ALASKA RETIREMENT MANAGEMENT BOARD

Audit Committee Meeting

October 12, 2026

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD

AUDIT COMMITTEE MEETING

October 12, 2026 – 10:00 AM to 11:00 AM

Videoconference:	Click here to join the meeting Meeting ID: 290 099 306 361 749 0 Passcode: rZ3XH2Bg	**Teleconference:**	**Call-In #:** 1-907-202-7104 **Code:** 955 383 800#

10:00 a.m. **Call to Order**
Roll Call
Public Meeting Notice
Approval of Agenda
Approval of Minutes – September 14, 2026

Public / Member Participation, Communications and Appearances
*(Callers: Select *5 to raise your hand & *6 to unmute. Three-minute time limit.)*

Review of Draft Financial Statements
1. **Invested Assets**
2. **Deferred Compensation Plan**
3. **Supplemental Benefits System**
4. **Judicial Retirement System**
5. **Teachers Retirement System**
6. **Public Employees' Retirement System**
7. **National Guard and Naval Militia Retirement System**

Hunter Romberg, Head of Investment Operations, Treasury Division
Christopher Novell, Chief Financial Officer, Division of Retirement & Benefits
Melissa Beedle, Audit Managing Director, KPMG
Elizabeth Stuart, Audit Partner, KPMG

Future Meetings
1. **Calendar Review**
2. **Agenda Items**
3. **Requests / Follow-Ups**

Other Matters to Properly Come Before the Committee

Public / Members Comments

11:00 a.m. **Adjournment**

ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE MEETING
September 14, 2026

Originating at:
Atwood Conference Center Rooms 102/104
550 W. 7th Ave., Anchorage, AK

Committee members
Norman West, Chair
Lorne Bretz
Donald Krohn
Bob Williams

Other Trustees
Dennis Moen
Sandi Ryan

Investment Advisory Council Members
Ruth Traylor
Dr. William Jennings
Josh Rabuck

Department of Law
Ben Hofmeister, Assistant Attorney General, ARMB Legal Counsel
Allison Baldock, Assistant Attorney General

Department of Revenue – Treasury Division Staff
Zach Hanna, Chief Investment Officer
Pam Leary, Director
Hunter Romberg, Head of Investment Operations
Shane Carson
Grant Ficek
Benjamin Garrett
Chris Madsen
Mariell Mendoza
Robyn Mesdag
Teresa Rose
Craig Millard
Katherine Smith
Alysia Jones, ARMB Liaison

Department of Administration - Division of Retirement and Benefits (DRB)
Kathy Lea, Director
Christopher Novell, Chief Financial Officer
Mindy Voigt, Chief Pension Officer
Mark Rosier, Accountant V / Compliance Officer
Christina Maiquis
Kathy O'Leary
Traci Walther
Shannon Whistler

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Guests / Presenters

Melissa Beedle, Audit Managing Director, KPMG
Beth Stuart, Audit Partner, KPMG
Anya Shcheglyuk, KPMG
Steve Center, Callan

Public

Randall Burns, Retired Public Employees Association (RPEA)
Rhonda McLeod
Barbara Reid, RPEA
Wendy Woolf, RPEA

PROCEEDINGS

CALL TO ORDER

CHAIR NORMAN WEST called the meeting to order at 9:00 a.m.

ROLL CALL

TRUSTEE LORNE BRETZ, TRUSTEE BOB WILLIAMS and CHAIR WEST were present, establishing a quorum. TRUSTEE DONALD KROHN joined at 9:40 a.m.

PUBLIC MEETING NOTICE

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

APPROVAL OF AGENDA

CHAIR WEST asked for any corrections or additions to the agenda. Hearing and seeing none, the agenda was approved without objection.

APPROVAL OF MINUTES

CHAIR WEST asked for any corrections or additions to the minutes. Hearing and seeing none, the minutes were approved without objection.

PUBLIC / MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES – None.

AUDIT UNIT REPORT

MARK ROSIER, Accountant V / Compliance Officer with the Division of Retirement and Benefits (DRB), reported that the Audit Unit is responsible for reviewing PERS and TRS employers for compliance. He noted that approval had been granted to fill its two vacant analyst positions. Of the 26 employers scheduled for audit in fiscal year 2026, five audits were complete and seven were in progress. Recent findings included reporting errors related to eligible and ineligible employees, earnings, and leave without pay. M. ROSIER explained that staffing shortages and slow employer responses had contributed to delays, but that new data-processing procedures and filling the vacancies are expected to improve efficiency.

CHAIR WEST requested that future reports include metrics on audit coverage and frequency to provide the committee with a clearer understanding of audit scope. M. ROSIER agreed to incorporate this information going forward.

REPORT ON DELINQUENT / LATE FILING EMPLOYERS

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CHRISTOPHER NOVELL, Chief Financial Officer with DRB reported that, as of August 26, 2026, 12 employers had delinquent reporting. He reviewed employer billings, interest collected, and outstanding interest receivable. He highlighted that Hydaburg City School District had approximately $400,000 in unpaid contributions, plus additional interest, and was scheduled to enter mediation to address the delinquency. He also noted that several other historically delinquent employers had recently contacted the payroll team regarding submission of overdue reports.

C. NOVELL distinguished Anchorage School District's recurring payroll-related lateness from Hydaburg's long-standing delinquency. The committee discussed statutory collection options with ARMB legal counsel BEN HOFMEISTER, noting that any action would need to occur at a higher level of government.

INDEPENDENT AUDIT STATUS UPDATE
MELISSA BEEDLE, Audit Managing Director, with KPMG, reported that they had completed its risk assessment and planned procedures and were conducting audit testing. Work was progressing on schedule, and no changes to the audit plan were anticipated. KPMG expected to issue unmodified audit opinions for PERS, TRS, JRS, DCP, SBS, and the ARMB invested assets report. A disclaimer of opinion was expected for the National Guard due to missing census data support.

M. BEEDLE also noted that they expect to have one uncorrected audit statement similar to prior years related to the valuation of private market investments under GAAP requirements. No other corrected or uncorrected misstatements had been identified at that time.

EXECUTIVE SESSION – COMMITTEE DISCUSSION WITH AUDITOR ON REQUIRED INQUIRIES REGARDING INTERNAL CONTROLS
TRUSTEE B. WILLIAMS moved to go into executive session per AS 44.62.310 (c)(1) and (c)(2) of the Alaska Open Meetings Act for the Trustees to provide any responses directly to the Board's external auditor, KPMG, to the questions listed in the public packet at page 17 that generally involve a discussion of the integrity of financial reporting and control procedures. Executive session is necessary because the discussion of these topics in open session would clearly have an adverse effect on the finances of the retirement systems and could prejudice the reputation and character of anyone discussed with the auditors.

CHAIR WEST invited External Auditors with KPMG,BETH STUART and MELISSA BEEDLE, ARMB legal counsel BEN HOFMEISTER, ARMB Liaison ALYSIA JONES to join trustees in executive session.

TRUSTEE BRETZ seconded the motion.

The Committee went off the record at 9:40 a.m. and was back on the record at 9:51 a.m. No actions were taken while in executive session.

FUTURE MEETINGS – The next meeting of the Committee is scheduled for October 12.

OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE – None.

PUBLIC / MEMBERS COMMENTS – None.

ADJOURNMENT
Hearing and seeing no objection, CHAIR WEST adjourned the meeting.

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ALASKA RETIREMENT MANAGEMENT BOARD

Pooled Investments Under the Investment Authority of the Alaska Retirement Management Board

Financial Statements

June 30, 2026

(With Independent Auditors' Report Thereon)

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ALASKA RETIREMENT MANAGEMENT BOARD

Pooled Investments Under the Investment Authority of the
Alaska Retirement Management Board

Financial Statements

June 30, 2026

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of the Pooled Investments Under the Investment Authority of the Alaska Retirement Management board (the Pool) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Pool as of June 30, 2026, and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Alaska Retirement Management Board 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 opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements present only the Pool and do not purport to, and do not, present fairly the financial position of the State of Alaska's Retirement and Benefit Plans or the State of Alaska, as of June 30, 2026, or the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

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.

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

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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 Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements are not affected by this missing information.

(signed) KPMG LLP

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

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ALASKA RETIREMENT MANAGEMENT BOARD

Pooled Investments Under the Investment Authority of the Alaska Retirement Management Board

Statement of Net Position

June 30, 2026

(in thousands)

Assets:		
Investments (at fair value):		
Pooled investments:		
Fixed income	$	9,300,517
Broad domestic equity		9,749,624
Global equity Ex-US		6,682,257
Multi-asset		2,289,003
Private equity		5,248,903
Real assets		5,033,502
Total pooled investments		38,303,806
Participant directed investments:		
Participant directed		12,400,458
Synthetic investment contracts (at contract value)		650,974
Total participant directed investments		13,051,432
Securities lending collateral		77,356
Total investments		51,432,594
Receivables:		
Receivables for investment purposes		424,305
Investment income receivable		1,131
Total receivables		425,436
Total assets		51,858,030
Liabilities:		
Payables for investment purposes		576,750
Securities lending collateral		77,356
Total liabilities		654,106
Net position	$	51,203,924

See accompanying notes to financial statements

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ALASKA RETIREMENT MANAGEMENT BOARD

Pooled Investments Under the Investment Authority of the Alaska Retirement Management Board

Statement of Changes in Net Position

Year ended June 30, 2026

(in thousands)

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Investment income:		
Pooled investments:		
Fixed income	$	360,596
Broad domestic equity		2,002,351
Global equity Ex-US		1,542,008
Multi-asset		247,131
Private equity		325,589
Real assets		286,424
Pooled investment income		4,764,099
Participant directed investments:		
Participant directed		1,972,325
Synthetic investment contracts (at contract value)		16,201
Participant directed investment income		1,988,526
Securities lending:		
Securities lending income		4,007
Less: securities lending expense		(2,539)
Net securities lending income		1,468
Net investment income		6,754,093
Capital transactions:		
Total contributions		1,959,471
Total (withdrawals)		(3,536,363)
Net contributions/(withdrawals)		(1,576,892)
Change in net position		5,177,201
Net position, beginning of year		46,026,723
Net position, end of year	$	51,203,924

See accompanying notes to financial statements

POOLED INVESTMENTS UNDER THE INVESTMENT AUTHORITY OF THE ALASKA RETIREMENT MANAGEMENT BOARD

Notes to Financial Statements

June 30, 2026

(1) The Financial Reporting Entity

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board. Investment income, including interest and dividends, is recognized in the period in which it is earned. Investment income also includes gains and losses from changes in the fair value of investments as well as fees incurred for investment management services. Investment management expenses for publicly traded investments are accrued daily according to contractual fee schedules; expenses for private market investments are recognized when reported by the fund manager. Contributions and withdrawals are recorded when cash is received or disbursed, respectively.

(b) Investments

Investments, except for Synthetic Investment Contracts (SICs), are reported at fair value. SICs are reported at contract value.

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

Investment purchases and sales are recorded on a trade-date basis.

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(3) Fair Value Measurements

GAAP establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These inputs are summarized as follows:

Level 1 – Quoted or published prices (unadjusted) for identical assets in an active market.

Level 2 – Inputs, other than quoted or published prices included in level 1, that are observable for an asset, either directly or indirectly.

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

The Board categorizes fair value measurements within the fair value hierarchy established by GAAP. The Board has the following fair value measurements as of June 30, 2026 (in thousands):

	Total	Level 1	Level 2	Level 3
Cash Equivalents				
Deposits	$ 17,697	17,697	—	—
Money Market	256,857	—	256,857	—
Repurchase Agreement	102,973	—	102,973	—
Total cash equivalents	377,527	17,697	359,830	—
Debt Securities				
Commingled Debt Funds	2,516,889	2,516,889	—	—
Corporate Bonds	1,626,128	—	1,624,513	1,615
Mortgage Backed	1,694,828	—	1,694,828	—
Other Asset Backed	398,413	—	398,413	—
U.S. Government Agency	4,030	—	4,030	—
U.S. Treasury Bills, Notes, and Bonds	3,326,877	—	3,326,877	—
Yankee Corporate Bonds	496,306	—	496,306	—
Yankee Government Bonds	67,257	—	67,257	—
Total debt securities	10,130,728	2,516,889	7,612,224	1,615
Equity				
Commingled Equity Funds	726,405	726,405	—	—
Common and Preferred Equity	15,020,341	15,020,287	5	49
Depository Receipts	259,847	259,847	—	—
Futures	22	22	—	—
Master Limited Partnership	20	20	—	—
Real Estate Investment Trust	917,525	917,525	—	—
Rights	(21)	(21)	—	—
Warrants	59	59	—	—
Total equity	16,924,198	16,924,144	5	49

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	Total	Level 1	Level 2	Level 3
Participant Directed				
Money Market	$ 140,594	—	140,594	—
Balanced Funds	2,330,206	—	2,330,206	—
Target Date Funds	5,785,253	—	5,785,253	—
Commingled Debt Funds	554,180	—	554,180	—
Commingled Equity Funds	3,590,225	—	3,590,225	—
Total Participant Directed	12,400,458	—	12,400,458	—
Total investments by fair value level	39,832,911	19,458,730	20,372,517	1,664
Investment measured at NAV:				
Multi-Asset	1,480,852			
Energy	27,717			
Farmland	1,052,094			
Infrastructure	1,087,359			
Private Equity	5,232,738			
Real Estate	1,631,685			
Timber	436,264			
Total investment measured at NAV	10,948,709			
Total investments measured at fair value	50,781,620			
Synthetic investment contracts at contract value	650,974			
Total investments	$ 51,432,594			

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

Investments in multi-asset, energy, farmland, infrastructure, private equity, real estate, and timber are measured at net asset value (NAV) per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. These

(Continued)

investments undergo annual independent financial statement audits. Additional information about these investments is listed in the following table (in thousands):

	Fair value	Unfunded commitments	Redemption frequency (if currently available)	Redemption notice period
Multi-Asset	$ 1,480,852	671,578	Quarterly	2-90 days
Energy	27,717	27,513	N/A	No
Farmland	1,052,094	—	N/A	N/A
Infrastructure	1,087,359	110,975	Quarterly	30-90 days
Private Equity	5,232,738	1,986,160	N/A	No
Real Estate	1,631,685	185,396	Varied	Varied
Timber	436,264	—	N/A	N/A
Total investments measured at NAV	$ 10,948,709			

Multi-Asset: Investment strategies include pooled investment vehicles and securities in a variety of markets.

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

Farmland: This investment consists of one wholly owned fund. This fund is for the purpose of owning and managing real estate property devoted to agricultural use. Investment properties include row crops, permanent crops, and vegetable crops. The nature of this investment is such that properties held in the fund can be liquidated at the discretion of the Board through the fund advisor.

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

Private Equity: This asset class includes investments in 46 private equity funds including two gatekeeper managers who invest on behalf of the Alaska Retirement Management Board. These funds are diversified in various sectors including but not limited to venture capital, acquisitions, debt, and special situations. These investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be funded for 10 years after the commitment date of the most recent commitment.

Real Estate: This portfolio includes investments in 19 real estate funds that invest primarily in U.S. commercial real estate including value-added, opportunistic and core investments. Of these funds,

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three are open-ended and two others are separately managed accounts that can be liquidated at any time. For the remaining 14 funds, investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets. The funds are expected to be liquidated 10 years after the commitment date of the most recent commitment.

Timber: This investment is in one wholly owned fund that invests in timberland property and related opportunities.

Synthetic Investment Contracts: The Board's investment manager entered into investment contracts, on behalf of the Board, with five financial institutions. These institutions provide wrap contracts that cover separately managed SIC portfolios. The accounts are credited with earnings and investment deposits, less administrative expenses charged by the financial institutions and investment withdrawals. The contracts are included in the Board's statements at contract value. They are fully benefit-responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The crediting interest rate is based on the approximate rate of interest that will amortize differences between contract and market value over the portfolio's average duration. Accounts and terms of SICs are as follows as of June 30, 2026:

Contract provider	Contract value of investment contract	Market value of portfolio	Average crediting rate
American General Life Insurance Company	$ 127,107,471	118,449,042	2.57
Massachusetts Mutual Life Insurance Company	126,296,777	117,614,825	2.63
New York Life Insurance Company	126,269,403	117,676,531	2.54
Pacific Life Insurance Company	127,136,683	118,597,890	2.67
The Prudential Insurance Company of America	126,917,269	118,347,455	2.66

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(4) Deposit and Investment Risk

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board invests its cash in the State of Alaska, Treasury Division's (Treasury) Short-Term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life for amortizing securities upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life for amortizing securities upon purchase. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies.

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows. Through its investment policy, the Board manages its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of its domestic fixed income pool portfolios to ± 20% of the Bloomberg U.S. Aggregate Total Return Bond Index.

At June 30, 2026, the Board's effective duration by investment type was as follows:

	Effective duration (in years)
Corporate bonds	7.09
Mortgage backed	4.79
Other asset backed	0.66
U.S. Government agency	1.18
U.S. Treasury bills, notes, and bonds	5.83
Yankee corporate bonds	5.71
Yankee government bonds	3.49
Total portfolio	5.59

Synthetic Investment Contracts

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

The duration of constant duration SICs cannot exceed the longer of six years or the duration of the Bloomberg U.S. Aggregate Total Return Bond Index plus one-half year. The weighted average duration of the constant duration SICs was 4.17 years at June 30, 2026. The duration of the Bloomberg U.S. Aggregate Total Return Bond Index was 5.88 years at June 30, 2026. The account's weighted average effective duration will generally not exceed the effective duration of the Bloomberg U.S. Aggregate Intermediate Total Return Bond Index plus 10%. The weighted average duration of the account was 4.17 years at June 30, 2026. The duration of the Bloomberg U.S. Aggregate Intermediate Total Return Bond Index was 4.21 years at June 30, 2026. The balance of the reserve is invested in the custodian's Institutional Treasury Money Market Fund and the external manager's Cash Reserves Trust Fund.

The account did not hold any buy-and-hold SICs or structured payout SICs investments at June 30, 2026.

(b) Credit Risk

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

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Domestic Fixed Income investments can include instruments with investment grade credit ratings, some high yield credit ratings, commercial paper rated at least P-1 or equivalent, and corporate debt securities rated at least investment grade.

At June 30, 2026, the Board's Invested Assets consisted of fixed income securities with credit quality ratings issued by nationally recognized statistical rating organizations (NRSROs). Securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated. Using Standard & Poor's Corporation rating scale, the values for the Board's individually held debt securities by rating are as follows (in thousands):

Rating	US dollar
AAA	$ 402,887
AA	86,839
A	898,055
A-1	3,847
BBB	1,091,447
BB	2,504
B	1,361
U.S. Government Agency	4,030
U.S. Treasury Bills, Notes, and Bonds	3,326,877
Not Rated	1,898,965
Grand total	$ 7,716,812

Synthetic Investment Contracts

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

SIC issuers must have an investment grade rating by at least one NRSRO. Obligations of supranational agencies, foreign governments, and foreign government entities must have a minimum rating of A- or equivalent by at least one NRSRO. Corporate debt securities must have a minimum rating of BBB- or equivalent by at least one NRSRO. Maximum exposure to corporate debt securities rated BBB- to BBB+ or equivalent by two or more NRSROs is 20% of the account's total value. The ratings assigned to issuers of money market instruments must have the highest rating assigned to such instruments by at least one NRSRO. Asset-backed securities must have a minimum rating of AAA or equivalent by at least one NRSRO. This limitation does not apply to the investment funds maintained by the custodian.

(c) Custodial Credit Risk

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The Board does not have a policy in relation to custodial credit risk for deposits. At June 30, 2026, the Board's Invested Assets had uncollateralized and uninsured foreign currency deposits of $10,197,000. Treasury requires the State's custodial banks to hold investment securities in the name of the State of Alaska.

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(d) Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Board's Stable Value Fund policy requires that all investments underlying a SIC be denominated in U.S. dollars. For all other funds, through its asset allocation, the Board limits risk by limiting total investments in foreign currencies to the following as of June 30, 2026:

Pension system	Multi-asset	Global equity ex-U.S.	Private equity pool	Real assets pool
PERS	10 %	21 %	21 %	21 %
TRS	10	21	21	21
JRS	10	21	21	21
MRS	10	13	12	11

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At June 30, 2026, the Board had exposure to foreign currency risk with the following deposits and investments (in thousands):

	Equity	Deposits	Futures	Private equity	Rights and warrants
Australian Dollar	$ 136,928	3,096	—	51	(116)
Brazilian Real	71,260	154	—	—	—
Canadian Dollar	326,554	8,244	1	—	—
Chilean Peso	3,297	45	—	—	—
Colombian Peso	1,212	10	—	—	—
Czech Koruna	6,437	13	—	—	—
Danish Krone	59,139	461	—	—	—
Euro Currency	1,338,363	1,236	—	469,144	89
Hong Kong Dollar	290,238	(3,027)	—	—	—
Hungarian Forint	2,443	69	—	—	—
Indian Rupee	85,704	1,106	—	—	—
Indonesian Rupiah	10,027	58	—	—	—
Japanese Yen	956,139	5,672	—	—	—
Kuwaiti Dinar	4,710	12	—	—	—
Malaysian Ringgit	9,739	131	—	—	59
Mexican Peso	64,387	263	—	—	—
New Israeli Sheqel	35,913	(3,866)	—	—	—
New Taiwan Dollar	365,271	278	—	—	—
New Zealand Dollar	4,532	(310)	—	—	—
Norwegian Krone	34,627	(6,808)	—	—	1
Peruvian Sol	23	1	—	—	—
Philippine Peso	3,656	18	—	—	—
Polish Zloty	26,360	282	—	—	—
Pound Sterling	483,447	(652)	—	79,435	—
Qatari Rial	3,123	214	—	—	—
Russian Ruble	—	1,472	—	—	—
Saudi Riyal	20,426	542	—	—	—
Singapore Dollar	96,282	(4,603)	—	—	—
South African Rand	24,639	39	—	—	—
South Korean Won	331,554	115	—	—	4
Swedish Krona	138,939	6,317	—	7,318	—
Swiss Franc	350,002	(2,449)	—	—	—
Thailand Baht	27,241	9	—	—	—
Turkish Lira	3,312	11	—	—	—
Uae Dirham	19,215	6	—	—	—
Yuan Renminbi	123,387	4,918	—	—	—
Yuan Renminbi Offshore	—	(2,880)	—	—	—
	$ 5,458,526	10,197	1	555,948	37

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(Continued)

(e) Concentration of Credit Risk

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

The Board's policy regarding concentration of credit risk for domestic fixed income is as follows:

> The investment manager is prohibited from purchasing more than ten percent of the currently outstanding par value of any corporate bond issue or more than five percent of the account's assets of high yield securities.
>
> The investment manager may not invest more than forty percent of the account's assets in investment grade corporate debt, more than the benchmark weight plus five percent of debt securities rated below A- or equivalent, more than twenty-five percent of the account's assets in any one corporate sector defined by the Bloomberg U.S. Aggregate Total Return Bond Index, or more than five percent of the account's assets in corporate bonds of any one company or affiliated group.

The Board's policy regarding concentration of credit risk for domestic and international equities is as follows:

> The Board may not invest more than five percent of total shares outstanding of any security or more than ten percent of any international account benchmarked against the MSCI EAFE Index or MSCI EAFE Small Cap Index in emerging markets.

Synthetic Investment Contracts

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

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

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

Investment type	Maximum per issuer	Maximum for all issuers
U.S. Treasuries, U.S. Agency, and U.S. Government Entity Securities – Full faith and credit	100 %	100 %
U.S. Agency Securities and U.S. Government Entity Securities – Non full faith and credit	100	100
Agency mortgage-backed securities	50	50
Non-agency mortgage-backed securities	5	50
Asset-backed securities	5	50
Domestic and foreign corporate debt securities	5	50
Supranational agency, foreign government, and foreign government entity securities	5	50
Money market instruments – non government/agency	5	100
Custodian short-term	100	100

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

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

For corporate debt securities rated BBB- to BBB+ or equivalent by two or more NRSROs, the maximum exposure is limited to twenty percent of the account's total value.

(5) Derivatives, Foreign Exchange, and Counterparty Credit Risk

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

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On June 30, 2026, the Board had the following derivative instruments:

	Changes in fair value		Fair value		
	Classification	Amount	Classification	Amount	Notional
FX Forwards	Investment Income	$ 2,839,436	Long Term Instruments	$ 1,300,383	74,828,657
Index Futures Long	Investment Income	2,402,942	Futures	—	2,600
Rights	Investment Income	20,317	Common Stock	93,664	54,771
Warrants	Investment Income	(18,352)	Common Stock	59,034	447,732

The Global equity ex-U.S. pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of nonperformance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date. At June 30, 2026, the Board had the following Foreign Currency risk related to derivatives:

Currency name	Options	Receivables	Payables	Total exposure
Australian Dollar	$ —	—	—	—
Brazilian Real	244	—	—	244
Canadian Dollar	—	—	—	—
Euro Currency	89,070	14,586	939,434	1,043,090
Pound Sterling	—	—	43,548	43,548
Japanese Yen	—	(9,621)	312,435	302,814
South Korean Won	4,350	—	—	4,350
Malaysian Ringgit	59,034	—	—	59,034
	$ 152,698	4,965	1,295,417	1,453,080

At June 30, 2026, the Board had no counterparty credit and counterparty concentration risk associated with its investment derivative positions.

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(6) Securities Lending

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

The fair value of securities on loan at June 30, 2026, was approximately $74.3 million. At June 30, 2026, cash collateral received totaling $77.4 million is reported as a securities lending payable and the fair value of the re-invested cash collateral totaling $77.4 million is reported as securities lending collateral invested in the Statement of Net Position.

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

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

For the year ended June 30, 2026, there were no losses incurred as a result of securities lending transactions, and there were no violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

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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, 2026 and 2025

(With Independent Auditors' Report Thereon)

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

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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, 2026, and 2025, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2026 and 2025, 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 Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

(signed) KPMG LLP

Anchorage, Alaska
_____ __, _____

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

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

This Management's Discussion and Analysis (MD&A) has been prepared in accordance with GASB Statement No. 103, Financial Reporting Model Improvements, and provides management's overview and analysis of the financial activities of the State of Alaska Deferred Compensation Plan's (the Plan) for the fiscal years ended June 30, 2026 and 2025. This narrative is intended to assist readers in understanding the Plan's overall financial performance and should be read in conjunction with the financial statements, notes to the financial statements, required supplementary information, and supplemental schedules that accompany this report.

The MD&A offers an analytical perspective on key financial results, including changes in fiduciary net position, contributions, investment performance, benefit payment activity, and other factors that influenced the System's financial condition during the period.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2026 were as follows:

- The Plan's fiduciary net position increased by $147 million.
- The Plan's members and employer contributions and transfers in increased by $4.8 million to $59.4 million during fiscal year 2026 compared to fiscal year 2025.
- The Plan earned net investment income of $222 million during fiscal year 2026, an increase of $85 million compared to fiscal year 2025.
- The Plan's benefits paid to participants and purchases of annuity contracts totaled $132.9 million, an increase of $8.7 million compared to fiscal year 2025.

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 Presents the Plan's assets, liabilities, and net position restricted for pension benefits, postemployment healthcare, and individuals as of June 30, 2026.

Statements of changes in fiduciary net position – Shows contributions, investment income, benefit payments, refunds, and administrative and investment expenses for the year ended June 30, 2026.

The above statements represent resources available for investment and payment of benefits and expenses as of June 30, 2026 and 2025, and the sources and uses of those funds during the years ended June 30, 2026 and 2025.

Notes to financial statements – Provide essential detail on significant policies, valuation methods, benefit provisions, and fiduciary risks related to pension and postemployment healthcare.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2026 and 2025

Financial Summary (In thousands)

Fiduciary net position

Description	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Assets:					
Total assets	$ 1,437,176	$ 1,290,024	$ 147,152	11.4	1,224,101
Total liabilities	281	304	(23)	(7.6)	137
Fiduciary net position	$ 1,436,895	$ 1,289,720	$ 147,175	11.4 %	1,223,964

Changes in fiduciary net position

Description	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Fiduciary net position, beginning of year	$ 1,289,720	$ 1,223,964	$ 65,756	5.4%	1,135,224
Total additions	281,712	191,685	90,027	47.0	200,461
Total deductions	134,537	125,929	8,608	6.8	111,721
Net increase in net position	147,175	65,756	81,419	123.8	88,740
Fiduciary net position, end of year	$ 1,436,895	$ 1,289,720	$ 147,175	11.4%	1,223,964

Detailed Analysis of the System

The statement of fiduciary net position as of June 30, 2026, and 2025 shows a net fiduciary position of $1,436,895,000 and $1,289,720,000, 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 the Plan's net position restricted for participants and operations of $147,175,000, or 11.4%, from fiscal year 2025 to fiscal year 2026.

(Continued)

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2026 and 2025

Contributions and Investment Income

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

	Additions (In thousands)				
			Increase (decrease)		
	2026	**2025**	**Amount**	**Percentage**	**2024**
Participant contributions	$ 58,121	53,541	4,580	8.6%	50,126
Employer contributions	204	233	(29)	(12.4)	239
Transfers in	1,048	810	238	29.4	448
Total plan participant and employer contributions	59,373	54,584	4,789	8.8	50,813
Net investment income	222,160	136,918	85,242	62.3	149,481
Other income	179	183	(4)	(2.2)	167
Total	$ 281,712	191,685	90,027	47.0%	200,461

Employee Contributions

The Plan's participant contributions increased from $53,541,000 in fiscal year 2025 to $58,121,000 in fiscal year 2026, an increase of $4,580,000 or 8.6%. Fiscal year 2026 saw an increase in the average contribution size. The Plan is an optional participation plan with a minimum contribution of $50 per month.

Employer Contributions

Beginning in fiscal year 2023, participating employers could offer an employer matching contribution. There is one participating employer which offered an employer matching contribution to its members.

Investment Income

The Plan's net investment income increased from $136,918,000 in fiscal year 2025 to $222,160,000 in fiscal year 2026, an increase of $85,242,000 or 62.3% from amounts recorded in fiscal year 2025. The increase relates to a higher investment return than in the prior year.

(Continued)

STATE OF ALASKA
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Management's Discussion and Analysis (Unaudited)
June 30, 2026 and 2025

The Plan's investment rates of return at June 30, 2026 and 2025 are as follows:

	2026	2025
Alaska Balanced Trust	11.01 %	9.72 %
Alaska Long-Term Balanced Trust	16.07	12.21
Alaska Target Date Retirement 2010 Trust	10.81	9.92
Alaska Target Date Retirement 2015 Trust	11.83	10.35
Alaska Target Date Retirement 2020 Trust	13.07	11.07
Alaska Target Date Retirement 2025 Trust	14.89	11.92
Alaska Target Date Retirement 2030 Trust	16.81	12.78
Alaska Target Date Retirement 2035 Trust	18.52	13.51
Alaska Target Date Retirement 2040 Trust	20.03	14.25
Alaska Target Date Retirement 2045 Trust	21.25	14.81
Alaska Target Date Retirement 2050 Trust	22.30	15.18
Alaska Target Date Retirement 2055 Trust	22.37	15.18
Alaska Target Date Retirement 2060 Trust	22.34	15.20
Alaska Target Date Retirement 2065 Trust	22.42	15.16
BlackRock Strategic Completion Fund	15.05	8.72
Environmental, Social and Governance Fund	23.85	12.74
Fidelity Core Plus Fund	4.26	7.16
International Equity Fund	21.43	18.33
MassMutual Bond Fund	3.16	4.60
MassMutual Equity Fund	7.14	7.02
Mid Capitalization Equity Index Fund	25.94	7.52
Passive U.S. Bond Index Fund	3.78	6.08
Russell 3000 Index Fund	22.84	15.24
S&P 500 Stock Index Fund	22.30	15.16
S&P SmallCap 600 Equity Index Fund	37.47	N/A
Stable Value Fund	2.58	2.53
State Street Institutional Treasury Money Market	3.88	4.68
U.S. Small Cap Trust	31.37	11.09
World Equity Ex-U.S. Index Fund	28.13	17.98

(Continued)

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2026 and 2025

Benefits and Other Deductions

The primary deductions from the Plan are the payment of benefits and purchases of annuity contracts. Benefit payments and administrative costs were as follows:

Deductions (In thousands)

	2026	2025	Increase Amount	Increase Percentage	2024
Benefits paid to participants and purchases of annuity contracts	$ 132,914	124,210	8,704	7.0%	109,935
Administrative	1,623	1,719	(96)	(5.6)	1,786
Total	$ 134,537	125,929	8,608	6.8%	111,721

The Plan's benefits paid to participants and refunds of contributions, including purchases of annuity contracts for fiscal year 2026 was $132,914,000, an increase of $8,704,000, or 7%, from fiscal year 2025. The increase in refunds of contributions in fiscal years 2026 is attributable to an increase in the average refund amount.

The Plan had administrative expenses of $1,623,000 in fiscal year 2026 compared to $1,719,000 in fiscal year 2025, a decrease of $96,000, or 5.6%. The decrease in administrative expenses in fiscal year 2026 is primarily due to decreased costs for management and consulting fees.

Fiduciary Responsibilities

The 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.

(Continued)

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2026 and 2025

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

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

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

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)
Notes to Financial Statements
June 30, 2026 and 2025

(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 12,455 and 12,396 participants in the Plan as of June 30, 2026 and June 30, 2025.

At June 30, 2026 and 2025, the number of participating local government employers and public organizations, including the State was as follows:

State of Alaska and Component Units	1
Municipalities	11
School districts	6
Other	8
Total employers	26

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, 2026, plan participants are required to contribute a minimum of $50 per month ($600 per year). At June 30, 2026, the maximum amount that could be deferred in a calendar year was $24,500 for participants under age 50, $32,500 for participants who are age 50-59 or age 64 and over, and for participants who are age 60-63 $35,750 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 $49,000 in

calendar year 2026). Participants vest automatically in their contributions and earnings on those contributions.

Employers participating in the Plan may offer and make matching contributions. Currently, there is one employer actively 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.

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, 2026 and 2025, 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.

Fidelity Core Plus Fund – This fund is managed to achieve absolute and risk-adjusted returns by combining investment-grade and non-investment grade sectors. The fund invests primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt.

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.

Mid Capitalization Equity Index Fund – This fund invests in a portfolio of equity securities with the objective of approximating the capitalization weighted total rate of return of the U.S. market for publicly traded equity securities represented by the medium capitalized companies.

MassMutual Bond Fund – This fund invests in investment-grade corporate and government bonds and other debt securities. This investment option is only available to participants whose contributions were originally invested with the MassMutual Life Insurance Company and have since remained with MassMutual.

MassMutual Equity Fund – This fund invests in diversified common stocks of high-quality growth companies for long-term capital growth with income as a secondary consideration. This investment option is only available to participants whose contributions were originally invested with the MassMutual Life Insurance Company and have since remained with MassMutual Life Insurance Company.

Passive U.S. Bond Index Fund – This fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the underlying index, Bloomberg Barclays U.S. Aggregate Bond Index.

Russell 3000 Index Fund – This fund invests in one or more commingled funds managed by SSgA, which, in combination, are designed to replicate the returns and characteristics of the Russell 3000 Index. The fund measures the performance of the largest 3,000 U.S. companies representing approximately 98.0% of the investable U.S. equity market.

Standard & Poor's 500 Stock Index Fund – This fund offers diversified investment in the U.S. equity market and replicates the returns and characteristics of the Standard & Poor's (S&P) 500 Composite Stock Price Index.

Standard & Poor's 600 Stock Index Fund – This fund offers diversified investment in the U.S. equity market and seeks to approximate the capitalization weighted total return of that segment of the U.S. market for publicly traded equity securities represented by small capitalized companies.

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 2010–2070 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.

(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.

(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 are composed of ownership of pooled investments and money market funds. The money market fund consists of nonparticipant-directed funds used to pay administrative costs of the Plan.

(c) Contributions Receivable

Contributions applicable to wages earned from the State of Alaska or other participating employers through June 30 are accrued if received after June 30. These contributions are considered fully collectible, and accordingly, no allowance for doubtful accounts is considered necessary.

(d) Due from State of Alaska General Fund

Amounts due from the State of Alaska General Fund represent the amounts of contributions receivable, less administrative and investment expenses paid after June 30.

(e) Valuation of Collective Investment Funds

The Plan's investments in collective investment funds held in trust are stated at fair value based on the net asset value per unit, as reported by the third-party administrator (TPA), multiplied by the number of units held by the Plan. The net asset value per unit is determined by the TPA based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

(f) Valuation of Pooled Investment Funds

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

(g) Valuation of Synthetic Investment Contracts

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

(3) Investments

The Plan is primarily participant directed, which means that the Plan's participants decide in which options to invest. Of total plan fiduciary net position of $1,436,895 at June 30, 2026, 99.5% or $1,430,039 were specifically allocated to individual participant accounts.

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

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)
Notes to Financial Statements
June 30, 2026 and 2025

The carrying values of participant-directed investments at June 30, 2026 and 2025 are as follows (in thousands):

		2026	2025
S&P 500 Stock Index Fund	$	402,986	356,706
Stable Value Fund		132,982	145,103
U.S. Small Cap Trust		115,001	100,635
Alaska Long-Term Balanced Trust		102,148	97,341
Russell 3000 Index Fund		88,761	75,001
Passive U.S. Bond Index Fund		60,812	65,364
World Equity Ex-U.S. Index Fund		53,396	41,086
Alaska Target Date Retirement 2030 Trust		49,112	37,266
Environmental, Social and Governance Fund		45,387	41,500
Alaska Balanced Trust		44,959	43,900
Alaska Target Date Retirement 2035 Trust		42,767	30,644
International Equity Fund		42,389	38,351
Alaska Target Date Retirement 2040 Trust		33,102	25,161
Alaska Target Date Retirement 2025 Trust		32,035	31,255
Alaska Target Date Retirement 2045 Trust		29,739	20,603
State Street Institutional Treasury Money Market		28,368	29,544
Alaska Target Date Retirement 2050 Trust		27,248	19,562
Alaska Target Date Retirement 2020 Trust		21,048	22,301
Alaska Target Date Retirement 2055 Trust		19,277	13,655
BlackRock Strategic Completion Fund		18,108	16,711
Alaska Target Date Retirement 2015 Trust		9,827	8,315
Fidelity Core Plus Fund		6,610	5,747
Mid Capitalization Equity Index Fund		6,451	5,304
Alaska Target Date Retirement 2060 Trust		5,635	3,665
Alaska Target Date Retirement 2065 Trust		4,417	2,686
Alaska Target Date Retirement 2010 Trust		2,957	2,648
MassMutual Equity Fund		2,390	2,408
S&P 600 Equity Index Fund		2,093	1,052
Alaska Target Date Retirement 2070 Trust		31	3,665
MassMutual Bond Fund		2	12
Total	$	1,430,038	1,287,191

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/reprts-and-policies/annual-audited-financial-schedules.

(Continued)

(4) Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net position.

The Plan may invest in pooled separate accounts that include securities with contractual cash flows, which may include asset-backed securities, collateralized mortgage obligations, and commercial mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

SUPPLEMENTAL SCHEDULES

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2026 and 2025

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM

(A Component Unit of the State of Alaska)

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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, 2026 and 2025, 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 financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2026 and 2025, and the changes in its fiduciary net position for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

(signed) KPMG LLP

Anchorage, Alaska

_____ __, ____

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

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

This Management's Discussion and Analysis (MD&A) has been prepared in accordance with GASB Statement No. 103, Financial Reporting Model Improvements, and provides management's overview and analysis of the financial activities of the State of Alaska Supplemental Benefits System's (the Plan) for the fiscal years ended June 30, 2026 and 2025. This narrative is intended to assist readers in understanding the Plan's overall financial performance and should be read in conjunction with the financial statements, notes to the financial statements, required supplementary information, and supplemental schedules that accompany this report.

The MD&A offers an analytical perspective on key financial results, including changes in fiduciary net position, contributions, investment performance, benefit payment activity, and other factors that influenced the Plan's financial condition during the period.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2026 were as follows:

- The Plan's fiduciary net position restricted for benefits increased by $721 million.
- The Plan's participant and employer contributions and transfers in increased by $11 million to $224 million during fiscal year 2026 compared to fiscal year 2025.
- The Plan earned net investment income of $909 million during fiscal year 2026, an increase of $319 million compared to fiscal year 2025.
- The Plan's benefits and refunds of contributions totaled $408 million, a decrease of $19 million compared to fiscal year 2025.

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 – Presents the Plan's assets, liabilities, and net position restricted for pension benefits, postemployment healthcare, and individuals as of June 30, 2026..

Statements of changes in fiduciary net position – Shows contributions, investment income, benefit payments, refunds, and administrative and investment expenses for the year ended June 30, 2026.

The above statements represent resources available for investment and payment of benefits and expenses as of June 30, 2026 and 2025, and the sources and uses of those funds during the years ended June 30, 2026 and 2025.

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

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2026 and 2025

Financial Summary

Fiduciary net position

Description	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Total assets	6,307,364	5,586,382	720,982	12.9 %	5,215,707
Total liabilities	3,397	3,354	43	1.3	3,010
Fiduciary net position	$ 6,303,967	5,583,028	720,939	12.9 %	5,212,697

Changes in fiduciary net position

Description	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Fiduciary net position, beginning of year	$ 5,583,028	5,212,697	370,331	7.1 %	4,770,185
Total additions	1,134,507	803,583	330,924	41.2	797,198
Total deductions	413,568	433,252	(19,684)	(4.5)	354,686
Increase in net position	720,939	370,331	350,608	94.7	442,512
Fiduciary net position, end of year	$ 6,303,967	5,583,028	720,939	12.9 %	5,212,697

Detailed Analysis of the Plan

The statement of fiduciary net position as of June 30, 2026 and 2025 show fiduciary net position of $6,303,967,000 and $5,583,028,000, 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 $720,939,000 or 12.9% from fiscal year 2025 to fiscal year 2026.

(Continued)

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2026 and 2025

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)

	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Employer mandatory contributions	$ 110,463	105,951	4,512	4.3 %	97,172
Plan participant mandatory contributions	110,501	105,942	4,559	4.3	97,197
Transfer-in contributions	3,466	1,197	2,269	189.6	2,705
Total plan participant and employer contributions	224,430	213,090	11,340	5.3	197,074
Net investment income	908,779	589,510	319,269	54.2	599,257
Other income	1,298	983	315	32.0	867
Total	$ 1,134,507	803,583	330,924	41.2 %	797,198

Plan member and employer contributions

Increased from $213,090,000 for fiscal year 2025 to $224,430,000 for fiscal year 2026, an increase of $11,340,000 or 5.3%. The Plan is subject to contribution and benefit base updates each calendar year. For calendar years 2026 and 2025 the benefit bases eligible for contributions were $184,500 and $176,100 respectively. Plan participant and employer mandatory matching contributions have increased to annual maximum contribution amounts of 12.26% of those compensation limit amounts. For example, for calendar year 2026, the maximum contribution to a plan participant's account would be $22,620, or $11,310 each by the employer and the plan participant.

Investment Income

The Plan's net investment income increased from $589,510,000 in fiscal year 2025 to $908,779,000 in fiscal year 2026, an increase of $319,269,000 or 54.2% from amounts recorded in fiscal year 2025. The increase during fiscal year 2026 relates to increase in rates of return in some investment classes during fiscal year 2026 compared to fiscal year 2025 as shown by Plan investment rates of return.

(Continued)

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2026 and 2025

The Plan's investment rates of return at June 30, 2026 and 2025 are as follows:

	2026	2025
Alaska Balanced Trust	11.01 %	9.72 %
Alaska Long-Term Balanced Trust	16.07	12.21
Alaska Target Date Retirement 2010 Trust	10.81	9.92
Alaska Target Date Retirement 2015 Trust	11.83	10.35
Alaska Target Date Retirement 2020 Trust	13.07	11.07
Alaska Target Date Retirement 2025 Trust	14.89	11.92
Alaska Target Date Retirement 2030 Trust	16.81	12.78
Alaska Target Date Retirement 2035 Trust	18.52	13.51
Alaska Target Date Retirement 2040 Trust	20.03	14.25
Alaska Target Date Retirement 2045 Trust	21.25	14.81
Alaska Target Date Retirement 2050 Trust	22.30	15.18
Alaska Target Date Retirement 2055 Trust	22.37	15.18
Alaska Target Date Retirement 2060 Trust	22.34	15.20
Alaska Target Date Retirement 2065 Trust	22.42	15.16
BlackRock Strategic Completion Fund	15.05	8.72
Environmental, Social and Governance Fund	23.85	12.74
Fidelity Core Plus Fund	4.26	7.16
International Equity Fund	21.43	18.33
Mid Capitalization Equity Fund	25.94	7.52
Passive U.S. Bond Index Fund	3.78	6.08
Russell 3000 Index Fund	22.84	15.24
S&P 500 Stock Index Fund	22.30	15.16
S&P 600 Small Cap Equity Index Fund	37.47	—
Stable Value Fund	2.58	2.53
State Street Institutional Treasury Money Market	3.88	4.68
U.S. Small Cap Trust	31.37	11.09
World Equity Ex-U.S. Index Fund	28.13	17.98

(Continued)

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2026 and 2025

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)

	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Benefits and refunds of contributions	$ 407,584	427,062	(19,478)	(4.6)%	348,026
Administrative	5,984	6,190	(206)	(3.3)	6,660
Total	$ 413,568	433,252	(19,684)	(4.5)%	354,686

The Plan's benefits paid to participants and refunds of contributions, including purchases of annuity contracts, for fiscal year 2026 was 407,584,000, a decrease of $19,478,000 or 4.6% from fiscal year 2025. The decrease in refunds of contributions in fiscal year 2026 are attributable to a decrease in the number of members requesting disbursements from the Plan.

The Plan had administrative expenses of $5,984,000 for fiscal year 2026 compared to $6,190,000 for fiscal year 2025, a decrease of $ 206,000 or 3.3%. The decrease in administrative expenses in fiscal year 2026 is primarily due to a decrease in management and consulting fees.

Fiduciary Responsibilities

The 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.

(Continued)

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

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

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

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

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

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

Notes to Financial Statements

June 30, 2026 and 2025

(1) Description

The following description of the State of Alaska Supplemental Benefits System (the Plan) is provided for general information purposes only. Participants should refer to the plan documents for more complete information.

(a) General

The Plan was created by State of Alaska (the State) statutes effective January 1, 1980, to provide benefits in lieu of those provided by the federal Social Security System (Social Security). The Plan document was most recently amended effective April 17, 2024. 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. 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. There were 53,252 and 53,013 participants in the Plan as of June 30, 2026 and 2025, respectively.

At June 30, 2026 and 2025, the number of participating local government employers and public organizations, including the State was as follows:

State of Alaska	1
State of Alaska component units	1
Municipalities	9
School districts	5
Other	5
Total employers	21

The Division of Retirement and Benefits is responsible for plan administration and record keeping. The Alaska Retirement Management Board (the Board) is responsible for the specific investment of moneys in the Plan.

(b) Contributions

Mandatory contributions are made to the Supplemental Annuity Plan, a defined-contribution plan. 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.

(Continued)

(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.

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, 2026 and 2025, 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.

Fidelity Core Plus Fund – This fund is managed to achieve absolute and risk-adjusted returns by combining investment-grade and non-investment grade sectors. The fund invests primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt.

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.

Mid Capitalization Equity Index Fund – This fund invests in a portfolio of equity securities with the objective of approximating the capitalization weighted total rate of return of the U.S. market for publicly traded equity securities represented by the medium capitalized companies.

(Continued)

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.

Standard & Poor's 600 Small Cap Index Fund – This fund offers diversified investment in the U.S. equity market and seeks to approximate the capitalization weighted total return of that segment of the U.S. market for publicly traded equity securities represented by small capitalized companies.

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 2010–2070 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.

(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.

(e) Funding of the Annuity Plan

Supplemental annuity plan contributions from employers and participants were deposited with investment managers under contract with the Plan. The amounts credited to each participant account include the appreciation or depreciation in the unit values of the investment funds in addition to contributions received during the period.

(f) Income Taxes

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

(g) Termination, Partial Termination, or Complete Discontinuance of Contributions

Although the State has established the Plan with the bona fide intention and expectation that it will continue the Plan indefinitely, the State may, in its sole and absolute discretion, terminate the Plan in whole or in part at any time without liability whatsoever for such termination. If the Plan is terminated, the deposit contracts shall remain in force until all individual employee benefit accounts have been completely distributed in accordance with the Plan.

The employers are under no obligation or liability to continue making contributions to, or participate in, the Plan. Employers in their sole and absolute discretion may discontinue participation and contributions with no liability whatsoever for such termination except liability to the State under the terms of the participation agreement.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Plan's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. In preparing the financial statements, the plan administrator is required to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and additions and deductions for the reporting periods. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents 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 third-party administrator (TPA), multiplied by the number of units held by the Plan. The net asset value per unit is determined by the TPA based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

(f) Valuation of Pooled Investment Funds

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

(g) Valuation of Synthetic Investment Contracts

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

(Continued)

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)
Notes to Financial Statements
June 30, 2026 and 2025

(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 $6,303,967,000 at June 30, 2026, 99.5% or $6,273,903,000 were specifically allocated to individual participant accounts.

Each participant designates how their contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions, adjusted for the appreciation or depreciation in unit value for the investment funds, and reduced for administrative fees. The carrying values of participant-directed investments at June 30, 2026 and 2025 are as follows (in thousands):

		2026	2025
Alaska Balanced Trust	$	1,078,761	1,054,833
Alaska Long-Term Balanced Trust		936,068	851,984
S&P 500 Stock Index Fund		879,365	746,873
Stable Value Fund		352,339	385,088
Alaska Target Date Retirement 2055 Trust		296,812	232,528
Alaska Target Date Retirement 2050 Trust		271,863	213,199
Russell 3000 Index Fund		255,991	215,368
Alaska Target Date Retirement 2045 Trust		242,520	187,870
Alaska Target Date Retirement 2035 Trust		206,059	166,523
Alaska Target Date Retirement 2040 Trust		193,874	155,228
U.S. Small Cap Trust		193,418	165,108
Alaska Target Date Retirement 2030 Trust		193,092	161,203
World Equity Ex-U.S. Index Fund		179,937	135,173
Passive U.S. Bond Index Fund		149,679	155,516
Alaska Target Date Retirement 2025 Trust		146,812	131,774
Environmental, Social, and Governance Fund		116,438	100,474
International Equity Fund		101,939	89,001
Alaska Target Date Retirement 2020 Trust		83,634	81,108
State Street Institutional Treasury Money Market		80,057	82,809
Alaska Target Date Retirement 2015 Trust		67,816	66,807
Alaska Target Date Retirement 2060 Trust		65,336	44,160
BlackRock Strategic Completion Fund		56,841	49,623
Alaska Target Date Retirement 2065 Trust		52,353	31,859
Mid Capitalization Equity Fund		25,550	19,610
Fidelity Core Plus Fund		23,673	18,268
Alaska Target Date Retirement 2010 Trust		12,901	12,420
S&P 600 Stock Index Fund		9,978	2,620
Alaska Target Date Retirement 2070 Trust		795	—
Total	$	6,273,901	5,557,027

For additional information on synthetic investment contracts, interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Plans at: https://treasury.dor.alaska.gov/armb/reports-and-policies/annual-audited-financial-schedules

(Continued)

(4) Investment Loss Trust Fund

The Investment Loss Trust Fund was established by the State of Alaska to hold harmless Plan participants who had invested in a guaranteed investment contract that suffered losses during the 1990s. The Investment Loss Trust Fund is comprised of cash and cash equivalents managed by the State Treasury. The associated participant payable represents amounts due to participants under a settlement agreement associated with the guaranteed investment contract.

(5) Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net position.

The Plan may invest in pooled separate accounts that include securities with contractual cash flows, which may include asset-backed securities, collateralized mortgage obligations, and commercial mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

SUPPLEMENTAL SCHEDULES

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2026
(With summarized financial information for June 30, 2025)

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

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STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2026

This Management's Discussion and Analysis (MD&A) has been prepared in accordance with GASB Statement No. 103, Financial Reporting Model Improvements, and provides management's overview and analysis of the financial activities of the State of Alaska Judicial Retirement System (the System) for the fiscal years ended June 30, 2026 and 2025. This narrative is intended to assist readers in understanding the System's overall financial performance and should be read in conjunction with the financial statements, notes to the financial statements, required supplementary information, and supplemental schedules that accompany this report.

The MD&A offers an analytical perspective on key financial results, including changes in fiduciary net position, contributions, investment performance, benefit payment activity, and other factors that influenced the System's financial condition during the period.

Financial Highlights

The System's financial highlights for the year ended June 30, 2026 were as follows:

- The System's fiduciary net position restricted for pension and postemployment healthcare benefits increased by $30.7 million.
- The plan member and employer contributions totaled $7.3 million, a decrease of $118 thousand when compared to fiscal year 2025.
- The State of Alaska (the State) directly appropriated $0.00 to the System.
- The System's net investment income was $43.5 million, an increase of $11.8 million when compared to fiscal year 2025.
- The System's pension benefit expenditures totaled $18.6 million.
- The System's postemployment healthcare benefit expenditures totaled $1.9 million.

Overview of the Financial Statements

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

Combining statement of fiduciary net position – Presents the System's assets, liabilities, and net position restricted for pension benefits, postemployment healthcare, and individuals as of June 30, 2026.

Combining statement of changes in fiduciary net position – Shows contributions, investment income, benefit payments, refunds, and administrative and investment expenses for the year ended June 30, 2026.

The above statements represent resources available for investment and payment of benefits as of June 30, 2026, and the sources and uses of those funds during fiscal year 2025.

Notes to financial statements – Provide essential detail on significant policies, valuation methods, benefit provisions, and fiduciary risks related to pension and postemployment healthcare.

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2026

Required supplementary schedules – Includes 12 schedules and notes on the System's funded status, actuarial assumptions, and valuation methods.

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.

Financial Summary

System net position

Description	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Total assets	$ 351,312,618	$ 320,205,474	$ 31,107,144	9.7 %	300,120,073
Total liabilities	935,606	502,180	433,426	86.3	402,395
Net position restricted for pension and and postemployment healthcare benefits	$ 350,377,012	319,703,294	30,673,718	9.6 %	299,717,678

Changes in system net position

Description	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Net position, beginning of year	$ 319,703,294	$ 299,717,678	$ 19,985,616	6.7 %	282,781,964
Total additions	51,440,326	39,715,017	11,725,309	(29.5)	35,255,083
Total deductions	20,766,608	19,729,401	1,037,207	5.3	18,319,369
Increase in fiduciary net position	30,673,718	19,985,616	10,688,102	53.5	16,935,714
Net position, end of year	$ 350,377,012	$ 319,703,294	$ 30,673,718	9.6 %	299,717,678

Detailed Analysis of the System

The statements of fiduciary net position as of June 30, 2026 and 2025 show net position restricted for pension and postemployment healthcare benefits of $350,377,012 and $319,703,294, 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 $30,673,718 or 9.6% from fiscal year 2025 to 2026. 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.

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.

Contributions, Investment Income, and Other Additions

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

	Additions				
			Increase (decrease)		
Description	2026	2025	Amount	Percentage	2024
Contributions - employer	$ 6,307,543	6,462,054	(154,511)	(2.4)%	6,541,044
Contributions - plan members	1,040,826	1,003,995	36,831	3.7	932,583
Nonemployer contributions – State of Alaska	—	—	—	—	2,593,000
Net investment income	43,543,928	31,765,331	11,778,597	37.1	24,773,938
Employer group waiver plan	312,631	245,764	66,867	27.2	214,753
Medicare retiree drug subsidy	3,601	2,106	1,495	71.0	1,703
Pharmacy rebates	207,874	217,460	(9,586)	(4.4)	181,645
Pharmacy management allowance	2,174	2,158	16	0.7	2,199
Other income	21,749	16,149	5,600	34.7	14,218
	$ 51,440,326	39,715,017	11,725,309	29.5 %	35,255,083

Employer Contributions

FY 2026: Employer contributions decreased from $6,462,054 to $6,307,543, a decrease of $154,511 or 2.4%. This change primarily reflects a statutory decrease in the employer contribution rate from 59.24% to 47.41%.

There was no additional contribution from the Alaska Court System for fiscal year 2026. Previously the Alaska Court System made no additional employer funding contributions outside the payroll process. 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 from fiscal year 2026. The decrease in employer contributions from fiscal year 2026 was the result of 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 42.07% in fiscal year 2025 to 39.22% in fiscal year 2026. The Alaska Court System also periodically contributed additional employer contributions outside of the normal payroll process to aid in the funded level of the pension plan.

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2026

Investment Income

FY 2026: Net investment income increased by $11,778,597 (37.1%) over FY 2025. Net investment earnings continue to play a significant long-term role in plan funding, and the Board reviews asset allocations annually to align returns with benefit obligations.

Medicare EGWP Funds

FY 2026: The Plan received $312,631 in EGWP funds from the Center of Medicare and Medicaid Services (CMS) through the EGWP Plan Sponsor, OptumRx.

Pharmacy Rebates

FY 2026: Pharmacy rebates are reimbursed to the Plan by the third-party administrators. During fiscal year 2026, the Plan received $207,874 compared to $217,460 from fiscal year 2025. 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.

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

	Year ended		
	2026	**2025**	**2024**
Plan returns	14.19 %	10.14 %	9.25 %
Broad domestic equity	23.81	13.45	21.22
Global equity (ex-U.S.)	28.10	19.68	12.76
Fixed income	4.30	6.43	3.63
Multi-asset	12.16	5.22	8.06
Real assets	6.01	4.24	0.04
Private equity	7.46	6.54	4.96
Actuarially assumed rate of return	7.25	7.25	7.25

(Continued)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

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Management's Discussion and Analysis (Unaudited)

June 30, 2026

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

	Year ended		
	2026	2025	2024
Plan returns	14.19 %	10.14 %	9.30 %
Broad domestic equity	23.81	13.45	21.23
Global equity (ex-U.S.)	28.10	19.68	12.76
Fixed income	4.30	6.43	3.58
Multi-asset	12.16	5.22	8.05
Real assets	6.01	4.24	0.49
Private equity	7.46	6.54	4.96
Actuarially assumed rate of return	7.25	7.25	7.25

Benefits and Other Deductions

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

	Deductions				
			Increase (decrease)		
	2026	2025	Amount	Percentage	2024
Pension benefits	$ 18,640,265	17,750,820	889,445	5.0 %	16,349,783
Postemployment healthcare benefits	1,930,247	1,706,376	223,871	13.1	1,755,642
Refunds of contributions	—	79,848	(79,848)	—	—
Administrative	196,096	192,357	3,739	1.9	213,944
Total	$ 20,766,608	19,729,401	1,037,207	5.3 %	18,319,369

DB Pension Benefits

DB pension benefit payments increased from fiscal year 2025 to fiscal year 2026 by $889,445 (5%). For fiscal year 2026, there is a 5.0% increase in pension benefits directly related to the increase in retiree benefits that started in December 2025, which was paid over the entire fiscal year, in addition, there was a slight decrease in retirees from 151 to 150 for the year.

Postemployment Healthcare Benefits

The System's postemployment healthcare benefit payments in fiscal year 2026 increased $223,871 or 13.1% from fiscal year 2025. The fiscal year 2026 increase in healthcare costs was due to decreases in per member claim costs.

(Continued)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2026

Administrative Costs

The System's administrative costs in fiscal year 2026 increased $3,739 or 1.9% from fiscal year 2025. The decrease in fiscal year 2026 is primarily due to decreases in management and consulting services primarily due to a capital project for a retirement system replacement.

Net Pension Asset

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

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

	2026	2025
Total pension liability	$ 260,386,050	256,612,601
Plan fiduciary net position	(292,500,628)	(268,577,009)
Employer's net pension asset	$ (32,114,578)	(11,964,408)
Plan fiduciary net position as a percentage of the total pension liability	112.33 %	104.66 %

Net OPEB Asset

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

(Continued)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2026

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

	2026	2025
Total OPEB liability	$ 24,076,776	22,027,361
Plan fiduciary net position	(57,876,384)	(51,126,285)
Employer's net OPEB asset	$ (33,799,608)	(29,098,924)
Plan fiduciary net position as a percentage of the total OPEB liability	240.38 %	232.10 %

Funding

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

Employer Contribution Rate - The actuarially determined contribution rate is calculated by the System's consulting actuary and approved by the administrator. Contributions are determined on an annual basis either through the actuarial valuation or the roll forward actuarial valuation process. Plan member contributions are set by Alaska Statute 22.25.011. The actuarially determined contribution rate is calculated by the System's consulting actuary and approved by the administrator. Contributions are determined on an annual basis either through the actuarial valuation or the roll forward actuarial valuation process. Plan member contributions are set by Alaska Statute 22.25.011.

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

Legislation - During fiscal year 2026, the 35th Alaska State Legislature did not appropriate past service cost contribution funding from the General Fund to the Department of Administration for deposit to the System for the fiscal year ending June 30, 2026, due to the System's June 30, 2024 actuarial valuation report reflecting over-funded levels for both the pension and healthcare benefits trusts.

Currently Known Facts, Decisions, or Conditions

Fiscal year 2026 had positive investment returns, which were roughly 6.94% above the actuarial rate of return of 7.25%. Net investment income increased from $31,765,331 in fiscal year 2025 to $43,543,928 in fiscal year 2026, an increase of $11,778,597, or 37.1%. 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 roll-forward actuarial valuation report for June 30, 2025 reflected that the Defined Benefit Pension Plan had a funded ratio of 103.5% and a funding excess of $8.9 million, and the ARHCT Plan had a funded ratio of 228.9% and a funding excess of $28.4 million.

(Continued)

The actuarial valuation report for June 30, 2024 reflected that the Defined Benefit Pension Plan had a funded ratio of 101.7% and a funding excess of $4.1 million, and the ARHCT Plan had a funded ratio of 225.3% and a funding excess of $25.9 million.

The increase in the Pension Plan funding excess is attributable to the fiscal year 2025 investment return which resulted in an actuarial asset gain of $4.6 million. The increase in the ARHCT Plan funding excess is attributable to contribution gains _____.

Both the roll-forward actuarial valuation report of June 30, 2025 and the actuarial valuation report of June 30, 2024 are posted to the Plan's web page. The actuarial valuation reports for the Plan are conducted biennially. The roll-forward actuarial valuation report for June 30, 2025 was completed and presented in ____ ____, and adopted by the Board in ___ ____. The actuarial valuation report for June 30, 2024 was presented in May 2025, and adopted by the Board in June 2025.

Requests for Information

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

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

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

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

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2026

(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 pension plan is a condition of employment for eligible State justices and judges. At June 30, 2026, the plan membership consisted of the following:

Retired plan members or beneficiaries currently receiving benefits	150
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	73
	227

(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

(Continued)

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 Plan, less benefits paid by the Plan.

(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 2026 and 2025, employer contribution rates are 47.41% and 59.24% of eligible compensation, respectively, of which only the employer normal cost rates of 39.22% and 42.07% were required from the Alaska Court System. For fiscal year 2027 the employer contribution rate is 35.22% and the employer normal cost rate is 35.22%. The past service costs were paid for separately by the State via annual appropriations. For the fiscal years 2026 and 2027 there was no funding provided via the annual appropriation.

(f) Refunds

Plan member contributions may be voluntarily refunded to the justice or judge if office is vacated before the justice or judge is fully vested. A justice or judge shall have a vested right to accrued pay if the justice or judge has served five years or more. Plan member contributions may be involuntarily refunded to a garnishing agency. Members whose contributions have been refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest, as long as they have returned to active service. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the involuntary refunded balance and accrued interest.

(g) Other Postemployment Benefit Plan

The Alaska Retiree Healthcare Trust Plan (ARHCT), a healthcare trust fund of the State, provides major medical coverage to retirees of the Plan. These major medical benefits, to cover medical expenses, are provided without cost to retired plan members. The ARHCT is self-funded and self-insured. As of June 30, 2026, membership in the plan was as follows:

Retired plan members or beneficiaries currently receiving benefits	150
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	73
	227

(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, employer money market funds, 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 plan owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals.

(Continued)

(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).

(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 Alaska Statute (AS) 37.10.210-390.

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

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board.

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

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

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2026 for the Defined Benefit Pension Plan is 13.27% and for the ARHCT Plan is 10.85%.

For additional information on securities lending, interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Systems at https://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, 2026 were as follows:

Total pension liability	$ 260,386,050
Plan fiduciary net position	(290,818,824)
Employer's net pension (asset)	$ (30,432,774)
Plan fiduciary net position as a percentage of the total pension liability	111.69 %

(Continued)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2026

(a) Actuarial Assumptions

The total pension liability was determined by a roll-forward valuation as of June 30, 2025, rolled forward to the measurement date of June 30, 2026 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2026 based on the results of an actuarial experience study for the period from July 1, 2021 to June 30, 2025. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2026.

The roll-forward valuation as of June 30, 2025 was based on the participant data from the June 30, 2024 actuarial valuation. Methods and assumptions used in the June 30, 2025 roll-forward valuation were the same as those used in the June 30, 2024 actuarial valuation, except as noted in the June 30, 2025 roll-forward valuation report dated May 8, 2026.

Inflation	2.50% per year
Salary scale and pensioner benefit payment increases	8.50% effectve July 1, 2024, and 3.00% effective July 1, 2025 and annually thereafter
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Mortality	Pre-commencement mortality rates were based on the Pub-2016 General Employee table, above-median, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on the Pub-2016 General Retiree table, above-median, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2016 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2016 Contingent Survivior table, above-median, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

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STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

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Notes to Financial Statements

June 30, 2026

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, 2026 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.46%).

Asset class	Long-term expected real rate of return
Domestic equity	6.02 %
Global equity (ex-U.S.)	6.04
Global equity	5.86
Aggregate bonds	2.05
Real assets	5.11
Private equity	9.22
Cash equivalents	0.63

(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 Bond Buyer GO 20-Year Municipal Bond Index rate was 4.67% as of June 30, 2026. The prior rate was 5.20% as of June 30, 2025.

(Continued)

(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, 2026, 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	$ 4,013,056	30,432,774	(52,931,980)

(5) Net OPEB Asset – ARHCT Plan

The components of the net OPEB asset of the participating employer of the Plan at June 30, 2026 were as follows:

Total OPEB liability	$ 24,076,776
Employer's fiduciary net position	(57,543,076)
Employer's net OPEB asset	$ (33,466,300)
Plan fiduciary net position as a percentage of the total OPEB liability	239.00 %

(Continued)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2026

(a) Actuarial Assumptions

The total OPEB liability was determined by a roll-forward valuation as of June 30, 2025, rolled forward to the measurement date of June 30, 2026, and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2026 based on the results of an actuarial experience study for the period from July 1, 2021, to June 30, 2025. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2026.

The roll-forward valuation as of June 30, 2025 was based on the participant data from the June 30, 2024 actuarial valuation. Methods and assumptions used in the June 30, 2025 roll-forward valuation were the same as those used in the June 30, 2024 actuarial valuation, except as noted in the June 30, 2025 roll-forward valuation report dated May 8, 2026.

Inflation	2.50% per year
Salary increases	8.50% effective July 1, 2024, and 3.00% effective July 1, 2025 and annually thereafter.
Investment rate of return	7.25% per year, net of post-retirement healthcare investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Trend rates	Pre-65 medical: 7.0% grading down to 4.5% Post-65 medical: 6.0% grading down to 4.5% Rx / EGWP: 11.0% grading down to 4.5% Initial trend rates are for FY 2027 Ultimate trend rates reached in FY 2050
Mortality	Pre-commencement mortality rates were based on the Pub-2016 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-2016 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-2016 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-2016 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.

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STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

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Notes to Financial Statements

June 30, 2026

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, 2026 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.46%):

Asset class	Long-term expected real rate of return
Domestic equity	6.02 %
Global equity (ex-U.S.)	6.04
Global equity	5.86
Aggregate bonds	2.05
Real assets	5.11
Private equity	9.22
Cash equivalents	0.63

(b) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2026 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 Bond Buyer GO 20-Year Municipal Bond Index rate was 4.67% as of June 30, 2026. The prior rate was 5.20% as of June 30, 2025.

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

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Notes to Financial Statements

June 30, 2026

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

The following presents the net OPEB asset as of June 30, 2026, calculated using the discount rate of 7.25%, as well as what the System's net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

		1.00% decrease (6.25%)	Current discount rate (7.25%)	1.00% increase (8.25%)
Net OPEB asset	$	30,757,904	33,466,300	35,748,471

(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, 2026, calculated using the healthcare cost trend rates as summarized in the 2024 actuarial valuation report, as well as what the System's net OPEB asset would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

		1.00% decrease	Current healthcare cost trend rate	1.00% increase
Net OPEB asset	$	36,384,818	33,466,300	29,941,335

(Continued)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2026

(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:

		2026	2025
Total, beginning of year	$	145,000	150,000
Healthcare benefits		1,930,247	1,706,376
Benefits paid		(1,913,247)	(1,711,376)
Total, end of year	$	162,000	145,000

(7) Employer Group Waiver Program

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

(8) Medicare Part D Retiree Drug Subsidy

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

(9) Commitments and Contingencies

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

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information (Unaudited)

June 30, 2026

(1) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Gallagher. The significant actuarial methods and assumptions used in the valuation as of June 30, 2024 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.

The Board adopted a 15-year fresh start approach for the amortization method in September 2025, which was effective June 30, 2024. The Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2024 was amortized over a 15-year closed period. 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 15-year periods. The amortizations continue to be on a level percent of pay basis.

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 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 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, 2026

(b) Valuation of assets – The actuarial asset value was initialized to equal Fair Value of Assets as of June 30, 2006. Beginning in FY07, the asset valuation 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 the financial statements. Valuation assets are constrained to ranges of 80% to 120% to the fair value of assets.

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

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

(e) Salary scale – 8.50% effective July 1, 2024, and 3.00% effective July 1, 2025 and annually thereafter.

(f) Payroll growth – 1.50%

(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 $345,000 for 2024. This limit is assumed to increase 2.50% each year thereafter.

Benefits are limited to the IRC 415 amount, which was $275,000 for 2024. This limit is assumed to increase 2.50% each year thereafter.

(i) Benefit payment increases – Benefits for retired members are assumed to increase 8.50% effective July 1, 2024 and 3.00% effective July 1, 2025 and annually thereafter.

(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.

(Continued)

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Notes to Required Supplementary Information (Unaudited)

June 30, 2026

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

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

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

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

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

Post-disability mortality in accordance with the following tables:

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

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

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

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

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

(r) Dependent children –

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STATE OF ALASKA
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Notes to Required Supplementary Information (Unaudited)

June 30, 2026

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

(s) Imputed data – Data changes from the prior year which are deemed to have an immaterial impact on liabilities and contribution rates are assumed to be correct in the current year's client data.

Non-vested terminations with appropriate refund dates are assumed to have received a full refund of contributions. Active members with missing salary and service are assumed to be terminated with status based on their vesting percentage.

(t) Administrative expenses – The Normal Cost as of June 30, 2025 was increased by the following amounts. These amounts are based on the average of actual administrative expenses during the last two fiscal years.

- Pension – $109,375
- Healthcare – $41,350

(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 FY25 medical and prescription drug are shown below. The prescription drug costs reflect the plan change to require

(Continued)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information (Unaudited)

June 30, 2026

prior authorization for certain specialty medications. The pre-Medicare medical cost reflects the coverage of additional preventive benefits:

	Medical	Prescription Drugs
Pre-Medicare	$ 19,003	$ 5,158
Medicare Parts A and B	2,337	5,381
Medicare Part B only	7,712	5,381
Medicare Part D – EGWP	N/A	2,103

Members are assumed to attain Medicare eligibility at age 65. All costs are for the 2026 fiscal year (July 1, 2025 – June 30, 2026).

The smoothed fiscal year 2025 EGWP subsidy assumption reflects a weighted blend of estimated reimbursements from fiscal years 2021 through 2025. Since estimated FY25 EGWP subsidies contained only 6 months of increased subsidy due to the IRA changes as of January 1, 2025, the first year EGWP subsidy trend is 30.20% taking into account the estimated FY26 subsidy has 12 months of increased subsidy. Thereafter, 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 typically increases with

(Continued)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

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Notes to Required Supplementary Information (Unaudited)

June 30, 2026

age. Separate morbidity rates are used for medical and prescription drug benefits. These rates are based on the 2017–2021 actual experience.

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

(bb) Healthcare third-party administrator fees – $353 per person per year; assumed to increase at 4.50% per year.

(Continued)

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Notes to Required Supplementary Information (Unaudited)

June 30, 2026

(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, 6.40% is applied to the FY2 pre-Medicare medical claims cost to get the FY26 pre-Medicare medical claims cost:

	Medical		Prescription
Fiscal year	Pre-65	Post-65	drugs/EGWP
2025	6.40 %	5.40 %	8.80 %
2026	6.20	5.40	8.50
2027	6.05	5.35	8.20
2028	5.85	5.35	7.90
2029	5.65	5.30	7.45
2030	5.45	5.30	7.05
2031	5.30	5.30	6.60
2032	5.30	5.30	6.15
2033	5.30	5.30	5.70
2034-2038	5.30	5.30	5.30
2039	5.25	5.25	5.30
2040	5.20	5.20	5.30
2041	5.10	5.10	5.20
2042	5.05	5.05	5.10
2043	4.95	4.95	5.00
2044	4.90	4.90	4.90
2045	4.80	4.80	4.85
2046	4.75	4.75	4.75
2047	4.70	4.70	4.70
2048	4.60	4.60	4.65
2049	4.55	4.55	4.55
2050+	4.50	4.50	4.50

[1] The FY25 trend rate applied to the EGWP subsidy is 30.20%

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.

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.

(Continued)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information (Unaudited)

June 30, 2026

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

(a) Changes in Actuarial Methods Since the Prior Valuation – June 30, 2023 to June 30, 2025

The Board adopted a 15-year fresh start approach for the amortization method in September 2025, which was effective June 30, 2024. The Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2024 was amortized over a 15-year closed period. 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 15-year periods. The amortizations continue to be on a level percent of pay basis.

(b) Changes in Actuarial Assumptions Since the Prior Valuation – June 30, 2023 to June 30, 2025

Effective for the June 30, 2025, the salary increases and pension benefit increase assumptions were modified to be 3.00% effective July 1, 2025, and 3.00% effective July 1, 2026 and annually thereafter to better reflect expected short-term experience.

The healthcare per capita claims cost assumption is updated annually as described in Section 4.2. As a result of changes to the Standard Medicare Part D plan under the Inflation Reduction Act, EGWP subsidies are expected to be higher than originally anticipated for 2025 and beyond. EGWP subsidies were updated based on estimates provided by Segal Consulting. Because of the significant increase in the EGWP subsidy for FY25 and beyond due to the Inflation Reduction Act, and uncertainty regarding future subsidy levels, the ARMB has adopted a smoothing of EGWP subsidy estimates over five years. In addition, the prescription drug and EGWP trend assumption was updated to reflect recent survey information indicating higher than initial trend rates in part due to the recent higher-than-expected inflationary environment.

The amounts included in the Normal Cost for administrative expenses were changed from $114,000 to $109,375 for pension, and from $37,000 to $41,350 for healthcare (based on the most recent two years of actual administrative expenses paid from plan assets).

There were no other changes in actuarial assumptions since the prior valuation.

(c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2023 to June 30, 2025

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

SUPPLEMENTAL SCHEDULES

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2026
(With summarized financial information for June 30, 2025)

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

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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, 2026, 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, 2026, 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 2024 combining financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 15, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 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, 2026 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, 2026. The supplemental schedules listed in the table of contents for the year ended June 30, 2026 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, 2026 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, 2026.

We also previously audited, in accordance with GAAS, the basic financial statements of the System as of and for the year ended June 30, 2025 (not presented herein), and have issued our report thereon dated _____ which expressed an unmodified opinion. The supplemental schedules listed in the table of contents for the year ended June 30, 2025 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, 2025 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, 2025.

(signed) KPMG LLP

Anchorage, Alaska
DATE

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2026

This Management's Discussion and Analysis (MD&A) has been prepared in accordance with GASB Statement No. 103, Financial Reporting Model Improvements, and provides management's overview and analysis of the financial activities of the State of Alaska Teachers' Retirement System (the System) for the fiscal years ended June 30, 2026 and 2025. This narrative is intended to assist readers in understanding the System's overall financial performance and should be read in conjunction with the financial statements, notes to the financial statements, required supplementary information, and supplemental schedules that accompany this report.

The MD&A offers an analytical perspective on key financial results, including changes in fiduciary net position, contributions, investment performance, benefit payment activity, and other factors that influenced the System's financial condition during the period.

Financial Highlights

The System's financial highlights for the year ended June 30, 2026 were as follows:

- The System's fiduciary net position restricted for pension benefits, postemployment healthcare benefits, and individuals increased by $1.2 billion.
- The System's employers and plan members contributions decreased by $5.9 million when compared to fiscal year 2025.
- The State of Alaska (the State) directly appropriated $139.0 million to the System.
- The System's net investment income was $1.7 billion, an increase of $487.8 million when compared to fiscal year 2025.
- The System's pension benefit expenditures totaled $597.2 million.
- The System's postemployment healthcare benefit expenditures totaled $232.9 million.

Overview of the Financial Statements

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

Combining statement of fiduciary net position – Presents the System's assets, liabilities, and net position restricted for pension benefits, postemployment healthcare, and individuals as of June 30, 2026.

Combining statement of changes in fiduciary net position – Shows contributions, investment income, benefit payments, refunds, and administrative and investment expenses for the year ended June 30, 2026

The above statements represent resources available for investment and payment of benefits as of June 30, 2026, and the sources and uses of those funds during fiscal year 2025.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2026

Notes to financial statements – Provide essential detail on significant policies, valuation methods, benefit provisions, and fiduciary risks related to pension and postemployment healthcare.

Required supplementary schedules – Includes 12 schedules and notes on the System's funded status, actuarial assumptions, and valuation methods.

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

Financial Summary

System net position (In thousands)

	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Total assets	$ 13,288,447	12,077,306	1,211,141	10.0 %	11,343,655
Total liabilities	54,601	37,328	17,273	46.3	32,081
Net position restricted for pension and postemployment healthcare benefits	$ 13,233,846	12,039,978	1,193,868	9.9 %	11,311,574

Changes in system net position (In thousands)

Description	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Net position, beginning of year	$ 12,039,978	11,311,574	728,404	6.4 %	10,813,116
Additions:					
Revenues	2,088,828	1,587,650	501,178	31.6	1,312,559
Transfer in	—	63	(63)	(100.0)	2,560
Total additions	2,088,828	1,587,713	501,115	31.6	1,315,119
Deductions:					
Expenses	894,960	859,246	35,714	4.2	814,011
Transfer out	—	63	(63)	(100.0)	2,650
Total deductions	894,960	859,309	35,651	4.1	816,661
Increase in net postion	1,193,868	728,404	465,464	63.9	498,458
Net position, end of year	$ 13,233,846	12,039,978	1,193,868	9.9 %	11,311,574

(Continued)

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

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Management's Discussion and Analysis (Unaudited)

June 30, 2026

Detailed Analysis of the System

The statements of fiduciary net position as of June 30, 2026 and 2025 show net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $13,233,846,000 and $12,039,978,000, 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 $1,193,868,000 or 9.9% from fiscal year 2025 to 2026. 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 35th Alaska State Legislature and as part of the State's Fiscal Year 2026 Operating Budget, House Bill 53 appropriated $138,982,000 from the General Fund to the Department of Administration for deposit in the Defined Benefit Pension fund. The amount of the appropriation allocated to the State as an employer is included in Contributions – Employer. The remaining appropriation of $138,109,000 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.

Contributions, Investment Income, and Other Additions

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

	Additions (In thousands)				
			Increase (decrease)		
	2026	2025	Amount	Percentage	2024
Contributions – employers	$ 103,557	107,112	(3,555)	(3.3)%	104,887
Contributions – plan members	70,921	73,297	(2,376)	(3.2)	73,102
Contributions – nonemployer State of Alaska	138,109	122,442	15,667	12.8	97,951
Net investment income	1,715,438	1,227,638	487,800	39.7	991,281
Employer group waiver plan	32,153	26,405	5,748	21.8	21,493
Medicare retiree drug subsidy	451	194	257	132.5	225
Pharmacy rebates	27,883	30,140	(2,257)	(7.5)	23,019
Pharmacy management allowance	60	61	(1)	(1.6)	64
Other income	256	361	(105)	(29.1)	447
Transfer in	—	63	(63)	(100.0)	2,650
Total	$ 2,088,828	1,587,713	501,115	31.6 %	1,315,119

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STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2026

Employer Contributions

FY 2026: Employer contributions fell from $107,112,000 to $103,557,000, a decrease of $3,555,000 or 3.3%. This change primarily reflects a decrease in employer contributions attributed to a slight decrease in active members.

Plan-Member Contributions

FY 2026: Member contributions decreased from $73,297,000 to $70,921,000, down $2,376,000 or 3.2%, driven by a slight decrease in active members.

Nonemployer Contributions (State Appropriations – Employer On-Behalf)

The State of Alaska contributed $123,358,000 in FY 2025, and $138,982,000 in FY 2026, under AS 39.35.280 and AS 39.35.255(a). These amounts—calculated by the System's actuary based on projected payroll and the difference between actuarially determined and statutory effective rates, currently 22.00%, are classified as nonoperating subsidies under GASB definitions.

Investment Income

FY 2026: Net investment income increased by $487,800,000 or 39.7% over FY 2025, driven by higher returns in domestic and global equities performing above the 7.25% actuarial assumption. However, fixed-income and alternative assets underperformed that benchmark.

Net investment earnings continue to play a significant long-term role in plan funding, and the Board reviews asset allocations annually to align returns with benefit obligations.

Medicare EGWP Funds

FY 2026: The plan received $32,153,000 in CMS EGWP funds via OptumRx, compared to $26,405,000 in FY 2025. The increase is attributed to higher drug usage and rising prescription prices, positively impacting revenues.

Pharmacy Rebates

FY 2026: Pharmacy rebates were $27,883,000, up from $30,140,000 in FY 2025. Higher negotiated rebate rates implemented in 2022 are now flowing through, aligning rebate receipts with expected annual patterns.

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

June 30, 2026

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

	Year ended		
	2026	**2025**	**2024**
Plan returns	14.17 %	10.12 %	9.23 %
Broad domestic equity	23.83	13.45	21.21
Global equity (ex-U.S.)	28.11	19.68	12.77
Fixed income	4.31	6.41	3.58
Multi-asset	12.14	5.19	8.04
Real assets	6.00	4.24	0.04
Private equity	7.44	6.53	4.96
Actuarially assumed rate of return	7.25	7.25	7.25

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

	Year ended		
	2026	**2025**	**2024**
Plan returns	14.21 %	10.13 %	9.31 %
Broad domestic equity	23.81	13.45	21.21
Global equity (ex-U.S.)	28.09	19.68	12.77
Fixed income	4.28	6.34	3.61
Multi-asset	12.16	5.22	8.05
Real assets	6.01	4.16	0.05
Private equity	7.46	6.53	4.96
Actuarially assumed rate of return	7.25	7.25	7.25

(Continued)

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2026

Benefits and Other Deductions

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

	Deductions (In thousands)				
			Increase		
	2026	**2025**	**Amount**	**Percentage**	**2024**
Pension benefits	$ 597,152	583,214	13,938	2.4 %	572,179
Postemployment benefits	232,869	212,394	20,475	9.6	187,970
Refunds of contributions	50,797	50,272	525	1.0	40,426
Administrative	14,142	13,366	776	5.8	13,436
Transfer out	—	63	(63)	(100.0)	2,650
Total	$ 894,960	859,309	35,651	4.1 %	816,661

DB Pension Benefits

DB pension benefit payments increased from fiscal year 2025 to fiscal year 2026 by $13,938,000 or 2.4%. The increase reflects the application of a Post-Retirement Pension Adjustment of 1.053% / 1.580% for eligible retirees.

Postemployment Healthcare Benefits

Postemployment healthcare benefit payments grew by $20,475,000 or 9.6% in fiscal year 2026 relative to fiscal year 2025. The increase was driven by higher per-member healthcare claims.

Refunds of Contributions

Refunds of member contributions increased by $525,000 or 1.0% from fiscal year 2025 to 2026.

These increases are primarily attributable to the DCR Plan, where refunds rose by $446,000 from fiscal year 2025 to 2026. Rising refund activity is due to both an increase in the number of departing members and higher average refund amounts. The System educates members on the advantages of retaining funds within the DCR Plan, including comparatively low investment costs.

Administrative Costs

Administrative expenses increased by $776,000 or 5.8% in fiscal year 2026. In both years, the growth in costs was driven by expanded management and consulting services necessary to support plan operations.

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STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2026

Net Pension Liability (NPL)

In accordance with GASB Statement No. 67, the DB Plan reports its total pension liability, fiduciary net position, and resulting net pension liability.

Total Pension Liability - represents the actuarial present value of pension benefits owed, incorporating service cost, changes in assumptions, benefit modifications, and experience differences.

Fiduciary Net Position - reflects assets available for benefit payments, derived from contributions, investment income, and other additions, net of benefit payments and administrative costs.

Net Pension Liability - is the difference between these two measures and represents the unfunded portion of pension obligations.

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

		2026	2025
Total pension liability	$	7,990,518	8,032,515
Plan fiduciary net position		(6,957,282)	(6,478,048)
Employers' net pension liability	$	1,033,236	1,554,467
Plan fiduciary net position as a percentage of the total pension liability		87.07%	80.65%

Net OPEB Asset

Under GASB Statement No. 74, each DB Other Postemployment Benefit (OPEB) Plan reports its total OPEB liability, fiduciary net position, and either a net OPEB liability or net OPEB asset.

Total OPEB liability - captures healthcare benefit obligations arising from years of service, benefit changes, assumption changes, and expected-to-actual experience.

Fiduciary Net Position - consists of plan assets available for healthcare benefits.

Net OPEB Asset - equals fiduciary net position in excess of the total OPEB liability and represents an overfunded status.

(Continued)

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2026

The components of the net OPEB asset of the participating employers of the Plans as of June 30, 2026 were as follows (in thousands):

	Alaska Retiree Healthcare Trust Plan (ARHCT Plan)	Occupational Death and Disability (ODD Plan)	Retiree Medical Plan (RMP)
Total OPEB liability	$ 2,946,889	555	72,351
Plan fiduciary net position	(4,241,019)	(11,726)	(119,438)
Employers' net OPEB asset	$ (1,294,130)	(11,171)	(47,087)
Plan fiduciary net position as a percentage of the total OPEB liability	143.92%	2,112.79%	165.08%

The components of the net OPEB asset of the participating employers of the Plans as of June 30, 2025 were as follows (in thousands):

	Alaska Retiree Healthcare Trust Plan (ARHCT Plan)	Occupational Death and Disability (ODD Plan)	Retiree Medical Plan (RMP)
Total OPEB liability	$ 2,695,505	541	73,913
Plan fiduciary net position	(3,891,081)	(9,879)	(100,828)
Employers' net OPEB asset	$ (1,195,576)	(9,338)	(26,915)
Plan fiduciary net position as a percentage of the total OPEB liability	144.35%	1,826.06%	136.41%

Funding

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

Employer Contribution Rate - The Board adopts the actuarially determined employer contribution rate annually. AS 14.25.070(a) sets the statutory employer effective rate at 12.56%. The State provides additional contributions per AS 14.25.085 to fund the difference between the statutory rate and the actuarially determined rate.

Additional State Contributions - Per AS 14.25.085, additional State contributions are provided each fiscal year to ensure total System funding meets the actuarially determined rate adopted by the Board.

Plan Member Contributions - Set by AS 14.25.050 for the DB Plan and AS 14.25.340 for the DCR Plan.

(Continued)

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2026

Investment Strategy - The Board, with its external investment consultant, establishes and periodically reviews the System's long-term asset allocation strategy

Legislation

During fiscal year 2026, the 35th Alaska State Legislature enacted one law that affects the System. Conference Committee Substitute (CCS) for House Bill 263, Section 48 (b), appropriates $163.9 million from the General Fund to the Department of Administration for deposit in the System's defined benefit plan account as an additional state contribution for fiscal year ending June 30, 2027.

This appropriation is to fund the difference between the statutory employer required contribution of 12.56% 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 34.02% adopted by the Board for Fiscal Year 2027. This additional state contribution is specified in AS 14.25.085 – Additional State Contributions.

Currently Known Facts, Decisions, or Conditions

Fiscal year 2026 had positive investment returns. Net investment income increased from $1,227,638,000 in fiscal year 2025 to $1,648,058,000 in fiscal year 2026, an increase of $420,420,000 or 34.2%. During fiscal year 2026, the System's actual rate of return on investments was roughly 6.96% above 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 28.59% in fiscal year 2025 to 31.33% in fiscal year 2026. Additionally, the Board discussed not contributing the healthcare normal cost contribution rate of 2.15% 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 healthcare normal cost rate for fiscal year 2026. The Board adopted the fiscal year 2026 actuarially determined contribution rate of 31.33%, which represented an increase of 2.74%. The statutory employer effective contribution rate remains at 12.56% for fiscal years 2026 and 2025.

The June 30, 2025 and 2024 actuarial valuation reports for the DB Pension Plan reported funded ratios based on valuation assets of 79.8% and 77.9%, as well as unfunded liabilities of $1.7 billion and $1.8 billion, respectively.

The June 30, 2025 and 2024 actuarial valuation reports for the DB ARHCT reported funded ratios based on valuation assets of 140.6% and 138.7%, as well as funding excesses of $1,110.9 million and $1,025.9 million, respectively.

For fiscal years 2026 and 2025, the DCR Plan's employer contribution rate are established by AS 14.25.070(a) at 12.56%. The DCR Plan's actuarially determined occupational death and disability contribution rate was

(Continued)

adopted by the Board for fiscal year 2026 to be 0.08%. The DCR Plan's actuarially determined retiree medical plan contribution rate was adopted by the Board for fiscal year 2026 to be 0.74%.

The June 30, 2025 and 2024 actuarial valuation reports for the DCR Occupational Death & Disability Plan reported funded ratios based on valuation assets of 6,950.7% and 5,171.5%, as well as funding excesses of $9.6 million and $8.4 million, respectively.

The June 30, 2025 and 2024 actuarial valuation reports for the DCR Retiree Major Medical Plan reported funded ratios based on valuation assets of 129.6% and 134.0%, as well as funding excesses of $22.7 million and $22.2 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 99811-040

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2026

(1) Description

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

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

Plan name	Type of plan
Defined Benefit Pension (DB) Plan	Cost-sharing, Defined Benefit Pension
Defined Contribution Retirement Pension (DCR) 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	
Health Reimbursement Arrangement (HRA) Plan	Defined Contribution OPEB

At June 30, 2026, the number of participating local government employers and public organizations, including the State, was as follows:

State of Alaska	1
School districts	52
Other	3
Total employers	56

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

Defined Benefit Pension Plan

(a) General

The Defined Benefit Pension (DB) Plan provides pension benefits for teachers and other eligible members. Benefit and contribution provisions are established by State law and may be amended only

by the State Legislature. With the passage of Senate Bill 141, the DB Plan was closed to all new members effective July 1, 2006.

The DB Plan's membership consisted of the following at June 30, 2026:

Retired plan members or beneficiaries currently receiving benefits	13,454
Inactive plan members entitled to but not yet receiving benefits	572
Inactive plan members not entitled to benefits	1,359
Active plan members	1,873
Total DB Plan membership	17,258

(b) Pension Benefits

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

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

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

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

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

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

(c) Contributions

Contribution requirements of the active plan members and the participating employers are actuarially determined and adopted by the Board as a contribution rate that, when combined, is expected to finance the costs of benefits earned by plan members during the year, with an additional contribution

rate to finance any unfunded accrued liability. The DB Plan members contribute 8.65% of their base salary as required by statute. The statutory employer effective contribution rate is 12.56% of annual payroll, which for fiscal year 2026 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 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 2026, the DBUL was allocated 100.00% to the DB Pension Plan and 0% 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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2026

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, 2026, membership in the DCR Plan included 6,589 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.

(Continued)

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2026

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, 2026:

Retired plan members or beneficiaries currently receiving benefits	13,454
Inactive plan members entitled to but not yet receiving benefits	572
Inactive plan members not entitled to benefits	1,359
Active plan members	1,873
Total ARHCT Plan membership	17,258

(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 2026 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, 2026:

Active plan members	6,589
Participating employers	56
Open claims	1

(Continued)

(i) Death Benefits

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

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

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

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

(ii) Disability Benefits

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

dependent child up to a maximum of four children. At normal retirement age, a disabled System member receives normal retirement benefits.

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

(iii) Contributions

An employer shall contribute to each member's account based on the member's compensation. For fiscal year 2026, 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, 2026:

Retired plan members or beneficiaries currently receiving benefits	55
Inactive plan members entitled to but not yet receiving benefits	1,476
Inactive plan members not entitled to benefits	3,843
Active plan members	6,589
Total RMP membership	11,963

(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 2026 employer effective contribution rate is 0.74% of member's compensation.

Defined Contribution Other Postemployment Benefit Plan

(a) General

The 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, 2026:

Retired plan members or beneficiaries currently receiving benefits	102
Inactive plan members entitled to but not yet receiving benefits	1,476
Inactive plan members not entitled to benefits	3,843
Active plan members	6,589
Total HRA Plan membership	12,010

(b) OPEB Benefits

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

The Plan Administrator may deduct the cost of monthly premiums from the HRA individual account for the RMP insurance on behalf of an eligible person who elected the retiree major medical insurance under AS 14.25.480. Upon application of an eligible person, the HRA Plan administrator shall

reimburse the costs for medical care expenses defined in 26 USC 213(d). Reimbursement is limited to the medical expenses of (1) an eligible member, the spouse of an eligible member, and the dependent children of an eligible member; or (2) a surviving spouse and the dependent children of an eligible member dependent on the surviving spouse. When the member's individual account balance is exhausted, any deductions from the HRA individual account end. If all eligible persons die before exhausting the member's individual account, the account balance reverts to the HRA Plan.

(c) Contributions

An employer shall contribute to the HRA Plan trust fund an amount equal to 3.00% of the average annual compensation of all employees in the TRS. The administrator maintains a record of each member to account for employer contributions on behalf of that member. The 2026 contribution amount was an annual contribution not to exceed $2,467 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 $2,467 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) Cash and Cash Equivalents

Cash and cash equivalents include the System's holdings within the short-term fixed-income pool, employer money market funds, and overnight investments associated with securities lending collateral. These holdings have the general characteristics of a demand deposit account.

(d) 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 plan owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals.

(e) Defined Contribution Participant-directed Investments

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

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

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

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

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Federal Income Tax Status

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

(3) Investments

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

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

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

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Board has developed investment guidelines, policies, and procedures for Treasury staff and external investment managers to adhere to when managing investments. Treasury manages the U.S. Treasury Fixed-Income Pool, Real Estate Investment Trust Pool, and Treasury Inflation-Protected

Securities Pool, in addition to acting as oversight manager for all externally managed investments. All other investments are managed by external management companies.

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

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2026 for the DB Pension Plan is 13.27%, the ARHCT Plan is 13.31%, the ODD Plan is 13.11%, and the RMP is 13.15%.

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

(4) Net Pension Liability – Defined Benefit Pension Plan

The components of the net pension liability of the participating employers at June 30, 2026 were as follows (in thousands):

Total pension liability	$	7,990,518
Plan fiduciary net position		(6,917,292)
Employers' net pension liability	$	1,073,226
Plan fiduciary net position as a percentage of the total pension liability		86.57 %

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(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2026.

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

The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021.

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

(Continued)

asset allocation as of June 30, 2026 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.46%).

Asset class	Long-term expected real rate of return
Domestic equity	6.02%
Global equity (ex-U.S.)	6.04
Global equity	5.86
Aggregate bonds	2.05
Real assets	5.11
Private equity	9.22
Cash equivalents	0.63

(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 Bond Buyer GO 20-year Municipal Bond Index rate was 4.67% as of June 30, 2026. The prior rate was 5.20%, which was based on the S&P Municipal Bond 20-Year High Grade Index rate as of June 30, 2025. The underlying index was updated in order to exclude bonds subject to the alternative minimum tax.

(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, 2026, 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	$	1,868,425	1,076,226	397,467

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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, 2026 were as follows (in thousands):

	ARHCT Plan	ODD Plan	RMP
tal OPEB liability	$ 2,946,889	555	72,351
an fiduciary net position	(4,216,518)	(11,658)	(118,753)
Employers' net OPEB Asset	$ (1,269,629)	(11,103)	(46,402)
an fiduciary net position as a percentage of the total OPEB liability	143.08%	2,100.54%	164.13%

(a) Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2026.

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%.
Healthcare cost trend rates (ARHCT Plan and RMP)	Pre-65 medical: 6.2% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Rx/EGWP: 8.5% grading down to 4.5% Initial trend rates are for FY 2026 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.

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

The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. For the ARHCT and RMP, the per capita claims costs were updated to reflect recent experience for the June 30, 2024 actuarial valuation. EGWP subsidies were updated to reflect higher expected subsidies due to the Inflation Reduction Act. Because of the significant increase in the EGWP subsidy for FY25 and beyond due to the Inflation Reduction Act, and uncertainty regarding future subsidy levels, the ARMB has adopted a smoothing of EGWP subsidy estimates over five years. In addition, the prescription drug and EGWP trend assumption was updated to reflect recent survey information indicating higher than initial trend rates in part due to the recent higher-than-expected inflationary environment.

The long-term expected rate of return on postretirement healthcare plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected

inflation. Best estimates of arithmetic rates of return for each major asset class included in the postretirement healthcare plans' target asset allocation as of June 30, 2026 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.46%):

Asset class	Long-term expected real rate of return
Domestic equity	6.02%
Global equity (ex-U.S.)	6.04
Global equity	5.86
Aggregate bonds	2.05
Real assets	5.11
Private equity	9.22
Cash equivalents	0.63

(b) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2026 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 Bond Buyer GO 20-Year Municipal Bond Index rate was 4.67% as of June 30, 2026. The prior rate was 5.20%, which was based on the S&P Municipal Bond 20-Year High Grade Index rate as of June 30, 2025. The underlying index was updated in order to exclude bonds subject to the alternative minimum tax.

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

The following presents the net OPEB asset as of June 30, 2026, 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	$ (936,782)	(1,269,630)	(1,549,186)
ODD Plan	(11,441)	(11,103)	(11,078)
RMP	(28,228)	(46,402)	(60,129)

(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, 2026, calculated using the healthcare cost trend rates as summarized in the 2024 actuarial valuation report, as well as what the System's net OPEB asset would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates (in thousands):

	1.00% decrease	Current healthcare cost trend rate	1.00% increase
ARHCT Plan	$ (1,578,597)	(1,269,630)	(902,445)
RMP	(61,560)	(46,402)	(25,963)

(6) Claims Payable

The liability for claims payable and claims incurred but not reported, included in the claims payable amount on the statement of fiduciary net position, represent the estimated amounts necessary to settle all outstanding claims incurred as of the balance sheet date. The ARHCT and Retiree Medical Plan's reserve estimates are based primarily on historical development patterns adjusted for current trends that would modify past experience. Claims are reevaluated periodically to consider the effects of inflation, claims settlement trends, and other economic factors. The process of establishing loss reserves is subject to uncertainties that are normal, recurring, and inherent in the healthcare business.

(Continued)

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

		2026	2025
Total, beginning of year	$	18,371	15,984
Healthcare benefits		232,404	212,069
Benefits paid		(231,225)	(209,682)
Total, end of year	$	19,550	18,371

(7) Employer Group Waiver Program

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

(8) Medicare Part D Retiree Drug Subsidy

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

(9) Commitments and Contingencies

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

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

(Continued)

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.

The Division continues to determine the impact of this decision on PERS and TRS. The Division has notified class members of their right to seek reinstatement into the defined benefit plan and the procedures to do so and is working with impacted former members who meet the requirements to re-establish their position in the defined benefits plan. During fiscal year 2026, the System transferred $0 thousand from the TRS DCR – Occupational Death and Disability fund to the TRS DB Pension fund, $0 thousand from the TRS DCR – Retiree Medical fund to the TRS DB Alaska Retiree Healthcare Trust fund, and $0 thousand from the TRS DCR – Health Reimbursement Arrangement plans to the TRS DB Alaska Retiree Healthcare Trust fund to re-establish certain former members' position in the defined benefits plan. 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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June 30, 2026

(1) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Gallagher. The significant actuarial methods and assumptions used in the defined benefit pension and postemployment healthcare benefit plan valuation as of June 30, 2025 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 – This section outlines the detailed methodology used in the internal model developed by Gallagher to calculate the initial per capita claims cost rates for the TRS postemployment healthcare plan. Note that the methodology reflects the results of our annual experience rate update for the period from July 1, 2024 to June 30, 2025.

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 – 1.0% per year

(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.

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Retiree mortality in accordance with the following tables:

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

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

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

(j) Turnover – Select and ultimate rates based upon the 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.

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 – Male members are assumed to be three years older than their wives. Female members 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.

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(p) Dependent children –

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

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

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

(s) Administrative expenses – The Normal Cost as of June 30, 2025 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 – $3,541,000
- Healthcare – $1,698,000

(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.

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(x) Unused sick leave – 5.25 days of unused sick leave for each year of service are assumed to be available to be credited once the member is retired, terminates, or dies.

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

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

(aa) Early retirement factors – The State 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 is 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 FY26 medical and prescription drug benefits are shown below. The prescription drug costs reflect the plan change to require prior authorization for certain specialty medications. The pre-Medicare medical costs reflect the coverage of additional preventive benefits.

	Medical	Prescription Drugs
Pre-Medicare	$ 19,003	$ 5,158
Medicare Parts A and B	2,337	5,381
Medicare Part B only	7,712	5,381
Medicare Part D – EGWP	N/A	2,106

Members are assumed to attain Medicare eligibility at age 65. All costs are for the 2026 fiscal year (July 1, 2025 – June 30, 2026).

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

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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.

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

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

(hh) Third-party administrator fees – $353 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, 6.20% is applied to the FY26 pre-Medicare medical claims cost to get the FY27 medical claims cost:

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	Medical		Prescription
Fiscal year	Pre-65	Post-65	drugs / EGWP
2026	6.20	5.40	8.50
2027	6.05	5.35	8.20
2028	5.85	5.35	7.90
2029	5.65	5.30	7.45
2030	5.45	5.30	7.05
2031	5.30	5.30	6.60
2032	5.30	5.30	6.15
2033	5.30	5.30	5.70
2034-2038	5.30	5.30	5.30
2039	5.25	5.25	5.30
2040	5.20	5.20	5.30
2041	5.10	5.10	5.20
2042	5.05	5.05	5.10
2043	4.95	4.95	5.00
2044	4.90	4.90	4.90
2045	4.80	4.80	4.85
2046	4.75	4.75	4.75
2047	4.70	4.70	4.70
2048	4.60	4.60	4.65
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.

(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 FY26 contributions based on monthly rates shown below for calendar 2026 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

(Continued)

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information (Unaudited)

June 30, 2026

dependent children, the System values one-third of the annual retiree contribution to estimate the per-child rate based on the assumed number of children in rates where children are covered.

	Calendar 2026		Calendar 2025
Coverage category	Annual contribution	Monthly contribution	Monthly contribution
Retiree only	$ 9,312	$ 776	$ 739
Retiree and spouse	18,624	1,552	1,478
Retiree and child(ren)	13,164	1,097	1,045
Retiree and family	22,476	1,873	1,784
Composite	13,836	1,153	1,098

(kk) Trend rate for retired member medical contributions – Calendar 2026 contributions are trended back to FY26 using half a year of 4.0% trend. Thereafter, a rate of 4.0% is used to project retired member medical contributions to each subsequent fiscal year.

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, 2025 were as follows:

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

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

(c) Valuation of retiree medical and prescription drug benefits – Due to the lack of experience for the DCR retiree medical plan only, base claims costs are based on those described in the actuarial valuation as of June 30, 2025 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 FY26 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 FY26 medical claims costs for Medicare eligible retirees were further reduced 29.5%.

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Notes to Required Supplementary Information (Unaudited)

June 30, 2026

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

The State transitioned to an Employer Group Waiver Program (EGWP) for DCR participants effective January 1, 2019. The estimated 2026 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 – 1.00% per year.

(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.

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June 30, 2026

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

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

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

(k) Disability – No changes to the incidence rates from the prior valuation due to insufficient 2017–2021 actual experience. For retiree medical benefits, the disability rates cease once a member is eligible for retirement. However, the disability rates continue after retirement eligibility for occupational death & disability benefits.

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

Post-disability mortality in accordance with the following tables:

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

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

(m) Spouse age difference – Male members are assumed to be three years older than their wives. Female members 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. Active members with missing salary and service are assumed to be terminated with status based on their vesting percentage.

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Notes to Required Supplementary Information (Unaudited)

June 30, 2026

(r) Administrative expenses – The Normal Cost as of June 30, 2025 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 – $10,000
- Healthcare – $35,000

(s) Retiree medical participation:

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

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

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Notes to Required Supplementary Information (Unaudited)

June 30, 2026

(t) Healthcare per capita claims cost – Sample claims cost rates (before base claims cost adjustments described below) adjusted to age 65 for FY26 medical and prescription drug benefits are shown below. The prescription drug costs reflect the plan change to require prior authorization for certain specialty medications.

	Medical	Prescription Drugs
Pre-Medicare	$ 19,003	$ 5,158
Medicare Parts A and B	2,337	5,381
Medicare Part D - EGWP	N/A	2,106

Members are assumed to attain Medicare eligibility at age 65. All other costs are for the 2026 fiscal year (July 1, 2025 – June 30, 2026).

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

(Continued)

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Notes to Required Supplementary Information (Unaudited)

June 30, 2026

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

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

(w) Third-party administrator fees – $353 per person per year; assumed to increase at 4.50% per year.

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Notes to Required Supplementary Information (Unaudited)

June 30, 2026

(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, 6.20% is applied to the FY26 pre-Medicare medical claims costs to get the FY27 medical claims costs.

	Medical		Prescription
Fiscal year	Pre-65	Post-65	drugs/EGWP
2026	6.20	5.40	8.50
2027	6.05	5.35	8.20
2028	5.85	5.35	7.90
2029	5.65	5.30	7.45
2030	5.45	5.30	7.05
2031	5.30	5.30	6.60
2032	5.30	5.30	6.15
2033	5.30	5.30	5.70
2034-2038	5.30	5.30	5.30
2039	5.25	5.25	5.30
2040	5.20	5.20	5.30
2041	5.10	5.10	5.20
2042	5.05	5.05	5.10
2043	4.95	4.95	5.00
2044	4.90	4.90	4.90
2045	4.80	4.80	4.85
2046	4.75	4.75	4.75
2047	4.70	4.70	4.70
2048	4.60	4.60	4.65
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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STATE OF ALASKA
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Notes to Required Supplementary Information (Unaudited)

June 30, 2026

(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, 2024 to June 30, 2025

Effective June 30, 2025, the Board modified the 25-year layered UAAL amortization method to reduce the initial amortization period from 25 years to 15 years for all layers, except for the "initial amount" layer. The amortization period for the "initial amount" layer was originally established effective June 30, 2014.

(b) Changes in Assumptions Since the Prior Valuation – June 30, 2024 to June 30, 2025

Healthcare claim costs are 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. In June 2025, the Board adopted a new payroll growth assumption of 1.00% effective beginning with the June 30, 2025 valuation. The prior payroll growth assumption was 2.75%. The Board adopted the new assumption to better match recent payroll growth experience.

(c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2024 to June 30, 2025

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, 2024 to June 30, 2025

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

(b) Changes in Assumptions Since the Prior Valuation – June 30, 2024 to June 30, 2025

Healthcare claim costs are 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. In June 2025, the Board adopted a new payroll growth assumption of 1.00% effective beginning with the June 30, 2025 valuation. The prior payroll growth assumption was 2.75%. The Board adopted the new assumption to better match recent payroll growth experience.

(c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2024 to June 30, 2025

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

SUPPLEMENTAL SCHEDULES

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2026
(With summarized financial information for June 30, 2025)

(With Independent Auditors' Report Thereon)

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

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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, 2026, 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, 2026, 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 2025 combining financial statements, and we expressed an unmodified opinion on those financial statements in our report dated _____ __, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2026 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, 2026 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, 2026. The supplemental schedules listed in the table of contents for the year ended June 30, 2026 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, 2026 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, 2026.

We also previously audited, in accordance with GAAS, the basic financial statements of the System as of and for the year ended June 30, 2025 (not presented herein), and have issued our report thereon dated _____ __, 2025 which expressed an unmodified opinion. The supplemental schedules listed in the table of contents for the year ended June 30, 2025 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, 2025 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, 2025.

(signed) KPMG LLP

Anchorage, Alaska
_____ __, 2026

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

Management's Discussion and Analysis (Unaudited)

June 30, 2026

This Management's Discussion and Analysis (MD&A) has been prepared in accordance with GASB Statement No. 103, Financial Reporting Model Improvements, and provides management's overview and analysis of the financial activities of the State of Alaska Public Employees' Retirement System (the System) for the fiscal years ended June 30, 2026 and 2025. This narrative is intended to assist readers in understanding the System's overall financial performance and should be read in conjunction with the financial statements, notes to the financial statements, required supplementary information, and supplemental schedules that accompany this report.

The MD&A offers an analytical perspective on key financial results, including changes in fiduciary net position, contributions, investment performance, benefit payment activity, and other factors that influenced the System's financial condition during the period.

Financial Highlights

The System's financial highlights for the year ended June 30, 2026 were as follows:

- The System's fiduciary net position restricted for pension benefits, postemployment healthcare benefits, and individuals increased by $3.1 billion.
- The System's employers and plan members contributions increased by $75.2 million when compared to fiscal year 2025.
- The State of Alaska (the State) directly appropriated $79.8 million to the System.
- The System's net investment income was $3.8 billion, an increase of $1,135.2 million when compared to fiscal year 2025.
- The System's pension benefit expenditures totaled $1.2 billion.
- The System's postemployment healthcare benefit expenditures totaled $699.4 million.

Overview of the Financial Statements

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

Combining statement of fiduciary net position – Presents the System's assets, liabilities, and net position restricted for pension benefits, postemployment healthcare, and individuals as of June 30, 2026.

Combining statement of changes in fiduciary net position – Shows contributions, investment income, benefit payments, refunds, and administrative and investment expenses for the year ended June 30, 2026

The above statements represent resources available for investment and payment of benefits as of June 30, 2026, and the sources and uses of those funds during fiscal year 2025.

STATE OF ALASKA
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Management's Discussion and Analysis (Unaudited)
June 30, 2026

Notes to financial statements – Provide essential detail on significant policies, valuation methods, benefit provisions, and fiduciary risks related to pension and postemployment healthcare.

Required supplementary schedules – Includes 12 schedules and notes on the System's funded status, actuarial assumptions, and valuation methods.

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

Financial Summary

System net position (In thousands)

Description	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Total assets	29,983,187	26,867,462	3,115,725	11.6	24,916,772
Total liabilities	133,237	94,871	38,366	40.4	81,670
Net position restricted for pension and postemployment healthcare benefits	$ 29,849,950	26,772,591	3,077,359	11.5 %	24,835,102

Changes in system net position (In thousands)

Description	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Net position, beginning of year	$ 26,772,591	24,835,102	1,937,489	7.8 %	24,470,290
Revenues	5,120,156	3,877,408	1,242,748	32.1	3,207,993
Transfer in	193	181	12	6.6	14,582
Total additions	5,120,349	3,877,589	1,242,760	32.0	3,222,575
Expenses	2,042,797	1,939,919	102,878	5.3	1,843,181
Transfer out	193	181	12	6.6	14,582
Total deductions	2,042,990	1,940,100	102,890	5.3	1,857,763
Increase in net position	3,077,359	1,937,489	1,139,870	58.8	1,364,812
Net position, end of year	$ 29,849,950	26,772,591	3,077,359	11.5 %	25,835,102

Detailed Analysis of the System

The statements of fiduciary net position as of June 30, 2026 and 2025 show net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $29,849,950,000 and $26,772,591,000, 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.

(Continued)

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Management's Discussion and Analysis (Unaudited)
June 30, 2026

This represents an increase in the System's net position restricted for pension benefits, postemployment healthcare benefits, and individuals of $3,077,359,000 or 11.5% from fiscal year 2025 to 2026. 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 34th Alaska State Legislature and as part of the State's Fiscal Year 2026 Operating Budget, House Bill 53 appropriated $79,807,000 from the General Fund to the Department of Administration for deposit in the Defined Benefit Pension fund. The amount of the appropriation allocated to participating employers (except the State of Alaska) 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.

Contributions, Investment Income, and Other Additions

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

	Additions (In thousands)				
			Increase (decrease)		
	2026	2025	Amount	Percentage	2024
Contributions – employers	$ 760,984	700,433	60,551	8.6%	632,724
Contributions – plan members	249,083	234,453	14,630	6.2	223,395
Contributions – nonemployer					
State of Alaska	79,807	59,149	20,658	34.9	37,942
Net investment income	3,846,620	2,711,453	1,135,167	41.9	2,176,069
Employer group waiver plan	95,348	80,096	15,252	19.0	64,396
Medicare retiree drug subsidy	1,497	651	846	130.0	737
Pharmacy rebates	85,873	89,842	(3,969)	(4.4)	72,098
Pharmacy management allowance	138	135	3	2.2	137
Other income	806	1,196	(390)	(32.6)	792
Transfer in	193	181	12	6.6	14,582
Total	$ 5,120,349	3,877,589	1,242,760	32.0%	3,222,872

Employer Contributions

FY 2026: Employer contributions rose from $700,433,000 to $760,984,000 an increase of $60,551,000 or 8.6%. This change primarily reflects a rise in total covered payroll.

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Plan-Member Contributions

FY 2026: Member contributions grew from $234,453,000 to $249,083,000, up $14,630,000 or 6.2%, driven by increased member pay and payments made by individuals converting to the defined-benefit plan under the Alaska Supreme Court's decision.

Nonemployer Contributions (State Appropriations)

The State of Alaska contributed $59,149,000 in FY 2025, and $79,807,000 in FY 2026, under AS 39.35.280 and AS 39.35.255(a). These amounts—calculated by the System's actuary based on projected payroll and the difference between actuarially determined and statutory effective rates, currently 22.00%, are classified as nonoperating subsidies under GASB definitions.

Investment Income

FY 2026: Net investment income increased by $1,135,167,000 or 41.9% over FY 2025, driven by higher returns in domestic and global equities performing above the 7.25% actuarial assumption. However, fixed-income and alternative assets underperformed that benchmark.

Net investment earnings continue to play a significant long-term role in plan funding, and the Board reviews asset allocations annually to align returns with benefit obligations.

Other Additions – Plan Transfers

In FY 2026, the System transferred $12 thousand from the PERS DCR – Occupational Death and Disability fund, $35 thousand from the PERS DCR – Retiree Medical fund, and $146 thousand from the PERS DCR – Health Reimbursement Arrangement plans transferring $12 thousand into the PERS DB Pension fund and $181 thousand into the PERS DB Alaska Retiree Healthcare Trust fund. These transfers are a direct result of the Alaska Supreme Court's April 2022 decision, which held that Senate Bill 141 unconstitutionally extinguished accrued DB benefits. The amounts represent contributions and earnings originally allocated to DCR for members who subsequently reenrolled in DB after the court decision.

These transfers meet the criteria of an unusual or infrequent item—significant incident relating to a legal settlement—and have been presented separately in the proprietary fund statement of revenues, expenses, and changes in fund net position in compliance with GASB criteria.

Medicare EGWP Funds

FY 2026: The plan received $95,348,000 in CMS EGWP funds via OptumRx, compared to $80,096,000 in FY 2025. The increase is attributed to higher drug usage and rising prescription prices, positively impacting revenues.

Pharmacy Rebates

FY 2026: Pharmacy rebates were $85,873,000, down from $89,842,000 in FY 2025. Higher negotiated rebate rates implemented in 2022 are now flowing through, aligning rebate receipts with expected annual patterns.

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

	Year ended		
	2026	**2025**	**2024**
Plan returns	14.18 %	10.10 %	9.22 %
Broad domestic equity	23.84	13.45	21.21
Global equity (ex-U.S.)	28.11	19.68	12.77
Fixed income	4.31	6.44	3.55
Multi-asset	12.16	5.20	8.03
Real assets	6.00	4.24	0.04
Private equity	7.46	6.53	4.96
Actuarially assumed rate of return	7.25	7.25	7.25

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

	Year ended		
	2026	**2025**	**2024**
Plan returns	14.21 %	10.12 %	9.32 %
Broad domestic equity	23.81	13.45	21.21
Global equity (ex-U.S.)	28.09	19.66	12.75
Fixed income	4.28	6.34	3.63
Multi-asset	12.16	5.25	8.06
Real assets	6.01	4.16	0.47
Private equity	7.46	6.53	4.96
Actuarially assumed rate of return	7.25	7.25	7.25

(Continued)

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Benefits and Other Deductions

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

	Deductions (In thousands)				
			Increase (decrease)		
	2026	2025	Amount	Percentage	2024
Pension benefits	$ 1,153,176	1,114,695	38,481	3.5%	1,088,046
Postemployment benefits	698,563	653,679	44,884	6.9	596,111
Refunds of contributions	152,767	135,563	17,204	12.7	123,452
Administrative	38,291	35,982	2,309	6.4	35,572
Transfer out	193	181	12	6.6	14,582
Total	$ 2,042,990	1,940,100	102,890	5.3%	1,857,763

DB Pension Benefits

DB pension benefit payments increased from fiscal year 2025 to fiscal year 2026 by $38,481,000 or 3.5%. The increase reflects (1) a higher number of retirees receiving benefits and (2) the application of a Post-Retirement Pension Adjustment of 1.053% / 1.580% for eligible retirees.

Postemployment Healthcare Benefits

Postemployment healthcare benefit payments grew by $44,884,000 or 6.9% in fiscal year 2026 relative to fiscal year 2025. The increase was driven by higher per-member healthcare claims and a continued rise in the number of retirees in the DB Plan.

Refunds of Contributions

Refunds of member contributions increased by $17,204,000 or 12.7% from fiscal year 2025 to 2026. Refunds rose by $12,111,000 or 9.8% from fiscal year 2024 to 2025.

These increases are primarily attributable to the DCR Plan, where refunds rose by $18,461,000 from fiscal year 2025 to 2026. Rising refund activity is due to both an increase in the number of departing members and higher average refund amounts. The System educates members on the advantages of retaining funds within the DCR Plan, including comparatively low investment costs.

(Continued)

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Administrative Costs

Administrative expenses increased by $2,309,000 or 6.4% in fiscal year 2026 In both years, the growth in costs was driven by expanded management and consulting services necessary to support plan operations.

Net Pension Liability (NPL)

In accordance with GASB Statement No. 67, the DB Plan reports its total pension liability, fiduciary net position, and resulting net pension liability.

Total Pension Liability - represents the actuarial present value of pension benefits owed, incorporating service cost, changes in assumptions, benefit modifications, and experience differences.

Fiduciary Net Position - reflects assets available for benefit payments, derived from contributions, investment income, and other additions, net of benefit payments and administrative costs.

Net Pension Liability - is the difference between these two measures and represents the unfunded portion of pension obligations.

The components of the NPL as of June 30 are presented below (in thousands):

		2026	2025
Total pension liability	$	17,681,854	17,248,347
Plan fiduciary net position		(13,418,664)	(12,286,031)
Employers' net pension liability	$	4,263,190	4,962,316
Plan fiduciary net position as a percentage of the total pension liability		75.89%	71.23%

Net OPEB Asset

Under GASB Statement No. 74, each DB Other Postemployment Benefit (OPEB) Plan reports its total OPEB liability, fiduciary net position, and either a net OPEB liability or net OPEB asset.

Total OPEB liability - captures healthcare benefit obligations arising from years of service, benefit changes, assumption changes, and expected-to-actual experience.

Fiduciary Net Position - consists of plan assets available for healthcare benefits.

Net OPEB Asset - equals fiduciary net position in excess of the total OPEB liability and represents an overfunded status.

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The components of the net OPEB asset of the participating employers of the Plans as of June 30, 2026 were as follows (in thousands):

	Alaska Retiree Healthcare Trust Plan (ARHCT Plan)	Occupational Death and Disability (ODD Plan)	Retiree Medical Plan (RMP)
Total OPEB liability	$ 7,997,170	32,637	301,830
Plan fiduciary net position	(10,698,379)	(119,429)	(396,228)
Employers' net OPEB asset	$ (2,701,209)	(86,792)	(94,398)
Plan fiduciary net position as a percentage of the total OPEB liability	133.78 %	365.93 %	131.28 %

The components of the net OPEB asset of the participating employers of the Plans as of June 30, 2025 were as follows (in thousands):

	Alaska Retiree Healthcare Trust Plan (ARHCT Plan)	Occupational Death and Disability (ODD Plan)	Retiree Medical Plan (RMP)
Total OPEB liability	$ 7,230,159	28,030	269,139
Plan fiduciary net position	(9,891,510)	(98,971)	(330,063)
Employers' net OPEB asset	$ (2,661,351)	(70,941)	(60,924)
Plan fiduciary net position as a percentage of the total OPEB liability	136.81 %	353.09 %	122.64 %

Funding

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

Employer Contribution Rate - The Board adopts the actuarially determined employer contribution rate annually. AS 39.35.255(a) sets the statutory employer effective rate at 22.00%. The State provides additional contributions per AS 39.35.280 to fund the difference between the statutory rate and the actuarially determined rate.

State of Alaska Employer Contributions (SB 55) - Effective July 1, 2021, SB 55 requires the State—as a participating employer—to pay the full actuarially determined employer contribution rate for all payrolls, including normal cost, HRA contributions, DCR match, occupational death and disability, retiree medical plan costs, and past service costs.

Additional State Contributions - Per AS 39.35.280, additional State contributions are provided each fiscal year to ensure total System funding meets the actuarially determined rate adopted by the Board.

Plan Member Contributions - Set by AS 39.35.160 for the DB Plan and AS 39.35.730 for the DCR Plan.

Investment Strategy - The Board, with its external investment consultant, establishes and periodically reviews the System's long-term asset allocation strategy

Legislation

During fiscal year 2026, the 35th Alaska State Legislature enacted one law that affects the System. Conference Committee Substitute (CCS) for House Bill 263, Section 38 (a), appropriates $106.3 million from the General Fund to the Department of Administration for deposit in the System's defined benefit plan account as an additional state contribution for fiscal year ending June 30, 2027.

This appropriation funds the difference between the statutory employer contribution rate of 22.00% paid by participating employers (excluding the State of Alaska as an employer) and the Board-adopted actuarially determined contribution rate of 29.84% for fiscal year 2027, in accordance with AS 39.35.280.

Currently Known Facts, Decisions, or Conditions

Fiscal year 2026 had positive investment returns. Net investment income increased from $2,711,453,000 in fiscal year 2025, to $3,696,897,000 in fiscal year 2026, an increase of $985,444,000 or 36.3%. During fiscal year 2026, the System's actual rate of return on investments was roughly 8.6% above 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 26.76% in fiscal year 2025 to 28.33% in fiscal year 2026. Additionally, the Board discussed not contributing the healthcare normal cost contribution rate of 1.94% 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 healthcare normal cost rate for fiscal year 2025. The Board adopted the fiscal year 2025 actuarially determined contribution rate of 26.76%, which represented an increase of 1.57%. The statutory employer effective contribution rate remains at 22.00% for fiscal years 2025 and 2024. With the passage of SB 55 and beginning July 1, 2021, the State of Alaska as an employer continues to pay the full actuarially determined contribution rate.

House Bill 14 was enacted on July 1, 2026. The legislation increased the Occupational Disability Benefit for both the Defined Benefit and Defined Contribution Plans from 40% to 75% of pay at the time of disability. According to actuarial consultants Arthur J. Gallagher & Co, this change is projected to increase the total pension employer contribution rate for the PERS Defined Benefit Plan from 20.02% to 20.14% and for the Defined Contribution Plan from 7.30% to 7.56%.

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Actuarial valuation results as of June 30, 2025 and 2024 are summarized below:

Defined Benefit (DB) Pension Plan

DB Pension Plan funded ratio: 70.3% (2025) and 68.0% (2024)

Unfunded liabilities: $5.15 billion (2025) and $5.45 billion (2024)

ARHCT funded ratio: 132.1% (2025) and 132.3% (2024)

Funding excess: $ 2.38billion (2025) and $2.30 billion (2024)

Defined Contribution Retirement (DCR) Plan

Employer contribution rate: 22.00% for fiscal years 2026 and 2025 under AS 39.35.255(a) (as modified by SB 55 for the State).

Occupational Death & Disability (ODD) rates: 0.69% (2026) and 0.69% (2025) for peace officers/firefighters; 0.24% (2026) and 0.24% (2025) for all others.

Retiree Medical Plan (RMP) rates: 0.86% (2026) and 0.83% (2025).

Funded ratios - DCR ODD: 421.5% (2025) and 398.6% (2024), with funding excesses of $74.2 million (2025) and $63.0 million (2024).

Funded ratios - DCR Retiree Major Medical: 117.0% (2025) and 120.6% (2024), with funding excesses of $48.2 million (2025) and $48.2 million (2024).

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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(1) Description

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

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

Plan name	Type of plan
Defined Benefit Pension (DB) Plan	Cost-sharing, Defined Benefit Pension
Defined Contribution Retirement Pension (DCR) 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	
Health Reimbursement Arrangement (HRA) Plan	Defined Contribution OPEB

At June 30, 2026, the number of participating local government employers and public organizations, including the State, was as follows:

	Defined Benefit Pension	Defined Contribution Pension	OPEB plans
State of Alaska	1	1	1
Municipalities	72	72	72
School districts	51	51	51
Other	25	25	25
Total employers	149	149	149

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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1Defined Benefit Pension Plan

(a) General

The 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 was closed to all new members effective July 1, 2006.

The DB Plan's membership consisted of the following at June 30, 2026:

Retired plan members or beneficiaries currently receiving benefits	36,661
Inactive plan members entitled to but not yet receiving benefits	3,979
Inactive plan members not entitled to benefits	16,285
Active plan members	6,434
Total DB Plan membership	63,359

(b) Pension Benefits

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

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

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

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

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

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

(c) Contributions

Contribution requirements of the active plan members and the participating employers are actuarially determined and adopted by the Board as a contribution rate that, when combined, is expected to finance the costs of benefits earned by plan members during the year, with an additional contribution rate to finance any unfunded accrued liability. The DB Plan's members' contribution rates are 7.50% for peace officers and firefighters, 9.60% for some school district employees, and 6.75% for general DB Plan members, as required by statute. The statutory employer effective contribution rate is 22.00% of annual payroll, which for fiscal year 2026 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 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 DCR Plan payroll. The DBUL amount is computed as the difference between:

(A) The amount calculated for the statutory employer effective contribution rate of 22.00% on eligible salary (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 2026, the DBUL was allocated 100.00% to the DB Pension Plan and 0.00% to the DB ARHCT Plan.

(d) Refunds

DB Plan member contributions may be voluntarily or, under certain circumstances, involuntarily refunded to the member or a garnishing agency 60 days after termination of employment. Voluntary refund rights are forfeited on July 1 following the member's 75th birthday or within 50 years of the member's last termination date. Members who have had contributions refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the total involuntary refunded balance and accrued interest. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest. Balances previously refunded to members accrue interest at the rate of 7.0% per annum compounded semiannually.

Defined Contribution Retirement Pension Plan

(a) General

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

At June 30, 2026, membership in the DCR Plan consisted of 2,916 peace officer and firefighter members and 26,058 other members.

(b) Retirement Benefits

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

(c) Contributions

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

(d) Participant Distributions and Refunds of Contributions

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

(e) Participant Accounts

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

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

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

Defined Benefit Other Postemployment Benefit Plans

(a) Alaska Retiree Healthcare Trust Plan

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

Membership in the plan consisted of the following at June 30, 2026:

Retired plan members or beneficiaries currently receiving benefits	36,661
Inactive plan members entitled to but not yet receiving benefits	3,979
Inactive plan members not entitled to benefits	16,285
Active plan members	6,434
Total DB Plan membership	63,359

(i) OPEB Benefits

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

(ii) Contributions

Employer contribution rates are actuarially determined and adopted by the Board. The 2026 statutory employer effective contribution rate is 22% of member's compensation, with 0% 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, 2026:

Active plan members	28,974
Participating employers	149
Open claims	19

(i) Death Benefits

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

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

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

(ii) Disability Benefits

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

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

(iii) Contributions

An employer shall contribute to each member's account based on the member's compensation. For fiscal year 2026, the rates are 0.69% for occupational death and disability for peace officers and firefighters and 0.24% 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, 2026:

Retired plan members or beneficiaries currently receiving benefits	538
Inactive plan members entitled to but not yet receiving benefits	3,409
Inactive plan members not entitled to benefits	23,506
Active plan members	28,974
Total RMP membership	56,427

(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 2026 employer effective contribution rate is 0.86% of member's compensation.

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Defined Contribution Other Postemployment Benefit Plan

(a) General

The 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, 2026:

Retired plan members or beneficiaries currently receiving benefits	538
Inactive plan members entitled to but not yet receiving benefits	3,409
Inactive plan members not entitled to benefits	23,506
Active plan members	28,974
Total HRA Plan membership	56,427

(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 PERS. The administrator maintains a record of each member to account for employer contributions on behalf of that member. The 2026 contribution amount was an annual contribution not to exceed $2,467.92 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 $2,467.92 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) Cash and Cash Equivalents

Cash and cash equivalents include the System's holdings within the short-term fixed-income pool, employer money market funds, and overnight investments associated with securities lending collateral. These holdings have the general characteristics of a demand deposit account.

(d) 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 plan owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals.

(e) Defined Contribution Participant-directed Investments

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

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

Pooled participant-directed investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the DCR Plan. The unit

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

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

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Federal Income Tax Status

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

(3) Investments

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

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

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

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

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

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2026 for the DB Pension Plan is 13.24%, the ARHCT Plan is 13.33%, the ODD Plan is 13.22%, and the RMP is 13.23%.

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 Systems at https://treasury.dor.alaska.gov/armb/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, 2026 were as follows (in thousands):

Total pension liability	$	17,681,854
Plan fiduciary net position		(13,418,664)
Employers' net pension liability	$	4,263,190
Plan fiduciary net position as a percentage of the total pension liability		75.89 %

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(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2026.

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	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Mortality - Others	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement.

(Continued)

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.

The actuarial assumptions used in the June 30, 2025 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021.

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, 2026 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.46%).

Asset class	Long-term expected real rate of return
Domestic equity	6.02%
Global equity (ex-U.S.)	6.04%
Global equity	5.86%
Aggregate bonds	2.05%
Real assets	5.11%
Private equity	9.22%
Cash equivalents	0.63%

(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 Bond Buyer GO 20-Year Municipal Bond Index

rate was 4.67% as of June 30, 2026. The prior rate was 5.20%, which was based on the S&P Municipal Bond 20-Year High Grade Index rate as of June 30, 2025. The underlying index was updated in order to exclude bonds subject to the alternative minimum tax.

(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, 2026, calculated using the discount rate of 7.25%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate (in thousands):

		1.00% decrease (6.25%)	Current discount rate (7.25%)	1.00% increase (8.25%)
Net pension liability	$	6,113,413	4,263,190	2,692,802

(5) Net OPEB Asset

The components of the net OPEB asset of the participating employers for each Plan at June 30, 2026 were as follows (in thousands):

		ARHCT Plan	ODD Plan	RMP
Total OPEB liability	$	7,997,170	32,637	301,830
Plan fiduciary net position		(10,698,379)	(119,429)	(396,228)
Employers' net OPEB asset	$	(2,701,209)	(86,792)	(94,398)
Plan fiduciary net position as a percentage of the total OPEB liability		133.78%	365.93%	131.28%

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(a) Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2025, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2026.

Inflation	2.50% per year
Salary increases	For peace officer/firefighter, increases range from 8.50% to 3.85% based on service. For Others, increases range from 6.75% 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 return of 4.75%.
Healthcare cost trend rates (ARHCT Plan and RMP)	Pre-65 medical: 6.2% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Rx/EGWP: 8.5% grading down to 4.5% Initial trend rates are for FY 2026 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)	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Mortality Others (ARHCT Plan and RMP)	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 101% of male and 110% of female rates of the Pub-2010 General Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 101% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

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Mortality (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.

The actuarial assumptions used in the June 30, 2025 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. For the ARHCT and RMP, the per capita claims costs were updated to reflect recent experience for the June 30, 2025 actuarial valuation. EGWP subsidies were updated to reflect higher expected subsidies due to the Inflation Reduction Act. Because of the significant increase in the EGWP subsidy for FY25 and beyond due to the Inflation Reduction Act, and uncertainty regarding future subsidy levels, the ARMB has adopted a smoothing of EGWP subsidy estimates over five years. In addition, the prescription drug and EGWP trend assumption was updated to reflect recent survey information indicating higher than initial trend rates in part due to the recent higher-than-expected inflationary environment.

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

(Continued)

postretirement healthcare plans' target asset allocation as of June 30, 2026 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.46%):

Asset class	Long-term expected real rate of return
Domestic equity	6.02%
Global equity (ex-U.S.)	6.04%
Global equity	5.86%
Aggregate bonds	2.05%
Real assets	5.11%
Private equity	9.22%
Cash equivalents	0.63%

(b) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2026 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 Bond Buyer GO 20-Year Municipal Bond Index rate was 5.20% as of June 30, 2026. The prior rate was 5.20%, which was based on the S&P Municipal Bond 20-Year High Grade Index rate as of June 30, 2025. The underlying index was updated in order to exclude bonds subject to the alternative minimum tax.

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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, 2026, 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	$	(1,757,780)	(2,639,351)	(3,383,856)
ODD Plan		(81,076)	(86,105)	(90,058)
RMP		(22,970)	(92,119)	(145,153)

(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, 2026, calculated using the healthcare cost trend rates as summarized in the 2024 actuarial valuation report, as well as what the System's net OPEB asset would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates (in thousands):

		1.00% decrease	Current healthcare cost trend rate	1.00% increase
ARHCT Plan	$	(3,468,762)	(2,639,351)	(1,657,756)
RMP		(151,927)	(92,119)	(12,072)

(Continued)

(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):

		2026	2025
Total, beginning of year	$	56,535	50,712
Healthcare benefits		696,449	651,147
Benefits paid		(694,335)	(645,324)
Total, end of year	$	58,649	56,535

(7) Employer Group Waiver Program

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

(8) Medicare Part D Retiree Drug Subsidy

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

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(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. The Division continues to determine the impact of this decision on PERS and TRS. The Division has notified class members of their right to seek reinstatement into the defined benefit plan and the procedures to do so and is working with impacted former members who meet the requirements to re-establish their position in the defined benefits plan. During fiscal year 2026, the System transferred $12 thousand from the PERS DCR – Occupational Death and Disability fund to the PERS DB Pension fund, $35 thousand from the PERS DCR – Retiree Medical fund to the PERS DB Alaska Retiree Healthcare Trust fund, and $146 thousand from the PERS DCR – Health Reimbursement Arrangement plans to the PERS DB Alaska Retiree Healthcare Trust fund to re-establish certain former members' position in the defined benefits plan. 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

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(1) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Gallagher. The significant actuarial methods and assumptions used in the defined benefit pension and postemployment healthcare benefit plan valuation as of June 30, 2025 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 FY 15, 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) Changes in Methods Since the Prior Valuation– The UAAL amortization method was modified as described above beginning with the June 30, 2025. There were no changes in the asset or valuation methods since the prior valuation.

(d) 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.

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

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

(g) Payroll growth – 2.00% per year

(h) 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.

(i) 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.

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- 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 Officers/Firefighters, and 35% of the time for Others.

(j) 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.

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

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

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

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

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

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

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

(m) 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.

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

(o) 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.

(p) 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.

(q) 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).

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(r) Imputed data – Data changes from the prior year which are deemed to have an immaterial impact on liabilities and contribution rates are assumed to be correct in the current year's client data.

Non-vested terminations with appropriate refund dates are assumed to have received a full refund of contributions. Active members with missing salary and service are assumed to be terminated with status based on their vesting percentage.

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

(t) Administrative expenses – The Normal Cost as of June 30, 2025 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 – $8,265,000
- Healthcare – $4,582,000

(u) 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%

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

(w) 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.

(x) 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.

(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 – 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.

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(aa) Early retirement factors – The State 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% of Peace Officer/Firefighters and 65% of Others 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. 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.

(ee) Medicare Part B Only – It is 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 FY26 medical and prescription drug benefits are shown below. The prescription drug costs reflect the plan change to require prior authorization for certain specialty medications. The pre-Medicare medical costs reflect the coverage of additional preventive benefits:

	Medical	Prescription Drugs
Pre-Medicare	$ 19,003	$ 5,158
Medicare Parts A and B	2,337	5,381
Medicare Part B only	7,712	5,381
Medicare Part D – EGWP	N/A	2,106

Members are assumed to attain Medicare eligibility at age 65. All costs are for the 2026 fiscal year (July 1, 2025 – June 30, 2026).

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.

(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

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age. Separate morbidity rates are used for medical and prescription drug benefits. These rates are based on the 2017–2021 actual experience.

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

(hh) Healthcare third-party administrator fees – $353 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, 6.20% is applied to the FY26 pre-Medicare medical claims cost to get the FY26 medical claims cost:

	Medical		Prescription
Fiscal year	Pre-65	Post-65	drugs / EGWP
2026	6.20	5.40	8.50
2027	6.05	5.35	8.20
2028	5.85	5.35	7.90
2029	5.65	5.30	7.45
2030	5.45	5.30	7.05
2031	5.30	5.30	6.60
2032	5.30	5.30	6.15
2033	5.30	5.30	5.70
2034-2038	5.30	5.30	5.30
2039	5.25	5.25	5.30
2040	5.20	5.20	5.30
2041	5.10	5.10	5.20
2042	5.05	5.05	5.10
2043	4.95	4.95	5.00
2044	4.90	4.90	4.90
2045	4.80	4.80	4.85
2046	4.75	4.75	4.75
2047	4.70	4.70	4.70
2048	4.60	4.60	4.65
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

(Continued)

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 30 years of service (25 for Peace Officers/ Firefighters). Eligible tier 1 members are exempt from contribution requirements. Annual FY26 contributions based on monthly rates shown below for calendar 2026 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 on the assumed number of children in rates where children are covered.

	Calendar 2026		Calendar 2025
Coverage category	Annual contribution	Monthly contribution	Monthly contribution
Retiree only	$ 9,312	$ 776	$ 739
Retiree and spouse	18,624	1,552	1,478
Retiree and child(ren)	13,164	1,097	1,045
Retiree and family	22,476	1,873	1,784
Composite	13,836	1,153	1,098

Tier 3 members who retire with between five and ten years of credited service pay the full monthly premium regardless of their age. Such future retirees, current retirees under the age of 60 who have not elected retiree medical coverage, and current retirees over the age of 60 who have elected retiree medical coverage are not valued with post-65 benefits because the cost of the premium is assumed to offset the entire employer cost.

(kk) Trend rate for retired member medical contributions – Calendar 2026 contributions are trended back to FY26 using half a year of 4.0% trend. Thereafter, a rate of 4.0% is used to project retired member medical contributions to each subsequent fiscal year.

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, 2025 were as follows:

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

(b) Valuation of assets – Effective June 30, 2006, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method was phased in over five years. Fair value of assets was $0 as of June 30, 2006. All assets are valued at fair value.

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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, 2025 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 FY26 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 FY25 medical claims costs for Medicare eligible retirees were further reduced 29.5%.

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

The State transitioned to an Employer Group Waiver Program (EGWP) for DCR participants effective January 1, 2019. The estimated 2026 reimbursements under EGWP were provided by Segal Consulting, who worked with the EGWP administrator (Optum) to develop those estimates. The estimated reimbursements under EGWP from FY22 through FY26 were trended to FY26 and then blended to develop the EGWP subsidies for the June 30, 2025 valuation. The first-year trend rate applied to EGWP per capita costs was also adjusted to reflect the increase in EGWP subsidies from CY25 to CY26.

(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 – 2.00% per year.

(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:

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

Employee mortality for Others in accordance with the following tables:

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

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

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

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

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

Retiree mortality for Others in accordance with the following tables:

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

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

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

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

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

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

(k) Disability – No changes to the incidence rates from the prior valuation due to insufficient 2017–2021 actual experience. For retiree medical benefits, the disability rates cease once a member is eligible for retirement. However, the disability rates continue after retirement eligibility for occupational death & disability benefits.

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

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

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

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

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

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

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

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

(n) Percent married for occupational death and disability – For Peace Officer/Firefighters, 85% of male members and 60% of female members are assumed to be married at termination from active service.

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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 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.

(s) Administrative expenses – The Normal Cost as of June 30, 2025 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 – $32,000
- Healthcare – $37,000

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(t) Retiree medical participation:

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

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

(u) Healthcare per capita claims cost – Sample claims cost rates (before base claims cost adjustments described below) adjusted to age 65 for FY26 medical and prescription drug benefits are shown below. The prescription drug costs reflect the plan change to require prior authorization for certain specialty medications.

	Medical	Prescription Drugs
Pre-Medicare	$ 19,003	$ 5,158
Medicare Parts A and B	2,337	5,381
Medicare Part D - EGWP	N/A	2,106

(Continued)

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Members are assumed to attain Medicare eligibility at age 65. All other costs are for the 2024 fiscal year (July 1, 2024 – June 30, 2025).

The smoothed fiscal year 2025 EGWP subsidy assumption reflects a weighted blend of estimated reimbursements from fiscal years 2021 through 2025. Since estimated FY25 EGWP subsidies contained only 6 months of increased subsidy due to the IRA changes as of January 1, 2025, the first year EGWP subsidy trend is 30.20% taking into account the estimated FY26 subsidy has 12 months of increased subsidy. Thereafter, 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.

(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+	—	—

(a) Healthcare third-party administrator fees – $442 per person per year; assumed to increase at 4.50% per year.

(Continued)

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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, 6.20% is applied to the FY26 pre-Medicare medical claims costs to get the FY26 medical claims costs.

	Medical		Prescription
Fiscal year	Pre-65	Post-65	drugs/EGWP
2026	6.20	5.40	8.50
2027	6.05	5.35	8.20
2028	5.85	5.35	7.90
2029	5.65	5.30	7.45
2030	5.45	5.30	7.05
2031	5.30	5.30	6.60
2032	5.30	5.30	6.15
2033	5.30	5.30	5.70
2034-2038	5.30	5.30	5.30
2039	5.25	5.25	5.30
2040	5.20	5.20	5.30
2041	5.10	5.10	5.20
2042	5.05	5.05	5.10
2043	4.95	4.95	5.00
2044	4.90	4.90	4.90
2045	4.80	4.80	4.85
2046	4.75	4.75	4.75
2047	4.70	4.70	4.70
2048	4.60	4.60	4.65
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.

(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, 2024 to June 30, 2025

Effective June 30, 2025, the Board modified the 25-year layered UAAL amortization method to reduce the initial amortization period from 25 years to 15 years for all layers, except for the "initial amount" layer. The amortization period for the "initial amount" layer was originally established effective June 30, 2014. There were no other changes in actuarial methods since the prior valuation.

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(b) Changes in Assumptions Since the Prior Valuation – June 30, 2024 to June 30, 2025

Healthcare claim costs are updated annually. The amounts included in the Normal Cost for administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets.

In June 2025, the Board adopted a new payroll growth assumption of 2.00% effective beginning with the June 30, 2025 valuation. The prior payroll growth assumption was 2.75%. The Board adopted the new assumption to better match recent payroll growth experience.

There were no other changes in actuarial assumptions since the prior valuation.

(c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2025 to June 30, 2026

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, 2025 to June 30, 2026

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

(e) Changes in Assumptions Since the Prior Valuation – June 30, 2025 to June 30, 2026

Healthcare claim costs are updated annually. The amounts included in the Normal Cost for administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets.

In June 2025, the Board adopted a new payroll growth assumption of 2.00% effective beginning with the June 30, 2025 valuation. The prior payroll growth assumption was 2.75%. The Board adopted the new assumption to better match recent payroll growth experience.

There were no other changes in actuarial assumptions since the prior valuation.

(f) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2025 to June 30, 2026

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

SUPPLEMENTAL SCHEDULES

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2026

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
NATIONAL GUARD AND
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STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM

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Management's Discussion and Analysis (Unaudited)

June 30, 2026

This Management's Discussion and Analysis (MD&A) has been prepared in accordance with GASB Statement No. 103, Financial Reporting Model Improvements, and provides management's overview and analysis of the financial activities of the State of Alaska National Guard and Naval Militia Retirement System's (the System) for the fiscal years ended June 30, 2026 and 2025. This narrative is intended to assist readers in understanding the System's overall financial performance and should be read in conjunction with the financial statements, notes to the financial statements, required supplementary information, and supplemental schedules that accompany this report.

The MD&A offers an analytical perspective on key financial results, including changes in fiduciary net position, contributions, investment performance, benefit payment activity, and other factors that influenced the System's financial condition during the period.

Financial Highlights

The System's financial highlights for the year ended June 30, 2026 were as follows:

- The System's fiduciary net position restricted for pension benefits increased by $1.8 million.
- The State of Alaska, Department of Military and Veterans' Affairs did not appropriate funds to the System for fiscal year 2026 due to the System's significant over-funded levels.
- The System's net investment income was $4.2 million, an increase of $0.5 million when compared to fiscal year 2025.
- System pension benefit expenditures totaled $2.1 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) statement of fiduciary net position, (2) statement of changes in fiduciary net position, and (3) notes to financial statements. This report also contains required supplementary information and other supplemental schedules.

Combining statement of fiduciary net position – Presents the System's assets, liabilities, and net position restricted for pension benefits, postemployment healthcare, and individuals as of June 30, 2026.

Combining statement of changes in fiduciary net position – Shows contributions, investment income, benefit payments, refunds, and administrative and investment expenses for the year ended June 30, 2026..

The above statements represent resources available for investment and payment of benefits as of June 30, 2026, and the sources and uses of those funds during fiscal year 2026.

Notes to financial statements – Provide essential detail on significant policies, valuation methods, benefit provisions, and fiduciary risks related to pension and postemployment healthcare.

Required supplementary schedules – Includes 12 schedules and notes on the System's funded status, actuarial assumptions, and valuation methods.

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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.

Financial Summary

System net position

Description	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Total assets	$ 48,410,749	$ 46,629,599	$ 1,781,150	3.8%	46,629,599
Total liabilities	133,881	129,080	4,801	3.7	129,080
Net position restricted for Pension Benefits	$ 48,276,868	$ 46,500,519	$ 1,776,349	3.8%	46,500,519

Changes in system net position

Description	2026	2025	Increase (decrease) Amount	Increase (decrease) Percentage	2024
Net position, beginning of year	$ 46,500,519	$ 45,037,891	$ 1,462,628	3.2%	44,501,184
Total additions	4,209,800	3,758,895	450,905	12.0	2,608,955
Total deductions	2,433,451	2,296,267	137,184	6.0	2,072,248
Increase in fiduciary net position	1,776,349	1,462,628	313,721	21.4	536,707
Net position, end of year	$ 48,276,868	$ 46,500,519	$ 1,776,349	3.8%	45,037,891

Detailed Analysis of the System

The statements of fiduciary net position as of June 30, 2026 and 2025 show net position restricted for pension benefits of $48,276,868 and $46,500,519, respectively. The entire amount is available to cover the System's obligation to pay 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 of $1,776,349 or 3.8% from fiscal year 2025 to 2026. Over the long term, employer contributions and investment income are anticipated to sufficiently fund the pension benefit and administrative costs of the System.

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.

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Management's Discussion and Analysis (Unaudited)

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Contributions, Investment Income, and Other Additions

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

	Additions				
			Increase (decrease)		
	2026	2025	Amount	Percentage	2024
Net investment income	$ 4,209,754	3,758,895	450,859	12.0%	2,608,878
Other	46	—	46	100.0%	77
Total	$ 4,209,800	3,758,895	450,905	12.0%	2,608,955

Employer Contributions

FY 2026: employer contributions from the Alaska Department of Military and Veterans Affairs (DMVA) remained at $0 during fiscal years 2026 and 2025 as the System continues to maintain a funded level well above 100%. These amounts were the actuarially determined contribution as calculated by the System's consulting actuary. No actuarially determined contribution amount was required for fiscal 2026 Full actuarial valuation reports are completed for the System biennially with roll-forward actuarial valuation reports being completed in the interim years.

Investment Income

FY 2026: Net investment income increased by $450,859 or 12.0% from amounts in fiscal year 2025. The System saw investment rate of returns roughly 1.3% higher than fiscal year 2025, primarily in the Global Equity ex-U.S. market and ended the year above the System's actuarial rate of return of 5.75%. 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.

(Continued)

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Management's Discussion and Analysis (Unaudited)

June 30, 2026

The System's investment rates of return for the year ended June 30, 2026 were as follows:

	Year ended		
	2026	**2025**	**2024**
System returns	9.51%	8.21%	6.35%
Broad domestic equity	23.82	13.46	21.20
Global equity (ex-U.S.)	28.13	19.65	12.77
Fixed income	4.37	6.32	3.39
Multi-asset	12.17	5.22	7.94
Real assets	6.00	4.24	(0.04)
Private equity	7.45	6.53	4.96
Actuarially assumed rate of return	5.75	5.75	5.75

Benefits and Other Deductions

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

	Additions				
			Increase (decrease)		
	2026	**2025**	**Amount**	**Percentage**	**2024**
Pension benefits	$ 2,090,482	1,995,805	94,677	4.7%	1,710,829
Administrative	342,969	300,462	42,507	14.1	361,419
Total	$ 2,433,451	2,296,267	137,184	6.0%	2,072,248

The fiscal year 2026 increase in pension benefits is due to an increase in the number of lump sum payment recipients. System retirees typically receive lump sum payments rather than receiving the monthly payment option so increases and decreases in pension benefits typically result from the number of lump sum payment options received and processed by the System.

Administrative Costs

The System's administrative costs in fiscal year 2026 increased $42,507 or 14.1% from fiscal year 2025. The increased administrative cost in fiscal years 2026 is related to increased costs related to a capital project for a retirement system replacement.

Net Pension Asset

Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans,* requires the System to report the total pension liability, fiduciary net position, and the net pension liability. The total pension liability represents the total obligation for the System'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 System's fiduciary net position represents the assets available to pay the System's future payment stream. The assets are derived from contributions received from the participating employer and non-employer contributions, if any, as well as investment earnings, less benefit payments during the year and the related costs to administer the System. When the fiduciary net position exceeds the total pension liability, the System reports a net pension asset.

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

		2026	2025
Total pension liability	$	31,297,554	30,794,204
System fiduciary net position		(48,276,868)	(46,500,519)
System's net pension asset	$	(16,979,314)	(15,706,315)
System fiduciary net position as a percentage of the total pension liability		154.25 %	151.00 %

Funding

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

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

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

Legislation

FY 2026: the 34th Alaska State Legislature did not appropriate contribution funding from the General Fund to the Department of Military and Veterans' Affairs for deposit in the System's defined benefit pension fund as retirement funding for fiscal year ending June 30, 2026, due to the continued significant over-funding of the System.

Currently Known Facts, Decisions, or Conditions

Fiscal year 2026 had positive investment returns, with an overall return rate of 9.51%, higher than the System's assumed rate of return of 5.75%. Net investment income increased from $3,758,895 in fiscal year 2025 to $4,209,754 in fiscal year 2026, an increase of $450,859 or 12.0%. The Board continues to work with its external investment consultant and the Alaska Department of Revenue, Treasury Division, to diversify the portfolio of the System to maintain an optimal risk/return ratio.

(Continued)

The consulting actuary recommended no change from the System's actuarially determined contribution amount of $0 in fiscal year 2025 to fiscal year 2026. For fiscal year 2026, the actuary recommended that a contribution to the System was not necessary. With the System's 148.8% funding ratio as of the June 30, 2025 roll-forward actuarial valuation report, the Board concurred that no additional contributions are necessary for the System until such time that the System's funded ratio is less than 100%. The Alaska legislature did not appropriate funds for fiscal year 2026 and will continue to evaluate future contributions to the System.

The roll-forward actuarial valuation report for June 30, 2025 reported a funded ratio of 148.8% and a funding excess of $15,374 million. The actuarial valuation report for June 30, 2024 reported a funded ratio of 150.4% and a funding excess of $15,587 million.

The decrease in the funding excess is attributable to investment income during fiscal year 2025 that provided an actuarial rate of return less than the expected return and was an asset gain of $68,859. Additionally, there was an increase to the actuarial accrued liability of approximately $__ million due to new entrants and rehires that had service accrued prior to June 30, 2024.

Both the actuarial valuation report of June 30, 2024 and the roll-forward actuarial valuation report of June 30, 2025 are posted to the System's web page. The actuarial valuation reports for the System are conducted biennially. The actuarial valuation report for June 30, 2024 was presented to the Board in June 2025, and adopted in September 2025. The roll-forward actuarial valuation report for June 30, 2025 was presented to the Board in June 2026, and adopted in September 2026. The Board adopted new valuation assumptions as a result of an experience study conducted for the period July 1, 2022 to June 30, 2025. The adoption of these assumptions occurred in June 2026 and were used on the actuarial valuation report for the year ended June 30, 2026.

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 financial information should be addressed to:

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

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

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

STATE OF ALASKA
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Notes to Financial Statements

June 30, 2026

(1) Description

The State of Alaska National Guard and Naval Militia Retirement System (the System) is a component unit of the State of Alaska (the State). The System is administered by the Division of Retirement and Benefits (the Division) within the Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Alaska Retirement Management Board (the Board) is responsible for overseeing the management and investment of the 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) System Membership

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

	2024
Retirees and beneficiaries currently receiving benefits	694
Terminated plan members entitled to future benefits	669
Total current and future benefits	1,363
Active plan members:	
Alaska Air National Guard	2,713
Alaska Army National Guard	1,749
Alaska Naval Militia	45
Total active plan members	4,507
Total members	5,870

(b) Pension Benefits

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

(c) Death Benefits

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

(Continued)

(d) Contributions

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Use of Estimates

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

(c) Cash and Cash Equivalents

Cash and cash equivalents include the System's holdings within the short-term fixed-income pool and overnight investments associated with securities lending collateral. These holdings have the general characteristics of a demand deposit account.

(d) Investments

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

(e) Administrative Costs

Administrative costs are paid from investment earnings.

(f) Due to State of Alaska General Fund

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

(Continued)

(g) Federal Income Tax Status

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

(3) Investments

The Board is the investment oversight authority of the 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 Alaska Statutes 37.10.210–390.

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

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board.

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

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

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The System's annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2026 was 8.58%.

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

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June 30, 2026

(4) Net Pension Asset

The components of the net pension asset at June 30, 2026 were as follows:

Total pension liability	$ 31,297,554
System fiduciary net position	(48,276,868)
System's net pension (asset)	$ (16,979,314)
System fiduciary net position as a percentage of the total pension liability	154.25%

(a) Actuarial Assumptions

The total pension liability was determined by a roll-forward valuation as of June 30, 2025, rolled forward to the measurement date of June 30, 2026 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2026 based on the results of an actuarial experience study for the period from July 1, 2021 to June 30, 2025. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2026.

The roll-forward valuation as of June 30, 2025 was based on the participant data from the June 30, 2024 actuarial valuation. Methods and assumptions used in the June 30, 2025 roll-forward valuation were the same as those used in the June 30, 2024 actuarial valuation, except as noted in the June 30, 2025 roll-forward valuation report dated May 8, 2026.

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June 30, 2026

Inflation	2.50% per year
Salary increases	N/A
Investment rate of return	5.75%, net of pension plan investment expenses.
Mortality	Pre-commencement mortality rates were based on the Pub-2016 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on the Pub-2016 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2016 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2016 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

The long-term expected rate of return on System 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 System's target asset allocation as of June 30, 2026 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.46%).

Asset class	Long-term expected real rate of return
Broad domestic equity	6.02 %
Global equity (ex-U.S.)	6.04
Global equity	5.86
Aggregate bonds	2.05
Real assets	5.11
Private equity	9.22
Cash equivalents	0.63

(Continued)

(b) Discount Rate

The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current System 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 System's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the System's fiduciary net position. The Bond Buyer GO 20-Year Municipal Bond Index rate was 4.67% as of June 30, 2026. The prior rate was 5.20% as of June 30, 2025.

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

The following presents the System's net pension asset as of June 30, 2026, calculated using the discount rate of 5.75%, 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% decrease (4.75%)	Current discount rate	1% Increase (6.75%)
Net pension asset	$	13,615,846	16,979,314	19,548,598

(5) Commitments and Contingencies

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

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2026

(1) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Gallagher. The significant actuarial methods and assumptions used in the defined benefit pension benefit plan valuation as of June 30, 2024 were as follows:

a. Actuarial cost method – Liabilities and contributions in the report are computed using the Entry Age Normal Actuarial Cost Method (level dollar basis). Any funding surpluses or unfunded accrued liability is amortized over 20 years less the average total military service of active members.

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

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

b. Valuation of assets – The actuarial asset value was initialized to equal Fair Value of Assets as of June 30, 2006. Beginning in FY07, the asset valuation 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 assets are constrained to a range of 80% to120% of the fair value of assets.

c. Investment return – 5.75% per year, net of investment expenses

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

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

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

(Continued)

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2026

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

Select Rates of Turnover During the First 5 Years of Employment		Ultimate Rates of Turnover After the First 5 Years of Employment		
Years of Employment	Unisex Rate	Age	Male Rate	Female Rate
< 1	20.00%	< 30	9.53%	9.94%
1	10.00%	30	9.43%	9.84%
2	10.00%	35	8.81%	9.20%
3	10.00%	40	7.73%	8.06%
4	10.00%	45	6.83%	7.13%
		50	4.16%	4.33%
		55	2.64%	2.75%
		60	2.88%	3.00%

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

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

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

(Continued)

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2026

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

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

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

i. Imputed data – Data changes from the prior valuation which are deemed to have an immaterial impact on liabilities and contributions are assumed to be correct in the current year's client data.

Active and terminated members with a date of termination after the last date of hire are assumed to be terminated with status based on their amount of vesting service.

j. Form of payment – 50% of members are assumed to elect a lump sum benefit. 50% of members are assumed to elect a monthly annuity with the number of payments equal to the number of months they were active in the System. A lump sum of the remaining payments is paid if the member should die while receiving payments. Lump sums are calculated based on a 5.75% discount rate annuity certain factor.

k. Administrative expenses – The Normal Cost as of June 30, 2024 was decreased to $328,000 for administrative expenses. This amount is based on the average of actual administrative expenses during the last two fiscal years.

(Continued)

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

June 30, 2026

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

Fiscal Year Ending June 30		Amount
2023	$	295,000
2024		361,000
Total	$	656,000
	÷	2
Expense load (rounded)	$	328,000

The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the System. The foregoing actuarial assumptions are based on the presumption that the System will continue. Were the System to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated benefits.

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

(a) Changes in Actuarial Methods Since the Prior Valuation – June 30, 2022 to June 30, 2024

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

(b) Changes in Actuarial Assumptions Since the Prior Valuation – June 30, 2022 to June 30, 2024

The amount included in the Normal Cost for administrative expenses was changed from $331,000 to $328,000, based on the most recent two years of actual administrative expenses paid from System assets.

(c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2022 to June 30, 2024

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

SUPPLEMENTAL SCHEDULES

Alaska Retirement Management Board

Audit Committee

2026 SCHEDULE of REMAINING MEETINGS

December 1, 2026 (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. June 30, 2026 PERS / TRS GASB 68 and 75 Audited Schedules
4. Report on Delinquent/ Late Filing Employers
5. 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:
    - "Back Office" compliance review programs.
    - Investment staff programs and procedures on real estate and alternative investment valuation monitoring and checks.
    - Annual Presentation
6. Audit Committee training on special topics

Alaska Retirement Management Board

Audit Committee

2027 SCHEDULE OF MEETINGS

March 16, 2027 (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 8, 2027 (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 21, 2027 (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, 2027 (Videoconference)

1. DRB Financial Statements

November 30, 2027 (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. June 30, 2027 PERS / TRS GASB 68 and 75 Audited Schedules
4. Report on Delinquent/ Late Filing Employers
5. 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.

Approved June 10, 2026

Periodic and As-Needed Meeting Topics (continued)

5. Regular reports on compliance:
    - "Back Office" compliance review programs.
    - Investment staff programs and procedures on real estate and alternative investment valuation monitoring and checks.
    - Annual Presentation
6. Audit Committee training on special topics