ALASKA RETIREMENT MANAGEMENT BOARD

AUDIT COMMITTEE

October 9, 2023

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD

AUDIT COMMITTEE MEETING

October 9, 2023 – 10:00 AM to 11:00 AM

Videoconference: Click here to join the meeting Meeting ID: 249 395 158 513 Passcode: jiyFRc	**Teleconference:** **Call-In #:** 1-907-202-7104 **Code:** 728 057 18#

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. Invested Assets**
- **B. Deferred Compensation Plan**
- **C. Supplemental Benefits System**
- **D. Judicial Retirement System**
- **E. Teachers Retirement System**
- **F. Public Employees' Retirement System**
- **G. 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

ALASKA RETIREMENT MANAGEMENT BOARD

Invested Assets

June 30, 2023

(With Independent Auditors' Report Thereon)

ALASKA RETIREMENT MANAGEMENT BOARD

Invested Assets

June 30, 2023

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Independent Auditors' Report

Alaska Retirement Management Board and
State of Alaska Department of Revenue
Treasury Division:

Report on the Audit of the Schedules

Opinion

We have audited the accompanying schedules of Invested Assets of the Alaska Retirement Management Board as of June 30, 2023, and of Investment Income and Changes in Invested Assets of the Alaska Retirement Management Board for the year then ended, and the related notes to the schedules (collectively referred to as "the Schedules").

In our opinion, the accompanying schedules referred to above present fairly, in all material respects, the invested assets of the Alaska Retirement Management Board as of June 30, 2023, and the investment income and changes in invested assets of the Alaska Retirement Management Board for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 1 of the Schedules, which describes that the accompanying Schedules were prepared to present the invested assets of the Alaska Retirement Management Board and changes therein. The presentation of the Schedules is not intended to be a complete presentation of the financial status of the State of Alaska Retirement and Benefit Plans.

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules 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 the Schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the Schedules 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 Schedules.

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 Schedules, 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 Schedules.
- 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 Treasury'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 schedules.

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.

(signed) KPMG LLP

Anchorage, Alaska
_______ __, _____

ALASKA RETIREMENT MANAGEMENT BOARD
SCHEDULE OF INVESTED ASSETS
June 30, 2023

		Pooled Investments	Participant Directed Investments	**Total ARMB Assets**
Investments (at Fair Value)				
Cash and Cash Equivalents	$	311,911,780	-	311,911,780
Fixed Income Securities		5,771,684,917	-	5,771,684,917
Broad Domestic Equity		7,831,657,931	-	7,831,657,931
Global Equity Ex-U.S.		5,431,497,502	-	5,431,497,502
Multi-Asset		2,575,487,003	-	2,575,487,003
Private Equity		5,137,345,647	-	5,137,345,647
Real Assets		4,530,752,905	-	4,530,752,905
Participant Directed		-	8,035,914,424	8,035,914,424
Synthetic Investment Contracts (at contract value)		-	861,214,632	861,214,632
Securities Lending Collateral Invested		33,634,554	-	33,634,554
Securities Lending Collateral Payable		(33,634,554)	-	(33,634,554)
Total Invested Asstes	$	**31,590,337,685**	**8,897,129,056**	**40,487,466,741**

ALASKA RETIREMENT MANAGEMENT BOARD
SCHEDULE OF INVESTMENT INCOME AND CHANGES IN INVESTED ASSETS
Year ended June 30, 2023

		Pooled Investments	Participant Directed Investments	**Total ARMB Assets**
Investments (at Fair Value)				
Cash and Cash Equivalents	$	12,929,946	-	12,929,946
Fixed Income Securities		5,926,979	-	5,926,979
Broad Domestic Equity		1,260,570,543	-	1,260,570,543
Global Equity Ex-U.S.		771,237,788	-	771,237,788
Opportunistic		112,934,954	-	112,934,954
Private Equity		100,749,242	-	100,749,242
Real Assets		19,640,546	-	19,640,546
Participant Directed		-	851,589,075	851,589,075
Synthetic Investment Contracts (at contract value)		-	17,415,623	17,415,623
Securities Lending Income		1,365,321	-	1,365,321
Less: Securities Lending Expense		(273,039)	-	(273,039)
Net Securities Lending Income		1,092,282	-	1,092,282
Total Investment Income	$	2,285,082,280	869,004,698	3,154,086,978
Total Invested Assets, Beginning of Year		30,654,685,371	8,004,623,440	38,659,308,811
Total Contributions		998,402,921	533,718,033	1,532,120,954
Total (Withdrawals)		(2,347,832,887)	(510,217,115)	(2,858,050,002)
Total Invested Assets, End of Year	$	**31,590,337,685**	**8,897,129,056**	**40,487,466,741**

See accompanying notes to Schedules

Alaska Retirement Management Board
Invested Assets
Notes to Schedules
June 30, 2023

(1) THE ACCOUNTING ENTITY

The Alaska Retirement Management Board (Board) is the investment oversight authority for the State of Alaska's Retirement and Benefits Plans (Plans). These Plans are made up of six systems: the Public Employees' Retirement System (PERS), Teachers Retirement System (TRS), Judicial Retirement System (JRS), National Guard and Naval Militia Retirement Systems (MRS), Supplemental Benefits System (SBS), and Deferred Compensation Plan (DCP). The systems comprise a mix of individual Defined Benefit and Defined Contribution Retirement Plans. These schedules of invested assets and of investment income and changes in invested assets (the Schedules) are those of the six systems' invested assets and not the systems as a whole. Fiduciary responsibility for the Board's Invested Assets is pursuant to Alaska Statutes 37.10.210-390.

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Schedules are prepared using the accrual basis of accounting for investment income. Assets are reported at fair value. Contributions represent contributions from employers and employees. Withdrawals represent benefits paid to plan participants and administrative and investment management expenses. Contributions, benefits paid, and all expenses are recorded on a cash basis.

Investments

Securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers. Fair values of investments that have no readily determinable fair value are generally reported by using the net asset value per share (or its equivalent) of the investment. Pooled participant directed accounts and the collective investment funds are valued based on a unit value determined by the managers or trustees multiplied by the total units held by each Plan. The unit value is determined by the respective managers or trustees based on the fair value of the underlying assets.

The Plan's investments in fully benefit-responsive Synthetic Investment Contracts (SICs) are stated at contract value.

Investment purchases and sales are recorded on a trade-date basis. Investment income includes realized and unrealized gains and losses and interest income on investments and income from securities lending.

(3) FAIR VALUE MEASUREMENTS

Various inputs are used in valuing the investments held by the Board. U.S. generally accepted accounting principles (GAAP) establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These inputs are summarized as follows:

Level 1 – Quoted prices for identical assets in an active market.

Level 2 – Inputs, other than quoted prices, that are observable for an asset, either directly or indirectly.

Level 3 – Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

Alaska Retirement Management Board
Invested Assets
Notes to Schedules
June 30, 2023

(3) FAIR VALUE MEASUREMENTS (Cont.)

The Board categorizes fair value measurements within the fair value hierarchy established by GAAP. The Board has the following fair value measurements at June 30, 2023 (in thousands):

Investment by fair value level		Total	Level 1	Level 2	Level 3
Cash Equivalents					
Deposits	$	29,674	29,674	-	-
Money Market		273,200	-	273,200	-
Repurchase Agreement		63,993	-	63,993	-
Total Cash Equivalents		366,867	29,674	337,193	-
Debt Securities					
Commingled Debt Funds		2,180,606	1,691,982	488,624	-
Corporate Bonds		1,231,170	-	1,231,170	-
Foreign Government Agency		-	-	-	-
Mortgage Backed		1,431,570	-	1,431,570	-
Other Asset Backed		325,177	-	325,177	-
U.S. Government Agency		544,667	-	544,667	-
U.S. Treasury Bills, Notes, and Bonds		1,148,289	-	1,148,289	-
Yankee Corporate Bonds		365,146	-	365,146	-
Yankee Government Bonds		80,973	-	80,973	-
Total Debt Securities		7,307,598	1,691,982	5,615,616	-
Equity					
Commingled Equity Funds		4,504,269	4,504,269	-	-
Common and Preferred Equity		11,051,544	11,050,294	5	1,245
Depository Receipts		146,554	146,554	-	-
Futures		409	409	-	-
Real Estate Investment Trust		775,366	775,366	-	-
Rights		-	-	-	-
Warrants		23	23	-	-
Total Equity		16,478,165	16,476,915	5	1,245
Other					
Balanced Funds		2,092,983	-	2,092,983	-
Target Date Funds		3,014,011	-	3,014,011	-
Securities Lending Collateral Invested		61,606	-	61,606	-
Total Other		5,168,600	-	5,168,600	-
Total investments by fair value level	$	29,321,230	18,198,571	11,121,414	1,245
Investment measured at NAV					
Alternative Beta	$	297,213			
Alternative Fixed Income		866,368			
Energy		54,017			
Farmland		1,064,200			
Infrastructure		864,361			
Private Equity		5,116,400			
Real Estate		1,663,756			
Timber		399,500			
Total Investment measured at NAV		10,325,815			
Total Investments measured at fair value	$	39,647,045			
Synthetic Investment Contracts at Cost	$	861,214			
Net Receivables / (Payables)		(20,792)			
Total Invested Assets	$	40,487,467			

(3) FAIR VALUE MEASUREMENTS (Cont.)

Securities classified as level 1 are valued using prices quoted in active markets for those securities. Securities classified as level 2 are valued using matrix pricing using various sources. Each balanced and target date options classified as level 2 are priced daily by the investment managers based on the prevailing market values of the underlying security portfolios. Securities classified as level 3 are valued using the last traded price or a price determined by the investment manager's valuation committee.

Investments in alternative beta, alternative fixed income, energy, farmland, infrastructure, private equity, real estate, and timber are measured at net asset value (NAV) per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. These investments undergo annual independent financial statement audits. Additional information about these investments is listed in the following table.

		Fair Value	Unfunded Commitments	Redemption Frequency (if currently available)	Redemption Notice Period
Alternative Beta	$	297,213,123	-	N/A	N/A
Alternative Fixed Income		866,367,516	377,896,806	Quarterly	2-90 days
Energy		54,016,675	31,213,720	No redemptions	No redemptions
Farmland		1,064,199,647	87,206,258	N/A	N/A
Infrastructure		864,360,843	-	Quarterly	30-90 days
Private Equity		5,116,401,927	1,622,189,190	No redemptions	No redemptions
Real Estate		1,663,755,626	299,529,375	Varied	Varied
Timber		399,499,569	-	N/A	N/A
Total investments measured at NAV	**$**	**10,325,814,926**			

Alternative Beta & Alternative Fixed Income: Investment strategies include pooled investment vehicles and securities in a variety of markets.

Energy: This type includes investments in three energy funds which invest in the debt and equity of energy-related companies. These investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be funded for 10 years after the commitment date of the most recent commitment.

Farmland: This type includes investments of a wholly owned agriculture fund. This fund is for the purpose of owning and managing real estate property devoted to agricultural use. Investment properties include row crops, permanent crops, and vegetable crops. This investment is a fund of one, and therefore can be liquidated at any time.

Infrastructure: This type includes investments in two open-ended infrastructure funds. Investments include electricity generation, transmission, toll roads, pipelines, bridges, and other infrastructure-related assets. Funds can be redeemed on a quarterly basis with proper notice.

(3) FAIR VALUE MEASUREMENTS (CONT.)

Private Equity: This type includes investments in 42 private equity funds including two gatekeeper managers who invest on behalf of the Alaska Retirement Management Board. These funds are diversified in various sectors including but not limited to venture capital, acquisitions, debt, and special situations. These investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be funded for 10 years after the commitment date of the most recent commitment.

Real Estate: This type includes investments in 15 real estate funds that invest primarily in U.S. commercial real estate including value-added, opportunistic and core investments. Four of these funds are open-ended. Two of these open-ended funds are funds of one, and therefore can be liquidated at any time. For the remaining 11 funds, investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These 11 remaining investments are expected to be funded for 10 years after the commitment date of the most recent commitment.

Timber: Investment in one wholly owned fund that invest in timberland property and related opportunities.

Synthetic Investment Contracts: The Board’s investment manager entered into investment contracts, on behalf of the Board, with five financial institutions. These institutions provide wrap contracts that cover separately managed SIC portfolios. The accounts are credited with earnings and investment deposits, less administrative expenses charged by the financial institutions and investment withdrawals. The contracts are included in the Board’s statements at contract value. They are fully benefit-responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The crediting interest rate is based on the approximate rate of interest that will amortize differences between contract and market value over the portfolio’s average duration. Accounts and terms of SICs in effect at June 30, 2023, are as follows:

	As of June 30, 2023	
	Contract Provider	Alaska Retirement Management Board
Contract Value of Investment Contract	Prudential Insurance Company of America	169,537,192
Market Value of Portfolio	Prudential Insurance Company of America	153,463,774
Average Crediting Rate	Prudential Insurance Company of America	2.30%
Contract Value of Investment Contract	New York Life Insurance Co.	169,028,133
Market Value of Portfolio	New York Life Insurance Co.	152,817,052
Average Crediting Rate	New York Life Insurance Co.	2.11%
Contract Value of Investment Contract	Pacific Life Insurance Co.	169,777,026
Market Value of Portfolio	Pacific Life Insurance Co.	153,740,303
Average Crediting Rate	Pacific Life Insurance Co.	2.32%
Contract Value of Investment Contract	State Street Bank & Trust Co.	169,577,275
Market Value of Portfolio	State Street Bank & Trust Co.	153,356,433
Average Crediting Rate	State Street Bank & Trust Co.	2.26%
Contract Value of Investment Contract	Massachusetts Mutual Life Insurance Co.	169,121,994
Market Value of Portfolio	Massachusetts Mutual Life Insurance Co.	152,823,228
Average Crediting Rate	Massachusetts Mutual Life Insurance Co.	2.12%

(4) DEPOSIT AND INVESTMENT RISK

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The ARMB invests its cash in the State of Alaska, Treasury Division's (Treasury) Short-Term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. At June 30, 2023, all securities within the Short-term Fixed Income Pool met these compliance metrics.

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration is the average fair value weighted duration of each security considering all related cash flows. At June 30, 2023, the effective duration of the Board's fixed income investments by type, was as follows:

	Effective Duration (in years)
Corporate Bonds	6.77
Mortgage Backed	5.31
Other Asset Backed	0.97
U.S. Government Agency	4.04
U.S. Treasury Bills, Notes, and Bond:	6.66
Yankee Corporate Bonds	4.25
Yankee Government Bonds	5.42
Total Portfolio	**5.55**

Synthetic Investment Contracts

The Board contracts with an external investment manager who is given the authority to invest in SICs and a reserve. This external manager also manages the securities underlying the SICs. In the case of the Board's constant duration SICs, duration is the fair value weighted average term to maturity of all fixed income securities underlying the contracts and their related cash flows. Duration of the Plan's structured payout SICs is the weighted average maturity of the contract payments. Through the Board's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on SICs as follows:

> Constant duration SICs duration cannot exceed the longer of six years or the duration of the Bloomberg Barclays Aggregate Bond Index plus one-half year. The weighted average duration of the constant duration SICs was 4.60 years at June 30, 2023. The duration of the Bloomberg Barclays Aggregate Bond Index was 6.28 years at June 30, 2023. The account's weighted average effective duration will generally not exceed the effective duration of the Bloomberg Barclays U.S. Intermediate Aggregate Bond Index plus 10%. The weighted average duration of the account was 4.51 years at June 30, 2023. The duration of the Bloomberg Barclays U.S. Intermediate Aggregate Bond Index was 4.53 years at June 30, 2023. The balance of the reserve is invested in the custodian's Institutional Treasury Money Market Fund and the external manager's Cash Reserves Trust Fund.
>
> The account did not hold any buy-and-hold SICs or structured payout SICs investments at June 30, 2023.

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023, the Board's Invested Assets consisted of fixed income securities with credit quality ratings issued by nationally recognized statistical rating organizations. Securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated. Using Standard & Poor's Corporation rating scale, the values for each rating are as follows (in thousands):

Rating		US Dollar	Foreign
A	$	773,356	-
A-1		7,214	-
AA		141,238	-
AAA		255,839	-
B		2,906	-
BB		17,432	-
BBB		683,843	-
Note Rated		3,732,814	-
U.S. Government Agency		544,667	-
U.S. Treasury Bills, Notes and Bonds		1,148,289	-
Grand Total	**$**	**7,307,598**	**-**

Synthetic Investment Contracts

The Board's investment policy has the following credit risk limitations for SICs, investments underlying the synthetic investment contracts and the reserve:

> Synthetic investment contract issuers must have an investment grade rating. Supranational Agency and Foreign Government entity investments must have a minimum rating of A- or equivalent. Corporate debt securities must have a minimum rating of BBB- of equivalent. Asset-backed securities must have a minimum rating of AAA or equivalent. The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The Board does not have a policy in relation to custodial credit risk for deposits. At June 30, 2023, the Board's Invested Assets had uncollateralized and uninsured foreign currency deposits of $40,433,063.

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Board's Stable Value Fund policy requires that all investments underlying a synthetic investment contract be denominated in U.S. dollars. For all other funds, through its asset allocation, the Board limits risk by limiting total investments in foreign currencies to the following:

Pension System	Multi-Asset	Global Equity Ex-U.S.	Private Equity Pool	Real Assets Pool
PERS	12%	21%	21%	21%
TRS	12%	21%	21%	21%
JRS	12%	21%	21%	21%
MRS	12%	13%	12%	11%

At June 30, 2023, the Board had exposure to foreign currency risk with the following deposits and investments (in thousands):

		Deposits	Equity	Futures	Private Equity	Rights & Warrants
Australian Dollar	$	136	64,242	-	542	-
Brazilian Real		287	57,035	-	-	-
Canadian Dollar		676	115,626	25	-	-
Chilean Peso		95	5,230	-	-	-
Colombian Peso		-	846	-	-	-
Czech Koruna		35	1,206	-	-	-
Danish Krone		39	67,788	-	-	-
Euro Currency		2,135	852,991	-	372,416	-
Hong Kong Dollar		1,753	216,866	46	-	-
Hungarian Forint		55	1,761	-	-	-
Iceland Krona		-	-	-	-	-
Indian Rupee		271	106,516	-	-	-
Indonesian Rupiah		29	10,469	-	-	-
Japanese Yen		2,778	518,572	-	-	-
Kuwaiti Dinar		72	964	-	-	-
Malaysian Ringgit		6	8,745	-	-	-
Mexican Peso		-	29,067	-	-	-
New Israeli Sheqel		80	9,702	-	-	-
New Taiwan Dollar		326	101,733	-	-	-
New Zealand Dollar		53	4,877	-	-	-
Norwegian Krone		44	21,756	-	-	-
Philippine Peso		20	5,690	-	-	-
Polish Zloty		50	3,587	-	-	-
Pound Sterling		717	313,891	-	85,439	-
Qatari Rial		87	5,473	-	-	-
Russian Ruble		1,293	-	-	-	-
Saudi Riyal		7	7,613	-	-	-
Singapore Dollar		10	32,847	-	-	-
South African Rand		107	13,110	-	-	-
South Korean Won		17	89,714	-	-	-
Swedish Krona		41	70,363	-	9,661	-
Swiss Franc		912	178,449	-	-	23
Thailand Baht		6	11,834	-	-	-
Turkish Lira		55	38,072	-	-	-
Uae Dirham		90	7,844	-	-	-
Yuan Renminbi		-	75,643	-	-	-
Yuan Renminbi Offshore		28,151	-	-	-	-
Grand Total	**$**	**40,433**	**3,050,122**	**71**	**468,058**	**23**

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2023, the Board's Invested Assets did not have exposure to any one issuer greater than 5% of total invested assets.

Synthetic Investment Contracts

The Board's policy regarding concentration of credit risk for, underlying investments, and reserve is as follows:

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed thirty-five percent of the account's total value.

No investment will be made if, at the time of the purchase, the investment could cause any single issuer, or all issuers of the securities held as supporting investments under the synthetic investment contracts to exceed the respective percentage of the account's total value in the table below.

Investment Type	Maximum Per Issuer	Maximum for All Issuers
U.S. Treasuries, U.S. Agency, and U.S. Government Entity Securities - Full Faith and Credit	100%	100%
U.S. Agency Securities and U.S. Government Entity Securities - Non Full Faith and Credit	100%	100%
Agency Mortgage-Backed Securities	50%	50%
Non-Agency Mortgage-Backed Securities	5%	50%
Asset-Backed Securities	5%	50%
Domestic and Foreign Corporate Debt Securities	5%	50%
Supranational Agency, Foreign Government, and Foreign Government Entity Securities	5%	50%
Money Market Instruments - Non Government/Agency	5%	100%
Custodian Short-Term	100%	100%

The maximum exposure to corporate debt securities rated between BBB- and BBB+ or equivalent is limited to twenty percent of the account's total value.

For the reserve, no investment will be made if, at the time of purchase, the total investment of any single issuer of money market instruments exceeds five percent of the total account's value. This limitation does not apply to the investment funds maintained by the custodian.

No investment will be made if, at the time of purchase, the total investment in all domestic and foreign corporate debt securities of any one industry exceed twenty-five percent of the account's total value.

(5) DERIVATIVES, FOREIGN EXCHANGE, AND COUNTERPARTY CREDIT RISK

The Board is exposed to credit risk on investment derivative instruments that are in asset positions. The Board has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Board has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Board have a policy for contingencies. On June 30, 2023, the Board had the following derivative instruments:

	Changes in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
Commodity Futures Long	Investment Revenue	$ (4,232,635)	Futures	$ -	3,200
Commodity Futures Short	Investment Revenue	769,972	Futures	-	(1,600)
Fixed Income Futures Long	Investment Revenue	(671,470)	Futures	-	71,900,000
FX Forwards	Investment Revenue	(6,615,492)	Long Term Instruments	(1,795,989)	108,005,881
Index Futures Long	Investment Revenue	(8,993,987)	Futures	-	91,123
Index Futures Short	Investment Revenue	(6,440,040)	Futures	-	(15,700)
Rights	Investment Revenue	(8,544)	Common Stock	-	-
Total Return Swaps Equity	Investment Revenue	1,723,774	Swaps	-	-
Warrants	Investment Revenue	31,752	Common Stock	23,272	30,578

(5) DERIVATIVES, FOREIGN EXCHANGE, AND COUNTERPARTY CREDIT RISK (Cont.)

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of nonperformance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date. At June 30, 2023, the Board had the following Foreign Currency risk related to derivatives:

Currency Name	Rights & Warrants	Receivables	Payables	Total Exposure
Australian Dollar	$ -	(163,486)	-	(163,486)
Canadian Dollar	-	36,756	-	36,756
Euro Currency	139	41,275	-	41,414
Indian Rupee	-	57,686	-	57,686
Japanese Yen	-	(1,807,362)	-	(1,807,362)
Pound Sterling	-	6,938	-	6,938
South Korean Won	-	-	26,792	26,792
Swiss Franc	23,133	5,412	-	28,545
	$ 23,272	**(1,822,781)**	**26,792**	**(1,772,717)**

At June 30, 2023, the Board had no counterparty credit and counterparty concentration risk associated with its investment derivative positions.

(6) SECURITIES LENDING

Alaska Statute 37.10.071 authorizes the Board to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. The Board lends marketable debt and equity securities through a contract with State Street Bank and Trust (the Bank). International equity security loans were collateralized at not less than 105 percent of their fair value. All other security loans were collateralized at not less than 102 percent of their fair value. Loaned securities and collateral were marked to market daily and collateral was received or delivered the following day, as necessary, to maintain collateral levels. The Board cannot pledge or sell collateral received until and unless a borrower defaults. At year-end, the Board had no credit risk exposure to the borrowers because the amounts the Board owed to the borrowers exceeded the amounts the borrowers owed the Board.

The fair value of securities on loan at June 30, 2023, was approximately $32.7 million. At June 30, 2023, cash collateral received totaling $33.6 million is reported as a securities lending payable and the fair value of the re-invested cash collateral totaling $33.6 million is reported as security lending collateral invested in the Schedule of Invested Assets.

Cash collateral was invested in a registered 2(a)-7 money market fund. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements were terminable at will. Securities under loan, cash collateral and cash collateral payable are recorded on the financial schedules at fair value. The Bank and the Board received a fee from earnings on invested collateral. The Bank and the Board shared the fee paid by the borrower.

There was limited credit risk associated with the lending transactions since the Board was indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnified the Board against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications were subject to limitation relating to a force majeure event as outlined in the contract.

For the year ended June 30, 2023 there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2023 and 2022

(With Independent Auditors’ Report Thereon)

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:

Opinion

We have audited the financial statements of the State of Alaska Deferred Compensation Plan (the Plan), a component unit of the State of Alaska, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements for the years 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 fiduciary net position of the Plan as of June 30, 2023 and 2022, and the changes in fiduciary net position for the years 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 audits 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
October ____, 2023

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

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, 2023 and 2022. 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 2021 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2023 were as follows:

- The Plan's fiduciary net position increased by $76.1 million.
- The Plan's participant contributions and transfers in of $49.7 million decreased by $1.3 million when compared to fiscal year 2022.
- The Plan's net investment income increased by $239.9 million when compared to fiscal year 2022, to $111.3 million.
- Benefits paid to participants and purchases of annuity contracts of $83.4 million decreased by $1.8 million when compared to fiscal year 2022.

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, 2023 and 2022.

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, 2023 and 2022. 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, 2023 and 2022, and the sources and uses of those funds during the years ended June 30, 2023 and 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)

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

Condensed Financial Information (In thousands)

Fiduciary net position

Description	2023	2022	Increase (decrease) Amount	Increase (decrease) Percentage	2021
Assets:					
Cash and cash equivalents	$ 3,223	2,866	357	12.5%	$ 1,430
Due from State of Alaska General Fund	1,860	1,778	82	4.6	2,774
Investments	1,130,220	1,054,654	75,566	7.2	1,219,728
Total assets	1,135,303	1,059,298	76,005	7.2	1,223,932
Liabilities					
Accrued expenses	79	190	(111)	(58.4)	187
Total liabilities	79	190	(111)	(58.4)	187
Fiduciary net position	$ 1,135,224	1,059,108	76,116	7.2%	$ 1,223,745

Changes in fiduciary net position

Description	2023	2022	Increase (decrease) Amount	Increase (decrease) Percentage	2021
Fiduciary net position, beginning of year	$ 1,059,108	1,223,745	(164,637)	(13.5)%	$ 1,004,456
Additions:					
Contributions and transfers in	49,715	50,994	(1,279)	(2.5)	47,203
Net investment income (loss)	111,284	(128,638)	239,922	186.5	253,373
Other income (expense)	217	(8)	225	2,812.5	39
Total additions	161,216	(77,652)	238,868	307.6	300,615
Deductions:					
Benefits paid to participants and purchases of annuity contracts	83,397	85,203	(1,806)	(2.1)	79,754
Administrative	1,703	1,782	(79)	(4.4)	1,572
Total deductions	85,100	86,985	(1,885)	(2.2)	81,326
Net increase (decrease) in net position	76,116	(164,637)	240,753	(146.2)	219,289
Fiduciary net position, end of year	$ 1,135,224	1,059,108	76,116	7.2%	$ 1,223,745

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

Financial Analysis of the Plan

The statement of fiduciary net position as of June 30, 2023, shows net fiduciary position of $1,135,224,000. The entire amount is available to pay benefits to participants and their beneficiaries as well as administrative costs. This amount represents an increase in the Plan's net position restricted for participants and operations of $76,116,000, or 7.2%, from fiscal year 2022 to fiscal year 2023 and a decrease of $164,637,000, or 13.5%, from fiscal year 2021 to fiscal year 2022.

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)		
	2023	2022	Amount	Percentage	2021
Participant contributions	$ 48,249	49,665	(1,416)	100.0%	$ 46,476
Employer contributions	238	219	19	8.7	—
Transfers in	1,228	1,110	118	10.6	727
Net investment income (loss)	111,284	(128,638)	239,922	186.5	253,373
Other income (expense)	217	(8)	225	2,812.5	39
Total	$ 161,216	(77,652)	238,868	307.6%	$ 300,615

The Plan's participant contributions decreased from $49,665,000 in fiscal year 2022 to $48,249,000 in fiscal year 2023, a decrease of $1,416,000 or 2.9%. 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%. Fiscal year 2023 saw a decrease in the average contribution size, while fiscal year 2022 saw an increase in the average contribution size. The Plan is an optional participation plan 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 increased from a loss of $128,638,000 in fiscal year 2022 to a gain of $111,284,000 in fiscal year 2023, an increase of $239,922,000 or 186.5%. Net investment income decreased in fiscal year 2022 by $382,011,000, or 150.8%, when compared to amounts recorded fiscal year 2021. The increase relates to an overall better investment environment during fiscal year 2023 in the equities market compared to fiscal year 2022.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

The Plan's investment rates of return at June 30, 2023 and 2022 are as follows:

	2023	2022
Alaska Balanced Trust	5.86 %	(9.02)%
Alaska Long-Term Balanced Trust	10.13	(11.17)
Alaska Target Date Retirement 2010 Trust	6.24	(8.29)
Alaska Target Date Retirement 2015 Trust	7.12	(8.84)
Alaska Target Date Retirement 2020 Trust	8.49	(9.77)
Alaska Target Date Retirement 2025 Trust	10.25	(10.95)
Alaska Target Date Retirement 2030 Trust	11.68	(11.85)
Alaska Target Date Retirement 2035 Trust	13.07	(12.65)
Alaska Target Date Retirement 2040 Trust	14.21	(13.26)
Alaska Target Date Retirement 2045 Trust	15.09	(13.72)
Alaska Target Date Retirement 2050 Trust	15.52	(13.87)
Alaska Target Date Retirement 2055 Trust	15.52	(13.89)
Alaska Target Date Retirement 2060 Trust	15.52	(13.96)
Alaska Target Date Retirement 2065 Trust	15.52	(13.97)
BlackRock Strategic Completion Fund	(4.27)	(2.49)
Environmental, Social and Governance Fund	18.55	(10.61)
International Equity Fund	18.30	(26.39)
JP Morgan SmartRetirement Blend 2015 R6		(11.99)
JP Morgan SmartRetirement Blend 2020 R6	6.81	(12.10)
MassMutual Bond Fund		(13.34)
MassMutual Equity Fund		(1.20)
Passive U.S. Bond Index Fund	(0.93)	(10.26)
Russell 3000 Index Fund	19.01	(13.69)
S&P 500 Stock Index Fund	19.58	(10.64)
Stable Value Fund	2.12	1.84
State Street Institutional Treasury Money Market	3.60	0.15
U.S. Small-Cap Trust	10.90	(23.19)
World Equity Ex-U.S. Index Fund	13.24	(19.14)

(Continued)

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

Benefits and Other Deductions

The primary deductions from 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)		
	2023	2022	Amount	Percentage	2021
Benefits paid to participants and purchases of annuity contracts	$ 83,397	85,203	(1,806)	(2.1)%	$ 79,754
Administrative	1,703	1,782	(79)	(4.4)	1,572
Total	$ 85,100	86,985	(1,885)	(2.2)%	$ 81,326

The Plan's benefits paid to participants and refunds of contributions, including purchases of annuity contracts for fiscal year 2023 decreased $1,806,000, or 2.1%, from fiscal year 2022, and increased $5,449,000, or 6.8%, from fiscal year 2021 to fiscal year 2022. The decrease in refunds of contributions in fiscal year 2023 is related to a reduction in the number of members requesting disbursements from the Plan. 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 2022 is related to the increase in the number of members requesting disbursements from the Plan.

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 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 $1,703,000 in fiscal year 2023 compared to $1,782,000 in fiscal year 2022, a decrease of $79,000, or 4.4%. The decrease in administrative expenses in fiscal year 2023 is primarily due to a decrease in system modernization project expenses. 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 $334,000 or 27.0%. The increase was primarily due to increases in system modernization project expenses over the prior year.

(Continued)

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

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, 2023 and 2022

(In thousands)

	2023	2022
Assets:		
Cash and cash equivalents:		
Investment in State of Alaska General Fund and Other Nonsegregated Investments Pool	$ 321	375
Money market fund – nonparticipant directed	2,902	2,491
Total cash and cash equivalents	3,223	2,866
Receivables:		
Due from State of Alaska General Fund	1,860	1,778
Total receivables	1,860	1,778
Investments:		
Participant directed at fair value:		
Collective investment funds	654,569	596,502
Pooled investment funds	281,878	252,637
Participant directed at contract value:		
Synthetic investment contracts	193,773	205,515
Total investments	1,130,220	1,054,654
Total assets	1,135,303	1,059,298
Liabilities:		
Accrued expenses	79	190
Total liabilities	79	190
Fiduciary net position	$ 1,135,224	1,059,108

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, 2023 and 2022

(In thousands)

		2023	2022
Additions (reductions):			
Participant contributions	$	48,249	49,665
Employer contributions		238	219
Transfers in		1,228	1,110
Total contributions		49,715	50,994
Investment income (loss):			
Net appreciation (depreciation) in value of investments		112,280	(126,864)
Interest		743	32
Total investment income (loss)		113,023	(126,832)
Less investment expense		1,739	1,806
Net investment income (loss)		111,284	(128,638)
Other income (expense)		217	(8)
Total additions (reductions)		161,216	(77,652)
Deductions:			
Benefits paid to participants and purchases of annuity contracts		83,397	85,203
Administrative		1,703	1,782
Total deductions		85,100	86,985
Net increase (decrease) in fiduciary net position		76,116	(164,637)
Fiduciary net position, beginning of year		1,059,108	1,223,745
Fiduciary net position, end of year	$	1,135,224	1,059,108

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, 2023 and 2022

(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 12,672 participants in the Plan as of June 30, 2023.

At June 30, 2023 and 2022, the number of participating local government employers and public organizations, including the State was as follows:

	2023	2022
State of Alaska and Component Units	1	1
Municipalities	11	11
School districts	6	5
Other	8	7
Total employers	26	24

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, 2023, plan participants are required to contribute a minimum of $50 per month ($600 per year). At June 30, 2023, the maximum amount that could be deferred in a calendar year was $22,500 for participants under age 50 and $30,000 for participants who are age 50 and greater. However, for each of the participant's last three calendar years ending prior to the employer's primary pension plan's normal retirement age, a "catch-up limitation" may apply, which allows larger contributions (up to $45,000 in calendar year 2023). Participants vest automatically in their contributions and earnings on those contributions.

During fiscal year 2023, 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, 2023 and June 30, 2022, 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 as 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 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.

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 a broad 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. These two funds will be closing on October 25, 2023.

(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.

(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 per unit is determined by the TPA based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

(f) Valuation of Pooled Investment Funds

The Plan's ownership of pooled investment funds held in trust are stated at fair value based on the unit values as reported by the trustees multiplied by the number of units held by the Plan. The unit value is determined by the trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

(g) Valuation of Synthetic Investment Contracts

The Plan's investment in fully benefit-responsive SICs are stated at contract value.

(3) Investments

The Plan is primarily participant directed, which means that the Plan's participants decide in which options to invest. Of total plan fiduciary net position of $1,135,224,000 at June 30, 2023, 99.6% or $1,130,220,000 was specifically allocated to individual participant accounts.

Each participant designates how their contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions, adjusted for the appreciation or depreciation in unit value for the investment funds, and reduced for administrative fees.

The carrying values of participant-directed investments at June 30, 2023 and 2022 are as follows (in thousands):

		2023	2022
S&P 500 Stock Index Fund	$	269,775	229,832
Stable Value Fund		193,773	205,515
U.S. Small-Cap Trust		111,936	110,196
Alaska Long-Term Balanced Trust		93,847	82,617
Passive U.S. Bond Index Fund		68,794	64,136
Russell 3000 Index Fund		52,363	48,068
Environmental, Social and Governance Fund		38,508	45,679
Alaska Balanced Trust		43,897	42,523
International Equity Fund		39,942	37,487
Alaska Target Date Retirement 2025 Trust		28,642	26,370
World Equity Ex-U.S. Index Fund		26,973	23,035
Alaska Target Date Retirement 2020 Trust		20,575	21,429
State Street Institutional Treasury Money Market		21,740	20,414
Alaska Target Date Retirement 2030 Trust		19,772	17,324
BlackRock Strategic Completion Fund		22,124	15,311
Alaska Target Date Retirement 2035 Trust		16,723	13,152
Alaska Target Date Retirement 2040 Trust		14,613	12,100
Alaska Target Date Retirement 2045 Trust		11,616	9,303
Alaska Target Date Retirement 2050 Trust		10,464	7,531
Alaska Target Date Retirement 2015 Trust		8,321	8,815
Alaska Target Date Retirement 2055 Trust		7,857	6,078
Alaska Target Date Retirement 2010 Trust		2,432	3,134
MassMutual Equity Fund		2,401	2,331
Alaska Target Date Retirement 2060 Trust		2,012	1,408
Alaska Target Date Retirement 2065 Trust		892	761
JPMorgan SmartRetirement Blend 2020 R6		110	86
JPMorgan SmartRetirement Blend 2015 R6		105	6
MassMutual Bond Fund		13	13
Total	$	1,130,220	1,054,654

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.

(5) Subsequent Event

On February 13, 2023, the Plan was notified that the JPMorgan SmartRetirement Blend 2015 R6 pooled investment fund would be closed and liquidated due to the low level of assets invested. Additionally, the JPMorgan SmartRetirement Blend 2020 R6 pooled investment fund was going to be merged with JPMorgan's broader target date funds, and will no longer be a discrete retiree income solution. JPMorgan will close the 2015 fund on October 25, 2023, and will also close the 2020 fund to participants on the same date. Plan members may transfer out from those funds prior to that date, but any member in those funds at the closure date will be converted to an age-appropriate target date fund.

SUPPLEMENTAL SCHEDULES

Schedule 1

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

Schedules of Administrative and Investment Deductions

Years ended June 30, 2023 and 2022

(In thousands)

	Administrative	Investment	Totals 2023	Totals 2022
Personal services:				
Wages	$ 172	44	216	192
Benefits	110	21	131	122
Total personal services	282	65	347	314
Travel:				
Transportation	1	2	3	1
Total travel	1	2	3	1
Contractual services:				
Management and consulting	1,097	13	1,110	1,179
Investment management and custodial fees	—	1,616	1,616	1,653
Accounting and auditing	40	1	41	40
Data processing	229	32	261	350
Communications	2	—	2	1
Advertising and printing	2	—	2	4
Rentals/leases	21	3	24	8
Legal	3	3	6	6
Transportation	6	—	6	8
Other professional services	18	1	19	21
Total contractual services	1,418	1,669	3,087	3,270
Other:				
Equipment	—	1	1	1
Supplies	2	2	4	2
Total other	2	3	5	3
Total administrative and investment deductions	$ 1,703	1,739	3,442	3,588

See accompanying independent auditors' report.

Schedule 2

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

Schedules of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2023 and 2022

(In thousands)

Firm	Services	2023	2022
KPMG LLP	Auditing services	$ 40	37
State Street Bank and Trust	Custodial banking services	151	147
Alaska IT Group	Data processing services	—	1
Applied Microsystems Incorporation	Data processing services	8	11
Sagitec Solutions	Data processing services	195	288
SHI International Corporation	Data processing services	2	1
TechData Service Company	Data processing services	10	12
State of Alaska, Department of Law	Legal services	5	7
		$ 411	504

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, 2023 and 2022

(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:

Opinion

We have audited the financial statements of the 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements for the years 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 fiduciary net position of the System as of June 30, 2023 and 2022, and the changes in its fiduciary net position for the years 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 audits 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
October ____, 2023

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

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, 2023 and 2022. 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 2021 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 increased by $341.5 million during fiscal year 2023.
- The Plan's participant and employer contributions and transfers into the Plan increased by $7.0 million during fiscal year 2023 compared to fiscal year 2022.
- The Plan earned net investment income of $426.7 million during fiscal year 2023, an increase of $946.9 million compared to fiscal year 2022.
- The Plan's benefits paid decreased by $36.6 million during fiscal year 2023 compared to fiscal year 2022.

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, (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, receivables, and other assets less liabilities at June 30, 2023 and 2022. This statement is presented individually for both the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria Plan.

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, 2023 and 2022. 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, 2023 and 2022 and the sources and uses of those funds during the years ended June 30, 2023 and 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.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

Condensed Financial Information (In thousands)

Fiduciary net position

Description	2023	2022	Increase (decrease) Amount	Increase (decrease) Percentage	2021
Assets:					
Cash and cash equivalents	$ 11,999	9,710	2,289	23.6%	$ 9,109
Receivables	467	672	(205)	(30.5)	742
Due from State of Alaska General Fund	6,417	6,045	372	6.2	5,552
Investments	4,751,924	4,412,831	339,093	7.7	5,064,378
Investment loss trust fund (ILTF) at fair value	2,123	2,091	32	1.5	2,089
Total assets	4,772,930	4,431,349	341,581	7.7	5,081,870
Liabilities:					
Accrued expenses	364	360	4	1.1	382
Payable to plan participants	258	154	104	67.5	128
ILTF plan participant payable	2,123	2,091	32	1.5	2,089
Total liabilities	2,745	2,605	140	5.4	2,599
Fiduciary net position	$ 4,770,185	4,428,744	341,441	7.7%	$ 5,079,271

Changes in fiduciary net position

Description	2023	2022	Increase (decrease) Amount	Increase (decrease) Percentage	2021
Fiduciary net position, beginning of year	$ 4,428,744	5,079,271	(650,527)	(12.8)%	$ 4,237,919
Additions:					
Contributions	183,953	176,971	6,982	3.9	176,383
Net investment income (loss)	426,659	(520,224)	946,883	(182.0)	939,692
Other income (expense)	529	(321)	850	(264.8)	1,587
Total additions (reductions)	611,141	(343,574)	954,715	(277.9)	1,117,662
Deductions:					
Benefits and refunds of contributions	263,505	300,088	(36,583)	(12.2)	270,451
Administrative	6,195	6,865	(670)	(9.8)	5,859
Total deductions	269,700	306,953	(37,253)	(12.1)	276,310
Increase (decrease) in net position	341,441	(650,527)	991,968	(152.5)	841,352
Fiduciary net position, end of year	$ 4,770,185	4,428,744	341,441	7.7%	$ 5,079,271

Financial Analysis of the Plans

The statement of fiduciary net position as of June 30, 2023 and 2022 show fiduciary net position of $4,770,185,000 and $4,428,744,000, respectively. The entire amount is available to pay benefits to participants and their beneficiaries as well as administrative costs. These amounts represent an increase in plan net position restricted for participants and operations of $341,441,000 or 7.7% from fiscal year 2022 to fiscal year 2023, and a decrease of $650,527,000 or 12.8% from fiscal year 2021 to fiscal year 2022.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

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)		
	2023	**2022**	**Amount**	**Percentage**	**2021**
Employer mandatory contributions	$ 90,482	86,973	3,509	4.0%	$ 84,988
Plan participant mandatory contributions	90,484	86,932	3,552	4.1	84,993
Transfer-in contributions	2,987	3,066	(79)	(2.6)	6,402
Total plan participant and employer contributions	183,953	176,971	6,982	3.9	176,383
Net investment income (loss)	426,659	(520,224)	946,883	182.0	939,692
Other income (expense)	529	(321)	850	264.8	1,587
Total	$ 611,141	(343,574)	954,715	(277.9)%	$ 1,117,662

Plan member and employer contributions increased from $176,971,000 for fiscal year 2022 to $183,953,000 for fiscal year 2023, an increase of $6,982,000 or 3.9%, and increased from $176,383,000 for fiscal year 2021 to $176,971,000 for fiscal year 2022 due to increases in participant earnings for each fiscal year, which excludes any plan participant voluntary transfer-in contributions.

No contribution was made to the plan participant voluntary contributions in fiscal year 2022 and 2023 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.

The Plan's net investment income increased from a loss of $520,224,000 in fiscal year 2022 to $426,659,000 in fiscal year 2023, an increase of $946,883,000 or 182.0% from amounts recorded in fiscal year 2022. The Plan's net investment income decreased from $939,692,000 in fiscal year 2021 to a loss of $520,224,000 in fiscal year 2022, a decrease of $1,459,916,000 or 155.4% from amounts recorded in fiscal year 2021. The increase relates to an overall better investment environment during fiscal year 2023 in the equities market compared to fiscal year 2022.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

The Plan's investment rates of return at June 30, 2023 and 2022 are as follows:

	2023	2022
Alaska Balanced Trust	5.86 %	(9.02)%
Alaska Long-Term Balanced Trust	10.13	(11.17)
Alaska Target Date Retirement 2010 Trust	6.24	(8.29)
Alaska Target Date Retirement 2015 Trust	7.12	(8.84)
Alaska Target Date Retirement 2020 Trust	8.49	(9.77)
Alaska Target Date Retirement 2025 Trust	10.25	(10.95)
Alaska Target Date Retirement 2030 Trust	11.68	(11.85)
Alaska Target Date Retirement 2035 Trust	13.07	(12.65)
Alaska Target Date Retirement 2040 Trust	14.21	(13.26)
Alaska Target Date Retirement 2045 Trust	15.09	(13.72)
Alaska Target Date Retirement 2050 Trust	15.52	(13.87)
Alaska Target Date Retirement 2055 Trust	15.52	(13.89)
Alaska Target Date Retirement 2060 Trust	15.52	(13.96)
Alaska Target Date Retirement 2065 Trust	15.52	(13.97)
BlackRock Strategic Completion Fund	(4.27)	(2.49)
Environmental, Social and Governance Fund	18.55	(10.61)
International Equity Fund	18.30	(26.39)
JP Morgan SmartRetirement Blend 2015 R6		(11.99)
JP Morgan SmartRetirement Blend 2020 R6	6.81	(12.10)
Passive U.S. Bond Index Fund	(0.93)	(10.26)
Russell 3000 Index Fund	19.01	(13.69)
S&P 500 Stock Index Fund	19.58	(10.64)
Stable Value Fund	2.12	1.84
State Street Institutional Treasury Money Market	3.60	0.15
U.S. Small-Cap Trust	10.90	(23.19)
World Equity Ex-U.S. Index Fund	13.24	(19.14)

Benefits and Other Deductions

The primary deductions from 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	**2022**	**Amount**	**Percentage**	**2021**
Benefits and refunds of contributions	$ 263,505	300,088	(36,583)	(12.2)%	$ 270,451
Administrative	6,195	6,865	(670)	(9.8)	5,859
Total	$ 269,700	306,953	(37,253)	(12.1)%	$ 276,310

The Plan's benefits paid to participants and refunds of contributions, including purchases of annuity contracts for fiscal year 2023 decreased $36,583,000 or 12.2% from fiscal year 2022, and increased $29,637,000 or 11.0% from fiscal year 2021 to fiscal year 2022. The decrease in refunds of contributions in fiscal year 2023 is related to the decrease in per distribution dollar amount. 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 $6,195,000 for fiscal year 2023 compared to $6,865,000 for fiscal year 2022, a decrease of $670,000 or 9.8%. The decrease in administrative expenses in fiscal year 2023 is primarily due to a decrease in system modernization project expenses. 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 was primarily due to increases in system modernization project expenses over the prior year.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

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

June 30, 2023 and 2022

(In thousands)

	2023			2022		
	Annuity	Cafeteria	Total	Annuity	Cafeteria	Total
Assets:						
Cash and cash equivalents:						
Investment in State of Alaska General Fund and Other Nonsegregated Investments Pool	$ 666	—	666	827	—	827
Money market fund – nonparticipant-directed	11,333	—	11,333	8,883	—	8,883
Total cash and cash equivalents	11,999	—	11,999	9,710	—	9,710
Receivables:						
Mandatory and voluntary contributions	467	—	467	672	—	672
Due from State of Alaska General Fund	6,417	—	6,417	6,045	—	6,045
Total receivables	6,884	—	6,884	6,717	—	6,717
Investments:						
Participant directed at fair value:						
Collective investment funds	1,469,418	—	1,469,418	1,315,424	—	1,315,424
Pooled investment funds	2,793,919	—	2,793,919	2,586,999	—	2,586,999
Participant directed at contract value:						
Synthetic investment contracts	488,587	—	488,587	510,408	—	510,408
Total investments	4,751,924	—	4,751,924	4,412,831	—	4,412,831
Investment loss trust fund at fair value	2,123	—	2,123	2,091	—	2,091
Total assets	4,772,930	—	4,772,930	4,431,349	—	4,431,349
Liabilities:						
Accrued expenses	364	—	364	360	—	360
Payable to plan participants	258	—	258	154	—	154
Investment loss trust fund plan participant payable	2,123	—	2,123	2,091	—	2,091
Total liabilities	2,745	—	2,745	2,605	—	2,605
Fiduciary net position	$ 4,770,185	—	4,770,185	4,428,744	—	4,428,744

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

Years ended June 30, 2023 and 2022

(In thousands)

	2023			2022		
	Annuity	Cafeteria	Total	Annuity	Cafeteria	Total
Additions (reductions):						
Contributions:						
Employers	$ 90,482	—	90,482	86,973	—	86,973
Plan members	90,484	—	90,484	86,932	—	86,932
Transfers in	2,987	—	2,987	3,066	—	3,066
Total contributions	183,953	—	183,953	176,971	—	176,971
Investment income (loss):						
Net appreciation (depreciation) in value of investments	430,026	—	430,026	(514,276)	—	(514,276)
Interest	2,466	—	2,466	110	—	110
Total investment income (loss)	432,492	—	432,492	(514,166)	—	(514,166)
Less investment expense	5,833	—	5,833	6,058	—	6,058
Net investment income (loss)	426,659	—	426,659	(520,224)	—	(520,224)
Other income (expense)	529	—	529	(321)	—	(321)
Total additions (reductions)	611,141	—	611,141	(343,574)	—	(343,574)
Deductions:						
Benefits and refunds of contributions	263,505	—	263,505	300,088	—	300,088
Administrative	6,195	—	6,195	5,939	926	6,865
Total deductions	269,700	—	269,700	306,027	926	306,953
Net increase (decrease) in fiduciary net position	341,441	—	341,441	(649,601)	(926)	(650,527)
Fiduciary net position, beginning of year	4,428,744	—	4,428,744	5,078,345	926	5,079,271
Fiduciary net position, end of year	$ 4,770,185	—	4,770,185	4,428,744	—	4,428,744

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, 2023 and 2022

(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. 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.

(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, 2023. There were 51,413 participants in the Plan as of June 30, 2023.

At June 30, 2023 and 2022, 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.

(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, 2023 and 2022, 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) 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.

(f) Income Taxes

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

(g) 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, 2023 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 net asset value per unit 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 $4,772,095,000 at June 30, 2023, 99.6% or $4,751,924,000 were specifically allocated to individual participant accounts.

Each participant designates how their contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions, adjusted for the appreciation or depreciation in unit value for the investment funds, and reduced for administrative fees.

The carrying values of participant-directed investments at June 30, 2023 and 2022 are as follows (in thousands):

		2023	2022
Alaska Balanced Trust	$	1,041,489	1,046,166
Alaska Long-Term Balanced Trust		748,135	678,647
S&P 500 Stock Index Fund		546,822	434,904
Stable Value Fund		488,587	510,408
U.S. Small-Cap Trust		200,856	197,175
Passive U.S. Bond Index Fund		162,372	141,741
Alaska Target Date Retirement 2055 Trust		148,661	117,453
Alaska Target Date Retirement 2050 Trust		138,305	111,622
Russell 3000 Index Fund		138,028	131,132
Alaska Target Date Retirement 2045 Trust		123,160	101,237
Alaska Target Date Retirement 2025 Trust		106,890	100,684
Alaska Target Date Retirement 2035 Trust		106,095	89,117
Alaska Target Date Retirement 2030 Trust		102,810	89,771
Environmental, Social, and Governance Fund		101,072	134,842
Alaska Target Date Retirement 2040 Trust		99,468	83,465
International Equity Fund		96,403	95,882
World Equity Ex-U.S. Index Fund		86,693	72,688
Alaska Target Date Retirement 2020 Trust		76,484	77,643
State Street Institutional Treasury Money Market		70,760	69,735
BlackRock Strategic Completion Fund		66,412	37,325
Alaska Target Date Retirement 2015 Trust		66,074	66,992
Alaska Target Date Retirement 2060 Trust		17,095	9,486
Alaska Target Date Retirement 2065 Trust		9,165	4,570
Alaska Target Date Retirement 2010 Trust		8,764	9,089
JP Morgan Smart Retirement Blend 2015 R6		1,003	922
JP Morgan Smart Retirement Blend 2020 R6		321	135
Total	$	4,751,924	4,412,831

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

(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.

(6) Subsequent Event

On February 13, 2023, the Plan was notified that the JPMorgan SmartRetirement Blend 2015 R6 pooled investment fund would be closed and liquidated due to the low level of assets invested. Additionally, the JPMorgan SmartRetirement Blend 2020 R6 pooled investment fund was going to be merged with JPMorgan's broader target date funds and will no longer be a discrete retiree income solution. JPMorgan will close the 2015 fund on October 25, 2023 and will also close the 2020 fund to participants on the same date. Plan members may transfer out from those funds prior to that date, but any member in those funds at the closure date will be converted to an age-appropriate target date fund.

SUPPLEMENTAL SCHEDULES

Schedule 1

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

Schedules of Administrative and Investment Deductions

Years ended June 30, 2023 and 2022

(In thousands)

	Administrative	Investment	Totals 2023	Totals 2022
Personal services:				
Wages	$ 405	182	587	649
Benefits	250	85	335	406
Total personal services	655	267	922	1,055
Travel:				
Transportation	4	9	13	4
Per diem	1	2	3	1
Total travel	5	11	16	5
Contractual services:				
Management and consulting	4,464	49	4,513	4,856
Investment management and custodial fees	—	5,327	5,327	5,430
Accounting and auditing	41	2	43	45
Data processing	880	132	1,012	1,366
Communications	5	1	6	5
Advertising and printing	10	—	10	13
Rentals/leases	52	11	63	23
Legal	12	12	24	26
Repairs and maintenance	—	1	1	—
Transportation	21	—	21	27
Other professional services	45	9	54	60
Total contractual services	5,530	5,544	11,074	11,851
Other:				
Equipment	1	2	3	3
Supplies	4	9	13	9
Total other	5	11	16	12
Total administrative and investment deductions	$ 6,195	5,833	12,028	12,923

See accompanying independent auditors' report.

Schedule 2

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

Schedules of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2023 and 2022

(In thousands)

Firm	Services		2023	2022
KPMG LLP	Auditing services	$	40	37
State Street Bank and Trust	Custodial banking services		500	651
Applied Microsystems Incorporated	Data processing services		20	30
International Business Machines	Data processing services		1	—
Sagitec Solutions	Data processing services		789	1,158
SHI International Corporation	Data processing services		6	4
TechData Service Company	Data processing services		27	30
State of Alaska, Department of Law	Legal services		19	26
		$	1,402	1,936

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, 2023

(With summarized financial information for June 30, 2022)

(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:

Opinion

We have audited the combining financial statements of the State of Alaska Judicial Retirement System (the System) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying combining financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2023, and the changes in its fiduciary net 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.

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.

Report on Summarized Comparative Information

We have previously audited the System's 2022 combining financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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 for the year ended June 30, 2023 was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements for the year ended June 30, 2023. The supplemental schedules listed in the table of contents for the year ended June 30, 2023 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 for the year ended June 30, 2023 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 for the year ended June 30, 2023.

We also previously audited, in accordance with GAAS, the basic financial statements of the System as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated October 14, 2022 which expressed an unmodified opinion. The supplemental schedules listed in the table of contents for the year ended June 30, 2022 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 was subjected to the audit procedures applied in the audit of the basic financial statements for the year ended June 30, 2022 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those 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 for the year ended June 30, 2022.

(signed) KPMG LLP

Anchorage, Alaska
October ____, 2023

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

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, 2023 and 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 System during the fiscal years ended June 30, 2023 and 2022. Information for fiscal year 2021 is presented for comparative purposes.

Financial Highlights

The System's financial highlights for the year ended June 30, 2023 were as follows:

- The System's fiduciary net position restricted for pension and postemployment healthcare benefits increased by $15.3 million.
- The plan member and employer contributions of $9.3 million increased by $1.2 million when compared to fiscal year 2022.
- The State of Alaska (the State) directly appropriated $3.2 million to the System.
- The System's net investment income increased $37.4 million when compared to fiscal year 2022, to $20.2 million.
- The System's pension benefit expenditures totaled $16.0 million.
- The System's postemployment healthcare benefit expenditures totaled $1.6 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, 2023.

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, 2023. This statement presents contributions and investment income during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

(Continued)

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

The above statements represent resources available for investment and payment of benefits as of June 30, 2023, and the sources and uses of those funds during fiscal year 2023.

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	2023	2022	Increase (Decrease) Amount	Increase (Decrease) Percentage	2021
Assets:					
Cash and cash equivalents	$ 2,965,337	3,799,782	(834,445)	(22.0)%	$ 3,284,166
Due from State of Alaska General Fund	2,271,571	1,762,801	508,770	28.9	2,338,732
Other receivables	60,980	45,560	15,420	33.8	19,209
Investments at fair value	278,081,846	262,485,328	15,596,518	5.9	283,489,650
Other assets	3,076	3,076	—	—	3,076
Total assets	283,382,810	268,096,547	15,286,263	5.7	289,134,833
Liabilities:					
Claims payable	125,000	110,000	15,000	13.6	148,000
Accrued expenses	162,711	34,327	128,384	374.0	38,304
Securities lending collateral payable	313,135	502,734	(189,599)	(37.7)	727,183
Total liabilities	600,846	647,061	(46,215)	(7.1)	913,487
Plan fiduciary net position	$ 282,781,964	267,449,486	15,332,478	5.7 %	$ 288,221,346

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Condensed Financial Information (continued)

Changes in Plan Fiduciary Net Position

Description	2023	2022	Increase (decrease) Amount	Increase (decrease) Percentage	2021
Plan fiduciary net position, beginning of year	$ 267,449,486	288,221,346	(20,771,860)	(7.2)%	$ 223,880,527
Additions:					
Contributions – employer and plan member	9,346,193	8,122,637	1,223,556	15.1	8,454,676
Nonemployer contribution - State of Alaska	3,225,000	4,185,000	(960,000)	(22.9)	5,145,000
Net investment income (loss)	20,150,834	(17,288,680)	37,439,514	(216.6)	66,741,226
Employer group waiver plan	198,553	165,088	33,465	20.3	167,474
Medicare retiree drug subsidy	1,095	179,003	(177,908)	(99.4)	685
Pharmacy rebates	203,336	122,908	80,428	65.4	77,257
Pharmacy management allowance	2,112	2,277	(165)	(7.2)	1,942
Other income	4,725	101	4,624	4,578.2	22,236
Total additions (reductions)	33,131,848	(4,511,666)	37,643,514	834.4	80,610,496
Deductions:					
Pension and postemployment healthcare benefits	17,586,405	16,075,163	1,511,242	9.4	16,097,947
Refunds of contributions	39,292	—	39,292	100.0	—
Administrative	173,673	185,031	(11,358)	(6.1)	171,730
Total deductions	17,799,370	16,260,194	1,539,176	9.5	16,269,677
Increase (decrease) in fiduciary net position	15,332,478	(20,771,860)	36,104,338	(173.8)	64,340,819
Plan fiduciary net position, end of year	$ 282,781,964	267,449,486	15,332,478	5.7 %	$ 288,221,346

Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2023 and 2022 show net position restricted for pension and postemployment healthcare benefits of $282,781,964 and $267,449,486, respectively. The entire amount is available to cover the System's obligation to pay pension and postemployment healthcare benefits to its members and their beneficiaries, as well as administrative costs.

This represents an increase in the System's net position restricted for pension and postemployment healthcare benefits of $15,332,478 or 5.7% from fiscal year 2022 to 2023, and a decrease of $20,771,860 or 7.2% from fiscal year 2021 to 2022. 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 2023 Operating Budget, House Bill 281 appropriated $3,225,000 from the General Fund to the Department of Administration for deposit in the Defined Benefit Pension fund.

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

June 30, 2023

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 2023 and 2022, the Board adopted the following asset allocations:

	2023 Pension and healthcare trusts		2022 Pension and healthcare trusts	
	Allocation	Range	Allocation	Range
Broad domestic equity	27.0 %	± 6%	27.0 %	± 6%
Global equity ex-U.S.	18.0	± 4%	18.0	± 4%
Fixed income	19.0	± 10%	21.0	± 10%
Multi-asset	8.0	± 4%	6.0	± 4%
Real assets	14.0	± 7%	14.0	± 7%
Private equity	14.0	± 7%	14.0	± 6%
Total	100.0 %		100.0 %	
Expected return 20-year geometric mean	6.90 %		6.88 %	
Project standard deviation	13.93		13.89	

For fiscal years 2023 and 2022, the Pension Plan's investments generated a 7.07% and (4.09)% rate of return, respectively. For fiscal years 2023 and 2022, the Alaska Retiree Healthcare Trust Plan's investments generated a 7.11% and (4.07)% 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:

Description	Additions 2023	2022	Increase (decrease) Amount	Percentage	2021
Employer contributions	$ 8,440,087	7,260,609	1,179,478	16.2 %	7,616,990
Plan members contributions	906,106	862,028	44,078	5.1 %	837,686
Nonemployer contributions – State of Alaska	3,225,000	4,185,000	(960,000)	(22.9)%	5,145,000
Net investment income (loss)	20,150,834	(17,288,680)	37,439,514	216.6 %	66,741,226
Employer group waiver plan	198,553	165,088	33,465	20.3 %	167,474
Medicare retiree drug subsidy	1,095	179,003	(177,908)	(99.4)%	685
Pharmacy rebates	203,336	122,908	80,428	65.4 %	77,257
Pharmacy management allowance	2,112	2,277	(165)	(7.2)%	1,942
Other income	4,725	101	4,624	4,578.2 %	22,236
	$ 33,131,848	(4,511,666)	37,643,514	834.4 %	80,610,496

The System's employer contributions increased from $7,260,609 during fiscal year 2022 to $8,440,087 in fiscal year 2023, an increase of $1,179,478, or 16.2%. 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 increase in employer contributions for fiscal year 2023 resulted from an increase in salaries starting in November 2022, which increased employer and plan member contributions. Additionally, the Alaska Court System also made additional funding outside the payroll process during this time. Due to the funded status of the System, the actuarially determined contribution rate was reduced for past service cost and resulted in a reduction in the nonemployer contribution. The decrease in employer contributions for fiscal year 2022 was caused by a reduction in additional funding from the employer outside the payroll process.

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 46.0% in fiscal year 2022 to 45.34% in fiscal year 2023. The Alaska Court System also contributed additional employer contributions in fiscal year 2023 outside of the payroll process to aid in the funded level of the pension plan.

The System's net investment income in fiscal year 2023 increased by $37,439,514 or 216.6% from amounts in fiscal year 2022. 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 investment gains in fiscal year 2023 were substantially higher than the investment losses seen in fiscal year 2022, primarily due to improved investor sentiment in domestic stocks and an increase in overseas stocks aided through currency appreciation versus the U.S. dollar that exceeded the System's actuarial rate of return. However, other investment classes did not fare as well, ending the year below the 7.25% rate of return. Over the long term, investment earnings play a significant role in funding System 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 2023, the Plan received $198,553 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. During fiscal year 2023, the Plan received $203,336 compared to $122,908 from fiscal year 2022 and $77,257 in fiscal year 2021. The change from year to year is based upon usage of prescription drugs and rebates available during each fiscal year for those prescriptions. Usage varies annually which has a direct impact on rebates.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

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

	Year ended		
	2023	**2022**	**2021**
Plan returns	7.07 %	(4.09)%	27.64 %
Broad domestic equity	17.78	(11.74)	42.69
Global equity ex-U.S.	15.14	(20.95)	38.54
Fixed income	0.57	(6.99)	2.19
Multi-asset	4.10	(10.58)	23.85
Real assets	2.37	14.29	9.86
Private equity	(3.28)	26.25	50.67
Actuarially assumed rate of return	7.25	7.25	7.38

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

	Year ended		
	2023	**2022**	**2021**
Plan returns	7.11 %	(4.07)%	27.69 %
Broad domestic equity	17.78	(11.73)	42.69
Global equity ex-U.S.	15.14	(20.95)	38.57
Fixed income	0.37	(6.99)	2.20
Multi-asset	4.09	(10.58)	23.86
Real assets	2.88	14.41	10.00
Private equity	(3.28)	26.25	50.67
Actuarially assumed rate of return	7.25	7.25	7.38

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)		
	2023	2022	Amount	Percentage	2021
Pension benefits	$ 16,032,039	14,770,632	1,261,407	8.5 %	$ 14,368,857
Postemployment healthcare benefits	1,554,366	1,304,531	249,835	19.2	1,729,090
Refunds of contributions	39,292	—	39,292	100.0	—
Administrative	173,673	185,031	(11,358)	(6.1)	171,730
Total	$ 17,799,370	16,260,194	1,539,176	9.5 %	$ 16,269,677

The System's pension benefit payments in 2023 increased $1,261,407 or 8.5% from fiscal year 2022, which increased $401,775 or 2.8% from fiscal year 2021. The increase in pension benefits in fiscal year 2023 is primarily the result of House Bill 62 which increased retiree benefits by 5% effective with the November 2022 monthly payroll. There was also a slight increase in the number of benefit recipients as well as modifications to pension benefit payments due to change from regular benefits to those of survivors, which is a different benefit payment. 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 2.8%.

The System's postemployment healthcare benefit payments in fiscal year 2023 increased $249,835 or 19.2% from fiscal year 2022, which decreased $424,559 or 24.6% from fiscal year 2021. The fiscal year 2023 increase in healthcare costs was due to an increase in per member claim costs.

Net Pension Asset

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. 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, or the overfunded portion of the total pension liability.

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

		2023	2022
Total pension liability	$	215,813,907	208,987,920
Plan fiduciary net position		(239,742,591)	(227,181,866)
Employer's net pension asset	$	(23,928,684)	(18,193,946)
Plan fiduciary net position as a percentage of the total pension liability		111.09 %	108.71 %

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:

		2023	2022
Total OPEB liability	$	19,234,976	18,309,351
Plan fiduciary net position		(43,039,373)	(40,267,620)
Employer's net OPEB asset	$	(23,804,397)	(21,958,269)
Plan fiduciary net position as a percentage of the total OPEB liability		223.76 %	219.93 %

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 2023, the 33rd Alaska State Legislature enacted one law that affects the System. Senate Committee Substitute (CS) for CS for House Bill 39, Section 74(c), appropriates $2,593,000 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, 2024.

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

Fiscal year 2023 had positive investment returns, but short of the actuarial rate of return of 7.25%. Net investment income increased from a negative $17,288,680 in fiscal year 2022 to $20,150,834 in fiscal year 2023, an increase of $37,439,514, or 216.6%. 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 report as of June 30, 2022 reported that the Defined Benefit Pension Plan had a funded ratio of 101.6% and a funding excess of $3.6 million, and the ARHCT Plan had a funded ratio of 228.7% and a funding excess of $23.0 million.

The actuarial roll-forward valuation for June 30, 2021 reported that the Defined Benefit Pension Plan had a funded ratio of 98.6% and an unfunded liability of $3.1 million, and the ARHCT Plan had a funded ratio of 211.4% and a funding excess of $20.0 million.

The decrease in the Pension Plan unfunded liability is attributable to an actuarial asset gain of $2.4 million, demographic experience loss of $2.2 million, and a reduction of the actuarial accrued liability for the new assumptions by approximately $16.7 million. The increase in the ARHCT Plan funding excess is attributable to an actuarial asset gain of $0.5 million, demographic experience loss of $0.1 million, and a reduction of the actuarial accrued liability for the new assumptions by approximately $0.6 million.

Both the actuarial valuation report of June 30, 2022 and the actuarial roll-forward valuation report of June 30, 2021 are posted to the Plan's web page. The actuarial valuation reports for the Plan are conducted biennially. The actuarial valuation report for June 30, 2022 was presented to the Board in June 2023, and adopted in September 2023. The actuarial roll-forward valuation for June 30, 2021 report was completed and presented in March 2022, and adopted by the Board in June 2022. The Board 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 were used in the 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 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

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

Combining Statement of Fiduciary Net Position

June 30, 2023
(With summarized financial information for June 30, 2022)

	Defined benefit pension	Alaska Retiree Healthcare Trust	System total June 30, 2023	System total June 30, 2022
Assets:				
Cash and cash equivalents:				
Short-term fixed income pool	$ 2,265,997	386,205	2,652,202	3,297,048
Securities lending collateral	265,112	48,023	313,135	502,734
Total cash and cash equivalents	2,531,109	434,228	2,965,337	3,799,782
Receivables:				
Due from State of Alaska General Fund	2,239,028	32,543	2,271,571	1,762,801
Other receivables	—	60,980	60,980	45,560
Total receivables	2,239,028	93,523	2,332,551	1,808,361
Investments at fair value:				
Fixed income securities:				
Transition pool	3,010,658	546,438	3,557,096	—
Barclays aggregate bond fund	8,543,576	1,550,713	10,094,289	9,509,809
Opportunistic fixed income pool	31,796,039	5,771,077	37,567,116	39,910,259
Total fixed-income securities	43,350,273	7,868,228	51,218,501	49,420,068
Broad domestic equity pool:				
Large cap pool	54,075,341	9,814,741	63,890,082	59,249,704
Small cap pool	4,870,762	884,086	5,754,848	5,220,497
Total broad domestic equity	58,946,103	10,698,827	69,644,930	64,470,201
Global equity ex-U.S.:				
International equity pool	33,544,602	6,088,370	39,632,972	34,996,390
Emerging markets equity pool	7,337,391	1,331,701	8,669,092	7,831,918
Total global equity ex-U.S.	40,881,993	7,420,071	48,302,064	42,828,308
Multi-asset:				
Alternative equity pool	2,402,130	435,992	2,838,122	2,741,618
Alternative beta pool	2,236,171	405,880	2,642,051	3,021,469
Alternative fixed income pool	6,518,469	1,183,099	7,701,568	7,226,288
Other opportunities pool	—	—	—	37,282
Tactical allocation strategies pool	8,220,820	1,492,072	9,712,892	9,708,016
Total multi-asset	19,377,590	3,517,043	22,894,633	22,734,673
Private equity pool	38,676,221	7,019,787	45,696,008	43,820,113
Real assets:				
Real estate pool	12,554,328	2,267,437	14,821,765	15,654,265
Real estate investment trust pool	3,637,368	660,173	4,297,541	4,377,605
Infrastructure private pool	6,521,604	1,183,673	7,705,277	6,933,697
Energy pool	406,660	73,809	480,469	552,351
Farmland pool	8,012,591	1,454,261	9,466,852	8,361,931
Timber pool	3,007,901	545,905	3,553,806	3,332,116
Total real assets	34,140,452	6,185,258	40,325,710	39,211,965
Total investments	235,372,632	42,709,214	278,081,846	262,485,328
Other assets	—	3,076	3,076	3,076
Total assets	240,142,769	43,240,041	283,382,810	268,096,547
Liabilities:				
Claims payable	—	125,000	125,000	110,000
Accrued expenses	135,066	27,645	162,711	34,327
Securities lending collateral payable	265,112	48,023	313,135	502,734
Total liabilities	400,178	200,668	600,846	647,061
Net position restricted for pension and postemployment healthcare benefits	$ 239,742,591	43,039,373	282,781,964	267,449,486

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, 2023
(With summarized financial information for June 30, 2022)

	Defined benefit pension	Alaska Retiree Healthcare Trust	System total June 30, 2023	System total June 30, 2022
Additions (reductions):				
Contributions:				
Employer	$ 7,518,356	921,731	8,440,087	7,260,609
Plan members	906,106	—	906,106	862,028
Nonemployer contribution – State of Alaska	3,225,000	—	3,225,000	4,185,000
Total contributions	11,649,462	921,731	12,571,193	12,307,637
Investment income (loss):				
Net appreciation (depreciation) in fair value	14,066,948	2,525,508	16,592,456	(20,353,300)
Interest	1,148,854	205,034	1,353,888	1,013,420
Dividends	2,486,394	449,123	2,935,517	2,741,704
Total investment income (loss)	17,702,196	3,179,665	20,881,861	(16,598,176)
Less investment expense	629,801	110,878	740,679	697,018
Net investment income (loss) before securities lending activities	17,072,395	3,068,787	20,141,182	(17,295,194)
Securities lending income	10,235	1,830	12,065	8,143
Less securities lending expense	2,047	366	2,413	1,629
Net income from securities lending activities	8,188	1,464	9,652	6,514
Net investment income (loss)	17,080,583	3,070,251	20,150,834	(17,288,680)
Other income:				
Employer group waiver plan	—	198,553	198,553	165,088
Medicare retiree drug subsidy	—	1,095	1,095	179,003
Pharmacy rebates	—	203,336	203,336	122,908
Pharmacy management allowance	—	2,112	2,112	2,277
Miscellaneous income	—	4,725	4,725	101
Total other income	—	409,821	409,821	469,377
Total additions (reductions)	28,730,045	4,401,803	33,131,848	(4,511,666)
Deductions:				
Pension and postemployment healthcare benefits	16,032,039	1,554,366	17,586,405	16,075,163
Refunds of contributions	39,292	—	39,292	—
Administrative	97,989	75,684	173,673	185,031
Total deductions	16,169,320	1,630,050	17,799,370	16,260,194
Net increase (decrease)	12,560,725	2,771,753	15,332,478	(20,771,860)
Net position restricted for pension and postemployment healthcare benefits:				
Balance, beginning of year	227,181,866	40,267,620	267,449,486	288,221,346
Balance, end of year	$ 239,742,591	43,039,373	282,781,964	267,449,486

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, 2023

(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, 2023, 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	2
Active plan members	74
	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 2023 and 2022, employer contribution rates are 70.08% and 77.25% of eligible compensation, respectively, of which only the employer normal cost rates of 45.53% and 46.00% 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.

(Continued)

(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, 2023, 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	2
Active plan members	74
	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 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) 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, 2023 for the Defined Benefit Pension Plan is 7.55% and for the ARHCT Plan is 7.65%.

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 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, 2023 were as follows:

Total pension liability	$	215,813,907
Plan fiduciary net position		(239,742,591)
Employers' net pension asset	$	(23,928,684)
Plan fiduciary net position as a percentage of the total pension liability		111.09 %

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2023, with adjustments for the salary increase and pensioner benefit increase assumptions that were modified effective June 30, 2023 as noted below:

Inflation	2.50% per year
Salary scale and pensioner benefit payment increases	5.00% for FY23, 0.00% for FY24, 5.00% for FY25, 0.00% for FY26-28, 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 Non-Safety Disabled Retiree table, 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 section 4 of the 2022 actuarial valuation report.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience. For the June 30, 2022 valuation, the salary increase and pensioner benefit increase assumptions were modified to be 5% for FY23, and 3% per year thereafter. The salary increase and pensioner benefit increase assumptions were further modified effective June 30, 2023 to be 0% for FY24, 5% for FY25, 0% for FY26-28, and 3% per year thereafter to better reflect expected short-term experience.

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, 2023 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.82%).

Asset class	Long-term expected real rate of return
Domestic equity	6.17 %
Global equity (non-U.S.)	6.55
Aggregate bonds	1.63
Real assets	4.87
Private equity	11.57
Cash equivalents	0.49

(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 4.13% as of June 30, 2023.

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

The following presents the net pension asset of the System as of June 30, 2023, calculated using the discount rate of 7.25%, as well as what the System'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:

	1.00% decrease (6.25%)	Current discount rate (7.25%)	1.00% increase (8.25%)
Net pension asset	$ 2,011,524	23,928,684	42,586,258

(5) Net OPEB Asset – ARHCT Plan

The components of the net OPEB asset of the participating employer of the Plan at June 30, 2023 were as follows:

Total OPEB liability	$	19,234,976
Plan fiduciary net position		(43,039,373)
Employer’s net OPEB asset	$	(23,804,397)
Plan fiduciary net position as a percentage of the total OPEB liability		223.76 %

(a) Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2023, with adjustments for the salary increase assumption that was modified effective June 30, 2023 as noted below.

Inflation	2.50% per year
Salary increases	5.00% for FY23, 0.00% for FY24, 5.00% for FY25, 0.00% for FY26-28, 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: 6.7% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Rx / EGWP: 7.2% grading down to 4.5% Initial trend rates are for FY 2024 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 Section 4 of the 2022 actuarial valuation report.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience. For the June 30, 2022 valuation, the salary increase assumption was modified to be 5% for FY23, and 3% thereafter. The salary increase assumption was further modified effective June 30, 2023 to be 0% for FY24, 5% for FY25, 0% for FY26-28, and 3% per year thereafter to better reflect expected short-term experience. In addition, the per capita claims costs were updated to reflect recent experience for the June 30, 2022 actuarial valuation.

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, 2023 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.82%):

Asset class	Long-term expected real rate of return
Domestic equity	6.17 %
Global equity (non-U.S.)	6.55
Aggregate bonds	1.63
Real assets	4.87
Private equity	11.57
Cash equivalents	0.49

(b) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2023 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 4.13% as of June 30, 2023.

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

The following presents the net OPEB asset as of June 30, 2023, 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	$ 21,641,602	23,804,397	25,626,879

(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, 2023, calculated using the healthcare cost trend rates as summarized in the 2022 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	$ 25,967,349	23,804,397	21,207,016

(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:

	2023	2022
Total, beginning of year	$ 110,000	148,000
Healthcare benefits	1,554,366	1,304,531
Benefits paid	(1,539,366)	(1,342,531)
Total, end of year	$ 125,000	110,000

(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
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

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

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:										
Service cost	$ 5,236,993	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
Interest	14,910,304	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
Differences between expected and actual experience	2,914,170	—	4,375,904	—	(13,087,119)	41,775	(10,826,335)	35,662	(11,187,236)	—
Changes of assumptions	(164,149)	(16,802,169)	(23,795,345)	(16,406,216)	10,539,605	—	—	—	4,219,851	—
Benefit payments, including refunds of member contributions	(16,071,331)	(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)
Net change in total pension liability	6,825,987	(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
Total pension liability – beginning	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
Total pension liability – ending (a)	215,813,907	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
Plan fiduciary net position:										
Contributions – employers	7,518,356	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
Contributions – member	906,106	862,028	837,686	838,676	813,374	832,718	886,162	801,924	810,819	780,054
Contributions – nonemployer (State)	3,225,000	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
Net investment income (loss)	17,080,583	(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
Benefit payments, including refunds of member contributions	(16,071,331)	(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)
Administrative expenses	(97,989)	(107,041)	(97,022)	(106,618)	(59,094)	(62,933)	(79,219)	(60,330)	(86,243)	(65,716)
Other income	—	—	7,891	—	—	—	—	2,364	92	12
Net change in plan fiduciary net position	12,560,725	(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
Plan fiduciary net position – beginning	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 fiduciary net position – ending (b)	239,742,591	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
Plan's net pension (asset) liability (a)–(b)	$ (23,928,684)	(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
Plan fiduciary net position as a percentage of the total pension liability	111.09 %	108.71 %	112.04 %	82.80 %	78.25 %	77.43 %	75.72 %	66.93 %	70.28 %	69.29 %
Covered payroll	$ 14,035,020	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
Net pension (asset) liability as a percentage of covered payroll	(170.49)%	(127.91)%	(188.95)%	280.34 %	371.97 %	371.98 %	383.60 %	537.49 %	453.73 %	469.47 %

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

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

Required Supplementary Information (Unaudited)

Schedule of Employer and Nonemployer Contributions – Defined Benefit Pension Plan

Last 10 Fiscal Years

Fiscal Year		Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2023	$	8,924,869	10,743,356	(1,818,487)	14,035,020	76.55 %
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 %

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

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

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Defined Benefit Pension Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2023	7.55 %
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 %

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

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

Required Supplementary Information (Unaudited)

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

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	$ 1,027,437	829,927	910,724	757,923	784,426	689,538	733,897
Interest	1,359,404	1,345,479	1,429,308	1,339,558	1,511,105	1,391,440	1,317,927
Change in benefit terms	(239,781)	—	—	—	—	—	—
Differences between expected and actual experience	1,485,617	10,475	663,374	172,561	(735,641)	592,098	209,718
Changes of assumptions	(1,513,402)	(740,072)	(2,763,326)	131,866	(1,214,467)	—	—
Benefit payments, including refunds of member contributions	(1,392,203)	(1,222,192)	(1,692,383)	(1,267,666)	(978,813)	(1,575,877)	(1,031,148)
EGWP rebates	198,553	165,088	167,474	108,886	22,294	—	—
Net change in total OPEB liability	925,625	388,705	(1,284,829)	1,243,128	(611,096)	1,097,199	1,230,394
Total OPEB liability – beginning	18,309,351	17,920,646	19,205,475	17,962,347	18,573,443	17,476,244	16,245,850
Total OPEB liability – ending (a)	19,234,976	18,309,351	17,920,646	19,205,475	17,962,347	18,573,443	17,476,244
Plan fiduciary net position:							
Contributions – employer	921,731	622,469	654,383	730,363	591,397	620,951	627,649
Contributions – EGWP rebates	198,553	165,088	167,474	108,886	22,294	—	—
Contributions – RDS	1,095	179,003	685	—	74,248	20,943	—
Net investment income (loss)	3,070,251	(2,615,054)	10,024,558	1,377,730	1,901,255	2,455,182	3,470,206
	4,191,630	(1,648,494)	10,847,100	2,216,979	2,589,194	3,097,076	4,097,855
Benefit payments	(1,554,366)	(1,304,531)	(1,729,090)	(1,425,588)	(1,059,105)	(1,590,842)	(1,031,148)
Pharmacy rebates	203,336	122,908	77,257	202,491	117,852	43,577	—
Pharmacy management allowance	2,112	2,277	1,942	—	—	—	—
Administrative Services Only (ASO) fees	(43,285)	(42,846)	(42,492)	(44,569)	(37,560)	(28,611)	—
Net benefit payments	(1,392,203)	(1,222,192)	(1,692,383)	(1,267,666)	(978,813)	(1,575,876)	(1,031,148)
Administrative expenses, excluding ASO fees	(32,399)	(35,144)	(32,216)	(29,092)	(17,950)	(15,127)	(50,762)
Other	4,725	101	14,345	23,956	2,291	244	127,457
Net change in plan fiduciary net position	2,771,753	(2,905,729)	9,136,846	944,177	1,594,722	1,506,317	3,143,402
Plan fiduciary net position – beginning	40,267,620	43,173,349	34,036,503	33,092,326	31,497,604	29,991,287	26,847,885
Plan fiduciary net position – ending (b)	43,039,373	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)	$ (23,804,397)	(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	223.76 %	219.93 %	240.91 %	177.22 %	184.23 %	169.58 %	171.61 %
Covered payroll	$ 14,035,020	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	(169.61)%	(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
2023	$ 910,873	921,731	(10,858)	14,035,020	6.57 %
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 %

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
2023	7.65 %
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, 2023

(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, 2022 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 – 7.25% per year, net of investment expenses

(e) Salary scale – 5% for FY23, and 3.00% per year thereafter

(f) Payroll growth – 2.75% per year (2.50% inflation + 0.25% 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 $305,000 for 2022. This limit is assumed to increase 2.50% each year thereafter.

Benefits are limited to the IRC 415 amount, which was $245,000 for 2022. This limit is assumed to increase 2.50% each year thereafter.

(i) Benefit payment increases – Benefits for retired members are assumed to increase 5.00% for FY23, and 3.00% per year thereafter. Increases are assumed to be effective at the beginning of each fiscal year.

(j) Mortality (pre-commencement) – Mortality rates based upon the 2017–2021 actual experience, to the extent the experience was statistically credible.

- Pension: Pub-2010 General Employee table, above-median, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 General Employee table, above-median, headcount-weighted, and projected with MP-2021 generational improvement.

(k) Mortality (post-commencement) – Mortality rates based upon the 2017–2021 actual experience, to the extent the experience was statistically credible.

Retiree mortality in accordance with the following tables:

- Pension: Pub-2010 General Retiree table, above-median, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 General Retiree table, above-median, headcount-weighted, and projected with MP-2021 generational improvement.

Beneficiary mortality in accordance with the following tables. These tables are applied only after the death of the original member.

- Pension: Pub-2010 Contingent Survivor table, above-median, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Contingent Survivor table, above-median, headcount-weighted, and projected with MP-2021 generational improvement.

(l) Turnover – Turnover rates cease once a member is eligible for retirement.

(m) Disability – Disability rates cease once a member is eligible for retirement.

Post-disability mortality in accordance with the following tables:

- Pension: Pub-2010 Non-safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Non-safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

(n) Retirement – Deferred vested members are assumed to retire at age 60.

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

(p) Percent married for pension – 90% of male members and 70% of female members are assumed to be married at termination from active service.

(q) Dependent spouse medical coverage election – Applies to members who do not have double medical coverage. 80% of male members and 60% of female members are assumed to be married and cover a dependent spouse.

(r) 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).

(s) 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.

(t) Administrative expenses – The investment return assumption is net of investment expenses. The Normal Cost as of June 30, 2022 was increased by the following amounts. These amounts are based on the average of actual administrative expenses during the last two fiscal years.

- Pension – $102,000
- Healthcare – $34,000

(u) 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.

(v) Early retirement factors – Division staff provided the early retirement factors, which reflect grandfathered factors.

(w) 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.

(x) Health participation – 100% system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

(y) Medicare Part B Only – It's assumed that 2% 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 per capita claims cost – Sample claims cost rates adjusted to age 65 for FY23 medical and prescription drug are shown below. The prescription drug costs reflect the plan change to require prior authorization for certain specialty medications. The pre-Medicare medical cost reflects the coverage of additional preventive benefits:

	Medical	Prescription drugs
Pre-Medicare	$ 15,706	3,712
Medicare Parts A and B	1,625	3,907
Medicare Part B only	5,363	3,907
Medicare Part D – EGWP	N/A	1,309

Members are assumed to attain Medicare eligibility at age 65. All costs are for the 2023 fiscal year (July 1, 2022 – June 30, 2023).

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.

(aa) Healthcare morbidity – Morbidity rates (also called aging factors) are used to estimate utilization of healthcare benefits at each age to reflect the fact that healthcare utilization increases with age. Separate morbidity rates are used for medical and prescription drug benefits. These rates are based on the 2017–2021 actual experience.

Age	Medical	Prescription drugs
0–44	2.0 %	4.5 %
45–54	2.5	3.5
55–64	2.5	1.0
65–74	2.0	2.1
75–84	2.2	(0.3)
85–94	0.5	(2.5)
95+	—	—

(bb) Healthcare third-party administrator fees – $449 per person per year; assumed trend rate of 4.50% per year (cc) 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, 7.00% is applied to the FY23 pre-Medicare medical claims cost to get the FY24 medical claims cost:

	Medical		Prescription
Fiscal year	**Pre-65**	**Post-65**	**drugs/EGWP**
2023	7.00 %	5.50 %	7.50 %
2024	6.70	5.50	7.20
2025	6.40	5.40	6.90
2026	6.20	5.40	6.65
2027	6.05	5.35	6.35
2028	5.85	5.35	6.10
2029	5.65	5.30	5.80
2030	5.45	5.30	5.55
2031-2038	5.30	5.30	5.30
2039	5.25	5.25	5.25
2040	5.20	5.20	5.20
2041	5.10	5.10	5.10
2042	5.05	5.05	5.05
2043	4.95	4.95	4.95
2044	4.90	4.90	4.90
2045	4.80	4.80	4.80
2046	4.75	4.75	4.75
2047	4.70	4.70	4.70
2048	4.60	4.60	4.60
2049	4.55	4.55	4.55
2050+	4.50	4.50	4.50

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.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2023

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, 2022

There have been no changes in actuarial methods since the prior valuation.

Changes in Actuarial Assumptions since the Prior Valuation – June 30, 2020 to June 30, 2022

Effective for the June 30, 2022 valuation, the Board adopted the changes to the demographic and economic assumptions recommended by the actuary, based on the results of an experience study performed on the Plan experience from July 1, 2017 to June 30, 2021. The changes in assumptions were adopted at the June 2022 Board meeting. The effect of the new assumptions was to decrease the actuarial accrued liability as of June 30, 2022 by approximately $16.7 million for pension and $0.6 million for healthcare. For the June 30, 2022 valuation, the salary increase and pensioner benefit increase assumptions were further modified to be 5.00% for FY23, and 3.00% per year thereafter to better reflect expected short-term experience. The effect of the new assumptions was to decrease the Actuarial Accrued Liability as of June 30, 2022 by approximately $1.2 million (pension) and $0.8 million (healthcare).

The healthcare per capital claims cost assumption is updated for each valuation. The amounts included in the Normal Cost for the administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets.

Changes in Benefit Provisions since the Prior Valuation – June 30, 2020 to June 30, 2022

Starting in 2022, prior authorization is required for certain specialty medications for all participants, and certain preventive benefits for pre-Medicare participants are covered by the plan. These changes created an actuarial gain of approximately $0.2 million. There have been no other changes in benefit provisions valued since the prior valuation.

SUPPLEMENTAL SCHEDULES

Schedule 1

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

Schedules of Administrative and Investment Deductions

Years ended June 30, 2023 and 2022

	Administrative	Investment	Total 2023	Total 2022
Personal services:				
Wages	$ 18,603	31,143	49,746	45,089
Benefits	11,606	14,529	26,135	25,667
Total personal services	30,209	45,672	75,881	70,756
Travel:				
Transportation	63	630	693	262
Per diem	10	120	130	46
Total travel	73	750	823	308
Contractual services:				
Management and consulting	67,910	8,424	76,334	78,138
Investment management and custodial fees	—	670,970	670,970	639,295
Accounting and auditing	44,052	216	44,268	44,319
Data processing	26,087	10,606	36,693	40,890
Communications	367	117	484	491
Advertising and printing	219	20	239	858
Rental/leases	2,166	1,094	3,260	1,558
Legal	456	694	1,150	961
Repairs and maintenance	16	31	47	18
Transportation	75	15	90	923
Securities lending expenses	—	2,413	2,413	1,629
Other professional services	1,871	735	2,606	2,518
Total contractual services	143,219	695,335	838,554	811,598
Other:				
Supplies	144	1,040	1,184	883
Equipment	28	295	323	133
Total other	172	1,335	1,507	1,016
Total administrative and investment deductions	$ 173,673	743,092	916,765	883,678

See accompanying independent auditors' report.

Schedule 2

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

Schedules of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2023 and 2022

Firm	Services		2023	2022
Buck Global LLC	Actuarial services	$	20,885	27,016
KPMG LLP	Auditing services		44,000	44,000
State Street Bank and Trust	Custodial banking services		12,211	12,496
Applied Microsystems Incorporated	Data processing services		2,637	2,118
Sagitec Solutions	Data processing services		19,661	26,587
TechData Service Company	Data processing services		1,102	1,138
		$	100,496	113,355

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

See accompanying independent auditors’ report.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2023

(With summarized financial information for June 30, 2022)

(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:

Opinion

We have audited the combining financial statements of the State of Alaska Teachers' Retirement System (the System), a component unit of the State of Alaska, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying combining financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2023, and the changes in its fiduciary net 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.

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.

Report on Summarized Comparative Information

We have previously audited the System's 2022 combining financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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 for the year ended June 30, 2023 was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements for the year ended June 30, 2023. The supplemental schedules listed in the table of contents for the year ended June 30, 2023 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 for the year ended June 30, 2023 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 for the year ended June 30, 2023.

We also previously audited, in accordance with GAAS, the basic financial statements of the System as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated October 14, 2022 which expressed an unmodified opinion. The supplemental schedules listed in the table of contents for the year ended June 30, 2022 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 was subjected to the audit procedures applied in the audit of the basic financial statements for the year ended June 30, 2022 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those 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 for the year ended June 30, 2022.

(signed) KPMG LLP

Anchorage, Alaska
October __, 2023

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

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, 2023 and 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 System during the fiscal years ended June 30, 2023 and 2022. Information for fiscal year 2021 is presented for comparative purposes.

Financial Highlights

The System's financial highlights for the year ended June 30, 2023 were as follows:

- The System's fiduciary net position restricted for pension benefits, postemployment healthcare benefits, and individuals increased by $369.1 million.
- The System's employers and plan members contributions increased by $5.7 million when compared to fiscal year 2022.
- The State of Alaska (the State) directly appropriated $90.4 million to the System.
- The System's net investment income increased $1.6 billion when compared to fiscal year 2022, to $814.7 million.
- The System's pension benefit expenditures totaled $536.9 million.
- The System's postemployment healthcare benefit expenditures totaled $170.8 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, 2023.

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, 2023. 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, 2023, and the sources and uses of those funds during fiscal year 2023.

(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	2023	2022	Increase (decrease) Amount	Increase (decrease) Percentage	2021
Assets:					
Cash and cash equivalents	$ 110,428	127,477	(17,049)	(13.4)%	$ 114,711
Contributions receivable	10,917	11,176	(259)	(2.3)	9,952
Due from State of Alaska General Fund	9,399	11,289	(1,890)	(16.7)	7,881
Other accounts receivables	4,878	4,393	485	11.0	1,834
Investments	10,708,951	10,329,028	379,923	3.7	11,461,725
Other assets	318	318	—	—	318
Total assets	10,844,891	10,483,681	361,210	3.4	11,596,421
Liabilities:					
Claims payable	13,957	13,004	953	7.3	12,733
Accrued expenses	3,867	3,023	844	27.9	2,403
Forfeitures payable to employers	59	54	5	9.3	61
Due to State of Alaska General Fund	2,812	5,211	(2,399)	(46.0)	5,274
Securities lending collateral payable	11,080	18,368	(7,288)	(39.7)	27,323
Total liabilities	31,775	39,660	(7,885)	(19.9)	47,794
Net position	$ 10,813,116	10,444,021	369,095	3.5 %	$ 11,548,627

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Condensed Financial Information (continued)

Changes in System net position (In thousands)

Description	2023	2022	Increase (decrease) Amount	Increase (decrease) Percentage	2021
Net position, beginning of year	$ 10,444,021	11,548,627	(1,104,606)	(9.6)%	$ 9,183,451
Additions:					
Contributions – employers and plan members	178,132	172,442	5,690	3.3	171,229
Contributions – nonemployer State of Alaska	90,412	141,739	(51,327)	(36.2)	134,070
Net investment income (loss)	814,723	(742,368)	1,557,091	209.7	2,713,316
Employer group waiver plan	20,392	18,526	1,866	10.1	18,296
Medicare retiree drug subsidy	138	311	(173)	(55.6)	62
Pharmacy rebates	17,992	14,751	3,241	22.0	12,101
Pharmacy management allowance	64	69	(5)	(7.2)	85
Other income	229	63	166	263.5	549
Total additions (deductions)	1,122,082	(394,467)	1,516,549	(384.5)	3,049,708
Deductions:					
Pension and postemployment healthcare benefits	707,666	668,397	39,269	5.9	648,104
Refunds of contributions	32,358	28,155	4,203	14.9	23,781
Administrative	12,963	13,587	(624)	(4.6)	12,647
Total deductions	752,987	710,139	42,848	6.0	684,532
Increase (decrease) in net position	369,095	(1,104,606)	1,473,701	(133.4)	2,365,176
Net position, end of year	$ 10,813,116	10,444,021	369,095	3.5 %	$ 11,548,627

Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2023 and 2022 show net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $10,813,116,000 and $10,444,021,000, respectively. The entire amount is available to cover the System's obligation to pay pension and postemployment healthcare benefits to its members and their beneficiaries, as well as administrative costs.

This represents an increase in the System's net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $369,095,000 or 3.5% from fiscal year 2022 to 2023, and a decrease of $1,104,606,000 or 9.6% from fiscal year 2021 to 2022. Over the long term, employers, plan members, 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 2023 Operating Budget, House Bill 281 appropriated $91,029,000 from the General 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 2023 and 2022, 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:

	2023		2022	
	Pension and Healthcare Trusts		Pension and Healthcare Trusts	
	Allocation	Range	Allocation	Range
Broad domestic equity	27.0%	± 6%	27.0%	± 6%
Global equity (ex-U.S.)	18.0	± 4%	18.0	± 4%
Fixed income	19.0	± 10%	21.0	± 10%
Multi-asset	8.0	± 4%	6.0	± 4%
Real assets	14.0	± 7%	14.0	± 7%
Private equity	14.0	± 7%	14.0	± 6%
Total	100.0%		100.0%	
Expected return 20-year geometric mean	6.90%		6.88%	
Projected standard deviation	13.93		13.89	

For fiscal years 2023 and 2022, the DB Pension Plan's investments generated a 7.02% and (4.10%) rate of return, respectively. For fiscal years 2023 and 2022, the Alaska Retiree Healthcare Trust Plan's investments generated a 7.11% and (4.08%) rate of return, respectively.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

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)		
	2023	**2022**	**Amount**	**Percentage**	**2021**
Contributions – employers	$ 105,019	102,946	2,073	2.0 %	$ 101,374
Contributions – plan members	73,113	69,496	3,617	5.2	69,855
Contributions – nonemployer					
State of Alaska	90,412	141,739	(51,327)	(36.2)	134,070
Net investment income (loss)	814,723	(742,368)	1,557,091	209.7	2,713,316
Employer group waiver plan	20,392	18,526	1,866	10.1	18,296
Medicare retiree drug subsidy	138	311	(173)	(55.6)	62
Pharmacy rebates	17,992	14,751	3,241	22.0	12,101
Pharmacy management allowance	64	69	(5)	(7.2)	85
Other income	229	63	166	263.5	549
Total	$ 1,122,082	(394,467)	1,516,549	(384.5)%	$ 3,049,708

The System's employer contributions increased from $102,946,000 in fiscal year 2022 to $105,019,000 in fiscal year 2023, an increase of $2,073,000 or 2.0%. 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 increase in employer contributions for both fiscal year 2023 and 2022 are attributed to increases in total member salaries.

The State provided $90,412,000 and $141,739,000 for fiscal years 2023 and 2022, 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 2023 increased by $1,557,091,000 or 209.7% from amounts in fiscal year 2022. 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 investment gains in fiscal year 2023 were substantially higher than the investment losses seen in fiscal year 2022, primarily due to improved investor sentiment in domestic stocks and an increase in overseas stocks aided through currency appreciation versus the U.S. dollar that exceeded the System's actuarial rate of return. However, other investment classes did not fare as well, ending the year below the 7.25% rate of return. 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.

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 2023, the Plan received $20,392,000 in EGWP funds from the Center of Medicare and Medicaid Services (CMS) through the EGWP Plan Sponsor, OptumRx, compared to fiscal year 2022 receipts of $18,526,000, and fiscal year 2021 receipts of $18,296,000. The increases each year is due to increased prescription drug usage as well as increased costs of those same prescription drugs that resulted in higher EGWP funds paid to the Plan.

Pharmacy rebates are reimbursed to the Plan by the third-party administrators. During fiscal year 2023, the Plan received $17,992,000 in pharmacy rebates compared to $14,751,000 from fiscal year 2022. In fiscal year 2021, the Plan received $12,101,000. The Plan negotiated higher rebates beginning in calendar year 2022, however, those higher rebates were transmitted to the Plan during fiscal year 2023, which resulted in slightly higher collections due to timing of receipt of those funds.

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

	Year ended		
	2023	**2022**	**2021**
Plan returns	7.02 %	(4.10)%	27.65 %
Broad domestic equity	17.76	(11.73)	42.68
Global equity (ex-U.S.)	15.14	(20.96)	38.53
Fixed income	0.43	(6.99)	2.20
Multi-asset	4.09	(10.58)	23.86
Real assets	2.37	14.29	9.86
Private equity	(3.29)	26.25	50.67
Actuarially assumed rate of return	7.25	7.25	7.38

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

	Year ended		
	2023	**2022**	**2021**
Plan returns	7.11 %	(4.08)%	27.70 %
Broad domestic equity	17.78	(11.73)	42.69
Global equity (ex-U.S.)	15.13	(20.95)	38.57
Fixed income	0.34	(7.04)	2.20
Multi-asset	4.09	(10.58)	23.86
Real assets	2.88	14.41	10.00
Private equity	(3.29)	26.25	50.67
Actuarially assumed rate of return	7.25	7.25	7.38

(Continued)

Benefits and Other Deductions

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

Deductions (In thousands)

			Increase (decrease)		
	2023	**2022**	**Amount**	**Percentage**	**2021**
Pension benefits	$ 536,892	510,484	26,408	5.2 %	$ 499,942
Postemployment benefits	170,774	157,913	12,861	8.1	148,162
Refunds of contributions	32,358	28,155	4,203	14.9	23,781
Administrative	12,963	13,587	(624)	(4.6)	12,647
Total	$ 752,987	710,139	42,848	6.0 %	$ 684,532

The System's DB pension benefit payments in 2023 increased $26,408,000 or 5.2% from fiscal year 2022, which increased $10,542,000 or 2.1% from fiscal year 2021. The increase in pension benefits in fiscal year 2023 is the result of continued increases in the number of retirees and an increase in average pension benefits which includes a 3.9% Post Retirement Pension Adjustment for eligible retirees.

The System's postemployment healthcare benefit payments in fiscal year 2023 increased $12,861,000 or 8.1% from fiscal year 2022, which increased $9,751,000 or 6.6% from fiscal year 2021. During fiscal year 2023, 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 $4,203,000 or 14.9% from fiscal year 2022 to 2023 and increased $4,374,000 or 18.4% from fiscal year 2021 to 2022. The increase in refunds is primarily in the DCR Plan, where refunds increased $4,104,000 between fiscal year 2022 to 2023, and increased $4,556,000 between fiscal year 2021 to 2022. Increases in DCP 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 2023 decreased $624,000 or 4.6% from fiscal year 2022 and increased $940,000 or 7.4% from fiscal year 2021. The decrease in administrative cost in fiscal year 2023 is primarily due to a capital project for a retirement system replacement. The increase in administrative cost during fiscal year 2022 is primarily due to a capital project for a retirement system replacement.

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):

		2023	2022
Total pension liability	$	7,857,964	7,693,553
Plan fiduciary net position		(6,099,520)	(6,026,651)
Employers' net pension liability	$	1,758,444	1,666,902
Plan fiduciary net position as a percentage of the total pension liability		77.62%	78.33%

Net OPEB Asset

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

(Continued)

The components of the net OPEB asset of the participating employers of the Plans as of June 30, 2023 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	$	2,495,957	528	54,406
Plan fiduciary net position		(3,506,595)	(7,447)	(76,557)
Employers' net OPEB asset	$	(1,010,638)	(6,919)	(22,151)
Plan fiduciary net position as a percentage of the total OPEB liability		140.49%	1,410.42%	140.71%

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%

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 2023, the 33rd Alaska State Legislature enacted one law that affects the System. Senate Committee Substitute (CS) for CS for House Bill 39, Section 74(b), appropriates $98.8 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, 2024.

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 of 25.52% adopted by the Board for Fiscal Year 2024. 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 2023 had positive investment returns. Net investment income increased from a loss of $742,368,000 in fiscal year 2022 to a gain of $814,723,000 in fiscal year 2023, an increase of $1,557,091,000 or 209.7%. During fiscal year 2023, the System's actual rate of return on investments was below the 7.25% actuarially assumed rate of return. The Board continues to work with its investment counsel and the Alaska Department of Revenue, Treasury Division, to diversify the portfolio of the System to maintain an optimal risk/return ratio.

The consulting actuary recommended an increase from the System's actuarially determined contribution rate of 24.62% in fiscal year 2023 to 25.52% in fiscal year 2024. Additionally, the Board again discussed not contributing the healthcare normal cost contribution rate of 2.41% since the Alaska Retiree HealthCare Trust (ARHCT) 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 2024. The Board adopted the fiscal year 2024 actuarially determined contribution rate of 25.52%, which represented an increase of 0.90%. The statutory employer effective contribution rate remains at 12.56% for fiscal years 2024 and 2023.

The June 30, 2022 and 2021 actuarial valuation reports for the DB Pension Plan reported funded ratios based on valuation assets of 78.2% and 79.1%, respectively, as well as unfunded liabilities of $1.7 billion and $1.6 billion, respectively.

The June 30, 2022 and 2021 actuarial valuation reports for the DB ARHCT reported funded ratios based on valuation assets of 140.7% and 133.9%, respectively, as well as funding excesses of $994.6 million and $828.1 million, respectively.

For fiscal years 2024 and 2023, 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 2024 and 2023 to be 0.08%. The DCR Plan retiree medical plan actuarially determined contribution rate was adopted by the Board for fiscal years 2024 and 2023 to be 0.82% and 0.87%, respectively.

The June 30, 2022 and 2021 actuarial valuation reports for the DCR Retiree Major Medical Plan reported funded ratios based on valuation assets of 143.1% and 133.8%, respectively, as well as funding excesses of $20.6 million and $14.9 million, respectively.

The June 30, 2022 and 2021 actuarial valuation reports for the DCR Occupational Death & Disability Plan reported funded ratios based on valuation assets of 3,366.8% and 2,850.2%, respectively, as well as funding excesses of $6.5 million and $5.6 million, respectively.

Requests for Information

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

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

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

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

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

Combining Statement of Fiduciary Net Position

June 30, 2023
(With summarized financial information for June 30, 2022)

(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, 2023	System total June 30, 2022
Assets:								
Cash and cash equivalents:								
Short-term fixed-income pool	$ 64,627	98	29,750	103	1,076	3,385	99,039	108,715
Empower money market fund – non-participant directed	—	309	—	—	—	—	309	394
Securities lending collateral	6,802	—	3,931	8	84	255	11,080	18,368
Total cash and cash equivalents	71,429	407	33,681	111	1,160	3,640	110,428	127,477
Receivables:								
Contributions	10,917	—	—	—	—	—	10,917	11,176
Due from State of Alaska General Fund	—	7,246	—	42	457	1,654	9,399	11,289
Other accounts receivable	33	—	4,836	—	9	—	4,878	4,393
Total receivables	10,950	7,246	4,836	42	466	1,654	25,194	26,858
Investments, at fair value:								
Fixed income securities:								
Transition pool	77,085	—	44,647	93	960	2,914	125,699	263,918
Barclays aggregate bond fund	814,107	—	471,527	987	10,138	30,778	1,327,537	1,457,589
Opportunistic fixed income pool	218,749	—	126,699	265	2,724	8,270	356,707	347,312
Total fixed-income securities	1,109,941	—	642,873	1,345	13,822	41,962	1,809,943	2,068,819
Broad domestic equity:								
Large cap pool	1,384,547	—	801,923	1,679	17,241	52,344	2,257,734	2,163,895
Small cap pool	124,711	—	72,232	151	1,553	4,715	203,362	190,660
Total broad domestic equity	1,509,258	—	874,155	1,830	18,794	57,059	2,461,096	2,354,555
Global equity ex-U.S.:								
International equity small cap pool	858,878	—	497,458	1,041	10,695	32,471	1,400,543	1,278,137
Emerging markets equity pool	187,866	—	108,811	228	2,339	7,103	306,347	286,032
Total global equity ex-U.S.	1,046,744	—	606,269	1,269	13,034	39,574	1,706,890	1,564,169
Multi-asset:								
Alternative beta pool	57,256	—	33,162	69	713	2,164	93,364	110,351
Alternative equity pool	61,505	—	35,624	75	766	2,325	100,295	100,126
Alternative fixed income pool	166,899	—	96,667	202	2,078	6,310	272,156	—
Tactical allocation strategies pool	210,487	—	121,913	255	2,621	7,958	343,234	354,552
Other opportunities pool	—	—	—	—	—	—	—	1,361
Total opportunistic	496,147	—	287,366	601	6,178	18,757	809,049	566,390
Private equity pool	990,268	—	573,558	1,200	12,331	37,438	1,614,795	2,239,322
Real assets:								
Real estate pool	321,442	—	185,263	388	3,983	12,093	523,169	571,994
Real estate investment trust pool	93,132	—	53,941	113	1,160	3,521	151,867	159,876
Infrastructure private pool	166,980	—	96,714	202	2,079	6,313	272,288	253,230
Energy pool	10,413	—	6,031	13	130	394	16,981	20,172
Farmland pool	205,155	—	118,825	249	2,555	7,756	334,540	305,393
Timber pool	77,015	—	44,607	93	959	2,912	125,586	121,694
Total real assets	874,137	—	505,381	1,058	10,866	32,989	1,424,431	1,432,359
Other investment funds:								
Participant directed at fair value:								
Collective investment funds	—	224,096	—	—	—	—	224,096	199,650
Pooled investment funds	—	609,963	—	—	—	—	609,963	495,013
Participant directed at contract value:								
Synthetic investment contracts	—	48,688	—	—	—	—	48,688	47,695
Total other investment funds	—	882,747	—	—	—	—	882,747	742,358
Total investments	6,026,495	882,747	3,489,602	7,303	75,025	227,779	10,708,951	10,329,028
Other assets	—	—	318	—	—	—	318	318
Total assets	6,108,874	890,400	3,528,437	7,456	76,651	233,073	10,844,891	10,483,681
Liabilities:								
Claims payable (note 6)	—	—	13,957	—	—	—	13,957	13,004
Accrued expenses	715	158	2,979	1	10	4	3,867	3,023
Forfeitures payable to employers	—	59	—	—	—	—	59	54
Due to State of Alaska General Fund	1,837	—	975	—	—	—	2,812	5,211
Securities lending collateral payable	6,802	—	3,931	8	84	255	11,080	18,368
Total liabilities	9,354	217	21,842	9	94	259	31,775	39,660
Net position restricted for pension benefits, postemployment healthcare benefits, and individuals	$ 6,099,520	890,183	3,506,595	7,447	76,557	232,814	10,813,116	10,444,021

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, 2023
(With summarized financial information for June 30, 2022

(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, 2023	System total June 30, 2022
Additions (reductions):								
Contributions:								
Employers	$ 50,746	33,768	92	411	4,467	15,535	105,019	102,946
Plan members	31,835	41,278	—	—	—	—	73,113	69,496
Nonemployer State of Alaska	90,412	—	—	—	—	—	90,412	141,739
Total contributions	172,993	75,046	92	411	4,467	15,535	268,544	314,181
Investment income (loss):								
Net appreciation (depreciation) in fair value	362,776	98,846	208,241	426	4,367	13,234	687,890	(854,546)
Interest	29,980	219	17,029	34	348	1,053	48,663	37,387
Dividends	64,893	—	37,303	75	763	2,307	105,341	101,374
Total investment income (loss)	457,649	99,065	262,573	535	5,478	16,594	841,894	(715,785)
Less investment expense	16,437	1,083	9,205	20	207	562	27,514	26,823
Net investment income (loss) before securities lending activities	441,212	97,982	253,368	515	5,271	16,032	814,380	(742,608)
Securities lending income	266	—	151	—	3	9	429	300
Less securities lending expense	53	—	30	—	1	2	86	60
Net income from securities lending activities	213	—	121	—	2	7	343	240
Net investment income (loss)	441,425	97,982	253,489	515	5,273	16,039	814,723	(742,368)
Other income:								
Employer group waiver plan	—	—	20,361	—	31	—	20,392	18,526
Medicare retiree drug subsidy	—	—	138	—	—	—	138	311
Pharmacy rebates	—	—	17,973	—	19	—	17,992	14,751
Pharmacy management allowance	—	—	64	—	—	—	64	69
Miscellaneous income	31	25	173	—	—	—	229	63
Total other income	31	25	38,709	—	50	—	38,815	33,720
Total additions (reductions)	614,449	173,053	292,290	926	9,790	31,574	1,122,082	(394,467)
Deductions:								
Pension and postemployment benefits	536,866	—	170,448	26	92	234	707,666	668,397
Refunds of contributions	1,404	30,954	—	—	—	—	32,358	28,155
Administrative	3,310	2,121	7,458	10	50	14	12,963	13,587
Total deductions	541,580	33,075	177,906	36	142	248	752,987	710,139
Net increase (decrease)	72,869	139,978	114,384	890	9,648	31,326	369,095	(1,104,606)
Net position restricted for pension benefits, postemployment healthcare benefits, and individuals:								
Balance, beginning of year	6,026,651	750,205	3,392,211	6,557	66,909	201,488	10,444,021	11,548,627
Balance, end of year	$ 6,099,520	890,183	3,506,595	7,447	76,557	232,814	10,813,116	10,444,021

See accompanying notes to financial statements.

(1) Description

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

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

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

At June 30, 2023, 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, 2023:

Retired plan members or beneficiaries currently receiving benefits	13,484
Inactive plan members entitled to but not yet receiving benefits	773
Inactive plan members not entitled to benefits	1,559
Active plan members	2,897
Total DB Plan membership	18,713

(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 2023 is allocated 12.56% to the DB Pension Plan and 0.00% 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 2023, 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, 2023, membership in the DCR Plan included 6,416 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, 2023:

Retired plan members or beneficiaries currently receiving benefits	13,484
Inactive plan members entitled to but not yet receiving benefits	773
Inactive plan members not entitled to benefits	1,559
Active plan members	2,897
Total ARHCT Plan membership	18,713

(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 2023 statutory employer effective contribution rate was 12.56% of member's compensation, with 0.00% 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, 2023:

Active plan members	6,416
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 2023, 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, 2023:

Retired plan members or beneficiaries currently receiving benefits	53
Inactive plan members entitled to but not yet receiving benefits	1,247
Inactive plan members not entitled to benefits	3,415
Active plan members	6,416
Total RMP membership	11,131

(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 2023 employer effective contribution rate is 0.87% 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, 2023:

Retired plan members or beneficiaries currently receiving benefits	32
Inactive plan members entitled to but not yet receiving benefits	1,247
Inactive plan members not entitled to benefits	3,415
Active plan members	6,416
Total HRA Plan membership	11,110

(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 2023 contribution amount was an annual contribution not to exceed $2,237 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 $2,237 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 2022 balances in the accompanying supplemental schedules to make them consistent with the 2023 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, 2023 for the DB Pension Plan is 7.52%, the ARHCT Plan is 7.64%, the ODD Plan is 7.62%, and the RMP is 7.62%.

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, 2023 were as follows (in thousands):

Total pension liability	$	7,857,964
Plan fiduciary net position		(6,099,520)
Employers' net pension liability	$	1,758,444
Plan fiduciary net position as a percentage of the total pension liability		77.62 %

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2023.

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 Section 5 of the 2022 actuarial valuation report.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience.

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, 2023 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.82%).

Asset class	Long-term expected real rate of return
Domestic equity	6.17%
Global equity (ex-U.S.)	6.55
Aggregate bonds	1.63
Real assets	4.87
Private equity	11.57
Cash equivalents	0.49

(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 4.13% as of June 30, 2023.

(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, 2023, 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	$ 2,588,539	1,758,444	1,057,182

(5) Net OPEB Asset

The components of the net OPEB asset of the participating employers for each Plan at June 30, 2023 were as follows (in thousands):

		ARHCT Plan	ODD Plan	RMP
Total OPEB liability	$	2,495,957	528	54,406
Plan fiduciary net position		(3,506,595)	(7,447)	(76,557)
Employers' net OPEB asset	$	(1,010,638)	(6,919)	(22,151)
Plan fiduciary net position as a percentage of the total OPEB liability		140.49%	1,410.42%	140.71%

(a) Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2023.

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: 6.7% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Rx/EGWP: 7.2% grading down to 4.5% Initial trend rates are for FY 2024 Ultimate trend rates reached in FY 2050
Mortality (ARHCT Plan and RMP)	Pre-commencement mortality rates were based on the Pub-2010 Teachers Employee table, headcount-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 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.

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 Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Other	
ARHCT Plan	Please see Section 5 of the 2022 valuation report.
RMP and ODD Plans	Please see Section 4 of the 2022 valuation report.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience. For the ARHCT and RMP plans, the per capita claims costs were updated to reflect recent experience for the June 30, 2022 actuarial valuation.

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 plans' target asset allocation as of June 30, 2023 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.82%):

Asset class	Long-term expected real rate of return
Domestic equity	6.17%
Global equity (non-U.S.)	6.55
Aggregate bonds	1.63
Real assets	4.87
Private equity	11.57
Cash equivalents	0.49

(b) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2023 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 4.13% as of June 30, 2023.

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

The following presents the net OPEB asset as of June 30, 2023, 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	$	714,741	1,010,638	1,257,868
ODD Plan		6,943	6,919	6,906
RMP		8,126	22,151	32,727

(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, 2023, calculated using the healthcare cost trend rates as summarized in the 2022 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	$	1,258,216	1,010,638	681,705
ODD Plan		N/A	N/A	N/A
RMP		34,027	22,151	6,040

(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):

		2023	2022
Total, beginning of year	$	13,004	12,733
Healthcare benefits		170,540	157,745
Benefits paid		(169,587)	(157,474)
Total, end of year	$	13,957	13,004

(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 was 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 2022, 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 Superior Court granted the motion for final judgment, awarded judgment on attorney's fees, and ordered the Division to notify class members by the end of May 2022 of their right to seek reinstatement into the defined benefit plan and the procedures to do so.

The Division continues to determine the impact of this decision on PERS and TRS. The Division is working with impacted former members who meet the requirements to re-establish their position in the defined benefits plan. However, 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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:										
Service cost	$ 44,003	44,727	48,401	50,654	60,810	64,961	68,376	61,011	63,608	64,324
Interest	540,174	538,703	535,725	529,132	575,706	572,791	559,165	550,392	540,981	515,325
Differences between expected and actual experience	118,504	(59,667)	(33,160)	8,105	(135,121)	(131,092)	(65,757)	(55,682)	(5,693)	—
Changes of assumptions	—	154,098	—	—	(35,262)	—	—	—	156,854	—
Benefit payments, including refunds of member contributions	(538,270)	(511,762)	(501,429)	(490,446)	(472,717)	(458,511)	(448,422)	(437,582)	(418,545)	(399,001)
Net change in total pension liability	164,411	166,099	49,537	97,445	(6,584)	48,149	113,362	118,139	337,205	180,648
Total pension liability – beginning	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
Total pension liability – ending (a)	7,857,964	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
Plan fiduciary net position:										
Contributions – employers	50,746	30,707	29,336	34,114	36,805	39,835	36,634	33,478	36,374	37,571
Contributions – plan members	31,835	30,013	33,342	33,566	35,763	37,674	39,878	42,654	45,506	47,724
Contributions – nonemployer State of Alaska	90,412	141,739	134,070	140,219	127,365	111,757	116,700	90,589	1,662,700	208,890
Net investment income (loss)	441,425	(391,758)	1,594,536	218,372	314,972	432,543	628,184	(31,340)	152,561	599,958
Benefit payments, including refunds of member contributions	(538,270)	(511,762)	(501,429)	(490,446)	(472,717)	(458,511)	(448,422)	(437,582)	(418,545)	(399,001)
Administrative expenses	(3,310)	(3,805)	(3,446)	(2,988)	(3,018)	(3,050)	(2,890)	(2,648)	(2,789)	(3,160)
Other income	31	36	273	33	32	184	10	95	9	27
Net change in plan fiduciary net position	72,869	(704,830)	1,286,682	(67,130)	39,202	160,432	370,094	(304,754)	1,475,816	492,009
Plan fiduciary net position – beginning	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 fiduciary net position – ending (b)	6,099,520	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
Plan's net pension liability (a)–(b)	$ 1,758,444	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
Plan fiduciary net position as a percentage of the total pension liability	77.62%	78.33%	89.43%	72.81%	74.68%	74.09%	72.39%	68.40%	73.82%	55.70%
Covered payroll	$ 303,011	333,781	357,288	370,449	392,849	416,051	442,029	463,604	491,223	514,035
Net pension liability as a percentage of covered payroll	580.32%	510.46%	222.78%	548.82%	475.64%	460.12%	458.48%	492.52%	378.74%	583.44%

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
2023	$ 135,850	141,158	(5,308)	303,011	46.59 %
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 %

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
2023	7.52 %
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 %

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)

		2023	2022	2021	2020	2019
Total OPEB liability:						
Service cost	$	18,258	21,350	23,793	26,684	34,729
Interest		178,811	185,824	188,868	202,757	252,021
Change in benefit terms		—	(22,446)	—	—	—
Differences between expected and actual experience		16,707	(13,457)	(24,483)	(23,298)	(47,911)
Changes of assumptions		(95,891)	(86,086)	(100,701)	(273,319)	(509,775)
Benefit payments		(158,002)	(148,330)	(141,137)	(125,310)	(136,158)
EGWP rebates		20,361	18,508	18,293	11,705	2,518
Net change in total OPEB liability		(19,756)	(44,637)	(35,367)	(180,781)	(404,576)
Total OPEB liability – beginning		2,515,713	2,560,350	2,595,717	2,776,498	3,181,074
Total OPEB liability – ending (a)		2,495,957	2,515,713	2,560,350	2,595,717	2,776,498
Plan fiduciary net position:						
Contributions – employers		92	21,806	24,700	18,788	17,957
Contributions – Employer group waiver plan rebates		20,361	18,508	18,293	11,705	2,518
Contributions – Medicare retiree drug subsidy		138	311	62	—	6,711
Net investment income (loss)		253,489	(221,118)	869,241	120,073	169,183
		274,080	(180,493)	912,296	150,566	196,369
Benefit payments		(170,448)	(157,616)	(147,861)	(135,566)	(143,126)
Pharmacy rebates		17,973	14,741	12,100	15,829	11,858
Pharmacy management allowance		64	69	85	—	—
Administrative Services Only (ASO) fees		(5,591)	(5,524)	(5,461)	(5,573)	(4,890)
Net benefit payments		(158,002)	(148,330)	(141,137)	(125,310)	(136,158)
Administrative expenses, excluding ASO fees		(1,867)	(2,044)	(1,836)	(1,372)	(1,351)
Other		173	47	247	258	324
Net change in plan fiduciary net position		114,384	(330,820)	769,570	24,142	59,184
Plan fiduciary net position – beginning		3,392,211	3,723,031	2,953,461	2,929,319	2,870,135
Plan fiduciary net position – ending (b)		3,506,595	3,392,211	3,723,031	2,953,461	2,929,319
Plan's net OPEB (asset) liability (a)–(b)	$	(1,010,638)	(876,498)	(1,162,681)	(357,744)	(152,821)
Plan fiduciary net position as a percentage of the total OPEB liability		140.49%	134.84%	145.41%	113.78%	105.50%
Covered payroll	$	303,011	333,781	357,288	370,449	392,849
Net OPEB liability (asset) as a percentage of covered payroll		(333.53)%	(262.60)%	(325.42)%	(96.57)%	(38.90)%

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
2023	$ 20,643	92	20,551	303,011	0.03 %
2022	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 %

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
2023	7.64 %
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.

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 and Related Ratios – Occupational Death and Disability Plan

(In thousands)

		2023	2022	2021	2020	2019
Total OPEB liability:						
Service cost	$	339	335	312	284	275
Interest		61	63	60	43	44
Differences between expected and actual experience		(363)	(367)	(338)	(92)	(274)
Changes of assumptions		—	(15)	—	—	(5)
Benefit payments		(26)	(27)	(24)	(24)	(24)
Net change in total OPEB liability		11	(11)	10	211	16
Total OPEB liability – beginning		517	528	518	307	291
Total OPEB liability – ending (a)		528	517	528	518	307
Plan fiduciary net position:						
Contributions – employers		411	393	362	329	312
Net investment income (loss)		515	(423)	1,471	190	243
Benefit payments		(26)	(27)	(24)	(24)	(24)
Administrative expenses		(10)	(9)	(9)	—	—
Net change in plan fiduciary net position		890	(66)	1,800	495	531
Plan fiduciary net position – beginning		6,557	6,623	4,823	4,328	3,797
Plan fiduciary net position – ending (b)		7,447	6,557	6,623	4,823	4,328
Plan's net OPEB asset (a)–(b)	$	(6,919)	(6,040)	(6,095)	(4,305)	(4,021)
Plan fiduciary net position as a percentage of the total OPEB liability		1,410.42%	1,268.28%	1,254.36%	931.08%	1,409.77%
Covered payroll	$	455,927	488,659	453,286	412,113	392,866
Net OPEB asset as a percentage of covered payroll		(1.52)%	(1.24)%	(1.34)%	(1.04)%	(1.02)%

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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
2023	$ 365	411	(46)	455,927	0.09 %
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	— %

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
2023	7.62 %
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)

		2023	2022	2021	2020	2019
Total OPEB liability:						
Service cost	$	3,136	3,636	3,376	3,410	3,684
Interest		3,672	3,748	3,088	3,073	2,971
Change in benefit terms		—	(610)	—	—	—
Differences between expected and actual experience		1,254	(409)	2,313	(529)	2,696
Changes of assumptions		(1,144)	(5,910)	41	(5,632)	(4,551)
Benefit payments		(86)	(128)	(171)	(6)	(35)
EGWP rebates		31	18	3	1	—
Net change in total OPEB liability		6,863	345	8,650	317	4,765
Total OPEB liability – beginning		47,543	47,198	38,548	38,231	33,466
Total OPEB liability – ending (a)		54,406	47,543	47,198	38,548	38,231
Plan fiduciary net position:						
Contributions – employers		4,467	4,086	4,217	4,461	3,085
Contributions – Employer group waiver plan rebates		31	18	3	1	—
Contributions – Medicare retiree drug subsidy		—	—	—	—	3
Net investment income (loss)		5,273	(4,310)	14,848	1,899	2,355
		9,771	(206)	19,068	6,361	5,443
Benefit payments		(92)	(129)	(164)	(9)	(44)
Pharmacy rebates		19	10	1	3	9
ASO fees		(13)	(9)	(8)	—	—
Net benefit payments		(86)	(128)	(171)	(6)	(35)
Administrative expenses, net of ASO fees		(37)	(35)	(34)	(9)	(6)
Other		—	—	2	—	—
Net change in plan fiduciary net position		9,648	(369)	18,865	6,346	5,402
Plan fiduciary net position – beginning		66,909	67,278	48,413	42,067	36,665
Plan fiduciary net position – ending (b)		76,557	66,909	67,278	48,413	42,067
Plan's net OPEB asset (a)–(b)	$	(22,151)	(19,366)	(20,080)	(9,865)	(3,836)
Plan fiduciary net position as a percentage of the total OPEB liability		140.71%	140.73%	142.54%	125.59%	110.03%
Covered payroll	$	455,927	488,659	453,286	412,113	392,866
Net OPEB asset as a percentage of covered payroll		(4.86)%	(3.96)%	(4.43)%	(2.39)%	(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 – 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
2023	$ 3,967	4,467	(500)	455,927	0.98 %
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 %

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
2023	7.62 %
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, 2022 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 – 7.25% per year, net of investment expenses

(e) Salary scale – Rates based upon the 2017–2021 actual experience. Inflation 2.50% per year and productivity 0.25% per year.

(f) Payroll growth – 2.75% per year (2.50% inflation + 0.25% 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 on the 2017–2021 actual experience, to the extent the experience was statistically credible.

- Pension: Pub-2010 Teachers Employee table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Teachers Employee table, headcount-weighted, and projected with MP-2021 generational improvement.

Deaths are assumed to result from occupational causes 15% of the time.

(i) Mortality (post-commencement) – Mortality rates based on the 2017–2021 actual experience, to the extent the experience was statistically credible.

Retiree mortality in accordance with the following tables:

- Pension: 97% of male and 97% of female rates of the Pub-2010 Teachers Retiree table, amount-weighted, and projected with MP-2021 generational improvement.

- Healthcare: 98% of male and 100% of female rates of the Pub-2010 Teachers Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Beneficiary mortality in accordance with the following tables. These tables are applied only after the death of the original member.

- Pension: 100% of male and 95% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: 100% of male and 94% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement.

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

(k) Disability – No changes to the incidence rates from the prior valuation due to insufficient 2017–2021 actual experience. Disability rates cease once a member is eligible for retirement.

Post-disability mortality in accordance with the following tables:

- Pension: Pub-2010 Non-safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Non-safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

(l) Retirement – Retirement rates based on the 2017–2021 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 occupational death and disability – 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. 60% of male members and 50% of female members 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) 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.

(r) 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.

(s) Administrative expenses – The investment return assumption is net of investment expenses. The Normal Cost as of June 30, 2022 was increased by the following amounts. These amounts are based on the average of actual administrative expenses during the last two fiscal years. For projections, the percent increase was assumed to remain constant in future years.

- Pension – $3,626,000
- Healthcare – $1,940,000

(t) 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 shown in the report includes the following assumptions based on the four years of rehire loss experience through June 30, 2021. For projections, these assumptions were assumed to grade to zero uniformly over a 20-year period.

- Pension – 12.00%
- Healthcare – 0.20%

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

(v) 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.

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

(x) Unused sick leave – 5.25 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.

(y) 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.

(z) 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.

(aa) Early retirement factors – Division staff provided the early retirement factors, which reflect grandfathered factors.

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

(cc) 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.

(dd) 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.

(ee) Medicare Part B Only – It's assumed that 2% 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 per capita claims cost – Sample claims cost rates adjusted to age 65 for FY23 medical and prescription drug benefits are shown below. 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.

	Medical	Prescription drugs
Pre-Medicare	$ 15,706	3,712
Medicare Parts A and B	1,625	3,907
Medicare Part B only	5,363	3,907
Medicare Part D – EGWP	N/A	1,309

Members are assumed to attain Medicare eligibility at age 65. All costs are for the 2023 fiscal year (July 1, 2022–June 30, 2023).

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.

(Continued)

(gg) Healthcare morbidity – Morbidity rates (also called aging factors) are used to estimate utilization of healthcare benefits at each age to reflect the fact that healthcare utilization typically increases with age. Separate morbidity rates are used for medical and prescription drug benefits. These rates are based on the 2017–2021 actual experience.

Age	Medical	Prescription drugs
0–44	2.0 %	4.5 %
45–54	2.5	3.5
55–64	2.5	1.0
65–74	2.0	2.1
75–84	2.2	(0.3)
85–94	0.5	(2.5)
95+	—	—

(hh) Third-party administrator fees – $449 per person per year; assumed to increase at 4.50% per year.

(ii) 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, 7.00% is applied to the FY23 pre-Medicare medical claims cost to get the FY24 medical claims cost:

	Medical		Prescription
Fiscal year	Pre-65	Post-65	drugs/EGWP
2023	7.00 %	5.50 %	7.50 %
2024	6.70	5.50	7.20
2025	6.40	5.40	6.90
2026	6.20	5.40	6.65
2027	6.05	5.35	6.35
2028	5.85	5.35	6.10
2029	5.65	5.30	5.80
2030	5.45	5.30	5.55
2031-2038	5.30	5.30	5.30
2039	5.25	5.25	5.25
2040	5.20	5.20	5.20
2041	5.10	5.10	5.10
2042	5.05	5.05	5.05
2043	4.95	4.95	4.95
2044	4.90	4.90	4.90
2045	4.80	4.80	4.80
2046	4.75	4.75	4.75
2047	4.70	4.70	4.70
2048	4.60	4.60	4.60
2049	4.55	4.55	4.55
2050+	4.50	4.50	4.50

(Continued)

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.

(jj) 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 FY23 contributions based on monthly rates shown below for calendar 2023 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 on the assumed number of children in rates where children are covered.

	Calendar 2023		Calendar 2022
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

(kk) 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, 4.0% is applied to the FY23 retired member medical contributions to get the FY24 retired member medical contributions.

Fiscal year	Trend assumption
2023+	4.0%

Graded trend rates for retired member medical contributions are consistent with the rates used for the June 30, 2021 valuation. Actual FY23 retired member medical contributions are reflected in the valuation.

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, 2022 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, 2022 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 FY23 claims costs were reduced 4.4% for pre-Medicare medical claims, 3.1% for Medicare medical claims, and 8.9% for prescription drugs. In addition, to account for the difference in Medicare coordination, projected FY23 medical claims costs for Medicare eligible retirees were further reduced 29.5%.

FY21 and FY22 experience was thoroughly reviewed to assess the impact of COVID-19 and whether an adjustment to FY21 and FY22 claims was appropriate for use in the June 30, 2022 valuation. FY21 medical per capital claims cost 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. FY22 medical per capita claims were reasonable when compared to pre-COVID levels, so no adjustments were made to the FY22 medical claims used in the per capita claims cost development.

Starting in 2022, prior authorization is required for certain specialty medications. There is no change to the medications that are covered by the plan. Segal provided an estimate of the impact of this change to the DB retiree health plan cost for calendar year 2022. The resulting adjustment factors for pre-Medicare prescription drug, Medicare prescription drug, and EGWP costs were applied to claims experience incurred before January 1, 2022. Those base claims costs were used for the DCR valuation with further adjustments as noted below. Additionally, starting in 2022, certain common preventive benefits are covered for the DB plan. The resulting adjustment factor for pre-Medicare medical costs was applied to claims experience incurred before January 1, 2022. However, preventive benefits were already covered under the DCR plan, so the pre-65 DCR medical adjustment factor referenced above was increased from 3.1% to 4.4%.

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 2023 reimbursements under EGWP were provided by Segal Consulting (who worked with the EGWP administrator, Optum, to develop those estimates).

(d) Investment return – 7.25% per year, net of investment expenses.

(e) Salary scale – Rates based upon the 2017–2021 actual experience. Inflation 2.50% per year and productivity 0.25% per year.

(f) Payroll growth – 2.75% per year (2.50% inflation + 0.25% 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 on the 2017–2021 actual experience, to the extent the experience was statistically credible.

- Occupational Death & Disability: Pub-2010 Teachers Employee table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Teachers Employee table, headcount-weighted, and projected with MP-2021 generational improvement.

Deaths are assumed to result from occupational causes 15% of the time.

(i) Mortality (post-commencement) – Mortality rates based on the 2017–2021 actual experience, to the extent the experience was statistically credible.

Retiree mortality in accordance with the following tables:

- Occupational Death & Disability: 97% of male and 97% of female rates of the Pub-2010 Teachers Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: 98% of male and 100% of female rates of the Pub-2010 Teachers Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Beneficiary mortality in accordance with the following tables. These tables are applied only after the death of the original member.

- Occupational Death & Disability: 100% of male and 95% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: 100% of male and 94% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement.

(j) Turnover – Select and ultimate rates based upon the 2017–2021 actual experience.

(k) Disability – No changes to the incidence rates from the prior valuation due to insufficient 2017–2021 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 & disability benefits.

Disabilities are assumed to be occupational 15% of the time.

Post-disability mortality in accordance with the following tables:

- Occupational Death & Disability: Pub-2010 Non-safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Non-safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

(l) Retirement – Retirement rates based upon the 2017–2021 actual experience.

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

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

(o) Dependent spouse medical coverage election – Applies to members who do not have double medical coverage. 60% of male members and 50% of female members are assumed to be married and cover a dependent spouse.

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

(q) Imputed data – Data changes from the prior year which 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.

(r) Administrative expenses – The investment return assumption is net of investment expenses. The Normal Cost as of June 30, 2022 was increased by the following amounts. These amounts are based on the average of actual administrative expenses during the last two fiscal years.

- Occupational Death & Disability – $9,000
- Healthcare – $35,000

(s) 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.

(t) Healthcare per capita claims cost – Sample claims cost rates (before base claims cost adjustments described below) adjusted to age 65 for FY23 medical and prescription drug benefits are shown below. The prescription drug costs reflect the plan change to require prior authorization for certain specialty medications.

	Medical	Prescription drugs
Pre-Medicare	$ 15,706	3,712
Medicare Parts A and B	1,625	3,907
Medicare Part D - EGWP	N/A	1,309

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Members are assumed to attain Medicare eligibility at age 65. All other costs are for the 2022 fiscal year (July 1, 2022–June 30, 2023).

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 at the next measurement date.

(u) 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:

- 0.956 for the pre-Medicare plan
- 0.674 for both the Medicare medical plan and Medicare coordination method (3.1% reduction for the medical plan and 29.5% reduction for the coordination method)
- 0.911 for the prescription drug plan

(v) Healthcare morbidity – Morbidity rates (also called aging factors) are used to estimate utilization of healthcare benefits at each age to reflect the fact that healthcare utilization typically increases with age. Separate morbidity rates are used for medical and prescription drug benefits. These rates are based on the 2017–2021 actual experience.

Age	Medical	Prescription drugs
0–44	2.0 %	4.5 %
45–54	2.5	3.5
55–64	2.5	1.0
65–74	2.0	2.1
75–84	2.2	(0.3)
85–94	0.5	(2.5)
95+	—	—

(w) Third-party administrator fees – $449 per person per year; assumed to increase at 4.50% per year.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2023

(x) Healthcare cost trend – The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 7.00% is applied to the FY23 pre-Medicare medical claims costs to get the FY24 medical claims costs.

	Medical		Prescription
Fiscal year	Pre-65	Post-65	drugs/EGWP
2023	7.00 %	5.50 %	7.50 %
2024	6.70	5.50	7.20
2025	6.40	5.40	6.90
2026	6.20	5.40	6.65
2027	6.05	5.35	6.35
2028	5.85	5.35	6.10
2029	5.65	5.30	5.80
2030	5.45	5.30	5.55
2031-2038	5.30	5.30	5.30
2039	5.25	5.25	5.25
2040	5.20	5.20	5.20
2041	5.10	5.10	5.10
2042	5.05	5.05	5.05
2043	4.95	4.95	4.95
2044	4.90	4.90	4.90
2045	4.80	4.80	4.80
2046	4.75	4.75	4.75
2047	4.70	4.70	4.70
2048	4.60	4.60	4.60
2049	4.55	4.55	4.55
2050+	4.50	4.50	4.50

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.

STATE OF ALASKA
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Notes to Required Supplementary Information (Unaudited)

June 30, 2023

(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, 2021 to June 30, 2022

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

(b) Changes in Assumptions Since the Prior Valuation – June 30, 2021 to June 30, 2022

Effective for the June 30, 2022 valuation, the Board adopted the changes to the demographic and economic assumptions recommended by the actuary, based on the results of an experience study performed on the plan experience from July 1, 2017 to June 30, 2021. The changes in assumptions were adopted at the June 2022 Board meeting. The effect of the new assumptions was to increase the actuarial accrued liability as of June 30, 2022 by approximately $144 million for pension and $21 million for healthcare.

The healthcare per capital claims cost assumption is updated for each valuation. The amounts included in the Normal Cost for the administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets.

(c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2021 to June 30, 2022

There have been no changes in benefit provisions valued 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, 2021 to June 30, 2022

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

(e) Changes in Assumptions Since the Prior Valuation – June 30, 2021 to June 30, 2022

Effective for the June 30, 2022 valuation, the Board adopted the changes to the demographic and economic assumptions recommended by the actuary, based on the results of an experience study performed on the plan experience from July 1, 2017 to June 30, 2021. The changes in assumptions were adopted at the June 2022 Board meeting. The effect of the new assumptions was to decrease the actuarial accrued liability as of June 30, 2022 by less than $1,000 for occupational death & disability and by approximately $3,374,000 for retiree medical.

The healthcare per capital claims cost assumption is updated for each valuation. The amounts included in the Normal Cost for the administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets.

(f) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2021 to June 30, 2022

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)

Schedules of Administrative and Investment Deductions

Years ended June 30, 2023 and 2022

(In thousands)

			Totals	
	Administrative	Investment	2022	2022
Personal services:				
Wages	$ 1,960	1,177	3,137	3,054
Benefits	1,213	549	1,762	1,887
Total personal services	3,173	1,726	4,899	4,941
Travel:				
Transportation	6	24	30	11
Per diem	2	5	7	2
Total travel	8	29	37	13
Contractual services:				
Management and consulting	7,449	227	7,676	7,582
Investment management and custodial fees	—	24,956	24,956	24,604
Accounting and auditing	69	8	77	93
Data processing	1,642	412	2,054	2,462
Communications	43	4	47	46
Advertising and printing	25	1	26	25
Rentals/leases	247	42	289	100
Legal	53	28	81	118
Medical specialists	2	—	2	—
Repairs and maintenance	2	1	3	1
Transportation	15	1	16	100
Securities lending	—	86	86	60
Other professional services	216	28	244	279
Total contractual services	9,763	25,794	35,557	35,470
Other:				
Equipment	3	11	14	8
Supplies	16	40	56	38
Total other	19	51	70	46
Total administrative and investment deductions	$ 12,963	27,600	40,563	40,470

See accompanying independent auditors' report.

Schedule 2

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

Schedules of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2023 and 2022

(In thousands)

Firm	Services	2023	2022
Buck Global LLC	Actuarial services	$ 231	262
KPMG LLP	Auditing services	63	62
Groundswell Communications	Communications services	11	26
State Street Bank and Trust	Custodial banking services	555	607
Alaska IT Group	Data processing services	86	83
Applied Microsystems Incorporated	Data processing services	172	173
Sagitec Solutions	Data processing services	1,083	1,606
SHI International Corporation	Data processing services	11	8
Sungard Availability Services	Data processing services	9	11
TechData Service Company	Data processing services	126	136
State of Alaska, Department of Law	Legal services	70	118
Symphony Performance Health	Management consulting services	8	11
The Segal Company Incorporated	Management consulting services	72	34
		$ 2,497	3,137

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

See accompanying independent auditors' report.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2023
(With summarized financial information for June 30, 2022)

(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:

Opinion

We have audited the combining financial statements of the State of Alaska Public Employees' Retirement System (the System), a component unit of the State of Alaska, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying combining financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2023, and the changes in its fiduciary net 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.

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.

Report on Summarized Comparative Information

We have previously audited the System’s 2022 combining financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management’s discussion and analysis and the required supplementary information listed in the table of contents 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 for the year ended June 30, 2023 was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System’s basic financial statements for the year ended June 30, 2023. The supplemental schedules listed in the table of contents for the year ended June 30, 2023 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 for the year ended June 30, 2023 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 for the year ended June 30, 2023.

We also previously audited, in accordance with GAAS, the basic financial statements of the System as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated October 14, 2022 which expressed an unmodified opinion. The supplemental schedules listed in the table of contents for the year ended June 30, 2022 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 was subjected to the audit procedures applied in the audit of the basic financial statements for the year ended June 30, 2022 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those 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 for the year ended June 30, 2022.

(signed) KPMG LLP

Anchorage, Alaska
October __, 2023

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

Management's Discussion and Analysist (Unaudited)

June 30, 2023

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, 2023 and 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 System during the fiscal years ended June 30, 2023 and 2022. Information for fiscal year 2021 is presented for comparative purposes.

Financial Highlights

The System's financial highlights for the year ended June 30, 2023 were as follows:

- The System's fiduciary net position restricted for pension benefits, postemployment healthcare benefits, and individuals increased by $1.0 billion.
- The System's employers and plan members contributions decreased by $9.0 million when compared to fiscal year 2022.
- The State of Alaska (the State) directly appropriated $33.9 million to the System.
- The System's net investment income increased $3.4 billion when compared to fiscal year 2022, to $1.8 billion.
- The System's pension benefit expenditures totaled $1.0 billion.
- The System's postemployment healthcare benefit expenditures totaled $552.6 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, 2023.

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, 2023. 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, 2023, and the sources and uses of those funds during fiscal year 2023.

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	2023	2022	Increase (decrease) Amount	Increase (decrease) Percentage	2021
Assets:					
Cash and cash equivalents	$ 235,485	286,503	(51,018)	(17.8)%	$ 251,009
Contributions receivable	12,072	13,223	(1,151)	(8.7)	12,363
Due from State of Alaska General Fund	23,306	23,385	(79)	(0.3)	18,175
Due from Retiree Health Fund	—	—	—	—	2
Other accounts receivable	15,111	13,445	1,666	12.4	5,363
Investments	23,265,827	22,202,613	1,063,214	4.8	24,437,912
Other assets	981	982	(1)	(0.1)	984
Total assets	23,552,782	22,540,151	1,012,631	4.5	24,725,808
Liabilities:					
Claims payable	45,690	40,109	5,581	13.9	39,972
Accrued expenses	11,148	8,110	3,038	37.5	7,148
Forfeiture payable to employers	359	171	188	109.9	151
Securities lending collateral payable	23,811	39,071	(15,260)	(39.1)	57,659
Due to State of Alaska General Fund	1,484	—	1,484	100.0	—
Total liabilities	82,492	87,461	(4,969)	(5.7)	104,930
Net position	$ 23,470,290	22,452,690	1,017,600	4.5 %	$ 24,620,878

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

Management's Discussion and Analysist (Unaudited)

June 30, 2023

Condensed Financial Information (continued)

Changes in system net position (In thousands)

Description	2023	2022	Increase (decrease) Amount	Increase (decrease) Percentage	2021
Net position, beginning of year	$ 22,452,690	24,620,878	(2,168,188)	(8.8)%	$ 19,357,542
Additions:					
Contributions – employers and plan members	811,199	820,183	(8,984)	(1.1)	810,572
Contributions – nonemployer State of Alaska	33,933	97,700	(63,767)	(65.3)	101,383
Net investment income (loss)	1,768,040	(1,613,903)	3,381,943	209.6	5,748,837
Employer group waiver plan	60,370	54,191	6,179	11.4	52,416
Medicare retiree drug subsidy	453	595	(142)	(23.9)	189
Pharmacy rebates	58,397	47,415	10,982	23.2	37,936
Pharmacy management allowance	132	134	(2)	(1.5)	189
Other income	690	292	398	136.3	1,309
Total additions (deductions)	2,733,214	(593,393)	3,326,607	(560.6)	6,752,831
Deductions:					
Pension and postemployment healthcare benefits	1,565,917	1,439,873	126,044	8.8	1,385,828
Refunds of contributions	115,080	101,571	13,509	13.3	69,986
Administrative	34,617	33,351	1,266	3.8	33,681
Total deductions	1,715,614	1,574,795	140,819	8.9	1,489,495
Increase (decrease) in net position	1,017,600	(2,168,188)	3,185,788	(146.9)	5,263,336
Net position, end of year	$ 23,470,290	22,452,690	1,017,600	4.5 %	$ 24,620,878

Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2023 and 2022 show net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $23,470,290,000 and $22,452,690,000, respectively. The entire amount is available to cover the System's obligation to pay pension and postemployment healthcare benefits to its members and their beneficiaries, as well as administrative costs.

This represents an increase in the System's net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $1,017,600,000 or 4.5% from fiscal year 2022 to 2023, and a decrease of $2,168,188,000 or 8.8% from fiscal year 2021 to 2022. Over the long term, employers, plan members, 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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June 30, 2023

During the 32nd Alaska State Legislature and as part of the State's Fiscal Year 2023 Operating Budget, House Bill 281 appropriated $33,933,000 from the General Fund to the Department of Administration for deposit in the Defined Benefit Pension fund. The amount of the appropriation is allocated to participating employers (except the State of Alaska) and 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 2023 and 2022, 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:

	2023		2022	
	Pension and Healthcare Trusts		Pension and Healthcare Trusts	
	Allocation	Range	Allocation	Range
Broad domestic equity	27.0%	± 6%	27.0%	± 6%
Global equity (ex-U.S.)	18.0	± 4%	18.0	± 4%
Fixed income	19.0	± 10%	21.0	± 10%
Multi-asset	8.0	± 4%	6.0	± 4%
Real assets	14.0	± 7%	14.0	± 7%
Private equity	14.0	± 7%	14.0	± 6%
Total	100.0%		100.0%	
Expected return 20-year geometric mean	6.90%		6.88%	
Projected standard deviation	13.93		13.89	

For fiscal years 2023 and 2022, the DB Pension Plan's investments generated a 7.03% and (4.08%) rate of return, respectively. For fiscal years 2023 and 2022, the Alaska Retiree Healthcare Trust Plan's investments generated a 7.11% and (4.08%) rate of return, respectively.

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

Management's Discussion and Analysist (Unaudited)

June 30, 2023

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)		
	2023	2022	Amount	Percentage	2021
Contributions – employers	$ 593,306	626,286	(32,980)	(5.3)%	$ 622,103
Contributions – plan members	217,893	193,897	23,996	12.4%	188,469
Contributions – nonemployer					
State of Alaska	33,933	97,700	(63,767)	(65.3)	101,383
Net investment income (loss)	1,768,040	(1,613,903)	3,381,943	209.6	5,748,837
Employer group waiver plan	60,370	54,191	6,179	11.4	52,416
Medicare retiree drug subsidy	453	595	(142)	(23.9)	189
Pharmacy rebates	58,397	47,415	10,982	23.2	37,936
Pharmacy management allowance	132	134	(2)	(1.5)	189
Other income	690	292	398	136.3	1,309
Total	$ 2,733,214	(593,393)	3,326,607	(560.6)%	$ 6,752,831

The System's employer contributions decreased from $626,286,000 in fiscal year 2022 to $593,306,000 in fiscal year 2023, a decrease of $32,980,000 or 5.3%. 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 decreased employer contributions in fiscal year 2023 is attributed to a decrease in the total employer contribution rate from 30.11% in fiscal year 2022 to 24.79%. The State of Alaska as an employer, which represents roughly one-half of the employee population, is required by Alaska statute to pay the full actuarially determined contribution rate. The employer contribution rate reduction would be reflected here. The increase in employer contributions for both fiscal year 2022 and 2021 is primarily due to an increase in member salaries.

The System's plan member contributions increased from $193,897,000 in fiscal year 2022 to $217,893,000 in fiscal year 2023, an increase of $23,996,000 or 12.4%. The System's plan member contributions increased from $188,469,000 in fiscal year 2021 to $193,897,000 in fiscal year 2022, an increase of $5,428,000 or 2.9%. The increase in employer contributions for both fiscal year 2023 and 2022 is due to an increase in member salaries, as well as for funds paid by plan members for their conversion from the defined contribution retirement plan to the defined benefit plan due to the Metcalfe decision discussed in the notes to financial statements.

The State provided $33,933,000 and $97,699,500 for fiscal years 2023 and 2022, 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). These amounts are available to all participating employers, except the State of Alaska, which is required to pay the full actuarially determined contribution rate.

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

Management's Discussion and Analysist (Unaudited)

June 30, 2023

The System's net investment income in fiscal year 2023 increased by $3,381,943,000 or 209.6% from amounts in fiscal year 2022. 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 investment gains in fiscal year 2023 were substantially higher than the investment losses seen in fiscal year 2022, primarily due to improved investor sentiment in domestic stocks and an increase in overseas stocks aided through currency appreciation versus the U.S. dollar that exceeded the System's actuarial rate of return. However, other investment classes did not fare as well, ending the year below the 7.25% rate of return. 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.

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 2023, the Plan received $60,370,000 in EGWP funds from the Center of Medicare and Medicaid Services (CMS) through the EGWP Plan Sponsor, OptumRx, compared to fiscal year 2022 receipts of $54,191,000, and fiscal year 2021 receipts of $52,416,000. The increases each year is due to increased prescription drug usage as well as increased costs of those same prescription drugs that resulted in higher EGWP funds paid to the Plan.

Pharmacy rebates are reimbursed to the Plan by the third-party administrators. During fiscal year 2023, the Plan received $58,397,000 in pharmacy rebates compared to $47,415,000 from fiscal year 2022. In fiscal year 2021, the Plan received $37,936,000. The Plan negotiated higher rebates beginning in calendar year 2022, however, those higher rebates were transmitted to the Plan during fiscal year 2023, which resulted in slightly higher collections due to timing of receipt of those funds.

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

	Year ended		
	2023	**2022**	**2021**
Plan returns	7.03 %	(4.08)%	27.62 %
Broad domestic equity	17.77	(11.74)	42.69
Global equity (ex-U.S.)	15.14	(20.96)	38.54
Fixed income	0.48	(6.96)	2.20
Multi-asset	4.09	(10.58)	23.86
Real assets	2.37	14.29	9.86
Private equity	(3.29)	26.25	50.67
Actuarially assumed rate of return	7.25	7.25	7.38

(Continued)

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

	Year ended		
	2023	**2022**	**2021**
Plan returns	7.11 %	(4.08)%	27.71 %
Broad domestic equity	17.78	(11.73)	42.69
Global equity (ex-U.S.)	15.13	(20.95)	38.57
Fixed income	0.32	(7.04)	2.20
Multi-asset	4.09	(10.58)	23.86
Real assets	2.88	14.41	10.00
Private equity	(3.29)	26.25	50.67
Actuarially assumed rate of return	7.25	7.25	7.38

Benefits and Other Deductions

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

	Deductions (In thousands)				
			Increase (decrease)		
	2023	2022	Amount	Percentage	2021
Pension benefits	$ 1,013,321	953,511	59,810	6.3%	$ 921,899
Postemployment benefits	552,596	486,362	66,234	13.6	463,929
Refunds of contributions	115,080	101,571	13,509	13.3	69,986
Administrative	34,617	33,351	1,266	3.8	33,681
Total	$ 1,715,614	1,574,795	140,819	8.9%	$ 1,489,495

The System's DB pension benefit payments in 2023 increased $59,810,000 or 6.3% from fiscal year 2022, which increased $31,612,000 or 3.4% from fiscal year 2021. The increase in pension benefits in fiscal year 2023 is the result of continued increases in the number of retirees and an increase in average pension benefits which includes a 3.9% Post Retirement Pension Adjustment for eligible retirees.

The System's postemployment healthcare benefit payments in fiscal year 2023 increased $66,234,000 or 13.6% from fiscal year 2022, which increased $22,433,000 or 4.8% from fiscal year 2021. During fiscal year 2023, the System saw an increase in postemployment benefits due to an increase in per member claim costs. The increase in benefits 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 $13,509,000 or 13.3% from fiscal year 2022 to 2023 and increased $31,585,000 or 45.1% from fiscal year 2021 to 2022. The increase in refunds is primarily in the DCR Plan, where refunds increased $12,712,000 between fiscal year 2022 to 2023, and increased $30,390,000 between fiscal year 2021 to 2022. 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 2023 increased $1,266,000 or 3.8% from fiscal year 2022 and decreased $330,000 or 1.0% from fiscal year 2021. The increase in administrative costs in fiscal year 2023 is related to increases in contractual costs charged to the System. For fiscal year 2022, the decrease in costs is related to reductions in contractual costs charged to the System.

Net Pension Liability

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

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

		2023	2022
Total pension liability	$	16,322,711	15,912,991
Plan fiduciary net position		(11,137,489)	(10,816,140)
Employers' net pension liability	$	5,185,222	5,096,851
Plan fiduciary net position as a percentage of the total pension liability		68.23 %	67.97 %

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.

The components of the net OPEB asset of the participating employers of the Plans as of June 30, 2023 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	$ 6,775,291	20,584	195,493
Plan fiduciary net position	(9,076,222)	(71,888)	(242,977)
Employers' net OPEB asset	$ (2,300,931)	(51,304)	(47,484)
Plan fiduciary net position as a percentage of the total OPEB liability	133.96 %	349.24 %	124.29 %

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 %

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.
- Beginning July 1, 2022, the State of Alaska, as an employer, pays the full actuarial determined employer contribution rate adopted by the Board for each fiscal year. 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.
- 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 2023, the 33rd Alaska State Legislature enacted one law that affects the System. Senate Committee Substitute for Committee Substitute for House Bill 39, Section 74(a), appropriates $37.9 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, 2024.

This appropriation is to fund the difference between the statutory employer required contribution of 22% paid by participating employers (excluding the State of Alaska as an employer) for both defined benefit and defined contribution members and the actuarially determined contribution rate of 25.10% adopted by the Board for Fiscal Year 2024. This additional state contribution is specified in AS 39.35.280 – Additional State Contributions.

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

Fiscal year 2023 had positive investment returns. Net investment income increased from a loss of $1,613,903,000 in fiscal year 2022, to a gain of $1,768,040,000 in fiscal year 2023, an increase of $3,381,943,000 or 209.6%. During fiscal year 2023, the System's actual rate of return on investments was below the 7.25% actuarially assumed rate of return. The Board continues to work with its investment counsel and the Alaska Department of Revenue, Treasury Division, to diversify the portfolio of the System to maintain an optimal risk/return ratio.

The consulting actuary recommended an increase from the System's actuarially determined contribution rate of 24.79% in fiscal year 2023 to 25.10% in fiscal year 2024. Additionally, the Board again discussed not contributing the healthcare normal cost contribution rate of 2.50% since the Alaska Retiree HealthCare Trust (ARHCT) 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 2024. The Board adopted the fiscal year 2024 actuarially determined contribution rate of 25.10%, which represented an increase of 0.31%. The statutory employer effective contribution rate remains at 22% for fiscal years 2024 and 2023. With the passage of SB 55 and beginning July 1, 2022, the State of Alaska as an employer continues to pay the full actuarially determined contribution rate.

The June 30, 2022 and 2021 actuarial valuation reports for the DB Pension Plan reported funded ratios based on valuation assets of 68.1% and 67.9% respectively, as well as unfunded liabilities of $5.13 billion and $4.95 billion, respectively.

The June 30, 2022 and 2021 actuarial valuation reports for the DB ARHCT reported funded ratios based on valuation assets of 134.9% and 125.2%, respectively, as well as funding excesses of $2.32 billion and $1.73 billion, respectively.

For fiscal years 2024 and 2023, 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 2024 and 2023 to be 0.68% for peace officers/firefighters; and 0.30% for all others. The DCR Plan retiree medical plan actuarially determined contribution rate was adopted by the Board for fiscal years 2024 and 2023 to be 1.01% and 1.10%, respectively.

The June 30, 2022 and 2021 actuarial valuation reports for the DCR Retiree Major Medical Plan reported funded ratios based on valuation assets of 125.5% and 107.2%, respectively, as well as funding excesses of $43.2 million and $12.1 million, respectively.

The June 30, 2022 and 2021 actuarial valuation reports for the DCR Occupational Death & Disability Plan reported funded ratios based on valuation assets of 420.9% and 452.1%, respectively, as well as funding excesses of $47.9 million and $41.3 million, respectively.

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

Management's Discussion and Analysist (Unaudited)

June 30, 2023

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, 2023
(With summarized financial information for June 30, 2022)

(In thousands)

			Other postemployment benefit plans					
	Defined benefit pension	Defined contribution pension	Alaska Retiree Healthcare Trust	Occupational death and disability	Retiree medical	Health reimbursement arrangement	System total June 30, 2023	System total June 30, 2022
Assets:								
Cash and cash equivalents:								
Short-term fixed-income pool	$ 120,420	1,911	75,529	858	2,843	9,062	210,623	246,154
Empower money market fund – non-participant directed	—	1,051	—	—	—	—	1,051	1,278
Securities lending collateral	12,394	—	10,192	79	268	878	23,811	39,071
Total cash and cash equivalents	132,814	2,962	85,721	937	3,111	9,940	235,485	286,503
Receivables:								
Contributions	12,072	—	—	—	—	—	12,072	13,223
Due from State of Alaska General Fund	10,378	9,294	—	274	855	2,505	23,306	23,385
Other accounts receivable	135	—	14,953	—	23	—	15,111	13,445
Total receivables	22,585	9,294	14,953	274	878	2,505	50,489	50,053
Investments, at fair value:								
Fixed income securities:								
Transition pool	140,647	—	115,676	905	3,061	10,034	270,323	—
Barclays aggregate bond fund	1,485,391	—	1,221,670	9,562	32,332	105,972	2,854,927	3,102,484
Opportunistic fixed income pool	399,122	—	328,261	2,569	8,688	28,474	767,114	739,256
Total fixed-income securities	2,025,160	—	1,665,607	13,036	44,081	144,480	3,892,364	3,841,740
Broad domestic equity:								
Large cap pool	2,526,195	—	2,077,687	16,262	54,987	180,225	4,855,356	4,605,863
Small cap pool	227,544	—	187,145	1,465	4,953	16,234	437,341	405,822
Total broad domestic equity	2,753,739	—	2,264,832	17,727	59,940	196,459	5,292,697	5,011,685
Global equity ex-U.S.:								
International equity small cap pool	1,567,079	—	1,288,856	10,088	34,110	111,799	3,011,932	2,720,476
Emerging markets equity pool	342,774	—	281,917	2,207	7,461	24,454	658,813	608,821
Total global equity ex-U.S.	1,909,853	—	1,570,773	12,295	41,571	136,253	3,670,745	3,329,297
Multi-asset:								
Alternative beta pool	104,467	—	85,919	672	2,274	7,453	200,785	234,883
Alternative equity pool	112,220	—	92,297	722	2,443	8,006	215,688	213,117
Alternative fixed income pool	304,517	—	250,452	1,960	6,628	21,725	585,282	561,751
Tactical allocation strategies pool	384,047	—	315,862	2,472	8,359	27,399	738,139	754,665
Other opportunities pool	—	—	—	—	—	—	—	2,900
Total multi-asset	905,251	—	744,530	5,826	19,704	64,583	1,739,894	1,767,316
Private equity pool	1,806,808	—	1,486,022	11,631	39,328	128,902	3,472,691	3,406,414
Real assets:								
Real estate pool	586,491	—	479,996	3,757	12,703	41,636	1,124,583	1,217,744
Real estate investment trust pool	169,925	—	139,756	1,094	3,699	12,123	326,597	340,296
Infrastructure private pool	304,667	—	250,575	1,961	6,631	21,736	585,570	539,003
Energy pool	19,000	—	15,626	122	413	1,355	36,516	42,938
Farmland pool	374,318	—	307,860	2,409	8,148	26,705	719,440	650,030
Timber pool	140,518	—	115,571	905	3,059	10,025	270,078	259,025
Total real assets	1,594,919	—	1,309,384	10,248	34,653	113,580	3,062,784	3,049,036
Other investment funds:								
Participant directed at fair value:								
Collective investment funds	—	583,252	—	—	—	—	583,252	517,247
Pooled investment funds	—	1,421,233	—	—	—	—	1,421,233	1,160,373
Participant directed at contract value:								
Synthetic investment contracts	—	130,167	—	—	—	—	130,167	119,505
Total other investment funds	—	2,134,652	—	—	—	—	2,134,652	1,797,125
Total investments	10,995,730	2,134,652	9,041,148	70,763	239,277	784,257	23,265,827	22,202,613
Other assets	14	—	967	—	—	—	981	982
Total assets	11,151,143	2,146,908	9,142,789	71,974	243,266	796,702	23,552,782	22,540,151
Liabilities:								
Claims payable	—	—	45,690	—	—	—	45,690	40,109
Accrued expenses	1,260	644	9,201	7	21	15	11,148	8,110
Forfeitures payable to employers	—	359	—	—	—	—	359	171
Securities lending collateral payable	12,394	—	10,192	79	268	878	23,811	39,071
Due to State of Alaska General Fund	—	—	1,484	—	—	—	1,484	—
Total liabilities	13,654	1,003	66,567	86	289	893	82,492	87,461
Net position restricted for pension benefits, postemployment healthcare benefits, and individuals	$ 11,137,489	2,145,905	9,076,222	71,888	242,977	795,809	23,470,290	22,452,690

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, 2023
(With summarized financial information for June 30, 2022)

(In thousands)

			Other postemployment benefit plans					
	Defined benefit pension	Defined contribution pension	Alaska Retiree Healthcare Trust	Occupational death and disability	Retiree medical	Health reimbursement arrangement	System total June 30, 2023	System total June 30, 2022
Additions (reductions):								
Contributions:								
Employers	$ 438,011	78,391	555	6,126	18,753	51,470	593,306	626,286
Plan members	79,968	137,925	—	—	—	—	217,893	193,897
Nonemployer State of Alaska	33,933	—	—	—	—	—	33,933	97,700
Total contributions	551,912	216,316	555	6,126	18,753	51,470	845,132	917,883
Investment income (loss):								
Net appreciation (depreciation) in fair value	658,417	234,041	541,145	4,103	13,864	45,618	1,497,188	(1,850,883)
Interest	53,904	715	44,334	325	1,099	3,629	104,006	78,930
Dividends	116,691	—	97,111	712	2,409	7,950	224,873	214,384
Total investment income (loss)	829,012	234,756	682,590	5,140	17,372	57,197	1,826,067	(1,557,569)
Less investment expense	29,490	2,608	23,943	179	604	1,939	58,763	56,842
Net investment income (loss) before securities lending activities	799,522	232,148	658,647	4,961	16,768	55,258	1,767,304	(1,614,411)
Securities lending income	480	—	395	3	10	33	921	635
Less securities lending expense	96	—	79	1	2	7	185	127
Net income from securities lending activities	384	—	316	2	8	26	736	508
Net investment income (loss)	799,906	232,148	658,963	4,963	16,776	55,284	1,768,040	(1,613,903)
Other income:								
Employer group waiver plan	—	—	60,209	—	161	—	60,370	54,191
Medicare retiree drug subsidy	—	—	453	—	—	—	453	595
Pharmacy rebates	—	—	58,282	—	115	—	58,397	47,415
Pharmacy management allowance	—	—	132	—	—	—	132	134
Miscellaneous income	168	130	390	—	2	—	690	292
Total other income	168	130	119,466	—	278	—	120,042	102,627
Total additions (reductions)	1,351,986	448,594	778,984	11,089	35,807	106,754	2,733,214	(593,393)
Deductions:								
Pension and postemployment benefits	1,012,696	—	551,353	625	405	838	1,565,917	1,439,873
Refunds of contributions	10,099	104,981	—	—	—	—	115,080	101,571
Administrative	7,842	6,040	20,543	34	111	47	34,617	33,351
Total deductions	1,030,637	111,021	571,896	659	516	885	1,715,614	1,574,795
Net increase (decrease)	321,349	337,573	207,088	10,430	35,291	105,869	1,017,600	(2,168,188)
Net position restricted for pension benefits, postemployment healthcare benefits, and individuals:								
Balance, beginning of year	10,816,140	1,808,332	8,869,134	61,458	207,686	689,940	22,452,690	24,620,878
Balance, end of year	$ 11,137,489	2,145,905	9,076,222	71,888	242,977	795,809	23,470,290	22,452,690

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, 2023

(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, 2023, 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.

(Continued)

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, 2023:

Retired plan members or beneficiaries currently receiving benefits	36,951
Inactive plan members entitled to but not yet receiving benefits	4,781
Inactive plan members not entitled to benefits	9,961
Active plan members	8,557
Total DB Plan membership	60,250

(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 2023 is allocated 22.00% to the DB Pension Plan and 0.00% 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 2023, 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, 2023, membership in the DCR Plan consisted of 2,559 peace officer and firefighter members and 23,702 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, 2023:

Retired plan members or beneficiaries currently receiving benefits	36,951
Inactive plan members entitled to but not yet receiving benefits	4,781
Inactive plan members not entitled to benefits	9,961
Active plan members	8,557
Total DB Plan membership	60,250

(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 2023 statutory employer effective contribution rate is 22.00% of member's compensation, with 0.00% 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, 2023:

Active plan members	26,261
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 2023, the rates are 0.68% for occupational death and disability for peace officers and firefighters and 0.30% for occupational death and disability for all other members.

(c) Retiree Medical Plan

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

Membership in the RMP was as follows at June 30, 2023:

Retired plan members or beneficiaries currently receiving benefits	175
Inactive plan members entitled to but not yet receiving benefits	2,773
Inactive plan members not entitled to benefits	19,395
Active plan members	26,261
Total RMP membership	48,604

(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 2023 employer effective contribution rate is 1.10% 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, 2023:

Retired plan members or beneficiaries currently receiving benefits	239
Inactive plan members entitled to but not yet receiving benefits	2,773
Inactive plan members not entitled to benefits	19,395
Active plan members	26,261
Total HRA Plan membership	48,668

(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 2023 contribution amount was an annual contribution not to exceed $2,237 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 $2,237 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.

(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).

(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, 2023 for the DB Pension Plan is 7.56%, the ARHCT Plan is 7.64%, the ODD Plan is 7.71%, and the RMP is 7.71%.

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 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, 2023 were as follows (in thousands):

Total pension liability	$	16,322,711
Plan fiduciary net position		(11,137,489)
Employers' net pension liability	$	5,185,222
Plan fiduciary net position as a percentage of the total pension liability		68.23%

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30 , 2022, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2023.

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.
	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 Section 5 of the 2022 actuarial valuation report.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience.

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, 2023 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.82%).

Asset class	Long-term expected real rate of return
Domestic equity	6.17%
Global equity (ex-U.S.)	6.55
Aggregate bonds	1.63
Real assets	4.87
Private equity	11.57
Cash equivalents	0.49

(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 4.13% as of June 30, 2023.

(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, 2023, 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	$ 6,961,145	5,185,222	3,685,090

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

Notes to Financial Statements

June 30, 2023

(5) Net OPEB Asset

The components of the net OPEB asset of the participating employers for each Plan at June 30, 2023 were as follows (in thousands):

		ARHCT Plan	ODD Plan	RMP
Total OPEB liability	$	6,775,291	20,584	195,493
Plan fiduciary net position		(9,076,222)	(71,888)	(242,977)
Employers' net OPEB asset	$	(2,300,931)	(51,304)	(47,484)
Plan fiduciary net position as a percentage of the total OPEB liability		133.96%	349.24%	124.29%

(a) Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2023.

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: 6.7% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Rx/EGWP: 7.2% grading down to 4.5% Initial trend rates are for FY 2024 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. Deaths are assumed to result from occupation causes 70% of the time. 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. 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 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. Deaths are assumed to result from occupational causes 35% of the time. 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. 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. 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	
ARHCT Plan	Please see Section 5 of the 2022 valuation report.
RMP and ODD Plans	Please see Section 4 of the 2022 valuation report.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience. For the ARHCT and RMP plans, the per capita claims costs were updated to reflect recent experience for the June 30, 2022 actuarial valuation.

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 plans' target asset allocation as of June 30, 2023 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.82%):

Asset class	Long-term expected real rate of return
Domestic equity	6.17%
Global equity (non-U.S.)	6.55
Aggregate bonds	1.63
Real assets	4.87
Private equity	11.57
Cash equivalents	0.49

(b) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2023 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 4.13% as of June 30, 2023.

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

The following presents the net OPEB asset as of June 30, 2023, 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	$ 1,529,414	2,300,931	2,949,048
ODD Plan	48,205	51,304	53,716
RMP	1,650	47,484	82,497

(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, 2023, calculated using the healthcare cost trend rates as summarized in the 2022 actuarial valuation report, as well as what the System's net OPEB liability (asset) would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates (in thousands):

		1.00% decrease	Current healthcare cost trend rate	1.00% increase
ARHCT Plan	$	(3,023,183)	(2,300,931)	(1,440,926)
ODD Plan		N/A	N/A	N/A
RMP		(87,196)	(47,484)	5,858

(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):

		2023	2022
Total, beginning of year	$	40,109	39,972
Healthcare benefits		551,758	485,832
Benefits paid		(546,177)	(485,695)
Total, end of year	$	45,690	40,109

(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 was 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 2022, 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 Superior Court granted the motion for final judgment, awarded judgment on attorney's fees, and ordered the Division to notify class members by the end of May 2022 of their right to seek reinstatement into the defined benefit plan and the procedures to do so.

The Division continues to determine the impact of this decision on PERS and TRS. The Division is working with impacted former members who meet the requirements to re-establish their position in the defined benefits plan. However, it is unclear exactly how many former members will seek to reinstate to the defined benefits plan or the precise costs of the reintroduction of those former members to the defined benefits plan.

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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:										
Service cost	$ 116,137	119,376	130,592	141,556	157,708	170,816	184,411	172,304	184,712	160,828
Interest	1,122,591	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
Differences between expected and actual experience	193,787	(172,703)	(97,514)	81,120	(243,120)	(302,874)	(184,252)	(118,947)	10,791	—
Changes of assumptions	—	227,035	—	—	502,790	—	—	—	541,390	—
Benefit payments, including refunds of member contributions	(1,022,795)	(962,357)	(930,006)	(895,523)	(848,019)	(812,877)	(777,187)	(742,174)	(696,542)	(651,917)
Net change in total pension liability	409,720	332,183	210,471	406,702	687,933	163,133	295,284	360,409	1,061,298	449,697
Total pension liability – beginning	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
Total pension liability – ending (a)	16,322,711	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
Plan fiduciary net position:										
Contributions – employers	438,011	415,538	414,741	350,028	350,601	299,665	263,597	235,360	226,136	206,204
Contributions – plan members	79,968	66,412	70,614	74,514	79,609	84,956	89,345	96,024	100,036	106,565
Contributions – nonemployer State of Alaska	33,933	97,700	101,383	79,487	67,857	72,719	99,167	88,586	1,000,000	176,794
Net investment income (loss)	799,906	(704,611)	2,794,112	378,119	540,088	725,310	1,048,006	(49,967)	253,311	1,207,484
Benefit payments, including refunds of member contributions	(1,022,795)	(962,357)	(930,006)	(895,523)	(848,019)	(812,877)	(777,187)	(742,175)	(696,542)	(651,917)
Administrative expenses	(7,842)	(9,038)	(8,232)	(7,017)	(7,429)	(6,250)	(7,526)	(7,243)	(7,553)	(8,223)
Other income	168	187	536	148	23	25	38	240	36	49
Net change in plan fiduciary net position	321,349	(1,096,169)	2,443,148	(20,244)	182,730	363,548	715,440	(379,175)	875,424	1,036,956
Plan fiduciary net position – beginning	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 fiduciary net position – ending (b)	11,137,489	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
Plan's net pension liability (a)–(b)	$ 5,185,222	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
Plan fiduciary net position as a percentage of the total pension liability	68.23 %	67.97 %	76.46 %	61.61 %	63.42 %	65.19 %	63.37 %	59.55 %	63.96 %	62.37 %
Covered payroll	$ 796,666	831,409	893,910	956,120	1,033,526	1,096,605	1,166,107	1,251,066	1,328,384	1,405,197
Net pension liability as a percentage of covered payroll	650.87 %	613.04 %	410.39 %	617.20 %	529.67 %	454.37 %	443.31 %	446.79 %	365.11 %	331.92 %

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
2023	$	448,841	471,944	(23,103)	796,666	59.24 %
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 %

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
2023	7.56 %
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 %

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 – Alaska Retiree Healthcare Trust Plan

(In thousands)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	$ 58,773	73,661	82,428	95,615	119,782	110,333	114,109
Interest	488,658	523,716	535,241	577,711	684,429	647,310	623,599
Change in benefit terms	—	(63,712)	—	—	—	—	—
Differences between expected and actual experience	28,664	(60,449)	(80,821)	(88,229)	(147,463)	(149,287)	(28,042)
Changes of assumptions	(254,054)	(391,276)	(290,836)	(766,624)	(965,602)	259,497	—
Benefit payments, including refunds of member contributions	(508,527)	(453,211)	(440,234)	(407,069)	(420,429)	(413,273)	(405,872)
EGWP rebates	60,209	54,052	52,356	33,177	7,066	—	—
Net change in total OPEB liability	(126,277)	(317,219)	(141,866)	(555,419)	(722,217)	454,580	303,794
Total OPEB liability – beginning	6,901,568	7,218,787	7,360,653	7,916,072	8,638,289	8,183,709	7,879,915
Total OPEB liability – ending (a)	6,775,291	6,901,568	7,218,787	7,360,653	7,916,072	8,638,289	8,183,709
Plan fiduciary net position:							
Contributions – employers	555	64,990	68,191	107,298	102,266	85,731	124,541
Contributions – Employer group waiver plan rebates	60,209	54,052	52,356	33,177	7,066	—	—
Contributions – Medicare retiree drug subsidy	453	594	189	—	20,481	5,965	—
Net investment income (loss)	658,963	(578,684)	2,294,391	318,157	449,098	598,342	859,980
	720,180	(459,048)	2,415,126	458,632	578,911	690,038	984,521
Benefit payments	(551,353)	(485,327)	(462,977)	(439,785)	(444,143)	(422,378)	(405,872)
Pharmacy rebates	58,282	47,329	37,901	48,006	36,921	20,268	—
Pharmacy management allowance	132	134	189	—	—	—	—
Administrative Services Only (ASO) fees	(15,588)	(15,347)	(15,347)	(15,290)	(13,207)	(11,163)	—
Net benefit payments	(508,527)	(453,211)	(440,234)	(407,069)	(420,429)	(413,273)	(405,872)
Administrative expenses, excluding ASO fees	(4,955)	(2,873)	(4,859)	(6,203)	(3,665)	(3,822)	(15,960)
Other	390	125	597	459	874	106	43,009
Net change in plan fiduciary net position	207,088	(915,007)	1,970,630	45,819	155,691	273,049	605,698
Plan fiduciary net position – beginning	8,869,134	9,784,141	7,813,511	7,767,692	7,612,001	7,338,952	6,733,254
Plan fiduciary net position – ending (b)	9,076,222	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)	$ (2,300,931)	(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	133.96%	128.51%	135.54%	106.15%	98.13%	88.12%	89.68%
Covered payroll	$ 796,666	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	(288.82%)	(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
2023	$	69,353	555	68,798	796,666	0.07 %
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 %

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

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Alaska Retiree Healthcare Trust Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2023	7.64 %
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)

		2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:								
Service cost	$	5,068	5,456	5,133	4,808	3,870	3,565	3,419
Interest		1,623	1,572	1,458	1,244	1,205	1,275	977
Differences between expected and actual experience		(3,102)	(5,014)	(4,919)	(3,022)	(3,252)	(5,625)	(470)
Changes in assumptions		—	(10)	—	—	(528)	—	—
Benefit payments, including refunds of member contributions		(625)	(456)	(431)	(479)	(398)	(392)	(313)
Net change in total OPEB liability		2,964	1,548	1,241	2,551	897	(1,177)	3,613
Total OPEB liability – beginning		17,620	16,072	14,831	12,280	11,383	12,560	8,947
Total OPEB liability – ending (a)		20,584	17,620	16,072	14,831	12,280	11,383	12,560
Plan fiduciary net position:								
Contributions – employers		6,126	5,769	5,334	4,387	4,083	2,215	2,196
Net investment income (loss)		4,963	(3,968)	13,182	1,658	2,036	2,233	2,938
Benefit payments		(625)	(456)	(431)	(479)	(398)	(392)	(313)
Administrative expenses		(34)	(33)	(32)	—	(1)	—	(18)
Other		—	—	2	—	—	—	—
Net change in plan fiduciary net position		10,430	1,312	18,055	5,566	5,720	4,056	4,803
Plan fiduciary net position – beginning		61,458	60,146	42,091	36,525	30,805	26,749	21,946
Plan fiduciary net position – ending (b)		71,888	61,458	60,146	42,091	36,525	30,805	26,749
Plan's net OPEB asset (a)–(b)	$	(51,304)	(43,838)	(44,074)	(27,260)	(24,245)	(19,422)	(14,189)
Plan fiduciary net position as a percentage of the total OPEB liability		349.24 %	348.80 %	374.23 %	283.80 %	297.43 %	270.62 %	212.97 %
Covered payroll	$	1,645,341	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		(3.12)%	(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
2023	$ 5,885	6,126	(241)	1,645,341	0.37 %
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 %

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
2023	7.71 %
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)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	$ 13,969	16,428	15,100	15,726	13,465	12,269	10,394
Interest	13,545	14,317	12,079	11,651	10,093	7,916	6,425
Change in benefit terms	—	(2,376)	—	—	—	—	—
Differences between expected and actual experience	(535)	(406)	2,233	42	(1,340)	(724)	(46)
Change of assumptions	(4,247)	(32,415)	(184)	(20,884)	7,303	6,623	—
Benefit payments	(356)	(444)	(237)	(69)	(109)	(41)	—
EGWP rebates	161	139	60	34	10	—	—
Net change in total OPEB liability	22,537	(4,757)	29,051	6,500	29,422	26,043	16,773
Total OPEB liability – beginning	172,956	177,713	148,662	142,162	112,740	86,697	69,924
Total OPEB liability – ending (a)	195,493	172,956	177,713	148,662	142,162	112,740	86,697
Plan fiduciary net position:							
Contributions – employers	18,753	16,920	18,559	17,846	11,736	11,657	12,280
Contributions – Employer group waiver plan rebates	161	139	60	35	10	—	—
Contributions – Medicare retiree drug subsidy	—	1	—	—	9	—	—
Net investment income (loss)	16,776	(13,410)	44,619	5,546	6,591	6,919	8,506
	35,690	3,650	63,238	23,427	18,346	18,576	20,786
Benefit payments	(405)	(505)	(247)	(98)	(128)	(41)	—
Pharmacy rebates	115	86	35	29	19	—	—
ASO fees	(66)	(25)	(25)	—	—	—	—
Net benefit payments	(356)	(444)	(237)	(69)	(109)	(41)	—
Administrative expenses, excluding ASO fees	(45)	(75)	(22)	(27)	(14)	(4)	(12)
Other	2	—	7	—	—	2	1
Net change in plan fiduciary net position	35,291	3,131	62,986	23,331	18,223	18,533	20,775
Plan fiduciary net position – beginning	207,686	204,555	141,569	118,238	100,015	81,482	60,707
Plan fiduciary net position – ending (b)	242,977	207,686	204,555	141,569	118,238	100,015	81,482
Plan's net OPEB (asset) liability (a)–(b)	$ (47,484)	(34,730)	(26,842)	7,093	23,924	12,725	5,215
Plan fiduciary net position as a percentage of the total OPEB liability	124.29 %	120.08 %	115.10 %	95.23 %	83.17 %	88.71 %	93.98 %
Covered payroll	$ 1,645,341	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	(2.89)%	(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
2023	$	18,099	18,753	(654)	1,645,341	1.14 %
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 %

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
2023	7.71 %
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.

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, 2022 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 – 7.25% per year, net of investment expenses

(e) Salary scale – Rates based upon the 2017–2021 actual experience. Inflation 2.50% per year and productivity 0.25% per year.

(f) Payroll growth – 2.75% per year (2.50% inflation + 0.25% 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 on the 2017–2021 actual experience, to the extent the experience was statistically credible.

Employee mortality for Peace Officer/Firefighters in accordance with the following tables:

- Pension: Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Safety Employee table, headcount-weighted, and projected with MP-2021 generational improvement.

Employee mortality for Others in accordance with the following tables:

- Pension: Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 General Employee table, headcount-weighted, and projected with MP-2021 generational improvement.

(Continued)

Deaths are assumed to result from occupational causes 70% of the time for Peace Officers/Firefighters, and 35% of the time for Others.

(i) Mortality (post-commencement) – Mortality rates based on the 2017–2021 actual experience, to the extent the experience was statistically credible.

Retiree mortality for Peace Officer/Firefighters in accordance with the following tables:

- Pension: Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Safety Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Retiree mortality for Others in accordance with the following tables:

- Pension: 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: 101% of male and 110% of female rates of the Pub-2010 General Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Beneficiary mortality for Peace Officer/Firefighters in accordance with the following tables. These tables are applied only after the death of the original member.

- Pension: Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement.

Beneficiary mortality for Others in accordance with the following tables. These tables are applied only after the death of the original member.

- Pension: 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: 101% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement.

(j) Turnover – Select and ultimate rates based upon the 2017–2021 actual experience

(k) Disability – No changes to the incidence rates from the prior valuation due to insufficient 2017–2021 actual experience. Disability rates cease once a member is eligible for retirement.

Disabilities are assumed to be occupational 70% of the time for Peace Officer/Firefighters, and 35% of the time for Others.

Post-disability mortality for Peace Officer/Firefighters in accordance with the following tables:

- Pension: Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Post-disability mortality for Others in accordance with the following tables:

- Pension: Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

(l) Retirement – Retirement rates based on the 2017–2021 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 Peace Officer/Firefighters, 85% of male members and 60% of female members are assumed to be married at termination of active service. For Others, 75% of male members and 70% of female members are assumed to be married at termination of active service.

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

(r) 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.

(s) Administrative expenses – The investment return assumption is net of investment expenses. The Normal Cost as of June 30, 2022 was increased by the following amounts. These amounts are based on the average of actual administrative expenses during the last two fiscal years. For projections, the percent increase was assumed to remain constant in future years.

- Pension – $8,635,000
- Healthcare – $3,818,000

(t) 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 shown in the report includes the following assumptions based on the four years of rehire loss experience through June 30, 2021. For projections, these assumptions were assumed to grade to zero uniformly over a 20-year period.

- Pension – 15.30%
- Healthcare – 2.40%

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

(v) 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.

(w) Part-time service – Peace Officer/Firefighter members are assumed to be full-time employees. For Other members, part-time employees are assumed to earn 0.75 years of service per year.

(x) 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

(y) Contribution refunds – 5% 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.

(z) Early retirement factors – Division staff provided the early retirement factors, which reflect grandfathered factors.

(aa) Alaska Cost of Living Allowance (COLA) – Of those benefit recipients who are eligible for the Alaska COLA, 60% of Peace Officer/Firefighters and 65% of Others are assumed to remain in Alaska and receive the COLA.

(bb) 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.

(cc) Healthcare participation – 100% of System paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. For Peace Officer/Firefighters, 20% of non-System paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. For Others, 25% of non-System paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

(dd) Medicare Part B Only – It's assumed that 2% 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 per capita claims cost – Sample claims cost rates adjusted to age 65 for FY23 medical and prescription drug benefits are shown below. 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.

	Medical	Prescription drugs
Pre-Medicare	$ 15,706	3,712
Medicare Parts A and B	1,625	3,907
Medicare Part B only	5,363	3,907
Medicare Part D – EGWP	N/A	1,309

Members are assumed to attain Medicare eligibility at age 65. All costs are for the 2023 fiscal year (July 1, 2022–June 30, 2023).

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.

(ff) Healthcare morbidity – Morbidity rates (also called aging factors) are used to estimate utilization of healthcare benefits at each age to reflect the fact that healthcare utilization typically increases with age. Separate morbidity rates are used for medical and prescription drug benefits. These rates are based on the 2017–2021 actual experience.

Age	Medical	Prescription drugs
0–44	2.0 %	4.5 %
45–54	2.5	3.5
55–64	2.5	1.0
65–74	2.0	2.1
75–84	2.2	(0.3)
85–94	0.5	(2.5)
95+	—	—

(gg) Healthcare third-party administrator fees – $449 per person per year; assumed to increase at 4.50% per year.

(hh) 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, 7.00% is applied to the FY23 pre-Medicare medical claims cost to get the FY24 medical claims cost:

	Medical		Prescription
Fiscal year	Pre-65	Post-65	drugs/EGWP
2023	7.00 %	5.50 %	7.50 %
2024	6.70	5.50	7.20
2025	6.40	5.40	6.90
2026	6.20	5.40	6.65
2027	6.05	5.35	6.35
2028	5.85	5.35	6.10
2029	5.65	5.30	5.80
2030	5.45	5.30	5.55
2031-2038	5.30	5.30	5.30
2039	5.25	5.25	5.25
2040	5.20	5.20	5.20
2041	5.10	5.10	5.10
2042	5.05	5.05	5.05
2043	4.95	4.95	4.95
2044	4.90	4.90	4.90
2045	4.80	4.80	4.80
2046	4.75	4.75	4.75
2047	4.70	4.70	4.70
2048	4.60	4.60	4.60
2049	4.55	4.55	4.55
2050+	4.50	4.50	4.50

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.

(ii) 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 FY23 contributions based on monthly rates shown below for calendar 2023 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.

Coverage category	Calendar 2023 Annual contribution	Calendar 2023 Monthly contribution	Calendar 2022 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

(jj) 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, 4.0% is applied to the FY23 retired member medical contributions to get the FY24 retired member medical contributions.

Fiscal year	Trend assumption
2023+	4.0%

Graded trend rates for retired member medical contributions are consistent with the rates used for the June 30, 2021 valuation. Actual FY23 retired member medical contributions are reflected in the valuation.

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, 2022 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, 2022 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 FY23 claims costs were reduced 4.4% for pre-Medicare medical claims, 3.1% for Medicare medical claims, and 8.9% for prescription drugs. In addition, to account for the difference in Medicare coordination, projected FY23 medical claims costs for Medicare eligible retirees were further reduced 29.5%.

FY21 and FY22 experience was thoroughly reviewed to assess the impact of COVID-19 and whether an adjustment to FY21 and FY22 claims was appropriate for use in the June 30, 2022 valuation. FY21 medical per capital claims cost 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. FY22 medical per capita claims were reasonable when compared to pre-COVID levels, so no adjustments were made to the FY22 medical claims used in the per capita claims cost development.

Starting in 2022, prior authorization is required for certain specialty medications. There is no change to the medications that are covered by the plan. Segal provided an estimate of the impact of this change to the DB retiree health plan cost for calendar year 2022. The resulting adjustment factors for pre-Medicare prescription drug, Medicare prescription drug, and EGWP costs were applied to claims experience incurred before January 1, 2022. Those base claims costs were used for the DCR valuation with further adjustments as noted below. Additionally, starting in 2022, certain common preventive benefits are covered for the DB plan. The resulting adjustment factor for pre-Medicare medical costs was applied to claims experience incurred before January 1, 2022. However, preventive benefits were already covered under the DCR plan, so the pre-65 DCR medical adjustment factor referenced above was increased from 3.1% to 4.4%.

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 2023 reimbursements under EGWP were provided by Segal Consulting (who worked with the EGWP administrator, Optum, to develop those estimates).

(d) Investment return – 7.25% per year, net of investment expenses.

(e) Salary scale – Rates based upon the 2017–2021 actual experience. Inflation 2.50% per year and productivity 0.25% per year.

(f) Payroll growth – 2.75% per year (2.50% inflation + 0.25% 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 on the 2017–2021 actual experience, to the extent the experience was statistically credible.

Employee mortality for Peace Officer/Firefighters in accordance with the following tables:

- Occupational Death & Disability: Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Safety Employee table, headcount-weighted, and projected with MP-2021 generational improvement.

Employee mortality for Others in accordance with the following tables:

- Occupational Death & Disability: Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 General Employee table, headcount-weighted, and projected with MP-2021 generational improvement.

Deaths are assumed to result from occupational causes 70% of the time for Peace Officer/Firefighters, and 35% of the time for Others.

(i) Mortality (post-commencement) – Mortality rates based on the 2017–2021 actual experience, to the extent the experience was statistically credible.

Retiree mortality for Peace Officer/Firefighters in accordance with the following tables:

- Occupational Death & Disability: Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Safety Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Retiree mortality for Others in accordance with the following tables:

- Occupational Death & Disability: 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: 101% of male and 110% of female rates of the Pub-2010 General Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Beneficiary mortality for Peace Officer/Firefighters in accordance with the following tables. These tables are applied only after the death of the original member.

- Occupational Death & Disability: Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement.

Beneficiary mortality for Others in accordance with the following tables. These tables are applied only after the death of the original member.

- Occupational Death & Disability: 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: 101% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement.

(j) Turnover – Select and ultimate rates based upon the 2017–2021 actual experience

(k) Disability – No changes to the incidence rates from the prior valuation due to insufficient 2017–2021 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 & disability benefits.

Disabilities are assumed to be occupational 70% of the time for Peace Officer/Firefighters, and 35% of the time for Others.

For Peace Officer/Firefighters, members are assumed to take the monthly annuity 100% of the time.

Post-disability mortality for Peace Officer/Firefighters in accordance with the following tables:

- Occupational Death & Disability: Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Post-disability mortality for Others in accordance with the following tables:

- Occupational Death & Disability: Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

(l) Retirement – Retirement rates based upon the 2017–2021 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 Peace Officer/Firefighters, 85% of male members and 60% of female members are assumed to be married at termination from active service. For others, 75% of male members and 70% 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. For Peace Officer/Firefighters, 75% of male members and 50% of female members are assumed to be married and cover a dependent spouse. For others, 60% of male members and 50% of female members are assumed to be married and cover a dependent spouse.

(p) Part-time service – Peace Officer/Firefighter member are assumed to be full-time employees. For Other members, part-time employees are assumed to earn 0.75 years of service per year.

(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) 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.

(s) Administrative expenses – The investment return assumption is net of investment expenses. The Normal Cost as of June 30, 2022 was increased by the following amounts. These amounts are based on the average of actual administrative expenses during the last two fiscal years.

- Occupational Death & Disability – $33,000

- Healthcare – $39,000

(t) 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.

(u) Healthcare per capita claims cost – Sample claims cost rates (before base claims cost adjustments described below) adjusted to age 65 for FY23 medical and prescription drug benefits are shown below. The prescription drug costs reflect the plan change to require prior authorization for certain specialty medications.

	Medical	Prescription drugs
Pre-Medicare	$ 15,706	3,712
Medicare Parts A and B	1,625	3,907
Medicare Part D - EGWP	N/A	1,309

Members are assumed to attain Medicare eligibility at age 65. All other costs are for the 2023 fiscal year (July 1, 2022–June 30, 2023).

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 at the next measurement date.

(v) 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:

- 0.956 for the pre-Medicare plan
- 0.674 for both the Medicare medical plan and Medicare coordination method (3.1% reduction for the medical plan and 29.5% reduction for the coordination method)
- 0.911 for the prescription drug plan

(w) Healthcare morbidity: Morbidity rates (also called aging factors) are used to estimate utilization of healthcare benefits at each age to reflect the fact that healthcare utilization typically increases with age. Separate morbidity rates are used for medical and prescription drug benefits. These rates are based on the 2017–2021 actual experience.

Age	Medical	Prescription drugs
0–44	2.0 %	4.5 %
45–54	2.5	3.5
55–64	2.5	1.0
65–74	2.0	2.1
75–84	2.2	(0.3)
85–94	0.5	(2.5)
95+	—	—

(x) Healthcare third-party administrator fees – $449 per person per year; assumed to increase at 4.50% per year.

(y) Healthcare cost trend – The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 7.00% is applied to the FY23 pre-Medicare medical claims costs to get the FY24 medical claims costs.

	Medical		Prescription
Fiscal year	**Pre-65**	**Post-65**	**drugs/EGWP**
2023	7.00 %	5.50 %	7.50 %
2024	6.70	5.50	7.20
2025	6.40	5.40	6.90
2026	6.20	5.40	6.65
2027	6.05	5.35	6.35
2028	5.85	5.35	6.10
2029	5.65	5.30	5.80
2030	5.45	5.30	5.55
2031-2038	5.30	5.30	5.30
2039	5.25	5.25	5.25
2040	5.20	5.20	5.20
2041	5.10	5.10	5.10
2042	5.05	5.05	5.05
2043	4.95	4.95	4.95
2044	4.90	4.90	4.90
2045	4.80	4.80	4.80
2046	4.75	4.75	4.75
2047	4.70	4.70	4.70
2048	4.60	4.60	4.60
2049	4.55	4.55	4.55
2050+	4.50	4.50	4.50

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.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2023

(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, 2021 to June 30, 2022

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

(b) Changes in Assumptions Since the Prior Valuation – June 30, 2021 to June 30, 2022

Effective for the June 30, 2022 valuation, the Board adopted the changes to the demographic and economic assumptions recommended by the actuary, based on the results of an experience study performed on the plan experience from July 1, 2017 to June 30, 2021. The changes in assumptions were adopted at the June 2022 Board meeting. The effect of the new assumptions was to increase the actuarial accrued liability as of June 30, 2022 by approximately $206 million for pension and decrease by approximately $88 million for healthcare.

The healthcare per capital claims cost assumption is updated for each valuation. The amounts included in the Normal Cost for the administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets.

(c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2021 to June 30, 2022

There have been no changes in benefit provisions valued 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, 2021 to June 30, 2022

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

(b) Changes in Assumptions Since the Prior Valuation – June 30, 2021 to June 30, 2022

Effective for the June 30, 2022 valuation, the Board adopted the changes to the demographic and economic assumptions recommended by the actuary, based on the results of an experience study performed on the plan experience from July 1, 2017 to June 30, 2021. The changes in assumptions were adopted at the June 2022 Board meeting. The effect of the new assumptions was to increase the actuarial accrued liability as of June 30, 2022 by approximately $1,222,000 for occupational death & disability and decrease by approximately $22,348,000 for retiree medical.

The healthcare per capital claims cost assumption is updated for each valuation. The amounts included in the Normal Cost for the administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets.

(c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2021 to June 30, 2022

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)

Schedules of Administrative and Investment Deductions

Years ended June 30, 2023 and 2022

(In thousands)

	Administrative	Investment	Totals 2023	Totals 2022
Personal services:				
Wages	$ 5,311	2,506	7,817	7,678
Benefits	3,292	1,169	4,461	4,803
Total personal services	8,603	3,675	12,278	12,481
Travel:				
Transportation	19	53	72	23
Per diem	5	10	15	5
Total travel	24	63	87	28
Contractual services:				
Management and consulting	19,840	394	20,234	19,997
Investment management and custodial fees		53,398	53,398	52,207
Accounting and auditing	102	18	120	144
Data processing	4,294	883	5,177	3,430
Communications	117	9	126	123
Advertising and printing	81	2	83	72
Rentals/leases	669	89	758	244
Legal	132	59	191	338
Medical specialists	17	—	17	14
Repairs and maintenance	5	2	7	5
Transportation	62	1	63	299
Securities lending expense	—	185	185	127
Other professional services	617	61	678	707
Total contractual services	25,936	55,101	81,037	77,707
Other:				
Equipment	9	24	33	18
Supplies	45	85	130	86
Total other	54	109	163	104
Total administrative and investment deductions	$ 34,617	58,948	93,565	90,320

See accompanying independent auditors' report.

Schedule 2

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
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Schedules of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2023 and 2022

(In thousands)

Firm	Services	2023	2022
Buck Global LLC	Actuarial services	$ 328	399
KPMG LLP	Auditing services	86	63
Groundswell Communications	Communications services	29	70
State Street Bank and Trust	Custodial banking services	1,207	1,325
Alaska IT Group	Data processing services	230	221
Applied Microsystems Incorporated	Data processing services	450	460
International Business Machines	Data processing services	28	21
Sagitec Solutions	Data processing services	2,795	2,104
SHI International Corporation	Data processing services	25	23
Sungard Availability Services	Data processing services	23	27
TechData Service Company	Data processing services	341	368
Unicom Systems	Data processing services	15	15
State of Alaska, Department of Law	Legal services	170	338
Agnew Beck Consulting	Management consulting services	10	25
Symphony Performance Health	Management consulting services	23	30
The Segal Company Incorporated	Management consulting services	196	93
Federal Hearings and Appeals Services	Medical specialist and consulting	17	14
		$ 5,973	5,596

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, 2023

(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:

Qualified Opinion

We have audited the financial statements of the 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, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements 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 fiduciary net position of the System as of June 30, 2023, and the changes in its fiduciary net position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence about the accuracy of census data for active members who terminated after the valuation date of June 30, 2020 and of the terminated plan members entitled to future benefits used to measure 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 total pension liability and net pension asset as of June 30, 2023 disclosed in note 4 to the financial statements were necessary.

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 related 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.

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 and the required supplementary information listed in the table of contents 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 ____, 2023

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

June 30, 2023

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, 2023. 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, 2023. Information for fiscal years 2022 and 2021 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2023 were as follows:

- The Plan's fiduciary net position restricted for pension benefits increased by $413 thousand.
- The State of Alaska, Department of Military and Veterans' Affairs did not appropriate funds to the Plan for fiscal year 2023 due to the Plan's significant over-funded levels.
- The Plan's net investment income increased by $6.2 million when compared to 2022, to $2.5 million.
- Plan pension benefit expenditures totaled $1.7 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, 2023.

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, 2023. 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, 2023, and the sources and uses of those funds during fiscal year 2023.

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)

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

June 30, 2023

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	2023	2022	Increase (decrease) Amount	Increase (decrease) Percentage	2021
Assets:					
Cash and cash equivalents	$ 1,842,786	578,572	1,264,214	218.5%	$ 1,385,305
Accounts receivable	319	79	240	303.8	319
Investments at fair value	42,814,322	43,633,890	(819,568)	(1.9)	48,659,557
Total assets	44,657,427	44,212,541	444,886	1.0	50,045,181
Liabilities:					
Accrued expenses	45,212	25,116	20,096	80.0	29,429
Securities lending collateral payable	86,801	80,866	5,935	7.3	113,918
Due to State of Alaska General Fund	24,230	18,518	5,712	30.8	88,798
Total liabilities	156,243	124,500	31,743	25.5	232,145
Net position	$ 44,501,184	44,088,041	413,143	0.9%	$ 49,813,036

Changes in fiduciary net position

Description	2023	2022	Increase (decrease) Amount	Increase (decrease) Percentage	2021
Net position, beginning of year	$ 44,088,041	49,813,036	(5,724,995)	(11.5)%	$ 42,095,708
Additions:					
Contributions – Alaska DMVA	—	—	—	—	—
Net investment income (loss)	2,453,401	(3,746,506)	6,199,907	165.5	9,474,407
Miscellaneous income	—	—	—	—	1,690
Total additions	2,453,401	(3,746,506)	6,199,907	165.5	9,476,097
Deductions:					
Pension benefits	1,745,217	1,620,749	124,468	7.7	1,454,330
Administrative	295,041	357,740	(62,699)	(17.5)	304,439
Total deductions	2,040,258	1,978,489	61,769	3.1	1,758,769
Increase (decrease) in net position	413,143	(5,724,995)	6,138,138	107.2	7,717,328
Net position, end of year	$ 44,501,184	44,088,041	413,143	0.9%	$ 49,813,036

Financial Analysis of the Plan

The statements of fiduciary net position as of June 30, 2023 shows net position restricted for pension benefits of $44,501,184. 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 an increase of $413,143 or 0.9% in plan net position restricted for pension benefits from fiscal year 2022 to 2023, and a decrease of $5,724,995 or 11.5% from fiscal year 2021 to 2022. 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 2023 and 2022, the Board adopted the following asset allocations:

	2023		2022	
	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	44.0	± 10	46.0	± 10
Multi-asset	8.0	± 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	5.73%		5.68%	
Projected standard deviation	9.46		9.33	

For fiscal years 2023 and 2022, the Plan's investments generated a 5.44% and (6.29)% rate of return, respectively.

(Continued)

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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)		
		2023	2022	Amount	Percentage	2021
Contributions – Alaska DMVA	$	—	—	—	—%	—
Net investment income (loss)		2,453,401	(3,746,506)	6,199,907	165.5	9,474,407
Other		—	—	—	—	1,690
Total	$	2,453,401	(3,746,506)	6,199,907	165.5%	9,476,097

The Plan's employer contributions from the Alaska Department of Military and Veterans Affairs (DMVA) remained at $0 during fiscal years 2023 and 2022 as the Plan continues to maintain a funded level well above 100%. These amounts were the actuarially determined contribution as calculated by the Plan's consulting actuary. No actuarially determined contribution amount was required for fiscal 2023 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 2023 increased by $6,199,907 or 165.5% from amounts in fiscal year 2022. 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 investment gains in fiscal year 2023 were substantially higher than the investment losses seen in fiscal year 2022, primarily due to improved investor sentiment in domestic stocks and an increase in overseas stocks aided through currency appreciation versus the U.S. dollar that exceeded the Plan's actuarial rate of return. However, other investment classes did not fare as well, ending the year below the 5.75% rate of return. 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.

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

	Year ended		
	2023	**2022**	**2021**
System returns	5.44%	(6.29)%	21.56 %
Domestic equities	17.83	(11.73)	42.84
Fixed income	0.50	(7.25)	2.31
Multi-asset	4.10	(10.58)	23.94
Real assets	2.37	14.29	10.22
International equities	15.15	(20.96)	38.73
Private equity	(3.28)	26.26	68.52
Cash equivalents	—	—	0.19
Actuarially assumed rate of return	5.75	5.75	5.75

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)		
	2023	**2022**	**Amount**	**Percentage**	**2021**
Pension benefits	$ 1,745,217	1,620,749	124,468	7.7%	$ 1,454,330
Administrative	295,041	357,740	(62,699)	(17.5)	304,439
Total	$ 2,040,258	1,978,489	61,769	3.1%	$ 1,758,769

The fiscal year 2023 and 2023 increase in pension benefits is due to an increase in the number of lump sum payment recipients.

The Plan's administrative costs in fiscal year 2023 decreased $62,699 or 17.50% from fiscal year 2022 and increased $53,301 or 17.5% from fiscal year 2021. The decreased administrative cost in fiscal years 2023 is related to reductions related to a capital project for a retirement system replacement and reductions on contractual costs charged to the Plan. For fiscal year 2022, the increase in costs is related 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:

		2023	2022
Total pension liability	$	28,322,520	26,667,059
Plan fiduciary net position		(44,501,184)	(44,088,041)
Plan's net pension asset	$	(16,178,664)	(17,420,982)
Plan fiduciary net position as a percentage of the total pension liability		157.12 %	165.33 %

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 2023, the 33rd 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, 2024, due to the continued significant overfunding of the Plan.

Economic Conditions, Future Contribution Amounts, and Funding Status

Fiscal year 2023 had positive investment returns, with an overall return rate of 5.44%, slightly less than the 5.75% assumed rate of return. Net investment income increased from negative $3,746,506 in fiscal year 2022 to $2,453,401 in fiscal year 2023, an increase of $6,199,907 or 165.5%. 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 2022 to fiscal year 2023. For fiscal year 2023, the actuary recommended that a contribution to the Plan was not necessary. With the Plan's 162.9% funding ratio as of the June 30, 2022 actuarial valuation 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 2024 and will continue to evaluate future contributions to the Plan.

The actuarial valuation report for June 30, 2022 reported a funded ratio of 162.9% and a funding excess of $17.8 million. The actuarial roll-forward valuation for June 30, 2021 reported a funded ratio of 196.9% and a funding excess of $22.3 million.

The decrease in the funding excess is attributable to investment losses during fiscal year 2022 that provided an actuarial rate of return less than the expected return. Additionally, there was an increase to the actuarial accrued liability of approximately $1.0 million due to new entrants and rehires that had service accrued prior to June 30, 2022, and the effect of the newly adopted assumptions that increased the actuarial accrued liability by $3.9 million.

Both the actuarial valuation report of June 30, 2022 and the actuarial roll-forward valuation report of June 30, 2021 are posted to the Plan's web page. The actuarial valuation reports for the Plan are conducted biennially. The actuarial valuation report for June 30, 2022 was presented to the Board in June 2023, and adopted in September 2023. The actuarial roll-forward valuation for June 30, 2021 report was completed and presented in March 2022, and adopted by the Board in June 2022. The Board 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 were used on the actuarial valuation report for the year ended June 30, 2022.

(Continued)

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

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, 2023

		2023
Assets:		
Cash and cash equivalents:		
Short-term fixed income pool	$	1,755,985
Securities lending collateral		86,801
Total cash and cash equivalents		1,842,786
Accounts receivable		319
Investments at fair value:		
Fixed income securities:		
Transition pool		419,906
Opportunistic fixed income pool		3,725,333
Barclays aggregate bond fund		13,864,270
Total fixed income securities		18,009,509
Broad domestic equity:		
Large cap pool		7,542,065
Small cap pool		679,300
Total broad domestic equity		8,221,365
Global equity ex-U.S.:		
International equity pool		4,561,670
Emerging markets equity pool		997,741
Total global equity ex-U.S.		5,559,411
Multi-asset:		
Alternative equity strategies pool		452,269
Tactical allocation strategies pool		1,547,923
Alternative fixed income pool		1,227,374
Alternative beta pool		421,020
Total Multi-asset		3,648,586
Private equity pool		4,161,352
Real assets:		
Real estate pools		1,181,861
Real estate investment trust pool		342,411
Infrastructure private pool		614,026
Energy pool		38,323
Farmland pool		754,303
Timber pool		283,175
Total real assets		3,214,099
Total investments		42,814,322
Total assets		44,657,427
Liabilities:		
Accrued expenses		45,212
Securities lending collateral payable		86,801
Due to State of Alaska General Fund		24,230
Total liabilities		156,243
Fiduciary net position restricted for pension benefits	$	44,501,184

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, 2023

		2023
Additions:		
Contributions – Alaska Department of Military & Veterans Affairs	$	—
Investment income:		
Net appreciation in fair value		1,709,292
Interest		482,410
Dividends		357,023
Total investment income		2,548,725
Less investment expense		97,486
Net investment income before securities lending activities		2,451,239
Securities lending income		2,702
Less securities lending expense		540
Net income from securities lending activities		2,162
Net investment income		2,453,401
Total additions		2,453,401
Deductions:		
Pension benefits		1,745,217
Administrative		295,041
Total deductions		2,040,258
Net increase		413,143
Fiduciary net position restricted for pension benefits:		
Balance, beginning of year		44,088,041
Balance, end of year	$	44,501,184

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2023

(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:

	2022
Retirees and beneficiaries currently receiving benefits	691
Terminated plan members entitled to future benefits	702
Total current and future benefits	1,393
Active plan members:	
Alaska Air National Guard	2,300
Alaska Army National Guard	1,560
Alaska Naval Militia	49
Total active plan members	3,909
Total members	5,302

NOTE: The data for the Air Guard group was available as of June 30, 2021 only. Buck assumed the status of each Air Guard member as of June 30, 2021 was the same as of June 30, 2022, and increased each Air Guard active member's service as of June 30, 2021 by 1 year.

(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, 2023 was 5.71%.

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

(4) Net Pension Asset

The components of the net pension asset at June 30, 2023 were as follows:

Total pension liability	$	28,322,520
Plan fiduciary net position		(44,501,184)
Plan's net pension asset	$	(16,178,664)
Plan fiduciary net position as a percentage of the total pension liability		157.12%

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2023:

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.
Other	Please see section 4 of the 2022 actuarial valuation report.

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, 2023 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.82%).

Asset class	Long-term expected real rate of return
Domestic equity	6.17%
Global equity (non-US)	6.55
Aggregate bonds	1.63
Real assets	4.87
Private equity	11.57
Cash equivalents	0.49

(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 4.13% as of June 30, 2023.

(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, 2023, 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	$	13,377,845	16,178,664	18,578,625

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

		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:											
Service cost	$	722,955	656,678	517,376	507,899	578,431	610,686	610,686	603,495	603,495	654,797
Interest		1,521,266	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
Differences between expected and actual experience		1,156,457	—	(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		(1,745,217)	(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)
Net change in total pension liability		1,655,461	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
Total pension liability – beginning		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
Total pension liability – ending (a)		28,322,520	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
Plan fiduciary net position:											
Contributions – employer		—	—	—	860,686	851,686	907,231	866,905	734,500	627,300	740,100
Total net investment income (loss)		2,453,401	(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
Benefit payments		(1,745,217)	(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)
Administrative expenses		(295,041)	(357,740)	(304,439)	(230,609)	(282,338)	(226,466)	(257,396)	(241,750)	(240,750)	(223,334)
Other income		—	—	1,690	—	—	—	—	582	145	21
Net change in plan fiduciary net position		413,143	(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
Plan fiduciary net position – beginning		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 fiduciary net position – ending (b)		44,501,184	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
Plan's net pension (asset) liability (a)–(b)	$	(16,178,664)	(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)
Plan fiduciary net position as a percentage of the total pension liability		2	2	2	2	2	1	1	1	1	1
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
NAVAL MILITIA RETIREMENT SYSTEM
(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
2023	$ —	—	—	N/A	N/A
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

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)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns

Fiscal Year	**Annual money-weighted rate of return, net of investment expense**
2023	5.71 %
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 %

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, 2023

(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, 2022 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 unfunded accrued liability is 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 Plan assets measured on the valuation date.

Under this method, differences between the actual experience and that assumed in the determination of costs and liabilities will emerge as adjustments in the unfunded actuarial accrued liability, subject to amortization.

(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 fair 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 – 5.75% per year, net of investment expenses

(d) Mortality (pre-commencement) – Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement.

(e) Mortality (post-commencement) – Retiree mortality in accordance with the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement.

Beneficiary mortality in accordance with the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement.

(f) Turnover – Select and ultimate rates based upon the 2017-2021 actual experience. Sample rates are shown below.

STATE OF ALASKA
NATIONAL GUARD AND
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Notes to Required Supplementary Information (Unaudited)

June 30, 2023

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	9.53%	9.94%
1	10.00%	30	9.43%	9.84%
2	10.00%	35	8.81%	9.20%
3	10.00%	40	7.73%	8.06%
4	10.00%	45	6.83%	7.13%
		50	4.16%	4.33%
		55	2.64%	2.75%
		60	2.88%	3.00%

(g) Disability – No changes to the incidence rates from the prior valuation due to insufficient 2017-2021 actual experience. Disability rates continue after a member is eligible for retirement. Sample rates are shown below.

Age	Male	Female	Age	Male	Female
< 23	0.0179%	0.0112%	50	0.1714%	0.1071%
23	0.0244	0.0153	55	0.2954	0.1846
25	0.0374	0.0234	60	0.5110	0.3194
30	0.0570	0.0356	65	0.6109	0.3818
35	0.0679	0.0425	69	0.2036	0.1273
40	0.0822	0.0514	70 +	0.2036	0.1273
45	0.1157	0.0723			

Post-disability mortality in accordance with the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.

(h) Retirement – Retirement rates based on the 2017 – 2021 actual experience.

Age	Male	Female	Age	Male	Female
< 53	15.34%	18.20%	59	37.00%	32.50%
53	17.70	21.00	60	40.70	35.75
54	23.60	28.00	61	44.40	35.75
55	18.50	16.25	62	44.40	35.75
56	25.90	22.75	63	44.40	35.75
57	29.60	26.00	64	44.40	35.75
58	33.30	29.25	65 +	100.00	100.00

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.

(i) 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.

Buck assumed the status of each Air Guard member as of June 30, 2021 was the same as of June 30, 2022, and increased each Air Guard active member's service as of June 30, 2021 by 1 year.

(j) Form of payment – 50% of members are assumed to elect a lump sum benefit. 50% 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 5.75% discount rate annuity certain factor.

(k) Administrative expenses – The Normal Cost as of June 30, 2022 was increased by $331,000 for administrative expenses. This amount is based on the average of actual administrative expenses during the last two fiscal years.

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
2021	$	304,000
2022		358,000
Total	$	662,000
	÷	2
Expense load (rounded)	$	331,000

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, 2022

There have been no changes in actuarial methods since the prior valuation.

Changes in Actuarial Assumptions Since the Prior Valuation – June 30, 2020 to June 30, 2022

Effective for the June 30, 2022 valuation, the Board adopted the changes to the demographic and economic assumptions recommended by the actuary, based on the results of an experience study performed on the Plan experience from July 1, 2017 to June 30, 2021. The changes in assumptions were

 (Continued)

adopted at the June 2022 Board meeting. The effect of the new assumptions was to increase the actuarial accrued liability as of June 30, 2022 by approximately $3.9 million.

The amount included in the Normal Cost for administrative expenses was changed from $256,000 at June 30, 2020 to $331,000 at June 30, 2022.

Changes in Benefit Provisions Since the Prior Valuation – June 30, 2020 to June 30, 2022

There have been 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)

Schedules of Administrative and Investment Deductions

Year ended June 30, 2023

	Administrative	Investment	Total
Personal services:			
Wages	$ 78,096	5,634	83,730
Benefits	49,604	2,628	52,232
Total personal services	127,700	8,262	135,962
Travel:			
Transportation	239	103	342
Per diem	41	20	61
Total travel	280	123	403
Contractual services:			
Management and consulting	25,348	5,320	30,668
Investment management and custodial fees	—	80,831	80,831
Accounting and auditing	41,238	39	41,277
Data processing	74,769	2,155	76,924
Communications	792	21	813
Advertising and printing	3,400	3	3,403
Rental/leases	9,892	200	10,092
Legal	18	112	130
Repairs & Maintenance	81	5	86
Transportation	2,227	2	2,229
Securities lending	—	540	540
Other services	8,441	128	8,569
Total contractual services	166,206	89,356	255,562
Other:			
Equipment	143	60	203
Supplies	712	225	937
Total other	855	285	1,140
Total administrative and investment deductions	$ 295,041	98,026	393,067

See accompanying independent auditors’ report.

Schedule 2

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

Schedules of Payments to Consultants Other Than Investment Advisors

Year ended June 30, 2023

Firm	Services	Amount
Buck Global LLC	Actuarial services	$ 21,678
KPMG LLP	Auditing services	41,000
State Street Bank and Trust	Custodial banking services	1,988
Applied Microsystems Incorporated	Data processing services	3,702
Sagitec Solutions	Data processing services	58,559
TechData Service Company	Data processing services	5,035
		$ 131,962

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

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

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

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE CALENDAR

Schedule of 2024 Meetings

March 5, 2024 (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 11, 2024 (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 17, 2024 (Fairbanks/ 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 TBD, 2024 (Videoconference)

1. DRB Financial Statements

December 3, 2024 (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.