



**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Schedule of Employer and Nonemployer Allocations and
Schedule of OPEB Amounts by Employer and Nonemployer

June 30, 2020

(With Independent Auditors' Report Thereon)

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Table of Contents

	Page(s)
Independent Auditors' Report	1-2
Schedule of Employer and Nonemployer Allocations	3-4
Schedule of OPEB Amounts by Employer and Nonemployer	6-7
Notes to Schedule of Employer and Nonemployer Allocations and Schedule of OPEB Amounts by Employer and Nonemployer	8-13
Supplemental Schedules:	
Schedule of Employer Allocations of Special Funding Amounts (Unaudited)	14-15
Schedule of Special Funding Amounts by Employer (Unaudited)	16-17
Schedule of Employer and Nonemployer Contributions (Unaudited)	18-19



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

Independent Auditors' Report

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

We have audited the accompanying schedule of employer and nonemployer allocations of the State of Alaska Teachers' Retirement System Alaska Retiree Healthcare Trust (the Plan) as of and for the year ended June 30, 2020, and the related notes. We have also audited the total for all entities of the columns titled net OPEB asset, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense (benefit) (specified column totals) included in the accompanying schedule of OPEB amounts by employer and nonemployer of the Plan as of and for the year ended June 30, 2020, and the related notes.

Management's Responsibility for the Schedules

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

Auditors' Responsibility

Our responsibility is to express opinions on the schedule of employer and nonemployer allocations and the specified column totals included in the schedule of OPEB amounts by employer and nonemployer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer and nonemployer allocations and specified column totals included in the schedule of OPEB amounts by employer and nonemployer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer and nonemployer allocations and specified column totals included in the schedule of OPEB amounts by employer and nonemployer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer and nonemployer allocations and specified column totals included in the schedule of OPEB amounts by employer and nonemployer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer and nonemployer allocations and specified column totals included in the schedule of OPEB amounts by employer and nonemployer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer and nonemployer allocations and specified column totals included in the schedule of OPEB amounts by employer and nonemployer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer and nonemployer allocations and the net OPEB asset, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense (benefit) for the total of all entities for the Plan as of and for the year ended June 30, 2020, in accordance with U.S. generally accepted accounting principles.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the State of Alaska Teachers' Retirement System, which includes the Alaska Retiree Healthcare Trust, as of and for the year ended June 30, 2020, and our report thereon, dated October 28, 2020, expressed an unmodified opinion on those financial statements.

Other Information

The supplemental schedule of employer allocations of special funding amounts, supplemental schedule of special funding amounts by employer, and supplemental schedule of employer and nonemployer contributions have not been subject to the auditing procedures applied in the audit of the schedule of employer and nonemployer allocations and schedule of OPEB amounts by employer and nonemployer and accordingly, we do not express an opinion or provide any assurance on them.

Restriction on Use

Our report is intended solely for the information and use of the State of Alaska Teachers' Retirement System management, the members of the Alaska Retirement Management Board, State of Alaska Teachers' Retirement System Alaska Retiree Healthcare Trust employers and nonemployers, and their auditors, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Anchorage, Alaska
December 22, 2020

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Schedule of Employer and Nonemployer Allocations

As of and for the year ended June 30, 2020

<u>Employer/nonemployer</u>	<u>Employer/ nonemployer number</u>	<u>Present value of projected future contributions</u>	<u>Allocation percentage</u>
Employer:			
Anchorage School District	701	\$ 95,910,000	12.74546 %
Cordova City School District	704	902,000	0.11987
Craig City School District	705	799,000	0.10618
Fairbanks North Star Borough School District	706	28,239,000	3.75268
Haines Borough School District	707	568,000	0.07548
Hoonah City School District	708	199,000	0.02645
Hydaburg City School District	709	323,000	0.04292
Juneau Borough School District	710	10,202,000	1.35574
Kake City School District	712	321,000	0.04266
Ketchikan Gateway Borough School District	714	5,458,000	0.72531
Klawock City School District	717	491,000	0.06525
Kodiak Island Borough School District	718	4,870,000	0.64717
Nenana City School District	719	868,000	0.11535
Nome City School District	720	1,265,000	0.16811
Matanuska-Susitna Borough School District	722	35,804,000	4.75799
Pelican City School District	723	—	0.00347
Petersburg City School District	724	1,224,000	0.16266
Sitka Borough School District	727	3,445,000	0.45781
Skagway City School District	728	321,000	0.04266
Unalaska City School District	729	831,000	0.11043
Valdez City School District	730	1,756,000	0.23335
Wrangell Public School District	731	563,000	0.07482
Yakutat School District	732	138,000	0.01834
University of Alaska	733	10,631,000	1.41275
Galena City School District	735	1,978,000	0.26286
North Slope Borough School District	736	5,316,000	0.70644
State of Alaska	737	4,912,000	0.65274
Bristol Bay Borough School District	742	231,000	0.03070
Southeast Regional Resource Center	743	164,000	0.02179
Dillingham City School District	744	140,000	0.01860
Kenai Peninsula Borough School District	746	17,907,000	2.37966
Saint Mary's School District	748	473,000	0.06286
Northwest Arctic Borough School District	751	5,709,000	0.75867
Bering Strait School District	752	5,576,000	0.74099
Lower Yukon School District	753	4,118,000	0.54724
Lower Kuskokwim School District	754	9,829,000	1.30617

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Schedule of Employer and Nonemployer Allocations

As of and for the year ended June 30, 2020

<u>Employer/nonemployer</u>	<u>Employer/ nonemployer number</u>	<u>Present value of projected future contributions</u>	<u>Allocation percentage</u>
Kuspuk School District	755	\$ 925,000	0.12292 %
Southwest Region School District	756	1,921,000	0.25528
Lake And Peninsula Borough School District	757	1,300,000	0.17276
Aleutian Region School District	758	130,000	0.01728
Pribilof School District	759	181,000	0.02405
Iditarod Area School District	761	575,000	0.07641
Yukon/Koyukuk School District	762	1,762,000	0.23415
Yukon Flats School District	763	585,000	0.07774
Denali Borough School District	764	1,029,000	0.13674
Delta/Greely School District	765	1,488,000	0.19774
Alaska Gateway School District	766	1,037,000	0.13781
Copper River School District	767	511,000	0.06791
Chatham School District	768	331,000	0.04399
Southeast Island School District	769	483,000	0.06419
Annette Island School District	770	610,000	0.08106
Chugach School District	771	542,000	0.07203
Tanana School District	775	57,000	0.00757
Kashunamiut School District	777	336,000	0.04465
Yupit School District	778	810,000	0.10764
Special Education Service Agency	779	430,000	0.05714
Aleutians East Borough School District	780	941,000	0.12505
Total present value of projected future employer contributions		277,465,000	36.87574
Nonemployer:			
State of Alaska	999	475,012,000	63.12426
Total for all entities		\$ 752,477,000	100.00000 %

See accompanying notes to schedule of employer and nonemployer allocations and schedule of OPEB amounts by employer and nonemployer.

Page intentionally blank

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Schedule of OPEB Amounts by Employer and Nonemployer

As of and for the year ended June 30, 2020

Employer/nonemployer	Employer/ nonemployer number	Net OPEB asset	Defered outflows of resources		
			Net difference between projected and actual investment earnings on OPEB plan investments	Change in proportion and difference between employer contributions and proportionate share of contributions	Total deferred outflows of resources
Employer:					
Anchorage School District	701	\$ 45,596,125	8,813,105	2,100,034	10,913,139
Cordova City School District	704	428,816	82,884	19,070	101,954
Craig City School District	705	379,849	73,420	20,913	94,333
Fairbanks North Star Borough School District	706	13,424,971	2,594,862	575,473	3,170,335
Haines Borough School District	707	270,030	52,193	4,062	56,255
Hoonah City School District	708	94,606	18,286	5,198	23,484
Hydaburg City School District	709	153,556	29,680	569	30,249
Juneau Borough School District	710	4,850,085	937,455	261,304	1,198,759
Kake City School District	712	152,605	29,496	4,254	33,750
Ketchikan Gateway Borough School District	714	2,594,762	501,532	122,541	624,073
Klawock City School District	717	233,424	45,118	11,975	57,093
Kodiak Island Borough School District	718	2,315,224	447,501	103,819	551,320
Nenana City School District	719	412,652	79,760	17,878	97,638
Nome City School District	720	601,388	116,240	27,996	144,236
Matanuska-Susitna Borough School District	722	17,021,412	3,290,005	783,395	4,073,400
Pelican City School District	723	12,424	2,401	—	2,401
Petersburg City School District	724	581,896	112,473	30,863	143,336
Sitka Borough School District	727	1,637,771	316,559	79,118	395,677
Skagway City School District	728	152,605	29,496	8,748	38,244
Unalaska City School District	729	395,062	76,360	21,072	97,432
Valdez City School District	730	834,812	161,358	35,212	196,570
Wrangell Public School District	731	267,653	51,734	15,169	66,903
Yakutat School District	732	65,606	12,681	4,349	17,030
University of Alaska	733	5,054,034	976,875	298,480	1,275,355
Galena City School District	735	940,352	181,757	46,817	228,574
North Slope Borough School District	736	2,527,255	488,484	108,611	597,095
State of Alaska	737	2,335,191	451,360	16,744	468,104
Bristol Bay Borough School District	742	109,819	21,226	10,491	31,717
Southeast Regional Resource Center	743	77,967	15,070	1,338	16,408
Dillingham City School District	744	66,557	12,865	62,922	75,787
Kenai Peninsula Borough School District	746	8,513,083	1,645,462	416,637	2,062,099
Saint Mary's School District	748	224,867	43,464	10,200	53,664
Northwest Arctic Borough School District	751	2,714,089	524,596	83,813	608,409
Bering Strait School District	752	2,650,860	512,375	80,587	592,962
Lower Yukon School District	753	1,957,719	378,400	99,772	478,172
Lower Kuskokwim School District	754	4,672,759	903,180	143,319	1,046,499
Kuspuk School District	755	439,750	84,998	11,404	96,402
Southwest Region School District	756	913,254	176,519	23,773	200,292
Lake And Peninsula Borough School District	757	618,027	119,456	23,338	142,794
Aleutian Region School District	758	61,803	11,946	1,717	13,663
Pribilof School District	759	86,048	16,632	1,900	18,532
Iditarod Area School District	761	273,358	52,836	5,057	57,893
Yukon/Koyukuk School District	762	837,664	161,909	30,048	191,957
Yukon Flats School District	763	278,112	53,755	21,303	75,058
Denali Borough School District	764	489,192	94,554	16,432	110,986
Delta/Greely School District	765	707,403	136,731	34,124	170,855
Alaska Gateway School District	766	492,995	95,289	10,458	105,747
Copper River School District	767	242,932	46,955	15,679	62,634
Chatham School District	768	157,359	30,415	10,208	40,623
Southeast Island School District	769	229,621	44,383	14,707	59,090
Annette Island School District	770	289,997	56,053	19,903	75,956
Chugach School District	771	257,670	49,804	18,512	68,316
Tanana School District	775	27,098	5,238	4,107	9,345
Kashunamiut School District	777	159,736	30,875	17,093	47,968
Yupit School District	778	385,078	74,430	32,679	107,109
Special Education Service Agency	779	204,424	39,512	428	39,940
Aleutians East Borough School District	780	447,357	86,468	7,995	94,463
Total attributable to employer contributions		131,920,764	25,498,471	5,953,608	31,452,079
Nonemployer:					
State of Alaska	999	225,823,236	43,648,529	—	43,648,529
Total for all entities		\$ 357,744,000	69,147,000	5,953,608	75,100,608

See accompanying notes to schedule of employer and nonemployer allocations and schedule of OPEB amounts by employer and nonemployer.

Deferred inflows of resources				OPEB expense (benefit)		
Difference between expected and actual experience	Change in assumptions	Change in proportion and difference between employer contributions and proportionate share of contributions	Total deferred inflows of resources	Proportionate share of allocable plan OPEB expense (benefit)	Net amortization of deferred amounts from change in proportion and difference between employer contributions and proportionate share of contributions	
					Total OPEB expense (benefit)	Total OPEB expense (benefit)
1,222,710	14,344,140	—	15,566,850	(27,535,180)	6,301,695	(21,233,485)
11,499	134,907	—	146,401	(258,959)	77,784	(181,175)
10,186	119,497	—	129,683	(229,388)	32,257	(197,131)
360,005	4,223,378	—	4,583,383	(8,107,246)	1,951,052	(6,156,194)
7,241	84,949	—	92,190	(163,069)	(8,598)	(171,667)
2,537	29,762	—	32,299	(57,132)	6,817	(50,315)
4,118	48,307	—	52,425	(92,731)	(7,362)	(100,093)
130,060	1,525,794	—	1,655,854	(2,928,932)	800,073	(2,128,859)
4,092	48,008	—	52,100	(92,157)	24,008	(68,149)
69,581	816,289	—	885,870	(1,566,959)	371,006	(1,195,953)
6,260	73,433	—	79,693	(140,963)	33,558	(107,405)
62,085	728,349	—	790,434	(1,398,148)	177,637	(1,220,511)
11,066	129,817	—	140,883	(249,198)	65,865	(183,333)
16,127	189,191	—	205,318	(363,174)	23,890	(339,284)
456,448	5,354,787	—	5,811,235	(10,279,112)	2,398,287	(7,880,825)
333	3,909	151	4,393	(7,503)	(567)	(8,070)
15,604	183,059	—	198,663	(351,403)	100,769	(250,634)
43,919	515,228	—	559,147	(989,039)	288,305	(700,734)
4,092	48,008	—	52,100	(92,157)	26,159	(65,998)
10,594	124,283	—	134,877	(238,575)	45,768	(192,807)
22,386	262,624	—	285,010	(504,137)	24,414	(479,723)
7,177	84,201	—	91,378	(161,634)	34,321	(127,313)
1,759	20,639	—	22,398	(39,619)	6,989	(32,630)
135,529	1,589,955	—	1,725,484	(3,052,096)	791,613	(2,260,483)
25,217	295,826	—	321,043	(567,872)	94,699	(473,173)
67,771	795,052	—	862,823	(1,526,191)	516,250	(1,009,941)
62,621	734,631	—	797,252	(1,410,205)	34,836	(1,375,369)
2,945	34,548	—	37,493	(66,319)	34,481	(31,838)
2,091	24,528	—	26,619	(47,083)	(17,117)	(64,200)
1,785	20,938	—	22,723	(40,193)	116,616	76,423
228,288	2,678,141	—	2,906,429	(5,140,991)	1,278,973	(3,862,018)
6,030	70,741	—	76,771	(135,795)	27,612	(108,183)
72,781	853,829	—	926,610	(1,639,019)	360,044	(1,278,975)
71,086	833,937	—	905,023	(1,600,836)	101,312	(1,499,524)
52,498	615,881	—	668,379	(1,182,253)	218,333	(963,920)
125,305	1,470,009	—	1,595,314	(2,821,846)	391,221	(2,430,625)
11,792	138,341	—	150,133	(265,562)	39,797	(225,765)
24,490	287,302	—	311,792	(551,508)	89,539	(461,969)
16,573	194,426	—	210,999	(373,222)	53,848	(319,374)
1,657	19,443	—	21,100	(37,322)	5,536	(31,786)
2,307	27,070	—	29,377	(51,964)	196	(51,768)
7,330	85,996	—	93,326	(165,079)	27,910	(137,169)
22,463	263,522	—	285,985	(505,860)	134,232	(371,628)
7,458	87,492	—	94,950	(167,950)	72,233	(95,717)
13,118	153,896	—	167,014	(295,420)	70,046	(225,374)
18,970	222,543	—	241,513	(427,196)	98,152	(329,044)
13,220	155,092	—	168,312	(297,716)	48,132	(249,584)
6,515	76,424	—	82,939	(146,705)	51,784	(94,921)
4,220	49,504	—	53,724	(95,028)	21,028	(74,000)
6,158	72,237	—	78,395	(138,666)	38,646	(100,020)
7,777	91,231	—	99,008	(175,127)	69,075	(106,052)
6,910	81,061	—	87,971	(155,605)	57,535	(98,070)
727	8,525	—	9,252	(16,364)	16,969	605
4,284	50,252	—	54,536	(96,464)	21,165	(75,299)
10,326	121,142	—	131,468	(232,546)	71,747	(160,799)
5,482	64,310	—	69,792	(123,450)	11,127	(112,323)
11,996	140,734	—	152,730	(270,155)	32,810	(237,345)
3,537,599	41,501,113	151	45,038,863	(79,666,023)	17,754,507	(61,911,516)
6,055,695	71,042,005	5,953,457	83,051,157	(136,373,067)	(17,754,507)	(154,127,574)
9,593,294	112,543,118	5,953,608	128,090,020	(216,039,090)	—	(216,039,090)

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Notes to Schedule of Employer and Nonemployer Allocations and
Schedule of OPEB Amounts by Employer and Nonemployer

June 30, 2020

(1) Plan Description

The State of Alaska Teachers' Retirement System (the System) Alaska Retiree Healthcare Trust (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan that provides health benefits for teachers and other eligible members.

The Plan is established under Alaska Statute 14.25, which defines the benefit and contribution provisions and may be amended only by the State of Alaska (State) legislature. The Plan, a healthcare trust fund of the State, provides major medical coverage to retirees of the System's Defined Benefit Pension Plan (DB Plan). The Plan is self-funded and self-insured. The 24th Alaska State Legislature enacted into law Senate Bill 141, which closed the Plan to new members effective July 1, 2006.

There are two tiers within the Plan: 1) Employees hired between July 1, 1955 and June 30, 1990, and 2) Employees hired between July 1, 1990 and June 30, 2006.

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.

(2) Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of the Plan, its participating employers, or the State as a nonemployer entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the Plan, its participating employers, or the State. The amounts presented in the Schedules are prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

(3) Allocation Methodology

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB asset, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense (benefit). The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of OPEB amounts by employer and nonemployer are based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions to the Plan for the fiscal years 2022 to 2039. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Notes to Schedule of Employer and Nonemployer Allocations and
Schedule of OPEB Amounts by Employer and Nonemployer

June 30, 2020

(4) Contributions

Employer contributions are actuarially determined and adopted by the Alaska Retirement Management Board (Board). Employer contributions were 4.15% of annual payroll for the year ended June 30, 2020.

Alaska Statute 14.25.085 requires the State, as a nonemployer contributing entity, to contribute 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 Plan's past service liability at the actuarially determined contribution rate adopted by the Board for that fiscal year.

(5) Collective Net OPEB Asset

(a) Components of the Collective Net OPEB Asset

The components of the collective net OPEB asset of the Plan as of June 30, 2020 are as follows:

Total OPEB liability	\$	2,595,717,000
Plan fiduciary net position		<u>(2,953,461,000)</u>
Net OPEB asset	\$	<u><u>(357,744,000)</u></u>

The total OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The actuarial valuation used the following actuarial assumptions as of the June 30, 2020 measurement date:

Inflation rate	2.50% per year
Salary increases	Graded by service, from 6.75% to 2.75%
Investment rate of return	7.38%, net of postretirement healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Healthcare cost trend rates	Pre-65 medical: 7.0% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Prescription drug: 8.0% grading down to 4.5% Employer Group Waiver Plan (EGWP): 8.0% grading down to 4.5%

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Notes to Schedule of Employer and Nonemployer Allocations and
Schedule of OPEB Amounts by Employer and Nonemployer

June 30, 2020

Mortality	<p>Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 white-collar employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 93% of male and 90% of female rates of the RP-2014 white-collar healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.</p> <p>Deaths are assumed to be occupational 15% of the time. Disability mortality in accordance with the RP-2014 disabled table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.</p>
Participation	<p>100% of system paid of members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible. 20% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.</p>

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2017. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience. Retired member contribution trend rates were updated to reflect the ongoing shift in population from pre-Medicare to Medicare-eligible and a projection of expected future retiree contributions.
2. The Further Consolidated Appropriations Act, 2020 that was signed into law in December 2019 made several changes, including the repeal of the Cadillac Tax.
3. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from plan assets. Long-Term Expected Rate of Return.

(b) Long-term Rate of Return

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan 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 by adding expected inflation. Best estimates of

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Notes to Schedule of Employer and Nonemployer Allocations and
Schedule of OPEB Amounts by Employer and Nonemployer

June 30, 2020

arithmetic real rates of return, excluding the inflation component of 2.50%, for each major asset class included in the Plan's target asset allocation are summarized in the following table:

Asset class	Long-term expected real rate of return
Domestic equity	6.24 %
Global equity (non-U.S.)	6.67
Aggregate bonds	(0.16)
Opportunistic	3.01
Real assets	3.82
Private equity	10.00
Cash equivalents	(1.09)

(c) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020 was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and nonemployer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on 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 Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*.

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

The following presents the collective net OPEB asset of the Plan as of June 30, 2020 calculated using the discount rate of 7.38%, as well as what the Plan's collective 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:

	Current discount rate	1% increase
1% decrease	(7.38%)	(8.38%)
(6.38%)	(7.38%)	(8.38%)
\$ (19,722,000)	(357,744,000)	(636,537,000)

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Notes to Schedule of Employer and Nonemployer Allocations and
Schedule of OPEB Amounts by Employer and Nonemployer

June 30, 2020

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

The following presents the collective net OPEB asset of the Plan as of June 30, 2020 calculated using the current healthcare cost trend rates as well as what the Plan'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% decrease	Current healthcare cost trend rate	1% increase
\$	(667,563,000)	(357,744,000)	19,101,000

(6) Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ending June 30, 2020:

	Year of deferral	Amortization period	Beginning of year balance	Additions	Deductions	End of year balance
Deferred outflows of resources:						
Difference between projected and actual earnings on OPEB plan investments						
	2017	5 years	\$ (49,424,000)	—	(24,712,000)	(24,712,000)
	2018	5 years	(5,133,000)	—	(1,711,000)	(3,422,000)
	2019	5 years	30,908,000	—	7,727,000	23,181,000
	2020	5 years	—	92,625,000	18,525,000	74,100,000
			(23,649,000)	92,625,000	(171,000)	69,147,000
Change in assumptions	2018	2.2 years	14,901,000	—	14,901,000	—
Total deferred outflows of resources			\$ (8,748,000)	92,625,000	14,730,000	69,147,000
Deferred inflows of resources:						
Difference between expected and actual experience						
	2018	2.2 years	\$ 5,271,818	—	5,271,818	—
	2019	1.9 years	22,694,684	—	22,694,684	—
	2020	1.7 years	—	23,298,000	13,704,706	9,593,294
			27,966,502	23,298,000	41,671,208	9,593,294
Change in assumptions	2019	1.9 years	46,179,000	—	46,179,000	—
	2020	1.7 years	—	273,319,000	160,775,882	112,543,118
			46,179,000	273,319,000	206,954,882	112,543,118
Total deferred inflows of resources			\$ 74,145,502	296,617,000	248,626,090	122,136,412

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Notes to Schedule of Employer and Nonemployer Allocations and
Schedule of OPEB Amounts by Employer and Nonemployer

June 30, 2020

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2021	\$ (122,307,412)
2022	24,541,000
2023	26,252,000
2024	<u>18,525,000</u>
Total	<u>\$ (52,989,412)</u>

(7) Collective OPEB Benefit

The components of the collective OPEB benefit (excluding employer specific amounts) for the year ending June 30, 2020 are as follows:

Service cost	\$ 26,684,000
Interest on total OPEB liability	202,757,000
Administrative expense	1,372,000
Expected investment return net of investment expenses	(212,698,000)
Other	(258,000)
Recognition (amortization) of deferred outflows/inflows of resources:	
Difference between projected and actual investment earnings on OPEB plan investments	(171,000)
Difference between expected and actual experience	(41,671,208)
Change in assumptions	<u>(192,053,882)</u>
Total OPEB benefit	<u>\$ (216,039,090)</u>

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Supplemental Schedule of Employer Allocations of Special Funding Amounts (Unaudited)

As of and for the year ended June 30, 2020

Employer	Employer number	Present value of projected future State contributions	Employer proportionate share
Anchorage School District	701	\$ 167,161,000	35.19090 %
Cordova City School District	704	1,575,000	0.33157
Craig City School District	705	1,389,000	0.29241
Fairbanks North Star Borough School District	706	49,220,000	10.36184
Haines Borough School District	707	985,000	0.20736
Hoonah City School District	708	343,000	0.07221
Hydaburg City School District	709	566,000	0.11916
Juneau Borough School District	710	17,781,000	3.74327
Kake City School District	712	559,000	0.11768
Ketchikan Gateway Borough School District	714	9,510,000	2.00206
Klawock City School District	717	856,000	0.18021
Kodiak Island Borough School District	718	8,487,000	1.78669
Nenana City School District	719	1,516,000	0.31915
Nome City School District	720	2,198,000	0.46273
Matanuska-Susitna Borough School District	722	62,402,000	13.13693
PELICAN CITY School District	723	—	—
Petersburg City School District	724	2,134,000	0.44925
Sitka Borough School District	727	6,004,000	1.26397
Skagway City School District	728	557,000	0.11726
Unalaska City School District	729	1,450,000	0.30526
Valdez City School District	730	3,061,000	0.64441
Wrangell Public School District	731	977,000	0.20568
Yakutat School District	732	243,000	0.05116
University of Alaska	733	18,526,000	3.90011
Galena City School District	735	3,453,000	0.72693
North Slope Borough School District	736	9,270,000	1.95153
Bristol Bay Borough School District	742	402,000	0.08463
Southeast Regional Resource Center	743	287,000	0.06042
Dillingham City School District	744	245,000	0.05158
Kenai Peninsula Borough School District	746	31,210,000	6.57036
Saint Mary's School District	748	823,000	0.17326
Northwest Arctic Borough School District	751	9,948,000	2.09426
Bering Strait School District	752	9,717,000	2.04563
Lower Yukon School District	753	7,178,000	1.51112
Lower Kuskokwim School District	754	17,131,000	3.60644
Kuspuk School District	755	1,615,000	0.33999
Southwest Region School District	756	3,345,000	0.70419
Lake And Peninsula Borough School District	757	2,270,000	0.47788
Aleutian Region School District	758	227,000	0.04779

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Supplemental Schedule of Employer Allocations of Special Funding Amounts (Unaudited)

As of and for the year ended June 30, 2020

Employer	Employer number	Present value of projected future State contributions	Employer proportionate share
Pribilof School District	759	\$ 315,000	0.06631 %
Iditarod Area School District	761	1,001,000	0.21073
Yukon/Koyukuk School District	762	3,068,000	0.64588
Yukon Flats School District	763	1,019,000	0.21452
Denali Borough School District	764	1,791,000	0.37704
Delta/Greely School District	765	2,592,000	0.54567
Alaska Gateway School District	766	1,807,000	0.38041
Copper River School District	767	891,000	0.18757
Chatham School District	768	576,000	0.12126
Southeast Island School District	769	840,000	0.17684
Annette Island School District	770	1,065,000	0.22420
Chugach School District	771	940,000	0.19789
Tanana School District	775	97,000	0.02042
Kashunamiut School District	777	588,000	0.12379
Yupiit School District	778	1,411,000	0.29705
Special Education Service Agency	779	752,000	0.15831
Aleutians East Borough School District	780	1,638,000	0.34483
Total for all employers		\$ <u>475,012,000</u>	<u>100.00000 %</u>

See accompanying independent auditors' report.

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Supplemental Schedule of Special Funding Amounts by Employer (Unaudited)

As of and for the year ended June 30, 2020

Employer	Employer number	State proportionate share of net OPEB asset attributable to employer	Employer OPEB expense (benefit) and related revenue attributable to special funding situation
Anchorage School District	701	\$ 79,469,230	(47,990,910)
Cordova City School District	704	748,763	(452,173)
Craig City School District	705	660,338	(398,774)
Fairbanks North Star Borough School District	706	23,399,450	(14,130,764)
Haines Borough School District	707	468,274	(282,788)
Hoonah City School District	708	163,064	(98,473)
Hydaburg City School District	709	269,079	(162,495)
Juneau Borough School District	710	8,453,182	(5,104,817)
Kake City School District	712	265,752	(160,486)
Ketchikan Gateway Borough School District	714	4,521,105	(2,730,263)
Klawock City School District	717	406,947	(245,752)
Kodiak Island Borough School District	718	4,034,765	(2,436,566)
Nenana City School District	719	720,714	(435,234)
Nome City School District	720	1,044,941	(631,033)
Matanuska-Susitna Borough School District	722	29,666,243	(17,915,236)
Pelican City School District	723	—	—
Petersburg City School District	724	1,014,515	(612,658)
Sitka Borough School District	727	2,854,334	(1,723,712)
Skagway City School District	728	264,801	(159,911)
Unalaska City School District	729	689,338	(416,286)
Valdez City School District	730	1,455,216	(878,795)
Wrangell Public School District	731	464,471	(280,491)
Yakutat School District	732	115,524	(69,764)
University of Alaska	733	8,807,359	(5,318,702)
Galena City School District	735	1,641,575	(991,335)
North Slope Borough School District	736	4,407,007	(2,661,361)
Bristol Bay Borough School District	742	191,113	(115,412)
Southeast Regional Resource Center	743	136,441	(82,396)
Dillingham City School District	744	116,474	(70,338)
Kenai Peninsula Borough School District	746	14,837,400	(8,960,202)
Saint Mary's School District	748	391,259	(236,278)
Northwest Arctic Borough School District	751	4,729,332	(2,856,011)
Bering Strait School District	752	4,619,514	(2,789,692)

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Supplemental Schedule of Special Funding Amounts by Employer (Unaudited)

As of and for the year ended June 30, 2020

Employer	Employer number	State proportionate share of net OPEB asset attributable to employer	Employer OPEB expense (benefit) and related revenue attributable to special funding situation
Lower Yukon School District	753	\$ 3,412,459	(2,060,760)
Lower Kuskokwim School District	754	8,144,169	(4,918,206)
Kuspuk School District	755	767,780	(463,657)
Southwest Region School District	756	1,590,231	(960,329)
Lake And Peninsula Borough School District	757	1,079,170	(651,703)
Aleutian Region School District	758	107,917	(65,170)
Pribilof School District	759	149,753	(90,435)
Iditarod Area School District	761	475,881	(287,381)
Yukon/Koyukuk School District	762	1,458,544	(880,804)
Yukon Flats School District	763	484,438	(292,549)
Denali Borough School District	764	851,451	(514,185)
Delta/Greely School District	765	1,232,251	(744,148)
Alaska Gateway School District	766	859,057	(518,779)
Copper River School District	767	423,586	(255,801)
Chatham School District	768	273,833	(165,366)
Southeast Island School District	769	399,340	(241,159)
Annette Island School District	770	506,307	(305,755)
Chugach School District	771	446,881	(269,868)
Tanana School District	775	46,114	(27,848)
Kashunamiut School District	777	279,538	(168,811)
Yupiiit School District	778	670,797	(405,090)
Special Education Service Agency	779	357,505	(215,895)
Aleutians East Borough School District	780	778,714	(470,260)
Total for all employers		\$ <u>225,823,236</u>	<u>(136,373,067)</u>

See accompanying independent auditors' report.

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Supplemental Schedule of Employer and Nonemployer Contributions (Unaudited)

For the year ended June 30, 2020

<u>Employer/nonemployer</u>	<u>Employer number</u>	<u>Actual employer contributions</u>
Employer:		
Anchorage SD	701	\$ 6,781,319
Cordova City SD	704	65,495
Craig City SD	705	68,621
Fairbanks North Star Borough SD	706	1,932,511
Haines Borough SD	707	23,849
Hoonah City SD	708	13,599
Hydaburg City SD	709	21,293
Juneau Borough SD	710	778,861
Kake City SD	712	13,095
Ketchikan Gateway Borough SD	714	418,655
Klawock City SD	717	40,645
Kodiak Island Borough SD	718	327,702
Nenana City SD	719	59,761
Nome City SD	720	88,054
Matanuska-Susitna Borough SD	722	2,535,285
Pelican City SD	723	284
Petersburg City SD	724	97,918
Sitka Borough SD	727	242,821
Skagway City SD	728	22,750
Unalaska City SD	729	56,949
Valdez City SD	730	146,284
Wrangell Public SD	731	41,151
Yakutat SD	732	10,551
University of Alaska	733	859,636
Galena City SD	735	147,391
North Slope Borough SD	736	243,960
State of Alaska (Employer and Nonemployer)	737	154,211
Bristol Bay Borough SD	742	22,579
Southeast Regional Resource Center	743	7,563
Dillingham City SD	744	46,180
Kenai Peninsula Borough SD	746	1,251,986
Saint Mary's SD	748	34,482
Northwest Arctic Borough SD	751	291,322
Bering Strait SD	752	296,860
Lower Yukon SD	753	259,620
Lower Kuskokwim SD	754	507,085
Kuspuk SD	755	34,209
Southwest Region SD	756	82,099

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Supplemental Schedule of Employer and Nonemployer Contributions (Unaudited)

For the year ended June 30, 2020

<u>Employer/nonemployer</u>	<u>Employer number</u>	<u>Actual employer contributions</u>
Lake and Peninsula Borough SD	757	\$ 67,824
Aleutian Region SD	758	6,634
Pribilof SD	759	6,614
Iditarod Area SD	761	21,606
Yukon / Koyukuk SD	762	96,852
Yukon Flats SD	763	34,176
Denali Borough SD	764	68,393
Delta/greely SD	765	107,099
Alaska Gateway SD	766	46,015
Copper River SD	767	28,703
Chatham SD	768	17,492
Southeast Island SD	769	27,268
Annette Island SD	770	30,575
Chugach SD	771	53,360
Tanana SD	775	1,134
Kashunamiut SD	777	19,331
Yupiit SD	778	62,875
Special Education Service Agency	779	17,283
Aleutians East Borough SD	780	48,143
Total employer contributions		<u>18,788,013</u>
Nonemployer:		
State of Alaska	999	<u>—</u>
Total for all entities		<u>\$ 18,788,013</u>

See accompanying independent auditors' report.