

ALASKA  
RETIREMENT  
MANAGEMENT  
BOARD

DEC  
6, 2023

AUDIT COMMITTEE

**STATE OF ALASKA**  
**ALASKA RETIREMENT MANAGEMENT BOARD**  
AUDIT COMMITTEE MEETING  
**December 6, 2023 – 9:00 a.m.**

Alaska Housing Finance Corporation Meeting Room  
4300 Boniface Parkway, Anchorage, AK

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[Click here to join the meeting](#)

Meeting ID: 265 826 995 512

Passcode: HwLet8

**Call In (Audio Only):**

Phone: 1-907-202-7104

Code: 614 084 000#

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- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. A. Approval of Agenda**
  - B. Approval of Minutes – September 13, 2023**
  - C. Approval of Minutes – October 9, 2023**
- V. Public / Member Participation, Communications and Appearances**  
*(Three Minute Limit. Callers may need to press \*6 to unmute.)*
- VI. Reports**
  - A. Division of Retirement and Benefits Audited Financial Statements**  
*Elizabeth Stuart, Audit Partner, KPMG*  
*Melissa Beedle, Audit Manager, KPMG*  
*Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits*
  - B. Internal Audit Report**  
*Christopher Novell, Accountant V*
  - C. Report on Delinquent/Late Filing Employers**  
*Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits*
- VII. Executive Session - Committee meeting with Independent Auditors**  
*In accordance with Open Meetings Act, AS 44.62.310(c)(2)*
- VIII. Periodic Self-Assessment**
- IX. Review Committee Charter**
- X. Future Meetings**
  - A. Calendar Review**
  - B. Agenda Items**
  - C. Requests / Follow-Ups**

- XI. Other Matters to Properly Come Before the Committee**
- XII. Public / Members Comment**  
*(Three Minute Limit. Callers may need to press \*6 to unmute.)*
- XIII. Adjournment**

**ALASKA RETIREMENT MANAGEMENT BOARD  
AUDIT COMMITTEE MEETING  
HYBRID/TEAMS**

**September 13, 2023  
8:30 a.m.**

**Originating at:  
Robert B. Atwood Building  
550 West 7<sup>th</sup> Avenue, Rooms 102/104  
Anchorage, Alaska 99501**

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**Trustees Present:**

Michael Williams, Chair  
Donald Krohn

Bob Williams  
Lorne Bretz

**Other Trustees Present:**

Adam Crum  
Dennis Moen

Sandra Ryan  
Spencer Moore

**Department of Revenue Staff Present:**

Zach Hanna, Chief Investment Officer  
Scott Jones, Head of Investment Operations,  
Performance & Analytics  
Ryan Kauzlarich, Assistant Comptroller  
Grant Ficek, Business Analyst  
Robert Vicario, Administrative Assistant  
Jesyca Ellenbecker, Accountant 5

Pamela Leary, Director, Treasury Division  
Hunter Romberg, Senior Compliance  
Officer  
Stephanie Pham, State Investment Officer  
Alysia Jones, Board Liaison  
Chris Madsen, Administrative  
Operations Manager

**Division of Retirement & Benefits**

Ajay Desai, Director, DRB  
Mindy Voigt, Assistant Chief Pension Officer  
Roberto Aceveda, Counseling & Education Manager  
Christopher Novell, Accountant V  
Nimeri Denis, Audit & Review Analyst

Kevin Worley, Chief Financial Officer  
Brandon Roomsburg, Retirement &  
Benefits Specialist  
Traci Walther, Accountant V

**Department of Law Staff Present:**

Ben Hofmeister, Assistant Attorney General

**Investment Advisory Council Present:**

Ruth Traylor

Josh Rabuck

**KPMG:**

Beth Stuart, Audit Partner

Melissa Beedle, Audit Manager

**Public:**

Wendy Woolf, RPEA

## PROCEEDINGS

### CALL TO ORDER

CHAIR MICHAEL WILLIAMS called the Audit Committee to order and asked for a roll call.

MS. JONES called the roll, and noted that the members of the committee were present.

CHAIR MICHAEL WILLIAMS also recognized the presence of other board trustees in the room.

### PUBLIC MEETING NOTICE

CHAIR WILLIAMS asked to confirm that the public meeting notice was met.

MS. JONES replied, yes, it had been met.

### APPROVE THE AGENDA

CHAIR MICHAEL WILLIAMS asked for any additions or changes to the agenda that was presented. He asked for any objections to moving forward with the agenda. There being no objections, he moved to the approval of the minutes.

### APPROVAL OF MINUTES

CHAIR MICHAEL WILLIAMS moved to the committee minutes of the June 14, 2023, meeting. He asked for any corrections or questions. There being none, he entertained a motion.

**MOTION:** A motion to accept the minutes of June 14, 2023, was made by TRUSTEE BOB WILLIAMS; seconded by TRUSTEE KROHN.

*There being no objection, the MOTION was APPROVED.*

### PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

CHAIR MICHAEL WILLIAMS moved to the public comment period and asked if there was anyone online who wished to address the Audit Committee of the ARM Board. Hearing none, he moved to anyone in the room. There being no one wishing to make public comments, he continued on to the reports.

### REPORTS

#### FY23 ARMB AUDITED FINANCIAL STATEMENT

CHAIR MICHAEL WILLIAMS stated that staff from KPMG were online and in the room. He recognized Beth Stuart.

MS. STUART stated that she was glad to be in front of the trustees to give the report on the status of the audit. She continued that it was a very brief presentation because they were mid-audit. They were moving along in the audit of the assets of the plans. The audit will be completed sometime in the next month, so that they will be able to issue the audits of the assets of the plans. She added that they were also moving along on the audits of the plans themselves. The data analysis over contributions, distributions, benefit payments for each of the plans were done, and a limited amount of testing will come from that data. The data analysis really reduced

the amount of transactional support that was requested from the DRB staff, while still giving audit evidence over the entire population of transactions. She continued that they were also in the process of testing health claims out of those systems to ensure that those claims were supported and in line with the plan provisions. They were also in the process of testing census data, which were all on track. She stated appreciation for the assistance of Mr. Worley and his team at the Division of Retirement and Benefits and are on track to issue the audits by the middle of October. She continued that there have been no findings, any new internal control deficiencies, or concerns about the ability to complete the audit. She added that the support from Treasury was delayed because of the vacancy in the comptroller position which had some negative impact on audit timing. The Treasury team did their very best to make up for that vacancy and deliver the necessary support. She asked for any questions.

TRUSTEE BOB WILLIAMS stated that you expect to have one uncorrected misstatement/delay of the ARM Board invested assets lag reporting. Is there a reason that it could not be corrected.

MS. STUART replied that there would be a timing difference; the alternative investments always report their June 30 values on a lag. The Treasury reopens their books and posts a late adjustment about mid-August. Not all of the June 30 values would have been received by that point.

TRUSTEE BOB WILLIAMS stated that they were giving the best number at the moment, and then would be updating that number and were sticking with the process. He asked if this would be an issue the next time because it is the process used.

MS. STUART replied yes.

MS. LEARY commented on the lag process in terms of all of the documentation. Her understanding was that everything is now in the hands of staff, and she did not think there was much of a lag. They worked really hard to get all of the documents to the auditors. They were also able to close their books for the alternative assets twice. She continued that at the end of the audit process, the auditors would look at the differences between last year and this year and comment on them. Last year everything worked out smoothly. She did not think that rearranging the staffing for the Treasury, for accounting specifically, had any impact on getting the information to KPMG. She wanted to articulate that, so it was on the record.

MS. STUART agreed, the team did a good job of filling that hole that exists and worked very hard.

CHAIR MICHAEL WILLIAMS asked for any other questions for KPMG. There being none, he stated appreciation for the wonderful work they do, and he looked forward to the final audit. He recognized Kevin Worley with his report on his part of the audit update.

### **DRB AUDIT REPORT**

MR. WORLEY stated that this is a verbal update to Item 6B, the DRB audit update. KPMG has been working with the accounting staff and providing sample selections. Those were getting out to the appropriate team members within the Division to get all the backup. They had provided a timeline for the June 30, 2023, audits of all the financial statements. Eight are prepared, with six being presented to the Audit Committee. Six all under the authority of the ARM Board: PERS,

TRS, JRS, National Guard, SBS, and deferred comp. Those will be discussed at the October 9<sup>th</sup> meeting. There are a number of deadlines to hit internally, and then work with Buck, the consulting actuary, because there are governmental accounting standard board statements that have to be followed: GASB67, which is a reporting of the plan net pension liability; and GASB 74, which is the net OPEB liability or asset. Currently there is an asset in that case. All the information was given to them so they could start the preliminary work on those GASB disclosures. He hoped to have the information to the committee a week before that starts so they have an opportunity to do a good review and ask good questions at the meeting. He concluded his update on the DRB portion of the audit update.

CHAIR MICHAEL WILLIAMS asked for any questions. There being none, he asked Mr. Worley to continue with the Internal Audit Report.

### **INTERNAL AUDIT REPORT**

MR. WORLEY stated that Item 6C was the internal audit report, and he made one announcement regarding the filling of one of their vacant internal audit positions, by Brandon Roomsburg. Mr. Roomsburg has been with the Division for a very long time, but only recently in the audit section. In March, the new compliance officer, Evgenia, was hired and then left in June for a better paying private sector job. Christopher Novell was hired; he is an accountant 5 and a compliance officer. He asked Chris for a brief announcement.

MR. NOVELL stated that he took over as the compliance officer and the audit lead as of July 31<sup>st</sup>. He has been in State service since 2014, and also did some private sector work. He looked forward to meeting with them when he gets done with his work.

CHAIR MICHAEL WILLIAMS welcomed Christopher Novell aboard.

MR. WORLEY added that both Mr. Roomsburg and Mr. Novell would be representing the State of Alaska at the State Social Security Administrators conference. They will be getting a lot of education and information. He then directed the committee to report provided in the packet.

CHAIR MICHAEL WILLIAMS asked for any questions and then moved to the Report on Delinquent/Late Filing Employers.

### **REPORT ON DELINQUENT/LATE FILING EMPLOYERS**

MR. WORLEY identified PERS and TRS employers that were delinquent in reporting as of August 25<sup>th</sup>. At the last update, they were still outstanding. The biggest outstanding that was reported last June was the Hydaburg City School District. Staff was able to talk with them over the phone on Monday about catching up their filings that had not been filed as of June 30, 2022. They have a contracted finance officer that has been submitting payrolls right now. TRS was the biggest one that they were working on, and it looks like that will be caught up within the next couple of months. He moved on to the comment from the June meeting when they were asked to provide PERS employers that were delayed or delinquent in salary floor billings. Currently, there are five listed and there are actually six employers that have salary floor billings that were delinquents at one point. Galena was one of the bigger employers, which was an Air Force base. They lost a number of positions after that Air Force based closed down. Legislation was passed a few years back through House Bill 47, which allowed a change in the salary floor for five PERS participating employers. Galena was one of them. Under the provisions of the House bill,

they were able to negotiate a payment with them at a rate different than the 1.5 times actuarial rate of return. Galena was making those payments. He added they still owe over \$1 million. He continued that Allakaket currently owes about \$14,000; Nenana has been a delinquent employer primarily due to the funding within the city and we are working with their new finance officer and City administrator. They were also looking at terminating from PERS. They currently show an estimated amount due of \$295,000. The City of Noorvik has an estimated balance due of a little over \$800,000. They have not paid since 2009. The City of St. George is under a similar situation at about \$570,000. The City of Tanana is currently at about \$200,000. He clarified that those amounts are principal interest calculations and are estimates. He added that he will be working with the Department of Law this year on terminating employers like the ones late in payments, not making salary floor payments. The committee will get an update when the Division has gone through the process with the Department of Law.

CHAIR MICHAEL WILLIAMS asked for any questions on the status of delinquent employers.

TRUSTEE BOB WILLIAMS stated that it would be nice for the next report to have the numbers for the floor next to it to give an idea of the scope. He added that he was glad to hear that Hydaburg PERS and TRS seems to be on a pathway. He was surprised that there were 13 that were behind.

MR. WORLEY replied that some of those that were delayed are reached out to at least monthly. He added that if an employer has missed by a day they still show up on the report because there was a 15-day reporting requirement, they show up on the list. Part of the issue faced by Hydaburg was some really big capital project issues at the school, and they choose to keep the school running. He stated that there were provisions within statute that do allow the retirement systems to work with other State agencies that provide money to their employers. As long as they are unobligated funds, they are secured. We try not to do that and had done it once and it was really frowned upon. He continued that they work really hard with every employer to try and get the funding and the payroll reports as best we can.

#### **FUTURE MEETINGS**

CHAIR MICHAEL WILLIAMS stated there will be a committee meeting on October 9<sup>th</sup> to have an update from KPMG. He asked for any other agenda items the trustees would like to see in the future. He asked if there were any other requests of follow-up items. He took a moment to welcome Trustee Moore to the Audit Committee meeting. He asked for any other comments from members of the public at this time. Hearing none, with the completion of business, he asked for a motion to adjourn.

**MOTION: A motion to adjourn was made by TRUSTEE KROHN; seconded by TRUSTEE BOB WILLIAMS.**

*There being no objection, the MOTION was APPROVED.*

(The ARM Board Audit Committee Meeting adjourned at 8:58 a.m.)



**ALASKA RETIREMENT MANAGEMENT BOARD  
AUDIT COMMITTEE MEETING**  
via TEAMS

**October 9, 2023  
10:00 a.m.**

**Originating at:  
State of Alaska  
Department of Revenue, Treasury Division Office  
Juneau, Alaska**

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**Trustees Present:**

Michael Williams, Chair  
Bob Williams  
Donald Krohn  
Lorne Bretz

**Other Trustees Present:**

Sandra Ryan

**Department of Revenue Staff Present:**

Pamela Leary, Director, Treasury Division  
Ryan Kauzlarich, Assistant Comptroller  
Alysia Jones, Board Liaison

**Department of Revenue Staff Present:**

Kevin Worley, Chief Financial Officer  
Christina Maiquis, DRB Accounting Supervisor/Accountant V

**KPMG:**

Beth Stuart, Audit Partner  
Melissa Beedle, Audit Manager

**Buck:**

David Kershner, Principal, Consulting Actuary  
Tonya Manning, Chief Actuary

## PROCEEDINGS

### CALL TO ORDER

CHAIR MIKE WILLIAMS called the Audit Committee of the Alaska Retirement Management Board to order and asked for a roll call.

MS. JONES called the roll, and the members of the committee were present.

### PUBLIC MEETING NOTICE

CHAIR MIKE WILLIAMS asked to confirm that the public meeting notice was met.

MS. JONES replied, yes, that it had.

### APPROVE THE AGENDA

CHAIR MIKE WILLIAMS moved to the agenda and stated that there was a change. Item VI-A under the financial statement, Ryan Kauzlarich from Treasury would be doing the presentation on invested assets. With that correction, he asked if there was any objection to adopting the agenda, as adjusted. Hearing no objection, the agenda was adopted.

### PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

CHAIR MIKE WILLIAMS moved to the public comment period and asked if there was anyone online who wished to address the Audit Committee. Hearing none, he closed out the public and member participation comment period.

### REVIEW OF DRAFT FINANCIAL STATEMENTS

#### INVESTED ASSETS

MR. KAUZLARICH stated that KPMG discussed the status of the audit at the September meeting and a draft of the finances was included in the packet. He pointed out the schedule of invested assets and added that there are a total of 695 private equity valuations, including 40 direct private equity investments for June 30<sup>th</sup>. He continued with the financial statement notes which included the accounting entity, summary of significant accounting policies, fair value measurements, and required disclosures of related investment risks. He concluded his presentation, and asked for any questions about the report.

CHAIR MIKE WILLIAMS asked if there were any questions from members of the committee or any others. There being none, he recognized Kevin Worley, CFO, for DRB, and Melissa Beedle and Elizabeth Stuart from KPMG for the remainder of the items under draft financial statements.

### DEFERRED COMPENSATION PLAN

MR. WORLEY thanked the Treasury crew for responding to all the requests in a timely manner and getting the information for audits and for the upcoming annual comprehensive financial report (ACRF) that is due by the end of the calendar year. He stated that the first two financial statements they were looking at were the deferred compensation plan, and the supplemental benefits system, SBS. He continued that the deferred compensation plan and SBS financial statements were a bit different than what would be seen in the PERS, TRS, JRS, and National Guard systems because those have actuarial valuations performed every year or every odd year

and thus have additional required disclosures that are not required of the deferred compensation and SBS plans.

In these financial statements were the audit opinion, management discussion and analysis, which highlighted financial changes within fiscal years that were reported for '23, compared to '22 and '21. That would be a management discussion item where different information on changes in income or expenses, changes in plan assets or liabilities are disclosed. He also updated a few blank spots because some information was still missing related to the J.P. Morgan SmartSpend; also, the Mass Mutual Bond and Equity Funds. He moved back to the deferred comp plan and asked if there were any particular items of interest from any of the committee members.

CHAIR MIKE WILLIAMS told the committee members to just jump in with any questions.

TRUSTEE BOB WILLIAMS asked about the employer contribution and if that was because some employers have a certain percentage max for deferred comp.

MR. WORLEY replied that he would get to that and looked at the statement of changes in fiduciary net position. Within the deferred comp plan, there was an option that employers can do a matching contribution, and there is only one employer currently participating in that. He added that, overall, there was a net increase in the fiduciary net position of \$76 million, compared to a loss of \$164.6 million last year. That was all he had for deferred comp.

CHAIR MIKE WILLIAMS asked for any questions. There being none, he moved on in the agenda.

#### **SUPPLEMENTAL BENEFITS SYSTEM**

MR. WORLEY continued to the supplemental benefits system and began with the audit opinion, which he believed would be clean, which is a good audit opinion for deferred comp and SBS, the management discussion and analysis again, then the financial statements, and the notes to the financial statement, and then a supplemental schedule that provided additional financial information. He went through the material and asked for any questions. There being none, he continued on.

#### **JUDICIAL RETIREMENT SYSTEM**

MR. WORLEY went through the layout of the next four financial statements that were broken into the following sections: The audit opinion, which would be issued by KPMG. He believed that JRS, PERS and TRS would be clean opinions. National Guard still continues having issues with their data. He continued that the audit opinion would be the first section, then there is the management discussion and analysis; then they talked about the changes between fiscal years and the financial statements and then the notes to financial statements. He stated that the GASB established reporting requirements that have to be adhered to the JRS, PERS, TRS, and National Guard plans. For the judicial plan, the pension liability compared to plan net assets have to be reported. He added that the Judicial Retirement System was actually overfunded. He stated that this information was financial in nature and reported for the accounting folks. What was in the valuation report was necessary for the funding of the plan.

## **TEACHERS RETIREMENT SYSTEM**

MR. WORLEY stated that the Teachers' Retirement System was the same layout as discussed in the Judicial Retirement System. They had the employer and plan member contributions, as well as the State of Alaska contribution. Currently, \$90.4 million was all going to the Pension Trust, with none of it going to the Alaska Retiree Healthcare Trust. Since a zero percent contribution rate for the Alaska Retiree Healthcare Trust was adopted, it was assumed all of them would be zero. Overall, every Trust fund, all six of them, have a net increase positive addition to the plan net assets for the net position of each of those Trusts compared to the prior year.

## **PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

MR. WORLEY looked at the Alaska Retiree Healthcare Trust with employer contributions into PERS Healthcare Trust which was related to a cutoff issue from FY22. There was a cutoff because the financial statements needed to be done. There were \$555,000 of employer contributions that could have processed in '22, but because of the cutoff procedures it did not occur until '23. He added that sometimes employers submit them late, and those had to be processed with the rates that were in effect at the time of that payroll. They had the same experience in investment income. He continued that all six funds had positive income for the year of \$1.8 billion compared to the loss before of \$1.6 billion. All six funds also had a net increase of \$1.0 billion compared to a loss the prior year of \$2.2 billion. He pointed out that this was the first year that the PERS went over \$1 billion in pension benefit payments.

## **NATIONAL GUARD AND NAVAL MILITIA RETIREMENT SYSTEM**

MR. WORLEY stated that the National Guard plan is the smallest plan, and we have the hardest time getting information for the plan, and we continue working with the National Guard. The Naval Militia and the Army Guard were good about getting their '22 information to the Division. They also had a hard time getting information from the Air Guard, but worked with them, and it was finally submitted about two weeks ago. He continued that they do have turnover and were trying to figure out how to work with the Administrative Services Office to get some canned reports that would work for the Air and Army Guard, because they are the two bigger guards. The Naval Militia is a very small branch with 50 or less folks. They continue using a manual system, using Excel spreadsheets. He moved to the financial statements section and stated that the plan was overfunded. There was no contribution within the State appropriations, and no funds were received from DMVA. The National Guard does not have a health component to it, and it is all in pension. There was a net increase of just over \$400,000 to this particular plan.

MS. STUART stated that on National Guard their opinion was a qualified opinion, which was the qualification limited to the gross pension liability because of the data restrictions and lack of data availability. The qualification was limited to that liability. The remainder of the report had an unqualified opinion over the assets and distributions and such. The opinion qualification was consistent with the last couple of years.

CHAIR MIKE WILLIAMS appreciated the efforts in meeting with the National Guard System and trying to fill those gaps. He asked for any questions from the committee.

MR. WORLEY concluded his report for the draft financial statements. He thanked KPMG for the long days and long hours, and also thanked his staff for all their work. He stated that this was Phase 1 of all the audit reports that will be presented. There are six financials and two

additional ones that were not under the purview of the ARM Board: The Retiree Health Fund and the Group Health and Life, which are the active health plans administered by the Divisions.

CHAIR MIKE WILLIAMS asked for any questions or comments.

#### **FUTURE MEETINGS**

CHAIR MIKE WILLIAMS pointed out the future meetings and asked for any questions about the upcoming meetings for the rest of the year and into 2024. He asked for any future agenda items that committee members would like to see in any of the upcoming Audit Committee meetings. He stated that he was not aware of any outstanding requests or follow-up items.

#### **PUBLIC / MEMBER COMMENTS**

He asked for any other matters to properly come before the committee. There being none, he reopened the public comment period and asked for any members of the public or plan participants who wished to address the committee. Hearing and seeing none, he closed out the public comment.

With the conclusion of the committee's business, he entertained a motion to adjourn.

**MOTION:** A motion to adjourn the meeting was made by TRUSTEE BOB WILLIAMS.

*There being no objection, the MOTION was APPROVED.*

CHAIR MIKE WILLIAMS thanked everyone for their participation.

(The ARM Board Audit Committee meeting adjourned at 10:39 a.m.)



THE STATE  
of ALASKA  
GOVERNOR MIKE DUNLEAVY

Department of Revenue

ALASKA RETIREMENT MANAGEMENT BOARD

PO Box 110405  
Juneau, Alaska 99811-0405  
**Main:** 907.465.3749  
**Fax:** 907.465.4397

October 12, 2023

KPMG LLP  
701 W 8<sup>th</sup> Avenue, Suite 600  
Anchorage, AK 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the Schedule of Invested Assets of the State of Alaska's Retirement Management Board as of June 30, 2023, and the Schedule of Investment Income and Changes in Invested Assets for the year then ended, for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the respective financial position and changes in financial position of the invested assets of the Alaska Retirement Management Board in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief as of October 12, 2023:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 17, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S.GAAP.
2. We have made available to you:
  - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. All minutes of the meetings of the board of trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries; and
  - d. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
3. There have been no communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing financial statements.
5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
6. There are no side agreements or other arrangements (either written or oral).
7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
9. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
10. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the Schedules.
11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.
12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Department of Revenue, Division of Treasury's (Treasury's) ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of fraud or suspected fraud affecting the Treasury involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Treasury's financial statements communicated by employees, former employees, regulators, or others.
16. We have no knowledge of any officer or trustee of the Alaska Retirement Management Board or the Treasury, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

17. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP, and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the fair value measurement and (or) disclosure.
18. We have disclosed to you the identity of all our related parties and all the related party relationships and transactions of which we are aware.
19. The following have been properly recorded or disclosed in the financial statements:
  - a. Related party relationships and transactions, of which we are aware, in accordance with U.S. GAAP, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the Treasury is contingently liable.
  - c. The existence of and transactions with joint ventures and other related organizations.
20. The Treasury has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
21. The Treasury has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
22. The Treasury's reporting entity includes all entities that are component units of the Treasury.
23. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. GAAP. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Treasury's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.
24. Deposits and investment securities are properly classified and reported.
25. We are responsible for making the fair value measurements and disclosures included in the financial statements in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, including determining the fair value of assets and liabilities for which there has been a significant decrease in the volume and level of activity in relation to the normal market activity for those assets or liabilities (or similar assets or liabilities) or for which transactions are deemed not orderly. As part of fulfilling this responsibility, we have established an accounting and financial reporting process for determining fair value measurements and disclosures, in accordance with the fair value techniques including circumstances in which a practical expedient may be used to estimate fair value, adequately supported any significant assumption used, and ensured that the presentation and disclosure of the fair value measurements are in accordance with U.S. generally accepted accounting principles, including the disclosure requirements of GASB 72. We believe the assumptions and techniques used by us, including those used by specialists engaged by us, are in accordance with the definition of fair value in GASB 72 and the disclosures adequately describe the level of the inputs used in the fair value measurement, in accordance with the fair value hierarchy in GASB 72.
26. The Treasury has identified and properly reported all of its derivative instruments and any related deferred outflows of resources or deferred inflows of resources related to hedging derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Treasury complied with the requirements of GASB Statement No. 53 related to the determination of hedging derivative instruments and the



application of hedge accounting. Further, the Treasury has disclosed all material information about its derivative and hedging arrangement in accordance with GASB Statement No. 53.

27. The following information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:
- a. The extent, nature, and terms of financial instruments with off-balance-sheet risk;
  - b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and
  - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

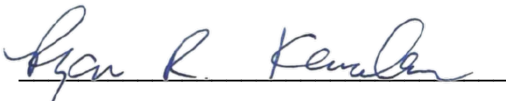
Very truly yours,

State of Alaska, Department of Revenue, Division of Treasury



Pamela Leary

*State Investment Officer, Treasury Division*



Ryan Kauzlarich

*State Assistant Comptroller*

Correcting Entry Necessary at Current Period End				Income Statement Effect - Debit(Credit)			Balance sheet effect			
ID	Description of misstatement	Factual, judgmental or projected misstatement?	Misstatement in accounts or in disclosure?	Accounts (if applicable)	Debit	(Credit)	Income effect of correcting the balance sheet in prior period (carryforward from prior period)	Income effect of correcting the current period balance sheet	Income effect according to Rollover method	Assets
					A		B		A-B	
UAD-1	Alternative Investment Non-GAP UAD	Factual	Accounts	Private Equity	27,816,392	-	-	-	-	27,816,392
				Income - Private Equity	-	(27,816,392)	64,799,777	(27,816,392)	(92,616,169)	-
				Income - Real Assets (PY only)	-	-	22,781	22,781	(22,781)	-
Aggregate effect of uncorrected audit misstatements (before tax):									(92,638,950)	27,816,392
Tax effect:										
Aggregate effect of uncorrected audit misstatements (after tax):									(92,638,950)	27,816,392
Financial statement amounts (per final financial statements) (after tax):									(3,154,086,978)	40,487,466,741
Uncorrected audit misstatements as a percentage of financial statement amounts (after tax):									2.94%	0.07%





# Alaska Retirement Management Board Discussion with those charged with governance

Audit results and strategy for the year ending June 30, 2023

December 6, 2023



# Audit results: Overview

<b>Outstanding matters</b> None	<b>Auditors' report</b> PERS – Unmodified TRS – Unmodified JRS – Unmodified NGNMRS – Qualified DCP – Unmodified SBS – Unmodified Invested Assets -- Unmodified	<b>Uncorrected Misstatements</b> Ongoing uncorrected misstatement related to the timing of the valuation reporting for the Invested Assets private portfolio – this relates to the ARMB Invested Assets report only.
<b>Corrected Misstatements</b> None	<b>Deficiencies</b> Ongoing material weakness related to census data at the National Guard and Naval Militia Retirement System	<b>Other</b> No other matters

# Audit results required communications and other matters

Matters to communicate		Response
Significant unusual transactions	X	
Uncorrected audit misstatements	✓	Page 5
Corrected audit misstatements	X	
Financial statement presentation and disclosure omissions	X	
Non-GAAP policies and practices	X	
Material weaknesses and significant deficiencies in internal control	✓	Page 6
Auditors' report	✓	Page 7
Changes to our risk assessment and planned audit strategy	X	
Significant accounting policies and practices	X	
Significant accounting estimates	✓	Page 8
Significant financial statement disclosures	✓	Page 9

Matters to communicate		Response
Related parties	X	
Going concern	X	
Other information	✓	Page 10
Subsequent events	X	
Noncompliance with laws and regulations	X	
Significant difficulties encountered during the audit	X	
Significant findings or issues discussed, or the subject of correspondence with management	X	
Management's consultation with other accountants	X	
Difficult or contentious matters for which the auditor consulted	X	
Disagreements with management	X	
Other significant matters	X	

✓ = Matters to report   X = No matters to report

# Audit results required communications and other matters

Matters to communicate	
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Written communications	Management representation letters, including summary of uncorrected misstatements, and internal control deficiency letter to be distributed under separate covers.
Independence	X
Inquiries	X

# Uncorrected Audit Misstatement

This misstatement relates to the ARMB Invested Assets report only

Account	Increase (decrease) to invested assets	Increase (decrease) to investment income	As a % of reported
Private equity investments	\$27,816,392		0.54%
Private equity investment income		\$27,816,392	27.61%
Total investment income			0.88%

# Material weaknesses and significant deficiencies in internal control

Material weaknesses		
Description	Potential effects	Status
The Division of Retirement & Benefits did not design control activities to validate the census data for National Guard and Naval Militia Retirement System	The total pension liability for this system could be over or under stated as a result of inaccurate census data being used to calculate the amount.	Material weakness communicated in previous audits that has not yet been remediated.

Significant deficiencies		
Description	Potential effects	Status
None identified		



# Auditor's report

## Matters affecting the form and content of the auditors' report

- As outlined on page 2, we are issuing unmodified opinions for all Systems except NGNMRS due to the census data issue.

# Significant accounting estimates

## Description of significant accounting estimates

- Valuation of private investments

## Audit findings

### Management's process used to develop the estimates

- Management receives periodic capital statements from external fund managers. These capital statements are the starting point to estimate fair value of each private investment and are adjusted for any contributions made during the period and any other actors management believes impact fair value.

### Significant assumptions used that have a high degree of subjectivity

- None

### Indicators of possible management bias

- There were no indicators of possible management bias identified during our audit of this estimate

## Conclusions

- We determined that the methods used by management and the valuations recorded by management are reasonable and not affected by indicators of management bias.

# Significant financial statement disclosures

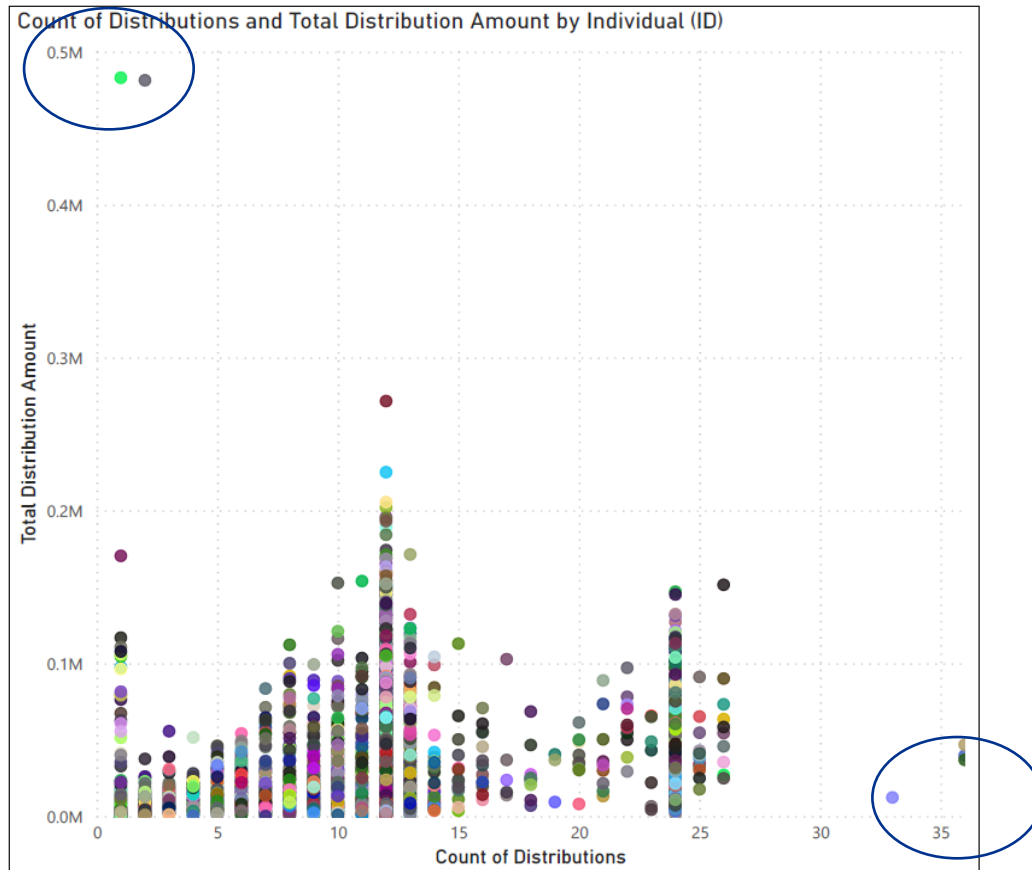
Description of significant financial statement disclosures	Audit findings
<ul style="list-style-type: none"><li>• The net pension (asset)/liability and net OPEB (asset)/liability disclosures are considered significant financial statement disclosures. These disclosures are prepared using management's specialist, Buck, to calculate the amount of the total pension and OPEB (assets)/liabilities based upon actuarial methods described in GASB Statements No. 67 and 74 and assumptions adopted by the ARMB.</li><li>• Significant assumptions used that have a high degree of subjectivity are:<ul style="list-style-type: none"><li>• Rate of return</li><li>• Mortality rates</li><li>• Discount rate</li></ul></li></ul>	<p><b>Qualitative aspects</b></p> <ul style="list-style-type: none"><li>• As part of our testing, we involved a KPMG actuary to assist in our determination of the reasonableness of the assumptions</li><li>• The information contained within the disclosures are prescribed by GASB and consistent with prior years</li><li>• There were no indications that these estimates or the disclosures were prepared with management bias.</li></ul>

# Other information

Other information	Procedures performed
PERS and TRS Annual Comprehensive Financial Reports	We will obtain copies of these reports prior to their issuance and review the financial information contained within to ensure consistency with the understanding we gained during our audit process.

# System Insights

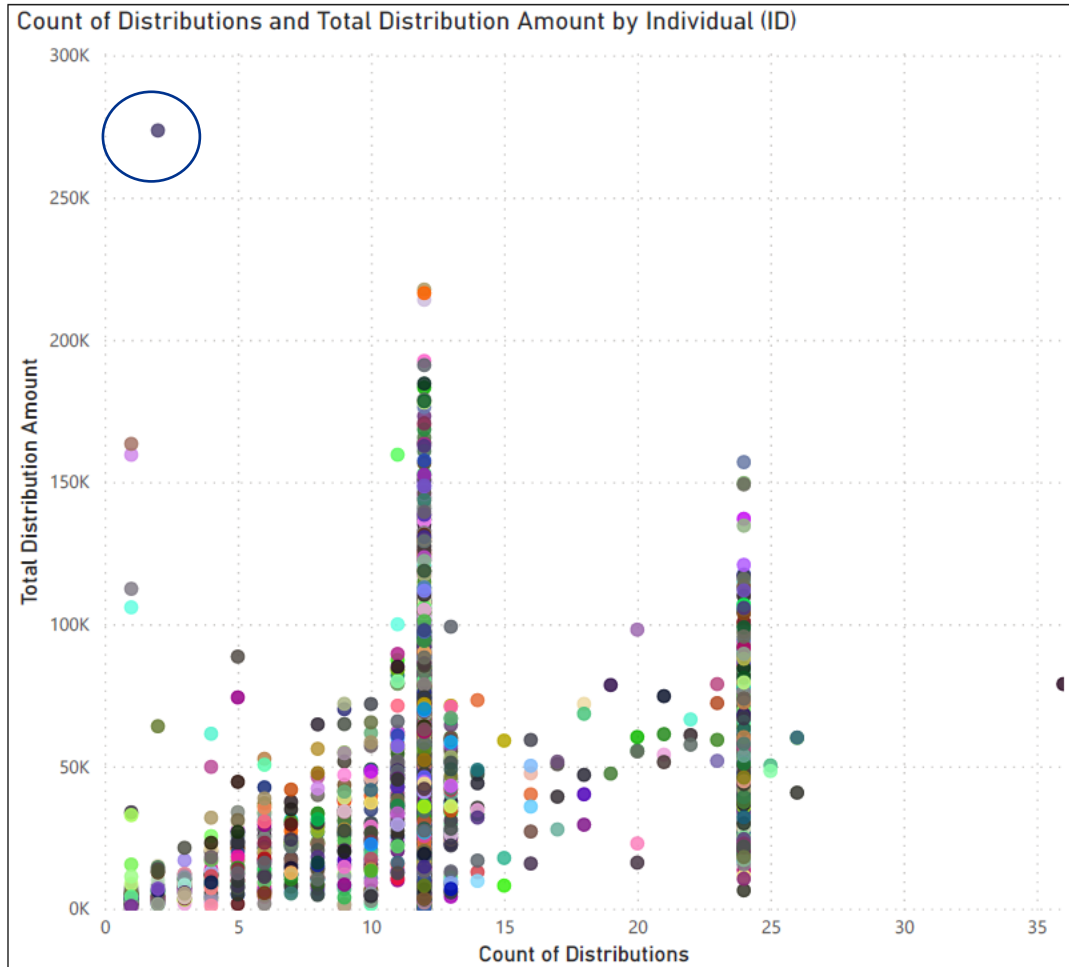
## PERS Distributions



- Majority of retirees received between 1 and 24 payments during the year.
- Greater than 30 were receiving survivor benefits in addition to their own retirement benefits
- Higher distribution amount indicated a lump sum payment rather than periodic payments

# System Insights

## TRS Distributions



- Majority of retirees received between 1 and 24 payments during the year.
- Greater than 30 were receiving survivor benefits in addition to their own retirement benefits
- Higher distribution amount indicated a lump sum payment rather than periodic payments



# Questions?

Beth Stuart

Audit Partner

[emstuart@kpmg.com](mailto:emstuart@kpmg.com)

Melissa Beedle

Audit Managing Director

[mbeedle@kpmg.com](mailto:mbeedle@kpmg.com)

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

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**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)

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KPMG LLP  
Suite 600  
701 West Eighth Avenue  
Anchorage, AK 99501

## Independent Auditors' Report

The Division of Retirement and Benefits and  
Members of the Alaska Retirement Management Board  
State of Alaska 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.

**KPMG LLP**

Anchorage, Alaska  
October 12, 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.

**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)

Description	Fiduciary net position				
	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
<b>Assets:</b>					
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
<b>Liabilities</b>					
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)		2021
			Amount	Percentage	
Fiduciary net position, beginning of year	\$ 1,059,108	1,223,745	(164,637)	(13.5)%	\$ 1,004,456
<b>Additions:</b>					
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
<b>Deductions:</b>					
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:

	<b>Additions (In thousands)</b>				
	<b>2023</b>	<b>2022</b>	<b>Increase (decrease)</b>		<b>2021</b>
			<b>Amount</b>	<b>Percentage</b>	
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	<u>\$ 161,216</u>	<u>(77,652)</u>	<u>238,868</u>	<u>307.6%</u>	<u>\$ 300,615</u>

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**  
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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:

	<u>2023</u>	<u>2022</u>
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)

**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:

	<b>Deductions (In thousands)</b>				
	<b>2023</b>	<b>2022</b>	<b>Increase (decrease)</b>		<b>2021</b>
			<b>Amount</b>	<b>Percentage</b>	
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	<u>\$ 85,100</u>	<u>86,985</u>	<u>(1,885)</u>	<u>(2.2)%</u>	<u>\$ 81,326</u>

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.



**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)

	<b>2023</b>	<b>2022</b>
<b>Assets:</b>		
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
<b>Liabilities:</b>		
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)

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

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:

	<b>2023</b>	<b>2022</b>
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.

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

Notes to Financial Statements

June 30, 2023 and 2022

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, depository 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

**STATE OF ALASKA**  
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Notes to Financial Statements

June 30, 2023 and 2022

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

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Notes to Financial Statements

June 30, 2023 and 2022

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 retirement 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.

**STATE OF ALASKA**  
**DEFERRED COMPENSATION PLAN**  
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Notes to Financial Statements

June 30, 2023 and 2022

**(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.



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

Notes to Financial Statements

June 30, 2023 and 2022

**(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.

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

Notes to Financial Statements

June 30, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
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	<u>\$ 1,130,220</u>	<u>1,054,654</u>

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

Notes to Financial Statements

June 30, 2023 and 2022

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**

**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)

	<u>Administrative</u>	<u>Investment</u>	<u>Totals</u>	
			<u>2023</u>	<u>2022</u>
Personal services:				
Wages	\$ 172	44	216	192
Benefits	110	21	131	122
Total personal services	<u>282</u>	<u>65</u>	<u>347</u>	<u>314</u>
Travel:				
Transportation	1	2	3	1
Total travel	<u>1</u>	<u>2</u>	<u>3</u>	<u>1</u>
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	<u>1,418</u>	<u>1,669</u>	<u>3,087</u>	<u>3,270</u>
Other:				
Equipment	—	1	1	1
Supplies	2	2	4	2
Total other	<u>2</u>	<u>3</u>	<u>5</u>	<u>3</u>
Total administrative and investment deductions	<u>\$ 1,703</u>	<u>1,739</u>	<u>3,442</u>	<u>3,588</u>

See accompanying independent auditors' report.

**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)

<u>Firm</u>	<u>Services</u>	<u>2023</u>	<u>2022</u>
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
		<u>\$ 411</u>	<u>504</u>

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

See accompanying independent auditors' report.



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

Financial Statements and Supplemental Schedules

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

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

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KPMG LLP  
Suite 600  
701 West Eighth Avenue  
Anchorage, AK 99501

## Independent Auditors' Report

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

### *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.

**KPMG LLP**

Anchorage, Alaska  
October 12, 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  
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June 30, 2023 and 2022

**Condensed Financial Information** (In thousands)

<b>Fiduciary net position</b>					
<b>Description</b>	<b>2023</b>	<b>2022</b>	<b>Increase (decrease)</b>		<b>2021</b>
			<b>Amount</b>	<b>Percentage</b>	
<b>Assets:</b>					
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	<u>4,772,930</u>	<u>4,431,349</u>	<u>341,581</u>	<u>7.7</u>	<u>5,081,870</u>
<b>Liabilities:</b>					
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	<u>2,745</u>	<u>2,605</u>	<u>140</u>	<u>5.4</u>	<u>2,599</u>
Fiduciary net position	<u>\$ 4,770,185</u>	<u>4,428,744</u>	<u>341,441</u>	<u>7.7%</u>	<u>\$ 5,079,271</u>

<b>Changes in fiduciary net position</b>					
<b>Description</b>	<b>2023</b>	<b>2022</b>	<b>Increase (decrease)</b>		<b>2021</b>
			<b>Amount</b>	<b>Percentage</b>	
Fiduciary net position, beginning of year	\$ 4,428,744	5,079,271	(650,527)	(12.8)%	\$ 4,237,919
<b>Additions:</b>					
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)	<u>611,141</u>	<u>(343,574)</u>	<u>954,715</u>	<u>(277.9)</u>	<u>1,117,662</u>
<b>Deductions:</b>					
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	<u>269,700</u>	<u>306,953</u>	<u>(37,253)</u>	<u>(12.1)</u>	<u>276,310</u>
Increase (decrease) in net position	<u>341,441</u>	<u>(650,527)</u>	<u>991,968</u>	<u>(152.5)</u>	<u>841,352</u>
Fiduciary net position, end of year	<u>\$ 4,770,185</u>	<u>4,428,744</u>	<u>341,441</u>	<u>7.7%</u>	<u>\$ 5,079,271</u>

**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.

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SUPPLEMENTAL BENEFITS SYSTEM**  
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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)				
	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
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.

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

	<u>2023</u>	<u>2022</u>
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	6.64	(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)

**STATE OF ALASKA  
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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 refunds of contributions. Benefit payments and administrative costs were as follows:

	Deductions (In thousands)				
			Increase (decrease)		
	2022	2022	Amount	Percentage	
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.

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**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
<b>Assets:</b>						
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
<b>Liabilities:</b>						
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**  
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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	<u>183,953</u>	<u>—</u>	<u>183,953</u>	<u>176,971</u>	<u>—</u>	<u>176,971</u>
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)	<u>432,492</u>	<u>—</u>	<u>432,492</u>	<u>(514,166)</u>	<u>—</u>	<u>(514,166)</u>
Less investment expense	5,833	—	5,833	6,058	—	6,058
Net investment income (loss)	<u>426,659</u>	<u>—</u>	<u>426,659</u>	<u>(520,224)</u>	<u>—</u>	<u>(520,224)</u>
Other income (expense)	529	—	529	(321)	—	(321)
Total additions (reductions)	<u>611,141</u>	<u>—</u>	<u>611,141</u>	<u>(343,574)</u>	<u>—</u>	<u>(343,574)</u>
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	<u>269,700</u>	<u>—</u>	<u>269,700</u>	<u>306,027</u>	<u>926</u>	<u>306,953</u>
Net increase (decrease) in fiduciary net position	341,441	—	341,441	(649,601)	(926)	(650,527)
Fiduciary net position, beginning of year	<u>4,428,744</u>	<u>—</u>	<u>4,428,744</u>	<u>5,078,345</u>	<u>926</u>	<u>5,079,271</u>
Fiduciary net position, end of year	<u>\$ 4,770,185</u>	<u>—</u>	<u>4,770,185</u>	<u>4,428,744</u>	<u>—</u>	<u>4,428,744</u>

See accompanying notes to financial statements.

**STATE OF ALASKA  
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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
	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.

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Notes to Financial Statements

June 30, 2023 and 2022

**(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.

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Notes to Financial Statements

June 30, 2023 and 2022

*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 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.

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Notes to Financial Statements

June 30, 2023 and 2022

*(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.

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

Notes to Financial Statements

June 30, 2023 and 2022

**(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.

**STATE OF ALASKA**  
**SUPPLEMENTAL BENEFITS SYSTEM**  
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Notes to Financial Statements

June 30, 2023 and 2022

**(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 \$4,770,185,000 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.



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Notes to Financial Statements

June 30, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
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	<u>\$ 4,751,924</u>	<u>4,412,831</u>

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/amb/reports-and-policies/annual-audited-financial-schedules](https://treasury.dor.alaska.gov/amb/reports-and-policies/annual-audited-financial-schedules)

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Notes to Financial Statements

June 30, 2023 and 2022

**(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**

**STATE OF ALASKA**  
**SUPPLEMENTAL BENEFITS SYSTEM**  
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## Schedules of Administrative and Investment Deductions

Years ended June 30, 2023 and 2022

(In thousands)

	<u>Administrative</u>	<u>Investment</u>	<u>Totals</u>	
			<u>2023</u>	<u>2022</u>
Personal services:				
Wages	\$ 405	182	587	649
Benefits	250	85	335	406
Total personal services	<u>655</u>	<u>267</u>	<u>922</u>	<u>1,055</u>
Travel:				
Transportation	4	9	13	4
Per diem	1	2	3	1
Total travel	<u>5</u>	<u>11</u>	<u>16</u>	<u>5</u>
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	<u>5,530</u>	<u>5,544</u>	<u>11,074</u>	<u>11,851</u>
Other:				
Equipment	1	2	3	3
Supplies	4	9	13	9
Total other	<u>5</u>	<u>11</u>	<u>16</u>	<u>12</u>
Total administrative and investment deductions	<u>\$ 6,195</u>	<u>5,833</u>	<u>12,028</u>	<u>12,923</u>

See accompanying independent auditors' report.

**STATE OF ALASKA**  
**SUPPLEMENTAL BENEFITS SYSTEM**  
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Schedules of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2023 and 2022

(In thousands)

<u>Firm</u>	<u>Services</u>	<u>2023</u>	<u>2022</u>
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
		<u>\$ 1,402</u>	<u>1,936</u>

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

See accompanying independent auditors' report.



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

Financial Statements and Supplemental Schedules

June 30, 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)

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KPMG LLP  
Suite 600  
701 West Eighth Avenue  
Anchorage, AK 99501

## Independent Auditors' Report

The Division of Retirement and Benefits and  
Members of the Alaska Retirement Management Board  
State of Alaska 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.

KPMG LLP

Anchorage, Alaska  
October 12, 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.

**STATE OF ALASKA**  
**JUDICIAL RETIREMENT SYSTEM**  
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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**

Description	Plan Fiduciary Net Position		Increase (Decrease)		2021
	2023	2022	Amount	Percentage	
<b>Assets:</b>					
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	<u>283,382,810</u>	<u>268,096,547</u>	<u>15,286,263</u>	<u>5.7</u>	<u>289,134,833</u>
<b>Liabilities:</b>					
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	<u>600,846</u>	<u>647,061</u>	<u>(46,215)</u>	<u>(7.1)</u>	<u>913,487</u>
Plan fiduciary net position	<u>\$ 282,781,964</u>	<u>267,449,486</u>	<u>15,332,478</u>	<u>5.7 %</u>	<u>\$ 288,221,346</u>

**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)**

Description	Changes in Plan Fiduciary Net Position				
	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
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**  
(A Component Unit of the State of Alaska)

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		2022	
	Pension and healthcare trusts Allocation	Range	Pension and healthcare trusts 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)		2021
			Amount	Percentage	
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

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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.

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

	<b>Year ended</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
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:

	<b>Year ended</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
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



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**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:

	2023	2022	Deductions		2021
			Increase (decrease)		
			Amount	Percentage	
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.

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

	<u>2023</u>	<u>2022</u>
Total pension liability	\$ 215,813,907	208,987,920
Plan fiduciary net position	<u>(239,742,591)</u>	<u>(227,181,866)</u>
Employer's net pension asset	<u>\$ (23,928,684)</u>	<u>(18,193,946)</u>
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 Pension 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:

	<u>2023</u>	<u>2022</u>
Total OPEB liability	\$ 19,234,976	18,309,351
Plan fiduciary net position	<u>(43,039,373)</u>	<u>(40,267,620)</u>
Employer's net OPEB asset	<u>\$ (23,804,397)</u>	<u>(21,958,269)</u>
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

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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.

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**Requests for Information**

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

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

**STATE OF ALASKA**  
**JUDICIAL RETIREMENT SYSTEM**  
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Combining Statement of Fiduciary Net Position  
June 30, 2023  
(With summarized financial information for June 30, 2022)

	<b>Defined benefit pension</b>	<b>Alaska Retiree Healthcare Trust</b>	<b>System total June 30, 2023</b>	<b>System total June 30, 2022</b>
<b>Assets:</b>				
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	<u>2,531,109</u>	<u>434,228</u>	<u>2,965,337</u>	<u>3,799,782</u>
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	<u>2,239,028</u>	<u>93,523</u>	<u>2,332,551</u>	<u>1,808,361</u>
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	<u>43,350,273</u>	<u>7,868,228</u>	<u>51,218,501</u>	<u>49,420,068</u>
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	<u>58,946,103</u>	<u>10,698,827</u>	<u>69,644,930</u>	<u>64,470,201</u>
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.	<u>40,881,993</u>	<u>7,420,071</u>	<u>48,302,064</u>	<u>42,828,308</u>
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	<u>19,377,590</u>	<u>3,517,043</u>	<u>22,894,633</u>	<u>22,734,673</u>
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	<u>34,140,452</u>	<u>6,185,258</u>	<u>40,325,710</u>	<u>39,211,965</u>
Total investments	<u>235,372,632</u>	<u>42,709,214</u>	<u>278,081,846</u>	<u>262,485,328</u>
Other assets	—	3,076	3,076	3,076
Total assets	<u>240,142,769</u>	<u>43,240,041</u>	<u>283,382,810</u>	<u>268,096,547</u>
<b>Liabilities:</b>				
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	<u>400,178</u>	<u>200,668</u>	<u>600,846</u>	<u>647,061</u>
Net position restricted for pension and postemployment healthcare benefits	<u>\$ 239,742,591</u>	<u>43,039,373</u>	<u>282,781,964</u>	<u>267,449,486</u>

See accompanying notes to financial statements.

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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)

	<u>Defined benefit pension</u>	<u>Alaska Retiree Healthcare Trust</u>	<u>System total June 30, 2023</u>	<u>System total June 30, 2022</u>
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	<u>11,649,462</u>	<u>921,731</u>	<u>12,571,193</u>	<u>12,307,637</u>
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)	<u>17,702,196</u>	<u>3,179,665</u>	<u>20,881,861</u>	<u>(16,598,176)</u>
Less investment expense	<u>629,801</u>	<u>110,878</u>	<u>740,679</u>	<u>697,018</u>
Net investment income (loss) before securities lending activities	<u>17,072,395</u>	<u>3,068,787</u>	<u>20,141,182</u>	<u>(17,295,194)</u>
Securities lending income	10,235	1,830	12,065	8,143
Less securities lending expense	<u>2,047</u>	<u>366</u>	<u>2,413</u>	<u>1,629</u>
Net income from securities lending activities	<u>8,188</u>	<u>1,464</u>	<u>9,652</u>	<u>6,514</u>
Net investment income (loss)	<u>17,080,583</u>	<u>3,070,251</u>	<u>20,150,834</u>	<u>(17,288,680)</u>
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	<u>—</u>	<u>409,821</u>	<u>409,821</u>	<u>469,377</u>
Total additions (reductions)	<u>28,730,045</u>	<u>4,401,803</u>	<u>33,131,848</u>	<u>(4,511,666)</u>
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	<u>16,169,320</u>	<u>1,630,050</u>	<u>17,799,370</u>	<u>16,260,194</u>
Net increase (decrease)	<u>12,560,725</u>	<u>2,771,753</u>	<u>15,332,478</u>	<u>(20,771,860)</u>
Net position restricted for pension and postemployment healthcare benefits:				
Balance, beginning of year	<u>227,181,866</u>	<u>40,267,620</u>	<u>267,449,486</u>	<u>288,221,346</u>
Balance, end of year	<u>\$ 239,742,591</u>	<u>43,039,373</u>	<u>282,781,964</u>	<u>267,449,486</u>

See accompanying notes to financial statements.

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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
	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

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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.



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**(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
	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.

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**(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.

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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](http://treasury.dor.alaska.gov/armb/reports-and-policies/annual-audited-financial-schedules)

**(4) Net Pension Asset – Defined Benefit Pension Plan**

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

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

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**(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	<p>Pre-commencement mortality rates were based on the Pub-2010 General Employee table, above-median, amount-weighted, and projected with MP-2021 generational improvement.</p> <p>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.</p> <p>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.</p> <p>Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, above-median, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.</p>
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

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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

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**(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	<u>(43,039,373)</u>
Employer's net OPEB asset	<u>\$ (23,804,397)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	223.76 %

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**(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.

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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.



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**(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:

	<b>1.00% decrease (6.25%)</b>	<b>Current discount rate (7.25%)</b>	<b>1.00% increase (8.25%)</b>
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:

	<b>1.00% decrease</b>	<b>Current healthcare cost trend rate</b>	<b>1.00% increase</b>
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:

	<b>2023</b>	<b>2022</b>
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

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**(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)

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Required Supplementary Information (Unaudited)

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

Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
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	<u>(16,071,331)</u>	<u>(14,770,632)</u>	<u>(14,368,857)</u>	<u>(14,178,500)</u>	<u>(13,627,946)</u>	<u>(12,125,563)</u>	<u>(11,588,512)</u>	<u>(11,228,221)</u>	<u>(10,683,962)</u>	<u>(10,578,414)</u>
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	<u>208,987,920</u>	<u>218,717,460</u>	<u>229,271,139</u>	<u>235,935,179</u>	<u>228,333,500</u>	<u>216,634,510</u>	<u>216,374,094</u>	<u>205,125,185</u>	<u>201,397,651</u>	<u>191,505,115</u>
Total pension liability – ending (a)	<u>215,813,907</u>	<u>208,987,920</u>	<u>218,717,460</u>	<u>229,271,139</u>	<u>235,935,179</u>	<u>228,333,500</u>	<u>216,634,510</u>	<u>216,374,094</u>	<u>205,125,185</u>	<u>201,397,651</u>
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	<u>(16,071,331)</u>	<u>(14,770,632)</u>	<u>(14,368,857)</u>	<u>(14,178,500)</u>	<u>(13,627,946)</u>	<u>(12,125,563)</u>	<u>(11,588,512)</u>	<u>(11,228,221)</u>	<u>(10,683,962)</u>	<u>(10,578,414)</u>
Administrative expenses	<u>(97,989)</u>	<u>(107,041)</u>	<u>(97,022)</u>	<u>(106,618)</u>	<u>(59,094)</u>	<u>(62,933)</u>	<u>(79,219)</u>	<u>(60,330)</u>	<u>(86,243)</u>	<u>(65,716)</u>
Other income	<u>—</u>	<u>—</u>	<u>7,891</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,364</u>	<u>92</u>	<u>12</u>
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	<u>227,181,866</u>	<u>245,047,997</u>	<u>189,844,024</u>	<u>184,625,818</u>	<u>176,794,968</u>	<u>164,032,759</u>	<u>144,818,899</u>	<u>144,160,024</u>	<u>139,547,440</u>	<u>118,704,624</u>
Plan fiduciary net position – ending (b)	<u>239,742,591</u>	<u>227,181,866</u>	<u>245,047,997</u>	<u>189,844,024</u>	<u>184,625,818</u>	<u>176,794,968</u>	<u>164,032,759</u>	<u>144,818,899</u>	<u>144,160,024</u>	<u>139,547,440</u>
Plan's net pension (asset) liability (a)–(b)	<u>\$ (23,928,684)</u>	<u>(18,193,946)</u>	<u>(26,330,537)</u>	<u>39,427,115</u>	<u>51,309,361</u>	<u>51,538,532</u>	<u>52,601,751</u>	<u>71,555,195</u>	<u>60,965,161</u>	<u>61,850,211</u>
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	\$ 14,666,519	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	(163.15)%	(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.

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Required Supplementary Information (Unaudited)

Schedule of Employer and Nonemployer Contributions – Defined Benefit Pension Plan

Last 10 Fiscal Years

<u>Fiscal Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2023	\$ 8,924,869	10,743,356	(1,818,487)	14,666,519	73.25 %
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.

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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.

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Required Supplementary Information (Unaudited)

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
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	\$ 14,666,519	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	(162.30)%	(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

<u>Fiscal Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2023	\$ 910,873	921,731	(10,858)	14,666,519	6.28 %
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

<b>Fiscal Year</b>	<b>Annual money-weighted rate of return, net of investment expense</b>
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**  
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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.).

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2023

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.

**STATE OF ALASKA**  
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Notes to Required Supplementary Information (Unaudited)

June 30, 2023

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.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2023

- (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:

		<b>Medical</b>	<b>Prescription drugs</b>
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).

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

Notes to Required Supplementary Information (Unaudited)

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.

<u>Age</u>	<u>Medical</u>	<u>Prescription drugs</u>
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

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2023

- (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:

<u>Fiscal year</u>	<u>Medical</u>		<u>Prescription drugs/EGWP</u>
	<u>Pre-65</u>	<u>Post-65</u>	
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**  
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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**

**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

	<u>Administrative</u>	<u>Investment</u>	<u>Total</u>	
			<u>2023</u>	<u>2022</u>
Personal services:				
Wages	\$ 18,603	31,143	49,746	45,089
Benefits	11,606	14,529	26,135	25,667
Total personal services	<u>30,209</u>	<u>45,672</u>	<u>75,881</u>	<u>70,756</u>
Travel:				
Transportation	63	630	693	262
Per diem	10	120	130	46
Total travel	<u>73</u>	<u>750</u>	<u>823</u>	<u>308</u>
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	<u>143,219</u>	<u>695,335</u>	<u>838,554</u>	<u>811,598</u>
Other:				
Supplies	144	1,040	1,184	883
Equipment	28	295	323	133
Total other	<u>172</u>	<u>1,335</u>	<u>1,507</u>	<u>1,016</u>
Total administrative and investment deductions	<u>\$ 173,673</u>	<u>743,092</u>	<u>916,765</u>	<u>883,678</u>

See accompanying independent auditors' report.

**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

<u>Firm</u>	<u>Services</u>	<u>2023</u>	<u>2022</u>
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
		<u>\$ 100,496</u>	<u>113,355</u>

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)

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KPMG LLP  
Suite 600  
701 West Eighth Avenue  
Anchorage, AK 99501

## Independent Auditors' Report

The Division of Retirement and Benefits and  
Members of the Alaska Retirement Management Board  
State of Alaska 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.

KPMG LLP

Anchorage, Alaska  
October 12, 2023



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Management's Discussion and Analysis (Unaudited)

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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.

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*Notes to financial statements* – The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules that are essential to a full understanding of the System's financial statements.

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

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

**Condensed Financial Information**

Description	System net position (In thousands)				
	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
<b>Assets:</b>					
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
<b>Total assets</b>	<b>10,844,891</b>	<b>10,483,681</b>	<b>361,210</b>	<b>3.4</b>	<b>11,596,421</b>
<b>Liabilities:</b>					
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
<b>Total liabilities</b>	<b>31,775</b>	<b>39,660</b>	<b>(7,885)</b>	<b>(19.9)</b>	<b>47,794</b>
<b>Net position</b>	<b>\$ 10,813,116</b>	<b>10,444,021</b>	<b>369,095</b>	<b>3.5 %</b>	<b>\$ 11,548,627</b>

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**Condensed Financial Information (continued)**

Changes in System net position (In thousands)					
Description	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
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)	<u>1,122,082</u>	<u>(394,467)</u>	<u>1,516,549</u>	<u>(384.5)</u>	<u>3,049,708</u>
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	<u>752,987</u>	<u>710,139</u>	<u>42,848</u>	<u>6.0</u>	<u>684,532</u>
Increase (decrease) in net position	<u>369,095</u>	<u>(1,104,606)</u>	<u>1,473,701</u>	<u>(133.4)</u>	<u>2,365,176</u>
Net position, end of year	<u>\$ 10,813,116</u>	<u>10,444,021</u>	<u>369,095</u>	<u>3.5 %</u>	<u>\$ 11,548,627</u>

**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

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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:

	<b>2023</b>		<b>2022</b>	
	<b>Pension and Healthcare Trusts</b>		<b>Pension and Healthcare Trusts</b>	
	<b>Allocation</b>	<b>Range</b>	<b>Allocation</b>	<b>Range</b>
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	<u>100.0%</u>		<u>100.0%</u>	
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.

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**Contributions, Investment Income, and Other Additions**

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

	Additions (In thousands)				
	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
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	<u>\$ 1,122,082</u>	<u>(394,467)</u>	<u>1,516,549</u>	<u>(384.5)%</u>	<u>\$ 3,049,708</u>

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

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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

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**Benefits and Other Deductions**

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

	Deductions (In thousands)					
	2023	2022	Increase (decrease)			2021
			Amount	Percentage		
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.

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**Net Pension Liability**

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

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

	<b>2023</b>	<b>2022</b>
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 Pension Plans*, requires the DB Other Postemployment Benefit (OPEB) Plans to report the total OPEB liability, fiduciary net position, and net OPEB liability for each plan. The total OPEB liability represents the total obligation for the Plan's postemployment healthcare benefits related to costs incurred as a result of years of service, changes in benefit terms, changes in actuarial assumptions, and any differences between the actuarial assumptions and actual experience. The Plan's fiduciary net position represents the assets available to pay the OPEB Plan's future payment stream. The assets are derived from contributions received from participating employers, plan members, and nonemployer contributions, as well as investment earnings, less benefit payments during the year and the related costs to administer the Plans. The difference between the total OPEB liability and fiduciary net position is the net OPEB asset, or the overfunded portion of the total OPEB liability.



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

	<b>Alaska Retiree Healthcare Trust Plan (ARHCT Plan)</b>	<b>Occupational Death and Disability (ODD Plan)</b>	<b>Retiree Medical Plan (RMP)</b>
Total OPEB liability	\$ 2,495,957	528	54,406
Plan fiduciary net position	<u>(3,506,595)</u>	<u>(7,447)</u>	<u>(76,557)</u>
Employers' net OPEB asset	<u>\$ (1,010,638)</u>	<u>(6,919)</u>	<u>(22,151)</u>
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):

	<b>Alaska Retiree Healthcare Trust Plan (ARHCT Plan)</b>	<b>Occupational Death and Disability (ODD Plan)</b>	<b>Retiree Medical Plan (RMP)</b>
Total OPEB liability	\$ 2,515,713	517	47,543
Plan fiduciary net position	<u>(3,392,211)</u>	<u>(6,557)</u>	<u>(66,909)</u>
Employers' net OPEB asset	<u>\$ (876,498)</u>	<u>(6,040)</u>	<u>(19,366)</u>
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.

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- 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.

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Management's Discussion and Analysis (Unaudited)

June 30, 2023

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			System total June 30, 2023	System total June 30, 2022
			Alaska Retiree Healthcare Trust	Occupational death and disability	Retiree medical		
<b>Assets:</b>							
Cash and cash equivalents:							
Short-term fixed-income pool	\$ 64,627	98	29,750	103	1,076	3,385	108,715
Empower money market fund – non-participant directed	—	309	—	—	—	—	394
Securities lending collateral	6,802	—	3,931	8	84	255	11,080
Total cash and cash equivalents	71,429	407	33,681	111	1,160	3,640	127,477
Receivables:							
Contributions	10,917	—	—	—	—	—	10,917
Due from State of Alaska General Fund	—	7,246	—	42	457	1,654	9,399
Other accounts receivable	33	—	4,836	—	9	—	4,878
Total receivables	10,950	7,246	4,836	42	466	1,654	26,858
Investments, at fair value:							
Fixed income securities:							
Transition pool	77,085	—	44,647	93	960	2,914	125,699
Barclays aggregate bond fund	814,107	—	471,527	987	10,138	30,778	1,327,537
Opportunistic fixed income pool	218,749	—	126,699	265	2,724	8,270	356,707
Total fixed-income securities	1,109,941	—	642,873	1,345	13,822	41,962	1,809,943
Broad domestic equity:							
Large cap pool	1,384,547	—	801,923	1,679	17,241	52,344	2,257,734
Small cap pool	124,711	—	72,232	151	1,553	4,715	203,362
Total broad domestic equity	1,509,258	—	874,155	1,830	18,794	57,059	2,461,096
Global equity ex-U.S.:							
International equity small cap pool	858,878	—	497,458	1,041	10,695	32,471	1,400,543
Emerging markets equity pool	187,866	—	108,811	228	2,339	7,103	306,347
Total global equity ex-U.S.	1,046,744	—	606,269	1,269	13,034	39,574	1,706,890
Multi-asset:							
Alternative beta pool	57,256	—	33,162	69	713	2,164	93,364
Alternative equity pool	61,505	—	35,624	75	766	2,325	100,295
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
Other opportunities pool	—	—	—	—	—	—	1,361
Total opportunistic	496,147	—	287,366	601	6,178	18,757	809,049
Private equity pool	990,268	—	573,558	1,200	12,331	37,438	1,614,795
Real assets:							
Real estate pool	321,442	—	185,263	388	3,983	12,093	523,169
Real estate investment trust pool	93,132	—	53,941	113	1,160	3,521	151,867
Infrastructure private pool	166,980	—	96,714	202	2,079	6,313	272,288
Energy pool	10,413	—	6,031	13	130	394	16,981
Farmland pool	205,155	—	118,825	249	2,555	7,756	334,540
Timber pool	77,015	—	44,607	93	959	2,912	125,586
Total real assets	874,137	—	505,381	1,058	10,866	32,989	1,424,431
Other investment funds:							
Participant directed at fair value:							
Collective investment funds	—	224,096	—	—	—	—	199,650
Pooled investment funds	—	609,963	—	—	—	—	609,963
Participant directed at contract value:							
Synthetic investment contracts	—	48,688	—	—	—	—	48,688
Total other investment funds	—	882,747	—	—	—	—	882,747
Total investments	6,026,495	882,747	3,489,602	7,303	75,025	227,779	10,708,951
Other assets							
Total assets	6,108,874	890,400	3,528,437	7,456	76,651	233,073	10,844,891
<b>Liabilities:</b>							
Claims payable (note 6)	—	—	13,957	—	—	—	13,957
Accrued expenses	715	158	2,979	1	10	4	3,867
Forfeitures payable to employers	—	59	—	—	—	—	59
Due to State of Alaska General Fund	1,837	—	975	—	—	—	2,812
Securities lending collateral payable	6,802	—	3,931	8	84	255	11,080
Total liabilities	9,354	217	21,842	9	94	259	31,775
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

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

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2023

**(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:

<u>Plan name</u>	<u>Type of plan</u>
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	<u>3</u>
Total employers	<u><u>57</u></u>

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

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June 30, 2023

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

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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



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June 30, 2023

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.

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June 30, 2023

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

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June 30, 2023

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.

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June 30, 2023

(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

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- (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.

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**(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

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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.

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**(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%.



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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/amb/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	<u>(6,099,520)</u>
Employers' net pension liability	<u>\$ 1,758,444</u>
Plan fiduciary net position as a percentage of the total pension liability	77.62 %

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**(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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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

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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

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**(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):

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

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**(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 Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

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Mortality (ODD Plan)	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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

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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

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**(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):

	<u>1.00% decrease</u>	<u>Current healthcare cost trend rate</u>	<u>1.00% increase</u>
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):

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

**(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.



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**(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.

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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)

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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)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
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	\$ 308,408	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	570.17%	499.40%	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)

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2023	\$ 135,850	141,158	(5,308)	308,408	45.77 %
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 %

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Schedule of Investment Returns – Defined Benefit Pension Plan

<b>Fiscal Year</b>	<b>Annual money-weighted rate of return, net of investment expense</b>
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.

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Required Supplementary Information (Unaudited)

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

(In thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
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	\$ 308,408	333,781	357,288	370,449	392,849
Net OPEB liability (asset) as a percentage of covered payroll	(327.70)%	(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.

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Required Supplementary Information (Unaudited)

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

Last 10 Fiscal Years

(In thousands)

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2023	\$ 20,643	92	20,551	308,408	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.



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Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Alaska Retiree Healthcare Trust Plan

<b>Fiscal Year</b>	<b>Annual money-weighted rate of return, net of investment expense</b>
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.

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**TEACHERS' RETIREMENT SYSTEM**  
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Required Supplementary Information (Unaudited)

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

(In thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
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	\$ 515,483	488,659	453,286	412,113	392,866
Net OPEB asset as a percentage of covered payroll	(1.34)%	(1.24)%	(1.34)%	(1.04)%	(1.02)%

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

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**STATE OF ALASKA**  
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(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)

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2023	\$ 365	411	(46)	515,483	0.08 %
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**  
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Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Occupational Death and Disability Plan

<b>Fiscal Year</b>	<b>Annual money-weighted rate of return, net of investment expense</b>
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**  
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Required Supplementary Information (Unaudited)

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
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	<u>6,863</u>	<u>345</u>	<u>8,650</u>	<u>317</u>	<u>4,765</u>
Total OPEB liability – beginning	<u>47,543</u>	<u>47,198</u>	<u>38,548</u>	<u>38,231</u>	<u>33,466</u>
Total OPEB liability – ending (a)	<u>54,406</u>	<u>47,543</u>	<u>47,198</u>	<u>38,548</u>	<u>38,231</u>
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
	<u>9,771</u>	<u>(206)</u>	<u>19,068</u>	<u>6,361</u>	<u>5,443</u>
Benefit payments	(92)	(129)	(164)	(9)	(44)
Pharmacy rebates	19	10	1	3	9
ASO fees	(13)	(9)	(8)	—	—
Net benefit payments	<u>(86)</u>	<u>(128)</u>	<u>(171)</u>	<u>(6)</u>	<u>(35)</u>
Administrative expenses, net of ASO fees	(37)	(35)	(34)	(9)	(6)
Other	—	—	2	—	—
Net change in plan fiduciary net position	<u>9,648</u>	<u>(369)</u>	<u>18,865</u>	<u>6,346</u>	<u>5,402</u>
Plan fiduciary net position – beginning	<u>66,909</u>	<u>67,278</u>	<u>48,413</u>	<u>42,067</u>	<u>36,665</u>
Plan fiduciary net position – ending (b)	<u>76,557</u>	<u>66,909</u>	<u>67,278</u>	<u>48,413</u>	<u>42,067</u>
Plan's net OPEB asset (a)–(b)	<u>\$ (22,151)</u>	<u>(19,366)</u>	<u>(20,080)</u>	<u>(9,865)</u>	<u>(3,836)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	140.71%	140.73%	142.54%	125.59%	110.03%
Covered payroll	\$ 515,483	488,659	453,286	412,113	392,866
Net OPEB asset as a percentage of covered payroll	(4.30)%	(3.96)%	(4.43)%	(2.39)%	(0.98)%

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

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Required Supplementary Information (Unaudited)

Schedule of Employer Contributions – Retiree Medical Plan

Last 10 Fiscal Years

(In thousands)

<u>Fiscal Year</u>		<u>Actuarially Determined Contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2023	\$	3,967	4,467	(500)	515,483	0.87 %
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**  
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Required Supplementary Information (Unaudited)  
Schedule of Investment Returns – Retiree Medical Plan

<b>Fiscal Year</b>	<b>Annual money-weighted rate of return, net of investment expense</b>
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.

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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 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.



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Notes to Required Supplementary Information (Unaudited)

June 30, 2023

- (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.

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June 30, 2023

- 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.

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- 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.

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- (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.

	<b>Medical</b>	<b>Prescription drugs</b>
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.

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- (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.

<b>Age</b>	<b>Medical</b>	<b>Prescription drugs</b>
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:

<b>Fiscal year</b>	<b>Medical</b>		<b>Prescription drugs/EGWP</b>
	<b>Pre-65</b>	<b>Post-65</b>	
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

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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.

<u>Coverage category</u>	<u>Calendar 2023</u>		<u>Calendar 2022</u>
	<u>Annual contribution</u>	<u>Monthly contribution</u>	<u>Monthly contribution</u>
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.

<u>Fiscal year</u>	<u>Trend assumption</u>
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.

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- (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.

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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.



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- (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

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(s) Retiree medical participation:

<u>Death / Disability Decrement</u>		<u>Retirement Decrement</u>	
<u>Age</u>	<u>Percent participation</u>	<u>Age</u>	<u>Percent participation</u>
<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+	
			<u>Years of service</u>
			<15
			15–19
			20–24
			25–29
			30+

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.

	<u>Medical</u>	<u>Prescription drugs</u>
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.

<u>Age</u>	<u>Medical</u>	<u>Prescription drugs</u>
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.

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- (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.

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

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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**

**STATE OF ALASKA**  
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## Schedules of Administrative and Investment Deductions

Years ended June 30, 2023 and 2022

(In thousands)

	Administrative	Investment	Totals	
			2022	2022
Personal services:				
Wages	\$ 1,960	1,177	3,137	3,054
Benefits	1,213	549	1,762	1,887
Total personal services	<u>3,173</u>	<u>1,726</u>	<u>4,899</u>	<u>4,941</u>
Travel:				
Transportation	6	24	30	11
Per diem	2	5	7	2
Total travel	<u>8</u>	<u>29</u>	<u>37</u>	<u>13</u>
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	<u>9,763</u>	<u>25,794</u>	<u>35,557</u>	<u>35,470</u>
Other:				
Equipment	3	11	14	8
Supplies	16	40	56	38
Total other	<u>19</u>	<u>51</u>	<u>70</u>	<u>46</u>
Total administrative and investment deductions	<u>\$ 12,963</u>	<u>27,600</u>	<u>40,563</u>	<u>40,470</u>

See accompanying independent auditors' report.

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Schedules of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2023 and 2022

(In thousands)

<u>Firm</u>	<u>Services</u>	<u>2023</u>	<u>2022</u>
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
		<u>\$ 2,497</u>	<u>3,137</u>

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

See accompanying independent auditors' report.





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**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
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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**  
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KPMG LLP  
Suite 600  
701 West Eighth Avenue  
Anchorage, AK 99501

## **Independent Auditors' Report**

The Division of Retirement and Benefits and  
Members of the Alaska Retirement Management Board  
State of Alaska 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.

KPMG LLP

Anchorage, Alaska  
October 12, 2023

**STATE OF ALASKA**  
**PUBLIC EMPLOYEES' 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 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.

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*Notes to financial statements* – The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules that are essential to a full understanding of the System's financial statements.

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

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

**Condensed Financial Information**

System net position (In thousands)					
Description	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
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	<u>23,552,782</u>	<u>22,540,151</u>	<u>1,012,631</u>	<u>4.5</u>	<u>24,725,808</u>
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	<u>82,492</u>	<u>87,461</u>	<u>(4,969)</u>	<u>(5.7)</u>	<u>104,930</u>
Net position	<u>\$ 23,470,290</u>	<u>22,452,690</u>	<u>1,017,600</u>	<u>4.5 %</u>	<u>\$ 24,620,878</u>

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**Condensed Financial Information (continued)**

**Changes in system net position (In thousands)**

Description	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
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)	<u>2,733,214</u>	<u>(593,393)</u>	<u>3,326,607</u>	<u>(560.6)</u>	<u>6,752,831</u>
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	<u>1,715,614</u>	<u>1,574,795</u>	<u>140,819</u>	<u>8.9</u>	<u>1,489,495</u>
Increase (decrease) in net position	<u>1,017,600</u>	<u>(2,168,188)</u>	<u>3,185,788</u>	<u>(146.9)</u>	<u>5,263,336</u>
Net position, end of year	<u>\$ 23,470,290</u>	<u>22,452,690</u>	<u>1,017,600</u>	<u>4.5 %</u>	<u>\$ 24,620,878</u>

**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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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:

	<u>2023</u>		<u>2022</u>	
	<u>Pension and Healthcare Trusts</u>		<u>Pension and Healthcare Trusts</u>	
	<u>Allocation</u>	<u>Range</u>	<u>Allocation</u>	<u>Range</u>
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	<u>100.0%</u>		<u>100.0%</u>	
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.

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**Contributions, Investment Income, and Other Additions**

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

	Additions (In thousands)				
	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
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	<u>\$ 2,733,214</u>	<u>(593,393)</u>	<u>3,326,607</u>	<u>(560.6)%</u>	<u>\$ 6,752,831</u>

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.

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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

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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)				
	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
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

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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):

	<b>2023</b>	<b>2022</b>
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 Pension Plans*, requires the DB Other Postemployment Benefit (OPEB) Plans to report the total OPEB liability, fiduciary net

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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):

	<b>Alaska Retiree Healthcare Trust Plan (ARHCT Plan)</b>	<b>Occupational Death and Disability (ODD Plan)</b>	<b>Retiree Medical Plan (RMP)</b>
Total OPEB liability	\$ 6,775,291	20,584	195,493
Plan fiduciary net position	<u>(9,076,222)</u>	<u>(71,888)</u>	<u>(242,977)</u>
Employers' net OPEB asset	<u>\$ (2,300,931)</u>	<u>(51,304)</u>	<u>(47,484)</u>
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):

	<b>Alaska Retiree Healthcare Trust Plan (ARHCT Plan)</b>	<b>Occupational Death and Disability (ODD Plan)</b>	<b>Retiree Medical Plan (RMP)</b>
Total OPEB liability	\$ 6,901,568	17,620	172,956
Plan fiduciary net position	<u>(8,869,134)</u>	<u>(61,458)</u>	<u>(207,686)</u>
Employers' net OPEB asset	<u>\$ (1,967,566)</u>	<u>(43,838)</u>	<u>(34,730)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	128.51 %	348.80 %	120.08 %

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**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.

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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.



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**Requests for Information**

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

State of Alaska 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

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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				System total June 30, 2023	System total June 30, 2022
			Alaska Retiree Healthcare Trust	Occupational death and disability	Retiree medical	Health reimbursement arrangement		
<b>Assets:</b>								
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.

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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)

(In thousands)

	Defined benefit pension	Defined contribution pension	Other postemployment benefit plans				System total June 30, 2023	System total June 30, 2022
			Alaska Retiree Healthcare Trust	Occupational death and disability	Retiree medical	Health reimbursement arrangement		
<b>Additions (reductions):</b>								
<b>Contributions:</b>								
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
<b>Total contributions</b>	<b>551,912</b>	<b>216,316</b>	<b>555</b>	<b>6,126</b>	<b>18,753</b>	<b>51,470</b>	<b>845,132</b>	<b>917,883</b>
<b>Investment income (loss):</b>								
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
<b>Total investment income (loss)</b>	<b>829,012</b>	<b>234,756</b>	<b>682,590</b>	<b>5,140</b>	<b>17,372</b>	<b>57,197</b>	<b>1,826,067</b>	<b>(1,557,569)</b>
Less investment expense	29,490	2,608	23,943	179	604	1,939	58,763	56,842
<b>Net investment income (loss) before securities lending activities</b>	<b>799,522</b>	<b>232,148</b>	<b>658,647</b>	<b>4,961</b>	<b>16,768</b>	<b>55,258</b>	<b>1,767,304</b>	<b>(1,614,411)</b>
Securities lending income	480	—	395	3	10	33	921	635
Less securities lending expense	96	—	79	1	2	7	185	127
<b>Net income from securities lending activities</b>	<b>384</b>	<b>—</b>	<b>316</b>	<b>2</b>	<b>8</b>	<b>26</b>	<b>736</b>	<b>508</b>
<b>Net investment income (loss)</b>	<b>799,906</b>	<b>232,148</b>	<b>658,963</b>	<b>4,963</b>	<b>16,776</b>	<b>55,284</b>	<b>1,768,040</b>	<b>(1,613,903)</b>
<b>Other income:</b>								
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
<b>Total other income</b>	<b>168</b>	<b>130</b>	<b>119,466</b>	<b>—</b>	<b>278</b>	<b>—</b>	<b>120,042</b>	<b>102,627</b>
<b>Total additions (reductions)</b>	<b>1,351,986</b>	<b>448,594</b>	<b>778,984</b>	<b>11,089</b>	<b>35,807</b>	<b>106,754</b>	<b>2,733,214</b>	<b>(593,393)</b>
<b>Deductions:</b>								
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
<b>Total deductions</b>	<b>1,030,637</b>	<b>111,021</b>	<b>571,896</b>	<b>659</b>	<b>516</b>	<b>885</b>	<b>1,715,614</b>	<b>1,574,795</b>
<b>Net increase (decrease)</b>	<b>321,349</b>	<b>337,573</b>	<b>207,088</b>	<b>10,430</b>	<b>35,291</b>	<b>105,869</b>	<b>1,017,600</b>	<b>(2,168,188)</b>
<b>Net position restricted for pension benefits, postemployment healthcare benefits, and individuals:</b>								
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.

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**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
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**(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:

<u>Plan name</u>	<u>Type of plan</u>
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:

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

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.

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*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.

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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.

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**(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.

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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.



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(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).

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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.

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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.

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*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.

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**(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

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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).

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**(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/amb/reports-and-policies/annual-audited-financial-schedules](https://treasury.dor.alaska.gov/amb/reports-and-policies/annual-audited-financial-schedules).

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**(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		<u>(11,137,489)</u>
Employers' net pension liability	\$	<u>5,185,222</u>
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 expenses. This is based on an average inflation rate of 2.50% and a real return of 4.75%.
Mortality - Peace Officer / Firefighter	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>



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Mortality - Others	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Other	<p>Please see Section 5 of the 2022 actuarial valuation report.</p>

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%).

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<b>Asset class</b>	<b>Long-term expected real rate of return</b>
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):

	<b>1.00% decrease (6.25%)</b>	<b>Current discount rate (7.25%)</b>	<b>1.00% increase (8.25%)</b>
Net pension liability	\$ 6,961,145	5,185,222	3,685,090

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**(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):

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

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**(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.

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Peace officer/firefighter (ODD Plan)	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Mortality All Others (ARHCT Plan and RMP)	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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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

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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

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**(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):

	<b>1.00% decrease</b>	<b>Current healthcare cost trend rate</b>	<b>1.00% increase</b>
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):

	<b>2023</b>	<b>2022</b>
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.



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**(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 cost of the reintroduction of those former members to the defined benefits plan.

**REQUIRED SUPPLEMENTARY INFORMATION**

(Unaudited)

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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	\$ 813,896	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	637.09 %	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**  
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Required Supplementary Information (Unaudited)

Schedule of Employer and Nonemployer Contributions – Defined Benefit Pension Plan

Last 10 Fiscal Years

(In thousands)

<u>Fiscal Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2023	\$ 448,841	471,944	(23,103)	813,896	57.99 %
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.

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Schedule of Investment Returns – Defined Benefit Pension Plan

<b>Fiscal Year</b>	<b>Annual money-weighted rate of return, net of investment expense</b>
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.

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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	\$ 813,896	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	(282.71%)	(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.

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Required Supplementary Information (Unaudited)

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

Last 10 Fiscal Years

(In thousands)

<u>Fiscal Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2023	\$ 69,353	555	68,798	813,896	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 %

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

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Schedule of Investment Returns – Alaska Retiree Healthcare Trust Plan

<b>Fiscal Year</b>	<b>Annual money-weighted rate of return, net of investment expense</b>
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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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	\$ 1,708,930	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	(3.00)%	(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.

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Required Supplementary Information (Unaudited)

Schedule of Employer Contributions – Occupational Death and Disability Plan

Last 10 Fiscal Years

(In thousands)

<u>Fiscal Year</u>		<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2023	\$	5,885	6,126	(241)	1,708,930	0.36 %
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.

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Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Occupational Death and Disability Plan

<b>Fiscal Year</b>	<b>Annual money-weighted rate of return, net of investment expense</b>
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.

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
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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	\$ 1,708,930	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	(2.78)%	(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.

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Required Supplementary Information (Unaudited)

Schedule of Employer Contributions – Retiree Medical Plan

Last 10 Fiscal Years

(In thousands)

<u>Fiscal Year</u>		<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2023	\$	18,099	18,753	(654)	1,708,930	1.10 %
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**  
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Required Supplementary Information (Unaudited)  
Schedule of Investment Returns – Retiree Medical Plan

<b>Fiscal Year</b>	<b>Annual money-weighted rate of return, net of investment expense</b>
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.

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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 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.

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- (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.



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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.

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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.

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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

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(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.

	<b>Medical</b>	<b>Prescription drugs</b>
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

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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.

<u>Age</u>	<u>Medical</u>	<u>Prescription drugs</u>
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.

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(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:

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

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- (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.

<u>Coverage category</u>	<u>Calendar 2023</u>		<u>Calendar 2022</u>
	<u>Annual contribution</u>	<u>Monthly contribution</u>	<u>Monthly contribution</u>
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.

<u>Fiscal year</u>	<u>Trend assumption</u>
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.

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- (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.



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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.

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June 30, 2023

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.

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June 30, 2023

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:

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<b>Death / Disability Decrement</b>		<b>Retirement Decrement</b>	
<b>Age</b>	<b>Percent participation</b>	<b>Age</b>	<b>Percent participation</b>
<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+	
			<b><u>Years of service</u></b>
			<15
			15–19
			20–24
			25–29
			30+
			75.0%
			80.0
			85.0
			90.0
			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.

	<b>Medical</b>	<b>Prescription drugs</b>
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).

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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+	—	—

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June 30, 2023

- (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.

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

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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**



**STATE OF ALASKA**  
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## Schedules of Administrative and Investment Deductions

Years ended June 30, 2023 and 2022

(In thousands)

	<u>Administrative</u>	<u>Investment</u>	<u>Totals</u>	
			<u>2023</u>	<u>2022</u>
Personal services:				
Wages	\$ 5,311	2,506	7,817	7,678
Benefits	<u>3,292</u>	<u>1,169</u>	<u>4,461</u>	<u>4,803</u>
Total personal services	<u>8,603</u>	<u>3,675</u>	<u>12,278</u>	<u>12,481</u>
Travel:				
Transportation	19	53	72	23
Per diem	<u>5</u>	<u>10</u>	<u>15</u>	<u>5</u>
Total travel	<u>24</u>	<u>63</u>	<u>87</u>	<u>28</u>
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	<u>617</u>	<u>61</u>	<u>678</u>	<u>707</u>
Total contractual services	<u>25,936</u>	<u>55,101</u>	<u>81,037</u>	<u>77,707</u>
Other:				
Equipment	9	24	33	18
Supplies	<u>45</u>	<u>85</u>	<u>130</u>	<u>86</u>
Total other	<u>54</u>	<u>109</u>	<u>163</u>	<u>104</u>
Total administrative and investment deductions	<u>\$ 34,617</u>	<u>58,948</u>	<u>93,565</u>	<u>90,320</u>

See accompanying independent auditors' report.

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Schedules of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2023 and 2022

(In thousands)

<u>Firm</u>	<u>Services</u>	<u>2023</u>	<u>2022</u>
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
		<u>\$ 5,973</u>	<u>5,596</u>

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

See accompanying independent auditors' report.



KPMG LLP  
Suite 600  
701 West Eighth Avenue  
Anchorage, AK 99501

October 12, 2023

Audit Committee  
Alaska Retirement Management Board  
State of Alaska Department of Revenue  
Juneau, Alaska

To the audit committee:

We have audited the financial statements as of June 30, 2023 and for each of the years then ended, and expect to issue our report thereon under date of October 12, 2023 for the following entities (collectively, the Systems):

- State of Alaska Public Employees' Retirement System
- State of Alaska Teachers' Retirement System
- State of Alaska Judicial Retirement System
- State of Alaska Deferred Compensation Plan
- State of Alaska Supplemental Benefits System

Under our professional standards, we are providing you with the accompanying information related to the conduct of our audits.

#### **Our Responsibility Under Professional Standards**

We are responsible for forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of Alaska Retirement Management Board, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (AICPA). In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or Alaska Retirement Management Board of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control. However, our required communications over any significant deficiencies and material weaknesses in internal control identified during our audit have been provided to you, in writing, under separate cover.



Audit Committee  
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State of Alaska Department of Revenue  
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We also have a responsibility to communicate significant matters related to the financial statement audits that are, in our professional judgment, relevant to the responsibilities of Alaska Retirement Management Board in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Significant Unusual Transactions**

In connection with our audit of the Systems' financial statements, no significant unusual transactions were identified.

### **Uncorrected and Corrected Misstatements**

#### *Uncorrected Misstatements and Financial Statement Presentation and Disclosure Omissions*

In connection with our audit of the Systems' financial statements, no uncorrected financial statement misstatements in the Systems' books and records or financial statement presentation and disclosure omissions were identified as of and for the year ended June 30, 2023. We have communicated that finding to management.

#### *Corrected Misstatements*

In connection with our audit of the Systems' financial statements, no corrected financial statement misstatements in the Systems' books and records were identified as of and for the year ended June 30, 2023.

### **Non-GAAP Accounting Policies and Practices**

The Systems' have adopted certain accounting policies or practices that, if applied to significant items or transactions, are not in accordance with U.S. generally accepted accounting principles. The Systems' have evaluated the effect of the application of such policies and practices on the financial statements and concluded that such effect is not material to the 2023 financial statements.

### **Auditors' Report**

A draft of the auditors' report, including expected language of additional paragraphs to be added to the report, including the other matters paragraphs and the qualification for the National Guard and Naval Militia Retirement System was provided and discussed with the audit committee on October 9, 2023.

### **Significant Accounting Policies and Practices**

In connection with our audit of the Systems' financial statements, no new, or changes in, significant accounting policies and practices were identified.

#### *Qualitative Aspects of Significant Accounting Practices*

We have discussed with the audit committee and management our judgments about the quality, not just the acceptability, of the Systems' accounting policies as applied in its financial reporting. The discussions generally included such matters as the consistency of the Systems' accounting policies and their application, and the understandability and completeness of the Systems' financial statements, which include related disclosures.



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State of Alaska Department of Revenue  
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### **Significant Accounting Estimates and Significant Financial Statement Disclosures**

The preparation of the financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The primary items subject to estimation include the following:

#### *Actuarial Estimates*

The financial statements for the Systems' contain certain actuarial estimates as required by the Governmental Accounting Standards Board. These actuarial estimates include the estimated future plan benefit obligations including postemployment and postretirement benefit obligations. We evaluated the key factors and assumptions used to develop those obligations including possible management bias in developing the estimate, in determining that the total pension liability and total other postemployment benefit liabilities are reasonable in relation to the financial statement as a whole, except as discussed in the next paragraph.

During our audit, we were unable to obtain sufficient appropriate audit evidence regarding portions of the census data that is a key factor in developing the National Guard and Naval Militia Retirement System's total pension liability. As a result, we issued a qualified opinion over that System's financial statements.

### **Other Information in Documents Containing Audited Financial Statements**

Our responsibility for other information in documents containing the System's financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We will, however, read the other information included in PERS and TRS Annual Comprehensive Financial Reports, when it is available to ensure there are no matters that came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

### **Noncompliance with Laws and Regulations, including Illegal Acts or Fraud**

In connection with our audit of the Systems' financial statements, no identified or suspected instances of non-compliance with laws and regulations, including illegal acts or fraud, have come to our attention.

### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

### **Significant Issues Discussed, or Subject to Correspondence, with Management**

We generally discuss a variety of matters with the audit committee, the Alaska Retirement Management Board, and management each year prior to our retention by the Alaska Management Retirement Board as the Systems' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Management's Consultation with Other Accountants**

To the best of our knowledge, management has not consulted with other accountants during the year ended June 30, 2023.



Audit Committee  
Alaska Retirement Management Board  
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**Disagreements with Management**

There were no disagreements with management on financial accounting and reporting matters that individually or in the aggregate could be significant to the Systems' financial statements, or our report.

**Written Communications**

Attached to this letter please find copies of the management representation letters, which are written communications between management and us

\* \* \* \* \*

This letter to the Alaska Retirement Management Board is intended solely for the information and use of the Alaska Retirement Management Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**



THE STATE  
of **ALASKA**  
GOVERNOR MICHAEL J. DUNLEAVY

**Department of Administration**  
DIVISION OF RETIREMENT AND BENEFITS

6th Floor State Office Building  
333 Willoughby Avenue  
P.O. Box 110203  
Juneau, AK 99811-0203  
Phone: (907) 465-4460  
Toll-Free: (800) 821-2251  
FAX: (907) 465-3086  
Alaska.gov/dr/b

October 12, 2023

KPMG LLP  
701 West 8<sup>th</sup> Avenue, Suite 600  
Anchorage, Ak 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the combining statement of fiduciary net position of the Public Employees' Retirement System (the Plan), the related combining statement of changes in fiduciary net position, and the related notes to the financial statements as of and for the year ended June 30, 2023, for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the respective financial position and changes in financial position in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 12, 2023:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 25, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We have made available to you:
  - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. All minutes of the meetings of Alaska Retirement Management Board (ARMB), or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries; and
  - d. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
3. There have been no communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
4. There have been no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing financial statements.
5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have disclosed to you all side agreements or other arrangements (either written or oral).
7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
9. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
10. There are no uncorrected misstatements that are material, either individually or in the aggregate, to the financial statements.
11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.
12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Plan's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud, or suspected fraud, affecting the Plan involving:
  - a. Management / Plan Administrator,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Plan's financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.
16. The Plan or Plan sponsor has no plans or intentions to terminate the plan or merge the plan into or with another plan.
17. We have no knowledge of any officer, trustee of the Plan, Plan sponsor, Plan, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
18. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
19. We have disclosed to you the identity of the Plan's related parties and all the related party relationships and transactions of which we are aware.



20. The following have been properly recorded or disclosed in the financial statements:
  - a. Related party relationships and transactions, of which we are aware, in accordance with U.S. GAAP, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties.
21. The Plan has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
22. The Plan has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
23. The projected employer contributions in the net pension liability discount rate calculation are prepared in accordance with paragraphs 41-43 of GASB Statement 67.
24. The projected employer contributions in the discount rate calculation are prepared in accordance with paragraphs 49-51 of GASB Statement 74.
25. We acknowledge our responsibility for and agree with the actuarial methods and assumptions used by the Plan's actuary for funding purposes and for determining accumulated plan benefits are appropriate in the Plan's circumstances. We did not give any, nor cause any, instruction to the Plan's actuary with respect to our values or amounts derived, and we are not aware of any matters that have affected the independence or objectivity of the Plan's actuary.
26. We acknowledge our responsibility for and agree with the actuarial methods and assumptions used by the Plan's actuary for determining claims incurred but not reported, postemployment benefit obligation, and postretirement benefit obligation are appropriate in the Plan's circumstances. We did not give any, nor cause any, instruction to the Plan's actuary with respect to our values or amounts derived, and we are not aware of any matters that have affected the independence or objectivity of the Plan's actuary. All required filings of the Plan and trust documents have been made with the appropriate regulatory agencies.
27. The Plan (and the trust established under the Plan) is qualified under the appropriate section of the Internal Revenue Code and intends to continue as a qualified plan (and trust). We believe the Plan (and trust) is being operated in a manner that did not jeopardize the continued qualification of the Plan (and trust).
28. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. GAAP. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Plan's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.
29. To the best of our knowledge and belief, we have provided you with a complete and accurate listing of our affiliates as defined by the AICPA Code of Professional Conduct interpretation ET 1.224.020, *State and Local Government Client Affiliates*.

30. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:
- a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines;
  - b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period; and
  - c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.
31. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:
- a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines;
  - b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period; and
  - c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate.
32. We are planning to issue other information in an Annual Report that includes the audited financial statements. The information is currently not available but the final version will be provided to you when available, and prior to its issuance.

Very truly yours,

**Public Employees' Retirement System**



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Ajay Desai  
*Division Director*



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Kevin Worley  
*Chief Financial Officer*



THE STATE  
of **ALASKA**

GOVERNOR MICHAEL J. DUNLEAVY

**Department of Administration**  
DIVISION OF RETIREMENT AND BENEFITS

6th Floor State Office Building  
333 Willoughby Avenue  
P.O. Box 110203  
Juneau, AK 99811-0203  
Phone: (907) 465-4460  
Toll-Free: (800) 821-2251  
FAX: (907) 465-3086  
Alaska.gov/dr

October 12, 2023

KPMG LLP  
701 West 8<sup>th</sup> Avenue, Suite 600  
Anchorage, Ak 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the combining statement of fiduciary net position of Teachers' Retirement System (the Plan), the related combining statement of changes in fiduciary net position, and the related notes to the financial statements as of and for the year ended June 30, 2023, for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the respective financial position and changes in financial position in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 12, 2023:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 25, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We have made available to you:
  - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. All minutes of the meetings of Alaska Retirement Management Board (ARMB), or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries; and
  - d. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
3. There have been no communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
4. There have been no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing financial statements.
5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have disclosed to you all side agreements or other arrangements (either written or oral).
7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
9. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
10. There are no uncorrected misstatements that are material, either individually or in the aggregate, to the financial statements.
11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.
12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Plan's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud affecting the Plan involving:
  - a. Management / Plan Administrator,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Plan's financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.
16. The Plan or Plan sponsor has no plans or intentions to terminate the plan or merge the plan into or with another plan.
17. We have no knowledge of any officer, trustee of the Plan, Plan sponsor, Plan, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
18. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
19. We have disclosed to you the identity of the Plan's related parties and all the related party relationships and transactions of which we are aware.

20. The following have been properly recorded or disclosed in the financial statements:
  - a. Related party relationships and transactions, of which we are aware, in accordance with U.S. GAAP, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties.
21. The Plan has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
22. The Plan has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
23. The projected employer contributions in the net pension liability discount rate calculation are prepared in accordance with paragraphs 41-43 of GASB Statement 67.
24. The projected employer contributions in the discount rate calculation are prepared in accordance with paragraphs 49-51 of GASB Statement 74.
25. We acknowledge our responsibility for and agree with the actuarial methods and assumptions used by the Plan's actuary for funding purposes and for determining accumulated plan benefits are appropriate in the Plan's circumstances. We did not give any, nor cause any, instruction to the Plan's actuary with respect to our values or amounts derived, and we are not aware of any matters that have affected the independence or objectivity of the Plan's actuary.
26. We acknowledge our responsibility for and agree with the actuarial methods and assumptions used by the Plan's actuary for determining claims incurred but not reported, postemployment benefit obligation, and postretirement benefit obligation are appropriate in the Plan's circumstances. We did not give any, nor cause any, instruction to the Plan's actuary with respect to our values or amounts derived, and we are not aware of any matters that have affected the independence or objectivity of the Plan's actuary. All required filings of the Plan and trust documents have been made with the appropriate regulatory agencies.
27. The Plan (and the trust established under the Plan) is qualified under the appropriate section of the Internal Revenue Code and intends to continue as a qualified plan (and trust). We believe the Plan (and trust) is being operated in a manner that did not jeopardize the continued qualification of the Plan (and trust).
28. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. GAAP. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Plan's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.
29. To the best of our knowledge and belief, we have provided you with a complete and accurate listing of our affiliates as defined by the AICPA Code of Professional Conduct interpretation ET 1.224.020, *State and Local Government Client Affiliates*.

30. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:
- a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines;
  - b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period; and
  - c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.
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- a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines;
  - b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period; and
  - c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate.
32. We are planning to issue other information in an Annual Report that includes the audited financial statements. The information is currently not available but the final version will be provided to you when available, and prior to its issuance.


Very truly yours,

**Teachers' Retirement System**



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Ajay Desai  
*Division Director*



---

Kevin Worley  
*Chief Financial Officer*



THE STATE  
of **ALASKA**  
GOVERNOR MICHAEL J. DUNLEAVY

**Department of Administration**  
DIVISION OF RETIREMENT AND BENEFITS

6th Floor State Office Building  
333 Willoughby Avenue  
P.O. Box 110203  
Juneau, AK 99811-0203  
Phone: (907) 465-4460  
Toll-Free: (800) 821-2251  
FAX: (907) 465-3086  
Alaska.gov/drb

October 12, 2023

KPMG LLP  
701 West 8<sup>th</sup> Avenue, Suite 600  
Anchorage, Ak 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the combining statement of fiduciary net position of Judicial Retirement System (the Plan), the related combining statement of changes in fiduciary net position, and the related notes to the financial statements as of and for the year ended June 30, 2023, for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the respective financial position and changes in financial position in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 12, 2023:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 25, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We have made available to you:
  - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. All minutes of the meetings of Alaska Retirement Management Board (ARMB), or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries; and
  - d. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.

3. There have been no communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
4. There have been no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing financial statements.
5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We have disclosed to you all side agreements or other arrangements (either written or oral).
7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
9. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
10. There are no uncorrected misstatements that are material, either individually or in the aggregate, to the financial statements.
11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.
12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Plan's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud affecting the Plan involving:
  - a. Management / Plan Administrator,
  - b. Employees who have significant roles in internal control, or



- c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Plan's financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.
16. The Plan or Plan sponsor has no plans or intentions to terminate the plan or merge the plan into or with another plan.
17. We have no knowledge of any officer, trustee of the Plan, Plan sponsor, Plan, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
18. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
19. We have disclosed to you the identity of the Plan's related parties and all the related party relationships and transactions of which we are aware.
20. The following have been properly recorded or disclosed in the financial statements:
  - a. Related party relationships and transactions, of which we are aware, in accordance with U.S. GAAP, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties.
21. The Plan has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
22. The Plan has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
23. The projected employer contributions in the net pension liability discount rate calculation are prepared in accordance with paragraphs 41-43 of GASB Statement 67.
24. The projected employer contributions in the discount rate calculation are prepared in accordance with paragraphs 49-51 of GASB Statement 74.
25. We acknowledge our responsibility for and agree with the actuarial methods and assumptions used by the Plan's actuary for funding purposes and for determining accumulated plan benefits are appropriate in the Plan's circumstances. We did not give any, nor cause any, instruction to the Plan's actuary with respect to our values or amounts derived, and we are not aware of any matters that have affected the independence or objectivity of the Plan's actuary.
26. We acknowledge our responsibility for and agree with the actuarial methods and assumptions used by the Plan's actuary for determining claims incurred but not reported, postemployment benefit obligation, and postretirement benefit obligation are appropriate in the Plan's circumstances. We did not give any, nor cause any, instruction to the Plan's actuary with respect to our values or amounts derived, and we are not aware of any matters that have affected the independence or objectivity of the Plan's actuary. All required filings of the Plan and trust documents have been made with the appropriate regulatory agencies.

27. The Plan (and the trust established under the Plan) is qualified under the appropriate section of the Internal Revenue Code and intends to continue as a qualified plan (and trust). We believe the Plan (and trust) is being operated in a manner that did not jeopardize the continued qualification of the Plan (and trust).
28. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. GAAP. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Plan's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.
29. To the best of our knowledge and belief, we have provided you with a complete and accurate listing of our affiliates as defined by the AICPA Code of Professional Conduct interpretation ET 1.224.020, *State and Local Government Client Affiliates*.
30. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:
  - a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines;
  - b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period; and
  - c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.
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  - a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines;
  - b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period; and
  - c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

Very truly yours,

**Judicial Retirement System**



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Ajay Desai  
*Division Director*



---

Kevin Worley  
*Chief Financial Officer*



THE STATE  
of **ALASKA**  
GOVERNOR MICHAEL J. DUNLEAVY

**Department of Administration**

**DIVISION OF RETIREMENT AND BENEFITS**

6th Floor State Office Building  
333 Willoughby Avenue  
P.O. Box 110203  
Juneau, AK 99811-0203  
Phone: (907) 465-4460  
Toll-Free: (800) 821-2251  
FAX: (907) 465-3086  
Alaska.gov/drb

October 12, 2023

KPMG LLP  
701 West 8<sup>th</sup> Avenue, Suite 600  
Anchorage, Ak 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the statement of fiduciary net position of Deferred Compensation Plan (the Plan), the related statement of changes in fiduciary net position, and the related notes to the financial statements as of and for the year ended June 30, 2023 and 2022, for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the financial position and changes in financial position in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 12, 2023:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 25, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We have made available to you:
  - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. All minutes of the meetings of Alaska Retirement Management Board (ARMB), or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries; and
  - d. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.

3. There have been no communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We have disclosed to you all side agreements or other arrangements (either written or oral).
7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
9. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
10. There are no uncorrected misstatements that are material, either individually or in the aggregate, to the financial statements.
11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.
12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Plan's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud, or suspected fraud, affecting the Plan involving:
  - a. Management / Plan Administrator,
  - b. Employees who have significant roles in internal control, or

- c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Plan's financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.
  16. We have no loans to executive officers, non-accrued loans, or zero interest loans.
  17. The Plan or Plan sponsor has no plans or intentions to terminate the plan or merge the plan into or with another plan.
  18. We have no knowledge of any officer, trustee of the Plan, Plan sponsor, Plan, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
  19. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
  20. We have disclosed to you the identity of the Plan's related parties and all the related party relationships and transactions of which we are aware.
  21. The following have been properly recorded or disclosed in the financial statements:
    - a. Related party relationships and transactions, of which we are aware, in accordance with U.S. GAAP, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties.
  22. The Plan has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
  23. The Plan has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
  24. All required filings of the Plan and trust documents have been made with the appropriate regulatory agencies.
  25. The Plan (and the trust established under the Plan) is qualified under the appropriate section of the Internal Revenue Code and intends to continue as a qualified plan (and trust). We believe the Plan (and trust) is being operated in a manner that did not jeopardize the continued qualification of the Plan (and trust).
  26. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. GAAP. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Plan's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

27. To the best of our knowledge and belief, we have provided you with a complete and accurate listing of our affiliates as defined by the AICPA Code of Professional Conduct interpretation ET 1.224.020, *State and Local Government Client Affiliates*.

28. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:

- a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines;
- b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period; and
- c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.

29. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:

- a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria;
- b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period; and
- c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate.

Very truly yours,

**Deferred Compensation Plan**



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Ajay Desai  
*Division Director*



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Kevin Worley  
*Chief Financial Officer*



THE STATE  
of **ALASKA**  
GOVERNOR MICHAEL J. DUNLEAVY

**Department of Administration**

**DIVISION OF RETIREMENT AND BENEFITS**

6th Floor State Office Building  
333 Willoughby Avenue  
P.O. Box 110203  
Juneau, AK 99811-0203  
Phone: (907) 465-4460  
Toll-Free: (800) 821-2251  
FAX: (907) 465-3086  
Alaska.gov/drb

October 12, 2023

KPMG LLP  
701 West 8<sup>th</sup> Avenue, Suite 600  
Anchorage, Ak 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the statement of fiduciary net position of Supplemental Benefits System (the Plan), the related statement of changes in fiduciary net position, and the related notes to the financial statements as of and for the year ended June 30, 2023 and 2022, for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the financial position and changes in financial position in conformity with U.S. generally accepted accounting principles (U.S. GAAP)..

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 12, 2023:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 25, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We have made available to you:
  - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. All minutes of the meetings of Alaska Retirement Management Board (ARMB), or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries; and
  - d. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
3. There have been no communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing the financial statements.
5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We have disclosed to you all side agreements or other arrangements (either written or oral).



7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
9. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
10. There are no uncorrected misstatements that are material, either individually or in the aggregate, to the financial statements.
11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.
12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Plan's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud affecting the Plan involving:
  - a. Management / Plan Administrator,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Plan's financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.
16. We have no loans to executive officers, non-accrued loans, or zero interest loans.
17. The Plan or Plan sponsor has no plans or intentions to terminate the plan or merge the plan into or with another plan.
18. We have no knowledge of any officer, trustee of the Plan, Plan sponsor, Plan, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
19. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
20. We have disclosed to you the identity of the Plan's related parties and all the related party relationships and transactions of which we are aware.

21. The following have been properly recorded or disclosed in the financial statements:
  - a. Related party relationships and transactions, of which we are aware, in accordance with U.S. GAAP, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties.
22. The Plan has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
23. The Plan has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
24. All required filings of the Plan and trust documents have been made with the appropriate regulatory agencies.
25. The Plan (and the trust established under the Plan) is qualified under the appropriate section of the Internal Revenue Code and intends to continue as a qualified plan (and trust). We believe the Plan (and trust) is being operated in a manner that did not jeopardize the continued qualification of the Plan (and trust).
26. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. GAAP. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Plan's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.
27. To the best of our knowledge and belief, we have provided you with a complete and accurate listing of our affiliates as defined by the AICPA Code of Professional Conduct interpretation ET 1.224.020, *State and Local Government Client Affiliates*.
28. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with the applicable criteria and prescribed guidelines established by the Governmental Accounting Standards Board and:
  - a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines;
  - b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period; and
  - c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.
29. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:
  - a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria;
  - b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period; and
  - c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate.

Very truly yours,

**Supplemental Benefits System**



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Ajay Desai  
*Division Director*



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Kevin Worley  
*Chief Financial Officer*

# Division of Retirement & Benefits

## Alaska Retirement Management Board

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### Audit Committee

December 6, 2023

#### Audit Unit Report

This report contains information on work performed through December 6, 2023, by the Division of Retirement and Benefit Audit Unit. The Audit Unit is a team of three under the supervision of CFO - Kevin Worley. The daily activities of the Audit Unit are overseen by Christopher Novell, Accountant V and Compliance Officer. Brandon Roomsburg and Nimeri Denis serve as Audit and Review Analysts.

#### A. Audit Unit Overview

The Audit Unit audits all employers in PERS and TRS for compliance with state statutes, regulations, and federal code. Per the DRB audited financial statements for State Fiscal Year (SFY) 2023, there were 151 PERS employers and 57 TRS employers with employer contributions totaling \$698.3 million.

The Audit Unit also audits for SBS and DCP compliance (when applicable) and reviews the employers' social security and Medicare withholding for compliance with mandatory and voluntary rules.

#### B. Employer Audits Performed to Date

	<u>PERS Employers</u>	<u>TRS Employers</u>
CY 2023	04	03
CY 2022	05	02
CY 2021	12	05
CY 2020	17	08
CY 2019	10	04
CY 2018	39	14
CY 2017	25	13
CY 2016	17	07

**C. Audit Chart SFY 2023 and SFY 2024**

Four (4) SFY 2023 Audits have been completed to date. Two (2) audits commenced in SFY 2023 and SFY2024 are in progress. All audits completed and in progress are via desk.

<b>Alaska Gateway SD</b>	Juneau School District, City & Borough of	Nome Joint Utilities
Alaska Housing Finance Corporation	Ketchikan Borough	North Pacific Fisheries Management Council
<b>Aleutian East Borough</b>	Ketchikan Borough SD	North Pacific Rim Housing Authority
Aleutian East Borough School District	Ketchikan, City of	North Slope Borough
Aleutian Region School District	Klawock City School District	<b>North Slope Borough School District</b>
Anchorage, Municipality of	<b>Klawock, City of</b>	Palmer, City of
Bering Straits School District	Kuspuk School District	Petersburg Borough
Bethel, City of	Lower Kuskokwim School District	Petersburg City Schools
Chugach School District	Lower Yukon School District	Petersburg Medical Center
<b>Copper River School District</b>	<b>Matanuska-Susitna Borough School District</b>	Sand Point, City of
Ilisagvik College	Mekoryuk, City of	Southeast Island School District
Inter-Island Ferry Authority	Nome, City of	Tlingit-Haida Regional Housing Authority
Juneau, City & Borough	Nome City Schools	Utqiagvik, City of

Highlighted (Red) = Completed  
 Highlighted (Green) = In Process

**D. Common Employer Audit Issues to Date**

- Compliance with SB 185 for rehired retired teachers.
- Employees not reported to PERS or TRS as of their first day of employment. Due to misunderstanding of probationary periods, misapplication of certification lapses, or other eligibility issues.
- Incorrect Social Security Numbers.
- Temporary employment exceeding two (2) years.
- Erroneous reporting of bonuses or other non-eligible employee income.

**E. Other Duties Performed by Audit Unit**

Since July 31, 2023 the State Social Security Administrator (SSSA) role has been held jointly by Christopher Novell and Brandon Roomsburg. Christopher and Brandon attended the 72<sup>nd</sup> National Conference of State Social Security Administrators (NCSSSA) September 19 - 21, 2023. Their attendance facilitated valuable educational and networking opportunities for Alaska and the Division of Retirement and Benefits, ensuring the Social Security needs are met for Alaska's public employers.

# Division of Retirement & Benefits

## Alaska Retirement Management Board

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### Audit Committee

#### December 6, 2023

#### Delinquent Employers

As identified below, the following employers were delinquent in filing their required payroll reports per Alaska Statute (AS) 39.35.610 and .770 [PERS] and AS 14.25.065 and .370 [TRS].

PERS employers delinquent reporting as of Friday, November 17, 2023:

1. Hydaburg City SD – last reported PPE date August 31, 2022
2. Bristol Bay Borough SD – last reported PPE date July 14, 2023
3. City of Fort Yukon – last reported PPE date August 19, 2023
4. City of Kachemak – last reported PPE date August 31, 2023
5. Yukon Flats SD – last reported PPE date September 15, 2023
6. City of Thorne Bay – last reported PPE date September 23, 2023
7. Kashunamiut SD – last reported PPE date September 15, 2023
8. City of Barrow – last reported PPE date September 30, 2023
9. University of Alaska – last reported PPE date September 23, 2023
10. Yukon / Koyukuk SD – last reported PPE date September 30, 2023

TRS employers are delinquent reporting as of Friday, November 17, 2023:

1. Hydaburg City SD – last reported PPE date June 30, 2023
2. Petersburg City SD – last reported PPE date August 31, 2023
3. Bristol Bay Borough SD – last reported PPE date September 14, 2023

The following PERS employers were delinquent in salary floor annual billings:

1. City of Allakaket – amounts due starting FY 2016 estimate of \$13,900
2. City of Nenana – amounts due starting FY 2014 estimate of \$295,000
3. City of Noorvik – amounts due starting FY 2009 estimate of \$839,000
4. City of St. George – amounts due starting FY 2009 estimate of \$482,000
5. City of Tanana – amounts due starting FY 2015 estimate of \$200,500

Alaska Retirement Management Board

COMMITTEE SELF-ASSESSMENT

Audit Committee

Self-assessment within the meaning of the committee's charter may be achieved by discussion, at least twice a year, of the following questions:

	YES	NO
1. Are discussions at the committee level meaningful and, if not, what can be done about it?		
2. Is the committee touching on key issues; what key issues are being missed?		
3. Is the committee giving appropriate time to key issues?		
4. Does the work of the Audit Committee appropriately meet the needs of the Board by reducing necessary Board meeting time spent on the matters that come before the Audit Committee?		



## Charter of the Audit Committee of the Board of Trustees of the Alaska Retirement Management Board

### I. Audit Committee Purpose.

The Audit Committee provides independent oversight of the integrity of the Alaska Retirement Management Board's financial statements and reporting, systems of internal controls, and compliance with legal and regulatory requirements. It also serves as a conduit of communication among the independent auditors, asset, liability and investment management, the chief financial officers, and the Board of Trustees.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors, as well as ARMB management and staff, legal counsel, and asset managers. The Committee may retain, at the expense of the ARMB and consistent with applicable procurement requirements, special legal, accounting, or other consultants or experts it considers necessary in the performance of its duties.

### II. Audit Committee Responsibilities and Duties.

A. The Committee shall carry out the following review responsibilities:

1. Review and assess the adequacy of this Charter at least annually and submit recommended changes to it to the Board of Trustees for approval.

2. Review the annual audited financial statements prior to filing or distribution of the final report. This review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices, and judgments.

3. In consultation with management, the independent auditors, and the chief financial officers, consider the integrity of the financial reporting processes and controls; discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures; and review significant findings prepared by the independent auditors and the chief financial officers together with management's responses.

4. Discuss any significant changes to applicable accounting principles and any items required to be communicated by the independent auditors.

5. At least annually, review with the ARMB's counsel any legal matters that could have a significant impact on the Fund's financial statements, the ARMB's compliance with applicable laws and regulations, and any inquiries received from regulators or governmental agencies.

6. Review financial and accounting personnel succession planning within the ARMB.

7. Periodically perform self-assessment of the Committee's performance.

B. The Committee is recognized as a direct avenue for the reporting of any material or significant finding by the Treasury Division Compliance Office. The Chair of the Committee shall be the primary contact with the external auditors between meetings of the Committee if communications between the external auditors and the Committee are deemed necessary or desirable.

C. The Committee shall have the following responsibilities with respect to the ARMB's independent auditors:

1. Review the independence and performance of the auditors and periodically recommend to the Board of Trustees the appointment of the independent auditors or approve any discharge of auditors when circumstances warrant.

2. Review the independent auditors' audit plan - discuss scope, staffing, locations, reliance upon management, and general audit approach.

3. Discuss with management and the independent auditors the accounting principles and underlying estimates used in the preparation of the Fund's financial statements.

4. Review the external auditor's management letter to the ARMB and discuss the contents with the auditors and monitor the follow-up on significant observations, findings and recommendations.

5. Discuss with the independent auditors the clarity of the financial disclosure practices used or proposed by the ARMB.

6. Meet with the auditors, in the absence of management, to review findings, recommendations or other pertinent subjects.

D. In addition to the foregoing, the Committee shall:

1. Perform such other activities consistent with this Charter, and governing law as the Committee considers necessary or appropriate or as the Board of Trustees may otherwise request.

2. Maintain minutes of Committee meetings and periodically report to the Board of Trustees on significant results of the Committee's activities.

**State of Alaska**  
**ALASKA RETIREMENT MANAGEMENT BOARD**  
**AUDIT COMMITTEE CALENDAR**

**Schedule of 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