ALASKA RETIREMENT MANAGEMENT BOARD

AUDIT COMMITTEE

October 10, 2022

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD

AUDIT COMMITTEE MEETING

October 10, 2022 – 10:00 AM to 12:00 PM

Call In (Audio Only): 1-907-202-7104	**Code:** 486 376 204#

I. **Call to Order**

II. **Roll Call**

III. **Public Meeting Notice**

IV. **Approval of Agenda**

V. **Public / Member Participation, Communications and Appearances**
*(Three Minute Limit. Callers may need to press *6 to unmute.)*

VI. **Review of Draft Financial Statements**
- **A. Deferred Compensation Plan**
- **B. Supplemental Benefits System**
- **C. Judicial Retirement System**
- **D. Teachers Retirement System**
- **E. Public Employees' Retirement System**
- **F. National Guard and Naval Militia Retirement System**

Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits
Melissa Beedle, Audit Manager, KPMG
Elizabeth Stuart, Audit Partner, KPMG

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

VIII. **Other Matters to Properly Come Before the Committee**

IX. **Public / Members Comments**

X. **Adjournment**

STATE OF ALASKA
DEFERRED COMPENSATION PLAN

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

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STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Table of Contents

Independent Auditors' Report

The Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Deferred Compensation Plan:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements for the year then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of June 30, 2022 and 2021, and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Supplementary Information

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

(signed) KPMG LLP

Anchorage, Alaska
[*Date of the auditors' report*]

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 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, 2022 and 2021. 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 2020 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2022 were as follows:

- The Plan's fiduciary net position decreased by $164.6 million.
- The Plan's participant contributions and transfers in of $51.0 million increased by $3.8 million when compared to fiscal year 2021.
- The Plan's net investment income decreased by $382.0 million when compared to fiscal year 2021, to a loss of $128.6 million.
- Benefits paid to participants and purchases of annuity contracts of $85.2 million increased by $5.4 million when compared to fiscal year 2021.

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, 2022 and 2021.

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, 2022 and 2021. This statement presents contributions and net investment income (loss) 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, 2022 and 2021, and the sources and uses of those funds during the years ended June 30, 2022 and 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 Plan's financial statements.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

Condensed Financial Information (In thousands)

Fiduciary net position

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage	2020
Assets:					
Cash and cash equivalents	$ 2,866	1,430	1,436	100.4%	$ 1,723
Due from State of Alaska General Fund	1,778	2,774	(996)	(35.9)	1,803
Investments	1,054,654	1,219,728	(165,074)	(13.5)	1,001,091
Total assets	1,059,298	1,223,932	(164,634)	(13.5)	1,004,617
Liabilities					
Accrued expenses	190	187	3	1.6	161
Total liabilities	190	187	3	1.6	161
Fiduciary net position	$ 1,059,108	1,223,745	(164,637)	(13.5)%	$ 1,004,456

Changes in fiduciary net position

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage	2020
Fiduciary net position, beginning of year	$ 1,223,745	1,004,456	219,289	21.8%	$ 990,320
Additions:					
Contributions and transfers in	50,994	47,203	3,791	8.0	46,008
Net investment income (loss)	(128,638)	253,373	(382,011)	(150.8)	40,492
Other income (expense)	(8)	39	(47)	(120.5)	20
Total additions	(77,652)	300,615	(378,267)	(125.8)	86,520
Deductions:					
Benefits paid to participants and purchases of annuity contracts	85,203	79,754	5,449	6.8	71,146
Administrative	1,782	1,572	210	13.4	1,238
Total deductions	86,985	81,326	5,659	7.0	72,384
Net increase (decrease) in net position	(164,637)	219,289	(383,926)	(175.1)	14,136
Fiduciary net position, end of year	$ 1,059,108	1,223,745	(164,637)	(13.5)%	$ 1,004,456

(Continued)

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

Financial Analysis of the Plan

The statement of fiduciary net position as of June 30, 2022, shows net fiduciary position of $1,059,108,000. The entire amount is available to pay benefits to participants and their beneficiaries as well as administrative costs. This amount represents a decrease in the Plan's net position restricted for participants and operations of $164,637,000, or 13.5%, from fiscal year 2021 to fiscal year 2022 and an increase of $219,289,000, or 21.8%, from fiscal year 2020 to fiscal year 2021.

Contributions and Investment Income

Additions to the Plan are accumulated through a combination of participant contributions, plan transfers in, net investment income (loss), and other additions as follows:

	Additions (In thousands)				
			Increase (decrease)		
	2022	2021	Amount	Percentage	2020
Employer contributions	$ 219	—	219	100.0%	$ —
Participant contributions	49,665	46,476	3,189	6.9	45,222
Transfers in	1,110	727	383	52.7	786
Net investment income (loss)	(128,638)	253,373	(382,011)	(150.8)	40,492
Other income (expense)	(8)	39	(47)	(120.5)	20
Total	$ (77,652)	300,615	(378,267)	(125.8)%	$ 86,520

The Plan's participant contributions increased from $46,476,000 in fiscal year 2021 to $49,665,000 in fiscal year 2022, an increase of $3,189,000 or 6.9%. 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%. Fiscal year 2022 saw an increase in the average contribution size, while fiscal year 2021 saw an increase in the number of participants actively contributing. The Plan is an optional participation with a minimum contribution of $50 per month.

Beginning in fiscal year 2022, participating employers could offer an employer matching contribution. There was one participating employer which offered an employer matching contribution to its members. This option was not offered to participants by their employers during fiscal year 2021.

The Plan's net investment income decreased from $253,373,000 in fiscal year 2021 to a loss of $128,638,000 in fiscal year 2022, a decrease of $382,011,000 or 150.8%. The decrease relates to negative rates of return in the overall investment environment in fiscal year 2022. Net investment income increased in fiscal year 2021 by $212,881,000, or 525.7%, when compared to amounts recorded fiscal year 2020. This increase relates to investment performance in fiscal year 2021 compared to similar investments in fiscal year 2020.

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STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

The Plan's investment rates of return at June 30, 2022 and 2021 are as follows:

	2022	2021
Alaska Balanced Trust	(9.02)%	13.37 %
Alaska Long-Term Balanced Trust	(11.17)	23.55
Alaska Target Date Retirement 2010 Trust	(8.29)	15.17
Alaska Target Date Retirement 2015 Trust	(8.84)	17.74
Alaska Target Date Retirement 2020 Trust	(9.77)	21.44
Alaska Target Date Retirement 2025 Trust	(10.95)	25.28
Alaska Target Date Retirement 2030 Trust	(11.85)	28.72
Alaska Target Date Retirement 2035 Trust	(12.65)	31.81
Alaska Target Date Retirement 2040 Trust	(13.26)	34.46
Alaska Target Date Retirement 2045 Trust	(13.72)	36.74
Alaska Target Date Retirement 2050 Trust	(13.87)	36.78
Alaska Target Date Retirement 2055 Trust	(13.89)	36.82
Alaska Target Date Retirement 2060 Trust	(13.96)	36.71
Alaska Target Date Retirement 2065 Trust	(13.97)	36.58
BlackRock Strategic Completion Fund	(2.49)	24.97
Environmental, Social and Governance Fund	(10.61)	40.93
International Equity Fund	(26.39)	42.43
JP Morgan SmartRetirement Blend 2015 R6	(11.99)	—
JP Morgan SmartRetirement Blend 2020 R6	(12.10)	—
MassMutual Bond Fund	(13.34)	1.28
MassMutual Equity Fund	(1.20)	33.10
Passive U.S. Bond Index Fund	(10.26)	(0.36)
Russell 3000 Index Fund	(13.69)	44.07
S&P 500 Stock Index Fund	(10.64)	40.78
Stable Value Fund	1.84	2.18
State Street Institutional Treasury Money Market	0.15	0.02
U.S. Small-Cap Trust	(23.19)	54.51
World Equity Ex-U.S. Index Fund	(19.14)	35.55

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STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

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)		
	2022	2021	Amount	Percentage	2020
Benefits paid to participants and purchases of annuity contracts	$ 85,203	79,754	5,449	6.8%	$ 71,146
Administrative	1,782	1,572	210	13.4	1,238
Total	$ 86,985	81,326	5,659	7.0%	$ 72,384

The Plan's benefits paid to participants and purchases of annuity contracts in fiscal year 2022 increased by $5,449,000, or 6.8%, from fiscal year 2021 due to an increase in the number of disbursements requested. The Plan's benefits paid to participants and purchases of annuity contracts in fiscal year 2021 increased by $8,608,000, or 12.1%, from fiscal year 2020 due to an increase in the size of disbursements requested.

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 $1,782,000 in fiscal year 2022 compared to $1,572,000 in fiscal year 2021, an increase of $210,000, or 13.4%. The increase in administrative expenses in fiscal year 2022 is primarily due to an increase in system modernization project expenses. 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 27.0%. The increase was primarily due to increases in system modernization project expenses over the prior year.

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STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

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, 2022 and 2021

(In thousands)

	2022	2021
Assets:		
Cash and cash equivalents:		
Investment in State of Alaska General Fund and Other Nonsegregated Investments Pool	$ 375	120
Money market fund – nonparticipant directed	2,491	1,310
Total cash and cash equivalents	2,866	1,430
Receivables:		
Due from State of Alaska General Fund	1,778	2,774
Total receivables	1,778	2,774
Investments:		
Participant directed at fair value:		
Collective investment funds	596,502	733,082
Pooled investment funds	252,637	280,537
Participant directed at contract value:		
Synthetic investment contracts	205,515	206,109
Total investments	1,054,654	1,219,728
Total assets	1,059,298	1,223,932
Liabilities:		
Accrued expenses	190	187
Total liabilities	190	187
Fiduciary net position	$ 1,059,108	1,223,745

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, 2022 and 2021

(In thousands)

	2022	2021
Additions (reductions):		
Employer contributions	$ 219	—
Participant contributions	49,665	46,476
Transfers in	1,110	727
Total contributions	50,994	47,203
Investment income (loss):		
Net appreciation (depreciation) in value of investments	(126,864)	255,557
Interest	32	5
Total investment income (loss)	(126,832)	255,562
Less investment expense	1,806	2,189
Net investment income (loss)	(128,638)	253,373
Other income (expenses)	(8)	39
Total additions (reductions)	(77,652)	300,615
Deductions:		
Benefits paid to participants and purchases of annuity contracts	85,203	79,754
Administrative	1,782	1,572
Total deductions	86,985	81,326
Net increase (decrease) in fiduciary net position	(164,637)	219,289
Fiduciary net position, beginning of year	1,223,745	1,004,456
Fiduciary net position, end of year	$ 1,059,108	1,223,745

See accompanying notes to financial statements.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2022 and 2021

(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, 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 12,685 participants in the Plan as of June 30, 2022.

At June 30, 2022 and 2021, the number of participating local government employers and public organizations, including the State was as follows:

	2022	2021
State of Alaska and Component Units	1	1
Municipalities	11	8
School districts	5	4
Other	7	6
Total employers	24	19

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, 2022, plan participants are required to contribute a minimum of $50 per month ($600 per year). At June 30, 2022, the maximum amount that could be deferred in a calendar year was $20,500 for participants under age 50 and $27,000 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 $41,000 in calendar year 2022). Participants vest automatically in their contributions and earnings on those contributions.

During fiscal year 2022, an employer participating in the Plan began offering and contributing matching contributions. Currently, there is one employer matching employee 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, 2022 and June 30, 2021, 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 – 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.

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.

JPMorgan SmartRetirement Blend 2015 and 2020 Funds – The purpose of these funds is to provide a professionally managed portfolio that strategically shifts asset allocations as the Fund approaches and passes the target retirement date for investors who plan to retire around the target retirement year and then withdraw their investment in the Fund throughout retirement.

(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.

(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 or other participating employers 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 contributions receivable, less administrative and investment expenses paid after June 30.

(Continued)

(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.

(h) Reclassifications

The Plan made certain reclassifications to the 2021 balances in the accompanying supplemental schedules to make them consistent with the 2022 presentation.

(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 $1,059,108,000 at June 30, 2022, 99.6% or $1,054,654,000 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.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2022 and 2021

The carrying values of participant-directed investments at June 30, 2022 and 2021 are as follows (in thousands):

		2022	2021
S&P 500 Stock Index Fund	$	229,832	270,931
Stable Value Fund		205,515	206,109
U.S. Small-Cap Trust		110,196	155,398
Alaska Long-Term Balanced Trust		82,617	92,255
Passive U.S. Bond Index Fund		64,136	80,473
Russell 3000 Index Fund		48,068	51,363
Environmental, Social and Governance Fund		45,679	55,663
Alaska Balanced Trust		42,523	44,250
International Equity Fund		37,487	59,797
Alaska Target Date Retirement 2025 Trust		26,370	32,318
World Equity Ex-U.S. Index Fund		23,035	20,186
Alaska Target Date Retirement 2020 Trust		21,429	26,016
State Street Institutional Treasury Money Market		20,414	20,818
Alaska Target Date Retirement 2030 Trust		17,324	19,093
BlackRock Strategic Completion Fund		15,311	15,810
Alaska Target Date Retirement 2035 Trust		13,152	13,474
Alaska Target Date Retirement 2040 Trust		12,100	13,411
Alaska Target Date Retirement 2045 Trust		9,303	10,128
Alaska Target Date Retirement 2015 Trust		8,815	9,958
Alaska Target Date Retirement 2050 Trust		7,531	7,953
Alaska Target Date Retirement 2055 Trust		6,078	6,370
Alaska Target Date Retirement 2010 Trust		3,134	3,334
MassMutual Equity Fund		2,331	2,626
Alaska Target Date Retirement 2060 Trust		1,408	1,462
Alaska Target Date Retirement 2065 Trust		761	515
JPMorgan SmartRetirement Blend 2020 R6		86	—
MassMutual Bond Fund		13	17
JPMorgan SmartRetirement Blend 2015 R6		6	—
Total	$	1,054,654	1,219,728

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 https://treasury.dor.alaska.gov/armb/reports-and-policies/annual-audited-financial-schedules

(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.

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, 2022 and 2021

(In thousands)

	Administrative	Investment	Totals 2022	Totals 2021
Personal services:				
Wages	$ 143	49	192	228
Benefits	96	26	122	131
Total personal services	239	75	314	359
Travel:				
Transportation	—	1	1	—
Total travel	—	1	1	—
Contractual services:				
Management and consulting	1,143	36	1,179	1,030
Investment management and custodial fees	—	1,653	1,653	2,044
Accounting and auditing	39	1	40	33
Data processing	319	31	350	240
Communications	1	—	1	2
Advertising and printing	4	—	4	2
Rentals/leases	5	3	8	16
Legal	4	2	6	4
Transportation	8	—	8	7
Other professional services	19	2	21	20
Total contractual services	1,542	1,728	3,270	3,398
Other:				
Equipment	—	1	1	2
Supplies	1	1	2	2
Total other	1	2	3	4
Total administrative and investment deductions	$ 1,782	1,806	3,588	3,761

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, 2022 and 2021

(In thousands)

Firm	Services	2022	2021
KPMG LLP	Auditing services	$ 37	31
State Street Bank and Trust	Custodial banking services	147	185
Alaska IT Group	Data processing services	1	3
Applied Microsystems Incorporation	Data processing services	11	1
DLT Solutions	Data processing services	—	14
Sagitec Solutions	Data processing services	288	183
SHI International Corporation	Data processing services	1	1
TechData Service Company	Data processing services	12	—
State of Alaska, Department of Law	Legal services	7	4
		$ 504	422

This schedule presents payments to consultants receiving greater than $1,000.

See accompanying independent auditors' report.

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STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Table of Contents

Independent Auditors' Report

The Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Supplemental Benefits System:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of State of Alaska Supplemental Benefits System (the System), a component unit of the State of Alaska, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements for the year then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2022 and 2021, and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Supplementary Information

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

(signed) KPMG LLP

Anchorage, Alaska
[*Date of the auditors' report*]

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 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, 2022 and 2021. 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 2020 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2022 were as follows:

- The Plan's net position restricted for benefits decreased by $650.5 million during fiscal year 2022.
- The Plan's participant and employer contributions and transfers into the Plan increased by $588 thousand during fiscal year 2022 compared to fiscal year 2021.
- The Plan's net investment income decreased by $1.5 billion when compared to fiscal year 2021, to a loss of $520.2 million.
- The Plan's net investment loss of $520.2 million during fiscal year 2022, a decrease of $1.5 billion compared to fiscal year 2021.
- The Plan's benefits paid increased by $29.6 million during fiscal year 2022 compared to fiscal year 2021.

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, 2022 and 2021. 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, 2022 and 2021. This statement presents contributions and net investment income (loss) 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, 2022 and 2021 and the sources and uses of those funds during the years ended June 30, 2022 and 2021.

(Continued)

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 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 Plan's financial statements.

Condensed Financial Information (In thousands)

Fiduciary net position

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage	2020
Assets:					
Cash and cash equivalents	$ 9,710	9,109	601	6.6%	$ 6,343
Receivables	672	742	(70)	(9.4)	783
Due from State of Alaska General Fund	6,045	5,552	493	8.9	5,667
Investments	4,412,831	5,064,378	(651,547)	(12.9)	4,226,475
Investment loss trust fund (ILTF) at fair value	2,091	2,089	2	0.1	2,085
Total assets	4,431,349	5,081,870	(650,521)	(12.8)	4,241,353
Liabilities:					
Accrued expenses	360	382	(22)	(5.8)	1,279
Payable to plan participants	154	128	26	20.3	70
ILTF plan participant payable	2,091	2,089	2	0.1	2,085
Total liabilities	2,605	2,599	6	0.2	3,434
Fiduciary net position	$ 4,428,744	5,079,271	(650,527)	(12.8)%	$ 4,237,919

Changes in fiduciary net position

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage	2020
Fiduciary net position, beginning of year	$ 5,079,271	4,237,919	841,352	19.9%	$ 4,127,434
Additions:					
Contributions	176,971	176,383	588	0.3	170,998
Net investment income (loss)	(520,224)	939,692	(1,459,916)	(155.4)	195,428
Other income (expense)	(321)	1,587	(1,908)	(120.2)	178
Total additions (redcutions)	(343,574)	1,117,662	(1,461,236)	(130.7)	366,604
Deductions:					
Benefits and refunds of contributions	300,088	270,451	29,637	11.0	251,642
Administrative	6,865	5,859	1,006	17.2	4,477
Total deductions	306,953	276,310	30,643	11.1	256,119
Increase (decrease) in net position	(650,527)	841,352	(1,491,879)	(177.3)	110,485
Fiduciary net position, end of year	$ 4,428,744	5,079,271	(650,527)	(12.8)%	$ 4,237,919

(Continued)

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

Financial Analysis of the Plans

The statement of fiduciary net position – Annuity and cafeteria plans as of June 30, 2022 and 2021 show fiduciary net position of $4,428,744,000 and $5,079,271,000, respectively. The entire amount is available to pay benefits to participants and their beneficiaries as well as administrative costs. These amounts represent a decrease in plan net position restricted for participants and operations of $650,527,000 or 12.8% from fiscal year 2021 to fiscal year 2022, and an increase of $841,352,000 or 19.9% from fiscal year 2020 to fiscal year 2021.

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)		
	2022	**2021**	**Amount**	**Percentage**	**2020**
Plan participant mandatory contributions	$ 86,973	84,988	1,985	2.3%	$ 81,836
Employer mandatory contributions	86,932	84,993	1,939	2.3	81,846
Plan participant voluntary contributions	—	—	—	—	1,893
Transfer-in contributions	3,066	6,402	(3,336)	(52.1)	5,423
Total plan member and employer contributions	176,971	176,383	588	0.3	170,998
Net investment income (loss)	(520,224)	939,692	(1,459,916)	(155.4)	195,428
Other income (expenses)	(321)	1,587	(1,908)	(120.2)	178
Total	$ (343,574)	1,117,662	(1,461,236)	(130.7)%	$ 366,604

Plan member and employer contributions increased from $176,383,000 for fiscal year 2021 to $176,971,000 for fiscal year 2022, an increase of $588,000 or 0.3% due to an increase in participant earnings. No contribution was made to the plan participant voluntary contributions in fiscal year 2021 and 2022 due to the voluntary supplemental benefit premium was shifted to the cafeteria plan third-party administrator (TPA). The TPA collects voluntary supplemental benefits premiums directly from participant employers and processes all claims.

(Continued)

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

The Plan's net investment income decreased from $939,692,000 in fiscal year 2021 to $(520,224,000) in fiscal year 2022, a decrease of $1,459,881,000 or 155.4% from amounts recorded in fiscal year 2021. The decrease relates to significant negative rates of return in the overall investment environment in fiscal year 2022. Net investment income increased during fiscal year 2021 by $774,436,000 or 380.9% from amounts recorded during fiscal year 2020.

The Plan's investment rates of return at June 30, 2022 and 2021 are as follows:

	2022	2021
Alaska Balanced Trust	(9.02)%	13.37 %
Alaska Long-Term Balanced Trust	(11.17)	23.55
Alaska Target Date Retirement 2010 Trust	(8.29)	15.17
Alaska Target Date Retirement 2015 Trust	(8.84)	17.74
Alaska Target Date Retirement 2020 Trust	(9.77)	21.44
Alaska Target Date Retirement 2025 Trust	(10.95)	25.28
Alaska Target Date Retirement 2030 Trust	(11.85)	28.72
Alaska Target Date Retirement 2035 Trust	(12.65)	31.81
Alaska Target Date Retirement 2040 Trust	(13.26)	34.46
Alaska Target Date Retirement 2045 Trust	(13.72)	36.74
Alaska Target Date Retirement 2050 Trust	(13.87)	36.78
Alaska Target Date Retirement 2055 Trust	(13.89)	36.82
Alaska Target Date Retirement 2060 Trust	(13.96)	36.71
Alaska Target Date Retirement 2065 Trust	(13.97)	36.58
BlackRock Strategic Completion Fund	(2.49)	24.97
Environmental, Social and Governance Fund	(10.61)	40.93
International Equity Fund	(26.39)	42.43
JP Morgan SmartRetirement Blend 2015 R6	(11.99)	—
JP Morgan SmartRetirement Blend 2020 R6	(12.10)	—
Passive U.S. Bond Index Fund	(10.26)	(0.36)
Russell 3000 Index Fund	(13.69)	44.07
S&P 500 Stock Index Fund	(10.64)	40.78
Stable Value Fund	1.84	2.18
State Street Institutional Treasury Money Market	0.15	0.02
U.S. Small-Cap Trust	(23.19)	54.51
World Equity Ex-U.S. Index Fund	(19.14)	35.55

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

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)		
	2022	2021	Amount	Percentage	2020
Benefits and refunds of contributions	$ 300,088	270,451	29,637	11.0%	$ 251,642
Administrative	6,865	5,859	1,006	17.2	4,477
Total	$ 306,953	276,310	30,643	11.1%	$ 256,119

The Plan's benefits paid to participants and refunds of contributions, including purchases of annuity contracts for fiscal year 2022 increased $29,637,000 or 11.0% from fiscal year 2021, and increased $18,809,000 or 7.5% from fiscal year 2020 to fiscal year 2021. The increase in refunds of contributions in fiscal year 2022 is related to the increase in the number of members requesting disbursements from the Plan. The increase in refunds of contributions in fiscal year 2021 is primarily related to Coronavirus Aid, Relief, and Economic Security (CARES) Act distributions that active and terminated members could receive as described below.

The 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 $6,865,000 for fiscal year 2022 compared to $5,859,000 for fiscal year 2021, an increase of $1,006,000 or 17.2%. The increase in administrative expenses in fiscal year 2022 is primarily due to an increase in modernization project expenses. 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 was primarily due to increases in system modernization project expenses over the prior year.

(Continued)

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

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, 2022 and 2021

(In thousands)

	2022			2021		
	Annuity	Cafeteria	Total	Annuity	Cafeteria	Total
Assets:						
Cash and cash equivalents:						
Investment in State of Alaska General Fund and Other Nonsegregated Investments Pool	$ 827	—	827	3,330	926	4,256
Money market fund – nonparticipant-directed	8,883	—	8,883	4,853	—	4,853
Total cash and cash equivalents	9,710	—	9,710	8,183	926	9,109
Receivables:						
Mandatory and voluntary contributions	672	—	672	742	—	742
Due from State of Alaska General Fund	6,045	—	6,045	5,552	—	5,552
Total receivables	6,717	—	6,717	6,294	—	6,294
Investments:						
Participant directed at fair value:						
Collective investment funds	1,315,424	—	1,315,424	1,620,200	—	1,620,200
Pooled investment funds	2,586,999	—	2,586,999	2,952,310	—	2,952,310
Participant directed at contract value:						
Synthetic investment contracts	510,408	—	510,408	491,868	—	491,868
Total investments	4,412,831	—	4,412,831	5,064,378	—	5,064,378
Investment loss trust fund at fair value	2,091	—	2,091	2,089	—	2,089
Total assets	4,431,349	—	4,431,349	5,080,944	926	5,081,870
Liabilities:						
Accrued expenses	360	—	360	382	—	382
Payable to plan participants	154	—	154	128	—	128
Investment loss trust fund plan participant payable	2,091	—	2,091	2,089	—	2,089
Total liabilities	2,605	—	2,605	2,599	—	2,599
Fiduciary net position	$ 4,428,744	—	4,428,744	5,078,345	926	5,079,271

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, 2022 and 2021

(In thousands)

	2022			2021		
	Annuity	Cafeteria	Total	Annuity	Cafeteria	Total
Additions (reductions):						
Contributions:						
Employers	$ 86,973	—	86,973	84,988	—	84,988
Plan members	89,998	—	89,998	91,395	—	91,395
Total contributions	176,971	—	176,971	176,383	—	176,383
Investment income (loss):						
Net appreciation (depreciation) in value of investments	(514,276)	—	(514,276)	946,843	—	946,843
Interest	110	—	110	15	—	15
Total investment income (loss)	(514,166)	—	(514,166)	946,858	—	946,858
Less investment expense	6,058	—	6,058	7,166	—	7,166
Net investment income (loss)	(520,224)	—	(520,224)	939,692	—	939,692
Other income (expense)	(321)	—	(321)	661	926	1,587
Total additions (reductions)	(343,574)	—	(343,574)	1,116,736	926	1,117,662
Deductions:						
Benefits and refunds of contributions	300,088	—	300,088	270,451	—	270,451
Administrative	5,939	926	6,865	5,859	—	5,859
Total deductions	306,027	926	306,953	276,310	—	276,310
Net increase (decrease) in fiduciary net position	(649,601)	(926)	(650,527)	840,426	926	841,352
Fiduciary net position, beginning of year	5,078,345	926	5,079,271	4,237,919	—	4,237,919
Fiduciary net position, end of year	$ 4,428,744	—	4,428,744	5,078,345	926	5,079,271

See accompanying notes to financial statements.

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2022 and 2021

(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, 2022. There were 50,511 participants in the Plan as of June 30, 2022.

At June 30, 2022 and 2021, the number of participating local government employers and public organizations, including the State was as follows:

State of Alaska	1
State of Alaska 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, 2022 and 2021, 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, 2021.

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.

(Continued)

(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, 2022 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.

(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.

(h) Reclassifications

The Plan made certain reclassifications to the 2021 balances in the accompanying supplemental schedules to make them consistent with the 2022 presentation.

(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 $4,428,744,000 at June 30, 2022, 99.6% or $4,412,831,000 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.

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2022 and 2021

The carrying values of participant-directed investments at June 30, 2022 and 2021 are as follows (in thousands):

		2022	2021
Alaska Balanced Trust	$	1,046,166	1,217,645
Alaska Long-Term Balanced Trust		678,647	771,486
Stable Value Fund		510,408	491,868
S&P 500 Stock Index Fund		434,904	525,484
U.S. Small-Cap Trust		197,175	284,471
Passive U.S. Bond Index Fund		141,741	190,149
Environmental, Social, and Governance Fund		134,842	170,464
Russell 3000 Index Fund		131,132	136,280
Alaska Target Date Retirement 2055 Trust		117,453	126,305
Alaska Target Date Retirement 2050 Trust		111,622	124,902
Alaska Target Date Retirement 2045 Trust		101,237	111,642
Alaska Target Date Retirement 2025 Trust		100,684	115,257
International Equity Fund		95,882	150,615
Alaska Target Date Retirement 2030 Trust		89,771	96,586
Alaska Target Date Retirement 2035 Trust		89,117	97,531
Alaska Target Date Retirement 2040 Trust		83,465	94,296
Alaska Target Date Retirement 2020 Trust		77,643	93,312
World Equity Ex-U.S. Index Fund		72,688	58,739
State Street Institutional Treasury Money Market		69,735	67,593
Alaska Target Date Retirement 2015 Trust		66,992	83,149
BlackRock Strategic Completion Fund		37,325	36,405
Alaska Target Date Retirement 2060 Trust		9,486	7,262
Alaska Target Date Retirement 2010 Trust		9,089	10,061
Alaska Target Date Retirement 2065 Trust		4,570	2,876
JP Morgan Smart Retirement Blend 2015 R6		922	—
JP Morgan Smart Retirement Blend 2020 R6		135	—
Total	$	4,412,831	5,064,378

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 https://treasury.dor.alaska.gov/armb/reports-and-policies/annual-audited-financial-schedules

(Continued)

(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 is comprised of 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, 2022 and 2021

(In thousands)

	Administrative	Investment	Totals 2022	Totals 2021
Personal services:				
Wages	$ 444	205	649	685
Benefits	299	107	406	391
Total personal services	743	312	1,055	1,076
Travel:				
Transportation	—	4	4	2
Per diem	—	1	1	—
Total travel	—	5	5	2
Contractual services:				
Management and consulting	4,713	143	4,856	4,225
Investment management and custodial fees	—	5,430	5,430	6,557
Accounting and auditing	43	2	45	37
Data processing	1,237	129	1,366	953
Communications	4	1	5	6
Advertising and printing	13	—	13	9
Rentals/leases	13	10	23	45
Legal	17	9	26	15
Repairs and maintenance	—	—	—	1
Transportation	27	—	27	27
Other professional services	51	9	60	56
Total contractual services	6,118	5,733	11,851	11,931
Other:				
Equipment	1	2	3	9
Supplies	3	6	9	7
Total other	4	8	12	16
Total administrative and investment deductions	$ 6,865	6,058	12,923	13,025

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, 2022 and 2021

(In thousands)

Firm	Services	2022	2021
KPMG LLP	Auditing services	$ 37	31
State Street Bank and Trust	Custodial banking services	651	775
Alaska IT Group	Data processing services	—	7
Applied Microsystems Incorporated	Data processing services	30	3
DLT Solutions	Data processing services	—	58
International Business Machines	Data processing services	—	1
Sagitec Solutions	Data processing services	1,158	736
SHI International Corporation	Data processing services	4	3
TechData Service Company	Data processing services	30	—
State of Alaska, Department of Law	Legal services	26	15
The Segal Company Incorporated	Management consulting services	—	1
		$ 1,936	1,630

This schedule presents payments to consultants receiving greater than $1,000.

See accompanying independent auditors' report.

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STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2022

(With summarized financial information for June 30, 2021)

(With Independent Auditors' Report Thereon)

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

Table of Contents

Independent Auditors' Report

The Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Judicial Retirement System:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying combining financial statements of State of Alaska Judicial Retirement System (the System) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements for the year then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

We have previously audited the System's 2021 combining financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Supplementary Information

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 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(signed) KPMG LLP

Anchorage, Alaska
October ____, 2022

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2022

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, 2022 and 2021. 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, 2022 and 2021. Information for fiscal year 2020 is presented for comparative purposes.

Financial Highlights

The System's financial highlights for the year ended June 30, 2022 were as follows:

- The System's fiduciary net position restricted for pension and postemployment healthcare benefits decreased by $20.8 million.
- The plan member and employer contributions of $8.1 million decreased by $332,039 when compared to fiscal year 2021.
- The State of Alaska (the State) directly appropriated $4.185 million to the System.
- The System's net investment income decreased $84 million when compared to fiscal year 2021, to a loss of $17.3 million.
- The System's pension benefit expenditures totaled $14.8 million.
- The System's postemployment healthcare benefit expenditures totaled $1.3 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, 2022.

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, 2022. This statement presents contributions and investment income during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2022

The above statements represent resources available for investment and payment of benefits as of June 30, 2022 and the sources and uses of those funds during fiscal year 2022.

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		2022	2021	Increase Amount	Increase Percentage		2020
Assets:							
Cash and cash equivalents	$	3,799,782	3,284,166	515,616	15.7 %	$	2,508,034
Due from State of Alaska General Fund		1,762,801	2,338,732	(575,931)	(24.6)		1,015,397
Other receivables		45,560	19,209	26,351	137.2		1,004
Investments at fair value		262,485,328	283,489,650	(21,004,322)	(7.4)		220,767,779
Other assets		3,076	3,076	—	—		3,076
Total assets		268,096,547	289,134,833	(21,038,286)	(7.3)		224,295,290
Liabilities:							
Claims payable		110,000	148,000	(38,000)	(25.7)		111,000
Accrued expenses		34,327	38,304	(3,977)	(10.4)		17,879
Securities lending collateral payable		502,734	727,183	(224,449)	(30.9)		285,884
Total liabilities		647,061	913,487	(266,426)	(29.2)		414,763
Plan fiduciary net position	$	267,449,486	288,221,346	(20,771,860)	(7.2)%	$	223,880,527

(Continued)

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

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Changes in Plan Fiduciary Net Position

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage	2020
Plan fiduciary net position, beginning of year	$ 288,221,346	223,880,527	64,340,819	28.7 %	$ 217,718,144
Additions:					
Contributions – employer and plan member	8,122,637	8,454,676	(332,039)	(3.9)	7,686,183
Nonemployer contribution - State of Alaska	4,185,000	5,145,000	(960,000)	(18.7)	5,010,000
Net investment income (loss)	(17,288,680)	66,741,226	(84,029,906)	(125.9)	8,915,235
Employer group waiver plan	165,088	167,474	(2,386)	(1.4)	108,886
Medicare retiree drug subsidy	179,003	685	178,318	100.0	—
Pharmacy rebates	122,908	77,257	45,651	59.1	202,491
Pharmacy management allowance	2,277	1,942	335	100.0	—
Other income	101	22,236	(22,135)	(99.5)	23,956
Total additions (reductions)	(4,511,666)	80,610,496	(85,122,162)	(105.6)	21,946,751
Deductions:					
Pension and postemployment healthcare benefits	16,075,163	16,097,947	(22,784)	(0.1)	15,604,088
Administrative	185,031	171,730	13,301	7.7	180,280
Total deductions	16,260,194	16,269,677	(9,483)	(0.1)	15,784,368
Increase (decrease) in fiduciary net position	(20,771,860)	64,340,819	(85,112,679)	(132.3)	6,162,383
Plan fiduciary net position, end of year	$ 267,449,486	288,221,346	(20,771,860)	(7.2)%	$ 223,880,527

Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2022 and 2021 show net position restricted for pension and postemployment healthcare benefits of $267,449,486 and $288,221,346, 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 a decrease in the System's net position restricted for pension and postemployment healthcare benefits of $20,771,860 or 7.2% from fiscal year 2021 to 2022 and an increase of $64,340,819 or 28.7% from fiscal year 2020 to 2021. 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 32nd Alaska State Legislature and as part of the State's Fiscal Year 2022 Operating Budget, House Bill 69 appropriated $4,185,000 from the General Fund and the Budget Reserve Fund to the Department of Administration for deposit in the Defined Benefit Pension fund.

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STATE OF ALASKA
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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 2022 and 2021, the Board adopted the following asset allocations:

	2022		2021	
	Pension and healthcare trusts		Pension and healthcare trusts	
	Allocation	Range	Allocation	Range
Broad domestic equity	27.0 %	± 6%	28.0 %	± 6%
Global equity ex-U.S.	18.0	± 4	19.0	± 4
Fixed income	21.0	± 10	22.0	± 10
Opportunistic	6.0	± 4	6.0	± 4
Real assets	14.0	± 7	13.0	± 7
Private equity	14.0	± 6	12.0	± 6
Total	100.0 %		100.0 %	
Expected return 20-year geometric mean	6.88 %		7.13 %	
Projected standard deviation	13.89		13.55	

For fiscal years 2022 and 2021, the Pension Plan's investments generated a (4.09)% and 27.64% rate of return, respectively. For fiscal years 2022 and 2021, the Alaska Retiree Healthcare Trust Plan's investments generated a (4.07)% and 27.69% 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)		
	2022	2021	Amount	Percentage	2020
Employer contributions	$ 7,260,609	7,616,990	(356,381)	(4.7)%	$ 6,847,507
Plan members contributions	862,028	837,686	24,342	2.9	838,676
Nonemployer contributions – State of Alaska	4,185,000	5,145,000	(960,000)	(18.7)	5,010,000
Net investment income (loss)	(17,288,680)	66,741,226	(84,029,906)	(125.9)	8,915,235
Employer group waiver plan	165,088	167,474	(2,386)	(1.4)	108,886
Medicare retiree drug subsidy	179,003	685	178,318	100.0	—
Pharmacy rebates	122,908	77,257	45,651	59.1	202,491
Pharmacy management allowance	2,277	1,942	335	100.0	—
Other income	101	22,236	(22,135)	(99.5)	23,956
Total	$ (4,511,666)	80,610,496	(85,122,162)	(105.6)%	$ 21,946,751

(Continued)

STATE OF ALASKA
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Management's Discussion and Analysis (Unaudited)

June 30, 2022

The System's employer contributions decreased from $7,616,990 during fiscal year 2021 to $7,260,609 in fiscal year 2022, a decrease of $356,381, or 4.7%. The System's employer contributions increased from $6,847,507 during fiscal year 2020 to $7,616,990 during fiscal year 2021, an increase of $769,483, or 11.2%. The decrease in employer contributions for fiscal year 2022 was caused by a reduction in additional funding provided by the employer outside the payroll process. The increase in employer contributions for fiscal year 2021 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 decreased from 48.16% in fiscal year 2021 to 46.0% in fiscal year 2022. Additionally, the Alaska Court System has contributed additional employer contributions in fiscal year 2022 to aid in the funded level of the pension plan.

The System's net investment income in fiscal year 2022 decreased by $84,029,906 or 125.9% from amounts in fiscal year 2021. 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 investment losses in fiscal year 2022 were lower than the investment gains seen in fiscal year 2021, causing a difference in investment returns when comparing 2022 and 2021. 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 2022, the Plan received $165,088 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 2022, the Plan received $122,908 compared to $77,257 from fiscal year 2021. The increase 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 $2,277 in pharmacy management allowance in fiscal year 2022.

(Continued)

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

	Year ended		
	2022	2021	2020
Plan returns	(4.09)%	27.64 %	3.84 %
Broad domestic equity	(11.74)	42.69	2.61
Global equity ex-U.S.	(20.95)	38.54	(3.59)
Fixed income	(6.99)	2.19	7.36
Opportunistic	(10.58)	23.85	0.52
Real assets	14.29	9.86	2.06
Private equity	26.25	50.67	10.49
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		
	2022	2021	2020
Plan returns	(4.07)%	27.69 %	3.93 %
Broad domestic equity	(11.73)	42.69	2.62
Global equity ex-U.S.	(20.95)	38.57	(3.58)
Fixed income	(6.99)	2.20	7.36
Opportunistic	(10.58)	23.86	0.05
Real assets	14.41	10.00	2.37
Private equity	26.25	50.67	10.54
Actuarially assumed rate of return	7.38	7.38	7.38

(Continued)

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Management's Discussion and Analysis (Unaudited)

June 30, 2022

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)		
	2022	2021	Amount	Percentage	2020
Pension benefits	$ 14,770,632	14,368,857	401,775	2.8 %	$ 14,178,500
Postemployment healthcare benefits	1,304,531	1,729,090	(424,559)	(24.6)	1,425,588
Administrative	185,031	171,730	13,301	7.7	180,280
Total	$ 16,260,194	16,269,677	(9,483)	(0.1)%	$ 15,784,368

The System's pension benefit payments in 2022 increased $401,775 or 2.8% from fiscal year 2021, which increased $190,357 or 1.3% from fiscal year 2021. The increase in pension benefits in fiscal year 2022 is the result of an increase in the retirees from 145 in 2021 to 149 in 2022, or a 2.8% increase.

The System's postemployment healthcare benefit payments in fiscal year 2022 decreased $424,559 or 24.6% from fiscal year 2021, which increased $303,502 or 21.3% from fiscal year 2020. The fiscal year 2022 decrease in healthcare costs was due to a decrease in per member claim costs.

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.

(Continued)

STATE OF ALASKA
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Management's Discussion and Analysis (Unaudited)

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

		2022	2021
Total pension liability	$	208,987,920	218,717,460
Plan fiduciary net position		(227,181,866)	(245,047,997)
Employer's net pension (asset) liability	$	(18,193,946)	(26,330,537)
Plan fiduciary net position as a percentage of the total pension liability		108.71 %	112.04 %

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:

		2022	2021
Total OPEB liability	$	18,309,351	17,920,646
Plan fiduciary net position		(40,267,620)	(43,173,349)
Employer's net OPEB asset	$	(21,958,269)	(25,252,703)
Plan fiduciary net position as a percentage of the total OPEB liability		219.93 %	240.91 %

(Continued)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2022

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. 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 2022, the 32nd Alaska State Legislature enacted one law that affects the System. Conference Committee Substitute First Special Session House Bill 281, Section 80(c), appropriates $3,225,000 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, 2023.

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

Fiscal year 2022 had negative investment returns. Net investment income decreased from $66,741,226 in fiscal year 2021 to $(17,288,680) in fiscal year 2022, a decrease of $84,029,906, or 125.9%. 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 actuarial valuation roll-forward report for fiscal year 2021 reports a funding ratio of 107.1% and a funding excess of $16.9 million. The actuarial valuation for June 30, 2020 reported a funding ratio of 100.5% and a funding excess of $1.1 million. The decrease in the unfunded liability is attributable to significant investment income during fiscal year 2021. Additionally, the Plan benefited from updated healthcare cost trend assumptions. Both the actuarial valuation roll-forward report of June 30, 2021 and the actuarial valuation report of June 30, 2020 are posted to the Plan's web page. The actuarial valuation reports for the Plan are conducted biennially. The roll-forward June 30, 2021 report was completed and presented in March 2022, and adopted by the Board in June 2022. The next full actuarial valuation report will be completed for the period ending June 30, 2022. The Board also adopted new valuation assumptions as a result of an experience study conducted for the period July 1, 2017 to June 30, 2021. The adoption of these assumptions occurred in June 2022 and will be used on the next annual actuarial valuation report for the year ended June 30, 2022.

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STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
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Management's Discussion and Analysis (Unaudited)

June 30, 2022

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, 2022
(With summarized financial information for June 30, 2021)

	Defined benefit pension	Alaska Retiree Healthcare Trust	System total June 30, 2022	System total June 30, 2021
Assets:				
Cash and cash equivalents:				
Short-term fixed income pool	$ 2,820,785	476,263	3,297,048	2,556,984
Securities lending collateral	426,633	76,101	502,734	727,182
Total cash and cash equivalents	3,247,418	552,364	3,799,782	3,284,166
Receivables:				
Due from State of Alaska General Fund	1,741,927	20,874	1,762,801	2,338,732
Other receivables	766	44,794	45,560	19,209
Total receivables	1,742,693	65,668	1,808,361	2,357,941
Investments at fair value:				
Fixed-income securities:				
Alternative fixed income pool	6,129,357	1,096,931	7,226,288	7,002,364
Barclays aggregate bond fund	8,066,166	1,443,643	9,509,809	10,216,766
Opportunistic fixed income pool	33,851,828	6,058,431	39,910,259	40,804,828
Total fixed-income securities	48,047,351	8,599,005	56,646,356	58,023,958
Broad domestic equity pool:				
Large cap pool	50,255,479	8,994,225	59,249,704	72,375,013
Small cap pool	4,428,022	792,475	5,220,497	6,132,978
Total broad domestic equity	54,683,501	9,786,700	64,470,201	78,507,991
Global equity ex-U.S.:				
International equity pool	29,684,190	5,312,200	34,996,390	43,267,126
Emerging markets equity pool	6,642,988	1,188,930	7,831,918	9,191,482
Total global equity ex-U.S.	36,327,178	6,501,130	42,828,308	52,458,608
Opportunistic:				
Alternative equity pool	2,325,420	416,198	2,741,618	3,301,803
Alternative beta pool	2,562,832	458,637	3,021,469	2,636,714
Other opportunities pool	31,650	5,632	37,282	173,081
Tactical allocation strategies pool	8,234,332	1,473,684	9,708,016	10,609,599
Total opportunistic	13,154,234	2,354,151	15,508,385	16,721,197
Private equity pool	37,168,110	6,652,003	43,820,113	42,574,904
Real assets:				
Real estate pool	13,273,708	2,380,557	15,654,265	13,017,274
Real estate investment trust pool	3,713,069	664,536	4,377,605	4,590,409
Infrastructure private pool	5,881,138	1,052,559	6,933,697	6,323,437
Energy pool	468,486	83,865	552,351	527,562
Farmland pool	7,092,583	1,269,348	8,361,931	7,632,765
Timber pool	2,826,285	505,831	3,332,116	3,111,545
Total real assets	33,255,269	5,956,696	39,211,965	35,202,992
Total investments	222,635,643	39,849,685	262,485,328	283,489,650
Other assets	—	3,076	3,076	3,076
Total assets	227,625,754	40,470,793	268,096,547	289,134,833
Liabilities:				
Claims payable	—	110,000	110,000	148,000
Accrued expenses	17,255	17,072	34,327	38,304
Securities lending collateral payable	426,633	76,101	502,734	727,183
Total liabilities	443,888	203,173	647,061	913,487
Net position restricted for pension and postemployment healthcare benefits	$ 227,181,866	40,267,620	267,449,486	288,221,346

See accompanying notes to financial statements.

STATE OF ALASKA
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Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2022
(With summarized financial information for June 30, 2021)

	Defined benefit pension	Alaska Retiree Healthcare Trust	System total June 30, 2022	System total June 30, 2021
Additions (reductions):				
Contributions:				
Employer	$ 6,638,140	622,469	7,260,609	7,616,990
Plan members	862,028	—	862,028	837,686
Nonemployer contribution – State of Alaska	4,185,000	—	4,185,000	5,145,000
Total contributions	11,685,168	622,469	12,307,637	13,599,676
Investment income (loss):				
Net appreciation (depreciation) in fair value	(17,274,177)	(3,079,123)	(20,353,300)	64,210,378
Interest	861,654	151,766	1,013,420	821,578
Dividends	2,326,609	415,095	2,741,704	2,342,393
Total investment income (loss)	(14,085,914)	(2,512,262)	(16,598,176)	67,374,349
Less investment expense	593,249	103,769	697,018	640,054
Net investment income (loss) before securities lending activities	(14,679,163)	(2,616,031)	(17,295,194)	66,734,295
Securities lending income	6,922	1,221	8,143	8,661
Less securities lending expense	1,385	244	1,629	1,730
Net income from securities lending activities	5,537	977	6,514	6,931
Net investment income (loss)	(14,673,626)	(2,615,054)	(17,288,680)	66,741,226
Other income:				
Employer group waiver plan	—	165,088	165,088	167,474
Medicare retiree drug subsidy	—	179,003	179,003	685
Pharmacy rebates	—	122,908	122,908	77,257
Pharmacy management allowance	—	2,277	2,277	1,942
Miscellaneous income	—	101	101	22,236
Total other income	—	469,377	469,377	269,594
Total additions (reductions)	(2,988,458)	(1,523,208)	(4,511,666)	80,610,496
Deductions:				
Pension and postemployment healthcare benefits	14,770,632	1,304,531	16,075,163	16,097,947
Administrative	107,041	77,990	185,031	171,730
Total deductions	14,877,673	1,382,521	16,260,194	16,269,677
Net increase (decrease)	(17,866,131)	(2,905,729)	(20,771,860)	64,340,819
Net position restricted for pension and postemployment healthcare benefits:				
Balance, beginning of year	245,047,997	43,173,349	288,221,346	223,880,527
Balance, end of year	$ 227,181,866	40,267,620	267,449,486	288,221,346

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2022

(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, 2022, the plan membership consisted of the following:

Retired plan members or beneficiaries currently receiving benefits	149
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	73
	225

(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 2022 and 2021, employer contribution rates are 77.25% and 83.94% of eligible compensation, respectively, of which only the employer normal cost rates of 46.00% and 48.16% 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. As of June 30, 2022, membership in the plan was as follows:

Retired plan members or beneficiaries currently receiving benefits	149
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	73
	225

(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 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 Employer Group Waiver Plan (EGWP) rebates, Medicare Part D Retiree Drug Subsidy (RDS) 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 an accrual 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).

(j) Reclassifications

The System made certain reclassifications to the 2021 balances in the accompanying supplemental schedules to make them consistent with the 2022 presentation.

(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, 2022 for the Defined Benefit Pension Plan is (5.98)% and for the ARHTC Plan is (6.08)%.

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

(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, 2022 were as follows:

Total pension liability	$ 208,987,920
Plan fiduciary net position	(227,181,866)
Employers' net pension asset	$ (18,193,946)
Plan fiduciary net position as a percentage of the total pension liability	108.71 %

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The new assumptions shown below were adopted to better reflect expected future experience and are effective June 30, 2022:

Inflation	2.50% per year
Salary increases	0% per year through FY24, and 3.00% per year thereafter.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Mortality	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, above-median, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for healthy retirees were based on the Pub-2010 General Retiree table, above-median, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for disabled retirees were based on the Pub-2010 General Retiree table, above-median, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for beneficiaries were based on the Publ-2010 Contingent Survivior table, above-median, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Other	Please see the experience study report dated July 15, 2022.

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, 2022 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.88%).

Asset class	Long-term expected real rate of return
Domestic equity	6.51 %
Global equity (non-U.S.)	5.70
Aggregate bonds	0.31
Real assets	3.71
Private equity	9.61
Cash equivalents	(0.50)

(b) Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 4.09% as of June 30, 2022.

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

The following presents the net pension liability (asset) of the System as of June 30, 2022, calculated using the discount rate of 7.25%, as well as what the System's net pension 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:

	1.00% decrease (6.25%)	Current discount rate (7.25%)	1.00% increase (8.25%)
Net pension liability (asset)	$ 3,251,750	(18,193,946)	(36,452,026)

(Continued)

(5) Net OPEB Asset – ARHCT Plan

The components of the net OPEB asset of the participating employer of the Plan at June 30, 2022 were as follows:

Total OPEB liability	$	18,309,351
Plan fiduciary net position		(40,267,620)
Employer's net OPEB asset	$	(21,958,269)
Plan fiduciary net position as a percentage of the total OPEB liability		219.93 %

(a) Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial study for the period from July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022.

Inflation	2.50% per year
Salary increases	0% per year through FY24, and 3.00% per year thereafter.
Investment rate of return	7.25% per year, net of post-retirement healthcare investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Trend rates	Pre-65 medical: 7.0% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Rx / EGWP: 7.5% grading down to 4.5% Initial trend rates are for FY 2023 Ultimate trend rates reached in FY 2050
Mortality	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, above-median, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 General Retiree table, above-median, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, above-median, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Other	Please see the experience study report dated July 15, 2022.

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, 2022 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.88%):

Asset class	Long-term expected real rate of return
Domestic equity	6.51 %
Global equity (non-U.S.)	5.70
Aggregate bonds	0.31
Real assets	3.71
Private equity	9.61
Cash equivalents	(0.50)

(b) *Discount Rate*

The discount rate used to measure the total OPEB liability as of June 30, 2022 was 7.25%. 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 4.09% as of June 30, 2022.

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

The following presents the net OPEB asset as of June 30, 2022, calculated using the discount rate of 7.25%, 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 (6.25%)	Current discount rate (7.25%)	1.00% increase (8.25%)
Net OPEB asset	$	19,839,276	21,958,269	23,732,801

(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, 2022, calculated using the healthcare cost trend rates as summarized in the 2021 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	$	24,179,594	21,958,269	19,274,732

(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:

		2022	2021
Total, beginning of year	$	148,000	111,000
Healthcare benefits		1,304,531	1,729,090
Benefits paid		(1,342,531)	(1,692,090)
Total, end of year	$	110,000	148,000

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Notes to Financial Statements

June 30, 2022

(7) 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.

(8) 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.

(9) 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.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
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Required Supplementary Information (Unaudited)

Schedule of Changes in Plan Net Pension (Asset) Liability and Related Ratios – Defined Benefit Pension Plan

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability:										
Service cost	$ 5,850,927	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
Interest	15,992,334	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
Differences between expected and actual experience	—	4,375,904	—	(13,087,119)	41,775	(10,826,335)	35,662	(11,187,236)	—	—
Changes of assumptions	(16,802,169)	(23,795,345)	(16,406,216)	10,539,605	—	—	—	4,219,851	—	—
Benefit payments, including refunds of member contributions	(14,770,632)	(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)
Net change in total pension liability	(9,729,540)	(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
Total pension liability – beginning	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
Total pension liability – ending (a)	208,987,920	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
Plan fiduciary net position:										
Contributions – employers	6,638,140	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
Contributions – member	862,028	837,686	838,676	813,374	832,718	886,162	801,924	810,819	780,054	721,171
Contributions – nonemployer (State)	4,185,000	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
Net investment income (loss)	(14,673,626)	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
Benefit payments, including refunds of member contributions	(14,770,632)	(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)
Administrative expenses	(107,041)	(97,022)	(106,618)	(59,094)	(62,933)	(79,219)	(60,330)	(86,243)	(65,716)	(82,231)
Other income	—	7,891	—	—	—	—	2,364	92	12	—
Net change in plan fiduciary net position	(17,866,131)	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
Plan fiduciary net position – beginning	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 fiduciary net position – ending (b)	227,181,866	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
Plan's net pension (asset) liability (a)–(b)	$ (18,193,946)	(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
Plan fiduciary net position as a percentage of the total pension liability	108.71 %	112.04 %	82.80 %	78.25 %	77.43 %	75.72 %	66.93 %	70.28 %	69.29 %	61.99 %
Covered payroll	$ 14,223,798	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
Net pension (asset) liability as a percentage of covered payroll	(127.91)%	(188.95)%	280.34 %	371.97 %	371.98 %	383.60 %	537.49 %	453.73 %	469.47 %	570.44 %

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

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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
2022	$	9,337,645	10,823,140	(1,485,495)	14,223,798	76.09 %
2021		10,238,911	12,107,606	(1,868,695)	13,935,042	86.89 %
2020		9,388,398	11,127,144	(1,738,746)	14,063,861	79.12 %
2019		9,454,023	10,256,675	(802,652)	13,794,071	74.36 %
2018		10,632,195	10,527,959	104,236	13,855,039	75.99 %
2017		10,470,676	11,086,049	(615,373)	13,712,665	80.85 %
2016		11,182,754	11,710,287	(527,533)	13,312,955	87.96 %
2015		10,328,791	10,222,391	106,400	13,440,878	76.05 %
2014		9,155,796	8,861,569	294,227	13,174,513	67.26 %
2013		8,366,815	8,094,435	272,380	12,762,199	63.43 %

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

STATE OF ALASKA
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Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Defined Benefit Pension Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2022	(5.98)%
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
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Required Supplementary Information (Unaudited)

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

	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	$ 829,927	910,724	757,923	784,426	689,538	733,897
Interest	1,345,479	1,429,308	1,339,558	1,511,105	1,391,440	1,317,927
Differences between expected and actual experience	10,475	663,374	172,561	(735,641)	592,098	209,718
Changes of assumptions	(740,072)	(2,763,326)	131,866	(1,214,467)	—	—
Benefit payments, including refunds of member contributions	(1,222,192)	(1,692,383)	(1,267,666)	(978,813)	(1,575,877)	(1,031,148)
EGWP rebates	165,088	167,474	108,886	22,294	—	—
Net change in total OPEB liability	388,705	(1,284,829)	1,243,128	(611,096)	1,097,199	1,230,394
Total OPEB liability – beginning	17,920,646	19,205,475	17,962,347	18,573,443	17,476,244	16,245,850
Total OPEB liability – ending (a)	18,309,351	17,920,646	19,205,475	17,962,347	18,573,443	17,476,244
Plan fiduciary net position:						
Contributions – employer	622,469	654,383	730,363	591,397	620,951	627,649
Contributions – EGWP rebates	165,088	167,474	108,886	22,294	—	—
Contributions – RDS	179,003	685	—	74,248	20,943	—
Net investment income	(2,615,054)	10,024,558	1,377,730	1,901,255	2,455,182	3,470,206
	(1,648,494)	10,847,100	2,216,979	2,589,194	3,097,076	4,097,855
Benefit payments	(1,304,531)	(1,729,090)	(1,425,588)	(1,059,105)	(1,590,842)	(1,031,148)
Pharmacy rebates	122,908	77,257	202,491	117,852	43,577	—
Pharmacy management allowance	2,277	1,942	—	—	—	—
ASO fees	(42,846)	(42,492)	(44,569)	(37,560)	(28,611)	—
Net benefit payments	(1,222,192)	(1,692,383)	(1,267,666)	(978,813)	(1,575,876)	(1,031,148)
Administrative expenses, net of ASO fees	(35,144)	(32,216)	(29,092)	(17,950)	(15,127)	(50,762)
Other	101	14,345	23,956	2,291	244	127,457
Net change in plan fiduciary net position	(2,905,729)	9,136,846	944,177	1,594,722	1,506,317	3,143,402
Plan fiduciary net position – beginning	43,173,349	34,036,503	33,092,326	31,497,604	29,991,287	26,847,885
Plan fiduciary net position – ending (b)	40,267,620	43,173,349	34,036,503	33,092,326	31,497,604	29,991,287
Plan's net OPEB asset (a)–(b)	$ (21,958,269)	(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	219.93 %	240.91 %	177.22 %	184.23 %	169.58 %	171.61 %
Covered payroll	$ 14,223,798	13,935,042	14,063,861	13,794,071	13,855,039	13,712,665
Net OPEB asset as a percentage of covered payroll	(154.38)%	(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
2022	$ 826,270	622,469	203,801	14,223,798	4.38 %
2021	805,219	654,383	150,836	13,935,042	4.70 %
2020	578,572	730,363	(151,791)	14,063,861	5.19 %
2019	598,661	591,397	7,264	13,794,071	4.29 %
2018	632,121	620,951	11,170	13,855,039	4.48 %
2017	631,171	627,649	3,522	13,712,665	4.58 %
2016	500,945	508,413	(7,468)	13,312,955	3.82 %
2015	312,548	520,480	(207,932)	13,440,878	3.87 %
2014	1,094,357	881,725	212,632	13,174,513	6.69 %
2013	722,960	834,295	(111,335)	12,762,199	6.54 %

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
2022	(6.08)%
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.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2022

(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.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2022

(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)

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2022

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.

(Continued)

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2022

(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, 2020 to June 30, 2021

There are no changes in the asset or valuation methods since the prior valuation.

Changes in Actuarial Assumptions since the Prior Valuation – June 30, 2020 to June 30, 2021

Effective for the June 30, 2021 roll-forward valuation, the Board adopted a change in the Normal Cost for the administrative expenses from 83,000 to $102,000 for pension and $24,000 to $31,000 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, 2020 to June 30, 2021

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, 2022 and 2021

	Administrative	Investment	Total 2022	Total 2021
Personal services:				
Wages	$ 18,558	26,531	45,089	43,773
Benefits	11,880	13,787	25,667	21,261
Total personal services	30,438	40,318	70,756	65,034
Travel:				
Transportation	15	247	262	89
Per diem	3	43	46	12
Total travel	18	290	308	101
Contractual services:				
Management and consulting	73,521	4,617	78,138	88,491
Investment management and custodial fees	—	639,295	639,295	587,437
Accounting and auditing	44,225	94	44,319	31,412
Data processing	31,722	9,168	40,890	31,716
Communications	378	113	491	525
Advertising and printing	844	14	858	89
Rental/leases	485	1,073	1,558	2,416
Legal	602	359	961	595
Repairs and maintenance	11	7	18	23
Transportation	912	11	923	346
Securities lending expenses	—	1,629	1,629	1,729
Other professional services	1,799	719	2,518	2,498
Total contractual services	154,499	657,099	811,598	747,277
Other:				
Supplies	54	829	883	934
Equipment	22	111	133	168
Total other	76	940	1,016	1,102
Total administrative and investment deductions	$ 185,031	698,647	883,678	813,514

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, 2022 and 2021

Firm	Services		2022	2021
Buck Global LLC	Actuarial services	$	27,016	39,204
KPMG LLP	Auditing services		44,000	31,000
State Street Bank and Trust	Custodial banking services		12,496	11,429
Applied Microsystems Incorporated	Data processing services		2,118	3,383
Sagitec Solutions	Data processing services		26,587	16,900
TechData Service Company	Data processing services		1,138	—
		$	113,355	101,916

This schedule presents payments to consultants who received greater than $1,000.

See accompanying independent auditors' report.

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

Financial Statements and Supplemental Schedules

June 30, 2022
(With summarized financial information for June 30, 2021)

(With Independent Auditors' Report Thereon)

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

Table of Contents

Independent Auditors' Report

The Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Teachers' Retirement System:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying combining financial statements of 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, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements for the year then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

We have previously audited the System's 2021 combining financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Supplementary Information

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

(signed) KPMG LLP

Anchorage, Alaska
October ____, 2022

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

Management's Discussion and Analysis (Unaudited)

June 30, 2022

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, 2022 and 2021. 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, 2022 and 2021. Information for fiscal year 2020 is presented for comparative purposes.

Financial Highlights

The System's financial highlights for the year ended June 30, 2022 were as follows:

- The System's fiduciary net position restricted for pension benefits, postemployment healthcare benefits, and individuals decreased by $1.1 billion.
- The System's plan member and employer contributions increased by $1.2 million when compared to fiscal year 2021.
- The State of Alaska (the State) directly appropriated $141.7 million to the System.
- The System's net investment income decreased $3.5 billion when compared to fiscal year 2021, to a loss of $742 million.
- The System's pension benefit expenditures totaled $510.5 million.
- The System's postemployment healthcare benefit expenditures totaled $157.9 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, 2022.

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, 2022. 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, 2022, and the sources and uses of those funds during fiscal year 2022.

(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)

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage	2020
Assets:					
Cash and cash equivalents	$ 127,477	114,711	12,766	11.1 %	$ 87,201
Contributions receivable	11,176	9,952	1,224	12.3	8,635
Due from State of Alaska General Fund	11,289	7,881	3,408	43.2	9,746
Other accounts receivables	4,393	1,834	2,559	139.5	33
Investments	10,329,028	11,461,725	(1,132,697)	(9.9)	9,103,247
Other assets	318	318	—	—	318
Total assets	10,483,681	11,596,421	(1,112,740)	(9.6)	9,209,180
Liabilities:					
Claims payable	13,004	12,733	271	2.1	10,812
Accrued expenses	3,023	2,403	620	25.8	1,177
Forfeitures payable to employers	54	61	(7)	(11.5)	159
Due to State of Alaska General Fund	5,211	5,274	(63)	(1.2)	2,543
Securities lending collateral payable	18,368	27,323	(8,955)	(32.8)	11,038
Total liabilities	39,660	47,794	(8,134)	(17.0)	25,729
Net position	$ 10,444,021	11,548,627	(1,104,606)	(9.6)%	$ 9,183,451

(Continued)

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

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Condensed Financial Information (continued)

Changes in System net position (In thousands)

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage	2020
Net position, beginning of year	$ 11,548,627	9,183,451	2,365,176	25.8 %	$ 9,136,664
Additions:					
Contributions – employers and plan members	172,442	171,229	1,213	0.7	163,848
Contributions – nonemployer State of Alaska	141,739	134,070	7,669	5.7	140,219
Net investment income (loss)	(742,368)	2,713,316	(3,455,684)	(127.4)	368,015
Employer group waiver plan	18,526	18,296	230	1.3	11,706
Medicare retiree drug subsidy	311	62	249	401.6	—
Pharmacy rebates	14,751	12,101	2,650	21.9	15,832
Pharmacy management allowance	69	85	(16)	(18.8)	—
Other income	63	549	(486)	(88.5)	348
Total additions (deductions)	(394,467)	3,049,708	(3,444,175)	(112.9)	699,968
Deductions:					
Pension and postemployment healthcare benefits	668,397	648,104	20,293	3.1	624,402
Refunds of contributions	28,155	23,781	4,374	18.4	17,297
Administrative	13,587	12,647	940	7.4	11,482
Total deductions	710,139	684,532	25,607	3.7	653,181
Increase (decrease) in net position	(1,104,606)	2,365,176	(3,469,782)	(146.7)	46,787
Net position, end of year	$ 10,444,021	11,548,627	(1,104,606)	(9.6)%	$ 9,183,451

Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2022 and 2021 show net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $10,444,021,000 and $11,548,627,000, 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 a decrease in the System's net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $1,104,606,000 or 9.6% from fiscal year 2021 to 2022, and an increase of $2,365,176,000 or 25.80% from fiscal year 2020 to 2021. 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 32nd Alaska State Legislature and as part of the State's Fiscal Year 2022 Operating Budget, House Bill 69 appropriated $142,665,000 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 OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2022

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 2022 and 2021, 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) occupational death and disability fund, retiree medical plan, and health reimbursement arrangement fund:

	2022		2021	
	Pension and Healthcare Trusts		Pension and Healthcare Trusts	
	Allocation	Range	Allocation	Range
Broad domestic equity	27.0%	± 6%	28.0%	± 6%
Global equity (ex-U.S.)	18.0	± 4%	19.0	± 4%
Fixed income	21.0	± 10%	22.0	± 10%
Opportunistic	6.0	± 4%	6.0	± 4%
Real assets	14.0	± 7%	13.0	± 7%
Private equity	14.0	± 6%	12.0	± 6%
Total	100.0%		100.0%	
Expected return 20-year geometric mean	6.88%		7.13%	
Projected standard deviation	13.89		13.55	

For fiscal years 2022 and 2021, the DB Pension Plan's investments generated a (4.10%) and 27.65% rate of return, respectively. For fiscal years 2022 and 2021, the Alaska Retiree Healthcare Trust Plan's investments generated a (4.08%) and 27.70% rate of return, respectively.

(Continued)

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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)		
	2022	2021	Amount	Percentage	2020
Contributions – employers	$ 102,946	101,374	1,572	1.6 %	$ 97,375
Contributions – plan members	69,496	69,855	(359)	(0.5)	66,473
Contributions – nonemployer State of Alaska	141,739	134,070	7,669	5.7	140,219
Net investment income (loss)	(742,368)	2,713,316	(3,455,684)	(127.4)	368,015
Employer group waiver plan	18,526	18,296	230	1.3	11,706
Medicare retiree drug subsidy	311	62	249	100.0	—
Pharmacy rebates	14,751	12,101	2,650	21.9	15,832
Pharmacy management allowance	69	85	(16)	100.0	—
Other income	63	549	(486)	(88.5)	348
Total	$ (394,467)	3,049,708	(3,444,175)	(112.9)%	$ 699,968

The System's employer contributions increased from $101,374,000 in fiscal year 2021 to $102,946,000 in fiscal year 2022, an increase of $1,572,000 or 1.6%. 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 increase in employer contributions for both fiscal year 2022 and 2021 are attributed to increases in total member salaries.

The State provided $141,739,000 and $134,070,000 for fiscal years 2022 and 2021, 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 2022 decreased by $3,455,684,000 or 127.4% from amounts in fiscal year 2021. 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 investment losses received in fiscal year 2022 were lower than the investment gains seen in fiscal year 2021, causing a difference in investment returns when comparing 2022 and 2021. 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 2022, the Plan received $18,526,000 in EGWP funds from the Center of Medicare and Medicaid Services (CMS) through the EGWP Plan Sponsor, OptumRx.

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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 2022, the Plan received $14,751,000 in pharmacy rebates compared to $12,101,000 from fiscal year 2021. The increase 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		
	2022	2021	2020
Plan returns	(4.10)%	27.65 %	3.82 %
Broad domestic equity	(11.73)	42.68	2.62
Global equity (ex-U.S.)	(20.96)	38.53	(3.60)
Fixed income	(6.99)	2.20	7.37
Opportunistic	(10.58)	23.86	0.51
Real assets	14.29	9.86	2.06
Private equity	26.25	50.67	10.52
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		
	2022	2021	2020
Plan returns	(4.08)%	27.70 %	3.90 %
Broad domestic equity	(11.73)	42.69	2.62
Global equity (ex-U.S.)	(20.95)	38.57	(3.59)
Fixed income	(7.04)	2.20	7.37
Opportunistic	(10.58)	23.86	0.51
Real assets	14.41	10.00	2.36
Private equity	26.25	50.67	10.53
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)

	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage	2020
Pension benefits	$ 510,484	499,942	10,542	2.1 %	$ 488,748
Postemployment benefits	157,913	148,162	9,751	6.6	135,654
Refunds of contributions	28,155	23,781	4,374	18.4	17,297
Administrative	13,587	12,647	940	7.4	11,482
Total	$ 710,139	684,532	25,607	3.7 %	$ 653,181

The System's DB pension benefit payments in 2022 increased $10,542,000 or 2.1% from fiscal year 2021, which increased $11,194,000 or 2.3% from fiscal year 2020. The increase in pension benefits in fiscal year 2022 is the result of a continued increase in the number of retirees.

The System's postemployment healthcare benefit payments in fiscal year 2022 increased $9,751,000 or 6.6% from fiscal year 2021, which increased $12,508,000 or 9.2% from fiscal year 2020. During fiscal year 2022, 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 $4,374,000 or 18.4% from fiscal year 2021 to 2022 and increased $6,484,000 or 37.5% from fiscal year 2020 to 2021. The increase in refunds is primarily in the DCR Plan, where refunds increased $4,556,000 between fiscal year 2021 to 2022 and increased $6,696,000 between fiscal year 2020 to 2021. Increases in refunds are attributed to the increase in the number of DCR Plan member accounts and higher member balances being refunded. 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 2022 increased $940,000 or 7.4% from fiscal year 2021 and increased $1,165,000 or 10.1% from fiscal year 2020. The increased administrative cost in fiscal years 2022 and 2021 is primarily due to a capital project for a retirement system replacement.

 (Continued)

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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):

		2022	2021
Total pension liability	$	7,693,553	7,527,454
Plan fiduciary net position		(6,026,651)	(6,731,481)
Employers' net pension liability	$	1,666,902	795,973
Plan fiduciary net position as a percentage of the total pension liability		78.33%	89.43%

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.

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The components of the net OPEB asset of the participating employers of the Plans as of June 30, 2022 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	$ 2,515,713	517	47,543
Plan fiduciary net position	(3,392,211)	(6,557)	(66,909)
Employers' net OPEB asset	$ (876,498)	(6,040)	(19,366)
Plan fiduciary net position as a percentage of the total OPEB liability	134.84%	1,268.28%	140.73%

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%

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 2022, the 32nd Alaska State Legislature enacted one law that affects the System. Conference Committee Substitute First Special Session House Bill 281, Section 80(b), appropriates $91.0 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, 2023.

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 2022 had negative investment returns. Net investment income decreased from a gain of $2,713,316,000 in fiscal year 2021 to a loss of $742,368,000 in fiscal year 2022, a decrease of $3,455,684,000 or 127.4%. During fiscal year 2022, the System's actual rate of return on investments was below 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 31.85% in fiscal year 2022 to 24.62% in fiscal year 2023. Additionally, the Board discussed not contributing the healthcare normal cost contribution rate of 2.72% since the Alaska Retiree HealthCare Trust is well above 100% funded. After the Board's actuarial committee discussed the healthcare trusts overfunding, they voted to not contribute the normal cost rate for fiscal year 2023. The Board adopted the fiscal year 2023 actuarially determined contribution rate of 24.62%, which represented a decrease of 7.23%. The statutory employer effective contribution rate remains at 12.56% for fiscal years 2023 and 2022.

The June 30, 2021 and 2020 actuarial valuation reports for the DB Plan reported funding ratios based on valuation assets of 92.6% and 86.6%, respectively, as well as unfunded liabilities of $733 million and $1.33 billion, respectively.

For fiscal years 2023 and 2022, 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 2023 and 2022 to be 0.08%. The DCR Plan retiree medical plan actuarially determined contribution rate was adopted by the Board for fiscal years 2023 and 2022 to be 0.87% and 0.83%, respectively.

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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
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Combining Statement of Fiduciary Net Position

June 30, 2022
(With summarized financial information for June 30, 2021)

(In thousands)

	Defined benefit pension	Defined contribution pension	Other postemployment benefit plans: Alaska Retiree Healthcare Trust	Other postemployment benefit plans: Occupational death and disability	Other postemployment benefit plans: Retiree medical	Other postemployment benefit plans: Health reimbursement arrangement	System total June 30, 2022	System total June 30, 2021
Assets:								
Cash and cash equivalents:								
Short-term fixed-income pool	$ 68,959	98	36,500	75	770	2,313	108,715	87,085
Empower money market fund – non-participant directed	—	394	—	—	—	—	394	303
Securities lending collateral	11,426	—	6,432	12	124	374	18,368	27,323
Total cash and cash equivalents	80,385	492	42,932	87	894	2,687	127,477	114,711
Receivables:								
Contributions	11,176	—	—	—	—	—	11,176	9,952
Due from State of Alaska General Fund	—	7,547	1,888	43	443	1,368	11,289	7,881
Other accounts receivable	37	—	4,347	—	9	—	4,393	1,834
Total receivables	11,213	7,547	6,235	43	452	1,368	26,858	19,667
Investments, at fair value:								
Fixed-income securities:								
Alternative fixed income pool	163,866	—	92,621	177	1,808	5,446	263,918	263,015
Barclays aggregate bond fund	905,012	—	511,535	979	9,988	30,075	1,457,589	1,532,657
Opportunistic fixed income pool	215,645	—	121,888	233	2,380	7,166	347,312	383,748
Total fixed-income securities	1,284,523	—	726,044	1,389	14,176	42,687	2,068,819	2,179,420
Broad domestic equity:								
Large cap pool	1,343,555	—	759,411	1,454	14,827	44,648	2,163,895	2,718,457
Small cap pool	118,380	—	66,911	128	1,307	3,934	190,660	230,359
Total broad domestic equity	1,461,935	—	826,322	1,582	16,134	48,582	2,354,555	2,948,816
Global equity ex-U.S.:								
International equity small cap pool	793,625	—	448,533	858	8,756	26,365	1,278,137	1,625,147
Emerging markets equity pool	177,596	—	100,382	192	1,960	5,902	286,032	345,239
Total global equity ex-U.S.	971,221	—	548,915	1,050	10,716	32,267	1,564,169	1,970,386
Opportunistic:								
Alternative beta pool	68,517	—	38,727	74	756	2,277	110,351	99,036
Alternative equity pool	62,168	—	35,139	67	686	2,066	100,126	124,021
Other opportunities pool	845	—	478	1	9	28	1,361	6,500
Tactical allocation strategies pool	220,140	—	124,429	238	2,429	7,316	354,552	398,502
Total opportunistic	351,670	—	198,773	380	3,880	11,687	566,390	628,059
Private equity pool	993,669	—	561,647	1,075	10,966	33,021	1,600,378	1,599,146
Real assets:								
Real estate pools	354,865	—	201,001	385	3,925	11,818	571,994	489,173
Real estate investment trust pool	99,266	—	56,108	108	1,095	3,299	159,876	172,421
Infrastructure private pool	157,230	—	88,870	170	1,735	5,225	253,230	237,513
Energy pool	12,525	—	7,079	14	138	416	20,172	19,814
Farmland pool	189,617	—	107,177	205	2,093	6,301	305,393	286,692
Timber pool	75,559	—	42,708	82	834	2,511	121,694	116,873
Total real assets	889,062	—	502,943	964	9,820	29,570	1,432,359	1,322,486
Other investment funds:								
Participant directed at fair value:								
Collective investment funds	—	199,650	—	—	—	—	199,650	246,064
Pooled investment funds	—	495,013	—	—	—	—	495,013	521,012
Participant directed at contract value:								
Synthetic investment contracts	—	47,695	—	—	—	—	47,695	46,336
Total other investment funds	—	742,358	—	—	—	—	742,358	813,412
Total investments	5,952,080	742,358	3,364,644	6,440	65,692	197,814	10,329,028	11,461,725
Other assets	—	—	318	—	—	—	318	318
Total assets	6,043,678	750,397	3,414,129	6,570	67,038	201,869	10,483,681	11,596,421
Liabilities:								
Claims payable (note 6)	—	—	13,004	—	—	—	13,004	12,733
Accrued expenses	390	138	2,482	1	5	7	3,023	2,403
Forfeitures payable to employers	—	54	—	—	—	—	54	61
Due to State of Alaska General Fund	5,211	—	—	—	—	—	5,211	5,274
Securities lending collateral payable	11,426	—	6,432	12	124	374	18,368	27,323
Total liabilities	17,027	192	21,918	13	129	381	39,660	47,794
Net position restricted for pension benefits, postemployment healthcare benefits, and individuals	$ 6,026,651	750,205	3,392,211	6,557	66,909	201,488	10,444,021	11,548,627

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, 2022
(With summarized financial information for June 30, 2021)

(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, 2022	System total June 30, 2021
Additions (reductions):								
Contributions:								
Employers	$ 30,707	32,450	21,806	393	4,086	13,504	102,946	101,374
Plan members	30,013	39,483	—	—	—	—	69,496	69,855
Nonemployer State of Alaska	141,739	—	—	—	—	—	141,739	134,070
Total contributions	202,459	71,933	21,806	393	4,086	13,504	314,181	305,299
Investment income (loss):								
Net appreciation (depreciation) in fair value	(462,389)	(110,683)	(260,772)	(494)	(5,037)	(15,171)	(854,546)	2,618,470
Interest	23,420	8	12,968	24	242	725	37,387	31,121
Dividends	63,210	—	35,454	65	661	1,984	101,374	88,893
Total investment income (loss)	(375,759)	(110,675)	(212,350)	(405)	(4,134)	(12,462)	(715,785)	2,738,484
Less investment expense	16,149	1,138	8,851	18	178	489	26,823	25,431
Net investment income (loss) before securities lending activities	(391,908)	(111,813)	(221,201)	(423)	(4,312)	(12,951)	(742,608)	2,713,053
Securities lending income	188	—	104	—	2	6	300	329
Less securities lending expense	38	—	21	—	—	1	60	66
Net income from securities lending activities	150	—	83	—	2	5	240	263
Net investment income (loss)	(391,758)	(111,813)	(221,118)	(423)	(4,310)	(12,946)	(742,368)	2,713,316
Other Income:								
Employer group waiver plan	—	—	18,508	—	18	—	18,526	18,296
Medicare retiree drug subsidy	—	—	311	—	—	—	311	62
Pharmacy rebates	—	—	14,741	—	10	—	14,751	12,101
Pharmacy management allowance	—	—	69	—	—	—	69	85
Miscellaneous income (expense)	36	(5)	47	—	—	(15)	63	549
Total other income	36	(5)	33,676	—	28	(15)	33,720	31,093
Total additions (reductions)	(189,263)	(39,885)	(165,636)	(30)	(196)	543	(394,467)	3,049,708
Deductions:								
Pension and postemployment benefits	510,457	—	157,616	27	129	168	668,397	648,104
Refunds of contributions	1,305	26,850	—	—	—	—	28,155	23,781
Administrative	3,805	2,150	7,568	9	44	11	13,587	12,647
Total deductions	515,567	29,000	165,184	36	173	179	710,139	684,532
Net increase (decrease)	(704,830)	(68,885)	(330,820)	(66)	(369)	364	(1,104,606)	2,365,176
Net position restricted for pension benefits, postemployment healthcare benefits, and individuals:								
Balance, beginning of year	6,731,481	819,090	3,723,031	6,623	67,278	201,124	11,548,627	9,183,451
Balance, end of year	$ 6,026,651	750,205	3,392,211	6,557	66,909	201,488	10,444,021	11,548,627

See accompanying notes to financial statements.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
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Notes to Financial Statements

June 30, 2022

(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, 2022, 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, 2022:

Retired plan members or beneficiaries currently receiving benefits	13,423
Inactive plan members entitled to but not yet receiving benefits	738
Inactive plan members not entitled to benefits	1,616
Active plan members	3,190
Total DB Plan membership	18,967

(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 adopted by the Board as a contribution rate that, when combined, is expected to finance the costs of benefits earned by plan members during the year, with an additional contribution rate 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 2022 is allocated 6.06% to the DB Pension Plan and 6.50% 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 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.

(C) But not less than zero.

The difference is deposited based on an actuarial allocation into the DB Plan's pension and healthcare funds. For fiscal year 2022, the DBUL was 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. 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, 2022, membership in the DCR Plan included 6,304 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, 2022:

Retired plan members or beneficiaries currently receiving benefits	13,423
Inactive plan members entitled to but not yet receiving benefits	738
Inactive plan members not entitled to benefits	1,616
Active plan members	3,190
Total ARHCT Plan membership	18,967

(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 2022 statutory employer effective contribution rate was 12.56% of member's compensation, with 6.50% 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, 2022:

Active plan members	6,304
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 2022, 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, 2022:

Retired plan members or beneficiaries currently receiving benefits	25
Inactive plan members entitled to but not yet receiving benefits	944
Inactive plan members not entitled to benefits	2,985
Active plan members	6,304
Total RMP membership	10,258

(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

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

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

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

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 2022 employer effective contribution rate is 0.83% 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, 2022:

Retired plan members or beneficiaries currently receiving benefits	38
Inactive plan members entitled to but not yet receiving benefits	944
Inactive plan members not entitled to benefits	2,985
Active plan members	6,304
Total HRA Plan membership	10,271

(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 2022 contribution amount was an annual contribution not to exceed $2,168.40 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 $2,168.40 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 (to) State of Alaska General Fund*

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

(g) *Other Income*

Other income consists of Employer Group Waiver Plan (EGWP) rebates, Medicare Part D Retiree Drug Subsidy (RDS) 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 an accrual 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).

(j) Reclassifications

The System made certain reclassifications to the 2021 balances in the accompanying supplemental schedules to make them consistent with the 2022 presentation.

(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, 2022 for the DB Pension Plan is (5.91)%, the ARHCT Plan is (6.04)%, the ODD Plan is (6.21)%, and the RMP is (6.21)%.

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

(4) Net Pension Liability – Defined Benefit Pension Plan

The components of the net pension liability of the participating employers at June 30, 2022 were as follows (in thousands):

Total pension liability	$	7,693,553
Plan fiduciary net position		(6,026,651)
Employers' net pension liability	$	1,666,902
Plan fiduciary net position as a percentage of the total pension liability		78.33 %

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021,rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022.

Inflation	2.50% per year
Salary increases	Range from 7.00% to 2.85% based on service.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Mortality	Pre-commencement mortality rates were based on the Pub-2010 Teachers Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 15% of the time.
	Post-commencement mortality rates for healthy retirees were based on 97% of the Pub-2010 Teachers Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for beneficiaries were based on 100% of male and 95% of female rates of the Pub-2010 Contingent Survivior table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Other	Please see the experience study report dated July 15, 2022.

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, 2022 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.88%).

Asset class	Long-term expected real rate of return
Domestic equity	6.51%
Global equity (ex-U.S.)	5.70
Aggregate bonds	0.31
Real assets	3.71
Private equity	9.61
Cash equivalents	(0.50)

(b) Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 4.09% as of June 30, 2022.

(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, 2022, calculated using the discount rate of 7.25%, 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 (6.25%)	Current discount rate (7.25%)	1.00% increase (8.25%)
Net pension liability	$	2,493,199	1,666,902	969,858

(5) Net OPEB Asset

The components of the net OPEB asset of the participating employers for each Plan at June 30, 2022 were as follows (in thousands):

		ARHCT Plan	ODD Plan	RMP
Total OPEB liability	$	2,515,713	517	47,543
Plan fiduciary net position		(3,392,211)	(6,557)	(66,909)
Employers' net OPEB asset	$	(876,498)	(6,040)	(19,366)
Plan fiduciary net position as a percentage of the total OPEB liability		134.84%	1,268.28%	140.73%

(a) *Actuarial Assumptions*

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2021, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022.

Inflation	2.50% per year
Salary increases	ARHCT Plan - Range from 7.00% to 2.85% based on service. ODD Plan / RMP - Range from 7.25% to 2.85% based on service.
Investment rate of return	7.25%, net of post-retirement healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Trend rates (ARHCT Plan and RMP)	Pre-65 medical: 7.0% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Rx/EGWP: 7.5% grading down to 4.5% Initial trend rates are for FY 2023 Ultimate trend rates reached in FY 2050
Mortality (ARHCT Plan)	Pre-commencement mortality rates were based on the Pub-2010 Teachers Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on 98% of male and 100% of female rates of the Pub-2010 Teachers Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 100% of male and 94% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the

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

Notes to Financial Statements

June 30, 2022

Mortality (ODD Plan)	Pre-commencement mortality rates were based on the Pub-2010 Teachers Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 15% of the time. Post-commencement mortality rates for healthy retirees were based on 97% of the Pub-2010 Teachers Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 100% of male and 95% of female rates of the Pub-2010 Contingent Survivior table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Mortality (RMP)	Pre-commencement mortality rates were based on the Pub-2010 Teachers Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on 98% of male and 100% of female rates of the Pub-2010 Teachers Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 100% of male and 94% of female rates of the Pub-2010 Contingent Survivior table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Other	Please see the experience study report dated July 15, 2022.

The assumptions used in the June 30, 2021 actuarial valuation are the same as those used in the June 30, 2020 valuation with the following exceptions:

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

(Continued)

2. 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, 2022 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.88%):

Asset class	Long-term expected real rate of return
Domestic equity	6.51%
Global equity (non-U.S.)	5.70
Aggregate bonds	0.31
Real assets	3.71
Private equity	9.61
Cash equivalents	(0.50)

(b) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2022 was 7.25%. 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 4.09% as of June 30, 2022.

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

The following presents the net OPEB asset as of June 30, 2022, calculated using the discount rate of 7.25%, 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 (6.25%)	Current discount rate (7.25%)	1.00% increase (8.25%)
ARHCT Plan	$	571,895	876,498	1,130,546
ODD Plan		6,059	6,040	6,030
RMP		6,837	19,366	28,780

(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, 2022, calculated using the healthcare cost trend rates as summarized in the 2021 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	$	1,159,541	876,498	536,272
ODD Plan		N/A	N/A	N/A
RMP		29,963	19,366	4,921

(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):

		2022	2021
Total, beginning of year	$	12,733	10,812
Healthcare benefits		157,745	148,025
Benefits paid		(157,474)	(146,104)
Total, end of year	$	13,004	12,733

(7) 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.

(8) 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.

(9) 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.

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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability:										
Service cost	$ 44,727	48,401	50,654	60,810	64,961	68,376	61,011	63,608	64,324	69,113
Interest	538,703	535,725	529,132	575,706	572,791	559,165	550,392	540,981	515,325	517,511
Differences between expected and actual experience	(59,667)	(33,160)	8,105	(135,121)	(131,092)	(65,757)	(55,682)	(5,693)	—	1,108
Changes of assumptions	154,098	—	—	(35,262)	—	—	—	156,854	—	—
Benefit payments, including refunds of member contributions	(511,762)	(501,429)	(490,446)	(472,717)	(458,511)	(448,422)	(437,582)	(418,545)	(399,001)	(397,956)
Net change in total pension liability	166,099	49,537	97,445	(6,584)	48,149	113,362	118,139	337,205	180,648	189,776
Total pension liability – beginning	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
Total pension liability – ending (a)	7,693,553	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
Plan fiduciary net position:										
Contributions – employer	30,707	29,336	34,114	36,805	39,835	36,634	33,478	36,374	37,571	37,372
Contributions – member	30,013	33,342	33,566	35,763	37,674	39,878	42,654	45,506	47,724	50,201
Contributions – nonemployer entity (State)	141,739	134,070	140,219	127,365	111,757	116,700	90,589	1,662,700	208,890	196,945
Total net investment income (loss)	(391,758)	1,594,536	218,372	314,972	432,543	628,184	(31,340)	152,561	599,958	373,868
Benefit payments, including refunds of member contributions	(511,762)	(501,429)	(490,446)	(472,717)	(458,511)	(448,422)	(437,582)	(418,545)	(399,001)	(382,933)
Administrative expenses	(3,805)	(3,446)	(2,988)	(3,018)	(3,050)	(2,890)	(2,648)	(2,789)	(3,160)	(2,989)
Other income	36	273	33	32	184	10	95	9	27	19
Net change in plan fiduciary net position	(704,830)	1,286,682	(67,130)	39,202	160,432	370,094	(304,754)	1,475,816	492,009	272,483
Plan fiduciary net position – beginning	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 fiduciary net position – ending (b)	6,026,651	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
Plan's net pension liability (a)–(b)	$ 1,666,902	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
Plan fiduciary net position as a percentage of the total pension liability	78.33%	89.43%	72.81%	74.68%	74.09%	72.39%	68.40%	73.82%	55.70%	49.76%
Covered payroll	$ 333,781	357,288	370,449	392,849	416,051	442,029	463,604	491,223	514,035	541,981
Net pension liability as a percentage of covered payroll	510.46%	222.78%	548.82%	475.64%	460.12%	458.48%	492.52%	378.74%	583.44%	610.80%

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 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
2022	$ 168,900	172,446	(3,546)	333,781	51.66 %
2021	155,184	163,406	(8,222)	357,288	45.74 %
2020	150,284	174,333	(24,049)	370,449	47.06 %
2019	154,083	164,170	(10,087)	392,849	41.79 %
2018	144,391	151,593	(7,202)	416,051	36.44 %
2017	133,417	153,334	(19,917)	442,029	34.69 %
2016	359,790	124,067	235,723	463,604	26.76 %
2015	321,971	1,699,074	(1,377,103)	491,223	345.89 %
2014	240,366	246,461	(6,095)	514,035	47.95 %
2013	259,786	234,317	25,469	541,981	43.23 %

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
2022	(5.91)%
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)

		2022	2021	2020	2019	2018
Total OPEB liability:						
Service cost	$	21,350	23,793	26,684	34,729	32,821
Interest		185,827	188,868	202,757	252,021	232,774
Change in benefit terms		(22,446)	—	—	—	—
Differences between expected and actual experience		(13,523)	(24,483)	(23,298)	(47,911)	(57,990)
Changes of assumptions		(86,086)	(100,701)	(273,319)	(509,775)	163,911
Benefit payments		(148,267)	(141,137)	(125,310)	(136,158)	(132,040)
EGWP rebates		18,508	18,293	11,705	2,518	—
Net change in total OPEB liability		(44,637)	(35,367)	(180,781)	(404,576)	239,476
Total OPEB liability – beginning		2,560,350	2,595,717	2,776,498	3,181,074	2,941,598
Total OPEB liability – ending (a)		2,515,713	2,560,350	2,595,717	2,776,498	3,181,074
Plan fiduciary net position:						
Contributions – employer		21,806	24,700	18,788	17,957	19,305
Contributions – EGWP rebates		18,508	18,293	11,705	2,518	—
Contributions – RDS		311	62	—	6,711	1,894
Total net investment income (loss)		(221,118)	869,241	120,073	169,183	224,820
		(180,493)	912,296	150,566	196,369	246,019
Benefit payments		(157,616)	(147,861)	(135,566)	(143,126)	(134,051)
Pharmacy rebates		14,741	12,100	15,829	11,858	6,149
Pharmacy management allowance		69	85	—	—	—
ASO fees		(5,461)	(5,461)	(5,573)	(4,890)	(4,138)
Net benefit payments		(148,267)	(141,137)	(125,310)	(136,158)	(132,040)
Administrative expenses, net of ASO fees		(2,107)	(1,836)	(1,372)	(1,351)	(1,527)
Other		47	247	258	324	18
Net change in plan fiduciary net position		(330,820)	769,570	24,142	59,184	112,470
Plan fiduciary net position – beginning		3,723,031	2,953,461	2,929,319	2,870,135	2,757,665
Plan fiduciary net position – ending (b)		3,392,211	3,723,031	2,953,461	2,929,319	2,870,135
Plan's net OPEB (asset) liability (a)–(b)	$	(876,498)	(1,162,681)	(357,744)	(152,821)	310,939
Plan fiduciary net position as a percentage of the total OPEB liability		134.84%	145.41%	113.78%	105.50%	90.23%
Covered payroll	$	333,781	357,288	370,449	392,849	416,051
Net OPEB liability (asset) as a percentage of covered payroll		(262.60)%	(325.42)%	(96.57)%	(38.90)%	74.74%

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	$	22,360	21,806	554	333,781	6.53 %
2021		25,197	24,700	497	357,288	6.91 %
2020		28,373	18,788	9,585	370,449	5.07 %
2019		19,944	17,957	1,987	392,849	4.57 %
2018		19,518	19,305	213	416,051	4.64 %
2017		42,171	24,069	18,102	442,029	5.45 %
2016		336,595	66,099	270,496	463,604	14.26 %
2015		352,417	364,222	(11,805)	491,223	74.15 %
2014		320,797	139,936	180,861	514,035	27.22 %
2013		330,411	141,125	189,286	541,981	26.04 %

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
2022	(6.04)%
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)

		2022	2021	2020	2019	2018
Total OPEB liability:						
Service cost	$	335	312	284	275	259
Interest		63	60	43	44	41
Differences between expected and actual experience		(367)	(338)	(92)	(274)	(248)
Changes of assumptions		(15)	—	—	(5)	—
Benefit payments		(27)	(24)	(24)	(24)	(24)
Net change in total OPEB liability		(11)	10	211	16	28
Total OPEB liability – beginning		528	518	307	291	263
Total OPEB liability – ending (a)		517	528	518	307	291
Plan fiduciary net position:						
Contributions – employers		393	362	329	312	—
Total net investment income		(423)	1,471	190	243	290
Benefit payments		(27)	(24)	(24)	(24)	(24)
Administrative expenses		(9)	(9)	—	—	—
Net change in plan fiduciary net position		(66)	1,800	495	531	266
Plan fiduciary net position – beginning		6,623	4,823	4,328	3,797	3,531
Plan fiduciary net position – ending (b)		6,557	6,623	4,823	4,328	3,797
Plan's net OPEB asset (a)–(b)	$	(6,040)	(6,095)	(4,305)	(4,021)	(3,506)
Plan fiduciary net position as a percentage of the total OPEB liability		1,268.28%	1,254.36%	931.08%	1,409.77%	1,304.81%
Covered payroll	$	488,659	453,286	412,113	392,866	359,130
Net OPEB asset as a percentage of covered payroll		(1.24)%	(1.34)%	(1.04)%	(1.02)%	(0.98)%

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 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
2022	$	339	393	(54)	488,659	0.08 %
2021		313	362	(49)	453,286	0.08 %
2020		288	329	(41)	412,113	0.08 %
2019		277	312	(35)	392,866	0.08 %
2018		—	—	—	359,130	— %
2017		—	—	—	335,269	— %
2016		—	1	(1)	289,714	— %
2015		—	—	—	255,186	— %
2014		—	—	—	229,971	— %
2013		—	—	—	206,771	— %

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
2022	(6.21)%
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 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 – Retiree Medical Plan

(In thousands)

		2022	2021	2020	2019	2018
Total OPEB liability:						
Service cost	$	3,636	3,376	3,410	3,684	3,247
Interest		3,748	3,088	3,073	2,971	2,347
Change in benefit terms		(610)	—	—	—	—
Differences between expected and actual experience		(410)	2,313	(529)	2,696	(389)
Changes of assumptions		(5,910)	41	(5,632)	(4,551)	2,184
Benefit payments		(127)	(171)	(6)	(35)	(31)
EGWP rebates		18	3	1	—	—
Net change in total OPEB liability		345	8,650	317	4,765	7,358
Total OPEB liability – beginning		47,198	38,548	38,231	33,466	26,108
Total OPEB liability – ending (a)		47,543	47,198	38,548	38,231	33,466
Plan fiduciary net position:						
Contributions – employers		4,086	4,217	4,461	3,085	3,271
Contributions – EGWP rebates		18	3	1	—	—
Contributions – RDS		—	—	—	3	—
Total net investment income		(4,310)	14,848	1,899	2,355	2,579
		(206)	19,068	6,361	5,443	5,850
Benefit payments		(129)	(164)	(9)	(44)	(31)
Pharmacy rebates		10	1	3	9	—
ASO fees		(8)	(8)	—	—	—
Net benefit payments		(127)	(171)	(6)	(35)	(31)
Administrative expenses, net of ASO fees		(36)	(34)	(9)	(6)	(3)
Other		—	2	—	—	1
Net change in plan fiduciary net position		(369)	18,865	6,346	5,402	5,817
Plan fiduciary net position – beginning		67,278	48,413	42,067	36,665	30,848
Plan fiduciary net position – ending (b)		66,909	67,278	48,413	42,067	36,665
Plan's net OPEB asset (a)–(b)	$	(19,366)	(20,080)	(9,865)	(3,836)	(3,199)
Plan fiduciary net position as a percentage of the total OPEB liability		140.73%	142.54%	125.59%	110.03%	109.56%
Covered payroll	$	488,659	453,286	412,113	392,866	359,130
Net OPEB asset as a percentage of covered payroll		(3.96)%	(4.43)%	(2.39)%	(0.98)%	(0.89)%

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 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
2022	$	3,517	4,086	(569)	488,659	0.84 %
2021		3,644	4,217	(573)	453,286	0.93 %
2020		3,920	4,461	(541)	412,113	1.08 %
2019		2,734	3,085	(351)	392,866	0.79 %
2018		2,983	3,271	(288)	359,130	0.91 %
2017		3,158	3,524	(366)	335,269	1.05 %
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 %

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 – Retiree Medical Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2022	(6.21)%
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 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, 2021 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 audited 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. 100% of male and female of the RP-2014 white-collar 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 white-collar 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. Disability rates cease once a member is eligible for retirement. 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, 2021 was increased by the following amounts for administrative expenses (for projections, the percentage increase was assumed to remain constant in future years): Pension – $3,217,000 and Healthcare – $1,604,000.

(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 FY22 medical and prescription drug benefits are shown below:

	Medical	Prescription drugs
Pre-Medicare	$ 15,926	3,375
Medicare Parts A and B	1,619	3,474
Medicare Part B only	5,341	3,474
Medicare Part D – EGWP	N/A	1,131

The prescription drug costs reflect the plan change to require prior authorization for certain specialty medications. The pre-Medicare medical costs reflect the coverage of additional preventive benefits.

Members are assumed to attain Medicare eligibility at age 65. All costs are for the 2022 fiscal year (July 1, 2021–June 30, 2022).

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.

(dd) Third-party administrator fees – $493 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, 6.3% is applied to the FY22 pre-Medicare medical claims cost to get the FY23 medical claims cost:

Fiscal year	Medical Pre-65	Medical Post-65	Prescription drugs/EGWP
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+	—	—

 (Continued)

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2022

(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 FY22 contributions based on monthly rates shown below for calendar 2022 are assumed based on the coverage category for current retirees. The retiree only rate shown is used for current active and inactive members and spouses 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 to estimate the per-child rate based upon the assumed number of children in rates where children are covered.

	Calendar 2022		Calendar 2021
Coverage category	**Annual contribution**	**Monthly contribution**	**Monthly contribution**
Retiree only	$ 8,448	704	704
Retiree and spouse	16,896	1,408	1,408
Retiree and child(ren)	11,940	995	995
Retiree and family	20,388	1,699	1,699
Composite	12,552	1,046	1,046

(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 FY22 retired member medical contributions to get the FY23 retired member medical contributions.

Fiscal year	Trend assumption
2022	—%
2023 +	4.0

Graded trend rates for retired member medical contributions are consistent with the rates used for the June 30, 2020 valuation. Actual FY22 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 plans valuation as of June 30, 2021 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, 2021 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 FY22 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 FY22 medical claims costs for Medicare eligible retirees were further reduced 29.5%.

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. FY21 experience was also thoroughly reviewed to assess the impact of COVID-19 and whether an adjustment to FY21 claims was appropriate for use in the June 30, 2021 valuation. FY21 medical per capita claims were noticeably lower than expected, so a 4% load was added to the FY21 medical claims used in the per capita claims cost development to better reflect future expected long-term costs of the plan.

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 2022 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 white-collar 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 white-collar 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. For retiree medical benefits, the disability rates cease once a member is eligible for retirement. However, the disability rates continue after retirement eligibility for occupational death and disability benefits. 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.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2022

(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 FY22 medical and prescription drug benefits are shown below:

		Medical	Prescription drugs
Pre-Medicare	$	15,708	3,375
Medicare Parts A and B		1,619	3,474
Medicare Part D - EGWP		N/A	1,131

The prescription drug costs reflect the plan change to require prior authorization for certain specialty medications.

Members are assumed to attain Medicare eligibility at age 65. All other costs are for the 2022 fiscal year (July 1, 2021–June 30, 2022).

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 – $493 per person per year; assumed to increase at 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 plan and Medicare coordination method (3.1% reduction for the medical plan and 29.5% reduction for the coordination method), and 0.911 for the prescription drug plan.

(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, 2021 normal cost, which are based on the average of actual administrative

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2022

expenses during the last two fiscal years, are $5,000 for occupational death and disability and $22,000 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, 6.3% is applied to the FY22 pre-Medicare medical claims costs to get the FY23 medical claims costs:

Fiscal year	Medical Pre-65	Medical Post-65	Prescription drugs/EGWP
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.

(Continued)

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Notes to Required Supplementary Information (Unaudited)
June 30, 2022

(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:

Death / Disability Decrement		Retirement Decrement		
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.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2022

(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, 2020 to June 30, 2021

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

(b) Changes in Assumptions Since the Prior Valuation – June 30, 2020 to June 30, 2021

Healthcare claim costs are updated annually. The amounts included in the normal cost for administrative expenses were changed from $3,003,000 to $3,217,000 for pension, and from $1,362,000 to $1,604,000 for healthcare (based on the most recent 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, 2020 to June 30, 2021

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

Defined Contribution Occupational Death and Disability and Retiree Medical Benefits Plans

(d) Changes in Methods Since the Prior Valuation – June 30, 2020 to June 30, 2021

There were no changes in the asset or valuation methods since the prior valuation.

(e) Changes in Assumptions Since the Prior Valuation – June 30, 2020 to June 30, 2021

Healthcare claim costs are updated annually. The amounts included in the normal cost for administrative expenses were changed from $0 to $5,000 for occupational death and disability, and from $8,000 to $22,000 for retiree medical (based on the most recent two years of actual administrative expenses paid from plan assets). There were no other changes in actuarial assumptions since the prior valuation.

(f) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2020 to June 30, 2021

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, 2022 and 2021

(In thousands)

			Totals	
	Administrative	Investment	2022	2021
Personal services:				
Wages	$ 2,027	1,027	3,054	3,029
Benefits	1,353	534	1,887	1,717
Total personal services	3,380	1,561	4,941	4,746
Travel:				
Transportation	1	10	11	3
Per diem	—	2	2	1
Total travel	1	12	13	4
Contractual services:				
Management and consulting	7,434	148	7,582	7,434
Investment management and custodial fees	—	24,604	24,604	23,286
Accounting and auditing	89	4	93	87
Data processing	2,096	366	2,462	1,842
Communications	42	4	46	48
Advertising and printing	24	1	25	14
Rentals/leases	58	42	100	197
Legal	103	15	118	55
Medical specialists	—	—	—	2
Repairs and maintenance	1	—	1	3
Transportation	100	—	100	51
Securities lending	—	60	60	66
Other professional services	250	29	279	255
Total contractual services	10,197	25,273	35,470	33,340
Other:				
Equipment	3	5	8	13
Supplies	6	32	38	41
Total other	9	37	46	54
Total administrative and investment deductions	$ 13,587	26,883	40,470	38,144

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, 2022 and 2021

(In thousands)

Firm	Services	2022	2021
Buck Global LLC	Actuarial services	$ 262	235
KPMG LLP	Auditing services	62	51
Groundswell Communications	Communications services	26	23
State Street Bank and Trust	Custodial banking services	469	483
Alaska IT Group	Data processing services	83	109
Applied Microsystems Incorporated	Data processing services	173	157
DLT Solutions	Data processing services	—	55
Sagitec Solutions	Data processing services	1,606	1,021
SHI International Corporation	Data processing services	8	14
Sungard Availability Services	Data processing services	11	11
TechData Service Company	Data processing services	136	—
State of Alaska, Department of Law	Legal services	118	121
Linea Solutions Incorporation	Management consulting services	—	15
Symphony Performance Health	Management consulting services	11	11
The Segal Company Incorporated	Management consulting services	34	125
		$ 2,999	2,431

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

See accompanying independent auditors' report.

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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, 2022

(With summarized financial information for June 30, 2021)

(With Independent Auditors' Report Thereon)

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

Table of Contents

Independent Auditors' Report

The Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Public Employees' Retirement System:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying combining financial statements of 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, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements for the year then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

We have previously audited the System's 2021 combining financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Required Supplementary Information

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Supplementary Information

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

(signed) KPMG LLP

Anchorage, Alaska
October ____, 2022

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Management's Discussion and Analysist (Unaudited)

June 30, 2022

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, 2022 and 2021. 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, 2022 and 2021. Information for fiscal year 2020 is presented for comparative purposes.

Financial Highlights

The System's financial highlights for the year ended June 30, 2022 were as follows:

- The System's fiduciary net position restricted for pension benefits, postemployment healthcare benefits, and individuals decreased by $2.2 billion.
- The System's plan member and employer contributions increased by $9.6 million when compared to fiscal year 2021.
- The State of Alaska (the State) directly appropriated $97.7 million to the System.
- The System's net investment income decreased $7.4 billion when compared to fiscal year 2021, to a loss of $1.6 billion.
- The System's pension benefit expenditures totaled $953.5 million.
- The System's postemployment healthcare benefit expenditures totaled $486.4 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, 2022.

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, 2022. 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, 2022, and the sources and uses of those funds during fiscal year 2022.

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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	**2022**	**2021**	**Amount**	**Percentage**	**2020**
Assets:					
Cash and cash equivalents	$ 286,503	251,009	35,494	14.1 %	$ 193,689
Contributions receivable	13,223	12,363	860	7.0	12,148
Due from State of Alaska General Fund	23,385	18,175	5,210	28.7	16,722
Due from Retiree Health Fund	—	2	(2)	(100.0)	—
Other accounts receivable	13,445	5,363	8,082	150.7	137
Investments	22,202,613	24,437,912	(2,235,299)	(9.1)	19,195,879
Other assets	982	984	(2)	(0.2)	982
Total assets	22,540,151	24,725,808	(2,185,657)	(8.8)	19,419,557
Liabilities:					
Claims payable	40,109	39,972	137	0.3	35,336
Accrued expenses	8,110	7,148	962	13.5	2,977
Forfeiture payable to employers	171	151	20	13.2	653
Securities lending collateral payable	39,071	57,659	(18,588)	(32.2)	23,049
Total liabilities	87,461	104,930	(17,469)	(16.6)	62,015
Net position	$ 22,452,690	24,620,878	(2,168,188)	(8.8)%	$ 19,357,542

(Continued)

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Management's Discussion and Analysist (Unaudited)
June 30, 2022

Condensed Financial Information (continued)

Changes in system net position (In thousands)

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage	2020
Net position, beginning of year	$ 24,620,878	19,357,542	5,263,336	27.2 %	$ 19,066,303
Additions:					
Contributions – employers and plan members	820,183	810,572	9,611	1.2	770,926
Contributions – nonemployer State of Alaska	97,700	101,383	(3,683)	(3.6)	79,487
Net investment income (loss)	(1,613,903)	5,748,837	(7,362,740)	(128.1)	777,393
Employer Group Waiver Plan	54,191	52,416	1,775	3.4	33,212
Medicare Retiree Drug Subsidy	595	189	406	214.8	—
Pharmacy rebates	47,415	37,936	9,479	25.0	48,035
Pharmacy Management Allowance	134	189	(55)	(29.1)	—
Other income	292	1,309	(1,017)	(77.7)	625
Total additions (deductions)	(593,393)	6,752,831	(7,346,224)	(108.8)	1,709,678
Deductions:					
Pension and postemployment healthcare benefits	1,439,873	1,385,828	54,045	3.9	1,325,783
Refunds of contributions	101,571	69,986	31,585	45.1	59,891
Administrative	33,351	33,681	(330)	(1.0)	32,765
Total deductions	1,574,795	1,489,495	85,300	5.7	1,418,439
Increase (decrease) in net position	(2,168,188)	5,263,336	(7,431,524)	(141.2)	291,239
Net position, end of year	$ 22,452,690	24,620,878	(2,168,188)	(8.8)%	$ 19,357,542

Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2022 and 2021 show net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $22,452,690,000 and $24,620,878,000, 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 a decrease in the System's net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $2,168,188,000 or 8.8% from fiscal year 2021 to 2022 and an increase of $5,263,336,000 or 27.2% from fiscal year 2020 to 2021. 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.

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STATE OF ALASKA
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During the 32nd Alaska State Legislature and as part of the State's Fiscal Year 2022 Operating Budget, House Bill 69 appropriated $97,699,500 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 2022 and 2021, 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) occupational death and disability fund, retiree medical plan, and health reimbursement arrangement fund:

	2022		2021	
	Pension and Healthcare Trusts		Pension and Healthcare Trusts	
	Allocation	Range	Allocation	Range
Broad domestic equity	27.0%	± 6%	28.0%	± 6%
Global equity (ex-U.S.)	18.0	± 4	19.0	± 4
Fixed income	21.0	± 10	22.0	± 10
Opportunistic	6.0	± 4	6.0	± 4
Real assets	14.0	± 7	13.0	± 7
Private equity	14.0	± 6	12.0	± 6
Total	100.0%		100.0%	
Expected return 20-year geometric mean	6.88%		7.13%	
Projected standard deviation	13.89		13.55	

For fiscal years 2022 and 2021, the DB Pension Plan's investments generated a (4.08%) and 27.62% rate of return, respectively. For fiscal years 2022 and 2021, the Alaska Retiree Healthcare Trust Plan's investments generated a (4.08%) and 27.71% rate of return, respectively.

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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)		
	2022	2021	Amount	Percentage	2020
Contributions – employers	$ 626,286	622,103	4,183	0.7%	$ 587,288
Contributions – plan members	193,897	188,469	5,428	2.9%	183,638
Contributions – nonemployer State of Alaska	97,700	101,383	(3,683)	(3.6)	79,487
Net investment income (loss)	(1,613,903)	5,748,837	(7,362,740)	(128.1)	777,393
Employer group waiver plan	54,191	52,416	1,775	3.4	33,212
Medicare retiree drug subsidy	595	189	406	214.8	—
Pharmacy rebates	47,415	37,936	9,479	25.0	48,035
Pharmacy Management Allowance	134	189	(55)	(29.1)	—
Other income	292	1,309	(1,017)	(77.7)	625
Total	$ (593,393)	6,752,831	(7,346,224)	(108.8)%	$ 1,709,678

The System's employer contributions increased from $622,103,000 in fiscal year 2021 to $626,286,000 in fiscal year 2022, an increase of $4,183,000 or 0.7%. 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 increase in employer contributions for both fiscal year 2022 and 2021 are attributed to increases in member salaries.

The State provided $97,700,000 and $101,383,000 for fiscal years 2022 and 2021, 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 2022 decreased by $7,362,740,000 or 128.1% from amounts in fiscal year 2021. 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 investment returns received in fiscal year 2022 were lower than the returns seen in fiscal year 2021, causing a difference in investment returns when comparing 2022 and 2021. 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 2022, the Plan received $54,191,000 in EGWP funds from the Center of Medicare and Medicaid Services (CMS) through the EGWP Plan Sponsor, OptumRx.

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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 2022, the Plan received $47,15,000 in pharmacy rebates compared to $37,936,000 from fiscal year 2021. The increase 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		
	2022	**2021**	**2020**
Plan returns	(4.08)%	27.62 %	3.83 %
Broad domestic equity	(11.74)	42.69	2.62
Global equity (ex-U.S.)	(20.96)	38.54	(3.59)
Fixed income	(6.96)	2.20	7.31
Opportunistic	(10.58)	23.86	0.52
Real assets	14.29	9.86	2.06
Private equity	26.25	50.67	10.47
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		
	2022	**2021**	**2020**
Plan returns	(4.08)%	27.71 %	3.90 %
Broad domestic equity	(11.73)	42.69	2.62
Global equity (ex-U.S.)	(20.95)	38.57	(3.59)
Fixed income	(7.04)	2.20	7.37
Opportunistic	(10.58)	23.86	0.51
Real assets	14.41	10.00	2.36
Private equity	26.25	50.67	10.52
Actuarially assumed rate of return	7.38	7.38	7.38

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STATE OF ALASKA
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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)		
	2022	2021	Amount	Percentage	2020
Pension benefits	$ 953,511	921,899	31,612	3.4%	$ 885,252
Postemployment benefits	486,362	463,929	22,433	4.8	440,531
Refunds of contributions	101,571	69,986	31,585	45.1	59,891
Administrative	33,351	33,681	(330)	(1.0)	32,765
Total	$ 1,574,795	1,489,495	85,300	5.7%	$ 1,418,439

The System's DB pension benefit payments in 2022 increased $31,612,000 or 3.4% from fiscal year 2021, which increased $36,647,000 or 4.1% from fiscal year 2020. The increase in pension benefits in fiscal year 2022 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 2022 increased $22,433,000 or 4.8% from fiscal year 2021, which increased $23,398,000 or 5.3% from fiscal year 2020. During fiscal year 2022, 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 $31,585,000 or 45.1% from fiscal year 2021 to 2022 and increased $10,095,000 or 16.9% from fiscal year 2020 to 2021. The increase in refunds is primarily in the DCR Plan, where refunds increased $30,390,000 between fiscal year 2021 to 2022 and increased $12,259,000 between fiscal year 2020 to 2021. Increases in DCR Plan refunds are attributed to the increase in the number of DCR Plan member accounts and higher member balances being refunded. 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 2022 decreased $330,000 or 1.0% from fiscal year 2021 and increased $916,000 or 2.8% from fiscal year 2020. The decreased administrative cost in fiscal years 2022 is related to reductions on contractual costs charged to the System. For fiscal year 2021, the increase in costs are related to a capital project for a retirement system replacement.

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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):

	2022	2021
Total pension liability	$ 15,912,991	15,580,808
Plan fiduciary net position	(10,816,140)	(11,912,309)
Employers' net pension liability	$ 5,096,851	3,668,499
Plan fiduciary net position as a percentage of the total pension liability	67.97 %	76.46 %

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.

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June 30, 2022

The components of the net OPEB asset of the participating employers of the Plans as of June 30, 2022 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	$	6,901,568	17,620	172,956
Plan fiduciary net position		(8,869,134)	(61,458)	(207,686)
Employers' net OPEB asset	$	(1,967,566)	(43,838)	(34,730)
Plan fiduciary net position as a percentage of the total OPEB liability		128.51 %	348.80 %	120.08 %

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 %

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 2022, 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 2022 had negative investment returns. Net investment income decreased from a gain of $5,748,837,000 in fiscal year 2021, to a loss of $1,613,903 in fiscal year 2022, a decrease of $7,362,740,000 or 128.1%. During fiscal year 2022, the System's actual rate of return on investments was below 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 30.11% in fiscal year 2022 to 24.79% in fiscal year 2023. Additionally, the Board discussed not contributing the healthcare normal cost contribution rate of 2.84% since the Alaska Retiree HealthCare Trust is well above 100% funded. After the Board's actuarial committee discussed the healthcare trusts overfunding, they voted to not contribute the normal cost rate for fiscal year 2023. The Board adopted the fiscal year 2023 actuarially determined contribution rate of 24.79%, which represented a decrease of 5.32%. The statutory employer effective contribution rate remains at 22% for fiscal years 2023 and 2022. With the passage of SB 55, the State of Alaska as an employer will pay full actuarial rate beginning July 1, 2021.

The June 30, 2021 and 2020 actuarial valuation reports for the DB Plan reported funding ratios based on valuation assets of 85.5% and 79.3% respectively, as well as unfunded liabilities of $3.2 billion and $4.6 billion, respectively.

For fiscal years 2023 and 2022, 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 2023 and 2022 to be 0.68% for peace officers/firefighters; and 0.31% and 0.30%, respectively, for all others. The DCR Plan retiree medical plan actuarially determined contribution rate was adopted by the Board for fiscal years 2023 and 2022 to be 1.07% and 1.10%, 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

June 30, 2022
(With summarized financial information for June 30, 2021)

(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, 2022	System total June 30, 2021
Assets:								
Cash and cash equivalents:								
Short-term fixed-income pool	$ 135,403	2,157	96,067	835	2,748	8,944	246,154	192,574
Empower money market fund – non-participant directed	—	1,278	—	—	—	—	1,278	776
Securities lending collateral	20,439	—	16,841	115	387	1,289	39,071	57,659
Total cash and cash equivalents	155,842	3,435	112,908	950	3,135	10,233	286,503	251,009
Receivables:								
Contributions	13,223	—	—	—	—	—	13,223	12,363
Due from State of Alaska General Fund	9,076	8,438	1,915	298	867	2,791	23,385	18,175
Due from Retiree Health Fund	—						—	2
Other accounts receivable	164	—	13,248	—	33	—	13,445	5,363
Total receivables	22,463	8,438	15,163	298	900	2,791	50,053	35,903
Investments, at fair value:								
Fixed-income securities:								
Alternative fixed income pool	293,460	—	242,343	1,660	5,617	18,671	561,751	555,087
Barclays aggregate bond fund	1,620,742	—	1,338,431	9,172	31,024	103,115	3,102,484	3,234,644
Opportunistic fixed income pool	386,188	—	318,920	2,186	7,392	24,570	739,256	—
US Treasury fixed income pool	—	—	—	—	—	—	—	809,893
Total fixed-income securities	2,300,390	—	1,899,694	13,018	44,033	146,356	4,403,491	4,599,624
Broad domestic equity:								
Large cap pool	2,406,109	—	1,986,998	13,617	46,058	153,081	4,605,863	5,737,244
Small cap pool	212,001	—	175,074	1,201	4,058	13,488	405,822	486,170
Total broad domestic equity	2,618,110	—	2,162,072	14,818	50,116	166,569	5,011,685	6,223,414
Global equity ex-U.S.:								
International equity pool	1,421,227	—	1,173,607	8,041	27,199	90,402	2,720,476	3,429,837
Emerging markets equity pool	318,049	—	262,649	1,800	6,088	20,235	608,821	728,617
Total global equity ex-U.S.	1,739,276	—	1,436,256	9,841	33,287	110,637	3,329,297	4,158,454
Opportunistic:								
Alternative beta pool	122,703	—	101,330	694	2,349	7,807	234,883	209,012
Alternative equity pool	111,333	—	91,940	630	2,131	7,083	213,117	261,744
Other opportunities pool	1,515	—	1,251	9	29	96	2,900	13,720
Tactical allocation strategies pool	394,238	—	325,567	2,231	7,547	25,082	754,665	841,031
Total opportunistic	629,789	—	520,088	3,564	12,056	40,068	1,205,565	1,325,507
Private equity pool	1,779,516	—	1,469,549	10,070	34,063	113,216	3,406,414	3,374,963
Real assets:								
Real estate pools	635,511	—	525,920	3,604	12,191	40,518	1,217,744	1,032,616
Real estate investment trust pool	177,771	—	146,806	1,006	3,403	11,310	340,296	363,888
Infrastructure private pool	281,576	—	232,529	1,594	5,390	17,914	539,003	501,265
Energy pool	22,431	—	18,524	127	429	1,427	42,938	41,819
Farmland pool	339,577	—	280,427	1,921	6,500	21,605	650,030	605,056
Timber pool	135,315	—	111,745	766	2,590	8,609	259,025	246,658
Total real assets	1,592,181	—	1,315,951	9,018	30,503	101,383	3,049,036	2,791,302
Other investment funds:								
Participant directed at fair value:								
Collective investment funds	—	517,247	—	—	—	—	517,247	621,217
Pooled investment funds	—	1,160,373	—	—	—	—	1,160,373	1,227,154
Participant directed at contract value:								
Synthetic investment contracts	—	119,505	—	—	—	—	119,505	116,277
Total other investment funds	—	1,797,125	—	—	—	—	1,797,125	1,964,648
Total investments	10,659,262	1,797,125	8,803,610	60,329	204,058	678,229	22,202,613	24,437,912
Other assets	15	—	967	—	—	—	982	984
Total assets	10,837,582	1,808,998	8,932,648	61,577	208,093	691,253	22,540,151	24,725,808
Liabilities:								
Claims payable	—	—	40,109	—	—	—	40,109	39,972
Accrued expenses	1,003	495	6,564	4	20	24	8,110	7,148
Forfeitures payable to employers	—	171	—	—	—	—	171	151
Securities lending collateral payable	20,439	—	16,841	115	387	1,289	39,071	57,659
Total liabilities	21,442	666	63,514	119	407	1,313	87,461	104,930
Net position restricted for pension benefits, postemployment healthcare benefits, and individuals	$ 10,816,140	1,808,332	8,869,134	61,458	207,686	689,940	22,452,690	24,620,878

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, 2022
(With summarized financial information for June 30, 2021)

(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, 2022	System total June 30, 2021
Additions (Reductions):								
Contributions:								
Employers	$ 415,538	71,983	64,990	5,769	16,920	51,086	626,286	622,103
Plan members	66,412	127,485	—	—	—	—	193,897	188,469
Nonemployer State of Alaska	97,700	—	—	—	—	—	97,700	101,383
Total contributions	579,650	199,468	64,990	5,769	16,920	51,086	917,883	911,955
Investment income (loss):								
Net appreciation (depreciation) in fair value	(829,657)	(265,899)	(682,785)	(4,641)	(15,687)	(52,214)	(1,850,883)	5,549,974
Interest	41,436	—	34,039	220	746	2,489	78,930	65,254
Dividends	111,867	—	93,059	603	2,043	6,812	214,384	186,645
Total investment income (loss)	(676,354)	(265,899)	(555,687)	(3,818)	(12,898)	(42,913)	(1,557,569)	5,801,873
Less investment expense	28,523	2,754	23,216	152	517	1,680	56,842	53,586
Net investment income (loss) before securities lending activities	(704,877)	(268,653)	(578,903)	(3,970)	(13,415)	(44,593)	(1,614,411)	5,748,287
Securities lending income	333	—	274	2	6	20	635	688
Less securities lending expense	67	—	55	—	1	4	127	138
Net income from securities lending activities	266	—	219	2	5	16	508	550
Net investment income (loss)	(704,611)	(268,653)	(578,684)	(3,968)	(13,410)	(44,577)	(1,613,903)	5,748,837
Other income:								
Employer group waiver plan	—	—	54,052	—	139	—	54,191	52,416
Medicare retiree drug subsidy	—	—	594	—	1	—	595	189
Pharmacy rebates	—	—	47,329	—	86	—	47,415	37,936
Pharmacy management allowance	—	—	134	—	—	—	134	189
Miscellaneous income (expense)	187	(36)	125	—	—	16	292	1,309
Total other income	187	(36)	102,234	—	226	16	102,627	92,039
Total additions (reductions)	(124,774)	(69,221)	(411,460)	1,801	3,736	6,525	(593,393)	6,752,831
Deductions:								
Pension and postemployment benefits	953,055	—	485,327	456	505	530	1,439,873	1,385,828
Refunds of contributions	9,302	92,269	—	—	—	—	101,571	69,986
Administrative	9,038	5,925	18,220	33	100	35	33,351	33,681
Total deductions	971,395	98,194	503,547	489	605	565	1,574,795	1,489,495
Net increase (decrease)	(1,096,169)	(167,415)	(915,007)	1,312	3,131	5,960	(2,168,188)	5,263,336
Net position restricted for pension benefits, postemployment healthcare benefits, and individuals:								
Balance, beginning of year	11,912,309	1,975,747	9,784,141	60,146	204,555	683,980	24,620,878	19,357,542
Balance, end of year	$ 10,816,140	1,808,332	8,869,134	61,458	207,686	689,940	22,452,690	24,620,878

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2022

(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, 2022, 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, 2022:

Retired plan members or beneficiaries currently receiving benefits	37,265
Inactive plan members entitled to but not yet receiving benefits	4,924
Inactive plan members not entitled to benefits	10,138
Active plan members	8,996
Total DB Plan membership	61,323

(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 adopted by the Board as a contribution rate that, when combined, is expected to finance the costs of benefits earned by plan members during the year, with an additional contribution rate 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 2022 is allocated 15.54% to the DB Pension Plan and 6.46% 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 contribution rate is sufficient to pay the System's 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 for employers is computed as the difference between:

(A) The amount calculated for the statutory employer effective contribution rate of 22.00% on eligible salary (except for the State of Alaska which pays the full actuarially determined contribution rate) 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.

(C) But not less than zero.

The difference is deposited based on an actuarial allocation into the DB Plan's pension and healthcare funds. For fiscal year 2022, 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. 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, 2022, membership in the DCR Plan consisted of 2,492 peace officer and firefighter members and 22,913 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, 2022:

Retired plan members or beneficiaries currently receiving benefits	37,265
Inactive plan members entitled to but not yet receiving benefits	4,924
Inactive plan members not entitled to benefits	10,138
Active plan members	8,996
Total DB Plan membership	61,323

(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 2022 statutory employer effective contribution rate is 22.00% of member's compensation, with 6.46% 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, 2022:

Active plan members	25,405
Participating employers	151
Open claims	15

(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 2022, the rates are 0.68% 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.

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

Notes to Financial Statements

June 30, 2022

Membership in the RMP was as follows at June 30, 2022:

Retired plan members or beneficiaries currently receiving benefits	120
Inactive plan members entitled to but not yet receiving benefits	2,423
Inactive plan members not entitled to benefits	18,044
Active plan members	25,405
Total RMP membership	45,992

(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 2022 employer effective contribution rate is 1.07% 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, 2022:

Retired plan members or beneficiaries currently receiving benefits	169
Inactive plan members entitled to but not yet receiving benefits	2,423
Inactive plan members not entitled to benefits	18,044
Active plan members	25,405
Total HRA Plan membership	46,041

(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 2022 contribution amount was an annual contribution not to exceed $2,168.40 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 $2,168.40 would be deposited to a member's account if that member worked less than a full year.

(Continued)

(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 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 Employer Group Waiver Plan (EGWP) rebates, Medicare Part D Retiree Drug Subsidy (RDS) 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 an accrual 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).

(j) Reclassifications

The System made certain reclassifications to the 2021 balances in the accompanying supplemental schedules to make them consistent with the 2022 presentation.

(Continued)

(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, 2022 for the DB Pension Plan is (6.00)%, the ARHCT Plan is (6.03)%, the ODD Plan is (6.30)%, and the RMP is (6.28)%.

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

(Continued)

(4) Net Pension Liability – Defined Benefit Pension Plan

The components of the net pension liability of the participating employers at June 30, 2022 were as follows (in thousands):

Total pension liability	$	15,912,991
Plan fiduciary net position		(10,816,140)
Employers' net pension liability	$	5,096,851
Plan fiduciary net position as a percentage of the total pension liability		67.97%

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022.

Inflation	2.50% per year
Salary increases	For Peace Officer/Firefighter, increases range from 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Investment rate of return	7.25%, net of pension plan investment espenses. This is based on an average inflation rate of 2.50% and a real return of 4.75%.
Mortality - Peace Officer / Firefighter	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time.
	Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

Mortality - Others	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time.
	Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to
	Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Other	Please see the experience study report dated July 15, 2022.

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, 2022 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.88%).

Asset class	Long-term expected real rate of return
Domestic equity	6.51%
Global equity (ex-U.S.)	5.70
Aggregate bonds	0.31
Real assets	3.71
Private equity	9.61
Cash equivalents	(0.50)

(Continued)

(b) Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 4.09% as of June 30, 2022.

(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, 2022, calculated using the discount rate of 7.25%, 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 (6.25%)	Current discount rate (7.25%)	1.00% increase (8.25%)
Net pension liability	$	6,861,457	5,096,851	3,608,924

(5) Net OPEB Asset

The components of the net OPEB asset of the participating employers for each Plan at June 30, 2022 were as follows (in thousands):

		ARHCT Plan	ODD Plan	RMP
Total OPEB liability	$	6,901,568	17,620	172,956
Plan fiduciary net position		(8,869,134)	(61,458)	(207,686)
Employers' net OPEB asset	$	(1,967,566)	(43,838)	(34,730)
Plan fiduciary net position as a percentage of the total OPEB liability		128.51%	348.80%	120.08%

(a) Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2021, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022.

Inflation	2.50% per year
Salary increases	For peace officer/firefighter, increases range from 8.50% to 3.85% based on service. For All Others, increases range from 6.75% to 2.85% based on service.
Investment rate of return	7.25%, net of postretirement healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real return of 4.75%.
Healthcare cost trend rates (ARHCT Plan and RMP)	Pre-65 medical: 7.0% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Rx/EGWP: 7.5% grading down to 4.5% Initial trend rates are for FY 2023 Ultimate trend rates reached in FY 2050
Mortality Peace officer/firefighter (ARHCT Plan and RMP)	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Peace officer/firefighter (ODD Plan)	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

Mortality All Others (ARHCT Plan and RMP)	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on 101% of male and 110% of female rates of the Pub-2010 General Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 101% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
All Others (ODD Plan)	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
(ARHCT Plan and ODD)	Deaths are assumed to result from occupational causes 35% of the time.
Other	Please see the experience study report dated July 15, 2022.

The actuarial assumptions used in the June 30, 2021 actuarial valuation are the same as those used in the June 30, 2020 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. 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, 2022 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.88%):

Asset class	Long-term expected real rate of return
Broad domestic equity	6.51%
Global equity (non-U.S.)	5.70
Aggregate bonds	0.31
Real assets	3.71
Private equity	9.61
Cash equivalents	(0.50)

(b) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2022 was 7.25%. 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 4.09% as of June 30, 2022.

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

The following presents the net OPEB asset as of June 30, 2022, calculated using the discount rate of 7.25%, 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 (6.25%)	Current discount rate (7.25%)	1.00% increase (8.25%)
ARHCT Plan	$	(1,169,018)	(1,967,566)	(2,637,220)
ODD Plan		(41,295)	(43,838)	(45,827)
RMP		6,388	(34,730)	(66,086)

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

The following presents the net OPEB asset as of June 30, 2022, 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	$	(2,715,997)	(1,967,566)	(1,073,795)
ODD Plan		N/A	N/A	N/A
RMP		(70,392)	(34,730)	13,304

(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):

		2022	2021
Total, beginning of year	$	39,972	35,336
Healthcare benefits		485,832	463,224
Benefits paid		(485,695)	(458,588)
Total, end of year	$	40,109	39,972

(7) 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.

(8) 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

(9) 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.

(Continued)

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

Notes to Financial Statements

June 30, 2022

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.

(Continued)

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)

		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability:											
Service cost	$	119,376	130,592	141,556	157,708	170,816	184,411	172,304	184,712	160,828	167,203
Interest		1,120,832	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
Differences between expected and actual experience		(172,703)	(97,514)	81,120	(243,120)	(302,874)	(184,252)	(118,947)	10,791	—	56,229
Changes of assumptions		227,035	—	—	502,790	—	—	—	541,390	—	—
Benefit payments, including refunds of member contributions		(962,357)	(930,006)	(895,523)	(848,019)	(812,877)	(777,187)	(742,174)	(696,542)	(651,917)	(634,187)
Net change in total pension liability		332,183	210,471	406,702	687,933	163,133	295,284	360,409	1,061,298	449,697	516,937
Total pension liability – beginning		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
Total pension liability – ending (a)		15,912,991	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
Plan fiduciary net position:											
Contributions – employer		415,538	414,741	350,028	350,601	299,665	263,597	235,360	226,136	206,204	179,976
Contributions – member		66,412	70,614	74,514	79,609	84,956	89,345	96,024	100,036	106,565	110,808
Contributions – nonemployer entity (State)		97,700	101,383	79,487	67,857	72,719	99,167	88,586	1,000,000	176,794	164,087
Total net investment income (loss)		(704,611)	2,794,112	378,119	540,088	725,310	1,048,006	(49,967)	253,311	1,207,484	738,656
Benefit payments, including refunds of member contributions		(962,357)	(930,006)	(895,523)	(848,019)	(812,877)	(777,187)	(742,175)	(696,542)	(651,917)	(610,247)
Administrative expenses		(9,038)	(8,232)	(7,017)	(7,429)	(6,250)	(7,526)	(7,243)	(7,553)	(8,223)	(7,120)
Other income		187	536	148	23	25	38	240	36	49	28
Net change in plan fiduciary net position		(1,096,169)	2,443,148	(20,244)	182,730	363,548	715,440	(379,175)	875,424	1,036,956	576,188
Plan fiduciary net position – beginning		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 fiduciary net position – ending (b)		10,816,140	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
Plan's net pension liability (a)–(b)	$	5,096,851	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
Plan fiduciary net position as a percentage of the total pension liability		67.97 %	76.46 %	61.61 %	63.42 %	65.19 %	63.37 %	59.55 %	63.96 %	62.37 %	56.04 %
Covered payroll	$	831,409	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
Net pension liability as a percentage of covered payroll		613.04 %	410.39 %	617.20 %	529.67 %	454.37 %	443.31 %	446.79 %	365.11 %	331.92 %	357.11 %

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
2022	$	502,772	513,238	(10,466)	831,409	61.73 %
2021		495,499	516,123	(20,624)	893,910	57.74 %
2020		429,322	429,515	(193)	956,120	44.92 %
2019		414,243	418,458	(4,215)	1,033,526	40.49 %
2018		395,663	372,383	23,280	1,096,605	33.96 %
2017		368,766	362,764	6,002	1,166,107	31.11 %
2016		566,615	323,946	242,669	1,251,066	25.89 %
2015		529,264	1,226,136	(696,872)	1,328,384	92.30 %
2014		358,718	382,998	(24,280)	1,405,197	27.26 %
2013		382,889	344,063	38,826	1,470,540	23.40 %

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
2022	(6.00)%
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)

	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	$ 73,661	82,428	95,615	119,782	110,333	114,109
Interest	523,716	535,241	577,711	684,429	647,310	623,599
Change in benefit terms	(63,712)	—	—	—	—	—
Differences between expected and actual experience	(60,449)	(80,821)	(88,229)	(147,463)	(149,287)	(28,042)
Changes of assumptions	(391,276)	(290,836)	(766,624)	(965,602)	259,497	—
Benefit payments, including refunds of member contributions	(453,211)	(440,234)	(407,069)	(420,429)	(413,273)	(405,872)
EGWP rebates	54,052	52,356	33,177	7,066	—	—
Net change in total OPEB liability	(317,219)	(141,866)	(555,419)	(722,217)	454,580	303,794
Total OPEB liability – beginning	7,218,787	7,360,653	7,916,072	8,638,289	8,183,709	7,879,915
Total OPEB liability – ending (a)	6,901,568	7,218,787	7,360,653	7,916,072	8,638,289	8,183,709
Plan fiduciary net position:						
Contributions – employer	64,990	68,191	107,298	102,266	85,731	124,541
Contributions – EGWP rebates	54,052	52,356	33,177	7,066	—	—
Contributions – RDS	594	189	—	20,481	5,965	—
Total net investment income	(578,684)	2,294,391	318,157	449,098	598,342	859,980
	(459,048)	2,415,126	458,632	578,911	690,038	984,521
Benefit payments	(485,327)	(462,977)	(439,785)	(444,143)	(422,378)	(405,872)
Pharmacy rebates	47,329	37,901	48,006	36,921	20,268	—
Pharmacy management allowance	134	189	—	—	—	—
ASO fees	(15,347)	(15,347)	(15,290)	(13,207)	(11,163)	—
Net benefit payments	(453,211)	(440,234)	(407,069)	(420,429)	(413,273)	(405,872)
Administrative expenses, net of ASO fees	(2,873)	(4,859)	(6,203)	(3,665)	(3,822)	(15,960)
Other	125	597	459	874	106	43,009
Net change in plan fiduciary net position	(915,007)	1,970,630	45,819	155,691	273,049	605,698
Plan fiduciary net position – beginning	9,784,141	7,813,511	7,767,692	7,612,001	7,338,952	6,733,254
Plan fiduciary net position – ending (b)	8,869,134	9,784,141	7,813,511	7,767,692	7,612,001	7,338,952
Plan's net OPEB (asset) liability (a)–(b)	$ (1,967,566)	(2,565,354)	(452,858)	148,380	1,026,288	844,757
Plan fiduciary net position as a percentage of the total OPEB liability	128.51%	135.54%	106.15%	98.13%	88.12%	89.68%
Covered payroll	$ 831,409	893,910	956,120	1,033,526	1,096,605	1,166,107
Net OPEB (asset) liability as a percentage of covered payroll	(236.65%)	(286.98%)	(47.36%)	14.36%	93.59%	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
2022	$	75,091	64,990	10,101	831,409	7.82 %
2021		101,330	68,191	33,139	893,910	7.63 %
2020		114,783	107,298	7,485	956,120	11.22 %
2019		99,083	102,266	(3,183)	1,033,526	9.89 %
2018		71,251	85,731	(14,480)	1,096,605	7.82 %
2017		133,845	124,541	9,304	1,166,107	10.68 %
2016		790,824	193,564	597,260	1,251,066	15.47 %
2015		782,258	171,028	611,230	1,328,384	12.87 %
2014		783,827	340,458	443,369	1,405,197	24.23 %
2013		612,792	373,205	239,587	1,470,540	25.38 %

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 – Alaska Retiree Healthcare Trust Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2022	(6.03)%
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)

		2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	$	5,456	5,133	4,808	3,870	3,565	3,419
Interest		1,572	1,458	1,244	1,205	1,275	977
Differences between expected and actual experience		(5,014)	(4,919)	(3,022)	(3,252)	(5,625)	(470)
Changes in assumptions		(10)	—	—	(528)	—	—
Benefit payments, including refunds of member contributions		(456)	(431)	(479)	(398)	(392)	(313)
Net change in total OPEB liability		1,548	1,241	2,551	897	(1,177)	3,613
Total OPEB liability – beginning		16,072	14,831	12,280	11,383	12,560	8,947
Total OPEB liability – ending (a)		17,620	16,072	14,831	12,280	11,383	12,560
Plan fiduciary net position:							
Contributions – employers		5,769	5,334	4,387	4,083	2,215	2,196
Total net investment income		(3,968)	13,182	1,658	2,036	2,233	2,938
Benefit payments		(456)	(431)	(479)	(398)	(392)	(313)
Administrative expenses		(33)	(32)	—	(1)	—	(18)
Other		—	2	—	—	—	—
Net change in plan fiduciary net position		1,312	18,055	5,566	5,720	4,056	4,803
Plan fiduciary net position – beginning		60,146	42,091	36,525	30,805	26,749	21,946
Plan fiduciary net position – ending (b)		61,458	60,146	42,091	36,525	30,805	26,749
Plan's net OPEB asset (a)–(b)	$	(43,838)	(44,074)	(27,260)	(24,245)	(19,422)	(14,189)
Plan fiduciary net position as a percentage of the total OPEB liability		348.80 %	374.23 %	283.80 %	297.43 %	270.62 %	212.97 %
Covered payroll	$	1,575,906	1,460,483	1,353,078	1,256,848	1,133,799	1,040,377
Net OPEB asset as a percentage of covered payroll		(2.78)%	(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 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
2022	$	5,617	5,769	(152)	1,575,906	0.37 %
2021		5,266	5,334	(68)	1,460,483	0.37 %
2020		4,321	4,387	(66)	1,353,078	0.32 %
2019		3,944	4,083	(139)	1,256,848	0.32 %
2018		2,190	2,215	(25)	1,133,799	0.20 %
2017		2,226	2,196	30	1,040,377	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 %

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
2022	(6.30)%
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)

		2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	$	16,428	15,100	15,726	13,465	12,269	10,394
Interest		14,317	12,079	11,651	10,093	7,916	6,425
Change in benefit terms		(2,376)	—	—	—	—	—
Differences between expected and actual experience		(406)	2,233	42	(1,340)	(724)	(46)
Change of assumptions		(32,415)	(184)	(20,884)	7,303	6,623	—
Benefit payments		(444)	(237)	(69)	(109)	(41)	—
EGWP rebates		139	60	34	10	—	—
Net change in total OPEB liability		(4,757)	29,051	6,500	29,422	26,043	16,773
Total OPEB liability – beginning		177,713	148,662	142,162	112,740	86,697	69,924
Total OPEB liability – ending (a)		172,956	177,713	148,662	142,162	112,740	86,697
Plan fiduciary net position:							
Contributions – employer		16,920	18,559	17,846	11,736	11,657	12,280
Contributions – EGWP rebates		139	60	35	10	—	—
Contributions – RDS		1	—	—	9	—	—
Total net investment income		(13,410)	44,619	5,546	6,591	6,919	8,506
		3,650	63,238	23,427	18,346	18,576	20,786
Benefit payments		(505)	(247)	(98)	(128)	(41)	—
Pharmacy rebates		86	35	29	19	—	—
ASO fees		(25)	(25)	—	—	—	—
Net benefit payments		(444)	(237)	(69)	(109)	(41)	—
Administrative expenses		(75)	(22)	(27)	(14)	(4)	(12)
Other		—	7	—	—	2	1
Net change in plan fiduciary net position		3,131	62,986	23,331	18,223	18,533	20,775
Plan fiduciary net position – beginning		204,555	141,569	118,238	100,015	81,482	60,707
Plan fiduciary net position – ending (b)		207,686	204,555	141,569	118,238	100,015	81,482
Plan's net OPEB (asset) liability (a)–(b)	$	(34,730)	(26,842)	7,093	23,924	12,725	5,215
Plan fiduciary net position as a percentage of the total OPEB liability		120.08 %	115.10 %	95.23 %	83.17 %	88.71 %	93.98 %
Covered payroll	$	1,575,906	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		(2.20)%	(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 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
2022	$	16,565	16,920	(355)	1,575,906	1.07 %
2021		18,326	18,559	(233)	1,460,483	1.27 %
2020		17,725	17,846	(121)	1,353,078	1.32 %
2019		11,451	11,736	(285)	1,256,848	0.93 %
2018		11,654	11,657	(3)	1,133,799	1.03 %
2017		12,506	12,280	226	1,040,377	1.18 %
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 %

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
2022	(6.28)%
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.

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STATE OF ALASKA
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Notes to Required Supplementary Information (Unaudited)

June 30, 2022

(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, 2021 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.

STATE OF ALASKA
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Notes to Required Supplementary Information (Unaudited)

June 30, 2022

(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 audited 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. 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 on the 2013–2017 actual experience. Disability rates cease once a member is eligible for retirement. Post-disability mortality in accordance with the RP-2014 disability table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

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Notes to Required Supplementary Information (Unaudited)

June 30, 2022

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 all 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

(Continued)

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, 2021 was increased by the following amounts for administrative expenses (for projections, the percentage increase was assumed to remain constant in future years): Pension – $7,625,000 and Healthcare – $5,531,000.

(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 FY22 medical and prescription drug benefits are shown below:

	Medical	Prescription drugs
Pre-Medicare	$ 15,926	3,375
Medicare Parts A and B	1,619	3,474
Medicare Part B only	5,341	3,474
Medicare Part D – EGWP	N/A	1,131

The prescription drug costs reflect the plan change to require prior authorization for certain specialty medications. The pre-Medicare medical costs reflect the coverage of additional preventive benefits.

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Members are assumed to attain Medicare eligibility at age 65. All costs are for the 2022 fiscal year (July 1, 2021–June 30, 2022).

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 – $493 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.

(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, 6.3% is applied to the FY22 pre-Medicare medical claims cost to get the FY23 medical claims cost:

Fiscal year	Medical Pre-65	Medical Post-65	Prescription drugs/EGWP
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.

(Continued)

(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 FY22 contributions based on monthly rates shown below for calendar 2022 are assumed based on the coverage category for current retirees. The retiree only rate shown is used for current active and inactive members and spouses 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 to estimate the per-child rate based upon the assumed number of children in rates where children are covered.

	Calendar 2022		Calendar 2021
Coverage category	Annual contribution	Monthly contribution	Monthly contribution
Retiree only	$ 8,448	704	704
Retiree and spouse	16,896	1,408	1,408
Retiree and child(ren)	11,940	995	995
Retiree and family	20,388	1,699	1,699
Composite	12,552	1,046	1,046

(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 FY22 retired member medical contributions to get the FY22 retired member medical contributions.

Fiscal year	Trend assumption
2022	—%
2023 +	4.0

(Continued)

Graded trend rates for retired member medical contributions are consistent with the rates used for the June 30, 2020 valuation. Actual FY22 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 plans valuation as of June 30, 2021 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, 2021 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 FY22 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 FY22 medical claims costs for Medicare eligible retirees were further reduced 29.5%.

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. FY21 experience was also thoroughly reviewed to assess the impact of COVID-19 and whether an adjustment to FY21 claims was appropriate for use in the June 30, 2021 valuation. FY21 medical per capita claims were noticeably lower than expected, so a 4% load was added to the FY21 medical claims used in the per capita claims cost development to better reflect future expected long-term costs of the plan.

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 2022 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. For retiree medical benefits, the disability rates cease once a member is eligible for retirement. However, the disability rates continue after retirement eligibility for occupational death and disability benefits. 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.

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Notes to Required Supplementary Information (Unaudited)

June 30, 2022

(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.

(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 FY22 medical and prescription drug benefits are shown below:

		Medical	Prescription drugs
Pre-Medicare	$	15,708	3,375
Medicare Parts A and B		1,619	3,474
Medicare Part D - EGWP		N/A	1,131

The prescription drug costs reflect the plan change to require prior authorization for certain specialty medications.

Members are assumed to attain Medicare eligibility at age 65. All other costs are for the 2022 fiscal year (July 1, 2021–June 30, 2022).

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 – $493 per person per year; assumed to increase at 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, 2021 normal cost, which are based on the average of actual administrative expenses during the last two fiscal years, are $16,000 for occupational death and disability and $24,000 for retiree medical.

(Continued)

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2022

(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, 6.3% is applied to the FY22 pre-Medicare medical claims cost to get the FY23 medical claims costs:

Fiscal year	Medical Pre-65	Medical Post-65	Prescription drugs/EGWP
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+	—	—

(Continued)

(x) Retiree medical participation:

Death / Disability Decrement

Age	Percent participation
<56	75.0 %
56	77.5
57	80.0
58	82.5
59	85.0
60	87.5
61	90.0
62	92.5
63	95.0
64	97.5
65+	100.0

Retirement Decrement

Age		Percent participation
55		50.0 %
56		55.0
57		60.0
58		65.0
59		70.0
60		75.0
61		80.0
62		85.0
63		90.0
64		95.0
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.

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June 30, 2022

(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, 2020 to June 30, 2021

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

(b) Changes in Assumptions Since the Prior Valuation – June 30, 2020 to June 30, 2021

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 changed from $7,223,000 to $7,625,000 for pension, and from $4,934,000 to $5,531,000 for healthcare (based on the most recent 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, 2020 to June 30, 2021

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

Defined Contribution Occupational Death and Disability and Retiree Medical Benefits Plans

(a) Changes in Methods Since the Prior Valuation – June 30, 2020 to June 30, 2021

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

(b) Changes in Assumptions Since the Prior Valuation – June 30, 2020 to June 30, 2021

Healthcare claim costs are updated annually. The amounts included in the normal cost for administrative expenses were changed from $1,000 to $16,000 for occupational death and disability, and from $20,000 to $24,000 for retiree medical (based on the most recent 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, 2020 to June 30, 2021

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, 2022 and 2021

(In thousands)

	Administrative	Investment	Totals 2022	Totals 2021
Personal services:				
Wages	$ 5,505	2,173	7,678	7,383
Benefits	3,674	1,129	4,803	4,315
Total personal services	9,179	3,302	12,481	11,698
Travel:				
Transportation	3	20	23	8
Per diem	1	4	5	1
Total travel	4	24	28	9
Contractual services:				
Management and consulting	19,745	252	19,997	19,909
Investment management and custodial fees	—	52,207	52,207	49,153
Accounting and auditing	136	8	144	144
Data processing	2,652	778	3,430	4,504
Communications	114	9	123	127
Advertising and printing	71	1	72	40
Rentals/leases	156	88	244	506
Legal	306	32	338	197
Medical specialists	14	—	14	25
Repairs and maintenance	4	1	5	7
Transportation	298	1	299	169
Securities lending expense	—	127	127	138
Other professional services	646	61	707	650
Total contractual services	24,142	53,565	77,707	75,569
Other:				
Equipment	8	10	18	38
Supplies	18	68	86	91
Total other	26	78	104	129
Total administrative and investment deductions	$ 33,351	56,969	90,320	87,405

See accompanying independent auditors' report.

Schedule 2

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, 2022 and 2021

(In thousands)

Firm	Services	2022	2021
Buck Global LLC	Actuarial services	$ 399	322
KPMG LLP	Auditing services	63	52
Groundswell Communications	Communications services	70	61
State Street Bank and Trust	Custodial banking services	1,325	1,001
Alaska IT Group	Data processing services	221	292
Applied Microsystems Incorporated	Data processing services	460	392
DLT Solutions	Data processing services	—	182
International Business Machines	Data processing services	21	15
Sagitec Solutions	Data processing services	2,104	2,503
SHI International Corporation	Data processing services	23	38
Sungard Availability Services	Data processing services	27	27
TechData Service Company	Data processing services	368	—
Unicom Systems	Data processing services	15	14
State of Alaska, Department of Law	Legal services	338	359
Agnew Beck Consulting	Management consulting services	25	17
Linea Solutions Incorporated	Management consulting services	—	40
Symphony Performance Health	Management consulting services	30	29
The Segal Company Incorporated	Management consulting services	93	344
Federal Hearings and Appeals Services	Medical specialist and consulting	14	21
		$ 5,596	5,709

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

See accompanying independent auditors' report.

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2022

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Table of Contents

Independent Auditors' Report

The Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska National Guard and Naval Militia Retirement System:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying combining financial statements of State of Alaska National Guard and Naval Militia Retirement System (the System), a component unit of the State of Alaska, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements for the year then ended as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2022, and the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Matter Giving Rise to Qualified Opinion

Plan membership for active and terminated plan members entitled to future benefits is reported in note 1 to the financial statements. The System's total pension liability associated with active and terminated plan members entitled to future benefits is $26,667,059 as of June 30, 2022, and is reported within the System's net pension asset in note 4 to the financial statements. We were unable to obtain sufficient appropriate audit evidence about the accuracy of the active and terminated plan members entitled to future benefits included in the census data used to calculate the total pension liability because certain personnel and retirement records were not available and we were unable to satisfy ourselves using other means. Consequently, we were unable to determine whether any adjustments to the plan membership, total pension liability, and net pension asset were necessary.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Supplementary Information

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

(signed) KPMG LLP

Anchorage, Alaska
October ____, 2022

This section presents management's discussion and analysis (MD&A) of the State of Alaska National Guard and Naval Militia Retirement System's (the Plan) financial position and performance for the year ended June 30, 2022. 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 Plan during the fiscal year ended June 30, 2022. Information for fiscal years 2021 and 2020 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2022 were as follows:

- The Plan's fiduciary net position restricted for pension benefits decreased by $5.7 million.
- The State of Alaska, Department of Military and Veterans' Affairs did not appropriate funds to the Plan for fiscal years 2022 and 2021 due to the Plan's significant over-funded levels.
- The Plan's net investment income decreased by $13.2 million when compared to 2021, to a loss of $3.7 million.
- Plan pension benefit expenditures totaled $1.6 million.

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) statement of fiduciary net position, (2) statement of changes in fiduciary net position, and (3) notes to financial statements. This report also contains required supplementary information and other supplemental schedules.

Statement of fiduciary net position – This statement presents information regarding the Plan's assets, liabilities, and resulting net position restricted for pension benefits. This statement reflects the Plan's investments at fair value, along with cash and cash equivalents, receivables, and other assets less liabilities at June 30, 2022.

Statement of changes in fiduciary net position – This statement presents how the Plan's net position restricted for pension benefits changed during the fiscal year ended June 30, 2022. This statement presents contributions and investment income during the period. Deductions for pension benefits and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2022, and the sources and uses of those funds during fiscal year 2022.

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.

(Continued)

Required supplementary information and related notes – The required supplementary information consists of three schedules and related notes concerning the funded status of the Plan, as well as actuarial assumptions and methods used in the actuarial valuation.

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

Condensed Financial Information

Fiduciary net position

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage	2020
Assets:					
Cash and cash equivalents	$ 578,572	1,385,305	(806,733)	(58.2)%	$ 73,584
Accounts receivable	79	319	(240)	(75.2)	309
Investments at fair value	43,633,890	48,659,557	(5,025,667)	(10.3)	42,119,032
Total assets	44,212,541	50,045,181	(5,832,640)	(11.7)	42,192,925
Liabilities:					
Accrued expenses	25,116	29,429	(4,313)	(14.7)	22,473
Securities lending collateral payable	80,866	113,918	(33,052)	(29.0)	62,647
Due to State of Alaska General Fund	18,518	88,798	(70,280)	(79.1)	12,097
Total liabilities	124,500	232,145	(107,645)	(46.4)	97,217
Net position	$ 44,088,041	49,813,036	(5,724,995)	(11.5)%	$ 42,095,708

Changes in fiduciary net position

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage	2020
Net position, beginning of year	$ 49,813,036	42,095,708	7,717,328	18.3%	$ 40,964,997
Additions:					
Contributions – Alaska DMVA	—	—	—	—	860,686
Net investment income (loss)	(3,746,506)	9,474,407	(13,220,913)	(139.5)	2,142,109
Miscellaneous income	—	1,690	(1,690)	100.0	—
Total additions	(3,746,506)	9,476,097	(13,222,603)	(139.5)	3,002,795
Deductions:					
Pension benefits	1,620,749	1,454,330	166,419	11.4	1,641,475
Administrative	357,740	304,439	53,301	17.5	230,609
Total deductions	1,978,489	1,758,769	219,720	12.5	1,872,084
Increase (decrease) in net position	(5,724,995)	7,717,328	(13,442,323)	(174.2)	1,130,711
Net position, end of year	$ 44,088,041	49,813,036	(5,724,995)	(11.5)%	$ 42,095,708

(Continued)

Financial Analysis of the Plan

The statements of fiduciary net position as of June 30, 2022 shows net position restricted for pension benefits of $44,088,041. The entire amount is available to cover the Plan's obligations to pay benefits to its members and their beneficiaries, as well as administrative costs.

This represents a decrease of $5,724,995 or 11.5% in plan net position restricted for pension benefits from fiscal year 2021 to 2022, and an increase of $7,717,328 or 18.3% from fiscal year 2020 to 2021. Over the long term, employer contributions and investment income are projected to sufficiently fund the Plan's pension and administrative costs.

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 Plan's constraints and objectives.

Plan Asset Allocation

During fiscal years 2022 and 2021, the Board adopted the following asset allocations:

	2022		2021	
	Allocation	**Range**	**Allocation**	**Range**
Broad domestic equity	20.0%	± 6%	20.0%	± 6%
Global equity ex-U.S.	13.0	± 4	13.0	± 4
Fixed income	46.0	± 10	46.0	± 10
Opportunistic	6.0	± 4	6.0	± 4
Real assets	7.0	± 4	7.0	± 4
Private equity	8.0	± 4	8.0	± 4
Total	100.0%		100.0%	
Expected return - 20 year geometric mean	5.68%		6.10%	
Projected standard deviation	9.33		9.33	

For fiscal years 2022 and 2021, the Plan's investments generated a (6.29)% and 21.56% rate of return, respectively.

(Continued)

Contributions and Investment Income

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

		Additions				
				Increase (decrease)		
		2022	2021	Amount	Percentage	2020
Contributions – DMVA	$	—	—	—	—%	860,686
Net investment income (loss)		(3,746,506)	9,474,407	(13,220,913)	(139.5)	2,142,109
Other		—	1,690	(1,690)	100.0%	—
Total	$	(3,746,506)	9,476,097	(13,222,603)	(139.5)%	3,002,795

The Plan's employer contributions from the Department of Military and Veterans Affairs (DMVA) remained at $0 during fiscal years 2022 and 2021 as the Plan continues to maintain a funded level well above 100%. These amounts were the actuarial determined contribution as calculated by the Plan's consulting actuary. No actuarially determined contribution amount was required for fiscal 2022 as a result of the roll-forward actuarial valuation report. Full actuarial valuation reports are completed for the Plan biennially with roll-forward actuarial valuation reports being completed in the interim years.

The Plan's net investment income in fiscal year 2022 decreased by $13,220,913 or 139.5% from amounts in fiscal year 2021. The Plan's net investment income in fiscal year 2021 increased by $7,332,298 or 342.3% from amounts in fiscal year 2020. The investment returns received in fiscal year 2022 were significantly lower than the returns seen in fiscal year 2021, primarily due to poor investment situations worldwide when compared to 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.

(Continued)

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

	Year ended		
	2022	**2021**	**2020**
System returns	(6.29)%	21.56 %	5.41 %
Domestic equities	(11.73)	42.84	2.71
Fixed income	(7.25)	2.31	8.87
Opportunistic	(10.58)	23.94	(0.18)
Real assets	14.29	10.22	—
International equities	(20.96)	38.73	(3.40)
Private equity	26.26	68.52	—
Cash equivalents	—	0.19	1.93
Actuarially assumed rate of return	7.00	7.00	7.00

Benefits and Other Deductions

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

	Deductions				
			Increase (decrease)		
	2022	2021	Amount	Percentage	2020
Pension benefits	$ 1,620,749	1,454,330	166,419	11.4%	$ 1,641,475
Administrative	357,740	304,439	53,301	17.5	230,609
Total	$ 1,978,489	1,758,769	219,720	12.5%	$ 1,872,084

The fiscal year 2022 increase in pension benefits is due to an increase in the number of lump sum payment recipients. The fiscal year 2021 decrease in pension benefits is due to a lower average monthly benefit amount and a decrease in lump sum payments recipients and amounts.

Administrative expenditures for both fiscal year 2022 and 2021 increased primarily due to a capital project for a retirement system replacement.

Net Pension Asset

Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans,* requires the Plan to report the total pension liability, fiduciary net position, and the 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 the participating employer and nonemployer contributions, if any, as well as investment earnings, less benefit payments during the year and the related costs to administer the Plan. When the fiduciary net position exceeds the total pension liability, the Plan reports a net pension asset.

The components of the net pension asset at June 30 were as follows:

		2022	2021
Total pension liability	$	26,667,059	22,654,730
Plan fiduciary net position		(44,088,041)	(49,813,036)
Plan's net pension asset	$	(17,420,982)	(27,158,306)
Plan fiduciary net position as a percentage of the total pension liability		165.33 %	219.88 %

Funding

Retirement benefits are financed by accumulations from DMVA contributions, periodic State of Alaska appropriations, and income earned on Plan investments.

The actuarially determined employer contribution amounts are calculated by the Plan's consulting actuary and approved by the Board. Contributions are determined on an annual basis either through the actuarial valuation or the actuarial valuation roll-forward process.

The Board works with an external consultant to determine the proper asset allocation strategy.

Legislation

During fiscal year 2022, the 32nd Alaska State Legislature did not appropriate contribution funding from the General Fund to the Department of Military and Veterans' Affairs for deposit in the Plan's defined benefit pension fund as retirement funding for fiscal year ending June 30, 2023, due to the continued significant overfunding of the Plan.

Economic Conditions, Future Contribution Amounts, and Funding Status

Fiscal year 2022 had negative investment returns, with an overall return rate of (6.29%), much less than the 7.00% assumed rate of return. Net investment income decreased from $9,474,407 in fiscal year 2021 to a loss of $3,746,506 in fiscal year 2022, a decrease of $13,220,913 or 139.5%. The Board continues to work with its external investment consultant and the Alaska Department of Revenue, Treasury Division, to diversify the portfolio of the Plan to maintain an optimal risk/return ratio.

The consulting actuary recommended no change from the Plan's actuarially determined contribution amount of $0 in fiscal year 2021 to fiscal year 2022. For fiscal year 2023, the actuary recommended that a contribution to the Plan was not necessary. With the Plan's 196.9% funding ratio as of the June 30, 2021 actuarial valuation roll-forward report, the Board concurred that no additional contributions are necessary for the Plan until such time that the Plan's funded ratio is less than 100%. The Alaska legislature did not appropriate funds for fiscal year 2023 and will continue to evaluate future contributions to the Plan.

The actuarial valuation roll-forward report for fiscal year 2021 reports a funding ratio of 196.9% and a funding excess of $22.3 million. The actuarial valuation for June 30, 2020 reported a funding ratio of 191.9% and a funding excess of $20.6 million. The decrease in the unfunded liability is attributable to significant investment income during fiscal year 2021. Both the actuarial valuation roll-forward report of June 30, 2021 and the actuarial valuation report of June 30, 2020 are posted to the Plan's web page. The actuarial valuation reports for the Plan are conducted biennially. The roll-forward June 30, 2021 report was completed and presented in March 2022, and adopted by the Board in June 2022. The next full actuarial valuation report will be completed for the period ending June 30, 2022. The Board also adopted new valuation assumptions as a result of an experience study conducted for the period July 1, 2017 to June 30, 2021. The adoption of these assumptions occurred in June 2022 and will be used on the next annual actuarial valuation report for the year ended June 30, 2022.

Requests 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 report or requests for additional financial information should be addressed to:

State of Alaska National Guard and Naval Militia 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
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Statement of Fiduciary Net Position

June 30, 2022

		2022
Assets:		
Cash and cash equivalents:		
Short-term fixed income pool	$	497,706
Securities lending collateral		80,866
Total cash and cash equivalents		578,572
Accounts receivable		79
Investments at fair value:		
Fixed income securities:		
Alternative fixed income pool		2,626,973
Opportunistic fixed income pool		3,457,030
Barclays aggregate bond fund		14,508,292
Total fixed income securities		20,592,295
Broad domestic equity:		
Large cap pool		7,283,621
Small cap pool		641,745
Total broad domestic equity		7,925,366
Global equity ex-U.S.:		
International equity pool		4,194,787
Emerging markets equity pool		938,701
Total global equity ex-U.S.		5,133,488
Opportunistic:		
Alternative equity pool		454,958
Tactical allocation strategies pool		1,611,130
Alternative beta pool		501,465
Other opportunities pool		6,200
Total opportunistic		2,573,753
Private equity pool		4,155,582
Real assets:		
Real estate pools		1,298,561
Real estate investment trust pool		363,216
Infrastructure private pool		575,358
Energy pool		45,845
Farmland pool		693,908
Timber pool		276,518
Total real assets		3,253,406
Total investments		43,633,890
Total assets		44,212,541
Liabilities:		
Accrued expenses		25,116
Securities lending collateral payable		80,866
Due to State of Alaska General Fund		18,518
Total liabilities		124,500
Fiduciary net position restricted for pension benefits	$	44,088,041

See accompanying notes to financial statements.

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2022

		2022
Additions (reductions):		
Contributions – Alaska Department of Military & Veterans Affairs	$	—
Investment income (loss):		
Net depreciation in fair value		(4,346,404)
Interest		365,865
Dividends		343,652
Total investment loss		(3,636,887)
Less investment expense		110,760
Net investment loss before securities lending activities		(3,747,647)
Securities lending income		1,426
Less securities lending expense		285
Net income from securities lending activities		1,141
Net investment loss		(3,746,506)
Total additions (reductions)		(3,746,506)
Deductions:		
Pension benefits		1,620,749
Administrative		357,740
Total deductions		1,978,489
Net decrease		(5,724,995)
Fiduciary net position restricted for pension benefits:		
Balance, beginning of year		49,813,036
Balance, end of year	$	44,088,041

See accompanying notes to financial statements.

(1) Description

The State of Alaska National Guard and Naval Militia Retirement System (the Plan) is a component unit of the State of Alaska (the State). The Plan is administered by the Division of Retirement and Benefits (the Division) 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 Plan. 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) Plan Membership

Plan membership as of the valuation year ended June 30 is as follows:

	2020
Retirees and beneficiaries currently receiving benefits	708
Terminated plan members entitled to future benefits	649
Total current and future benefits	1,357
Active plan members:	
Alaska Air National Guard	2,242
Alaska Army National Guard	1,639
Alaska Naval Militia	53
Total active plan members	3,934
Total members	5,291

(b) Pension Benefits

Members who voluntarily retire from the Alaska National Guard or Alaska Naval Militia after at least five years of Alaska Guard service and a total of at least 20 years of U.S. military service or members who involuntarily leave the Alaska Guard service due to federal standards imposed on the Alaska Guard, regardless of length of service, are eligible for a retirement pension. The retirement pension is $100 per month for each month of Alaska Guard service and may be paid to the member monthly or in a one-time lump sum.

(c) Death Benefits

Upon the death of an eligible member, as previously described, the member's designated beneficiary is entitled to a lump-sum benefit equal to the original pension amount less any payments already paid to the member.

(d) Contributions

The Plan's funding policy provides for annual employer contributions by the State of Alaska, Department of Military and Veterans' Affairs (Department) at actuarially determined contribution amounts that are sufficient to accumulate assets to pay benefits when due. Some officials of the Department may be members of the Plan. Plan members make no contributions to the Plan.

(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 Plan 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) Investments

The Plan owns shares in various investment pools that are administered by the State of Alaska, Department of Revenue, Division of Treasury (Treasury). The Plan'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) Administrative Costs

Administrative costs are paid from investment earnings.

(e) Due to State of Alaska General Fund

Amounts due to the State of Alaska General Fund represent the amounts paid by the General Fund on behalf of the Plan.

(f) Federal Income Tax Status

The Plan is a qualified plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a).

(3) Investments

The Board is the investment oversight authority of the Plan'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 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.

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 and Real Estate Investment Trust Pool, and cash holdings of certain external managers, 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 Plan's annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2022 was (7.69)%.

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

(Continued)

(4) Net Pension Asset

The components of the net pension asset at June 30, 2022 were as follows:

Total pension liability	$ 26,667,059
Plan fiduciary net position	(44,088,041)
Plan's net pension asset	$ (17,420,982)
Plan fiduciary net position as a percentage of the total pension liability	165.33%

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The new assumptions shown below were adopted to better reflect expected future experience and are effective June 30, 2022:

Inflation	2.50% per year
Salary increases	N/A
Investment rate of return	5.75%, net of pension plan investment expenses.
Mortality	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

(Continued)

The long-term expected rate of return on 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 Plan's target asset allocation as of June 30, 2022 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.88%).

Asset class	Long-term expected real rate of return
Domestic equity	6.51%
Global equity (non-US)	5.73
Aggregate bonds	0.31
Real assets	3.71
Private equity	9.61
Cash equivalents	(0.50)

(b) Discount Rate

The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the 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 4.09% as of June 30, 2022.

(Continued)

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

The following presents the Plan's net pension asset as of June 30, 2022, calculated using the discount rate of 5.75%, as well as what the Plan's net pension 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% decrease (4.75%)	Current discount rate (5.75%)	1% Increase (6.75%)
Net pension asset	$ 15,146,868	17,420,982	19,355,291

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Changes in Employer Net Pension (Asset) Liability and Related Ratios

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability:										
Service cost	$ 656,678	517,376	507,899	578,431	610,686	610,686	603,495	603,495	654,797	631,921
Interest	1,438,540	1,567,548	1,532,008	2,370,401	2,265,875	2,170,196	2,659,657	2,553,940	2,359,276	2,277,228
Differences between expected and actual experience	—	(627,562)	—	(13,086,972)	4,338	(8,663,535)	4,565	1,258,332	—	—
Changes of assumptions	964,524	2,573,336	—	(265,847)	—	—	—	145,422	—	—
Benefit payments	(1,620,749)	(1,454,330)	(1,641,475)	(1,343,753)	(1,359,467)	(1,485,669)	(1,728,729)	(1,563,816)	(1,610,506)	(1,772,198)
Net change in total pension liability	1,438,993	2,576,368	398,432	(11,747,740)	1,521,432	(7,368,322)	1,538,988	2,997,373	1,403,567	1,136,951
Total pension liability – beginning	25,228,066	22,651,698	22,253,266	34,001,006	32,479,574	39,847,896	38,308,908	35,311,535	33,907,968	32,771,017
Total pension liability – ending (a)	26,667,059	25,228,066	22,651,698	22,253,266	34,001,006	32,479,574	39,847,896	38,308,908	35,311,535	33,907,968
Plan fiduciary net position:										
Contributions – employer	—	—	860,686	851,686	907,231	866,905	734,500	627,300	740,100	739,100
Total net investment income (loss)	(3,746,506)	9,474,407	2,142,109	2,321,285	1,964,832	3,181,993	181,711	589,856	4,527,672	2,593,463
Benefit payments	(1,620,749)	(1,454,330)	(1,641,475)	(1,343,753)	(1,359,467)	(1,485,669)	(1,728,729)	(1,563,816)	(1,610,506)	(1,772,198)
Administrative expenses	(357,740)	(304,439)	(230,609)	(282,338)	(226,466)	(257,396)	(241,750)	(240,750)	(223,334)	(165,651)
Other income	—	1,690	—	—	—	—	582	145	21	4
Net change in plan fiduciary net position	(5,724,995)	7,717,328	1,130,711	1,546,880	1,286,130	2,305,833	(1,053,686)	(587,265)	3,433,953	1,394,718
Plan fiduciary net position – beginning	49,813,036	42,095,708	40,964,997	39,418,117	38,131,987	35,826,154	36,879,840	37,467,105	34,033,152	32,638,434
Plan fiduciary net position – ending (b)	44,088,041	49,813,036	42,095,708	40,964,997	39,418,117	38,131,987	35,826,154	36,879,840	37,467,105	34,033,152
Plan's net pension (asset) liability (a)–(b)	$ (17,420,982)	(24,584,970)	(19,444,010)	(18,711,731)	(5,417,111)	(5,652,413)	4,021,742	1,429,068	(2,155,570)	(125,184)
Plan fiduciary net position as a percentage of the total pension liability	165.33%	197.45%	185.84%	184.09%	115.93%	117.40%	89.91%	96.27%	106.10%	100.37%
Covered payroll	$ N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

STATE OF ALASKA
NATIONAL GUARD AND
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(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions

Last 10 Fiscal Years

Fiscal Year		Actuarially determined contribution	Contribution in relation to the actuarially determined contribution	Contributions deficiency (excess)	Covered payroll	Contribution as a percentage of covered payroll
2022	$	—	—	—	N/A	N/A
2021		—	—	—	N/A	N/A
2020		—	860,686	(860,686)	N/A	N/A
2019		—	851,686	(851,686)	N/A	N/A
2018		907,231	907,231	—	N/A	N/A
2017		866,900	866,905	(5)	N/A	N/A
2016		734,560	734,500	60	N/A	N/A
2015		627,327	627,300	27	N/A	N/A
2014		474,791	740,100	(265,309)	N/A	N/A
2013		431,367	739,100	(307,733)	N/A	N/A

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

STATE OF ALASKA
NATIONAL GUARD AND
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(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2022	(7.69)%
2021	23.01 %
2020	5.28 %
2019	5.95 %
2018	5.17 %
2017	8.99 %
2016	(0.16)%
2015	1.63 %
2014	13.53 %

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.

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information (Unaudited)

June 30, 2022

(1) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Buck. The significant actuarial methods and assumptions used in the defined benefit pension 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 dollar basis), any funding surpluses or UAAL amortized over 20 years less the average total military service of active 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 system 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 – 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. Assets are initialized at market value as of June 30, 2006. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from financial statements. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

(c) Investment return – 7.00% per year, net of investment expenses

(d) Mortality (pre-commencement) – RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement

(e) Mortality (post-commencement) – 91% of male and 96% of female rates of RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement

(f) Disability mortality – RP-2014 disabled table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement

(Continued)

(g) Administrative expenses – The expense load is equal to the average of the prior two years' actual administrative expenses rounded to the nearest $1,000 as follows:

Fiscal Year Ending June 30		Amount
2019	$	282,338
2020		230,609
Total	$	512,947
	÷	2
Expense load (rounded)	$	256,000

(h) Turnover – Ultimate rates of turnover based upon the 2013-2017 actual experience. Sample rates are shown below.

Select Rates of Turnover During the First 5 Years of Employment		Ultimate Rates of Turnover After the First 5 Years of Employment		
Years of Employment	Unisex Rate	Age	Male Rate	Female Rate
1	20.00%	30	11.09%	14.05%
2	10.00%	40	9.09%	11.52%
3	10.00%	50	4.89%	6.19%
4	10.00%			
5	10.00%			

(i) Disability rate – Incidence rates based upon 2013–2017 actual experience of the State of Alaska Public Employees' Retirement System for Peace Officer/Firefighter group.

(j) Retirement – Retirement rates based upon the 2013-2017 actual experience. Active members are assumed to retire beginning at the earliest eligible retirement age according to the following rates:

Age	Rate	Age	Rate
<51	13%	58	45%
51	13	59	50
52	13	60	55
53	15	61	60
54	20	62	60
55	25	63	60
56	35	64	60
57	40	65+	100

Vested terminated members are assumed to retire at the later of current age or age 50 when electing an annuity, and at current age when electing a lump sum.

(k) Form of payment – 70% of members are assumed to elect a lump sum benefit. 30% of members are assumed to elect a monthly annuity with the number of payments equal to the number of months they were active in the Plan. A lump sum of the remaining payments is paid if the member should die while receiving payments. Lump sums are calculated based on a 7% discount rate annuity certain factor.

(l) Imputed data – Data changes from the prior valuation which are deemed to have an immaterial impact on liabilities and contributions are assumed to be correct in the current year's client data. Active and terminated members with a date of termination after the last date of hire are assumed to be terminated with status based on their amount of vesting service.

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, 2020 to June 30, 2021

The June 30, 2020 actuarial accrued liability used for the roll-forward valuation reflects a valuation system coding update that was recommended by the Board's review actuary. This update decreased the June 30, 2020 actuarial accrued liability by $38,250.

Changes in Actuarial Assumptions Since the Prior Valuation – June 30, 2020 to June 30, 2021

Effective for the June 30, 2021 roll-forward valuation, the Board adopted a change in the Normal Cost for administrative expenses from $256,000 to $268,000, based on the most recent two years of actual administrative expenses paid from Plan asset.

Changes in Benefit Provisions Since the Prior Valuation – June 30, 2020 to June 30, 2021

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

SUPPLEMENTAL SCHEDULES

Schedule 1

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Administrative and Investment Deductions

Year ended June 30, 2022

	Administrative	Investment	Total
Personal services:			
Wages	$ 76,401	4,684	81,085
Benefits	51,165	2,434	53,599
Total personal services	127,566	7,118	134,684
Travel:			
Transportation	42	45	87
Per diem	8	8	16
Total travel	50	53	103
Contractual services:			
Management and consulting	26,762	2,764	29,526
Investment management and custodial fees	—	98,577	98,577
Accounting and auditing	60,773	17	60,790
Data processing	125,063	1,654	126,717
Communications	550	20	570
Advertising and printing	1,465	3	1,468
Rental/leases	2,198	189	2,387
Legal	14	65	79
Repairs & Maintenance	56	1	57
Transportation	4,755	2	4,757
Securities lending	—	285	285
Other services	8,008	129	8,137
Total contractual services	229,644	103,706	333,350
Other:			
Equipment	150	20	170
Supplies	330	148	478
Total other	480	168	648
Total administrative and investment deductions	$ 357,740	111,045	468,785

See accompanying independent auditors' report.

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Payments to Consultants Other Than Investment Advisors

Year ended June 30, 2022

Firm	Services		Amount
Buck Global LLC	Actuarial services	$	22,566
KPMG LLP	Auditing services		59,751
State Street Bank and Trust	Custodial banking services		2,329
Alaska IT Group	Data processing services		460
Applied Microsystems Incorporated	Data processing services		4,965
Sagitec Solutions	Data processing services		111,467
TechData Service Company	Data processing services		5,177
		$	206,715

This schedule presents payments to consultants receiving greater than $1,000.

See accompanying independent auditors' report.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE CALENDAR

Remaining Schedule of 2022 Meetings

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

3. Report on Delinquent/ Late Filing Employers

4. Committee Performance – Self Assessment Charter A 7

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

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE CALENDAR

Schedule of 2023 Meetings

March 15, 2023 (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 on Delinquent/ Late Filing Employers

4. Report from Treasury Compliance Officer.

June 14, 2023 (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. Report on Delinquent/ Late Filing Employers

4. Audit Committee opportunity to ask auditors to focus on areas of interest/review

5. Review Legal Issues and Regulations with Legal Counsel. Charter A 5

6. Review Organizational Charts, and Financial and accounting personnel succession. Charter A 6

7. Review Audit Committee Charter. Charter A 1

8. Committee Performance Self-Assessment. Charter A 7

September 13, 2023 (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

3. Report on Delinquent/ Late Filing Employers

October 9, 2023 (Videoconference)

1. DRB Financial Statements

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE CALENDAR

Schedule of 2023 Meetings

December 6, 2023 (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

3. Report on Delinquent/ Late Filing Employers

4. Committee Performance Self-Assessment. Charter A 7

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

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.