23,702	3.8	613,641
Refunds of contributions	23,781	17,297	6,484	37.5	14,687
Administrative	12,647	11,482	1,165	10.1	10,583
Total deductions	684,532	653,181	31,351	4.8	638,911
Increase in net position	2,365,176	46,787	2,318,389	4,955.2	199,242
Net position, end of year	$ 11,548,627	9,183,451	2,365,176	25.8 %	$ 9,136,664

Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2021 and 2020 show net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $11,548,627,000 and $9,183,451,000, respectively. The entire amount is available to cover the System's obligation to pay pension and postemployment healthcare benefits to its members and their beneficiaries, as well as administrative costs.

This represents an increase in the System's net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $2,365,176,000 or 25.80% from fiscal year 2020 to 2021, and of $46,787,000 or 0.5% from fiscal year 2019 to 2020. Over the long term, plan member, employer, and nonemployer contributions, as well as investment income earned, are anticipated to sufficiently fund the pension benefit and postemployment healthcare costs of the System.

During the 31st Alaska State Legislature and as part of the State's Fiscal Year 2021 Operating Budget, House Bill 205 appropriated $134,976,000 from the General Fund and the Budget Reserve Fund to the Department of Administration for deposit in the Defined Benefit Pension fund. The amount of the appropriation allocated to the

State as an employer is included in Contributions – Employer. The remaining appropriation is reported as Contributions – Nonemployer State of Alaska.

The investment of pension funds is a long-term undertaking. On an annual basis, the Alaska Retirement Management Board (the Board) reviews and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk/return level given the System's constraints and objectives.

System Asset Allocation

During fiscal years 2021 and 2020, the Board adopted the following asset allocation for the Defined Benefit Pension Plan (DB Plan), Alaska Retiree Healthcare Trust (ARHCT Plan), and Defined Contribution Retirement Pension Plan's (DCR Plan) retiree medical plan, health reimbursement arrangement fund, and occupational death and disability fund:

	2021		2020	
	Pension and Healthcare Trusts		Pension and Healthcare Trusts	
	Allocation	Range	Allocation	Range
Broad domestic equity	28.0%	± 6%	26.0%	± 6%
Global equity (ex-U.S.)	19.0	± 4%	18.0	± 4%
Fixed income	22.0	± 10%	24.0	± 10%
Opportunistic	6.0	± 4%	8.0	± 4%
Real assets	13.0	± 7%	13.0	± 7%
Private equity	12.0	± 6%	11.0	± 6%
Total	100.0%		100.0%	
Expected return 20-year geometric mean	7.13%		7.13%	
Projected standard deviation	13.55		13.80	

For fiscal years 2021 and 2020, the DB Pension Plan's investments generated a 27.65% and 3.82% rate of return, respectively. For fiscal years 2021 and 2020, the Alaska Retiree Healthcare Trust Plan's investments generated a 27.70% and 3.90% rate of return, respectively.

Contributions, Investment Income, and Other Additions

The additions required to fund retirement benefits are accumulated through a combination of employer and plan member contributions, State appropriation, investment income, and other additions as follows:

	Additions (In thousands)				
			Increase (decrease)		
	2021	2020	Amount	Percentage	2019
Contributions – plan members	$ 69,855	66,473	3,382	5.1 %	$ 67,201
Contributions – employers	101,374	97,375	3,999	4.1	96,749
Contributions – nonemployer State of Alaska	134,070	140,219	(6,149)	(4.4)	127,365
Net investment income	2,713,316	368,015	2,345,301	637.3	525,251
Employer group waiver plan	18,296	11,706	6,590	56.3	2,518
Medicare retiree drug subsidy	62	—	62	100.0	6,714
Pharmacy rebates	12,101	15,832	(3,731)	(23.6)	11,867
Pharmacy managed allowance	85	—	85	100.0	—
Other income	549	348	201	57.8	488
Total	$ 3,049,708	699,968	2,349,740	335.7 %	$ 838,153

The System's employer contributions increased from $97,375,000 in fiscal year 2020 to $101,374,000 in fiscal year 2021, an increase of $3,999,000 or 4.1%. The System's employer contributions increased from $96,749,000 in fiscal year 2019 to $97,375,000 in fiscal year 2020, an increase of $626,000 or 0.6%. The increase in employer contributions for both fiscal year 2021 and 2020 are attributed to increases in member salaries.

The State provided $134,976,000 and $141,219,000 for fiscal years 2021 and 2020, respectively in nonemployer contributions per Alaska Statute (AS) 14.25.085. The employer on-behalf amount (or additional State contributions as defined in AS 14.25.085) is calculated by the System's actuary. It is based on projected payroll and the difference between the actuarially determined contribution rate and the statutory effective rate. The employer effective contribution rate of 12.56% is established in AS 14.25.070(a).

The System's net investment income in fiscal year 2021 increased by $2,345,301 or 637.3% from amounts in fiscal year 2020. The System's net investment income in fiscal year 2020 decreased by $157,236,000 or 29.9% from amounts in fiscal year 2019 The investment returns received in fiscal year 2021 were higher than the returns seen in fiscal year 2020, causing an increase in investment income in comparison between 2021 and 2020. Over the long term, investment earnings play a significant role in funding Plan benefits. The Board continues to look at investment classes and strategies best suited to meet the expected earnings returns to meet future benefit payments.

Effective January 1, 2019, the Division of Retirement and Benefits (the Division) implemented a group Medicare Part D prescription drug plan known as an enhanced Employer Group Waiver Plan (EGWP) for all Medicare-eligible members covered under the Plan. During fiscal year 2021, the Plan received $18,296,000 in EGWP funds from the Center of Medicare and Medicaid Services (CMS) through the EGWP Plan Sponsor, OptumRx.

Pharmacy rebates are reimbursed to the Plan by the third-party administrators. These rebates are recorded as revenue when received by the Plan. During fiscal year 2021, the Plan received $12,101,000 in pharmacy rebates compared to $15,832,000 from fiscal year 2020. The decrease is due to the timing of receipt of funds.

The DB Pension Plan's investment rates of return for the year ended June 30 were as follows:

	Year ended		
	2021	**2020**	**2019**
Plan returns	27.65 %	3.82 %	6.35 %
Broad domestic equity	42.68	2.62	8.41
Global equity (ex-U.S.)	38.53	(3.60)	(0.08)
Fixed income	2.20	7.37	6.34
Opportunistic	23.86	0.51	7.21
Real assets	9.86	2.06	6.08
Absolute return	—	—	4.08
Private equity	50.67	10.52	17.66
Cash equivalents	—	—	2.50
Actuarially assumed rate of return	7.38	7.38	7.38

The Alaska Retiree Healthcare Trust Plan's investment rates of return for the year ended June 30 were as follows:

	Year ended		
	2021	**2020**	**2019**
Plan returns	27.70 %	3.90 %	6.44 %
Broad domestic equity	42.69	2.62	8.41
Global equity (ex-U.S.)	38.57	(3.59)	(0.09)
Fixed income	2.20	7.37	6.34
Opportunistic	23.86	0.51	7.20
Real assets	10.00	2.36	6.20
Absolute return	—	—	4.08
Private equity	50.67	10.53	17.66
Cash equivalents	—	—	2.50
Actuarially assumed rate of return	7.38	7.38	7.38

Benefits and Other Deductions

The primary deduction of the DB Plan is the payment of pension and other postemployment benefits, primarily healthcare. The primary deduction of the DCR Plan is the refund of contributions. These benefit payments, healthcare claims paid, refunds of contributions, and the cost of administering the System comprise the cost of operations as follows:

Deductions (In thousands)

			Increase (decrease)		
	2021	**2020**	**Amount**	**Percentage**	**2019**
Pension benefits	$ 499,942	488,748	11,194	2.3 %	$ 470,414
Postemployment benefits	148,162	135,654	12,508	9.2	143,227
Refunds of contributions	23,781	17,297	6,484	37.5	14,687
Administrative	12,647	11,482	1,165	10.1	10,583
Total	$ 684,532	653,181	31,351	4.8 %	$ 638,911

The System's DB pension benefit payments in 2021 increased $11,194,000 or 2.3% from fiscal year 2020, which increased $18,334,000 or 3.9% from fiscal year 2019. The increase in pension benefits in fiscal year 2021 is the result of a continued increase in the number of retirees.

The System's postemployment healthcare benefit payments in fiscal year 2021 increased $12,508,000 or 9.2% from fiscal year 2020, which decreased $7,573,000 or 5.3% from fiscal year 2019. During fiscal year 2021, the System saw an increase in postemployment benefits as the number of retirees in the DB Plan continues to increase. The increase in retirees is offset by those retirees who transition over to Medicare due to age, and costs shift from the System to Medicare. The System continues to look at ways for cost containment while providing benefits applicable to the plan

The System's refund of contributions increased $6,484,000 or 37.5% from fiscal year 2020 to 2021 and increased $2,610,000 or 17.8% from fiscal year 2019 to 2020. The increase in refunds is entirely in the DCR Plan, where refunds increased $6,696,000 between fiscal year 2020 to 2021 and increased $3,214,000 between fiscal year 2019 to 2020. Increases in refunds are attributed to the increase in the number of DCR Plan member accounts and higher member balances being refunded, as such refunds are the primary intended purpose of these balances. The System continues to look at ways to retain member contributions by emphasizing the low investment costs to members to maintain funds within the DCR Plan, with a number of investment options available.

The System's administrative costs in fiscal year 2021 increased $1,165,000 or 10.1% from fiscal year 2020 and increased $899,000 or 8.5% from fiscal year 2019 to 2020. The increased administrative cost in fiscal years 2021 and 2020 is primarily the management and consulting fees paid related to the retirement system modernization project, which is a total replacement of the existing legacy system.

(Continued)

Net Pension Liability

Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, requires the DB Plan to report the total pension liability, fiduciary net position, and net pension liability. The total pension liability represents the total obligation for the Plan's pension benefits related to costs incurred as a result of years of service, changes in benefit terms, changes in actuarial assumptions, and any differences between the actuarial assumptions and actual experience. The Plan's fiduciary net position represents the assets available to pay the Plan's future payment stream. The assets are derived from contributions received from participating employers, plan members, and nonemployer contributions, as well as investment earnings, less benefit payments during the year and the related costs to administer the Plan. The difference between the total pension liability and fiduciary net position is the net pension liability, or the unfunded portion of the total pension liability.

The components of the net pension liability of the participating employers of the Plan as of June 30 were as follows (in thousands):

		2021	2020
Total pension liability	$	7,527,454	7,477,917
Plan fiduciary net position		(6,731,481)	(5,444,799)
Employers' net pension liability	$	795,973	2,033,118
Plan fiduciary net position as a percentage of the total pension liability		89.43%	72.81 %

Net OPEB Asset

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Penson Plans*, requires the DB Other Postemployment Benefit (OPEB) Plans to report the total OPEB liability, fiduciary net position, and net OPEB liability for each plan. The total OPEB liability represents the total obligation for the Plan's postemployment healthcare benefits related to costs incurred as a result of years of service, changes in benefit terms, changes in actuarial assumptions, and any differences between the actuarial assumptions and actual experience. The Plan's fiduciary net position represents the assets available to pay the OPEB Plan's future payment stream. The assets are derived from contributions received from participating employers, plan members, and nonemployer contributions, as well as investment earnings, less benefit payments during the year and the related costs to administer the Plans. The difference between the total OPEB liability and fiduciary net position is the net OPEB asset, or the overfunded portion of the total OPEB liability.

(Continued)

The components of the net OPEB asset of the participating employers of the Plans as of June 30, 2021 were as follows (in thousands):

		Alaska Retiree Healthcare Trust Plan (ARHCT Plan)	Occupational Death and Disability (ODD Plan)	Retiree Medical Plan (RMP)
Total OPEB liability	$	2,560,350	528	47,198
Plan fiduciary net position		(3,723,031)	(6,623)	(67,278)
Employers' net OPEB asset	$	(1,162,681)	(6,095)	(20,080)
Plan fiduciary net position as a percentage of the total OPEB liability		145.41%	1,254.36%	142.54%

The components of the net OPEB asset of the participating employers of the Plans as of June 30, 2020 were as follows (in thousands):

		Alaska Retiree Healthcare Trust Plan (ARHCT Plan)	Occupational Death and Disability (ODD Plan)	Retiree Medical Plan (RMP)
Total OPEB liability	$	2,595,717	518	38,548
Plan fiduciary net position		(2,953,461)	(4,823)	(48,413)
Employers' net OPEB asset	$	(357,744)	(4,305)	(9,865)
Plan fiduciary net position as a percentage of the total OPEB liability		113.78 %	931.08 %	125.59 %

Funding

Retirement benefits are financed by accumulations from employers, plan members, State nonemployer contributions, and income earned on System investments:

- The employer contribution rate is adopted and set by the Board annually based on actuarial determinations made by the System's consulting actuary as reviewed by the Board's contracted actuary. AS 14.25.070(a) sets the employer effective contribution rate at 12.56%. The difference between the actuarially determined contribution rate adopted by the Board and the statutory employer effective rate is paid by the State as a direct appropriation per AS 14.25.085.
- AS 14.25.085 provides that additional State contributions are made each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions are sufficient to pay the System's past service liability at the contribution rate adopted by the Board for that fiscal year.

- Plan member contributions are set by AS 14.25.050 for the DB Plan and AS 14.25.340 for the DCR Plan.
- The Board works with an external consultant to determine the proper asset allocation strategy.

Legislation

During fiscal year 2021, the 32nd Alaska State Legislature enacted one law that affects the System. Conference Committee Substitute First Special Session House Bill 69, Section 73(c), appropriates $142.6 million from the General Fund to the Department of Administration for deposit in the System's defined benefit plan account as partial payment of the participating employers' contribution for fiscal year ending June 30, 2022.

This appropriation is to fund the difference between the statutory employer required contribution of 12.56% paid by participating employers for both defined benefit and defined contribution members and the actuarially determined contribution rate adopted by the Board for that fiscal year. This additional state contribution is specified in AS 14.25.085 – Additional State Contributions.

Economic Conditions, Future Contribution Rates, and Status of Unfunded Liability

Fiscal year 2021 had positive investment returns. Net investment income increased from $368,015,000 in fiscal year 2020 to $2,713,316,000 in fiscal year 2021, an increase of $2,345,301,000 or 637.3%. During fiscal year 2021, the System's actual rate of return on investments of 27.65% was above the 7.38% actuarially assumed rate of return. The Board continues to work with its investment counsel and the Alaska Department of Revenue, Treasury Division, to diversify the portfolio of the System to maintain an optimal risk/return ratio.

The consulting actuary recommended an increase from the System's actuarially determined contribution rate of 30.47% in fiscal year 2021 to 31.85% in fiscal year 2022. The Board adopted the fiscal year 2022 actuarially determined contribution rate of 31.85%, which represented an increase of 1.38%. The statutory employer effective contribution rate remains at 12.56% for fiscal years 2022 and 2021.

The June 30, 2020 and 2019 actuarial valuation reports for the DB Plan reported funding ratios based on valuation assets of 86.6% and 85.9%, respectively, as well as unfunded liabilities of $1.33 and $1.40 billion, respectively.

For fiscal years 2022 and 2021, the DCR Plan's employer contribution rate was established by AS 14.25.070(a) at 12.56%. The DCR Plan's actuarially determined occupational death and disability rate was adopted by the Board for fiscal years 2022 and 2021 to be 0.08%. The DCR Plan retiree medical plan actuarially determined contribution rate was adopted by the Board for fiscal years 2022 and 2021 to be 0.83% and 0.93%, respectively.

Requests for Information

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

State of Alaska Teachers' Retirement System
Division of Retirement and Benefits, Finance Section
P.O. Box 110203
Juneau, Alaska 99811-0203

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

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Combining Statement of Fiduciary Net Position

June 30, 2021
(With summarized financial information for June 30, 2020)

(In thousands)

			Other postemployment benefit plans					
	Defined benefit pension	**Defined contribution pension**	**Alaska Retiree Healthcare Trust**	**Occupational death and disability**	**Retiree medical**	**Health reimbursement arrangement**	**System total June 30, 2021**	**System total June 30, 2020**
Assets:								
Cash and cash equivalents:								
Short-term fixed-income pool	$ 55,595	336	28,737	58	589	1,770	87,085	75,672
Empower money market fund – non-participant directed	—	303	—	—	—	—	303	491
Securities lending collateral	17,140	—	9,495	17	168	503	27,323	11,038
Total cash and cash equivalents	72,735	639	38,232	75	757	2,273	114,711	87,201
Receivables:								
Contributions	9,952	—	—	—	—	—	9,952	8,635
Due from State of Alaska General Fund	—	5,253	1,145	34	392	1,057	7,881	9,746
Due from Retiree Health Fund	—	—	—	—	—	—	—	—
Other accounts receivable	41	—	1,793	—	—	—	1,834	33
Total receivables	9,993	5,253	2,938	34	392	1,057	19,667	18,414
Investments, at fair value:								
Fixed-income securities:								
Alternative fixed income pool	164,795	—	91,523	161	1,638	4,898	263,015	264,408
Barclays aggregate bond fund	960,305	—	533,330	235	2,389	7,146	1,503,405	1,319,295
Opportunistic fixed income pool	240,442	—	133,536	940	9,542	28,540	413,000	279,885
Total fixed-income securities	1,365,542	—	758,389	1,336	13,569	40,584	2,179,420	1,863,588
Broad domestic equity:								
Large cap pool	1,703,281	—	945,961	1,668	16,925	50,622	2,718,457	2,156,828
Small cap pool	144,335	—	80,160	141	1,434	4,289	230,359	190,594
Total broad domestic equity	1,847,616	—	1,026,121	1,809	18,359	54,911	2,948,816	2,347,422
Global equity ex-U.S.:								
International equity pool	1,018,255	—	565,514	997	10,118	30,263	1,625,147	1,339,433
Emerging markets equity pool	216,313	—	120,135	212	2,150	6,429	345,239	280,091
Total global equity ex-U.S.	1,234,568	—	685,649	1,209	12,268	36,692	1,970,386	1,619,524
Opportunistic:								
Alternative beta pool	62,052	—	34,462	61	617	1,844	99,036	96,972
Alternative equity pool	77,707	—	43,157	76	772	2,309	124,021	92,381
Other opportunities pool	4,073	—	2,262	4	40	121	6,500	12,014
Tactical allocation strategies pool	249,686	—	138,670	244	2,481	7,421	398,502	265,882
Total opportunistic	393,518	—	218,551	385	3,910	11,695	628,059	467,249
Private equity pool	1,001,964	—	556,466	981	9,956	29,779	1,599,146	1,062,181
Real assets:								
Real estate pools	306,251	—	170,451	300	3,050	9,121	489,173	432,481
Real estate investment trust pool	108,032	—	59,998	106	1,074	3,211	172,421	96,634
Infrastructure private pool	148,816	—	82,649	146	1,479	4,423	237,513	213,559
Energy pool	12,415	—	6,895	12	123	369	19,814	21,371
Farmland pool	179,630	—	99,762	176	1,785	5,339	286,692	283,268
Timber pool	73,228	—	40,669	72	728	2,176	116,873	114,772
Total real assets	828,372	—	460,424	812	8,239	24,639	1,322,486	1,162,085
Other investment funds:								
Participant directed at fair value:								
Collective investment funds	—	246,064	—	—	—	—	246,064	202,427
Pooled investment funds	—	521,012	—	—	—	—	521,012	348,974
Participant directed at contract value:								
Synthetic investment contracts	—	46,336	—	—	—	—	46,336	29,797
Total other investment funds	—	813,412	—	—	—	—	813,412	581,198
Total investments	6,671,580	813,412	3,705,600	6,532	66,301	198,300	11,461,725	9,103,247
Other assets	—	—	318	—	—	—	318	318
Total assets	6,754,308	819,304	3,747,088	6,641	67,450	201,630	11,596,421	9,209,180
Liabilities:								
Claims payable (note 6)	—	—	12,733	—	—	—	12,733	10,812
Accrued expenses	413	153	1,829	1	4	3	2,403	1,177
Forfeitures payable to employers	—	61	—	—	—	—	61	159
Due to State of Alaska General Fund	5,274	—	—	—	—	—	5,274	2,543
Securities lending collateral payable	17,140	—	9,495	17	168	503	27,323	11,038
Total liabilities	22,827	214	24,057	18	172	506	47,794	25,729
Net position restricted for pension benefits, postemployment healthcare benefits, and individuals	$ 6,731,481	819,090	3,723,031	6,623	67,278	201,124	11,548,627	9,183,451

See accompanying notes to financial statements.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2021
(With summarized financial information for June 30, 2020)

(In thousands)

			Other postemployment benefit plans					
	Defined benefit pension	**Defined contribution pension**	**Alaska Retiree Healthcare Trust**	**Occupational death and disability**	**Retiree medical**	**Health reimbursement arrangement**	**System total June 30, 2021**	**System total June 30, 2020**
Additions:								
Contributions:								
Employers	$ 29,336	30,070	24,700	362	4,217	12,689	101,374	97,375
Plan members	33,342	36,513	—	—	—	—	69,855	66,473
Nonemployer State of Alaska	134,070	—	—	—	—	—	134,070	140,219
Total contributions	196,748	66,583	24,700	362	4,217	12,689	305,299	304,067
Investment income:								
Net appreciation in fair value	1,534,132	190,099	835,912	1,415	14,279	42,633	2,618,470	261,907
Interest	19,681	1	10,698	18	182	541	31,121	39,891
Dividends	55,977	—	30,779	52	523	1,562	88,893	91,435
Total investment income	1,609,790	190,100	877,389	1,485	14,984	44,736	2,738,484	393,233
Less investment expense	15,420	1,208	8,238	14	138	413	25,431	25,497
Net investment income before securities lending activities	1,594,370	188,892	869,151	1,471	14,846	44,323	2,713,053	367,736
Securities lending income	208	—	113	—	2	6	329	348
Less securities lending expense	42	—	23	—	—	1	66	69
Net income from securities lending activities	166	—	90	—	2	5	263	279
Net investment income	1,594,536	188,892	869,241	1,471	14,848	44,328	2,713,316	368,015
Other income:								
Employer group waiver plan	—	—	18,293	—	3	—	18,296	11,706
Medicare retiree drug subsidy	—	—	62	—	—	—	62	—
Pharmacy rebates	—	—	12,100	—	1	—	12,101	15,832
Pharmacy management allowance	—	—	85	—	—	—	85	—
Miscellaneous income	273	21	247	—	2	6	549	348
Total other income	273	21	30,787	—	6	6	31,093	27,886
Total additions	1,791,557	255,496	924,728	1,833	19,071	57,023	3,049,708	699,968
Deductions:								
Pension and postemployment benefits	499,942	—	147,861	24	164	113	648,104	624,402
Refunds of contributions	1,487	22,294	—	—	—	—	23,781	17,297
Administrative	3,446	1,846	7,297	9	42	7	12,647	11,482
Total deductions	504,875	24,140	155,158	33	206	120	684,532	653,181
Net increase	1,286,682	231,356	769,570	1,800	18,865	56,903	2,365,176	46,787
Net position restricted for pension benefits, postemployment healthcare benefits, and individuals:								
Balance, beginning of year	5,444,799	587,734	2,953,461	4,823	48,413	144,221	9,183,451	9,136,664
Balance, end of year	$ 6,731,481	819,090	3,723,031	6,623	67,278	201,124	11,548,627	9,183,451

See accompanying notes to financial statements.

(1) Description

The State of Alaska Teachers' Retirement System (TRS or the System) is a component unit of the State of Alaska (the State). The System is administered by the Division of Retirement and Benefits within the Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Alaska Retirement Management Board (the Board), is responsible for overseeing the management and investment of the System. The Board consists of nine trustees as follows, two trustees consisting of the commissioner of administration and the commissioner of revenue, two trustees who are members of the general public, one trustee who is employed as a finance officer for a political subdivision participating in either the Public Employees' Retirement System (PERS) or TRS, two trustees who are PERS members, and two trustees who are TRS members.

TRS acts as the common investment and administrative agency for the following multiple-employer plans:

Plan name	Type of plan
Defined Benefit Pension Plan	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (OPEB)	
Alaska Retiree Healthcare Trust (ARHCT) Plan	Cost-sharing, Defined Benefit OPEB
Occupational Death and Disability (ODD) Plan	Cost-sharing, Defined Benefit OPEB
Retiree Medical Plan (RMP)	Cost-sharing, Defined Benefit OPEB
Defined Contribution Other Postemployment Benefits	
Healthcare Reimbursement Arrangement Plan	Defined Contribution OPEB

At June 30, 2021, the number of participating local government employers and public organizations, including the State, was as follows:

State of Alaska	1
School districts	53
Other	3
Total employers	57

Inclusion in the Defined Benefit Pension Plan (DB Plan) and Defined Contribution Retirement Pension Plan (DCR Plan) is a condition of employment for permanent school district, University of Alaska, and State Department of Education employees who meet the eligibility requirements for participation.

Defined Benefit Pension Plan

(a) General

The Defined Benefit Pension (DB) Plan provides pension benefits for teachers and other eligible members. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. With the passage of Senate Bill 141, the DB Plan is closed to all new members effective July 1, 2006.

The DB Plan's membership consisted of the following at June 30, 2021:

Inactive plan members or beneficiaries currently receiving benefits	13,225
Inactive plan members entitled to but not yet receiving benefits	741
Inactive plan members not entitled to benefits	1,678
Active plan members	3,492
Total DB Plan membership	19,136

(b) Pension Benefits

Vested members hired prior to July 1, 1990 are entitled to monthly pension benefits beginning at normal retirement age, 55, or early retirement age, 50. For members first hired after June 30, 1990, the normal and early retirement ages are 60 and 55, respectively. Members may retire at any age and receive a normal benefit when they accumulate the required credited service.

The normal annual pension benefit is based on years of service and average base salary. The average base salary is based upon the members' three highest contract years' salaries.

The benefit related to all years of credited service prior to July 1, 1990 and for years of service through a total of 20 years is equal to 2.00% of the employee's average base salary. The benefit for each year over 20 years of service subsequent to June 30, 1990 is equal to 2.5% of the employee's base salary.

Minimum benefits for members eligible for retirement are $25 per month for each year of credited service.

Married members must receive their benefits in the form of a joint and survivor annuity unless their spouse consents to another form of benefit or benefits are payable under the 1% supplemental contributions provision.

The DB Plan has two types of postretirement pension adjustments (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the DB Plan's administrator if the funding ratio of the DB Plan meets or exceeds 105%. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

(c) Contributions

Contribution requirements of the active plan members and the participating employers are actuarially determined and approved by the Board as an amount that, when combined, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The DB Plan members contribute 8.65% of their base salary as required by statute. The statutory employer effective contribution rate is 12.56% of annual payroll, which for fiscal year 2021 is allocated 5.65% to the DB Pension Plan and 6.91% to the DB ARHCT Plan as determined by the actuary of the Plan. Alaska Statute (AS) 14.25.085 provides that the State, as a nonemployer contributing entity, contributes each July 1, or as soon after July 1, for the ensuing fiscal year, an amount that when combined with the total employer contributions is sufficient to pay the System's past service liability at the actuarially determined contribution rate adopted by the Board for that fiscal year. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the Defined Contribution Retirement Pension (DCR) Plan payroll. The DBUL amount is computed as the difference between:

(A) The amount calculated for the statutory employer effective contribution rate of 12.56% on eligible salary less

(B) The total of the employer contributions for:

(1) The defined contribution employer matching amount

(2) Major medical

(3) Occupational death and disability

(4) Health reimbursement arrangement.

The difference is deposited based on an actuarial allocation into the DB Plan's pension and healthcare funds. For fiscal year 2021, the DBUL is allocated 100.00% to the DB Pension Plan and 0.00% to the DB ARHCT Plan.

(d) Refunds

DB Plan member contributions may be voluntarily or, under certain circumstances, involuntarily refunded to the member or a garnishing agency 60 days after termination of employment. Voluntary refund rights are forfeited on July 1 following the member's 75th birthday or within 50 years of the member's last termination date. Members who have had contributions refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the total involuntary refunded balance and accrued interest. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest, as long as they have reestablished an employee relationship with a participating DB Plan employer before July 1, 2010. Members who have not reestablished an employee relationship with a participating DB Plan employer by June 30, 2010 are not eligible to reinstate voluntarily refunded service and forfeit any claim to DB Plan membership rights. Balances previously refunded to members accrue interest at the rate of 7.0% per annum compounded semiannually.

Defined Contribution Retirement Pension Plan

(a) General

The DCR Plan provides retirement benefits for eligible employees hired after July 1, 2006. Additionally, certain active members of the DB Plan were eligible to transfer to the DCR Plan if that member had not vested in the DB Plan. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

At June 30, 2021, membership in the DCR Plan included 6,009 active members.

(b) Retirement Benefits

A participating member is immediately and fully vested in that member's contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. A member is partially vested in the employer contributions made on that member's behalf and the related earnings in the ratio of (a) 25% with two years of service; (b) 50% with three years of service; (c) 75% with four years of service; and (d) 100% with five years of service.

(c) Contributions

State statutes require an 8.0% contribution rate for DCR Plan members. Employers are required to contribute 7.0% of the member's compensation.

(d) Participant Distributions and Refunds of Contributions

A member is eligible to request a refund of contributions from their account 60 days after termination of employment.

(e) Participant Accounts

Participant accounts under the DCR Plan are self-directed with respect to investment options.

Each participant designates how contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

Record-keeping/administrative fees consisting of a fixed amount, applied in a lump sum each calendar year, and a variable amount, applied monthly, are deducted from each participant's account and applied pro rata to all the funds in which the employee participates. This fee is for all costs incurred by the recordkeeper and by the State. The investment management fees are netted out of the funds' performance.

Defined Benefit Other Postemployment Benefit Plans

(a) Alaska Retiree Healthcare Trust Plan

Beginning July 1, 2007, the ARHCT Plan, a healthcare trust fund of the State, was established. The ARHCT Plan is self-funded and provides major medical coverage to retirees of the DB Plan. The

System retains the risk of loss of allowable claims for eligible members. The ARHCT Plan began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund.

Membership in the plan consisted of the following at June 30, 2021:

Inactive plan members or beneficiaries currently receiving benefits	13,225
Inactive plan members entitled to but not yet receiving benefits	741
Inactive plan members not entitled to benefits	1,678
Active plan members	3,492
Total ARHCT Plan membership	19,136

(i) OPEB Benefits

When pension benefits begin, major medical benefits are provided without cost to (1) all members first hired before July 1, 1990; (2) members hired after July 1, 1990, with 25 years of membership service; and (3) members who are disabled or age 60 or older, regardless of their initial hire dates. Members first hired after June 30, 1990, may receive major medical benefits prior to age 60 by paying premiums.

(ii) Contributions

Employer contribution rates are actuarially determined and adopted by the Board. The 2021 statutory employer effective contribution rate is 12.56% of member's compensation, with 6.91% specifically allocated to ARHCT Plan.

(b) Occupational Death and Disability Plan

The Occupational Death and Disability Plan (ODD) provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. Members in the Death and Disability Plan consisted of the following at June 30, 2021:

Active plan members	6,009
Participating employers	57
Open claims	1

(i) Death Benefits

If (1) the death of an employee occurs before the employee's retirement and before the employee's normal retirement date, (2) the proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance and within the scope of the employee's duties, and (3) the injury or hazard is not the proximate result of willful negligence of the employee, then a monthly survivor's pension shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse later dies, the monthly survivor's pension shall be paid in equal parts to the dependent children of the employee.

When benefits are payable under the 1% supplemental contribution provision, the DB Plan member's spouse is eligible for a spouse's pension if there is (are) no dependent child(ren). If there is (are) dependent child(ren), a survivor's allowance may be payable to the DB Plan member's spouse, or guardian of the dependent child(ren). The amount of the pension or allowance is determined by the DB Plan member's base salary. DB Plan members first hired after June 30, 1982 are not eligible to participate in this provision.

If an active DB Plan member dies from occupational causes, the spouse may receive a monthly pension from the DB Plan. When death is due to occupational causes and there is no surviving spouse, the DB Plan member's dependent child(ren) may receive a monthly pension until the child(ren) is(are) no longer dependents. If the member does not have a spouse or dependent children at the time of death, a lump-sum death benefit is payable to the named beneficiary(ies). The amount of the occupational death pension is 40% of the member's base salary at the time of death. The amount of the occupational death pension changes on the date the DB Plan member's normal retirement would have occurred if the DB Plan member had lived. The new benefit is based on the DB Plan member's average base salary at the time of death and the credited service, including service that would have accrued if the DB Plan member had lived and continued to work until normal retirement. If benefits are payable under the 1% supplemental contribution provision, benefits are not payable under this provision. If the death was from nonoccupational causes, and the DB Plan member was vested, the spouse may receive a monthly 50% joint and survivor option benefit based on the member's credited service and average base salary at the time of death. If the DB Plan member is not married or vested, a lump-sum death benefit is payable to the named beneficiary(ies).

The monthly survivor's pension benefit for survivors of DCR Plan employees is 40% of the employee's monthly compensation in the month in which the employee dies. While the monthly survivor's pension is being paid, the employer shall make contributions on behalf of the employee's beneficiaries based on the deceased employee's gross monthly compensation at the time of occupational death.

(ii) *Disability Benefits*

If a DB Plan member has been in membership service for five or more years for which contributions have been made, is not eligible for normal retirement benefits, and becomes permanently disabled, the DB Plan member is entitled to a monthly benefit. The annual disability benefit is equal to 50% of the base salary at the time of the disability plus an additional 10% of his/her base salary for each dependent child up to a maximum of four children. At normal retirement age, a disabled System member receives normal retirement benefits.

A DCR Plan member is eligible for an occupational disability benefit if employment is terminated because of a total and apparently permanent occupational disability before the member's normal retirement date. The occupational disability benefits accrue beginning the first day of the month following termination of employment as a result of the disability and are payable the last day of the month. If a final determination granting the benefit is not made in time to pay the benefit when due, a retroactive payment shall be made to cover the period of deferment.

(iii) Contributions

An employer shall contribute to each member's account based on the member's compensation. For fiscal year 2021, the rate is 0.08%.

(c) Retiree Medical Plan

The RMP is established under AS 14.25.480 – Medical Benefits. The Department of Administration, Division of Retirement and Benefits, which administers the System's health plans, finalized the Retiree Medical Plan for members eligible for the DCR Plan's health benefits plan in July 2016. The RMP provides major medical coverage to retirees of the DCR Plan. The RMP is self-insured. Members are not eligible to use the plan until they have at least 10 years of service and are Medicare age eligible.

Membership in the RMP was as follows at June 30, 2021:

Inactive plan members or beneficiaries currently receiving benefits	20
Inactive plan members entitled to but not yet receiving benefits	832
Inactive plan members not entitled to benefits	2,848
Active plan members	6,009
Total RMP membership	9,709

(i) OPEB Benefits

The medical benefits available to eligible persons means that an eligible person may not be denied medical coverage except for failure to pay the required premium. Major medical coverage, to cover medical expenses, takes effect on the first day of the month following the date of the RMP administrator's approval of the election and stops when the person who elects coverage dies or fails to make the required premium payment. The coverage for persons 65 years of age or older is the same as that available for persons under 65 years of age. The benefits payable to those persons 65 years of age or older supplement any benefits provided under the federal old age, survivors, and disability insurance program. The medical and optional insurance premiums owed by the person who elects coverage may be deducted from the health reimbursement arrangement account until the account balance becomes insufficient to pay the premiums; at this time, the person who elects coverage shall pay the premiums directly.

The cost of premiums for retiree major medical coverage for an eligible member or surviving spouse who is:

(1) Not eligible for Medicare is an amount equal to the full monthly group premium for retiree major medical insurance coverage,

(2) Eligible for Medicare is the following percentage of the premium:

(a) 30% if the member had 10 or more, but less than 15, years of service

(b) 25% if the member had 15 or more, but less than 20, years of service

(c) 20% if the member had 20 or more, but less than 25, years of service

(d) 15% if the member had 25 or more, but less than 30, years of service

(e) 10% if the member had 30 or more years of service.

(ii) Contributions

Employer contribution rates are actuarially determined and adopted by the Board. The 2021 employer effective contribution rate is 0.93% of member's compensation.

Defined Contribution Other Postemployment Benefit Plan

(a) General

The Health Reimbursement Arrangement (HRA) Plan is established under AS 39.30.300. The Department of Administration, Division of Retirement and Benefits administers the System's health plans. The HRA Plan allows for medical care expenses to be reimbursed from individual savings accounts established for eligible persons. The HRA Plan became effective July 1, 2006, at which time contributions by employers began.

Membership in the plan was as follows as of June 30, 2021:

Inactive plan members or beneficiaries currently receiving benefits	29
Inactive plan members entitled to but not yet receiving benefits	832
Inactive plan members not entitled to benefits	2,848
Active plan members	6,009
Total HRA Plan membership	9,718

(b) OPEB Benefits

Persons who meet the eligibility requirements of AS 14.25.470 are eligible for reimbursements from the individual account established for a member under the HRA Plan but do not have to retire directly from the System.

The Plan Administrator may deduct the cost of monthly premiums from the HRA individual account for the RMP insurance on behalf of an eligible person who elected the retiree major medical insurance under AS 14.25.480. Upon application of an eligible person, the HRA Plan administrator shall reimburse the costs for medical care expenses defined in 26 USC 213(d). Reimbursement is limited to the medical expenses of (1) an eligible member, the spouse of an eligible member, and the dependent children of an eligible member; or (2) a surviving spouse and the dependent children of an eligible member dependent on the surviving spouse. When the member's individual account balance is exhausted, any deductions from the HRA individual account end. If all eligible persons die before exhausting the member's individual account, the account balance reverts to the HRA Plan.

(c) Contributions

An employer shall contribute to the HRA Plan trust fund an amount equal to 3.00% of the average annual compensation of all employees in the TRS and PERS. The administrator maintains a record of each member to account for employer contributions on behalf of that member. The 2021 contribution amount was an annual contribution not to exceed $2,159.04 and was required for every pay period in which the employee was enrolled in the DCR Plan, regardless of the compensation paid during the year. An amount less than $2,159.04 would be deposited to a member's account if that member worked less than a full year.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). Contributions are due to the System when employee services have been performed and paid. Contributions are recognized as revenue when due pursuant to statutory requirements. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received, or payment is made.

(b) Use of Estimates

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

(c) Defined Benefit Pension and OPEB Investments

The System owns shares in various investment pools that are administered by the State of Alaska, Department of Revenue, Division of Treasury (Treasury). The System's investment in the pools, except for the short-term fixed-income pool, is reported at fair value based on the net asset value reported by the Treasury. The short-term fixed-income pool maintains a share price of $1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals.

(d) Defined Contribution Participant-directed Investments

The Board contracts with an external investment manager, through the Treasury, who is given the authority to invest in a wholly owned pooled environment to accommodate 14 participant-directed funds. Additionally, the Board contracts with external managers who manage a mix of collective investment funds and synthetic investment contracts. Income for the pooled investment and collective investment funds is credited to the fund's net asset value on a daily basis and allocated to pool participants daily on a pro rata basis.

Collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the DCR Plan. The unit value is determined by

(Continued)

the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

Pooled participant-directed investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the DCR Plan. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis. Underlying assets comprise domestic and international stocks, investment-grade bonds, federally guaranteed mortgages, money market instruments, and other cash equivalent instruments with maturities of less than one year, which include but are not limited to commercial paper, asset-backed securities, banker acceptances, certificates of deposit with ratings of A1/P1 or better, as well as obligations of the U.S. government and its agencies, and repurchase agreements collateralized by U.S. Treasury instruments.

Synthetic Investment Contracts (SICs) are included in the Plan's statements at contract value. The Board's investment manager entered into the investment contracts, on behalf of the Board, with four financial institutions who provide wrap contracts that cover separately managed SIC portfolios. The accounts are credited with earnings and investment deposits, less administrative expenses charged by the financial institutions and investment withdrawals. They are fully benefit-responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The crediting interest rate is based on the approximate rate of interest that will amortize differences between contract and market value over the portfolio's average duration.

(e) Contributions Receivable

Contributions from the System's members and employers applicable to payrolls received through July 15 for wages paid for service through June 30 are accrued. These contributions are considered fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements.

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

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

(g) Other Income

Other income consists of Medicare Part D Retiree Drug Subsidy (RDS) rebates, Employer Group Waiver Plan (EGWP) rebates, pharmacy rebates, and other miscellaneous items. The RDS are rebates provided to the plan sponsor. The State has elected to voluntarily put the RDS back into the trust and treat it as a contribution for purposes of calculating the net OPEB liability. The EGWP and pharmacy rebates are provided to the Plan through the third-party administrators and are treated as a reduction to the benefit payments for purposes of calculating the net OPEB liability. RDS, and pharmacy rebates are recognized on a cash basis.

(Continued)

(h) Administrative Costs

Administrative costs are paid from contributions. The Board has established a funding policy objective that the required contributions be sufficient to pay the plan administrative expenses, normal costs, and past service costs.

(i) Federal Income Tax Status

The DB Plan and DCR Plan are qualified plans under Sections 401(a) and 414(d) of the Internal Revenue Code and are exempt from federal income taxes under Section 501(a).

(3) Investments

The Board is the investment oversight authority of the System's investments. As the fiduciary, the Board has the statutory authority to invest assets under the Prudent Investor Rule. Fiduciary responsibility for the Board's invested assets is pursuant to AS 37.10.210-390.

AS 37.10.071 provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board. Additionally, Treasury manages a mix of pooled investment funds, collective investment funds and SICs for the DCR participant-directed pension plans under the Board's fiduciary responsibility.

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Board has developed investment guidelines, policies, and procedures for Treasury staff and external investment managers to adhere to when managing investments. Treasury manages the U.S. Treasury Fixed-Income Pool, Real Estate Investment Trust Pool, and Treasury Inflation-Protected Securities Pool, in addition to acting as oversight manager for all externally managed investments. All other investments are managed by external management companies.

The short-term fixed-income pool is a State pool managed by Treasury that holds investments on behalf of the Board as well as other State funds.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return, net of investment expense for the year ended June 30, 2021 for the DB Pension Plan is 29.80%, the ARHCT Plan is 29.95%, the ODD Plan is 29.46%, and the RMP is 29.41%.

For additional information on securities lending, 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 State of Alaska Retirement and Benefits Plans at http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx.

(4) Net Pension Liability – Defined Benefit Pension Plan

The components of the net pension liability of the participating employers at June 30, 2021 were as follows (in thousands):

Total pension liability	$	7,527,454
Plan fiduciary net position		(6,731,481)
Employers' net pension liability	$	795,973
Plan fiduciary net position as a percentage of the total pension liability		89.43 %

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

Inflation	2.50% per year
Salary increases	Range from 6.75% to 2.75% based on service
Investment rate of return	7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real return of 4.88%.
Mortality	Pre-commencement and post-commencement mortality rates were based upon the 2013–2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 white-collar employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 93% of male and 90% of female rates of the RP-2014 white-collar healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Deaths are assumed to result from occupational causes 15% of the time.

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The actuarial assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 actuarial valuation, except the amount included in the

Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from plan assets.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.04%).

Asset class	Long-term expected real rate of return
Domestic equity	6.63%
Global equity (ex-U.S.)	5.41
Aggregate bonds	0.76
Opportunistic	4.39
Real assets	3.16
Private equity	9.29
Cash equivalents	0.13

(b) Discount Rate

The discount rate used to measure the total pension liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability in accordance with the method prescribed by GASB 67. In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 2.18% as of June 30, 2021.

(c) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System as of June 30, 2021, calculated using the discount rate of 7.38%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate (in thousands):

		1.00% decrease (6.38%)	Current discount rate (7.38%)	1.00% increase (8.38%)
Net pension liability	$	1,609,245	795,973	111,008

(5) Net OPEB Asset

The components of the net OPEB asset of the participating employers for each Plan at June 30, 2021 were as follows (in thousands):

		ARHCT Plan	ODD Plan	RMP
Total OPEB liability	$	2,560,350	528	47,198
Plan fiduciary net position		(3,723,031)	(6,623)	(67,278)
Employers' net OPEB asset	$	(1,162,681)	(6,095)	(20,080)
Plan fiduciary net position as a percentage of the total OPEB liability		145.41%	1,254.36%	142.54%

(a) Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2020, using the following actuarial assumptions, applied to all periods in the measurement, and rolled forward to the measurement date of June 30, 2021:

Inflation	2.50% per year
Salary increases	Graded by service, from 6.75% to 2.75%
Investment rate of return	7.38%, net of postretirement healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real return of 4.88%.
Healthcare cost trend rates (ARHCT Plan and RMP)	Pre-65 medical: 6.5% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Prescription drug: 7.5% grading down to 4.5% EGWP: 7.5% grading down to 4.5%
Mortality (ARHCT Plan, ODD Plan, and RMP)	Pre-commencement and post-commencement mortality rates were based upon the 2013–2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 white-collar employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 93% of male and 90% of female rates of the RP-2014 white-collar healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.
(ODD Plan)	Deaths are assumed to be occupational 15% of the time. Disability mortality in accordance with the RP-2014 disabled table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.

2. Retired member contributions were updated to reflect the 5% decrease from calendar year (CY) 20 to CY21.

3. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from plan assets.

The long-term expected rate of return on postretirement healthcare plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the postretirement healthcare plan's target asset allocation as of June 30, 2021 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.04%):

Asset class	Long-term expected real rate of return
Domestic equity	6.63%
Global equity (non-U.S.)	5.41
Aggregate bonds	0.76
Opportunistic	4.39
Real assets	3.16
Private equity	9.29
Cash equivalents	0.13

(b) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021 was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the postretirement healthcare plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on postretirement healthcare plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability in accordance with the method prescribed by GASB 74. In the event benefit payments are not covered by the Plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 2.18% as of June 30, 2021.

(c) Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset as of June 30, 2021, calculated using the discount rate of 7.38%, as well as what the System's net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate (in thousands):

		1.00% decrease (6.38%)	Current discount rate (7.38%)	1.00% increase (8.38%)
ARHCT Plan	$	(837,747)	(1,162,681)	(1,431,519)
ODD Plan		(6,110)	(6,095)	(6,088)
RMP		(7,415)	(20,080)	(29,553)

(d) Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset as of June 30, 2021, calculated using the healthcare cost trend rates as summarized in the 2020 actuarial valuation report, as well as what the System's net OPEB asset would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates (in thousands):

		1.00% decrease	Current healthcare cost trend rate	1.00% increase
ARHCT Plan	$	(1,461,739)	(1,162,681)	(800,304)
ODD Plan		N/A	N/A	N/A
RMP		(30,830)	(20,080)	(5,307)

(6) Claims Payable

The liability for claims payable and claims incurred but not reported, included in the claims payable amount on the statement of fiduciary net position, represent the estimated amounts necessary to settle all outstanding claims incurred as of the balance sheet date. The ARHCT and Retiree Medical 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.

(Continued)

Changes in the balances of claims liabilities were as follows (in thousands):

		2021	2020
Total, beginning of year	$	10,812	12,561
Healthcare benefits		148,025	135,575
Benefits paid		(146,104)	(137,324)
Total, end of year	$	12,733	10,812

(7) Commitments and Contingencies

The Division is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Division of Retirement and Benefits' counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Division.

The System is a defendant in a class action lawsuit against the State alleging that the passage of Senate Bill (SB) 141 violated the Alaska Constitution by extinguishing a former member's ability to re-enter the PERS / TRS defined benefits plan. According to SB 141, a PERS / TRS defined benefit former member would have to re-employ into an eligible defined benefit position by June 30, 2010 or lose that former member's status (tier standing). If that former member re-entered the workforce in a valid PERS / TRS position but after June 30, 2010, that person would become a defined contribution retirement plan member, rather than reinstated into their prior defined benefit status (tier standing). The lawsuit challenged the effect of SB 141 as an unconstitutional diminishment of a promised defined benefit.

In April 2021, the Alaska Supreme Court found that a former member's ability to reinstate PERS / TRS status is an accrued benefit protected by Article XII, Section 7 of the Alaska Constitution. The Court held that not allowing former members to buy back into PERS / TRS defined benefit status resulted in an unconstitutional diminishment. This decision could lead to an increase in the number of employees previously believed to be ineligible for the defined benefit plan by operation of SB 141 for PERS / TRS. The case was returned to the Superior Court and the Department of Law filed a motion for final judgment. The class action group opposes the execution of final judgment and seeks to further litigate the specifics of the implementation of the Supreme Court's decision. The issue is currently under advisement by the Superior Court.

The Division is determining the impact of the Metcalfe decision on PERS and TRS. However, the Division has not implemented results from this decision as final judgment has not been entered. At this time, it is unclear exactly how many former members will seek to reinstate to the defined benefits plan or the precise impact the reintroduction of those former members to the defined benefits plan will cost.

(8) Employer Group Waiver Program

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

(9) Medicare Part D Retiree Drug Subsidy

One of the provisions of Medicare Part D provides sponsors of pension healthcare plans the opportunity to receive an RDS payment if the sponsor's plan provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The RDS is equal to 28% of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, by virtue of continuing to be covered by the sponsor's plan. The ARHCT Plan was approved for participation in the Medicare Part D program beginning calendar year 2006.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Changes in Employer Net Pension Liability and Related Ratios – Defined Benefit Pension Plan

Last 10 Fiscal Years

(In thousands)

		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total pension liability:											
Service cost	$	48,401	50,654	60,810	64,961	68,376	61,011	63,608	64,324	69,113	69,548
Interest		535,725	529,132	575,706	572,791	559,165	550,392	540,981	515,325	517,511	501,252
Differences between expected and actual experience		(33,160)	8,105	(135,121)	(131,092)	(65,757)	(55,682)	(5,693)	—	1,108	10,986
Changes of assumptions		—	—	(35,262)	—	—	—	156,854	—	—	—
Benefit payments, including refunds of member contributions		(501,429)	(490,446)	(472,717)	(458,511)	(448,422)	(437,582)	(418,545)	(399,001)	(397,956)	(378,113)
Net change in total pension liability		49,537	97,445	(6,584)	48,149	113,362	118,139	337,205	180,648	189,776	203,673
Total pension liability – beginning		7,477,917	7,380,472	7,387,056	7,338,907	7,225,545	7,107,406	6,770,201	6,589,553	6,399,777	6,196,104
Total pension liability – ending (a)		7,527,454	7,477,917	7,380,472	7,387,056	7,338,907	7,225,545	7,107,406	6,770,201	6,589,553	6,399,777
Plan fiduciary net position:											
Contributions – employer		29,336	34,114	36,805	39,835	36,634	33,478	36,374	37,571	37,372	38,189
Contributions – member		33,342	33,566	35,763	37,674	39,878	42,654	45,506	47,724	50,201	52,020
Contributions – nonemployer entity (State)		134,070	140,219	127,365	111,757	116,700	90,589	1,662,700	208,890	196,945	157,387
Total net investment income (loss)		1,594,536	218,372	314,972	432,543	628,184	(31,340)	152,561	599,958	373,868	2,190
Benefit payments, including refunds of member contributions		(501,429)	(490,446)	(472,717)	(458,511)	(448,422)	(437,582)	(418,545)	(399,001)	(382,933)	(363,839)
Administrative expenses		(3,446)	(2,988)	(3,018)	(3,050)	(2,890)	(2,648)	(2,789)	(3,160)	(2,989)	(2,847)
Other income		273	33	32	184	10	95	9	27	19	17
Net change in plan fiduciary net position		1,286,682	(67,130)	39,202	160,432	370,094	(304,754)	1,475,816	492,009	272,483	(116,883)
Plan fiduciary net position – beginning		5,444,799	5,511,929	5,472,727	5,312,295	4,942,201	5,246,955	3,771,139	3,279,130	3,006,647	3,123,530
Plan fiduciary net position – ending (b)		6,731,481	5,444,799	5,511,929	5,472,727	5,312,295	4,942,201	5,246,955	3,771,139	3,279,130	3,006,647
Plan's net pension liability (a)–(b)	$	795,973	2,033,118	1,868,543	1,914,329	2,026,612	2,283,344	1,860,451	2,999,062	3,310,423	3,393,130
Plan fiduciary net position as a percentage of the total pension liability		89.43%	72.81%	74.68%	74.09%	72.39%	68.40%	73.82%	55.70%	49.76%	46.98%
Covered payroll	$	357,288	370,449	392,849	416,051	442,029	463,604	491,223	514,035	541,981	561,906
Net pension liability as a percentage of covered payroll		222.78%	548.82%	475.64%	460.12%	458.48%	492.52%	378.74%	583.44%	610.80%	603.86%

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Employer and Nonemployer Contributions – Defined Benefit Pension Plan

Last 10 Fiscal Years

(In thousands)

Fiscal Year	Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2021	$ 155,184	163,406	(8,222)	349,236	46.79 %
2020	150,284	174,333	(24,049)	366,037	47.63 %
2019	154,083	164,170	(10,087)	392,609	41.82 %
2018	144,391	151,593	(7,202)	425,841	35.60 %
2017	133,417	153,334	(19,917)	449,629	34.10 %
2016	359,790	124,067	235,723	473,734	26.19 %
2015	321,971	1,699,074	(1,377,103)	490,667	346.28 %
2014	240,366	246,461	(6,095)	514,035	47.95 %
2013	259,786	234,317	25,469	550,044	42.60 %
2012	229,509	195,576	33,933	561,971	34.80 %

See accompanying notes to required supplementary information (unaudited) and independent auditors’ report.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Defined Benefit Pension Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2021	29.80 %
2020	4.01 %
2019	5.85 %
2018	8.30 %
2017	13.04 %
2016	(0.36)%
2015	3.30 %
2014	18.41 %

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Changes in Employer Net OPEB (Asset) Liability and Related Ratios – Alaska Retiree Healthcare Trust Plan

(In thousands)

		2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	$	23,793	26,684	34,729	32,821	31,605
Interest		188,868	202,757	252,021	232,774	224,435
Differences between expected and actual experience		(24,483)	(23,298)	(47,911)	(57,990)	(27,011)
Changes of assumptions		(100,701)	(273,319)	(509,775)	163,911	—
Benefit payments		(141,137)	(125,310)	(136,158)	(132,040)	(120,204)
EGWP rebates		18,293	11,705	2,518	—	—
Net change in total OPEB liability		(35,367)	(180,781)	(404,576)	239,476	108,825
Total OPEB liability – beginning		2,595,717	2,776,498	3,181,074	2,941,598	2,832,773
Total OPEB liability – ending (a)		2,560,350	2,595,717	2,776,498	3,181,074	2,941,598
Plan fiduciary net position:						
Contributions – employer		24,700	18,788	17,957	19,305	24,069
Contributions – RDS		62	—	6,711	1,894	—
Total net investment income		869,241	120,073	169,183	224,820	322,219
		894,003	138,861	193,851	246,019	346,288
Benefit payments		(147,861)	(135,566)	(143,126)	(134,051)	(120,237)
EGWP rebates		18,293	11,705	2,518	—	—
Pharmacy rebates		12,100	15,829	11,858	6,149	33
Pharmacy management allowance		85	—	—	—	—
ASO fees		(5,461)	(5,573)	(4,890)	(4,138)	—
Net benefit payments		(122,844)	(113,605)	(133,640)	(132,040)	(120,204)
Administrative expenses, net of ASO fees		(1,836)	(1,372)	(1,351)	(1,527)	(5,908)
Other		247	258	324	18	13,909
Net change in plan fiduciary net position		769,570	24,142	59,184	112,470	234,085
Plan fiduciary net position – beginning		2,953,461	2,929,319	2,870,135	2,757,665	2,523,580
Plan fiduciary net position – ending (b)		3,723,031	2,953,461	2,929,319	2,870,135	2,757,665
Plan's net OPEB (asset) liability (a)–(b)	$	(1,162,681)	(357,744)	(152,821)	310,939	183,933
Plan fiduciary net position as a percentage of the total OPEB liability		145.41%	113.78%	105.50%	90.23%	93.75%
Covered payroll	$	357,288	370,449	392,849	416,051	442,029
Net OPEB liability (asset) as a percentage of covered payroll		(325.42)%	(96.57)%	(38.90)%	74.74%	41.61%

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Employer and Nonemployer Contributions – Alaska Retiree Healthcare Trust Plan

Last 10 Fiscal Years

(In thousands)

Fiscal Year	Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2021	$ 25,197	24,700	497	349,236	7.07 %
2020	28,373	18,788	9,585	366,037	5.13 %
2019	19,944	17,957	1,987	392,609	4.57 %
2018	19,518	19,305	213	425,841	4.53 %
2017	42,171	24,069	18,102	449,629	5.35 %
2016	336,595	66,099	270,496	473,734	13.95 %
2015	352,417	364,222	(11,805)	490,667	74.23 %
2014	320,797	139,936	180,861	514,035	27.22 %
2013	330,411	141,125	189,286	550,044	25.66 %
2012	192,700	113,411	79,289	561,971	20.18 %

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Alaska Retiree Healthcare Trust Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2021	29.95 %
2020	4.16 %
2019	6.02 %
2018	8.33 %
2017	12.58 %

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

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STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Changes in Employer Net OPEB Asset and Related Ratios – Occupational Death and Disability Plan

(In thousands)

		2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	$	312	284	275	259	238
Interest		60	43	44	41	21
Differences between expected and actual experience		(338)	(92)	(274)	(248)	(15)
Changes of assumptions		—	—	(5)	—	—
Benefit payments		(24)	(24)	(24)	(24)	—
Net change in total OPEB liability		10	211	16	28	244
Total OPEB liability – beginning		518	307	291	263	19
Total OPEB liability – ending (a)		528	518	307	291	263
Plan fiduciary net position:						
Contributions – employers		362	329	312	—	—
Total net investment income		1,471	190	243	290	406
Benefit payments		(24)	(24)	(24)	(24)	—
Administrative expenses		(9)	—	—	—	(12)
Net change in plan fiduciary net position		1,800	495	531	266	394
Plan fiduciary net position – beginning		4,823	4,328	3,797	3,531	3,137
Plan fiduciary net position – ending (b)		6,623	4,823	4,328	3,797	3,531
Plan's net OPEB asset (a)–(b)	$	(6,095)	(4,305)	(4,021)	(3,506)	(3,268)
Plan fiduciary net position as a percentage of the total OPEB liability		1,254.36%	931.08%	1,409.77%	1,304.81%	1,342.59%
Covered payroll	$	453,286	412,113	392,866	359,130	335,269
Net OPEB asset as a percentage of covered payroll		(1.34)%	(1.04)%	(1.02)%	(0.98)%	(0.97)%

This schedule is intended to present information for 10 years. Additional years will displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Employer and Nonemployer Contributions – Occupational Death and Disability Plan

Last 10 Fiscal Years

(In thousands)

Fiscal Year	Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2021	$ 313	362	(49)	391,854	0.09 %
2020	288	329	(41)	359,622	0.09 %
2019	277	312	(35)	346,044	0.09 %
2018	—	—	—	327,765	— %
2017	—	—	—	300,750	— %
2016	—	1	(1)	289,714	— %
2015	—	—	—	255,186	— %
2014	—	—	—	229,971	— %
2013	—	—	—	206,771	— %
2012	—	(1)	1	200,043	— %

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Occupational Death and Disability Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2021	29.46 %
2020	4.22 %
2019	6.15 %
2018	8.24 %
2017	12.03 %

This schedule is intended to present information for 10 years. Additional years will be displayed as the

See accompanying notes to required supplementary information (unaudited) and independent auditor

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Changes in Employer Net OPEB Asset and Related Ratios – Retiree Medical Plan

(In thousands)

		2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	$	3,376	3,410	3,684	3,247	2,703
Interest		3,088	3,073	2,971	2,347	1,934
Differences between expected and actual experience		2,313	(529)	2,696	(389)	(2)
Changes of assumptions		41	(5,632)	(4,551)	2,184	—
Benefit payments		(171)	(6)	(35)	(31)	(3)
EGWP rebates		3	1	—	—	—
Net change in total OPEB liability		8,650	317	4,765	7,358	4,632
Total OPEB liability – beginning		38,548	38,231	33,466	26,108	21,476
Total OPEB liability – ending (a)		47,198	38,548	38,231	33,466	26,108
Plan fiduciary net position:						
Contributions – employers		4,217	4,461	3,085	3,271	3,524
Contributions – RDS		—	—	3	—	—
Total net investment income		14,848	1,899	2,355	2,579	3,260
		19,065	6,360	5,443	5,850	6,784
Benefit payments		(164)	(9)	(44)	(31)	(3)
EGWP rebates		3	1	—	—	—
Pharmacy rebates		1	3	9	—	—
ASO fees		(8)	—	—	—	—
Net benefit payments		(168)	(5)	(35)	(31)	(3)
Administrative expenses, net of ASO fees		(34)	(9)	(6)	(3)	(12)
Other		2	—	—	1	—
Net change in plan fiduciary net position		18,865	6,346	5,402	5,817	6,769
Plan fiduciary net position – beginning		48,413	42,067	36,665	30,848	24,079
Plan fiduciary net position – ending (b)		67,278	48,413	42,067	36,665	30,848
Plan's net OPEB asset (a)–(b)	$	(20,080)	(9,865)	(3,836)	(3,199)	(4,740)
Plan fiduciary net position as a percentage of the total OPEB liability		142.54%	125.59%	110.03%	109.56%	118.16%
Covered payroll	$	453,285	412,113	392,866	359,130	335,269
Net OPEB asset as a percentage of covered payroll		(4.43)%	(2.39)%	(0.98)%	(0.89)%	(1.41)%

This schedule is intended to present information for 10 years. Additional years will displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Employer and Nonemployer Contributions – Retiree Medical Plan

Last 10 Fiscal Years

(In thousands)

Fiscal Year		Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2021	$	3,644	4,217	(573)	391,854	1.08 %
2020		3,920	4,461	(541)	359,622	1.24 %
2019		2,734	3,085	(351)	346,044	0.89 %
2018		2,983	3,271	(288)	327,765	1.00 %
2017		3,158	3,524	(366)	300,750	1.17 %
2016		6,837	6,317	520	289,714	2.18 %
2015		6,099	5,670	429	255,186	2.22 %
2014		1,334	1,181	153	229,971	0.51 %
2013		1,241	1,101	140	206,771	0.53 %
2012		1,420	1,160	260	200,043	0.58 %

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Reitree Medical Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2021	29.41 %
2020	4.26 %
2019	6.16 %
2018	7.92 %
2017	11.80 %

This schedule is intended to present information for 10 years. Additional years will be displayed as the

See accompanying notes to required supplementary information (unaudited) and independent auditor

(1) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Buck. The significant actuarial methods and assumptions used in the defined benefit pension and postemployment healthcare benefit plan valuation as of June 30, 2020 were as follows:

(a) Actuarial cost method – Liabilities and contributions in the report are computed using the Entry Age Normal Actuarial Cost Method, level percent of pay.

Effective June 30, 2018, the Board adopted a layered UAAL amortization method: Layer #1 equals the sum of (i) the UAAL at June 30, 2018 based on the 2017 valuation, plus (ii) the FY18 experience gain/loss. Layer #1 is amortized over the remainder of the 25-year closed period that was originally established in 2014. Layer #2 equals the change in UAAL at June 30, 2018 due to the experience study and EGWP implementation. Layer #2 is amortized over a separate closed 25-year period starting in 2018. Future layers will be created each year based on the difference between actual and expected UAAL occurring that year, and will be amortized over separate closed 25-year periods. The UAAL amortization continues to be on a level percent of pay basis. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined.

Projected pension and postemployment healthcare benefits were determined for all active members. Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year from the assumed entry age to the assumed retirement age were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members and determining an average normal cost rate which is then related to the total payroll of active members. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for retired members and their beneficiaries currently receiving benefits, terminated vested members, and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

(b) Valuation of assets – The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY15, the asset value method recognizes 20% of the gain or loss each year, for a period of five years. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from financial statements.

(c) Valuation of retiree medical and prescription drug benefits – Base claims cost rates are incurred healthcare costs expressed as a rate per member per year. Ideally, claims cost rates should be derived for each significant component of cost that can be expected to require differing projection assumptions or methods (i.e., medical claims, prescription drug claims, administrative costs, etc). Separate analysis is limited by the availability and historical credibility of cost and enrollment data for each component of cost. This valuation reflects non-prescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes, as described below. Analysis to date on Medicare Part A coverage is limited since Part A claim data is not available by individual, nor is this status incorporated into historical claim data.

(d) Investment return – 7.38% per year, net of investment expenses

(e) Salary scale – Rates based upon the 2013–2017 actual experience. Inflation 2.50% per year and productivity 0.25% per year.

(f) Payroll growth – 2.75% per year (inflation + productivity)

(g) Total inflation – Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 2.50% annually.

(h) Mortality (pre-commencement) – Mortality rates based upon the 2013–2017 actual experience. RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Deaths are assumed to result from occupational causes 15% of the time.

(i) Mortality (post-commencement) – Mortality rates based upon the 2013–2017 actual experience. 93% of male and 90% of female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

(j) Turnover – Select and ultimate rates based upon the 2013–2017 actual experience

(k) Disability – Incidence rates based on the 2013–2017 actual experience. Post-disability mortality in accordance with the RP-2014 disability table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

(l) Retirement – Retirement rates based on the 2013–2017 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date. The modified cash refund annuity is valued as a three-year certain and life annuity.

(m) Spouse age difference – Males are assumed to be three years older than their wives. Females are assumed to be two years younger than husbands.

(n) Percent married for pension – 85% of male members and 75% female members are assumed to be married at termination from active service.

(o) Dependent spouse medical coverage election – Applies to members who do not have double medical coverage. 65% of male members and 60% female member are assumed to be married and cover a dependent spouse.

(p) Dependent children – Pension: For the participants who are assumed to be married, those between ages 25 and 45 are assumed to have two dependent children. Healthcare: Benefits for dependent children have been valued only for members currently covering their dependent children. These benefits are only valued through the dependent children's age 23 (unless the child is disabled).

(q) Contribution refunds – 0% of terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with non-vested benefits are assumed to have their contributions refunded.

(r) Imputed data – Data changes from the prior year which are deemed to have an immaterial impact on liabilities and contribution rates are assumed to be correct in the current year's client data. Non-vested terminations with appropriate refund dates are assumed to have received a full refund of contributions. Active members with missing salary and service are assumed to be terminated with status based on their vesting percentage.

(s) Active rehire assumption – The normal cost used for determining contribution rates and in the projections includes a rehire assumption to account for anticipated rehires. The normal cost includes the following assumptions (which were developed based on the five years of rehire loss experience through June 30, 2017). For projections, these assumptions were assumed to grade to zero uniformly over a 20-year period. Pension – 15.57% and Healthcare – 12.03%.

(t) Re-employment option – All re-employed retirees are assumed to return to work under the standard option.

(u) Active data adjustment – No adjustment was made to reflect participants who terminate employment before the valuation date and are subsequently rehired after the valuation date.

(v) Alaska Cost of Living Allowance (COLA) – Of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA.

(w) Postretirement pension adjustment (PRPA) – 50% and 75% of assumed inflation, or 1.25% and 1.875%, respectively, is valued for the annual automatic PRPA as specified in the statute.

(x) Expenses – The investment return assumption is net of investment expenses. The Normal Cost as of June 30, 2020 was increased by the following amounts for administrative expenses (for projections, the percentage increase was assumed to remain constant in future years): Pension – $3,003,000 and Healthcare – $1,362,000.

(y) Part-time status – Part-time employees are assumed to earn 0.75 years of credited service per year.

(z) Sick leave – 4.5 days of unused sick leave for each year of service are assumed to be available to be credited once the member is retired, terminates, or dies.

(aa) Service – Total credited service is provided by the State. This service is assumed to be the only service that should be used to calculate benefits. Additionally, the State provides claimed service (including Bureau of Indian Affairs service). Claimed service is used for vesting and eligibility purposes.

(bb) Final average earnings – Final average earnings is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future.

(cc) Per capita claims cost – Sample claims cost rates adjusted to age 65 for FY21 medical and prescription drug benefits are shown below:

		Medical	Prescription drugs
Pre-Medicare	$	15,360	3,393
Medicare Parts A and B		1,618	3,340
Medicare Part B only		5,340	3,340
Medicare Part D – EGWP		N/A	1,003

Members are assumed to attain Medicare eligibility at age 65. All costs are for the 2021 fiscal year (July 1, 2020–June 30, 2021).

The EGWP subsidy is assumed to increase in future years by the trend rates shown on the following page. No future legislative changes or other events are anticipated to impact the EGWP subsidy. If any legislative or other changes occur in the future that impact the EGWP subsidy (which could either increase or decrease the Plan's actuarial accrued liability), those changes will be evaluated and quantified when they occur.

(dd) Third-party administrator fees – $449 per person per year; assumed to increase at 4.5% per year (ee) Medicare Part B Only – It's assumed that 5% of actives hired before April 1, 1986 and current retirees who are not yet Medicare eligible will not be eligible for Medicare Part A.

(ff) Healthcare cost trend – The table below shows the rates used to project the cost from the shown fiscal year to the next fiscal year. For example, 6.5% is applied to the FY21 pre-Medicare medical claims cost to get the FY22 medical claims cost:

Fiscal year	Medical Pre-65	Medical Post-65	Prescription drugs/EGWP
2021	6.5%	5.4%	7.5%
2022	6.3	5.4	7.1
2023	6.1	5.4	6.8
2024	5.9	5.4	6.4
2025	5.8	5.4	6.1
2026	5.6	5.4	5.7
2027–2040	5.4	5.4	5.4
2041	5.3	5.3	5.3
2042	5.2	5.2	5.2
2043	5.1	5.1	5.1
2044	5.1	5.1	5.1
2045	5.0	5.0	5.0
2046	4.9	4.9	4.9
2047	4.8	4.8	4.8
2048	4.7	4.7	4.7
2049	4.6	4.6	4.6
2050+	4.5	4.5	4.5

For the June 30, 2014 valuation and later, the updated Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model estimates trend amounts that are projected out for 80 years. The model has been populated with assumptions that are specific to the State of Alaska.

(gg) Aging factors:

Age	Medical	Prescription drugs
0–44	2.0%	4.5%
45–54	2.5	3.5
55–64	2.5	1.5
65–74	3.0	2.0
75–84	2.0	(0.5)
85–94	0.3	(2.5)
95+	—	—

(hh) Retired member contributions for medical benefits – Currently contributions are required for System members who are under age 60 and have less than 25 years of service. Eligible tier 1 members are exempt from contribution requirements. Annual FY21 contributions based on monthly rates shown below for calendar 2021 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in tier 2 who are assumed to retire prior to age 60 with less than 25 years of service and who are not disabled. For dependent children, the System values one-third of the annual retiree contribution is used to estimate the per-child rate based upon the assumed number of children in rates where children are covered.

	Calendar 2021		Calendar 2020
Coverage category	**Annual contribution**	**Monthly contribution**	**Monthly contribution**
Retiree only	$ 8,448	704	741
Retiree and spouse	16,896	1,408	1,482
Retiree and child(ren)	11,940	995	1,047
Retiree and family	20,388	1,699	1,788
Composite	12,552	1,046	1,101

(ii) Trend rate for retired member medical contributions – The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 0.0% is applied to the FY21 retired member medical contributions to get the FY22 retired member medical contributions.

Fiscal year	Trend assumption
2021	—%
2022	—
2023 +	4.0

Graded trend rates for retired member medical contributions are consistent with the rates used for the June 30, 2019 valuation. Actual FY21 retired member medical contributions are reflected in the valuation.

(jj) Healthcare participation – 100% of System paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 20% of non-System paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

The significant actuarial methods and assumptions used in the defined contribution occupational death and disability and retiree medical benefit plan valuation as of June 30, 2020 were as follows:

(a) Actuarial cost method – Liabilities and contributions shown in the report are computed using the Entry Age Normal Actuarial Cost Method, level percent of pay. Each year's difference between actual and expected unfunded actuarial accrued liability is amortized over 25 years as a level percentage of expected payroll.

(b) Valuation of assets – Effective June 30, 2006, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method was phased in over five years. Fair value of assets was $0 as of June 30, 2006. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements. Valuation assets are constrained to a range of 80% to 120% of the fair value of assets.

(c) Valuation of retiree medical and prescription drug benefits – Due to the lack of experience for the DCR retiree medical plan only, base claims costs are based on those described in the actuarial valuation as of June 30, 2020 for the Defined Benefit (DB) retiree medical plan covering TRS and PERS. The DB rates were used with some adjustments. The claims costs were adjusted to reflect the differences between the DCR medical plan and the DB medical plan. These differences include network steerage, different coverage levels, different Medicare coordination for medical benefits, and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles and out-of-pocket limits, projected FY21 claims costs were reduced 3.1% for medical claims, and 8.9% for prescription drugs. In addition, to account for the difference in Medicare coordination, projected FY21 medical claims costs for Medicare eligible retirees were further reduced 29.5%.

(Continued)

FY19 and FY20 experience were compared to assess the impact of COVID-19 and whether an adjustment to FY20 claims was indicated for use in the June 30, 2020 valuation. A material decrease in medical claims during March 2020 to June 2020 was experienced due to COVID-19. Therefore, an adjustment was made for those months to adjust for the decrease that is not expected to continue in future years. There was an observed spike in prescription drug claims in March 2020; however, the FY20 prescription drug experience appears reasonable to use without adjustment for COVID-19. To adjust for the decrease in medical claims due to COVID-19 during the last 4 months of FY20, the per capita cost during the first 8 months was used as the basis for estimating claims that would have occurred in the absence of COVID-19.

No implicit subsidies are assumed. Employees projected to retire with 30 years of service prior to Medicare are valued with commencement deferred to Medicare eligibility, because those members will be required to pay the full plan premium prior to Medicare. Explicit subsidies for disabled and normal retirement are determined using the plan-defined percentages of age-related total projected plan costs, again with no implicit subsidy assumed.

The State transitioned to an Employer Group Waiver Program (EGWP) for DCR participants effective January 1, 2019. The estimated 2021 reimbursements under EGWP were provided by Segal Consulting (who worked with the EGWP administrator, Optum, to develop those estimates).

(d) Investment return – 7.38% per year, net of investment expenses.

(e) Salary scale – Salary scale rates based upon the 2013–2017 actual experience. Inflation 2.50% per year. Productive 0.25% per year.

(f) Payroll growth – 2.75% per year (inflation + productivity).

(g) Total inflation – Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 2.50% annually.

(h) Mortality (pre-commencement) – Mortality rates based upon the 2013–2017 actual experience, 100% of male and female of the RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Deaths are assumed to result from occupational causes 15% of the time.

(i) Mortality (post-commencement) – Mortality rates based upon the 2013–2017 actual experience, 93% of male and 90% of female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

(j) Total turnover – Select and ultimate rates based upon the 2013–2017 actual experience.

(k) Disability – Incidence rates based upon the 2013–2017 actual experience. Disabilities are assumed to be occupational 15% of the time. Post-disability mortality in accordance with the RP-2014 disabled table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

(l) Retirement – Retirement rates based upon the 2013–2017 actual experience.

(m) Spouse age difference – Males are assumed to be three years older than their wives. Females are assumed to be two years younger than husbands.

(n) Percent married for occupational death and disability – 85% of male members and 75% of female members are assumed to be married at termination from active service.

(o) Dependent spouse medical coverage election – Applies to members who do not have double medical coverage. 65% of male members and 60% female members are assumed to be married and cover a dependent spouse.

(p) Part-time status – Part-time employees are assumed to earn 0.75 years of service per year.

(q) Per capita claims cost – Sample claims cost rates (before base claims cost adjustments described below) adjusted to age 65 for FY20 medical and prescription drug benefits are shown below:

		Medical	**Prescription drugs**
Pre-Medicare	$	15,360	3,393
Medicare Parts A and B		1,618	3,340
Medicare Part D - EGWP		N/A	1,003

Members are assumed to attain Medicare eligibility at age 65. All other costs are for the 2021 fiscal year (July 1, 2020–June 30, 2021).

The EGWP subsidy is assumed to increase in future years by the trend rates shown on the following pages. No future legislative changes or other events are anticipated to impact the EGWP subsidy. If any legislative or other changes occur in the future that impact the EGWP subsidy (which could either increase or decrease the Plan's actuarial accrued liability), those changes will be evaluated and quantified when they occur.

(r) Third-party administrator fees – $449 per person per year; assumed trend rate of 4.5% per year

(s) Base claims cost adjustments – Due to higher initial copays, deductibles, out-of-pocket limits, and member cost sharing compared to the DB medical plan, the following cost adjustments are applied to the per capita claims cost rates above: 0.969 for pre-Medicare medical, 0.674 for both Medicare medical and the Medicare coordination method (3.1% reduction for the medical plan and 29.5% reduction for the coordination method), and 0.911 for prescription drugs.

(t) Administrative expenses – Beginning with the June 30, 2018 valuation, the normal cost is increased for administrative expenses expected to be paid from plan assets during the year. The amounts included in the June 30, 2020 normal cost, which are based on the average of actual administrative expenses during the last two fiscal years, are $0 for occupational death and disability and $84,000 for retiree medical.

(u) Healthcare cost trend – The table below shows the rates used to project the cost from the shown fiscal year to the next fiscal year. For example, 6.5% is applied to the FY21 pre-Medicare medical claims cost to get the FY22 medical claims costs:

Fiscal year	Medical Pre-65	Medical Post-65	Prescription drugs/EGWP
2021	6.5%	5.4%	7.5%
2022	6.3	5.4	7.1
2023	6.1	5.4	6.8
2024	5.9	5.4	6.4
2025	5.8	5.4	6.1
2026	5.6	5.4	5.7
2027–2040	5.4	5.4	5.4
2041	5.3	5.3	5.3
2042	5.2	5.2	5.2
2043	5.1	5.1	5.1
2044	5.1	5.1	5.1
2045	5.0	5.0	5.0
2046	4.9	4.9	4.9
2047	4.8	4.8	4.8
2048	4.7	4.7	4.7
2049	4.6	4.6	4.6
2050+	4.5	4.5	4.5

For the June 30, 2014 valuation and later, the updated Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model estimates trend amounts that are projected out for 80 years. The model has been populated with assumptions that are specific to the State of Alaska.

(v) Aging factors:

Age	Medical	Prescription Drugs
0–44	2.0%	4.5%
45–54	2.5	3.5
55–64	2.5	1.5
65–74	3.0	2.0
75–84	2.0	(0.5)
85–94	0.3	(2.5)
95+	—	—

(w) Retiree medical participation:

Decrement due to disability		Decrement due to retirement		
Age	Percent participation	Age		Percent participation
<56	75.0 %	55		50.0 %
56	77.5	56		55.0
57	80.0	57		60.0
58	82.5	58		65.0
59	85.0	59		70.0
60	87.5	60		75.0
61	90.0	61		80.0
62	92.5	62		85.0
63	95.0	63		90.0
64	97.5	64		95.0
65+	100.0	65+	Years of service	
			<15	75.00 %
			15–19	80.00
			20–24	85.00
			25–29	90.00
			30+	95.00

Participation assumption is a combination of (i) the service-based rates for retirement from employment at age 65+ and (ii) the age-based rates for retirement from employment before age 65. These rates reflect the expected plan election rate that varies by reason for decrement, duration that a member may pay full cost prior to Medicare eligibility, and availability of alternative and/or lower cost options, particularly in the Medicare market. This assumption is based on observed trends in participation from a range of other plans.

(x) Imputed data – Data changes from the prior year that are deemed to have immaterial impact on liabilities and contribution rates are assumed to be correct in the current year's client data. Non-vested terminations with appropriate refund dates are assumed to have received a full refund of contributions. Active members with missing salary and service are assumed to be terminated with status based on their vesting percentage.

(2) Changes in Actuarial Assumptions, Methods, and Benefits Since the Prior Valuation

Defined Benefit Pension and Postemployment Healthcare Benefit Plan

(a) Changes in Methods Since the Prior Valuation – June 30, 2019 to June 30, 2020

There were no changes in actuarial methods since the prior valuation.

(b) Changes in Assumptions Since the Prior Valuation – June 30, 2019 to June 30, 2020

Healthcare claim costs are updated annually. Retired member contributions were updated to reflect the 5% decrease from CY20 to CY21. The amounts included in the normal cost for administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets. There were no other changes in actuarial assumptions since the prior valuation.

(c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2019 to June 30, 2020

There were no changes in benefit provisions since the prior valuation.

Defined Contribution Occupational Death and Disability and Retiree Medical Benefits Plan

(a) Changes in Methods Since the Prior Valuation – June 30, 2019 to June 30, 2020

There were no changes in actuarial methods since the prior valuation.

(b) Changes in Assumptions Since the Prior Valuation – June 30, 2019 to June 30, 2020

Healthcare claim costs are updated annually. The medical and prescription drug relative value factors were updated this year. In addition, the 0.2% annual trend rate adjustment factor between the DB and DCR plans was removed. The amounts included in normal cost for administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets. There were no other changes in actuarial assumptions since the prior valuation.

(c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2019 to June 30, 2020

There have been no changes in benefit provisions valued since the prior valuation.

SUPPLEMENTAL SCHEDULES

Schedule 1

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Administrative and Investment Deductions

Years ended June 30, 2021 and 2020

(In thousands)

			Totals	
	Administrative	**Investment**	**2021**	**2020**
Personal services:				
Wages	$ 2,006	1,023	3,029	3,147
Benefits	1,245	472	1,717	1,737
Total personal services	3,251	1,495	4,746	4,884
Travel:				
Transportation	—	3	3	8
Per diem	—	1	1	2
Total travel	—	4	4	10
Contractual services:				
Management and consulting	7,270	164	7,434	7,101
Investment management and custodial fees	—	23,286	23,286	23,260
Accounting and auditing	81	6	87	120
Data processing	1,498	344	1,842	811
Communications	42	6	48	62
Advertising and printing	13	1	14	21
Rentals/leases	155	42	197	200
Legal	39	28	67	132
Medical specialists	2	—	2	7
Repairs and maintenance	3	—	3	4
Transportation	51	—	51	82
Securities lending	—	66	66	69
Other professional services	224	19	243	221
Total contractual services	9,378	23,962	33,340	32,090
Other:				
Equipment	11	2	13	13
Supplies	7	34	41	51
Total other	18	36	54	64
Total administrative and investment deductions	$ 12,647	25,497	38,144	37,048

See accompanying independent auditors' report.

Schedule 2

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2021 and 2020

(In thousands)

Firm	Services	2021	2020
Buck Global LLC	Actuarial services	$ 235	292
KPMG LLP	Auditing services	51	83
Groundswell Communications	Communications services	23	30
State Street Bank and Trust	Custodial banking services	483	441
Alaska IT Group	Data processing services	109	80
Applied Microsystems Incorporated	Data processing services	157	156
DLT Solutions	Data processing services	55	7
Sagitec Solutions	Data processing services	1,021	—
SHI International Corporation	Data processing services	14	24
Sungard Availability Services	Data processing services	11	11
State of Alaska, Department of Law	Legal services	121	127
Linea Solutions Incorporation	Management consulting services	15	89
Symphony Performance Health	Management consulting services	11	13
The Segal Company Incorporated	Management consulting services	125	93
		$ 2,431	1,446

This schedule presents payments to consultants receiving greater than $10,000.

See accompanying independent auditors' report.

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2021
(With summarized financial information for June 30, 2020)

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Table of Contents

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 Judicial Retirement System:

We have audited the accompanying combining financial statements of the State of Alaska Judicial Retirement System (the System), a component unit of the State of Alaska, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the System'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 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 fiduciary net position of the State of Alaska Judicial Retirement System as of June 30, 2021, and the changes in fiduciary net position for the year then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matters

Prior-Year Comparative Information

We have previously audited the System's 2020 combining financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–11, the schedules of changes in plan net pension and other postemployment benefits liability and related ratios, schedules of employer and nonemployer contributions, and schedules of investment returns on pages 25–35 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.

Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The supplemental schedules on pages 36–37 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

October 20, 2021

This section presents management's discussion and analysis (MD&A) of the State of Alaska Judicial Retirement System's (the System) financial position and performance for the years ended June 30, 2021 and 2020. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to financial statements, required supplementary information, and supplemental schedules to better understand the financial condition and performance of the System during the fiscal years ended June 30, 2021 and 2020. Information for fiscal year 2019 is presented for comparative purposes.

Financial Highlights

The System's financial highlights for the year ended June 30, 2021 were as follows:

- The System's fiduciary net position restricted for pension and postemployment healthcare benefits increased by $64.3 million.
- The plan member and employer contributions of $8.5 million increased by $768,493 when compared to fiscal year 2020.
- The State of Alaska (the State) directly appropriated $5.1 million to the System.
- The System's net investment income increased $57.8 million when compared to fiscal year 2020, to $66.7 million.
- The System's pension benefit expenditures totaled $14.4 million.
- The System's postemployment healthcare benefit expenditures totaled $1.7 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's financial statements. The System's financial statements are composed of three components: (1) combining statement of fiduciary net position, (2) combining statement of changes in fiduciary net position, and (3) notes to financial statements. This report also contains required supplementary information and other supplemental schedules.

Combining statement of fiduciary net position – This statement presents information regarding the System's assets, liabilities, and resulting net position restricted for pension and postemployment healthcare benefits. This statement reflects the System's investments at fair value, along with cash and cash equivalents, receivables, and other assets, less liabilities at June 30, 2021.

Combining statement of changes in fiduciary net position – This statement presents how the System's net position restricted for pension and postemployment healthcare benefits changed during the fiscal year ended June 30, 2021. This statement presents contributions and investment income during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2021 and the sources and uses of those funds during fiscal year 2021.

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 System's financial statements.

Required supplementary information and related notes – The required supplementary information consists of six schedules and related notes concerning the funded status of the System and actuarial assumptions and methods used in the actuarial valuation.

Supplemental schedules – Supplemental schedules include detailed information on administrative and investment deductions incurred by the System and payments to consultants (other than investment advisors) for professional services.

Condensed Financial Information

Plan Fiduciary Net Position

Description	2021	2020	Increase Amount	Increase Percentage	2019
Assets:					
Cash and cash equivalents	$ 3,284,166	2,508,034	776,132	30.9 %	$ 4,439,385
Due from State of Alaska General Fund	2,338,732	1,015,397	1,323,335	130.3	711,665
Other receivables	19,209	1,004	18,205	1,813.2	23,928
Investments at fair value	283,489,650	220,767,779	62,721,871	28.4	213,029,011
Other assets	3,076	3,076	—	—	3,076
Total assets	289,134,833	224,295,290	64,839,543	28.9	218,207,065
Liabilities:					
Claims payable	148,000	111,000	37,000	33.3	98,000
Accrued expenses	38,304	17,879	20,425	114.2	20,172
Securities lending collateral payable	727,183	285,884	441,299	154.4	370,749
Total liabilities	913,487	414,763	498,724	120.2	488,921
Plan fiduciary net position	$ 288,221,346	223,880,527	64,340,819	28.7 %	$ 217,718,144

Changes in Plan Fiduciary Net Position

Description	2021	2020	Increase (decrease) Amount	Increase (decrease) Percentage	2019
Plan fiduciary net position, beginning of year	$ 223,880,527	217,718,144	6,162,383	2.8 %	$ 208,292,572
Additions:					
Contributions – employer and plan member	8,454,676	7,686,183	768,493	10.0	6,752,446
Nonemployer contribution - State of Alaska	5,145,000	5,010,000	135,000	2.7	4,909,000
Net investment income	66,741,226	8,915,235	57,825,991	648.6	12,349,096
Employer group waiver plan	167,474	108,886	58,588	53.8	22,294
Medicare retiree drug subsidy	685	—	685	100.0	74,248
Pharmacy rebates	77,257	202,491	(125,234)	(61.8)	117,852
Pharmacy management allowance	1,942	—	1,942	100.0	—
Other income	22,236	23,956	(1,720)	(7.2)	2,291
Total additions	80,610,496	21,946,751	58,663,745	267.3	24,227,227
Deductions:					
Pension and postemployment healthcare benefits	16,097,947	15,604,088	493,859	3.2	14,687,051
Administrative	171,730	180,280	(8,550)	(4.7)	114,604
Total deductions	16,269,677	15,784,368	485,309	3.1	14,801,655
Increase in fiduciary net position	64,340,819	6,162,383	58,178,436	944.1	9,425,572
Plan fiduciary net position, end of year	$ 288,221,346	223,880,527	64,340,819	28.7 %	$ 217,718,144

Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2021 and 2020 show net position restricted for pension and postemployment healthcare benefits of $288,221,346 and $223,880,527, respectively. The entire amount is available to cover the System's obligation to pay pension and postemployment healthcare benefits to its members and their beneficiaries, as well as administrative costs.

This represents an increase in the System's net position restricted for pension and postemployment healthcare benefits of $64,340,819 or 28.7% from fiscal year 2020 to 2021 and an increase of $6,162,383 or 2.8% from fiscal year 2019 to 2020. Over the long term, plan member and employer contributions, as well as investment income earned, are anticipated to sufficiently fund the pension benefit and postemployment healthcare costs of the System.

During the 31st Alaska State Legislature and as part of the State's Fiscal Year 2021 Operating Budget, House Bill 205 appropriated $5,145,000 from the General Fund and the Budget Reserve Fund to the Department of Administration for deposit in the Defined Benefit Pension fund.

The investment of pension funds is a long-term undertaking. On an annual basis, the Alaska Retirement Management Board (the Board) reviews and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk/return level given the System's constraints and objectives.

System Asset Allocation

During fiscal years 2021 and 2020, the Board adopted the following asset allocations:

	2021		2020	
	Pension and healthcare trusts		Pension and healthcare trusts	
	Allocation	Range	Allocation	Range
Broad domestic equity	28.0 %	± 6%	26.0 %	± 6%
Global equity ex-U.S.	19.0	± 4	18.0	± 4
Fixed income	22.0	± 10	24.0	± 10
Opportunistic	6.0	± 4	8.0	± 4
Real assets	13.0	± 7	13.0	± 7
Private equity	12.0	± 6	11.0	± 6
Total	100.0 %		100.0 %	
Expected return 20-year geometric mean	7.13 %		7.13 %	
Projected standard deviation	13.55		13.80	

For fiscal years 2021 and 2020, the Pension Plan's investments generated a 27.64% and 3.84% rate of return, respectively. For fiscal years 2021 and 2020, the Alaska Retiree Healthcare Trust Plan's investments generated a 27.69% and 3.93% rate of return, respectively.

Contributions, Investment Income, and Other Additions

The additions required to fund retirement benefits are accumulated through a combination of employer and plan member contributions, State appropriation, investment income, and other additions as follows:

	Additions				
			Increase (decrease)		
	2021	2020	Amount	Percentage	2019
Employer contributions	$ 7,616,990	6,847,507	769,483	11.2 %	$ 5,939,072
Plan members contributions	837,686	838,676	(990)	(0.1)	813,374
Nonemployer contributions – State of Alaska	5,145,000	5,010,000	135,000	2.7	4,909,000
Net investment income	66,741,226	8,915,235	57,825,991	648.6	12,349,096
Employer group waiver plan	167,474	108,886	58,588	53.8	22,294
Medicare retiree drug subsidy	685	—	685	100.0	74,248
Pharmacy rebates	77,257	202,491	(125,234)	(61.8)	117,852
Pharmacy management allowance	1,942	—	1,942	100.0	—
Other income	22,236	23,956	(1,720)	(7.2)	2,291
Total	$ 80,610,496	21,946,751	58,663,745	267.3 %	$ 24,227,227

The System's employer contributions increased from $6,847,507 during fiscal year 2020 to $7,616,990 in fiscal year 2021, an increase of $769,483, or 11.2%. The System's employer contributions increased from $5,939,072 during fiscal year 2019 to $6,847,507 during fiscal year 2020, an increase of $908,435, or 15.3%. The increase in employer contributions for both fiscal year 2021 and 2020 was caused by a combination of an increase in the employer contributions paid through the payroll process and an increase in additional funding from the employer.

Beginning in fiscal year 2010, the Alaska Court System, sole employer of the System's participants, began paying only the normal cost portion of the plan employer contribution rate and the State funded the past service cost through a direct appropriation. The normal cost rate increased from 42.46% in fiscal year 2020 to 48.16% in fiscal year 2021. Additionally, the Alaska Court System has contributed additional employer contributions in fiscal year 2021 to aid in the funded level of the pension plan.

The System's net investment income in fiscal year 2021 increased by $57,825,991 or 648.6% from amounts in fiscal year 2020. The System's net investment income in fiscal year 2020 decreased by $3,433,861 or 27.8% from amounts in fiscal year 2019. The investment returns received in fiscal year 2021 were higher than the returns seen in fiscal year 2020, causing an increase in investment income in comparison between 2021 and 2020. Over the long term, investment earnings play a significant role in funding Plan benefits. The Board continues to look at investment classes and strategies best suited to meet the expected earnings returns to meet future benefit payments.

Effective January 1, 2019, the Division of Retirement and Benefits (the Division) implemented a group Medicare Part D prescription drug plan known as an enhanced Employer Group Waiver Plan (EGWP) for all Medicare-eligible members covered under the Plan. During fiscal year 2021, the Plan received $167,474 in EGWP funds from the Center of Medicare and Medicaid Services (CMS) through the EGWP Plan Sponsor, OptumRx.

Pharmacy rebates are reimbursed to the Plan by the third-party administrators. These rebates are recorded as revenue when received by the Plan. During fiscal year 2021, the Plan received $77,257 compared to $202,491 from fiscal year 2020. The decrease is due to the timing of receipt of funds.

OptumRx provides a pharmacy management allowance, which is a temporary allowance for each covered life that is treated as a discount against the cost of drugs. This allowance can be used to provide improvements or enhancements to the benefits and services offered, or to assist in paying for ongoing administrative costs of providing drug benefits. The Plan received $1,942 in pharmacy management allowance in fiscal year 2021.

(Continued)

The Pension Plan's investment rates of return for the year ended June 30 were as follows:

	Year ended		
	2021	**2020**	**2019**
Plan returns	27.64 %	3.84 %	6.40 %
Broad domestic equity	42.69	2.61	8.41
Global equity ex-U.S.	38.54	(3.59)	(0.08)
Fixed income	2.19	7.36	6.34
Opportunistic	23.85	0.52	7.21
Real assets	9.86	2.06	—
Absolute return	—	—	4.08
Private equity	50.67	10.49	17.66
Cash equivalents	—	—	2.50
Actuarially assumed rate of return	7.38	7.38	7.38

The Alaska Retiree Healthcare Trust Plan's investment rates of return for the year ended June 30 were as follows:

	Year ended		
	2021	**2020**	**2019**
Plan returns	27.69 %	3.93 %	6.45 %
Broad domestic equity	42.69	2.62	8.41
Global equity ex-U.S.	38.57	(3.58)	(0.09)
Fixed income	2.20	7.36	6.34
Opportunistic	23.86	0.05	7.20
Real assets	10.00	2.37	6.18
Absolute return	—	—	4.07
Private equity	50.67	10.54	17.66
Cash equivalents	—	—	2.49
Actuarially assumed rate of return	7.38	7.38	7.38

(Continued)

Benefits and Other Deductions

The primary deduction of the Plan is the payment of pension and postemployment healthcare benefits. These benefit payments and the cost of administering the System comprise the cost of operations as follows:

	Deductions				
			Increase (decrease)		
	2021	2020	Amount	Percentage	2019
Pension benefits	$ 14,368,857	14,178,500	190,357	1.3 %	$ 13,627,946
Postemployment healthcare benefits	1,729,090	1,425,588	303,502	21.3	1,059,105
Administrative	171,730	180,280	(8,550)	(4.7)	114,604
Total	$ 16,269,677	15,784,368	485,309	3.1 %	$ 14,801,655

The System's pension benefit payments in 2021 increased $190,357 or 1.3% from fiscal year 2020, which increased $550,554 or 4.0% from fiscal year 2019. The increase in pension benefits in fiscal year 2021 is the result of an increase in the retirees from 143 in 2020 to 145 in 2021, or a 1.4% increase in retirees.

The System's postemployment healthcare benefit payments in fiscal year 2021 increased $303,502 or 21.3% from fiscal year 2020, which increased $366,483 or 34.6% from fiscal year 2019. The fiscal year 2021 increase in healthcare costs were attributed to a per member claim cost increase.

Net Pension (Asset) Liability

Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, requires the pension Plan to report the total pension liability, fiduciary net position, and net pension (asset) liability. The total pension liability represents the total obligation for the Plan's pension benefits related to costs incurred as a result of years of service, changes in benefit terms, changes in actuarial assumptions, and any differences between the actuarial assumptions and actual experience. The Plan's fiduciary net position represents the assets available to pay the Plan's future payment stream. The assets are derived from contributions received from participating employers, plan members, and nonemployer contributions as well as investment earnings, less benefit payments during the year and the related costs to administer the Plan. The difference between the total pension liability and fiduciary net position is the net pension (asset) liability, or the (overfunded) / unfunded portion of the total pension liability.

The components of the net pension (asset) liability of the participating employer of the Plan as of June 30 were as follows:

		2021	2020
Total pension liability	$	218,717,460	229,271,139
Plan fiduciary net position		(245,047,997)	(189,844,024)
Employer's net pension (asset) liability	$	(26,330,537)	39,427,115
Plan fiduciary net position as a percentage of the total pension liability		112.04 %	82.80 %

Net OPEB Asset

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Penson Plans*, requires the other postemployment benefit (OPEB) Plan to report the total OPEB liability, fiduciary net position, and net OPEB asset. The total OPEB liability represents the total obligation for the Plan's postemployment healthcare benefits related to costs incurred as a result of years of service, changes in benefit terms, changes in actuarial assumptions, and any differences between the actuarial assumptions and actual experience. The Plan's fiduciary net position represents the assets available to pay the Plan's future payment stream. The assets are derived from contributions received from participating employers, plan members, and nonemployer contributions as well as investment earnings, less benefit payments during the year and the related costs to administer the Plan. The difference between the total OPEB liability and fiduciary net position is the net OPEB asset, or the overfunded portion of the total OPEB liability.

The components of the net OPEB asset of the participating employer of the Plan as of June 30 were as follows:

		2021	2020
Total OPEB liability	$	17,920,646	19,205,475
Plan fiduciary net position		(43,173,349)	(34,036,503)
Employer's net OPEB asset	$	(25,252,703)	(14,831,028)
Plan fiduciary net position as a percentage of the total OPEB liability		240.91 %	177.22 %

Funding

Retirement benefits are financed by accumulations from employer, nonemployer, and plan member contributions and income earned on System investments:

- The actuarially determined contribution rate is calculated by the System's consulting actuary and approved by the administrator. Contributions are determined on an annual basis either through the actuarial valuation or the actuarial valuation roll-forward process.

(Continued)

- Plan member contributions are set by Alaska Statute 22.25.011.
- The Board works with an external consultant to determine the proper asset allocation strategy.

Legislation

During fiscal year 2021, the 32nd Alaska State Legislature enacted one law that affects the System. Conference Committee Substitute First Special Session House Bill 69, Section 73(d), appropriates $4,185,000 from the general fund to the Department of Administration for deposit in the System's defined benefit pension fund as partial payment of the participating employer's contributions for the fiscal year ending June 30, 2022.

Economic Conditions, Future Contribution Rates, and Status of Unfunded Liability

Fiscal year 2021 had positive investment returns. Net investment income increased from $8,915,235 in fiscal year 2020 to $66,741,226 in fiscal year 2021, an increase of $57,825,991, or 648.6%. The Board continues to work with its investment counsel and the Alaska Department of Revenue, Treasury Division, to diversity the portfolio of the System to maintain an optimal risk/return ratio.

The actuarial valuation as of June 30, 2020 reported a funding ratio of 100.5% and an unfunded liability of $1.1 million. The actuarial roll-forward valuation for June 30, 2019 reported a funding ratio of 91.7% and an unfunded liability of $19.8 million. The decrease in the unfunded liability is attributable to additional employer contributions to the pension plan over the last several fiscal years. Additionally, the Plan benefited from updated healthcare cost trend assumptions. The impacts of these, combined with negligible losses in other categories, also increased the total actuarially determined contribution rate (normal and past service costs) for fiscal year 2021 to 83.94% from 74.42% for fiscal year 2020.

Requests for Information

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

State of Alaska Judicial Retirement System
Division of Retirement and Benefits, Finance Section
P.O. Box 110203
Juneau, Alaska 99811-0203

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

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

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Combining Statement of Fiduciary Net Position

June 30, 2021
(With summarized financial information for June 30, 2020)

	Pension	Alaska Retiree Healthcare Trust	System total June 30, 2021	System total June 30, 2020
Assets:				
Cash and cash equivalents:				
Short-term fixed income pool	$ 2,209,365	347,619	2,556,984	2,222,150
Securities lending collateral	617,333	109,849	727,182	285,884
Total cash and cash equivalents	2,826,698	457,468	3,284,166	2,508,034
Receivables:				
Due from State of Alaska General Fund	2,262,155	76,577	2,338,732	1,015,397
Other receivables	766	18,443	19,209	1,004
Total receivables	2,262,921	95,020	2,357,941	1,016,401
Investments at fair value:				
Fixed-income securities:				
Alternative fixed income pool	5,942,998	1,059,366	7,002,364	6,849,786
Opportunistic fixed income pool	8,671,079	1,545,687	10,216,766	7,250,761
Barclays aggregate bond fund	34,631,422	6,173,406	40,804,828	34,177,738
Total fixed-income securities	49,245,499	8,778,459	58,023,958	48,278,285
Broad domestic equity pool:				
Large cap pool	61,425,368	10,949,645	72,375,013	55,875,224
Small cap pool	5,205,134	927,844	6,132,978	4,937,570
Total broad domestic equity	66,630,502	11,877,489	78,507,991	60,812,794
Global equity ex-U.S.:				
International equity pool	36,721,239	6,545,887	43,267,126	34,699,646
Emerging markets equity pool	7,800,931	1,390,551	9,191,482	7,256,106
Total global equity ex-U.S.	44,522,170	7,936,438	52,458,608	41,955,752
Opportunistic:				
Alternative equity pool	2,802,296	499,507	3,301,803	2,386,528
Alternative beta pool	2,237,763	398,951	2,636,714	2,518,906
Other opportunities pool	146,907	26,174	173,081	311,248
Tactical allocation strategies pool	9,004,427	1,605,172	10,609,599	6,887,996
Total opportunistic	14,191,393	2,529,804	16,721,197	12,104,678
Private equity pool	36,133,731	6,441,173	42,574,904	27,517,084
Real assets:				
Real estate pool	11,044,327	1,972,947	13,017,274	11,197,911
Real estate investment trust pool	3,895,925	694,484	4,590,409	2,503,385
Infrastructure private pool	5,366,792	956,645	6,323,437	5,532,524
Energy pool	447,776	79,786	527,562	553,673
Farmland pool	6,477,961	1,154,804	7,632,765	7,338,401
Timber pool	2,640,816	470,729	3,111,545	2,973,292
Total real assets	29,873,597	5,329,395	35,202,992	30,099,186
Total investments	240,596,892	42,892,758	283,489,650	220,767,779
Other assets	—	3,076	3,076	3,076
Total assets	245,686,511	43,448,322	289,134,833	224,295,290
Liabilities:				
Claims payable	—	148,000	148,000	111,000
Accrued expenses	21,180	17,124	38,304	17,879
Securities lending collateral payable	617,334	109,849	727,183	285,884
Total liabilities	638,514	274,973	913,487	414,763
Net position restricted for pension and postemployment healthcare benefits	$ 245,047,997	43,173,349	288,221,346	223,880,527

See accompanying notes to financial statements.

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2021
(With summarized financial information for June 30, 2020)

	Pension	Alaska Retiree Healthcare Trust	System total June 30, 2021	System total June 30, 2020
Additions:				
Contributions:				
Employer	$ 6,962,607	654,383	7,616,990	6,847,507
Plan members	837,686	—	837,686	838,676
Nonemployer contribution – State of Alaska	5,145,000	—	5,145,000	5,010,000
Total contributions	12,945,293	654,383	13,599,676	12,696,183
Investment income:				
Net appreciation in fair value	54,569,849	9,640,529	64,210,378	6,183,187
Interest	698,257	123,321	821,578	1,029,331
Dividends	1,987,555	354,838	2,342,393	2,335,926
Total investment income	57,255,661	10,118,688	67,374,349	9,548,444
Less investment expense	544,884	95,170	640,054	640,356
Net investment income before securities lending activities	56,710,777	10,023,518	66,734,295	8,908,088
Securities lending income	7,361	1,300	8,661	8,930
Less securities lending expense	1,470	260	1,730	1,783
Net income from securities lending activities	5,891	1,040	6,931	7,147
Net investment income	56,716,668	10,024,558	66,741,226	8,915,235
Other income:				
Employer group waiver plan	—	167,474	167,474	108,886
Medicare retiree drug subsidy	—	685	685	—
Pharmacy rebates	—	77,257	77,257	202,491
Pharmacy management allowance	—	1,942	1,942	—
Miscellaneous income	7,891	14,345	22,236	23,956
Total other income	7,891	261,703	269,594	335,333
Total additions	69,669,852	10,940,644	80,610,496	21,946,751
Deductions:				
Pension and postemployment healthcare benefits	14,368,857	1,729,090	16,097,947	15,604,088
Administrative	97,022	74,708	171,730	180,280
Total deductions	14,465,879	1,803,798	16,269,677	15,784,368
Net increase	55,203,973	9,136,846	64,340,819	6,162,383
Net position restricted for pension and postemployment healthcare benefits:				
Balance, beginning of year	189,844,024	34,036,503	223,880,527	217,718,144
Balance, end of year	$ 245,047,997	43,173,349	288,221,346	223,880,527

See accompanying notes to financial statements.

(1) Description

The State of Alaska Judicial Retirement System (the System) is a component unit of the State of Alaska (the State). The System consists of a single employer defined benefit pension plan and a defined benefit other postemployment healthcare plan and is administered by the Division of Retirement and Benefits within the Department of Administration to provide pension and postemployment healthcare benefits for eligible state justices and judges. Benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Alaska Retirement Management Board (the Board) is responsible for overseeing the management and investment of the System. The Board consists of nine trustees as follows, two trustees consisting of the commissioner of administration and the commissioner of revenue, two trustees who are members of the general public, one trustee who is employed as a finance officer for a political subdivision participating in either the Public Employees' Retirement System (PERS) or Teachers' Retirement System (TRS), two trustees who are PERS members, and two trustees who are TRS members.

(a) Defined Benefit Pension Plan

Inclusion in the Plan is a condition of employment for eligible State justices and judges. At June 30, 2021, the plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	144
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	72
	219

(b) Pension Benefits

Members with five or more paid-up years of credited service are entitled to annual pension benefits beginning at normal retirement at age 60 or early retirement at age 55. Members who are under age 60 and have 20 or more years of credited service may retire at any age and receive an actuarially reduced benefit.

The normal monthly pension benefit is based on the member's years of service and the current authorized salary for the position from which they retired. The pension benefit is equal to 5% for each year of service up to a maximum of 75% of the current base salary for an active judge in the month the benefit is paid. In the event of salary increases for active judges, the monthly pension benefit for retired judges also increases.

(c) Death Benefits

Upon the death of a member who has served for at least two years, the surviving spouse is entitled to receive monthly benefits equal to one-half of the monthly retirement pay the member would have been entitled to receive if retired at the time of death. If the member was not eligible to retire or would have been entitled to less than 60% of the monthly authorized salary, the spouse is entitled to monthly benefits not less than 30% of the authorized salary. The benefits continue until the surviving spouse dies.

If there is no eligible surviving spouse, the member's surviving dependent child(ren) are entitled to receive a benefit equal to 50% of the above survivor's benefit. Each child will receive an equal share of the benefit while they are dependent. If there is no surviving spouse or dependent child(ren), the member's beneficiary(ies) shall receive the difference between contributions made and interest accrued in the System, less benefits paid by the System.

(d) Disability Benefits

Members who are involuntarily retired for incapacity and have a minimum of five years of service at the time of retirement for incapacity are eligible for pension benefits.

(e) Contributions

Contribution requirements of the active plan members and the participating employers are actuarially determined and approved by the Board as an amount that, when combined, is expected to finance the costs of both pension and postemployment healthcare benefits earned by plan members during the year. The plan members first appointed after July 1, 1978 contribute 7.00% of their compensation as required by statute. Contributions are not required after members have made contributions for 15 years. Members appointed before July 1, 1978 are not required to make contributions. For fiscal years 2021 and 2020, employer contribution rates are 83.94% and 74.42% of eligible compensation, respectively, of which only the employer normal cost rates of 48.16% and 42.46%, respectively, were required from the Alaska Court System. The past service costs were paid for separately by the State via annual appropriations.

(f) Refunds

Plan member contributions may be voluntarily refunded to the justice or judge if office is vacated before the justice or judge is fully vested. A justice or judge shall have a vested right to accrued pay if the justice or judge has served five years or more. Plan member contributions may be involuntarily refunded to a garnishing agency. Members whose contributions have been refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest, as long as they have returned to active service. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the involuntary refunded balance and accrued interest.

(g) Other Postemployment Benefit Plan

The Alaska Retiree Healthcare Trust Plan (ARHCT), a healthcare trust fund of the State, provides major medical coverage to retirees of the Plan. These major medical benefits, to cover medical expenses, are provided without cost to retired plan members. The ARHCT is self-funded and self-insured. The ARHCT is closed to all new members effective July 1, 2006. As of June 30, 2021, membership in the plan was as follows:

Inactive plan members or beneficiaries currently receiving benefits	144
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	72
	219

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). Contributions are due to the System when employee services have been performed and paid. Contributions are recognized as revenue when due pursuant to statutory requirements. Benefits are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received, or payment is made.

(b) Use of Estimates

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

(c) Cash and Cash Equivalents

Cash and cash equivalents include the System’s holdings within the short-term fixed-income pool and overnight investments associated with securities lending collateral. These holdings have the general characteristics of a demand deposit account.

(d) Investments

The System owns shares in various investment pools that are administered by the State of Alaska, Department of Revenue, Division of Treasury (Treasury). The System’s investment in the pools, except for the short-term fixed-income pool, is reported at fair value based on the net asset value reported by the Treasury. The short-term fixed-income pool maintains a share price of $1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals.

(e) Contributions Receivable

Contributions from the System’s members and the employer for payrolls received through August 31 for wages paid for service through June 30 are accrued. These contributions are considered fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements.

(f) Due from State of Alaska General Fund

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

(g) Other Income

Other income consists of Medicare Part D Retiree Drug Subsidy (RDS) rebates, Employer Group Waiver Plan (EGWP) rebates, pharmacy rebates, and other miscellaneous items. The RDS are rebates provided to the plan sponsor. The State has elected to voluntarily put the RDS back into the trust and treat it as a contribution for purposes of calculating the net OPEB liability. The EGWP and pharmacy rebates are provided to the Plan through the third-party administrators and are treated as a reduction to the benefit payments for purposes of calculating the net OPEB liability. RDS, and pharmacy rebates are recognized on a cash basis.

(h) Administrative Costs

Administrative costs are paid from investment earnings.

(i) Federal Income Tax Status

The Plans are qualified plans under Section 401(a) of the Internal Revenue Code and are exempt from federal income taxes under Section 501(a).

(3) Investments

The Board is the investment oversight authority of the System’s investments. As the fiduciary, the Board has the statutory authority to invest assets under the Prudent Investor Rule. Fiduciary responsibility for the Board’s invested assets is pursuant to AS 37.10.210-390.

AS 37.10.071 provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board.

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Board has developed investment guidelines, policies, and procedures for Treasury staff and external investment managers to adhere to when managing investments. Treasury manages the U.S. Treasury Fixed-Income Pool, Real Estate Investment Trust Pool, and Treasury Inflation-Protected Securities Pool, in addition to acting as oversight manager for all externally managed investments. All other investments are managed by external management companies.

The short-term fixed-income pool is a State pool managed by Treasury that holds investments on behalf of the Board as well as other State funds.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2021 for the Defined Benefit Pension Plan is 29.62% and for the ARHTC Plan is 29.85%.

For additional information on securities lending, 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 State of Alaska Retirement and Benefits Plans at http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx.

(4) Net Pension Asset – Defined Benefit Pension Plan

The components of the net pension asset of the participating employer of the Plan at June 30, 2021 were as follows:

Total pension liability	$	218,717,460
Plan fiduciary net position		(245,047,997)
Employers' net pension asset	$	(26,330,537)
Plan fiduciary net position as a percentage of the total pension liability		112.04 %

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

Inflation	2.50% per year
Salary increases	0% per year for FY21 through FY24, and 3.62% per year thereafter.
Investment rate of return	7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Mortality	Pre-commencement mortality rates were based on 100% of the RP-2014 white-collar employee table, benefit weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 93% of male and 90% of female rates of the RP-2014 white-collar healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The actuarial assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 actuarial valuation, except (i) the salary increase and the pensioner benefit increase assumption were modified to be 0% per year for FY21 through FY24, and 3.62% per year thereafter to better reflect expected short-term experience, and (ii) the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from plan assets.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.04%).

Asset class	Long-term expected real rate of return
Domestic equity	6.63 %
Global equity (non-U.S.)	5.41
Aggregate bonds	0.76
Opportunistic	4.39
Real assets	3.16
Private equity	9.29
Cash equivalents	0.13

(b) Discount Rate

The discount rate used to measure the total pension liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability in accordance with the method prescribed by GASB 67. In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 2.18% as of June 30, 2021.

(c) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System as of June 30, 2021, calculated using the discount rate of 7.38%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1.00% decrease (6.38%)	Current discount rate (7.38%)	1.00% increase (8.38%)
Net pension asset	$ 2,287,072	26,330,537	46,609,932

(5) Net OPEB Asset – ARHCT Plan

The components of the net OPEB asset of the participating employer of the Plan at June 30, 2021 were as follows:

Total OPEB liability	$ 17,920,646
Plan fiduciary net position	(43,173,349)
Employer's net OPEB asset	$ (25,252,703)
Plan fiduciary net position as a percentage of the total OPEB liability	240.91 %

(a) Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods in the measurement, and rolled forward to the measurement date of June 30, 2021:

Inflation	2.50% per year
Salary increases	0% per year for FY21 through FY24, and 3.62% per year thereafter.
Investment rate of return	7.38% per year, net of post-retirement healthcareinvestment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Trend rates	Pre-65 medical: 6.5% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Rx EGWP: 7.5% grading down to 4.5%
Mortality	Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 white-collar employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 93% of male and 90% of female rates of the RP-2014 white-collar healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.

2. The salary increase assumption was modified to be 0% per year for FY21 through FY24, and 3.62% per year thereafter to better reflect short-term experience.

3. The Further Consolidated Appropriations Act, 2020 that was signed in December 2019 made several changes, including the repeal of the Cadillac Tax.

4. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from plan assets.

The long-term expected rate of return on postretirement healthcare plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the postretirement healthcare plan's target asset allocation as of June 30, 2021 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.04%):

Asset class	Long-term expected real rate of return
Domestic equity	6.63 %
Global equity (non-U.S.)	5.41
Aggregate bonds	0.76
Opportunistic	4.39
Real assets	3.16
Private equity	9.29
Cash equivalents	0.13

(b) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021 was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the postretirement healthcare plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on postretirement healthcare plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability in accordance with the method prescribed by GASB 74. In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 2.18% as of June 30, 2021.

(Continued)

(c) Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset as of June 30, 2021, calculated using the discount rate of 7.38%, as well as what the System's net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

		1.00% decrease (6.38%)	Current discount rate (7.38%)	1.00% increase (8.38%)
Net OPEB asset	$	23,095,678	25,252,703	27,046,526

(d) Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset as of June 30, 2021, calculated using the healthcare cost trend rates as summarized in the 2020 actuarial valuation report, as well as what the System's net OPEB asset would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

		1.00% decrease	Current healthcare cost trend rate	1.00% increase
Net OPEB asset	$	27,344,787	25,252,703	22,718,347

(6) Claims Payable

The liability for claims payable and claims incurred but not reported, included in the claims payable amount on the statement of fiduciary net position, represent the estimated amounts necessary to settle all outstanding claims incurred 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 were as follows:

		2021	2020
Total, beginning of year	$	111,000	98,000
Healthcare benefits		1,729,090	1,425,588
Benefits paid		(1,692,090)	(1,412,588)
Total, end of year	$	148,000	111,000

(7) Commitments and Contingencies

The Division is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Division of Retirement and Benefits' counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Division.

(8) Employer Group Waiver Program

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

(9) Medicare Part D Retiree Drug Subsidy

One of the provisions of Medicare Part D provides sponsors of pension healthcare plans the opportunity to receive an RDS payment if the sponsor's plan provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The RDS is equal to 28% of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, by virtue of continuing to be covered by the sponsor's plan. The ARHCT Plan was approved for participation in the Medicare Part D program beginning calendar year 2006.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Changes in Plan Net Pension (Asset) Liability and Related Ratios – Defined Benefit Pension Plan

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total pension liability:										
Service cost	$ 6,406,615	6,580,544	5,639,424	6,452,021	6,226,617	6,024,599	5,814,128	5,185,969	5,004,795	5,062,095
Interest	16,828,004	17,340,132	18,137,715	17,330,757	16,448,646	16,416,869	15,564,753	15,284,981	14,576,016	14,278,926
Differences between expected and actual experience	4,375,904	—	(13,087,119)	41,775	(10,826,335)	35,662	(11,187,236)	—	—	(451,843)
Changes of assumptions	(23,795,345)	(16,406,216)	10,539,605	—	—	—	4,219,851	—	—	—
Benefit payments, including refunds of member contributions	(14,368,857)	(14,178,500)	(13,627,946)	(12,125,563)	(11,588,512)	(11,228,221)	(10,683,962)	(10,578,414)	(10,343,220)	(10,046,138)
Net change in total pension liability	(10,553,679)	(6,664,040)	7,601,679	11,698,990	260,416	11,248,909	3,727,534	9,892,536	9,237,591	8,843,040
Total pension liability – beginning	229,271,139	235,935,179	228,333,500	216,634,510	216,374,094	205,125,185	201,397,651	191,505,115	182,267,524	173,424,484
Total pension liability – ending (a)	218,717,460	229,271,139	235,935,179	228,333,500	216,634,510	216,374,094	205,125,185	201,397,651	191,505,115	182,267,524
Plan fiduciary net position:										
Contributions – employers	6,962,607	6,117,144	5,347,675	5,142,959	5,673,683	5,819,499	4,980,772	4,578,693	4,443,785	3,212,901
Contributions – member	837,686	838,676	813,374	832,718	886,162	801,924	810,819	780,054	721,171	704,671
Contributions – nonemployer (State)	5,145,000	5,010,000	4,909,000	5,385,000	5,412,366	5,890,788	5,241,619	4,282,876	3,650,650	2,205,898
Net investment income	56,716,668	7,537,504	10,447,841	13,590,028	18,909,380	(567,149)	4,349,487	21,845,311	13,180,214	121,042
Benefit payments, including refunds of member contributions	(14,368,857)	(14,178,500)	(13,627,946)	(12,125,563)	(11,588,512)	(11,228,221)	(10,683,962)	(10,578,414)	(10,343,220)	(9,666,901)
Administrative expenses	(97,022)	(106,618)	(59,094)	(62,933)	(79,219)	(60,330)	(86,243)	(65,716)	(82,231)	(44,855)
Other income	7,891	—	—	—	—	2,364	92	12	—	12
Net change in plan fiduciary net position	55,203,973	5,218,206	7,830,850	12,762,209	19,213,860	658,875	4,612,584	20,842,816	11,570,369	(3,467,232)
Plan fiduciary net position – beginning	189,844,024	184,625,818	176,794,968	164,032,759	144,818,899	144,160,024	139,547,440	118,704,624	107,134,255	110,601,487
Plan fiduciary net position – ending (b)	245,047,997	189,844,024	184,625,818	176,794,968	164,032,759	144,818,899	144,160,024	139,547,440	118,704,624	107,134,255
Plan’s net pension (asset) liability (a)–(b)	$ (26,330,537)	39,427,115	51,309,361	51,538,532	52,601,751	71,555,195	60,965,161	61,850,211	72,800,491	75,133,269
Plan fiduciary net position as a percentage of the total pension liability	112.04 %	82.80 %	78.25 %	77.43 %	75.72 %	66.93 %	70.28 %	69.29 %	61.99 %	58.78 %
Covered payroll	$ 13,935,042	14,063,861	13,794,071	13,855,039	13,712,665	13,312,955	13,440,878	13,174,513	12,762,199	12,371,625
Net pension (asset) liability as a percentage of covered payroll	(188.95)%	280.34 %	371.97 %	371.98 %	383.60 %	537.49 %	453.73 %	469.47 %	570.44 %	607.30 %

See accompanying notes to required supplementary information (unaudited) and independent auditors’ report.

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Employer and Nonemployer Contributions – Defined Benefit Pension Plan

Last 10 Fiscal Years

Fiscal Year	Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2021	$ 10,238,911	12,107,606	(1,868,695)	13,157,172	92.02 %
2020	9,388,398	11,127,144	(1,738,746)	13,392,864	83.08 %
2019	9,454,023	10,256,675	(802,652)	13,392,864	76.58 %
2018	10,632,195	10,527,959	104,236	14,598,647	72.12 %
2017	10,470,676	11,086,049	(615,373)	14,088,638	78.69 %
2016	11,182,754	11,710,287	(527,533)	13,995,937	83.67 %
2015	10,328,791	10,222,391	106,400	13,506,984	75.68 %
2014	9,155,796	8,861,569	294,227	13,730,948	64.54 %
2013	8,366,815	8,094,435	272,380	13,289,096	60.91 %
2012	5,051,754	5,418,799	(367,045)	11,803,164	45.91 %

See accompanying notes to required supplementary information (unaudited) and independent auditors’ report.

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Defined Benefit Pension Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2021	29.62 %
2020	4.05 %
2019	5.88 %
2018	8.20 %
2017	13.04 %
2016	(0.43)%
2015	3.09 %
2014	18.40 %

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Changes in Plan Net OPEB (Asset) Liability and Related Ratios – Alaska Retiree Healthcare Trust Plan

		2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	$	910,724	757,923	784,426	689,538	733,897
Interest		1,429,308	1,339,558	1,511,105	1,391,440	1,317,927
Differences between expected and actual experience		663,374	172,561	(735,641)	592,098	209,718
Changes of assumptions		(2,763,326)	131,866	(1,214,467)	—	—
Benefit payments, including refunds of member contributions		(1,692,383)	(1,267,666)	(978,813)	(1,575,877)	(1,031,148)
EGWP rebates		167,474	108,886	22,294	—	—
Net change in total OPEB liability		(1,284,829)	1,243,128	(611,096)	1,097,199	1,230,394
Total OPEB liability – beginning		19,205,475	17,962,347	18,573,443	17,476,244	16,245,850
Total OPEB liability – ending (a)		17,920,646	19,205,475	17,962,347	18,573,443	17,476,244
Plan fiduciary net position:						
Contributions – employer		654,383	730,363	591,397	620,951	627,649
Contributions – RDS		685	—	74,248	20,943	—
Net investment income		10,024,558	1,377,730	1,901,255	2,455,182	3,470,206
Benefit payments		(1,729,090)	(1,425,588)	(1,059,105)	(1,590,842)	(1,031,148)
EGWP rebates		167,474	108,886	22,294	—	—
Pharmacy rebates		77,257	202,491	117,852	43,577	—
Pharmacy management allowance		1,942	—	—	—	—
ASO fees		(42,492)	(44,569)	(37,560)	(28,611)	—
Net benefit payments		(1,524,909)	(1,158,780)	(956,519)	(1,575,876)	(1,031,148)
Administrative expenses, net of ASO fees		(32,216)	(29,092)	(17,950)	(15,127)	(50,762)
Other		14,345	23,956	2,291	244	127,457
Net change in plan fiduciary net position		9,136,846	944,177	1,594,722	1,506,317	3,143,402
Plan fiduciary net position – beginning		34,036,503	33,092,326	31,497,604	29,991,287	26,847,885
Plan fiduciary net position – ending (b)		43,173,349	34,036,503	33,092,326	31,497,604	29,991,287
Plan's net OPEB asset (a)–(b)	$	(25,252,703)	(14,831,028)	(15,129,979)	(12,924,161)	(12,515,043)
Plan fiduciary net position as a percentage of the total OPEB liability		240.91 %	177.22 %	184.23 %	169.58 %	171.61 %
Covered payroll	$	13,935,042	14,063,861	13,794,071	13,855,039	13,712,665
Net OPEB asset as a percentage of covered payroll		(181.22)%	(105.45)%	(109.68)%	(93.28)%	(91.27)%

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Employer and Nonemployer Contributions – Alaska Retiree Healthcare Trust Plan

Last 10 Fiscal Years

Fiscal Year		Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2021	$	805,219	654,383	150,836	13,157,172	4.97 %
2020		578,572	730,363	(151,791)	13,392,864	5.45 %
2019		598,661	591,397	7,264	13,392,864	4.42 %
2018		632,121	620,951	11,170	14,598,647	4.25 %
2017		631,171	627,649	3,522	14,088,638	4.46 %
2016		500,945	508,413	(7,468)	13,995,937	3.63 %
2015		312,548	520,480	(207,932)	13,506,984	3.85 %
2014		1,094,357	881,725	212,632	13,730,948	6.42 %
2013		722,960	834,295	(111,335)	13,289,096	6.28 %
2012		1,432,721	598,429	834,292	11,803,164	5.07 %

See accompanying notes to required supplementary information (unaudited) and independent auditors’ report.

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Alaska Retiree Healthcare Trust Plan

Fiscal Year	**Annual money-weighted rate of return, net of investment expense**
2021	29.85 %
2020	4.18 %
2019	6.08 %
2018	8.33 %
2017	12.53 %

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors’ report.

(1) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Buck. The significant actuarial methods and assumptions used in the valuation as of June 30, 2020 were as follows:

(a) Actuarial cost method – Liabilities and contributions in the report are computed using the Entry Age Normal Actuarial Cost Method, level percent of pay. Each year’s difference between actual and expected unfunded actuarial accrued liability is amortized over 25 years as a level percent of expected payroll.

Projected pension and postemployment healthcare benefits were determined for all active members. Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year from the assumed entry age to the last age with a future benefit were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members and determining an average normal cost rate which is then related to the total payroll of active members. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for retired members and their beneficiaries currently receiving benefits, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

(b) Valuation of assets – The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2006. Beginning in FY07, the asset value method recognizes 20% of the gain or loss each year, for a period of five years. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from financial statements. Valuation of assets are constrained to a range of 80% to 120% of the fair value of assets.

(c) Valuation of retiree medical and prescription drug benefits – Base claims cost rates are incurred healthcare costs expressed as a rate per member per year. Ideally, claims cost rates should be derived for each significant component of cost that can be expected to require differing projection assumptions or methods (i.e., medical claims, prescription drug claims, administrative costs, etc.).

Separate analysis is limited by the availability and historical credibility of cost and enrollment data for each component of cost. This valuation reflects non-prescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes, as described below. Analysis to date on Medicare Part A coverage is limited since Part A claim data is not available by individual, nor is this status incorporated into historical claim data.

(d) Investment return – 7.38% per year, net of investment expenses

(e) Salary scale – 0% per year for FY21 through FY24, and 3.62% per year thereafter

(f) Payroll growth – 2.75% per year (inflation + productivity)

(g) Total inflation – Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 2.50% annually.

(h) Compensation and benefit limit increases – Compensation is limited to the IRC 401 (a)(17) amount, which was $285,000 for 2020. This limit is assumed to increase 2.50% each year thereafter.

Benefits are limited to the IRC 415 amount, which was $230,000 for 2020. This limit is assumed to increase 2.50% each year thereafter.

(i) Benefit payment increase – Benefits for retired members are assumed to increase 0.0% per year for FY21 through FY24, and 3.62% per year thereafter.

(j) Mortality (pre-commencement) – Mortality rates based upon the 2013–2017 actual experience. RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

(k) Mortality (post-commencement) – Mortality rates based upon the 2013–2017 actual experience. 93% of male and 90% of female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

(l) Turnover – 3% if service is less than 10 years, with an ultimate rate of 1% thereafter. Turnover rates cease once a member is eligible for retirement.

(m) Disability – Post-disability mortality in accordance with the RP-2014 disability table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

(n) Retirement – Deferred vested members are assumed to retire at age 60.

(o) Form of payment – Married members are assumed to choose the 50% Joint and Survivor benefit option. Single members are assumed to elect the Modified Cash Refund Annuity.

(p) Spouse age difference – Males are assumed to be four years older than their wives. Females are assumed to be four years younger than husbands.

(q) Percent married for pension – 90% of male members and 70% female members are assumed to be married at termination from active service.

(r) Dependent spouse medical coverage election – Applies to members who do not have double medical coverage. 90% of male members and 70% female members are assumed to be married and cover a dependent spouse.

(s) Dependent children – Pension: None. Healthcare: Benefits for dependent children have been valued only for members currently covering their dependent children. These benefits are only valued through the dependent children's age 23 (unless the child is disabled).

(t) Contribution Refunds – 0% of terminating member with vested benefits are assumed to have their contributions refunded. 100% of those with non-vested benefits are assumed to have their contributions refunded.

(u) Imputed data – Data changes from the prior year which are deemed to have an immaterial impact on liabilities and contribution rates are assumed to be correct in the current year's client data. Non-vested terminations with appropriate refund dates are assumed to have received a full refund of contributions. Active members with missing salary and service are assumed to be terminated with status based on their vesting percentage.

(v) Expenses – The investment return assumption is net of investment expenses. The Normal Cost as of June 30, 2020 was increased by the following amounts for administrative expenses: Pension – $83,000 and Healthcare – $24,000.

(w) Per capita claims cost – Sample claims cost rates adjusted to age 65 for FY21 medical and prescription drug benefits are shown below:

		Medical	Prescription drugs
Pre-Medicare	$	15,360	3,393
Medicare Parts A and B		1,618	3,340
Medicare Part B only		5,340	3,340
Medicare Part D – EGWP		N/A	1,003

Members are assumed to attain Medicare eligibility at age 65. All costs are for the 2021 fiscal year (July 1, 2020 – June 30, 2021).

(Continued)

The EGWP subsidy is assumed to increase in future years by the trend rates shown on the following pages. No future legislative changes or other events are anticipated to impact the EGWP subsidy. If any legislative or other changes occur in the future that impact the EGWP subsidy (which could either increase or decrease the Plan's actuarial accrued liability), those changes will be evaluated and quantified when they occur.

(x) Third-party administrator fees – $449 per person per year; assumed trend rate of 4.5% per year

(y) Medicare Part B Only – It's assumed that 5% of actives hired before April 1, 1986 and current retirees who are not yet Medicare eligible will not be eligible for Medicare Part A.

(z) Healthcare cost trend – The table below shows the rates used to project the cost from the shown fiscal year to the next fiscal year. For example, 6.5% is applied to the FY21 pre-Medicare medical claims cost to get the FY22 medical claims cost:

	Medical		Prescription
Fiscal year	**Pre-65**	**Post-65**	**drugs/EGWP**
2021	6.5 %	5.4 %	7.5 %
2022	6.3	5.4	7.1
2023	6.1	5.4	6.8
2024	5.9	5.4	6.4
2025	5.8	5.4	6.1
2026	5.6	5.4	5.7
2027–2040	5.4	5.4	5.4
2041	5.3	5.3	5.3
2042	5.2	5.2	5.2
2043	5.1	5.1	5.1
2044	5.1	5.1	5.1
2045	5.0	5.0	5.0
2046	4.9	4.9	4.9
2047	4.8	4.8	4.8
2048	4.7	4.7	4.7
2049	4.6	4.6	4.6
2050+	4.5	4.5	4.5

For the June 30, 2014 valuation and later, the updated Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model estimates trend amounts that are projected out for 80 years. The model has been populated with assumptions that are specific to the State of Alaska.

(aa) Aging factors:

Age	Medical	Prescription drugs
0–44	2.0 %	4.5 %
45–54	2.5	3.5
55–64	2.5	1.5
65–74	3.0	2.0
75–84	2.0	(0.5)
85–94	0.3	(2.5)
95+	—	—

(bb) Health participation – 100% system paid of members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the Plan. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated benefits.

Changes in Actuarial Methods since the Prior Valuation – June 30, 2018 to June 30, 2020

There are no changes in the asset or valuation methods since the prior valuation.

Changes in Actuarial Assumptions since the Prior Valuation – June 30, 2018 to June 30, 2020

Healthcare claim costs are updated annually as described in Section 4.2. The Further Consolidated Appropriations Act, 2020 that was signed in December 2019 made several changes, including the repeal of the Cadillac Tax. The repeal of the Cadillac Tax reduced the plan's liabilities as of June 30, 2020 by approximately $0.2 million. The salary and pensioner benefit increase assumptions were modified to be 0% per year for FY21 through FY24, and 3.62% per year thereafter. The amounts included in the Normal Cost for administrative expenses were changed from $71,050 to $83,000 for pension and from $19,250 to $24,000 for healthcare (based on the most recent two years of actual administrative expenses paid from plan assets).

Changes in Benefit Provisions since the Prior Valuation – June 30, 2018 to June 30, 2020

There were no changes in benefit provisions since the prior valuation.

SUPPLEMENTAL SCHEDULES

Schedule 1

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Administrative and Investment Deductions

Years ended June 30, 2021 and 2020

	Administrative	Investment	Total 2021	Total 2020
Personal services:				
Wages	$ 18,224	25,549	43,773	42,564
Benefits	9,475	11,786	21,261	23,223
Total personal services	27,699	37,335	65,034	65,787
Travel:				
Transportation	4	85	89	130
Per diem	1	11	12	32
Total travel	5	96	101	162
Contractual services:				
Management and consulting	85,254	3,237	88,491	97,032
Investment management and custodial fees	—	587,437	587,437	591,346
Accounting and auditing	31,257	155	31,412	43,490
Data processing	23,226	8,490	31,716	14,040
Communications	384	141	525	618
Advertising and printing	73	16	89	81
Rental/leases	1,355	1,061	2,416	2,238
Legal	220	676	896	2,127
Repairs and maintenance	23	—	23	47
Transportation	335	11	346	626
Securities lending expenses	—	1,729	1,729	1,783
Other professional services	1,720	477	2,197	1,922
Total contractual services	143,847	603,430	747,277	755,350
Other:				
Supplies	55	879	934	234
Equipment	124	44	168	886
Total other	179	923	1,102	1,120
Total administrative and investment deductions	$ 171,730	641,784	813,514	822,419

See accompanying independent auditors' report.

Schedule 2

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2021 and 2020

Firm	Services	2021	2020
Buck Global LLC	Actuarial services	$ 39,204	50,067
KPMG LLP	Auditing services	31,000	43,040
State Street Bank and Trust	Custodial banking services	11,753	9,290
Alaska IT Group	Data processing services	12,088	804
Applied Microsystems Incorporated	Data processing services	3,383	2,917
Sagitec Solutions	Data processing services	16,900	—
SHI International Corporation	Data processing services	144	235
State of Alaska, Department of Law	Legal services	858	2,002
		$ 115,330	108,355

This schedule presents payments to consultants who received greater than $1,000.

See accompanying independent auditors' report.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Table of Contents

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 Deferred Compensation Plan:

We have audited the accompanying financial statements of the State of Alaska Deferred Compensation Plan (the Plan), a component unit of the State of Alaska, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise the Plan's 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 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 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 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 fiduciary net position of the State of Alaska Deferred Compensation Plan as of June 30, 2021 and 2020, and the changes in fiduciary net position for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

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 financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 19–20 are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

October 20, 2021

This section presents management's discussion and analysis (MD&A) of the State of Alaska Deferred Compensation Plan's (the Plan) financial position and performance for the fiscal years ended June 30, 2021 and 2020. 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. Information for fiscal year 2019 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2021 were as follows:

- The Plan's fiduciary net position increased by $219.3 million.
- The Plan's participant contributions and transfers in of $47.2 million increased by $1.2 million when compared to fiscal year 2020.
- The Plan's net investment income increased by $212.9 million when compared to fiscal year 2020, to $253.4 million.
- Benefits paid to participants and purchases of annuity contracts of $79.8 million increased by $8.6 million when compared to fiscal year 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The Plan's financial statements are composed of three components: (1) statements of fiduciary net position, (2) statements of changes in fiduciary net position, and (3) notes to financial statements.

Statements of fiduciary net position – This statement presents information regarding the Plan's assets, liabilities, and resulting net position restricted for participants and operations. This statement reflects the Plan's investments at fair value and contract value along with cash and cash equivalents and receivables less liabilities at June 30, 2021 and 2020.

Statements of changes in fiduciary net position – This statement presents how the Plan's net position restricted for participants and operations changed during the years ended June 30, 2021 and 2020. This statement presents contributions and net investment income during the period. Deductions for benefits paid to participants and purchases of annuity contracts, and administrative expenses are also presented.

The above statements represent resources available for investment and payment of benefits and expenses as of June 30, 2021 and 2020, and the sources and uses of those funds during the years ended June 30, 2021 and 2020.

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

Condensed Financial Information (In thousands)

Fiduciary net position

Description	2021	2020	Increase (decrease) Amount	Increase (decrease) Percentage	2019
Assets:					
Cash and cash equivalents	$ 1,430	1,723	(293)	(17.0)%	$ 1,362
Due from State of Alaska General Fund	2,774	1,803	971	53.9	3,328
Investments	1,219,728	1,001,091	218,637	21.8	987,484
Total assets	1,223,932	1,004,617	219,315	21.8	992,174
Liabilities					
Accrued expenses	187	161	26	16.1	1,854
Total liabilities	187	161	26	16.1	1,854
Fiduciary net position	$ 1,223,745	1,004,456	219,289	21.8%	$ 990,320

Changes in fiduciary net position

Description	2021	2020	Increase (decrease) Amount	Increase (decrease) Percentage	2019
Fiduciary net position, beginning of year	$ 1,004,456	990,320	14,136	1.4%	$ 945,399
Additions:					
Contributions and transfers in	47,203	46,008	1,195	2.6	44,035
Net investment income	253,373	40,492	212,881	525.7	63,332
Other	39	20	19	95.0	29
Total additions	300,615	86,520	214,095	247.5	107,396
Deductions:					
Benefits paid to participants and purchases of annuity contracts	79,754	71,146	8,608	12.1	61,321
Administrative	1,572	1,238	334	27.0	1,154
Total deductions	81,326	72,384	8,942	12.4	62,475
Net increase in net position	219,289	14,136	205,153	1,451.3	44,921
Fiduciary net position, end of year	$ 1,223,745	1,004,456	219,289	21.8%	$ 990,320

Financial Analysis of the Plan

The statement of fiduciary net position as of June 30, 2021 shows net fiduciary position of $1,223,745,000. The entire amount is available to pay benefits to participants and their beneficiaries as well as administrative costs. This amount represents an increase in the Plan's net position restricted for participants and operations of $219,289,000 or 21.8% from fiscal year 2020 to fiscal year 2021, and an increase of $14,136,000 or 1.4% from fiscal year 2019 to fiscal year 2020.

Contributions and Investment Income

Additions to the Plan are accumulated through a combination of participant contributions, plan transfers in, net investment income, and other additions as follows:

	Additions (In thousands)				
			Increase (decrease)		
	2021	2020	Amount	Percentage	2019
Participant contributions	$ 46,476	45,222	1,254	2.8%	$ 42,495
Transfers in	727	786	(59)	(7.5)	1,540
Net investment income	253,373	40,492	212,881	525.7	63,332
Other	39	20	19	95.0	29
Total	$ 300,615	86,520	214,095	247.5%	$ 107,396

The Plan's participant contributions increased from $45,222,000 in fiscal year 2020 to $46,476,000 in fiscal year 2021, an increase of $1,254,000 or 2.8%. The Plan's participant contributions increased from $42,495,000 in fiscal year 2019 to $45,222,000 in fiscal year 2020, an increase of $2,727,000 or 6.4%. Fiscal year 2021 saw an increase in the number of participants, partially offset by a small decrease in the average active plan participant contributions, while fiscal year 2020 saw an increase in the number of participants, but little change in the average active plan participant contributions. The Plan is an optional participation with a minimum contribution of $50 per month.

The Plan's net investment income increased from $40,492,000 in fiscal year 2020 to $253,373,000 in fiscal year 2021, an increase of $212,881,000 or 525.7%. The increase relates to significant positive rates of return in the overall investment environment in fiscal year 2021. Net investment income decreased in fiscal year 2020 by $22,840,000 or 36.1% when compared to amounts recorded fiscal year 2019. This decrease relates to investment performance in fiscal year 2020 compared to similar investments in fiscal year 2019.

(Continued)

The Plan's investment rates of return at June 30, 2021 and 2020 are as follows:

	2021	2020
Alaska Balanced Trust	13.37 %	6.18 %
Alaska Long-Term Balanced Trust	23.55	5.16
Alaska Target Date Retirement 2010 Trust	15.17	5.01
Alaska Target Date Retirement 2015 Trust	17.74	5.12
Alaska Target Date Retirement 2020 Trust	21.44	4.93
Alaska Target Date Retirement 2025 Trust	25.28	4.78
Alaska Target Date Retirement 2030 Trust	28.72	4.46
Alaska Target Date Retirement 2035 Trust	31.81	4.33
Alaska Target Date Retirement 2040 Trust	34.46	4.09
Alaska Target Date Retirement 2045 Trust	36.74	3.76
Alaska Target Date Retirement 2050 Trust	36.78	3.75
Alaska Target Date Retirement 2055 Trust	36.82	3.77
Alaska Target Date Retirement 2060 Trust	36.71	3.62
Alaska Target Date Retirement 2065 Trust	36.58	N/A
BlackRock Strategic Completion Fund	24.97	(4.91)
Environmental, Social, and Governance Fund	40.93	9.16
International Equity Fund	42.43	0.14
MassMutual Bond Fund	1.28	7.67
MassMutual Equity Fund	33.10	0.12
Passive U.S. Bond Index Fund	(0.36)	8.69
Russell 3000 Index Fund	44.07	6.48
S&P 500 Index Fund	40.78	7.48
Stable Value Fund	2.18	2.57
State Street Institutional Treasury Money Market Fund	0.02	1.33
T. Rowe Price U.S. Small-Cap Trust	54.51	(0.03)
World Equity Ex-U.S. Index Fund	35.55	(4.41)

Benefits and Other Deductions

The primary deductions to the Plan are the payment of benefits and purchases of annuity contracts. Benefit payments and administrative expenses were as follows:

	Deductions (In thousands)				
			Increase (decrease)		
	2021	2020	Amount	Percentage	2019
Benefits paid to participants and purchases of annuity contracts	$ 79,754	71,146	8,608	12.1%	$ 61,321
Administrative	1,572	1,238	334	27.0	1,154
Total	$ 81,326	72,384	8,942	12.4%	$ 62,475

The Plan's benefits paid to participants and purchases of annuity contracts in fiscal year 2021 increased by $8,608,000 or by 12.1% from fiscal year 2020 related to CARES Act distributions that active and terminated members could receive as described below. Due to the uncertainty of the world economy related to coronavirus, members opted to withdraw funds to be financially prepared in case of unemployment or loss of other funds they may have had previously. The Plan's benefits paid to participants and purchases of annuity contracts in fiscal year 2020 increased by $9,825,000 or by 16.0% from fiscal year 2019 based on retiree preference.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into U.S. law on March 27, 2020. Section 2202 of the CARES Act provided expanded distribution options for up to $100,000 of coronavirus-related distributions from eligible retirements plans. The Department of Administration, Division of Retirement and Benefits, in coordination with Empower Retirement, allowed for coronavirus-related distributions for members effective June 3, 2020.

Qualified active members of the Plan could request an in-service distribution of 25% of their account balance or $25,000 maximum, whichever is less, between both the Plan and the State of Alaska Supplemental Annuity Plan (SBS-AP). Qualified terminated members could request up to an amount not to exceed $100,000 from their account. Coronavirus-related withdrawals were required to be processed before December 31, 2020. The CARES Act had an option for the recipient to re-contribute any portion or all of the coronavirus-related withdrawal within three years of receipt. Through June 30, 2021, the Plan had $3,758,000 in CARES Act distributions.

The Plan had administrative expenses of $1,572,000 in fiscal year 2021 compared to $1,238,000 in fiscal year 2020, an increase of $334,000 or 27%. The increase in administrative expenses in fiscal year 2021 is primarily due to an increase in system modernization project expenses. The Plan had administrative expenses of $1,238,000 in fiscal year 2020 compared to $1,154,000 in fiscal year 2019 reflected an increase of $84,000 or 7.3% primarily due to an increase personnel costs allocated to Plan expenses.

Fiduciary Responsibilities

The Alaska Retirement Management Board and the Commissioner of Administration are co-fiduciaries of the Plan.The Plan's assets can only be used for the exclusive benefit of the Plan's participants, beneficiaries, and alternate payees.

Request for Information

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

State of Alaska Deferred Compensation Plan
Division of Retirement and Benefits, Finance Section
P.O. Box 110203
Juneau, Alaska 99811-0203

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Statements of Fiduciary Net Position

June 30, 2021 and 2020

(In thousands)

	2021	2020
Assets:		
Cash and cash equivalents:		
Investment in State of Alaska General Fund and Other Nonsegregated Investments Pool	$ 120	296
Money market fund – nonparticipant directed	1,310	1,427
Total cash and cash equivalents	1,430	1,723
Receivables:		
Due from State of Alaska General Fund	2,774	1,803
Total receivables	2,774	1,803
Investments:		
Participant directed at fair value:		
Collective investment funds	733,082	581,622
Pooled investment funds	280,537	214,048
Participant directed at contract value:		
Synthetic investment contracts	206,109	205,421
Total investments	1,219,728	1,001,091
Total assets	1,223,932	1,004,617
Liabilities:		
Accrued expenses	187	161
Total liabilities	187	161
Fiduciary net position	$ 1,223,745	1,004,456

See accompanying notes to financial statements.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Statements of Changes in Fiduciary Net Position

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Additions:			
Participant contributions	$	46,476	45,222
Transfers in		727	786
Total contributions		47,203	46,008
Investment income:			
Net appreciation in value of investments		255,557	41,264
Interest		5	231
Total investment income		255,562	41,495
Less investment expense		2,189	1,003
Net investment income		253,373	40,492
Other income		39	20
Total additions		300,615	86,520
Deductions:			
Benefits paid to participants and purchases of annuity contracts		79,754	71,146
Administrative		1,572	1,238
Total deductions		81,326	72,384
Net increase in fiduciary net position		219,289	14,136
Fiduciary net position, beginning of year		1,004,456	990,320
Fiduciary net position, end of year	$	1,223,745	1,004,456

See accompanying notes to financial statements.

(1) Description

The following description of the State of Alaska Deferred Compensation Plan (the Plan), a defined contribution plan, is provided for general information purposes only. Participants should refer to the plan document for more complete information.

(a) General

The Plan was created by State of Alaska (the State) statutes issued May 31, 1974 and was most recently amended effective August 30, 2021. It is a deferred compensation plan under Section 457 of the Internal Revenue Code and is available to all permanent and long-term nonpermanent employees and elected officials of the State of Alaska and members of State boards and commissions, as well as employees of participating local government employers and public organizations. Participating members in the Plan authorize their employer to reduce their current salary or compensation so that they can receive the amount deferred at a later date. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. All amounts deferred are held in a trust for the exclusive benefit of employees and beneficiaries. Additionally, Plan participants may also have their contributions directed as a ROTH contribution. Those amounts are post-tax contributions and earnings on ROTH contributions are not taxable when properly withdrawn from the Plan. There were 12,454 participants in the Plan as of June 30, 2021.

At June 30, 2021 and 2020, the number of participating local government employers and public organizations, including the State was as follows:

	2021	2020
State of Alaska and Component Units	1	1
Municipalities	8	4
School districts	4	3
Other	6	6
Total employers	19	14

The Division of Retirement and Benefits is responsible for plan administration and record keeping. The Alaska Retirement Management Board (the Board) is responsible for the specific investment of moneys in the Plan.

(b) Contributions

During the fiscal year ended June 30, 2021, plan participants are required to contribute a minimum of $50 per month ($600 per year). At June 30, 2021, the maximum amount that could be deferred in a calendar year was $19,500 for participants under age 50 and $26,000 for participants who are age 50 and greater. However, for each of the participant’s last three calendar years ending prior to normal retirement age, a “catch-up limitation” may apply, which allows larger contributions (up to $39,000 in calendar year 2021). Participants vest automatically in their contributions and earnings on those contributions.

(c) Participant Accounts

Participant accounts are self-directed with respect to investment options. Each participant designates how their contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

A record keeping/administrative fee is deducted monthly from each participant's account and applied pro rata to all the funds in which the member participates. This fee is for all costs incurred by the contracted recordkeeper and by the State.

At June 30, 2021 and June 30, 2020, participants had the following investment options:

(i) Collective Investment Funds

BlackRock Strategic Completion Fund – This fund allocates its investments across a strategic mix of U.S. Treasury Inflation Protected Securities, real estate investment trusts, and commodities asset classes, with the objective of complementing a diversified portfolio of more traditional asset classes. The asset classes in which the fund invests tend to have some "real return" characteristics and therefore may also provide a means to manage the effects of inflation on a diversified portfolio of more traditional asset classes. The fund shall be invested and reinvested in common stocks and other forms of equity securities, depositary receipts, investment company shares, fixed-income securities and other debt obligations, asset-backed securities, mortgage-backed securities, securities issued by publicly traded real estate companies, futures contracts, forward contracts, swaps, options, and other structured investments. The fund employs a proprietary investment model that analyzes securities market data, including risk, correlation and expected return statistics, to recommend the portfolio allocation among the asset classes.

Environmental, Social, and Governance Fund – This fund is managed to have returns, net of fees, over time, closely matching the MSCI UAS Environmental, Social, and Governance (ESG) Leaders Index. The fund invests in domestic large cap and mid-cap investments with high ESG rankings.

International Equity Fund – This fund is investing primarily in the equity securities of non-U.S. issuers. The fund is a multimanager fund comprising two investment managers of differing investment strategies, style, and long-term market correlation.

MassMutual Bond Fund – This fund invests in investment-grade corporate and government bonds and other debt securities. This investment option is only available to participants whose contributions were originally invested with the MassMutual Life Insurance Company and have since remained with MassMutual.

MassMutual Equity Fund – This fund invests in diversified common stocks of high-quality growth companies for long-term capital growth with income a secondary consideration. This investment option is only available to participants whose contributions were originally invested with the MassMutual Life Insurance Company and have since remained with MassMutual Life Insurance Company.

Passive U.S. Bond Index Fund – This fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the underlying index, Bloomberg Barclays U.S. Aggregate Bond Index.

Russell 3000 Index Fund – This fund invests in one or more commingled funds managed by SSgA, which, in combination, are designed to replicate the returns and characteristics of the Russell 3000 Index. The fund measures the performance of the largest 3,000 U.S. companies representing approximately 98.0% of the investable U.S. equity.

Standard & Poor's 500 Stock Index Fund – This fund offers diversified investment in the U.S. equity market and replicates the returns and characteristics of the Standard & Poor's (S&P) 500 Composite Stock Price Index.

State Street Institutional Treasury Money Market Fund – The Treasury Money Market Fund seeks a high level of current income consistent with preserving principal and liquidity and the maintenance of a stable $1.00 per share net asset value ("NAV"). The money market investment is neither insured nor guaranteed by the U.S. Government.

T. Rowe Price U.S. Small-Cap Trust – This fund provides long-term capital appreciation by investing primarily in the common stocks of small companies that appear undervalued or offer the potential for superior earnings growth.

World Equity Ex-U.S. Index Fund – This fund provides income and capital appreciation and to replicate the returns of the MSCI Index and provide broad-based, low cost exposure to both the developed and emerging markets.

(ii) Pooled Investment Funds

The Board contracts with an external investment manager who is given authority to invest in a wholly owned pooled environment to accommodate 14 participant-directed funds.

Alaska Balanced Trust – The purpose of this fund is to provide exposure to a diversified mix of stocks, bonds, and money market securities. The fund seeks to provide a mixture of income and modest capital appreciation.

Alaska Long-Term Balanced Trust – The purpose of this fund is to provide exposure to a diversified mix of stocks, bonds, and money market securities.

Alaska Target Date Retirement 2010–2065 Trusts – The purpose of these funds is to provide a diverse mix of stocks, bonds, and money market securities for long-term investors with a higher tolerance for risk. The trusts are allocated among abroad range of underlying T. Rowe Price stock and bond portfolios. The allocations for the trusts with a stated retirement date will change over time; these trusts emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus on supporting an income stream over a long-term postretirement withdrawal horizon.

(iii) Synthetic Investment Contracts

Stable Value Fund – This fund seeks to preserve principal and to offer a competitive rate of interest consistent with stability and safety of principal. The fund primarily holds cash reserves and synthetic investment contracts (SICs), issued by high-quality banks and insurance companies that allow for participant-directed withdrawals and transfers to principal plus accrued interest. SICs are supported by fixed income portfolios made up of high quality fixed income assets owned by the Plan. SICs credit a rate of interest based on a formula that intends to smooth the long term performance of the fixed income portfolios supporting SICs. The supporting fixed income portfolios are benchmarked to the Bloomberg Barclays U.S. Intermediate Aggregate Bond Index.

(d) Payment of Benefits

Participants are eligible to withdraw their account balance upon termination. Benefits are payable in the form of a lump sum, one of various annuities, or a periodic payment option, unless the participant elects to defer commencement of benefits. Inactive member account balances of less than $1,000 are automatically paid in the form of a lump-sum distribution after notification to the member. The deferred benefit commencement date can be no later than April 1 of the year after the participant would have turned age 70½. Payment of benefits to a participant commences 60 days after termination or the deferred benefit commencement date, as applicable.

Participants may request a hardship withdrawal for an unforeseeable emergency, within the definition allowed by the Internal Revenue Code. Hardship withdrawals are disbursed as lump sums and must be approved by the plan administrator.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into U.S. law on March 27, 2020. Section 2202 of the CARES Act provided expanded distribution options for up to $100,000 of coronavirus-related distributions from eligible retirements plans. The Department of Administration, Division of Retirement and Benefits, in coordination with Empower Retirement, allowed for coronavirus-related distributions for members effective June 3, 2020.

Qualified active members of the Plan could request an in-service distribution of 25% of their account balance or $25,000 maximum, whichever is less, between both the Plan and the State of Alaska Supplemental Annuity Plan (SBS-AP). Qualified terminated members could request up to an amount not to exceed $100,000 from their account. Coronavirus-related withdrawals were required to be processed before December 31, 2020. The CARES Act had an option for the recipient to re-contribute any portion or all of the coronavirus-related withdrawal within three years of receipt.

(Continued)

(e) Income Taxes

The Plan is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code.

(f) Termination, Partial Termination, or Complete Discontinuance of Contributions

Although the State has established the Plan with the bona fide intention and expectation that it will continue the Plan indefinitely, the State may, in its sole and absolute discretion, terminate the Plan in whole or in part at any time without liability whatsoever for such termination. If the Plan is terminated, the participants in the Plan will be deemed to have withdrawn from the Plan as of the date of such termination. Deferred compensation shall thereupon cease. Upon plan termination, each participant or beneficiary shall be given the opportunity to elect a benefit commencement date and form of payment.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Plan's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. In preparing the financial statements, the plan administrator is required to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and additions and deductions for the reporting periods. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents at June 30 are composed of ownership of pooled investments and money market funds. The money market fund consists of nonparticipant-directed funds used to pay administrative costs of the Plan.

(c) Contributions Receivable

Contributions applicable to wages earned from the State of Alaska through June 30 are accrued if received after June 30. These contributions are considered fully collectible, and accordingly, no allowance for doubtful accounts is considered necessary.

(d) Due from State of Alaska General Fund

Amounts due from the State of Alaska General Fund represent the amounts of State of Alaska contributions receivable, less administrative and investment expenses paid after June 30.

(e) Valuation of Collective Investment Funds

The Plan's investments in collective investment funds held in trust are stated at fair value based on the net asset value per unit, as reported by the third party administrator (TPA), multiplied by the number of units held by the Plan. The net asset value is determined by the TPA based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

(f) Valuation of Pooled Investment Funds

The Plan's ownership of pooled investment funds held in trust are stated at fair value based on the unit values as reported by the trustees multiplied by the number of units held by the Plan. The unit value is determined by the trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

(g) Valuation of Synthetic Investment Contracts

The Plan's investment in fully benefit-responsive SICs are stated at contract value.

(3) Investments

The Plan is primarily participant directed, which means that the Plan's participants decide in which options to invest. Of total plan fiduciary net position of $1,223,745,000 at June 30, 2021, 99.7% or $1,219,728,000 were specifically allocated to individual participant accounts.

Each participant designates how their contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions, adjusted for the appreciation or depreciation in unit value for the investment funds, and reduced for administrative fees.

The carrying values of participant-directed investments at June 30, 2021 and 2020 are as follows (in thousands):

		2021	2020
S&P 500 Stock Index Fund	$	270,931	213,750
Stable Value Fund		206,109	205,421
T. Rowe Price U.S. Small-Cap Trust		155,398	110,706
Alaska Long-Term Balanced Trust		92,255	78,739
Passive U.S. Bond Index Fund		80,473	86,026
International Equity Fund		59,797	35,725
Environmental, Social, and Governance Fund		55,663	39,401
Russell 3000 Index Fund		51,363	37,554
Alaska Balanced Trust		44,250	28,564
Alaska Target Date Retirement 2025 Trust		32,318	22,926
Alaska Target Date Retirement 2020 Trust		26,016	22,475
State Street Institutional Treasury Money Market Fund		20,818	23,139
World Equity Ex-U.S. Index Fund		20,186	18,351
Alaska Target Date Retirement 2030 Trust		19,093	13,177
BlackRock Strategic Completion Fund		15,810	14,845
Alaska Target Date Retirement 2035 Trust		13,474	8,786
Alaska Target Date Retirement 2040 Trust		13,411	9,370
Alaska Target Date Retirement 2045 Trust		10,128	7,137
Alaska Target Date Retirement 2015 Trust		9,958	9,240
Alaska Target Date Retirement 2050 Trust		7,953	4,825
Alaska Target Date Retirement 2055 Trust		6,370	4,617
Alaska Target Date Retirement 2010 Trust		3,334	3,166
MassMutual Equity Fund		2,626	2,108
Alaska Target Date Retirement 2060 Trust		1,462	851
Alaska Target Date Retirement 2065 Trust		515	176
MassMutual Bond Fund		17	16
Total	$	1,219,728	1,001,091

For additional information on synthetic investment contracts, 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 State of Alaska Retirement and Benefits Plans at http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx.

(4) Risk and Uncertainty

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net position.

The Plan may invest in pooled separate accounts that include securities with contractual cash flows, which may include asset-backed securities, collateralized mortgage obligations, and commercial mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

(5) Subsequent Event

Congress enacted the SECURE Act effective January 1, 2020 allowing Plan sponsors more flexibility in allowable in-service distributions. The Plan updated its Plan document effective July 30, 2021 to allow eligible members the opportunity to access funds via an in-service distribution. Prior to this change, withdrawals were limited to: (1) termination of employment, (2) qualified domestic relations order (QDRO), (3) death, or (4) retirement. As amended, the Plan allows for (5) in-service distributions before age 59 ½ (6) for birth and adoption, and (7) one-time only small account balance distribution, if plans adopted these changes to their plan document. These three updates were added and approved by the Plan Administrator and became effective August 30, 2021.

SUPPLEMENTAL SCHEDULES

Schedule 1

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Schedule of Administrative and Investment Deductions

Years ended June 30, 2021 and 2020

(In thousands)

	Administrative	Investment	Totals 2021	Totals 2020
Personal services:				
Wages	$ 166	62	228	282
Benefits	102	29	131	157
Total personal services	268	91	359	439
Travel:				
Transportation	—	—	—	2
Total travel	—	—	—	2
Contractual services:				
Management and consulting	1,014	16	1,030	866
Investment management and custodial fees	—	2,044	2,044	782
Accounting and auditing	33	—	33	38
Data processing	211	29	240	55
Communications	2	—	2	3
Advertising and printing	2	—	2	—
Rentals/leases	13	3	16	17
Legal	2	3	5	13
Transportation	7	—	7	4
Other professional services	17	2	19	18
Total contractual services	1,301	2,097	3,398	1,796
Other:				
Equipment	2	—	2	1
Supplies	1	1	2	3
Total other	3	1	4	4
Total administrative and investment deductions	$ 1,572	2,189	3,761	2,241

See accompanying independent auditors' report.

Schedule 2

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Schedule of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2021 and 2020

(In thousands)

Firm	Services	2021	2020
KPMG LLP	Auditing services	$ 31	35
State Street Bank and Trust	Custodial banking services	185	89
Alaska IT Group	Data processing services	3	2
Applied Microsystems Incorporation	Data processing services	1	3
DLT Solutions	Data processing services	14	—
Sagitec Solutions	Data processing services	183	—
SHI International Corporation	Data processing services	1	2
Glacier Stenographic Reporters	Legal services	1	—
State of Alaska, Department of Law	Legal services	4	12
Linea Solution Incorporated	Management services	—	9
		$ 423	152

This schedule presents payments to consultants receiving greater than $1,000.

See accompanying independent auditors' report.

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit 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 Supplemental Benefits System:

We have audited the accompanying financial statements of the State of Alaska Supplemental Benefits System (the Plan), a component unit of the State of Alaska, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise the Plan's 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 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 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 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 fiduciary net position of the State of Alaska Supplemental Benefits System as of June 30, 2021 and 2020, and the changes in fiduciary net position for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 19–20 are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

October 20, 2021

This section presents management's discussion and analysis (MD&A) of the State of Alaska Supplemental Benefits System's (the Plan) financial position and performance for the fiscal years ended June 30, 2021 and 2020. 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. Information for fiscal year 2019 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2021 were as follows:

- The Plan's net position restricted for benefits increased by $841.4 million during fiscal year 2021.
- The Plan's participant and employer contributions and transfers into the Plan increased by $5.4 million during fiscal year 2021 compared to fiscal year 2020.
- The Plan earned net investment income of $939.7 million during fiscal year 2021, an increase of $744.3 million compared to fiscal year 2020.
- The Plan's benefits paid increased by $18.8 million during fiscal year 2021 compared to fiscal year 2020.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Plan's financial statements. The Plan's financial statements are composed of three components: (1) statements of fiduciary net position – annuity and cafeteria plans, (2) statements of changes in fiduciary net position – annuity and cafeteria plans, and (3) notes to financial statements.

Statements of fiduciary net position – Annuity and cafeteria plans – This statement presents information regarding the Plan's assets, liabilities, and resulting net position restricted for participants and operations. This statement reflects the Plan's investments, at fair value and contract value, along with cash and cash equivalents, receivables, and other assets less liabilities at June 30, 2021 and 2020. This statement is presented individually for both the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria Plan.

Statements of changes in fiduciary net position – Annuity and cafeteria plans – This statement presents how the Plan's net position restricted for participants and operations changed during the years ended June 30, 2021 and 2020. This statement presents contributions and net investment income during the period. Deductions for benefits and refunds of contributions, and administrative expenses, are also presented. This statement is presented individually for both the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria Plan.

The above statements represent resources available for investment and payment of benefits and expenses as of June 30, 2021 and 2020 and the sources and uses of those funds during the years ended June 30, 2021 and 2020.

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

Condensed Financial Information (In thousands)

Fiduciary net position

Description	2021	2020	Increase (decrease) Amount	Increase (decrease) Percentage	2019
Assets:					
Cash and cash equivalents	$ 9,109	6,343	2,766	43.6%	$ 4,933
Receivables	742	783	(41)	(5.2)	814
Due from State of Alaska General Fund	5,552	5,667	(115)	(2.0)	12,523
Investments	5,064,378	4,226,475	837,903	19.8	4,117,577
Investment loss trust fund (ILTF) at fair value	2,089	2,085	4	0.2	2,049
Total assets	5,081,870	4,241,353	840,517	19.8	4,137,896
Liabilities:					
ILTF plan participant payable	2,089	2,085	4	0.2	2,049
Payable to plan participants	128	70	58	82.9	86
Accrued expenses	382	1,279	(897)	(70.1)	8,327
Total liabilities	2,599	3,434	(835)	(24.3)	10,462
Fiduciary net position	$ 5,079,271	4,237,919	841,352	19.9%	$ 4,127,434

Changes in fiduciary net position

Description	2021	2020	Increase (decrease) Amount	Increase (decrease) Percentage	2019
Fiduciary net position, beginning of year	$ 4,237,919	4,127,434	110,485	2.7%	$ 3,920,625
Additions:					
Contributions	176,383	170,998	5,385	3.1	173,604
Net investment income	939,692	195,428	744,264	380.8	255,307
Other income	1,587	178	1,409	791.6	149
Total additions	1,117,662	366,604	751,058	204.9	429,060
Deductions:					
Benefits and refunds of contributions	270,451	251,642	18,809	7.5	218,096
Administrative	5,859	4,477	1,382	30.9	4,155
Total deductions	276,310	256,119	20,191	7.9	222,251
Increase in net position	841,352	110,485	730,867	661.5	206,809
Fiduciary net position, end of year	$ 5,079,271	4,237,919	841,352	19.9%	$ 4,127,434

(Continued)

Financial Analysis of the Plans

The statement of fiduciary net position – Annuity and cafeteria plans as of June 30, 2021 and 2020 show fiduciary net position of $5,079,271,000 and $4,237,919,000, respectively. The entire amount is available to pay benefits to participants and their beneficiaries as well as administrative costs. These amounts represent an increase in plan net position restricted for participants and operations of $841,352,000 or 19.9% from fiscal year 2020 to fiscal year 2021, and an increase of $110,485,000 or 2.7% from fiscal year 2019 to fiscal year 2020.

Contributions, Investment Income, and Other Additions

Additions to the Plan are accumulated through a combination of employer and plan participant contributions, investment income, and other additions as follows:

	Additions (In thousands)				
			Increase (decrease)		
	2021	**2020**	**Amount**	**Percentage**	**2019**
Plan participant mandatory contributions	$ 84,988	81,836	3,152	3.9%	$ 81,769
Employer mandatory contributions	84,993	81,846	3,147	3.8	81,767
Plan participant voluntary contributions	—	1,893	(1,893)	(100.0)	3,818
Transfer-in contributions	6,402	5,423	979	18.1	6,250
Total plan member and employer contributions	176,383	170,998	5,385	3.1	173,604
Net investment income	939,692	195,428	744,264	380.8	255,307
Other income	1,587	178	1,409	791.6	149
Total	$ 1,117,662	366,604	751,058	204.9%	$ 429,060

Plan member and employer contributions increased from $170,998,000 for fiscal year 2020 to $176,383,000 for fiscal year 2021, an increase of $5,385,000 or 3.1% primarily due to an increase in the underlying participant earnings and an increase in transfer-in contributions, partially offset by a decrease in plan participant voluntary contributions. The decrease in plan participant voluntary contributions is attributed to a change in voluntary supplemental benefit premium collection, which shifted to the cafeteria plan third-party administrator (TPA). The TPA collects voluntary supplemental benefit premiums directly from participating employers and processes all claims. Plan member and employer contributions decreased from $173,604,000 for fiscal year 2019 to $170,998,000 for fiscal year 2020, a decrease of $2,606,000 or 1.5% primarily due to the transfer of administration of the cafeteria plan to a TPA.

(Continued)

The Plan’s net investment income increased from $195,428,000 in fiscal year 2020 to $939,692,000 in fiscal year 2021, an increase of $744,264,000 or 380.8% from amounts recorded in fiscal year 2020. The increase relates to significant positive rates of return in the overall investment environment in fiscal year 2021. Net investment income decreased during fiscal year 2020 by $59,879,000 or 23.5% from amounts recorded during fiscal year 2019.The Plan’s investment rates of return at June 30, 2021 and 2020 are as follows:

	2021	2020
Alaska Balanced Trust	13.37 %	6.18 %
Alaska Long-Term Balanced Trust	23.55	5.16
Alaska Target Date Retirement 2010 Trust	15.17	5.01
Alaska Target Date Retirement 2015 Trust	17.74	5.12
Alaska Target Date Retirement 2020 Trust	21.44	4.93
Alaska Target Date Retirement 2025 Trust	25.28	4.78
Alaska Target Date Retirement 2030 Trust	28.72	4.46
Alaska Target Date Retirement 2035 Trust	31.81	4.33
Alaska Target Date Retirement 2040 Trust	34.46	4.09
Alaska Target Date Retirement 2045 Trust	36.74	3.76
Alaska Target Date Retirement 2050 Trust	36.78	3.75
Alaska Target Date Retirement 2055 Trust	36.82	3.77
Alaska Target Date Retirement 2060 Trust	36.71	3.62
Alaska Target Date Retirement 2065 Trust	36.58	N/A
BlackRock Strategic Completion Fund	24.97	(4.91)
Environmental, Social, and Governance Fund	40.93	9.16
International Equity Fund	42.43	0.14
Passive U.S. Bond Index Fund	(0.36)	8.69
Russell 3000 Index Fund	44.07	6.48
S&P 500 Index Fund	40.78	7.48
Stable Value Fund	2.18	2.57
State Street Institutional Treasury Money Market Fund	0.02	1.33
T. Rowe Price U.S. Small-Cap Trust	54.51	(0.03)
World Equity Ex-U.S. Index Fund	35.55	(4.41)

Benefits and Other Deductions

The primary deductions of the Plan are the payment of benefits and refunds of contributions. Benefit payments and administrative costs were as follows:

	Deductions (In thousands)				
			Increase (decrease)		
	2021	2020	Amount	Percentage	2019
Benefits and refunds of contributions	$ 270,451	251,642	18,809	7.5%	$ 218,096
Administrative	5,859	4,477	1,382	30.9	4,155
Total	$ 276,310	256,119	20,191	7.9%	$ 222,251

The Plan's benefits paid to participants and refunds of contributions, including purchases of annuity contracts for fiscal year 2021 increased $18,809,000 or 7.5% from fiscal year 2020, and increased $33,546,000 or 15.4% from fiscal year 2019 to fiscal year 2020. The increase in refunds of contributions in fiscal year 2021 is primarily related to CARES Act distributions that active and terminated members could receive as described below. Due to the uncertainty of the world economy related to coronavirus, members opted to withdraw funds to be financially prepared in case of unemployment or loss of other funds they may have had previously. The increase in refunds of contributions in fiscal year 2020 is related to an increase in the number of members requesting disbursements from the Plan.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into U.S. law on March 27, 2020. Section 2202 of the CARES Act provided expanded distribution options for up to $100,000 of coronavirus-related distributions from eligible retirements plans. The Department of Administration, Division of Retirement and Benefits, in coordination with Empower Retirement, allowed for coronavirus-related distributions for members effective June 3, 2020.

Qualified active members of the Plan could request an in-service distribution of 25% of their account balance or $25,000 maximum, whichever is less, between both the Plan and the State of Alaska Deferred Compensation Plan (DCP). Qualified terminated members could request up to an amount not to exceed $100,000 from their account. Coronavirus-related withdrawals were required to be processed before December 31, 2020. The CARES Act had an option for the recipient to re-contribute any portion or all of the coronavirus-related withdrawal within three years of receipt. Through June 30, 2021, the Plan had $28,010,000 in CARES Act distributions.

The Plan had administrative expenses of $5,859,000 for fiscal year 2021 compared to $4,477,000 for fiscal year 2020, an increase of $1,382,000 or 30.9%. The increase in administrative expenses in fiscal year 2021 is primarily due to an increase in modernization project expenses. The Plan had administrative expenses of $4,477,000 for fiscal year 2020 compared to $4,155,000 for fiscal year 2019, an increase of $322,000 or 7.7% primarily due to an increase in record keeping fees.

Fiduciary Responsibilities

The Alaska Retirement Management Board and the Commissioner of Administration are co-fiduciaries of the Plan.

The Plan's assets can only be used for the exclusive benefit of the Plan's participants, beneficiaries, and alternate payees.

Request for Information

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

State of Alaska Supplemental Benefits System
Division of Retirement and Benefits, Finance Section
P.O. Box 110203
Juneau, Alaska 99811-0203

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Statements of Fiduciary Net Position – Annuity and Cafeteria Plans

June 30, 2021 and 2020

(In thousands)

	2021			2020		
	Annuity	**Cafeteria**	**Total**	**Annuity**	**Cafeteria**	**Total**
Assets:						
Cash and cash equivalents:						
Investment in State of Alaska General Fund and Other Nonsegregated Investments Pool	$ 3,330	926	4,256	579	926	1,505
Money market fund – nonparticipant-directed	4,853	—	4,853	4,838	—	4,838
Total cash and cash equivalents	8,183	926	9,109	5,417	926	6,343
Receivables:						
Mandatory and voluntary contributions	742	—	742	783	—	783
Due from State of Alaska General Fund	5,552	—	5,552	5,667	—	5,667
Total receivables	6,294	—	6,294	6,450	—	6,450
Investments:						
Participant directed at fair value:						
Collective investment funds	1,620,200	—	1,620,200	1,276,341	—	1,276,341
Pooled investment funds	2,952,310	—	2,952,310	2,490,581	—	2,490,581
Participant directed at contract value:						
Synthetic investment contracts	491,868	—	491,868	459,553	—	459,553
Total investments	5,064,378	—	5,064,378	4,226,475	—	4,226,475
Investment loss trust fund at fair value	2,089	—	2,089	2,085	—	2,085
Total assets	5,080,944	926	5,081,870	4,240,427	926	4,241,353
Liabilities:						
Accrued expenses	382	—	382	353	926	1,279
Payable to plan participants	128	—	128	70	—	70
Investment loss trust fund plan participant payable	2,089	—	2,089	2,085	—	2,085
Total liabilities	2,599	—	2,599	2,508	926	3,434
Fiduciary net position	$ 5,078,345	926	5,079,271	4,237,919	—	4,237,919

See accompanying notes to financial statements.

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Statements of Changes in Fiduciary Net Position – Annuity and Cafeteria Plans

Years ended June 30, 2021 and 2020

(In thousands)

	2021			2020		
	Annuity	**Cafeteria**	**Total**	**Annuity**	**Cafeteria**	**Total**
Additions:						
Contributions:						
Employers	$ 84,988	—	84,988	81,846		81,846
Plan members	91,395	—	91,395	87,259	1,893	89,152
Total contributions	176,383	—	176,383	169,105	1,893	170,998
Investment income:						
Net appreciation in value of investments	946,843	—	946,843	197,494	—	197,494
Interest	15	—	15	712	—	712
Total investment income	946,858	—	946,858	198,206	—	198,206
Less investment expense	7,166	—	7,166	2,778	—	2,778
Net investment income	939,692	—	939,692	195,428	—	195,428
Other income	661	926	1,587	178	—	178
Total additions	1,116,736	926	1,117,662	364,711	1,893	366,604
Deductions:						
Benefits and refunds of contributions	270,451	—	270,451	249,749	1,893	251,642
Administrative	5,859	—	5,859	4,477	—	4,477
Total deductions	276,310	—	276,310	254,226	1,893	256,119
Net increase in fiduciary net position	840,426	926	841,352	110,485	—	110,485
Fiduciary net position, beginning of year	4,237,919	—	4,237,919	4,127,434	—	4,127,434
Fiduciary net position, end of year	$ 5,078,345	926	5,079,271	4,237,919	—	4,237,919

See accompanying notes to financial statements.

(1) Description

The following description of the State of Alaska Supplemental Benefits System (the Plan), which comprises the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria Plan, is provided for general information purposes only. Participants should refer to the plan documents for more complete information.

(a) General

The Plan was created by State of Alaska (the State) statutes effective January 1, 1980, to provide benefits in lieu of those provided by the federal Social Security System (Social Security). All State employees who would have participated in Social Security, if the State had not withdrawn, participate in the Plan. Other employers whose employees participate in the State's Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in the Plan as provided by Alaska statute. There were 21 participating employers, including the State, as of June 30, 2021. There were 49,552 participants in the Plan as of June 30, 2021.

At June 30, 2021 and 2020, the number of participating local government employers and public organizations, including the State was as follows:

State of Alaska	1
State component units	1
Municipalities	9
School districts	5
Other	5
Total employers	21

The Division of Retirement and Benefits is responsible for plan administration and record keeping. The Alaska Retirement Management Board (the Board) is responsible for the specific investment of moneys in the Plan.

(b) Contributions

Mandatory contributions are made to the Supplemental Annuity Plan, a defined-contribution plan, and voluntary contributions to the Supplemental Benefits Cafeteria Plans. Participating employees are vested at all times.

Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The State and other participating employers are required by statute to contribute 12.26% of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf.

Supplemental Benefits Cafeteria Plan voluntary contributions are based on the optional benefits elected by each employee enrolled in the Plan. Each employee agrees to a wage reduction based on the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to the Plan's third-party administrator (TPA) on the employee's behalf. Effective January 1, 2020 the administration of the voluntary supplemental benefits was transferred to a TPA. This transition includes the collection of all premiums from participating employers.

(c) Participant Accounts

Participant accounts under the Supplemental Annuity Plan are self-directed with respect to investment options. Each participant designates how their contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

Record keeping/administrative fees, consisting of a fixed amount applied in a lump sum each calendar year and a variable amount applied monthly, are deducted from each participant's account, applied pro rata to all the funds in which the employee participates. This fee is for costs incurred by the contracted recordkeeper and by the State.

At June 30, 2021 and 2020, participants had the following investment options:

(i) Collective Investment Funds

BlackRock Strategic Completion Fund – This fund allocates its investments across a strategic mix of U.S. Treasury Inflation Protected Securities, real estate investment trusts, and commodities asset classes, with the objective of complementing a diversified portfolio of more traditional asset classes. The asset classes in which the fund invests tend to have some "real return" characteristics and therefore may also provide a means to manage the effects of inflation on a diversified portfolio of more traditional asset classes. The fund shall be invested and reinvested in common stocks and other forms of equity securities, depositary receipts, investment company shares, fixed-income securities and other debt obligations, asset-backed securities, mortgage-backed securities, securities issued by publicly traded real estate companies, futures contracts, forward contracts, swaps, options, and other structured investments. The fund employs a proprietary investment model that analyzes securities market data, including risk, correlation and expected return statistics, to recommend the portfolio allocation among the asset classes.

Environmental, Social, and Governance Fund – This fund is managed to have returns, net of fees, over time, closely matching the MSCI UAS Environmental, Social, and Governance (ESG) Leaders Index. The fund invests in domestic large cap and mid-cap investments with high ESG rankings.

International Equity Fund – This fund is investing primarily in the equity securities of non-U.S. issuers. The fund is a multimanager fund comprising two investment managers of differing investment strategies, style, and long-term market correlation.

Passive U.S. Bond Index Fund – This fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the underlying index, Bloomberg Barclays U.S. Aggregate Bond Index.

Russell 3000 Index Fund – This fund invests in one or more commingled funds managed by SSgA, which, in combination, are designed to replicate the returns and characteristics of the Russell 3000 Index. The fund measures the performance of the largest 3,000 U.S. companies representing approximately 98.0% of the investable U.S. equity market.

Standard & Poor's 500 Stock Index Fund – This fund offers diversified investment in the U.S. equity market and replicates the returns and characteristics of the Standard & Poor's (S&P) 500 Composite Stock Price Index.

State Street Institutional Treasury Money Market Fund – The Treasury Money Market Fund seeks a high level of current income consistent with preserving principal and liquidity and the maintenance of a stable $1.00 per share net asset value ("NAV"). The money market investment is neither insured nor guaranteed by the U.S. Government.

T. Rowe Price U.S. Small-Cap Trust – This fund provides long-term capital appreciation by investing primarily in the common stocks of small companies that appear undervalued or offer the potential for superior earnings growth.

World Equity Ex-U.S. Index Fund – This fund provides income and capital appreciation and to replicate the returns of the MSCI Index and provide broad-based, low cost exposure to both the developed and emerging markets.

(ii) Pooled Investment Funds

The Board contracts with an external investment manager who is given authority to invest in a wholly owned pooled environment to accommodate 14 participant-directed funds.

Alaska Balanced Trust – The purpose of this fund is to provide exposure to a diversified mix of stocks, bonds, and money market securities. The fund seeks to provide a mixture of income and modest capital appreciation.

Alaska Long-Term Balanced Trust – The purpose of this fund is to provide exposure to a diversified mix of stocks, bonds, and money market securities.

Alaska Target Date Retirement 2010–2065 Trusts – The purpose of these funds is to provide a diverse mix of stocks, bonds, and money market securities for long-term investors with a higher tolerance for risk. The trusts are allocated among abroad range of underlying T. Rowe Price stock and bond portfolios. The allocations for the trusts with a stated retirement date will change over time; these trusts emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus on supporting an income stream over a long-term postretirement withdrawal horizon.

(iii) Synthetic Investment Contracts

Stable Value Fund – This fund seeks to preserve principal and to offer a competitive rate of interest consistent with stability and safety of principal. The fund primarily holds cash reserves and synthetic investment contracts (SICs), issued by high quality banks and insurance companies that allow for participant-directed withdrawals and transfers to principal plus accrued interest. SICs are supported by fixed income portfolios made up of high-quality fixed income assets owned by the Plan. SICs credit a rate of interest based on a formula that intends to smooth the long-term performance of the fixed income portfolios supporting SICs. The supporting fixed income portfolios are benchmarked to the Bloomberg Barclays U.S. Intermediate Aggregate Bond Index.

(d) Payment of Benefits

Participants are eligible to withdraw from the Supplemental Annuity Plan 60 days after termination. Benefits are payable in the form of a lump sum or a periodic payment option, unless the participant elects to defer commencement of benefits. The Plan issues disbursements through its contracted recordkeeper. Various annuities can also be purchased from an insurance carrier, which are excluded from plan assets.

Participants may request a hardship withdrawal for an unforeseeable emergency, within the definition allowed by the Internal Revenue Code. Hardship withdrawals are disbursed as lump sums and must be approved by the plan administrator.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into U.S. law on March 27, 2020. Section 2202 of the CARES Act provided expanded distribution options for up to $100,000 of coronavirus-related distributions from eligible retirements plans. The Department of Administration, Division of Retirement and Benefits, in coordination with Empower Retirement, allowed for coronavirus-related distributions for members effective June 3, 2020.

Qualified active members of the Plan could request an in-service distribution of 25% of their account balance or $25,000 maximum, whichever is less, between both the Plan and the State of Alaska Deferred Compensation Plan (DCP). Qualified terminated members could request up to an amount not to exceed $100,000 from their account. Coronavirus-related withdrawals were required to be processed before December 31, 2020. The CARES Act had an option for the recipient to re-contribute any portion or all of the coronavirus-related withdrawal within three years of receipt.

(e) Supplemental Benefits Cafeteria Plan

Benefits available under the Supplemental Benefits Cafeteria Plan include life, accidental death, disability, and critical illness insurance. Selection of these benefits is at the discretion of the employee, with certain restrictions, and may be amended and/or changed on an annual basis or in conjunction with an employee’s change in status. The Plan is funded entirely by employee contributions based on benefit selections. All supplemental benefits are provided through contractual arrangements and are currently administered through an external TPA.

(f) Funding of the Annuity Plan

Supplemental annuity plan contributions from employers and participants were deposited with investment managers under contract with the Plan. The amounts credited to each participant account include the appreciation or depreciation in the unit values of the investment funds in addition to contributions received during the period.

(g) Income Taxes

The Plan is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code.

(h) Termination, Partial Termination, or Complete Discontinuance of Contributions

Although the State has established the Plan with the bona fide intention and expectation that it will continue the Plan indefinitely, the State may, in its sole and absolute discretion, terminate the Plan in whole or in part at any time without liability whatsoever for such termination. If the Plan is terminated, the deposit contracts shall remain in force until all individual employee benefit accounts have been completely distributed in accordance with the Plan.

The employers are under no obligation or liability to continue making contributions to, or participate in, the Plan. Employers in their sole and absolute discretion may discontinue participation and contributions with no liability whatsoever for such termination except liability to the State under the terms of the participation agreement.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Plan's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. In preparing the financial statements, the plan administrator is required to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and additions and deductions for the reporting periods. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2021 are composed of ownership of pooled investments and money market funds. The money market fund consists of nonparticipant-directed funds used to pay administrative costs of the Plan.

(c) Contributions Receivable

Contributions applicable to wages earned through June 30 are accrued if received after June 30. These contributions are considered fully collectible, and accordingly, no allowance for doubtful accounts is considered necessary.

(Continued)

(d) Due from State of Alaska General Fund

Amounts due from the State of Alaska General Fund represent State of Alaska contributions receivable, less administrative and investment expenses paid after June 30.

(e) Valuation of Collective Investment Funds

The Plan's investments in collective investment funds held in trust are stated at fair value based on the net asset value per unit, as reported by the TPA, multiplied by the number of units held by the Plan. The unit value is determined by the TPA based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

(f) Valuation of Pooled Investment Funds

The Plan's ownership of pooled investment funds held in trust are stated at fair value based on the unit values, as reported by the trustees, multiplied by the number of units held by the Plan. The unit value is determined by the trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

(g) Valuation of Synthetic Investment Contracts

The Plan's investment in fully benefit-responsive SICs are stated at contract value.

(3) Investments

The Plan is primarily participant directed, which means that the Plan's participants decide in which options to invest. Of total plan fiduciary net position of $5,078,345,000 at June 30, 2021, 99.7% or $5,064,378,000 were specifically allocated to individual participant accounts.

Each participant designates how their contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions, adjusted for the appreciation or depreciation in unit value for the investment funds, and reduced for administrative fees.

The carrying values of participant-directed investments at June 30, 2021 and 2020 are as follows (in thousands):

		2021	2020
Alaska Balanced Trust	$	1,217,645	1,099,551
Alaska Long-Term Balanced Trust		771,486	663,504
S&P 500 Stock Index Fund		525,484	416,744
Stable Value Fund		491,868	459,553
T. Rowe Price U.S. Small-Cap Trust		284,471	198,117
Passive U.S. Bond Index Fund		190,149	192,353
Environmental, Social, and Governance Fund		170,464	105,588
International Equity Fund		150,615	77,929
Russell 3000 Index Fund		136,280	122,429
Alaska Target Date Retirement 2055 Trust		126,305	84,655
Alaska Target Date Retirement 2050 Trust		124,902	86,960
Alaska Target Date Retirement 2025 Trust		115,257	94,072
Alaska Target Date Retirement 2045 Trust		111,642	77,616
Alaska Target Date Retirement 2035 Trust		97,531	66,798
Alaska Target Date Retirement 2030 Trust		96,586	69,241
Alaska Target Date Retirement 2040 Trust		94,296	68,743
Alaska Target Date Retirement 2020 Trust		93,312	87,633
Alaska Target Date Retirement 2015 Trust		83,149	77,454
State Street Institutional Treasury Money Market Fund		67,593	69,897
World Equity Ex-U.S. Index Fund		58,739	59,551
BlackRock Strategic Completion Fund		36,405	33,733
Alaska Target Date Retirement 2010 Trust		10,061	10,591
Alaska Target Date Retirement 2060 Trust		7,262	3,086
Alaska Target Date Retirement 2065 Trust		2,876	677
Total	$	5,064,378	4,226,475

For additional information on synthetic investment contracts, 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 State of Alaska Retirement and Benefits Plans at http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx.

(4) Investment Loss Trust Fund

The Investment Loss Trust Fund was established by the State of Alaska to hold harmless Plan participants who had invested in a guaranteed investment contract that suffered losses during the 1990s. The Investment Loss Trust Fund comprises cash and cash equivalents managed by the State Treasury. The associated participant payable represents amounts due to participants under a settlement agreement associated with the guaranteed investment contract.

The Insurance Commissioner of the State of California, on behalf of policyholders of Executive Life Insurance Company, had filed a complaint against certain parties in 1999 for fraud related to the purchase of Aurora National Life Assurance Company guaranteed insurance contracts. In 2005, the Insurance Commissioner received a portion of settlement proceeds related to this complaint, and the Plan received some settlement funds between 2006–2010. In 2015, the last remaining defendant settled in the 16-year lawsuit. The Plan received a final distribution related to the lawsuit in July 2020 totaling $1,159,000.

(5) Risk and Uncertainty

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants’ account balances and the amounts reported in the statement of fiduciary net position.

The Plan may invest in pooled separate accounts that include securities with contractual cash flows, which may include asset-backed securities, collateralized mortgage obligations, and commercial mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market’s perception of the issuers and changes in interest rates.

SUPPLEMENTAL SCHEDULES

Schedule 1

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Administrative and Investment Deductions

Years ended June 30, 2021 and 2020

(In thousands)

	Administrative	Investment	Totals 2021	Totals 2020
Personal services:				
Wages	$ 422	263	685	892
Benefits	270	121	391	475
Total personal services	692	384	1,076	1,367
Travel:				
Transportation	—	2	2	5
Per diem	—	—	—	1
Total travel	—	2	2	6
Contractual services:				
Management and consulting	4,163	62	4,225	3,579
Investment management and custodial fees	—	6,557	6,557	1,858
Accounting and auditing	37	—	37	46
Data processing	831	122	953	218
Communications	5	1	6	9
Advertising and printing	9	—	9	2
Rentals/leases	33	12	45	51
Legal	8	13	21	40
Repairs and maintenance	1	—	1	2
Transportation	27	—	27	14
Other professional services	43	7	50	48
Total contractual services	5,157	6,774	11,931	5,867
Other:				
Equipment	8	1	9	4
Supplies	2	5	7	11
Total other	10	6	16	15
Total administrative and investment deductions	$ 5,859	7,166	13,025	7,255

See accompanying independent auditors' report.

Schedule 2

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2021 and 2020

(In thousands)

Firm	Services	2021	2020
KPMG LLP	Auditing services	$ 31	35
State Street Bank and Trust	Custodial banking services	775	281
Alaska IT Group	Data processing services	7	20
Applied Microsystems Incorporated	Data processing services	3	9
DLT Solutions	Data processing services	58	2
Sagitec Solutions	Data processing services	736	—
International Business Machines	Data processing services	1	—
SHI International Corporation	Data processing services	3	5
State of Alaska, Department of Law	Legal services	15	37
Linea Solution Inc	Management consulting services	—	39
The Segal Company Incorporated	Management consulting services	1	3
		$ 1,630	431

This schedule presents payments to consultants receiving greater than $1,000.

See accompanying independent auditors' report.

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

October 20, 2021

Audit Committee
Alaska retirement Management Board
State of Alaska Department of Revenue
Juneau, Alaska

Ladies and Gentlemen:

We have audited the financial statements as of June 30, 2021 and for the year then ended, and have issued our reports thereon dated October 20, 2021 for the following entities (collectively, the Systems):

- State of Alaska Public Employees' Retirement System
- State of Alaska Teachers' Retirement System
- State of Alaska Judicial Retirement System
- State of Alaska Deferred Compensation Plan
- State of Alaska Supplemental Benefits System

Under our professional standards, we are providing you with the accompanying information related to the conduct of our audits.

Our Responsibility Under Professional Standards

We are responsible for forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of the Alaska Retirement Management Board, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (AICPA). In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Alaska Management Retirement Board of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered 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 Systems' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Systems' internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Alaska Retirement Management Board in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Significant Unusual Transactions

In connection with our audit of the Systems' financial statements, no significant unusual transactions were identified.

Uncorrected and Corrected Misstatements

Uncorrected Misstatements and Financial Statement Presentation and Disclosure Omissions

In connection with our audit of the Systems' financial statements, no uncorrected financial statement misstatements in the Systems' books and records or financial statement presentation and disclosure omissions were identified as of and for the year ended June 30, 2021. We have communicated that finding to management.

Corrected Misstatements

In connection with our audits of the Systems' financial statements, no corrected financial statement misstatements in the Systems' books and records were identified as of and for the year ended June 30, 2021. We have communicated that finding to management.

Non-GAAP Accounting Policies and Practices

The Systems' have adopted certain accounting policies or practices that, if applied to significant items or transactions, are not in accordance with U.S. generally accepted accounting principles. The Systems have evaluated the effect of the application of such policies and practices on the financial statements and concluded that such effect is not material to the 2021 financial statements.

Auditors' Report

A draft of the auditors' reports, including expected language of additional paragraphs to be added to the report, was provided and discussed with the audit committee on October 15, 2021.

Significant Accounting Policies and Practices

In connection with our audit of the Systems' financial statements, no new, or changes in, significant accounting policies and practices were identified.

Qualitative Aspects of Accounting Practices

We have discussed with the audit committee and management our judgments about the quality, not just the acceptability, of the Systems' accounting policies as applied in its financial reporting. The discussions generally included such matters as the consistency of the Systems' accounting policies and their application, and the understandability and completeness of the Systems' financial statements, which include related disclosures.

Significant Accounting Estimates and Significant Financial Statement Disclosures

The preparation of the financial statements requires management of the Systems to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The primary items subject to estimation include the following:

Actuarial Estimates

The financial statements for the systems contain certain actuarial estimates as required by the Governmental Accounting Standards Board. These actuarial estimates include the estimated future plan benefit obligations including postemployment and postretirement benefit obligations. We evaluated the key factors and assumptions used to develop those obligations, including possible management bias in developing the estimate, in determining that the total pension liability and total other postemployment benefit liabilities are reasonable in relation to the financial statements as a whole.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Systems' financial statements and our auditors' reports thereon does not extend beyond the financial information identified in our auditors' reports, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We will, however, read the other information included in PERS and TRS Annual Comprehensive Financial Reports when it is available to ensure there are no matters that cause us to believe that such information, or manner of its presentation is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Noncompliance with Laws and Regulations, including Illegal Acts or Fraud

In connection with our audit of the Systems' financial statements, no identified or suspected instances of non-compliance with laws and regulations, including illegal acts or fraud, have come to our attention.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Significant Issues Discussed, or Subject to Correspondence, with Management

We generally discuss a variety of matters with the audit committee, the Alaska Retirement Management Board and management each year prior to our retention by the Alaska Management Retirement Board as the Systems' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with other accountants during the year ended June 30, 2021.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that would have caused a modification of our auditors' reports on the Systems' financial statements.

Written Communications

Attached to this letter please find copies of the following written communications between management and us:

1. Management representation letters

* * * * * * *

KPMG

This letter to the Alaska Retirement Management Board is intended solely for the information and use of the Alaska Retirement Management Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Department of Administration
DIVISION OF RETIREMENT AND BENEFITS
6th Floor State Office Building
333 Willoughby Avenue
P.O. Box 110203
Juneau, AK 99811-0203
Phone: (907) 465-4460
Toll-Free: (800) 821-2251
FAX: (907) 465-3086
Alaska.gov/drb

October 20, 2021

KPMG LLP
701 West 8th Avenue, Suite 600
Anchorage, Ak 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the statements of fiduciary net position of the Public Employees' Retirement System (the Plan) as of June 30, 2021 and 2020, the related statements of changes in fiduciary net position for the years ended June 30, 2021 and 2020, and the related notes to the financial statements for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the financial status of the Plan and the changes in its financial status in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 20, 2020:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 25, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:

    a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;

    b. Additional information that you have requested from us for the purpose of the audit(s);

    c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence;

    d. All minutes of the meetings of Alaska Retirement Management Board (ARMB), or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries; and

    e. Amendments made to the plan instrument, the trust agreement, or insurance contracts during the year, including amendments to comply with applicable laws.

3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in financial reporting practices, operations of the Plan, or other matters that could have a material adverse effect on the financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing financial statements.

5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have disclosed to you all side agreements or other arrangements (either written or oral).

7. All events subsequent to the date of the financial statements and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. We have disclosed to you, in writing, all other matters (e.g., breach of fiduciary responsibilities, nonexempt transactions/prohibited party-in-interest transactions, loans or loans in default, or events that may jeopardize the tax status).

9. The effects of all known, actual, or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96-113 of Governmental Accounting Standards Board (GASB) Statement No. 62*, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

10. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term “fraud” is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.

12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Plan’s ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a “significant deficiency” and a “material weakness” in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit.*.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud, or suspected fraud, affecting the Plan involving:

    a. Management/Plan Administrator,

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Plan’s financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.

16. The Plan or Plan sponsor has no plans or intentions to terminate the Plan or merge the Plan into or with another plan.

17. We have no knowledge of any officer or trustee of the Plan or Plan sponsor, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

18. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

19. We have disclosed to you the identity of the Plan's related parties and all the related party transactions of which we are aware.

20. The following have been properly recorded or disclosed in the financial statements and supplemental schedules:

    a. Related party relationships and transactions, of which we are aware, in accordance with U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties

21. The Plan has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

22. The Plan has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

23. The Plan has disclosed all tax abatement agreements required to be disclosed under GASB Statement No. 77, Tax Abatement Disclosures.

24. The projected employer contributions in the net pension liability discount rate calculation are prepared in accordance with paragraphs 41-43 of GASB Statement 67.

25. The projected employer contributions in the discount rate calculation are prepared in accordance with paragraphs 49-51 of GASB Statement 74.

26. We acknowledge our responsibility for and agree with the actuarial methods and assumptions used by the Plan's actuary for funding purposes and for determining accumulated plan benefits are appropriate in the Plan's circumstances. We did not give any, nor cause any, instruction to the Plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have affected the independence or objectivity of the Plan's actuary.

27. We acknowledge our responsibility for and agree with the actuarial methods and assumptions used by the Plan's actuary for determining claims incurred but not reported, postemployment benefit obligation, and postretirement benefit obligation are appropriate in the Plan's circumstances. We did not give any, nor cause any, instruction to the Plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have affected the independence or objectivity of the Plan's actuary.

28. All required filings of the Plan and trust documents with the appropriate regulatory agencies have been made.

29. The Plan (and the trust established under the Plan) is qualified under the appropriate section of the Internal Revenue Code and intends to continue as a qualified plan (and trust). We believe the Plan (and trust) is being operated in a manner that did not jeopardize the continued qualification of the Plan (and trust).

30. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Plan's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

31. Certain operational compliance matters were identified which could have an impact on the amounts recorded in the financial statements. We understand that if it is not corrected in a timely manner, these matters could jeopardize the continued qualification of the pan or trust. These matters were as follows:

    a. Implementation and performance of compliance testing procedures relating to pre-ERISA minimum vesting standards, Section 415 limits, the compensation limitation under Section 401(a)(17), the exclusive benefit rule, minimum required distributions under Section 401(a)(9), the automatic rollover rules of section 401(a)(31) and the definitely determinable benefit requirements

32. We acknowledge our responsibility for the presentation of the supplementary information, which includes management's discussion and analysis in accordance with the applicable criteria and/or prescribed guidelines and:

    a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and/or prescribed guidelines;

    b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period; and

    c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

Very truly yours,

Public Employees' Retirement System

Ajay Desai
Division Director

Emily Ricci
Chief Health Policy Officer

James Puckett
Chief Pension Officer

Kevin Worley
Chief Financial Officer

THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Department of Administration
DIVISION OF RETIREMENT AND BENEFITS
6th Floor State Office Building
333 Willoughby Avenue
P.O. Box 110203
Juneau, AK 99811-0203
Phone: (907) 465-4460
Toll-Free: (800) 821-2251
FAX: (907) 465-3086
Alaska.gov/drb

October 20, 2021

KPMG LLP
701 West 8th Avenue, Suite 600
Anchorage, Ak 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the statements of fiduciary net position of the Teachers' Retirement System (the Plan) as of June 30, 2021 and 2020, the related statements of changes in fiduciary net position for the years ended June 30, 2021 and 2020, and the related notes to the financial statements for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the financial status of the Plan and the changes in its financial status in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 20, 2021:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 25, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:

   a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;

   b. Additional information that you have requested from us for the purpose of the audit(s);

   c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence;

   d. All minutes of the meetings of Alaska Retirement Management Board (ARMB), or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries; and

   e. Amendments made to the plan instrument, the trust agreement, or insurance contracts during the year, including amendments to comply with applicable laws.

3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in financial reporting practices, operations of the Plan, or other matters that could have a material adverse effect on the financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing financial statements.

5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have disclosed to you all side agreements or other arrangements (either written or oral).

7. All events subsequent to the date of the financial statements and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. We have disclosed to you, in writing, all other matters (e.g., breach of fiduciary responsibilities, nonexempt transactions/prohibited party-in-interest transactions, loans or loans in default, or events that may jeopardize the tax status).

9. The effects of all known, actual, or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96-113 of Governmental Accounting Standards Board (GASB) Statement No. 62*, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

10. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term “fraud” is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.

12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Plan’s ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a “significant deficiency” and a “material weakness” in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit.*.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud, or suspected fraud, affecting the Plan involving:

    a. Management/Plan Administrator,

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Plan’s financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.

16. The Plan or Plan sponsor has no plans or intentions to terminate the Plan or merge the Plan into or with another plan.

17. We have no knowledge of any officer or trustee of the Plan or Plan sponsor, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

18. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

19. We have disclosed to you the identity of the Plan's related parties and all the related party transactions of which we are aware.

20. The following have been properly recorded or disclosed in the financial statements and supplemental schedules:

    a. Related party relationships and transactions, of which we are aware, in accordance with U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties

21. The Plan has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

22. The Plan has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

23. The Plan has disclosed all tax abatement agreements required to be disclosed under GASB Statement No. 77, Tax Abatement Disclosures.

24. The projected employer contributions in the net pension liability discount rate calculation are prepared in accordance with paragraphs 41-43 of GASB Statement 67.

25. The projected employer contributions in the discount rate calculation are prepared in accordance with paragraphs 49-51 of GASB Statement 74.

26. We acknowledge our responsibility for and agree with the actuarial methods and assumptions used by the Plan's actuary for funding purposes and for determining accumulated plan benefits are appropriate in the Plan's circumstances. We did not give any, nor cause any, instruction to the Plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have affected the independence or objectivity of the Plan's actuary.

27. We acknowledge our responsibility for and agree with the actuarial methods and assumptions used by the Plan's actuary for determining claims incurred but not reported, postemployment benefit obligation, and postretirement benefit obligation are appropriate in the Plan's circumstances. We did not give any, nor cause any, instruction to the Plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have affected the independence or objectivity of the Plan's actuary.

28. All required filings of the Plan and trust documents with the appropriate regulatory agencies have been made.

29. The Plan (and the trust established under the Plan) is qualified under the appropriate section of the Internal Revenue Code and intends to continue as a qualified plan (and trust). We believe the Plan (and trust) is being operated in a manner that did not jeopardize the continued qualification of the Plan (and trust).

30. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Plan's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

31. Certain operational compliance matters were identified which could have an impact on the amounts recorded in the financial statements. We understand that if it is not corrected in a timely manner, these matters could jeopardize the continued qualification of the pan or trust. These matters were as follows:

    a. Implementation and performance of compliance testing procedures relating to pre-ERISA minimum vesting standards, Section 415 limits, the compensation limitation under Section 401(a)(17), the exclusive benefit rule, minimum required distributions under Section 401(a)(9), the automatic rollover rules of section 401(a)(31) and the definitely determinable benefit requirements

32. We acknowledge our responsibility for the presentation of the supplementary information, which includes management's discussion and analysis in accordance with the applicable criteria and/or prescribed guidelines and:

    a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and/or prescribed guidelines;

    b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period; and

    c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

Very truly yours,

Teachers' Retirement System

Ajay Desai
Division Director

Emily Ricci
Chief Health Policy Officer

James Puckett
Chief Pension Officer

Kevin Worley
Chief Financial Officer

THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Department of Administration
DIVISION OF RETIREMENT AND BENEFITS
6th Floor State Office Building
333 Willoughby Avenue
P.O. Box 110203
Juneau, AK 99811-0203
Phone: (907) 465-4460
Toll-Free: (800) 821-2251
FAX: (907) 465-3086
Alaska.gov/drb

October 20, 2021

KPMG LLP
701 West 8th Avenue, Suite 600
Anchorage, Ak 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the statements of fiduciary net position of the Judicial Retirement System (the Plan) as of June 30, 2021 and 2020, the related statements of changes in fiduciary net position for the years ended June 30, 2021 and 2020, and the related notes to the financial statements for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the financial status of the Plan and the changes in its financial status in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 20, 2021:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 25, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:

   a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;

   b. Additional information that you have requested from us for the purpose of the audit(s);

   c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence;

   d. All minutes of the meetings of Alaska Retirement Management Board (ARMB), or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries; and

   e. Amendments made to the plan instrument, the trust agreement, or insurance contracts during the year, including amendments to comply with applicable laws.

3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in financial reporting practices, operations of the Plan, or other matters that could have a material adverse effect on the financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing financial statements.

5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have disclosed to you all side agreements or other arrangements (either written or oral).

7. All events subsequent to the date of the financial statements and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. We have disclosed to you, in writing, all other matters (e.g., breach of fiduciary responsibilities, nonexempt transactions/prohibited party-in-interest transactions, loans or loans in default, or events that may jeopardize the tax status).

9. The effects of all known, actual, or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96-113 of Governmental Accounting Standards Board (GASB) Statement No. 62*, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

10. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term “fraud” is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.

12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Plan’s ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a “significant deficiency” and a “material weakness” in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit.*.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud, or suspected fraud, affecting the Plan involving:

    a. Management/Plan Administrator,

    b. Employees who have significant roles in internal control, or

c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Plan's financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.

16. The Plan or Plan sponsor has no plans or intentions to terminate the Plan or merge the Plan into or with another plan.

17. We have no knowledge of any officer or trustee of the Plan or Plan sponsor, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

18. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

19. We have disclosed to you the identity of the Plan's related parties and all the related party transactions of which we are aware.

20. The following have been properly recorded or disclosed in the financial statements and supplemental schedules:

    a. Related party relationships and transactions, of which we are aware, in accordance with U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties

21. The Plan has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

22. The Plan has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

23. The Plan has disclosed all tax abatement agreements required to be disclosed under GASB Statement No. 77, Tax Abatement Disclosures.

24. The projected employer contributions in the net pension liability discount rate calculation are prepared in accordance with paragraphs 41-43 of GASB Statement 67.

25. The projected employer contributions in the discount rate calculation are prepared in accordance with paragraphs 49-51 of GASB Statement 74.

26. We acknowledge our responsibility for and agree with the actuarial methods and assumptions used by the Plan's actuary for funding purposes and for determining accumulated plan benefits are appropriate in the Plan's circumstances. We did not give any, nor cause any, instruction to the Plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have affected the independence or objectivity of the Plan's actuary.

27. We acknowledge our responsibility for and agree with the actuarial methods and assumptions used by the Plan's actuary for determining claims incurred but not reported, postemployment benefit obligation, and postretirement benefit obligation are appropriate in the Plan's circumstances. We did not give any, nor cause

any, instruction to the Plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have affected the independence or objectivity of the Plan's actuary.

28. All required filings of the Plan and trust documents with the appropriate regulatory agencies have been made.

29. The Plan (and the trust established under the Plan) is qualified under the appropriate section of the Internal Revenue Code and intends to continue as a qualified plan (and trust). We believe the Plan (and trust) is being operated in a manner that did not jeopardize the continued qualification of the Plan (and trust).

30. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Plan's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

31. Certain operational compliance matters were identified which could have an impact on the amounts recorded in the financial statements. We understand that if it is not corrected in a timely manner, these matters could jeopardize the continued qualification of the pan or trust. These matters were as follows:

    a. Implementation and performance of compliance testing procedures relating to pre-ERISA minimum vesting standards, Section 415 limits, the compensation limitation under Section 401(a)(17), the exclusive benefit rule, minimum required distributions under Section 401(a)(9), the automatic rollover rules of section 401(a)(31) and the definitely determinable benefit requirements

32. We acknowledge our responsibility for the presentation of the supplementary information, which includes management's discussion and analysis in accordance with the applicable criteria and/or prescribed guidelines and:

    a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and/or prescribed guidelines;

    b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period; and

    c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

Very truly yours,

Judicial Retirement System

Ajay Desai
Division Director

Emily Ricci
Chief Health Policy Officer

James Puckett
Chief Pension Officer

Kevin Worley
Chief Financial Officer

THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Department of Administration
DIVISION OF RETIREMENT AND BENEFITS
6th Floor State Office Building
333 Willoughby Avenue
P.O. Box 110203
Juneau, AK 99811-0203
Phone: (907) 465-4460
Toll-Free: (800) 821-2251
FAX: (907) 465-3086
Alaska.gov/drb

October 20, 2021

KPMG LLP
701 West 8th Avenue, Suite 600
Anchorage, Ak 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the statements of fiduciary net position of the Deferred Compensation Plan (the Plan) as of June 30, 2021 and 2020, the related statements of changes in fiduciary net position for the years ended June 30, 2021 and 2020, and the related notes to the financial statements for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the financial status of the Plan and the changes in its financial status in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 20, 2020:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 25, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:

   a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;

   b. Additional information that you have requested from us for the purpose of the audit(s);

   c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence;

   d. All minutes of the meetings of Alaska Retirement Management Board (ARMB), or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries; and

   e. Amendments made to the plan instrument, the trust agreement, or insurance contracts during the year, including amendments to comply with applicable laws.

3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in financial reporting practices, operations of the Plan, or other matters that could have a material adverse effect on the financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing financial statements.

5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have disclosed to you all side agreements or other arrangements (either written or oral).

7. All events subsequent to the date of the financial statements and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. We have disclosed to you, in writing, all other matters (e.g., breach of fiduciary responsibilities, nonexempt transactions/prohibited party-in-interest transactions, loans or loans in default, or events that may jeopardize the tax status).

9. The effects of all known, actual, or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96-113 of Governmental Accounting Standards Board (GASB) Statement No. 62*, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

10. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term “fraud” is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.

12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Plan’s ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a “significant deficiency” and a “material weakness” in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit.*.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud, or suspected fraud, affecting the Plan involving:

    a. Management/Plan Administrator,

    b. Employees who have significant roles in internal control, or

c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Plan's financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.

16. We have no loans to executive officers, non- accrued loans, or zero-interest loans.

17. The Plan or Plan sponsor has no plans or intentions to terminate the Plan or merge the Plan into or with another plan(s).

18. We have no knowledge of any officer or trustee of the Plan or Plan sponsor, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

19. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

20. We have disclosed to you the identity of the Plan's related parties and parties-in-interest and all the related party and party-in-interest relationships and transactions of which we are aware.

21. The following have been properly recorded or disclosed in the financial statements and supplemental schedules:

    a. Related party relationships and transactions, of which we are aware, in accordance with U.S. generally accepted accounting principles (including parties-in-interest), including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties

    b. Guarantees, whether written or oral, under which the Plan is contingently liable, including guarantee contracts and indemnification agreements pursuant to FASB ASC Topic 460, *Guarantees*.

22. The Plan has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

23. The Plan has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

24. The Plan has no tax abatement agreements required to be disclosed under GASB Statement No. 77, Tax Abatement Disclosures.

25. All required filings of the Plan and trust documents with the appropriate regulatory agencies have been made.

26. The Plan (and the trust established under the Plan) is qualified under the appropriate section of the Internal Revenue Code and intends to continue as a qualified plan (and trust). We believe the Plan (and trust) is being operated in a manner that did not jeopardize the continued qualification of the Plan (and trust).

27. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We

have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Plan's current period financial statements and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

28. We acknowledge our responsibility for the presentation of the supplementary information, which includes management's discussion and analysis in accordance with the applicable criteria and/or prescribed guidelines and:

    a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and/or prescribed guidelines;

    b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period; and

    c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

Very truly yours,

Deferred Compensation Plan

Ajay Desai
Division Director

James Puckett
Chief Pension Officer

Kevin Worley
Chief Financial Officer

THE STATE of ALASKA

GOVERNOR MICHAEL J. DUNLEAVY

Department of Administration

DIVISION OF RETIREMENT AND BENEFITS

6th Floor State Office Building
333 Willoughby Avenue
P.O. Box 110203
Juneau, AK 99811-0203
Phone: (907) 465-4460
Toll-Free: (800) 821-2251
FAX: (907) 465-3086
Alaska.gov/drb

October 20, 2021

KPMG LLP
701 West 8th Avenue, Suite 600
Anchorage, Ak 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the statements of fiduciary net position of the Supplemental Benefits System (the Plan) as of June 30, 2021 and 2020, the related statements of changes in fiduciary net position for the years ended June 30, 2021 and 2020, and the related notes to the financial statements for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the financial status of the Plan and the changes in its financial status in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 20, 2020:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 25, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:

   a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;

   b. Additional information that you have requested from us for the purpose of the audit(s);

   c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence;

   d. All minutes of the meetings of Alaska Retirement Management Board (ARMB), or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries; and

   e. Amendments made to the plan instrument, the trust agreement, or insurance contracts during the year, including amendments to comply with applicable laws.

3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in financial reporting practices, operations of the Plan, or other matters that could have a material adverse effect on the financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing financial statements.

5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have disclosed to you all side agreements or other arrangements (either written or oral).

7. All events subsequent to the date of the financial statements and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. We have disclosed to you, in writing, all other matters (e.g., breach of fiduciary responsibilities, nonexempt transactions/prohibited party-in-interest transactions, loans or loans in default, or events that may jeopardize the tax status).

9. The effects of all known, actual, or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96-113 of Governmental Accounting Standards Board (GASB) Statement No. 62*, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

10. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term “fraud” is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.

12. There are no deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Plan’s ability to initiate, authorize, record, process, or report financial data

13. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Plan’s ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a “significant deficiency” and a “material weakness” in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit.*.

14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

15. We have no knowledge of any fraud, or suspected fraud, affecting the Plan involving:

    a. Management/Plan Administrator,

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

16. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Plan’s financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.

17. We have no loans to executive officers, non- accrued loans, or zero-interest loans.

18. The Plan or Plan sponsor has no plans or intentions to terminate the Plan or merge the Plan into or with another plan(s).

19. We have no knowledge of any officer or trustee of the Plan or Plan sponsor, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

20. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

21. We have disclosed to you the identity of the Plan's related parties and parties-in-interest and all the related party and party-in-interest relationships and transactions of which we are aware.

22. The following have been properly recorded or disclosed in the financial statements and supplemental schedules:

    a. Related party relationships and transactions, of which we are aware, in accordance with U.S. generally accepted accounting principles (including parties-in-interest), including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties

    b. Guarantees, whether written or oral, under which the Plan is contingently liable, including guarantee contracts and indemnification agreements pursuant to FASB ASC Topic 460, *Guarantees*.

23. The Plan has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

24. The Plan has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

25. The Plan has no tax abatement agreements required to be disclosed under GASB Statement No. 77, Tax Abatement Disclosures.

26. All required filings of the Plan and trust documents with the appropriate regulatory agencies have been made.

27. The Plan (and the trust established under the Plan) is qualified under the appropriate section of the Internal Revenue Code and intends to continue as a qualified plan (and trust). We believe the Plan (and trust) is being operated in a manner that did not jeopardize the continued qualification of the Plan (and trust).

28. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Plan's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

29. We acknowledge our responsibility for the presentation of the supplementary information, which includes management's discussion and analysis in accordance with the applicable criteria and/or prescribed guidelines and:

    a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and/or prescribed guidelines;

    b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period; and

    c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

Very truly yours,

Supplemental Benefits System

Ajay Desai
Division Director

James Puckett
Chief Pension Officer

Kevin Worley
Chief Financial Officer

ALASKA RETIREMENT MANAGEMENT BOARD

Invested Assets

June 30, 2021

(With Independent Auditors' Report Thereon)

ALASKA RETIREMENT MANAGEMENT BOARD

Invested Assets

June 30, 2021

Table of Contents

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

Independent Auditors' Report

Alaska Retirement Management Board and
State of Alaska Department of Revenue
Treasury Division:

We have audited the accompanying schedules of the State of Alaska Retirement and Benefit Plans Invested Assets (the Plans) as of June 30, 2021, and of investment income and changes in invested assets of the Plans for the year then ended, and the related notes to the schedules (collectively referred to as "the Schedules").

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules 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 the Schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Schedules 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 Schedules.

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 Schedules referred to above present fairly, in all material respects, the invested assets of the Plans as of June 30, 2021, and the results of their investment income and changes in invested assets for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to note 1 to the Schedules, which describes that the accompanying Schedules were prepared to present the invested assets of the Plans and changes therein. The presentation of the Schedules is not intended to be a complete presentation of the financial status of the Plans.

KPMG LLP

October 15, 2021

ALASKA RETIREMENT MANAGEMENT BOARD
SCHEDULE OF INVESTED ASSETS
June 30, 2021

	Pooled Investments	Participant Directed Investments	**Total ARMB Assets**
Investments (at Fair Value)			
Cash and Cash Equivalents	$ 280,158,989	-	280,158,989
Fixed Income Securities	6,858,355,449	-	6,858,355,449
Broad Domestic Equity	9,260,576,714	-	9,260,576,714
Global Equity Ex-U.S.	6,187,594,184	-	6,187,594,184
Opportunistic	1,973,221,860	-	1,973,221,860
Private Equity	5,021,663,730	-	5,021,663,730
Real Assets	4,152,314,721	-	4,152,314,721
Participant Directed	-	8,197,862,635	8,197,862,635
Synthetic Investment Contracts (at contract value)	-	860,524,414	860,524,414
Securities Lending Collateral Invested	85,824,049	-	85,824,049
Securities Lending Collateral Payable	(85,824,049)	-	(85,824,049)
Total Invested Assets	**$ 33,733,885,647**	**9,058,387,049**	**42,792,272,696**

ALASKA RETIREMENT MANAGEMENT BOARD
SCHEDULE OF INVESTMENT INCOME AND CHANGES IN INVESTED ASSETS
June 30, 2021

	Pooled Investments	Participant Directed Investments	**Total ARMB Assets**
Investment Income			
Cash and Cash Equivalents	$ 542,590	-	542,590
Fixed Income Securities	168,990,153	-	168,990,153
Broad Domestic Equity	3,015,504,106	-	3,015,504,106
Global Equity Ex-U.S.	1,857,379,742	-	1,857,379,742
Opportunistic	357,090,535	-	357,090,535
Private Equity	2,093,669,962	-	2,093,669,962
Real Assets	412,347,050	-	412,347,050
Participant Directed	-	1,817,922,372	1,817,922,372
Synthetic Investment Contracts (at contract value)	-	16,129,350	16,129,350
Securities Lending Income	1,026,734	-	1,026,734
Less: Securities Lending Expense	(204,997)	-	(204,997)
Net Securities Lending Income	821,737	-	821,737
Total Investment Income	$ 7,906,345,875	1,834,051,722	9,740,397,597
Total Invested Assets, Beginning of Year	26,830,535,108	7,201,429,074	34,031,964,182
Total Contributions	1,097,675,374	481,779,747	1,579,455,121
Total (Withdrawals)	(2,100,670,710)	(458,873,494)	(2,559,544,204)
Total Invested Assets, End of Year	**$ 33,733,885,647**	**9,058,387,049**	**42,792,272,696**

See accompanying notes to Schedules

Alaska Retirement Management Board
Invested Assets
Notes to Schedules
June 30, 2021

(1) THE ACCOUNTING ENTITY

The Alaska Retirement Management Board (Board) is the investment oversight authority for the State of Alaska's Retirement and Benefits Plans (Plans). These Plans are made up of six systems: the Public Employees' Retirement System (PERS), Teachers Retirement System (TRS), Judicial Retirement System (JRS), National Guard and Naval Militia Retirement Systems (MRS), Supplemental Benefits System (SBS), and Deferred Compensation Plan (DCP). The systems comprise a mix of individual Defined Benefit and Defined Contribution Retirement Plans. These schedules of invested assets and of investment income and changes in invested assets (the Schedules) are those of the six systems' invested assets and not the systems as a whole. Fiduciary responsibility for the Board's Invested Assets is pursuant to Alaska Statutes 37.10.210-390.

Alaska Statute 37.10.071 provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Schedules are prepared using the accrual basis of accounting for investment income. Assets are reported at fair value. Contributions represent contributions from employers and employees. Withdrawals represent benefits paid to plan participants and administrative and investment management expenses. Contributions, benefits paid, and all expenses are recorded on a cash basis.

Investments

Securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers. Fair values of investments that have no readily determinable fair value are generally reported by using the net asset value per share (or its equivalent) of the investment. Pooled participant directed accounts and the collective investment funds are valued based on a unit value determined by the managers or trustees multiplied by the total units held by each Plan. The unit value is determined by the respective managers or trustees based on the fair value of the underlying assets.

The Plan's investments in fully benefit-responsive Synthetic Investment Contracts (SICs) are stated at contract value.

Investment purchases and sales are recorded on a trade-date basis. Investment income includes realized and unrealized gains and losses and interest income on investments and income from securities lending.

(3) FAIR VALUE MEASUREMENTS

Various inputs are used in valuing the investments held by the Board. U.S. generally accepted accounting principles (GAAP) establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These inputs are summarized as follows:

> Level 1 – Quoted prices for identical assets in an active market.
>
> Level 2 – Inputs, other than quoted prices, that are observable for an asset, either directly or indirectly.
>
> Level 3 – Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

Alaska Retirement Management Board
Invested Assets
Notes to Schedules
June 30, 2021

(3) FAIR VALUE MEASUREMENTS (Cont.)

The Board categorizes fair value measurements within the fair value hierarchy established by GAAP. The Board has the following fair value measurements at June 30, 2021 (in thousands):

Investments by fair value level	Total	Level 1	Level 2	Level 3
Cash Equivalents				
Certificate of Deposit	$ 1,746	-	1,746	-
Commingled Institutional Cash Funds	-	-	-	-
Deposits	26,990	26,990	-	-
Money Market	261,504	-	261,504	-
Repurchase Agreement	31,286	-	31,286	-
Total Cash Equivalents	321,526	26,990	294,536	-
Debt Securities				
Commingled Debt Funds	2,295,950	1,838,343	457,607	-
Convertible Bonds	256	-	256	-
Corporate Bonds	1,446,166	-	1,446,166	-
Mortgage Backed	1,122,685	-	1,122,685	-
Other Asset Backed	563,112	-	563,112	-
U.S. Government Agency	142,445	-	142,445	-
U.S. Treasury Bills, Notes, and Bonds	1,451,252	-	1,451,252	-
Yankee Corporate Bonds	364,713	-	364,713	-
Yankee Government Bonds	114,722	-	114,722	-
Total Debt Securities	7,501,301	1,838,343	5,662,958	-
Equity				
Commingled Equity Funds	5,597,435	5,597,435	-	-
Common and Preferred Equity	12,608,278	12,606,236	5	2,037
Depository Receipts	214,573	214,573	-	-
Futures	(382)	(382)	-	-
Real Estate Investment Trust	970,813	970,813	-	-
Rights	32	32	-	-
Warrants	18,678	18,678	-	-
Total Equity	19,409,427	19,407,385	5	2,037
Other				
Balanced Funds	2,205,115		2,205,115	
Target Date Funds	2,775,176		2,775,176	
Securities Lending Collateral Invested	85,824		85,824	
Total Other	$ 5,066,115	-	5,066,115	-
Total investments by fair value level	32,298,369	21,272,718	11,023,614	2,037
Investments measured at NAV				
Alternative Beta	311,149			
Alternative Fixed Income	827,673			
Energy	62,212			
Farmland	900,100			
Infrastructure	742,124			
Private Equity	5,026,490			
Real Estate	1,521,574			
Timber	$ 366,936			
Total Investments measured at NAV	9,758,258			
Total Investments measured at fair value	42,056,627			
Synthetic Investment Contracts at contract value	$ 860,524			
Net Receivables / (Payables)	(124,879)			
Total Invested Assets	42,792,272			

(3) FAIR VALUE MEASUREMENTS (Cont.)

Securities classified as level 1 are valued using prices quoted in active markets for those securities. Securities classified as level 2 are valued using matrix pricing using various sources. Each balanced and target date options classified as level 2 are priced daily by the investment managers based on the prevailing market values of the underlying security portfolios. Securities classified as level 3 are valued using the last traded price or a price determined by the investment manager's valuation committee.

Investments in alternative beta, alternative fixed income, energy, farmland, infrastructure, private equity, real estate, and timber are measured at net asset value (NAV) per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. These investments undergo annual independent financial statement audits. Additional information about these investments is listed in the following table (in thousands).

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently available)	Redemption Notice Period
Alternative Beta	311,149	-	N/A	N/A
Alternative Fixed Income	827,673	120,521	Quarterly	2-90 days
Energy	62,212	28,453	No redemptions	No redemptions
Farmland	900,100	-	N/A	N/A
Infrastructure	742,124	-	Quarterly	30-90 days
Private Equity	5,026,490	1,218,942	No redemptions	No redemptions
Real Estate	1,521,574	183,906	Varied	Varied
Timber	366,936		N/A	N/A
Total investments measured at the NAV	$ 9,758,258			

Alternative Beta & Alternative Fixed Income: Investment strategies include pooled investment vehicles and securities in a variety of markets.

Energy: This type includes investments in three energy funds which invest in the debt and equity of energy-related companies. These investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be funded through the fiscal year 2022.

Farmland: This type includes investments of a wholly owned agriculture fund. This fund is for the purpose of owning and managing real estate property devoted to agricultural use. Investment properties include row crops, permanent crops, and vegetable crops. This investment is a fund of one, and therefore can be liquidated at any time.

Infrastructure (Private): This type includes investments in two open-ended infrastructure funds. Investments include electricity generation, transmission, toll roads, pipelines, bridges, and other infrastructure-related assets. Funds can be redeemed on a quarterly basis with proper notice.

(3) FAIR VALUE MEASUREMENTS (CONT.)

Private Equity: This type includes investments in 34 private equity funds including two gatekeeper managers who invest on behalf of the Alaska Retirement Management Board. These funds are diversified in various sectors including but not limited to venture capital, acquisitions, debt, and special situations. These investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be funded through the fiscal year 2029.

Real Estate: This type includes investments in 15 real estate funds that invest primarily in U.S. commercial real estate including value-added, opportunistic and core investments. Three of these funds are funds of one, and therefore can be liquidated at any time. For the remaining 18 funds, investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be funded through the fiscal year 2032.

Timber: This type includes an investment in one wholly owned timber fund that invests, acquires, manages, and disposes of timberland property and associated timber. This investment is a fund of one, and therefore can be liquidated at any time.

Synthetic Investment Contracts: The Board’s investment manager entered into investment contracts, on behalf of the Board, with five financial institutions. These institutions provide wrap contracts that cover separately managed SIC portfolios. The accounts are credited with earnings and investment deposits, less administrative expenses charged by the financial institutions and investment withdrawals. The contracts are included in the Board’s statements at contract value. They are fully benefit-responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The crediting interest rate is based on the approximate rate of interest that will amortize differences between contract and market value over the portfolio’s average duration. Accounts and terms of SICs in effect at June 30, 2021, are as follows:

	As of June 30, 2021	
	Contract Provider	Alaska Retirement Management Board
Contract Value of Investment Contract	Prudential Insurance Company of America	165,577,086
Market Value of Portfolio	Prudential Insurance Company of America	170,393,910
Average Crediting Rate	Prudential Insurance Company of America	1.94%
Contract Value of Investment Contract	New York Life Insurance Co.	165,306,519
Market Value of Portfolio	New York Life Insurance Co.	169,862,972
Average Crediting Rate	New York Life Insurance Co.	1.89%
Contract Value of Investment Contract	Pacific Life Insurance Co.	165,711,194
Market Value of Portfolio	Pacific Life Insurance Co.	170,744,783
Average Crediting Rate	Pacific Life Insurance Co.	1.99%
Contract Value of Investment Contract	State Street Bank & Trust Co.	165,746,077
Market Value of Portfolio	State Street Bank & Trust Co.	170,489,625
Average Crediting Rate	State Street Bank & Trust Co.	1.98%
Contract Value of Investment Contract	Massachusetts Mutual Life Insurance Co.	165,375,864
Market Value of Portfolio	Massachusetts Mutual Life Insurance Co.	169,823,252
Average Crediting Rate	Massachusetts Mutual Life Insurance Co.	1.89%

(4) DEPOSIT AND INVESTMENT RISK

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The ARMB invests its cash in the State of Alaska, Treasury Division's (Treasury) Short-Term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. At June 30, 2021, all securities within the Short-term Fixed Income Pool met these compliance metrics.

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration is the average fair value weighted duration of each security considering all related cash flows. At June 30, 2021, the effective duration of the Board's fixed income investments by type, was as follows:

	Effective Duration (in years)
Corporate Bonds	9.06
Mortgage Backed	3.17
Other Asset Backed	1.22
U.S. Government Agency	3.63
U.S. Treasury Bills, Notes, and Bonds	7.70
Yankee Corporate Bonds	5.76
Yankee Government Bonds	7.38
Total Portfolio	**6.17**

Synthetic Investment Contracts

The Board contracts with an external investment manager who is given the authority to invest in SICs and a reserve. This external manager also manages the securities underlying the SICs. In the case of the Board's constant duration SICs, duration is the fair value weighted average term to maturity of all fixed income securities underlying the contracts and their related cash flows. Duration of the Plan's structured payout SICs is the weighted average maturity of the contract payments. Through the Board's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on SICs as follows:

Constant duration SICs duration cannot exceed the longer of six years or the duration of the Bloomberg Barclays Aggregate Bond Index plus one-half year. The weighted average duration of the constant duration SICs was 4.16 years at June 30, 2021. The duration of the Bloomberg Barclays Aggregate Bond Index was 6.48 years at June 30, 2021. The account's weighted average effective duration will generally not exceed the effective duration of the Bloomberg Barclays U.S. Intermediate Aggregate Bond Index plus 10%. The weighted average duration of the account was 4.01 years at June 30, 2021. The duration of the Bloomberg Barclays U.S. Intermediate Aggregate Bond Index was 4.08 years at June 30, 2021. The balance of the reserve is invested in the custodian's Institutional Treasury Money Market Fund and the external manager's Cash Reserves Trust Fund.

The account did not hold any buy-and-hold SICs or structured payout SICs investments at June 30, 2021.

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021, the Board's Invested Assets consisted of fixed income securities with credit quality ratings issued by nationally recognized statistical rating organizations. Securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated. Using Standard & Poor's Corporation rating scale, the values for each rating are as follows (in thousands):

Rating	US Dollar	Foreign
A	$ 788,384	
A-1	4,559	
AA	206,764	
AAA	587,134	
B	12,890	
BB	21,390	
BBB	786,597	
Not Rated	3,499,629	256
U.S. Government Agency	142,445	
U.S. Treasury Bills, Notes, and Bonds	1,451,252	
Grand Total	7,501,044	256

Synthetic Investment Contracts

The Board's investment policy has the following credit risk limitations for SICs, investments underlying the synthetic investment contracts and the reserve:

> Synthetic investment contract issuers must have an investment grade rating. Supranational Agency and Foreign Government entity investments must have a minimum rating of A- or equivalent. Corporate debt securities must have a minimum rating of BBB- of equivalent. Asset-backed securities must have a minimum rating of AAA or equivalent. The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The Board does not have a policy in relation to custodial credit risk for deposits. At June 30, 2021, the Board's Invested Assets had uncollateralized and uninsured foreign currency deposits of $15,015,000.

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Board's Stable Value Fund policy requires that all investments underlying a synthetic investment contract be denominated in U.S. dollars. For all other funds, through its asset allocation, the Board limits risk by limiting total investments in foreign currencies to the following:

Pension System	Opportunistic	Global Equity Ex-U.S.	Private Equity Pool	Real Assets Pool
PERS	10%	23%	18%	20%
TRS	10%	23%	18%	20%
JRS	10%	23%	18%	20%
MRS	10%	17%	12%	11%

At June 30, 2021, the Board had exposure to foreign currency risk with the following deposits and investments (in thousands):

	Convertible Bonds	Deposits	Equity	Private Equity	Rights & Warrants
Australian Dollar	$ -	114	74,665	793	-
Brazilian Real	-	466	53,429	-	2
Canadian Dollar	-	1,307	118,550	-	-
Chilean Peso	-	35	6,258	-	-
Colombian Peso	-	-	484	-	-
Czech Koruna	-	12	778	-	-
Danish Krone	-	135	60,381	-	-
Euro Currency	-	2,744	788,300	333,550	30
Hong Kong Dollar	-	623	234,159	-	-
Hungarian Forint	-	22	1,873	-	-
Iceland Krona	-	-	2,570	-	-
Indian Rupee	-	28	65,555	-	-
Indonesian Rupiah	-	7	5,083	-	-
Japanese Yen	-	3,387	573,913	-	-
Kuwaiti Dinar	-	95	1,197	-	-
Malaysian Ringgit	-	3	5,113	-	-
Mexican Peso	-	682	21,846	-	-
New Israeli Sheqel	-	82	5,224	-	-
New Taiwan Dollar	-	478	91,068	-	-
New Zealand Dollar	-	-	5,308	-	-
Norwegian Krone	-	149	25,138	-	-
Philippine Peso	-	-	1,721	-	-
Polish Zloty	-	16	3,217	-	-
Pound Sterling	-	934	318,500	63,978	-
Qatari Rial	-	95	4,715	-	-
Russian Ruble	-	293	60,761	-	-
Saudi Riyal	-	48	22,412	-	-
Singapore Dollar	-	79	19,732	-	-
South African Rand	-	54	21,144	-	-
South Korean Won	-	79	119,866	-	-
Swedish Krona	-	142	94,290	22,310	-
Swiss Franc	256	759	189,071	-	11
Thailand Baht	-	26	13,260	-	1
Turkish Lira	-	34	7,704	-	-
Uae Dirham	-	101	4,079	-	-
Yuan Renminbi	-	1,986	86,341	-	-
Grand Total	$ 256	15,015	3,107,705	420,631	44

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2021, the Board's Invested Assets did not have exposure to any one issuer greater than 5% of total invested assets.

Synthetic Investment Contracts

The Board's policy regarding concentration of credit risk for, underlying investments, and reserve is as follows:

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed thirty-five percent of the synthetic investment contracts' total value.

No investment will be made if, at the time of the purchase, the investment could cause any single issuer, or all issuers of the securities held as supporting investments under the synthetic investment contracts to exceed the thresholds in the table below. The maximum exposure to securities rated between BBB- and BBB+ is limited to twenty percent of the total value underlying synthetic investment contracts.

Investment Type	Issuer	All Issuers
U.S. Treasury and Agencies	100%	100%
U.S. Agency Securities	100%	100%
Agency Mortgage-Backed Securities	50%	50%
Non-Agency Mortgage-Backed Securities	5%	50%
Asset-backed Securities	5%	50%
Domestic and Foreign Corporate Debt Securities	5%	50%
Supranational Agency and Foreign Government entity securities	5%	50%
Money Market Instruments – Non Gov/Agency	5%	100%
Custodian Short-term Investment Fund	100%	100%

For the reserve, the total investment of any single issuer of money market instruments may not exceed 5% of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

(5) DERIVATIVES, FOREIGN EXCHANGE, AND COUNTERPARTY CREDIT RISK

The Board is exposed to credit risk on investment derivative instruments that are in asset positions. The Board has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Board has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Board have a policy for contingencies. On June 30, 2021, the Board had the following derivative instruments outstanding:

	Changes in Fair Value		Fair Value		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Commodity Futures Long	Investment Revenue	$ (2,898,775)	Futures	$ -	$ -
Fixed Income Futures Long	Investment Revenue	(654,822)	Futures	-	19,800,000
Fixed Income Futures Short	Investment Revenue	457	Futures	-	-
FX Forwards	Investment Revenue	2,701,540	Long Term Instruments	1,051,861	149,252,051
Index Futures Long	Investment Revenue	21,834,214	Futures	-	16,530
Index Futures Short	Investment Revenue	(2,876,131)	Futures	-	-
Rights	Investment Revenue	319,718	Common Stock	31,650	232,148
Warrants	Investment Revenue	7,320,047	Common Stock	18,677,839	1,367,744

(5) DERIVATIVES, FOREIGN EXCHANGE, AND COUNTERPARTY CREDIT RISK (Cont.)

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of nonperformance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date. At June 30, 2021, the Board had the following Foreign Currency risk related to derivatives:

Currency Name		Right & Warrant Options	Net Receivables	Net Payables	Total Exposure
Australian Dollar	$	-	(251,196)	-	(251,196)
Brazilian Real		1,645	-	-	1,645
Canadian Dollar		-	(337,072)	(2,333)	(339,405)
Swiss Franc		11,240	-	59,589	70,829
Danish Krone		-	-	22,832	22,832
Euro Currency		30,156	-	899,397	929,553
Pound Sterling		-	-	492,403	492,403
Japanese Yen		-	(192,767)	21,264	(171,503)
South Korean Won		-	-	34,967	34,967
Mexican Peso		-	(2,860)	-	(2,860)
Norwegian Krone		-	-	6,467	6,467
Swedish Krona		-	-	301,171	301,171
Singapore Dollar		-	-	-	-
Thailand Baht		929	-	-	929
	$	43,970	(783,895)	1,835,756	1,095,832

At June 30, 2021, the Board had no counterparty credit and counterparty concentration risk associated with its investment derivative positions.

(6) SECURITIES LENDING

Alaska Statute 37.10.071 authorizes the Board to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. The Board lends marketable debt and equity securities through a contract with State Street Bank and Trust (the Bank). International equity security loans were collateralized at not less than 105 percent of their fair value. All other security loans were collateralized at not less than 102 percent of their fair value. Loaned securities and collateral were marked to market daily and collateral was received or delivered the following day, as necessary, to maintain collateral levels. The Board cannot pledge or sell collateral received until and unless a borrower defaults. At year-end, the Board had no credit risk exposure to the borrowers because the amounts the Board owed to the borrowers exceeded the amounts the borrowers owed the Board.

The fair value of securities on loan at June 30, 2021, was approximately $83.6 million. At June 30, 2021, cash collateral received totaling $85.8 million is reported as a securities lending payable and the fair value of the re-invested cash collateral totaling $85.8 million is reported as security lending collateral invested in the Schedule of Invested Assets.

Cash collateral was invested in a registered 2(a)-7 money market fund. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements were terminable at will. Securities under loan, cash collateral and cash collateral payable are recorded on the financial schedules at fair value. The Bank and the Board received a fee from earnings on invested collateral. The Bank and the Board shared the fee paid by the borrower.

There was limited credit risk associated with the lending transactions since the Board was indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnified the Board against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications were subject to limitation relating to a force majeure event as outlined in the contract.

For the year ended June 30, 2021 there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

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

October 15, 2021

Audit Committee
Alaska Retirement Management Board
Juneau, Alaska

Ladies and Gentlemen:

We have audited the Schedules of Invested Assets the State of Alaska Retirement and Benefit Plans (the Plans) as of June 30, 2021 and of investment income and changes in invested assets of the Plans for the year then ended (the schedules) and have issued our report thereon under date of October 15, 2021. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

Our Responsibility Under Professional Standards

We are responsible for forming and expressing an opinion about whether the schedules, that have been prepared by management with the oversight of the Alaska Retirement Management Board, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the schedules in accordance with auditing standards generally accepted in the United States of America (AICPA). In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the schedules as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the schedules are detected. Our audit does not relieve management or Alaska Retirement Management Board of their responsibilities.

In addition, in planning and performing our audit of the schedules, we considered 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 schedules but not for the purpose of expressing an opinion on the effectiveness of the Plans' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plans' internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of Alaska Retirement Management Board in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Significant Unusual Transactions

In connection with our audit of the Plans' schedules, no significant unusual transactions were identified.

Uncorrected and Corrected Misstatements

Uncorrected Misstatements and Financial Statement Presentation and Disclosure Omissions

In connection with our audit of the Plans' schedules, we have discussed with management certain financial statement misstatements related to accounts and disclosures that have not been corrected in the Plans' books and records as of and for the year ended June 30, 2021. We have reported such misstatements to management on a Summary of Audit Misstatements and have received written representations from management that the effects of the uncorrected financial statement misstatements related to accounts and disclosures are immaterial, both individually and in the aggregate, to the schedules taken as a whole. Attached is a copy of the summary that has been provided to, and discussed with, management.

Corrected Misstatements

In connection with our audit of the Plans' schedules, no corrected financial statement misstatements in the Plans' books and records were identified as of and for the year ended June 30, 2021. We have communicated that finding to management.

Auditors' Report

The auditors' report includes an emphasis of matter paragraph as follows:

We draw attention to note 1 to the Schedules, which describes that the accompanying Schedules were prepared to present the invested assets of the Plans and changes therein. The presentation of the Schedules is not intended to be a complete presentation of the financial status of the Plans.

Significant Accounting Policies and Practices

In connection with our audit of the Plans' schedules, no new, or changes in, significant accounting policies and practices were identified.

Qualitative Aspects of Accounting Practices

We have discussed with the Alaska Retirement Management Board and management our judgments about the quality, not just the acceptability, of the Plans' accounting policies as applied in its financial reporting. The discussions generally included such matters as the consistency of the Plans' accounting policies and their application, and the understandability and completeness of the Plans' schedules, which include related disclosures.

Significant Accounting Estimates and Significant Financial Statement Disclosures

The preparation of the schedules requires management of the Plans to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the schedules and the reported amounts of revenues and expenses during the period.

Investments

Certain fair value measurements and disclosures in the schedules, including determining the fair value of investments for which a readily determinable fair value does not exist, require estimation of fair value. Management has established an accounting and financial reporting process for determining the fair value measurements and disclosures, considered the appropriateness of valuation methods, adequately supported any significant assumptions used, and ensured that the presentation and disclosure of the fair value measurements are in accordance with generally accepted accounting principles. We evaluated the key factors and assumptions used to develop the fair value estimates, including possible management bias in developing the estimates, in determining that the fair value of investments for which a readily determinable fair value does not exist is reasonable in relation to the schedules as a whole.

KPMG

Noncompliance with Laws and Regulations, including Illegal Acts or Fraud

In connection with our audit of the Plans' schedules, no identified or suspected instances of non-compliance with laws and regulations, including illegal acts or fraud, have come to our attention.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Significant Issues Discussed, or Subject to Correspondence, with Management

We generally discuss a variety of matters with Alaska Retirement Management Board and management each year prior to our retention by Alaska Retirement Management Board as the Plans' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with other accountants during the year ended June 30, 2021.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that individually or in the aggregate could be significant to the Plans' schedules, or our report.

Written Communications

Attached to this letter please find copies of the following written communications between management and us:

1. Management representation letter

* * * * * * *

This letter to the Alaska Retirement Management Board is intended solely for the information and use of the Alaska Retirement Management Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

THE STATE of ALASKA
GOVERNOR MIKE DUNLEAVY

Department of Revenue

ALASKA RETIREMENT MANAGEMENT BOARD

PO Box 110405
Juneau, Alaska 99811-0405
Main: 907.465.3749
Fax: 907.465.4397

October 15, 2021

KPMG LLP
701 W 8th Avenue, Suite 600
Anchorage, AK 99501

Ladies and Gentleman:

We are providing this letter in connection with your audit of the Schedule of Invested Assets of the State of Alaska's Retirement and Benefits Plans (Treasury) as of and for the year ended June 30, 2021, for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the respective financial positions and changes in financial positions in accordance with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 15, 2021 the following representations made to you during your audit:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 25, 2019 for the preparation and fair presentation of the financial statements in accordance with U.S.GAAP.

2. We have made available to you:

    a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;

    b. Additional information that you have requested from us for the purpose of the audit;

    c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and

    d. All minutes of the meetings of Alaska Retirement Management Board and Committee, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.

3. There have been no communications from regulatory agencies, governmental representatives, employees or others concerning noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing financial statements.

5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

6. There are no undisclosed side agreements or other arrangements.

7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

9. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

10. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedules are immaterial, both individually and in the aggregate, to the Schedules.

11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.

12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Treasury's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265.07, Communicating Internal Control Related Matters Identified in an Audit.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud affecting the Treasury involving:

    a. Management,

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements

15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Treasury's financial statements communicated by employees, former employees, analysts, regulators, or others.

16. We have no knowledge of any officer or trustee of the Treasury, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

17. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.

18. We have disclosed to you the identity of all our related parties and all the related party relationships and transactions of which we are aware.

19. The following have been properly recorded or disclosed in the financial statements:

    a. Related party relationships and transactions, of which we are aware, in accordance with U.S. GAAP, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties.

    b. Guarantees, whether written or oral, under which the Treasury is contingently liable.

    c. The existence of and transactions with joint ventures and other related organizations.

20. The Treasury has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

21. The Treasury has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

22. The Treasury's reporting entity includes all entities that are component units of the Treasury.

23. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. GAAP. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Treasury's current period financial statements [and our assessment of internal control over financial reporting], and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

24. Deposits and investment securities are properly classified and reported.

25. We are responsible for making the fair value measurements and disclosures included in the financial statements in accordance with GASB Statement No. 72, Fair Value Measurement and Application, including determining the fair value of assets and liabilities for which there has been a significant decrease in the volume and level of activity in relation to the normal market activity for those assets or liabilities (or similar assets or liabilities) or for which transactions are deemed not orderly. As part of fulfilling this responsibility, we have established an accounting and financial reporting process for determining fair value measurements and disclosures, in accordance with the fair value techniques including circumstances in which a practical expedient may be used to estimate fair value, adequately supported any significant assumption used, and ensured that the presentation and disclosure of the fair value measurements are in accordance with U.S. generally accepted accounting principles, including the disclosure requirements of GASB 72. We believe the assumptions and techniques used by us, including those used by specialists engaged by us, are in accordance with the definition of fair value in GASB 72 and the disclosures adequately describe the level of the inputs used in the fair value measurement, in accordance with the fair value hierarchy in GASB 72.

26. The Treasury has identified and properly reported all of its derivative instruments and any related deferred outflows of resources or deferred inflows of resources related to hedging derivative instruments in accordance with GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. The Treasury complied with the requirements of GASB Statement No. 53 related to the determination of hedging derivative instruments and the application of hedge accounting. Further, the Treasury has disclosed all material information about its derivative and hedging arrangement in accordance with GASB Statement No. 53.

27. The following information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

a. The extent, nature, and terms of financial instruments with off-balance-sheet risk;

b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and

c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

28. The Treasury has complied with all applicable laws and regulations in adopting, approving, and amending budgets.

Very truly yours,

State of Alaska, Department of Revenue, Division of Treasury

Pamela Leary

Pamela Leary

Director of Treasury

Enc.

Correcting Entry Required at Current Period End						Income Statement Effect - Debit(Credit)			Balance Sheet Effect - Debit (Credit)				
ID	Description of misstatement	Type of misstatement	Accounts	Debit	(Credit)	Income effect of correcting the balance sheet in prior period (carryforward from prior period)	Income effect of correcting the current period balance sheet	Income effect according to Rollover (Income Statement) method	Equity	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities
				A		B	C+A (Only income Statement accounts)	C-B					
UAD 1	The entity records an adjustment for all 6/30 CAS received by 8/31, and then tracks the UAD balance for the remaining CAS received (all are typically received by 9/30). This misstatement is a factual misstatement for the remaining 6/30 CAS received between 8/31 and 9/30.	Factual	Private Equity	79,916,988	0	0	0	0	0	0	79,916,988	0	0
			Private Equity - Income	0	(79,916,988)	0	(79,916,988)	(79,916,988)	0	0	0	0	0
	Aggregate effect of uncorrected audit misstatements (before tax)					0	(79,916,988)	(79,916,988)	0	0	79,916,988	0	0
	Aggregate effect of uncorrected audit misstatements (after tax)					0	(79,916,988)	(79,916,988)	0	0	79,916,988	0	0
	Financial statement amounts (per final financial statements) (after tax)							9,740,397,597	0	0	42,792,272,696	0	0
	Uncorrected audit misstatements as a percentage of financial statement amounts (after tax)							(0.82%)	#DIV/0!	#DIV/0!	0.19%	#DIV/0!	#DIV/0!

Division of Retirement & Benefits
Alaska Retirement Management Board

Audit Committee
December 1, 2021

Audit Unit Report

This report contains information on work performed through November 15, 2021, by the Division of Retirement and Benefit' (DRB)s Audit Unit. The Audit Unit is under the supervision of CFO Kevin Worley. The daily activities of the Audit Unit are overseen by the Accountant V, Traci Walther.

A. <u>Audit Unit Overview</u>

The Audit Unit audits all employers in PERS and TRS for compliance with state regulations and federal code. Per the DRB in calendar year (CY) 2020, there were 165 PERS employers and 58 TRS employers with contributions totaling over $684.6 million.

Besides PERS and TRS audits, the DRB also audits for SBS and DCP compliance (when applicable) and reviews the employers' social security and Medicare withholding for compliance with mandatory and voluntary Social Security withholding.

B. <u>Audit Summary</u>

	PERS Employers	TRS Employers
CY 2021 (to date)	07	05
CY 2020	17	08
CY 2019	10	04
CY 2018	39	14
CY 2017	25	13
CY 2016	17	07

C. <u>Other Duties Performed by Audit Unit (Helmick)</u>

1. Federal Social Security referendum preparation Association of Village Council Presidents Regional Housing Authority
2. NCSSSA Conference September 2021 (Walther, Helmick)
3. Institute Internal Auditors – Alaska Chapter Committee Work

D. <u>Audit Charts</u>

State Fiscal Year (SFY) 2022

No SFY 2022 audits have been completed to date. One audit travel trip was approved for SFY 2022. Auditors will audit three entities in Fairbanks in December 2021; all other audits will be performed via desk.

Akutan, City of	Juneau, City & Borough	North Slope Borough School District
Alaska Gateway School District	Ketchikan Borough	Palmer, City of
Alaska Housing Finance Corporation	Ketchikan Borough SD	Petersburg Borough
Aleutian Housing Authority	Ketchikan, City of	Petersburg City Schools
Bering Straits School District	Klawock City School District	Petersburg Medical Center
Bethel, City of	Klawock, City of	Shaktoolik, City of
Chugach School District	Kodiak Island Borough	Sitka Borough School District
Copper River School District	Kodiak Island Borough School District	Sitka, City and Borough of
Craig City Schools	Kodiak, City of	Soldotna, City of
Craig, City of	Kuspuk School District	Southeast Island School District
Fairbanks North Star Borough	Lower Kuskokwim School District	Tagiugmiullu Nunamiullu Housing Authority
Fairbanks North Star Borough School District	Lower Yukon School District	Thorne Bay, City of
Fairbanks, City of	Matanuska-Susitna Borough	Tlingit-Haida Regional Housing Authority
Hydaburg City Schools	North Pacific Fisheries Management Council	Tlingit-Haida Regional Housing Authority
Iditarod Area School District	North Pacific Rim Housing Authority	Toksook Bay, City of
Ilisagvik College	North Slope Borough	Utqiagvik, City of
Inter-Island Ferry Authority		

Division of Retirement & Benefits
Alaska Retirement Management Board

Audit Committee
December 1, 2021

Renaming the Comprehensive Annual Financial Report to the Annual Comprehensive Financial Report (ACFR)

From the Governmental Accounting Standards Board press release on October 19, 2021:

The Governmental Accounting Standards Board (GASB) today issued a pronouncement that changes the name of the most extensive report prepared following its standards to the annual comprehensive financial report or ACFR. Until now, the name applied to those reports was the comprehensive annual financial report.

The name change was prompted by GASB stakeholders raising concerns that the acronym of the prior name of the report sounds like a profoundly offensive term when spoken. The changes in the name and acronym were widely supported by individuals and stakeholder groups that responded to the April 2021 Exposure Draft proposing the changes.

Statement No. 98, ***The Annual Comprehensive Financial Report***, establishes the annual comprehensive financial report and ACFR in generally accepted accounting principles (GAAP) for state and local governments and eliminates the prior name and acronym. ***Otherwise, no changes were made to the report's structure or content. (emphasis added by DRB CFO)***

Regarding the issuance of Statement 98, GASB Chair Joel Black said, "Once this issue came to our attention, it was clear that working with our stakeholders to rename this important document was simply the right thing to do. Thank you to everyone who worked with us and shared their input."

Financial reports prepared following GAAP are required to contain basic financial statements (including notes to financial statements) and required supplementary information (such as management's discussion and analysis). Governments may voluntarily present those required components in an ACFR, which also contains more background and explanatory information from management, additional financial statements disaggregating certain columns in the basic financial statements, and a "statistical section" of 10-year trends in financial, economic, demographic, and operating information.

The requirements of Statement 98 are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

Statement 98 is available on the GASB website, www.gasb.org.

State of Alaska
Alaska Retirement Management Board

December 1, 2021

Presented by:

Michael Holmes, Vice President

William Maus, Manager

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE®

Presentation Topics

- SWCAP – What does it stand for and why is it required?
- What is 2 CFR Part 200 (Uniform Guidance)
- Who is Maximus?
- Assessment of the DOA-Division of Retirement and Benefits Cost Allocation Plan and the Department of Revenue's Cost Allocation Plan

SWCAP - What is it?

Statewide Cost Allocation Plan

- States provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis.
- Because Federally supported awards are performed within the individual operating agencies, there needs to be a process through which these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis.
- SWCAPs must include all central service costs that will be claimed, whether as a billed or an allocated cost, under Federal awards.

SWCAP – Section I

The allocated costs of the SWCAP are commonly referred to as "Section I" costs. For each allocated central service, the proposed cost allocation plan must:

- briefly describe the service;
- identify the unit rendering the service and the operating agencies receiving the service;
- list the items of expense included in the cost of the service;
- identify the method used to distribute the cost of the service to benefitted agencies; and
- provide a summary schedule showing the allocation of each service to benefitted agencies.

All proposed cost allocation plans must be accompanied by:

- an organization chart, CAFR or Executive Budget and a signed certification

SWCAP – Section II

The internal service funds (ISFs) and other billed services in the SWCAP are commonly referred to as "Section II" costs. For each billed service the proposed SWCAP must include:

- a brief description of each service;
- a balance sheet for each fund based on individual accounts contained in the governmental unit's accounting system;
- a revenue/expenses statement with revenues broken out by source;
- a list of non-operating transfers;
- a description of the methodology used to charge the costs of each service to users, including how billing rates are determined;
- a schedule of current rates; and
- a schedule comparing total revenues (including imputed revenues) generated by the service to the allowable costs of the service under 2 CFR Part 200, with an explanation of how variances will be handled.

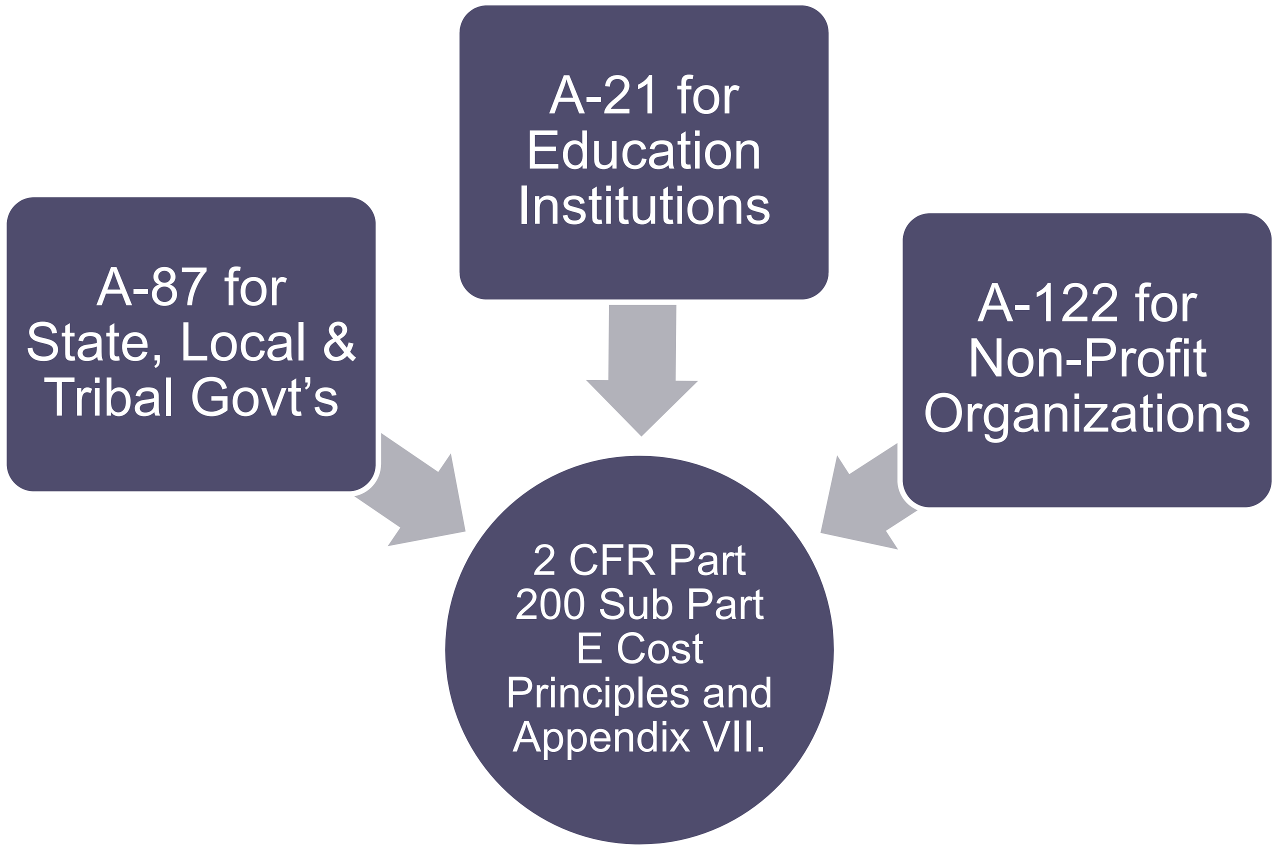
SWCAP – Section II (cont.)

The Section II report also requires reporting on Self-Insurance Funds, Fringe Benefit Costs and Pension and Postretirement Health Insurance Plans. For pension and postretirement health insurance plans, the proposed cost allocation plan must provide:

- the governmental unit's funding policies, if different from actuarially determined rates;
- the pension plan's costs accrued for the year;
- the amount funded and date(s) of funding;
- a copy of the current actuarial report, including the actuarial assumptions;
- the plan trustee's report; and
- a schedule from the activity showing the value of the interest cost associated with late funding.

What is 2 CFR Part 200

In late 2014 Federal OMB issued the Uniform Guidance, which combined and cleaned up some minor inconsistencies between the 3 related Circulars



2 CFR Part 200 Basic Guidelines

Allowable Costs

To be allowable, costs must meet the following general criteria:

- Necessary & reasonable for proper & efficient performance of Federal programs
- Be allocable to Federal awards under provisions of this Circular
- Be authorized & not prohibited by State or local laws or regulations
- Conform to limitations imposed by any other Federal FFP regulations
- Be consistent with policies that are uniform for both federally assisted & other activities
- Be accorded consistent costing treatment
- Follow GAAP, unless otherwise prescribed
- Not included as match for another Federal program
- Be net of all applicable credits

2 CFR Part 200 Basic Guidelines

Allowable Costs – Typical Examples

- Salary & Wages
- Fringe Benefits
- Depreciation
- Materials & Supplies
- Maintenance & Repair
- Memberships
- Motor Pools
- Training
- Travel
- Information Technology
- Insurance
- Professional Services

2 CFR Part 200 Basic Guidelines

Unallowable Costs - Examples

- Bad Debts
- Capital Outlay
- Contributions
- Entertainment
- Legislative & most Judicial Costs
- Contributions to Reserve Funds

- Research & Development Costs
- Fines & Penalties
- Alcoholic Beverages
- Lobbying
- Performance Audits

Who is Maximus?

MAXIMUS

The Nation's Leading Cost Allocation Firm

40+ Years Cost Allocation Experience

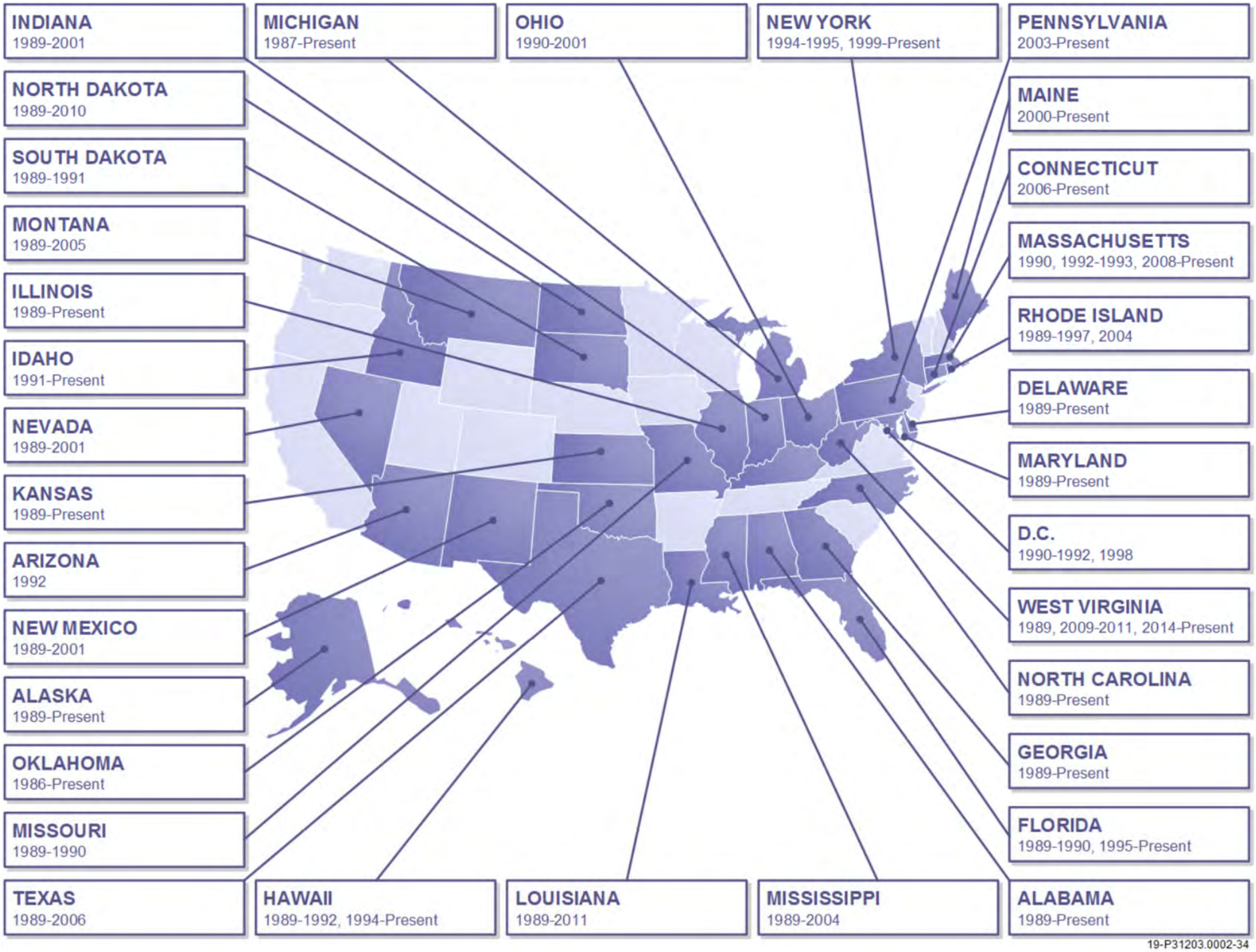
Extensive Experience Working with Federal Cost Allocation Negotiators

AK SWCAP preparer since 1989

18 SWCAP Clients and 1,000+ CAP Clients in 44 states

40 Cost Allocation Experts on Staff

Who is Maximus?



DOA Retirement and Benefits' CAP

Maximus updated CAP in 2006

Written Narrative and Excel Model

- Completed annually by DOA-Division of Retirement and Benefits (DRB), reviewed by Maximus for compliance
- Purpose: Allocate DRB's indirect costs in the various sections and units to benefiting plans (PERS, TRS, JRS, NGNMRS, UVPARF, EPORS, SBS-Annuity, SVBS-Benefits, DCP, Health Insurance, FICA)

DOA Retirement and Benefits' CAP

Examples of DRB CAP's allocation methodology

Costs	Allocation Method
Division Director	% of DRB staff charged to Plans
Information Services-Manager	50%-Plan members 50%-Plan assets
Retirement Processing Unit	50%-Plan members 50%-Plan assets
Chief Financial Officer (CFO)	% of Financial Svcs. Staff charged to Plans
Retiree/Refund Processing Unit	50%-Plan members 50%-Plan assets
Internal Audit/Compliance Svcs.	Number of employers in Plans

DOR Treasury Division CAP

Written Narrative and Excel Model

- Completed annually by Department of Revenue (DOR), <u>reviewed by Maximus for compliance</u>
- Purpose: Allocate Department of Revenue Treasury Division's indirect costs and other costs to benefiting funds (includes retirement fund)

DOR Treasury Division CAP

Examples of Treasury CAP's allocation methodology

Costs	Allocation Method
Division Director	% AUM across all Plans
Chief Investment Officer (CIO)	% Time spent on DB/DC/State, then % AUM within DB/DC/State Plans
Asset Accounting Section	% Tasks spent on DB/DC/State, then % AUM within DB/DC/State Plans
Internal Equity Section	% Internal Equity AUM across DB Plans
Fixed Income Section	% Fixed Income AUM across DB/State Plans

Alaska Retirement Management Board

COMMITTEE SELF-ASSESSMENT

Audit Committee

Self-assessment within the meaning of the committee's charter may be achieved by discussion, at least twice a year, of the following questions:

	YES	NO
1. Are discussions at the committee level meaningful and, if not, what can be done about it?		
2. Is the committee touching on key issues; what key issuesare being missed?		
3. Is the committee giving appropriate time to key issues?		
4. Does the work of the Audit Committee appropriately meet the needs of the Board by reducing necessary Board meeting time spent on the matters that come before the Audit Committee?		

Charter of the Audit Committee of the Board of Trustees of the Alaska Retirement Management Board

I. Audit Committee Purpose.

The Audit Committee provides independent oversight of the integrity of the Alaska Retirement Management Board's financial statements and reporting, systems of internal controls, and compliance with legal and regulatory requirements. It also serves as a conduit of communication among the independent auditors, asset, liability and investment management, the chief financial officers, and the Board of Trustees.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors, as well as ARMB management and staff, legal counsel, and asset managers. The Committee may retain, at the expense of the ARMB and consistent with applicable procurement requirements, special legal, accounting, or other consultants or experts it considers necessary in the performance of its duties.

II. Audit Committee Responsibilities and Duties.

A. The Committee shall carry out the following review responsibilities:

1. Review and assess the adequacy of this Charter at least annually and submit recommended changes to it to the Board of Trustees for approval.

2. Review the annual audited financial statements prior to filing or distribution of the final report. This review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices, and judgments.

3. In consultation with management, the independent auditors, and the chief financial officers, consider the integrity of the financial reporting processes and controls; discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures; and review significant findings prepared by the independent auditors and the chief financial officers together with management's responses.

4. Discuss any significant changes to applicable accounting principles and any items required to be communicated by the independent auditors.

5. At least annually, review with the ARMB's counsel any legal matters that could have a significant impact on the Fund's financial statements, the ARMB's compliance with applicable laws and regulations, and any inquiries received from regulators or governmental agencies.

6. Review financial and accounting personnel succession planning within the ARMB.

7. Periodically perform self-assessment of the Committee's performance.

B. The Committee is recognized as a direct avenue for the reporting of any material or significant finding by the Treasury Division Compliance Office. The Chair of the Committee shall be the primary contact with the external auditors between meetings of the Committee if communications between the external auditors and the Committee are deemed necessary or desirable.

C. The Committee shall have the following responsibilities with respect to the ARMB's independent auditors:

1. Review the independence and performance of the auditors and periodically recommend to the Board of Trustees the appointment of the independent auditors or approve any discharge of auditors when circumstances warrant.

2. Review the independent auditors' audit plan - discuss scope, staffing, locations, reliance upon management, and general audit approach.

3. Discuss with management and the independent auditors the accounting principles and underlying estimates used in the preparation of the Fund’s financial statements.

4. Review the external auditor’s management letter to the ARMB and discuss the contents with the auditors and monitor the follow-up on significant observations, findings and recommendations.

5. Discuss with the independent auditors the clarity of the financial disclosure practices used or proposed by the ARMB.

6. Meet with the auditors, in the absence of management, to review findings, recommendations or other pertinent subjects.

D. In addition to the foregoing, the Committee shall:

1. Perform such other activities consistent with this Charter, and governing law as the Committee considers necessary or appropriate or as the Board of Trustees may otherwise request.

2. Maintain minutes of Committee meetings and periodically report to the Board of Trustees on significant results of the Committee's activities.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD AUDIT COMMITTEE CALENDAR

Schedule of 2022 Meetings

March 16, 2022 (Juneau/Videoconference)

1. Meet with DRB and Treasury staff.

2. Report from DRB on Employer Audit Program. Review list of completed audits, audit schedule, rotation, and significant findings/results. Identify any recurring findings.

3. Report from Treasury Compliance Officer.

June 15, 2022 (Anchorage/Videoconference)

1. Review Auditor's audit plan of assets (Treasury) and pension systems and liabilities (Division of Retirement and Benefits). Charter B 2

2. Review with Staff (DOR and DRB) and Independent Auditors scope of audit, sensitive and risk areas, and compliance. Charter B 2

3. Audit Committee opportunity to ask auditors to focus on areas of interest/review

4. Review Legal Issues and Regulations with Legal Counsel. Charter A 5

5. Review Organizational Charts, and Financial and accounting personnel succession. Charter A 6

6. Review Audit Committee Charter and Performance. Charter A 1 and A 7

September 14, 2022 (Anchorage/ Videoconference)

1. Meet with Independent Auditors to receive and review draft audit of pension system invested assets. Charter A 2-3, B 3-4-5
2. Committee only meeting with auditors without management Charter B 6

October 11, 2022 (Videoconference)

1. DRB Financial Statements

November 30, 2022 (Anchorage/ Videoconference)

1. Meet with Independent Auditors to review final audit of pension systems Charter A 2-3, B 3- 4-5)

2. Committee only meeting with Independent Auditors Charter B 6

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE CALENDAR

Schedule of 2022 Meetings

Periodic and As-Needed Meeting Topics

1. Annual review with DRB on Independent Auditor procurement and contract (including review of independence and performance of auditors). Charter B 1

2. Updates by DRB on actuary procurement and second review/audits.

3. Custodian report and procedures review – augmented by staff reports. Biannual or as needed.

4. Regular reports by DRB on Employer Audit Program. Review list of completed audits, audit schedule, rotation, and significant findings/results. Identifying any recurring findings.

5. Regular reports on compliance:

   A. "Back Office" compliance review programs.

   B. Investment staff programs and procedures on real estate and alternative investment valuation monitoring and checks.

   C. Annual Presentation

6. Audit Committee training on special topics