



**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, 2021

(With Independent Auditors' Report Thereon)

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

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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:

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, 2021, 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, 2021, 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 participating entities for the Plan as of and for the year ended June 30, 2021, 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, 2021, and our report thereon, dated October 20, 2021, 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  
April 22, 2022

**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, 2021

<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	\$ 88,836,000	19.68067 %
Cordova City School District	704	671,000	0.14865
Craig City School District	705	851,000	0.18853
Fairbanks North Star Borough School District	706	25,193,000	5.58124
Haines Borough School District	707	497,000	0.11011
Hoonah City School District	708	246,000	0.05450
Hydaburg City School District	709	279,000	0.06181
Juneau Borough School District	710	9,698,000	2.14849
Kake City School District	712	274,000	0.06070
Ketchikan Gateway Borough School District	714	5,200,000	1.15200
Klawock City School District	717	438,000	0.09703
Kodiak Island Borough School District	718	4,772,000	1.05719
Nenana City School District	719	723,000	0.16017
Nome City School District	720	1,342,000	0.29731
Matanuska-Susitna Borough School District	722	32,860,000	7.27978
Pelican City School District	723	38,000	0.00842
Petersburg City School District	724	1,056,000	0.23395
Sitka Borough School District	727	2,922,000	0.64734
Skagway City School District	728	341,000	0.07554
Unalaska City School District	729	766,000	0.16970
Valdez City School District	730	1,660,000	0.36776
Wrangell Public School District	731	637,000	0.14112
Yakutat School District	732	150,000	0.03323
University of Alaska	733	9,040,000	2.00272
Galena City School District	735	1,843,000	0.40830
North Slope Borough School District	736	5,309,000	1.17615
State of Alaska	737	2,949,000	0.65332
Bristol Bay Borough School District	742	279,000	0.06181
Southeast Regional Resource Center	743	209,000	0.04630
Dillingham City School District	744	1,102,000	0.24414
Kenai Peninsula Borough School District	746	16,118,000	3.57077
Saint Mary's School District	748	505,000	0.11188
Northwest Arctic Borough School District	751	4,691,000	1.03924
Bering Strait School District	752	5,305,000	1.17527
Lower Yukon School District	753	3,695,000	0.81859
Lower Kuskokwim School District	754	8,718,000	1.93138

**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, 2021

<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	\$ 1,149,000	0.25455 %
Southwest Region School District	756	1,627,000	0.36044
Lake And Peninsula Borough School District	757	1,327,000	0.29398
Aleutian Region School District	758	110,000	0.02437
Pribilof School District	759	130,000	0.02880
Iditarod Area School District	761	573,000	0.12694
Yukon/Koyukuk School District	762	1,673,000	0.37064
Yukon Flats School District	763	606,000	0.13425
Denali Borough School District	764	939,000	0.20803
Delta/Greely School District	765	1,333,000	0.29531
Alaska Gateway School District	766	870,000	0.19274
Copper River School District	767	574,000	0.12716
Chatham School District	768	377,000	0.08352
Southeast Island School District	769	680,000	0.15065
Annette Island School District	770	798,000	0.17679
Chugach School District	771	580,000	0.12849
Tanana School District	775	92,000	0.02038
Kashunamiut School District	777	349,000	0.07732
Yupit School District	778	1,139,000	0.25233
Special Education Service Agency	779	383,000	0.08485
Aleutians East Borough School District	780	539,000	0.11941
Total present value of projected future employer contributions		255,061,000	56.50606
Nonemployer:			
State of Alaska	999	196,326,000	43.49394
Total of all participating entities		\$ 451,387,000	100.00000 %

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

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**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, 2021

Employer/nonemployer	Employer/ nonemployer number	Net OPEB asset	Change in proportion and difference between employer contributions and proportionate share of contributions	Total deferred outflows of resources
<b>Employer:</b>				
Anchorage School District	701	\$ 228,823,447	—	—
Cordova City School District	704	1,728,359	—	—
Craig City School District	705	2,192,003	—	—
Fairbanks North Star Borough School District	706	64,892,038	—	—
Haines Borough School District	707	1,280,171	—	—
Hoonah City School District	708	633,646	—	—
Hydaburg City School District	709	718,647	—	—
Juneau Borough School District	710	24,980,073	—	—
Kake City School District	712	705,768	—	—
Ketchikan Gateway Borough School District	714	13,394,141	—	—
Klawock City School District	717	1,128,199	—	—
Kodiak Island Borough School District	718	12,291,700	—	—
Nenana City School District	719	1,862,301	—	—
Nome City School District	720	3,456,719	—	—
Matanuska-Susitna Borough School District	722	84,640,669	—	—
Pelican City School District	723	97,880	—	—
Petersburg City School District	724	2,720,041	—	—
Sitka Borough School District	727	7,526,477	—	—
Skagway City School District	728	878,347	—	—
Unalaska City School District	729	1,973,060	—	—
Valdez City School District	730	4,275,822	—	—
Wrangell Public School District	731	1,640,782	—	—
Yakutat School District	732	386,369	—	—
University of Alaska	733	23,285,199	—	—
Galena City School District	735	4,747,193	—	—
North Slope Borough School District	736	13,674,903	—	—
State of Alaska	737	7,596,022	15,746	15,746
Bristol Bay Borough School District	742	718,647	—	—
Southeast Regional Resource Center	743	538,341	—	—
Dillingham City School District	744	2,838,528	—	—
Kenai Peninsula Borough School District	746	41,516,686	—	—
Saint Mary's School District	748	1,300,777	—	—
Northwest Arctic Borough School District	751	12,083,061	—	—
Bering Strait School District	752	13,664,600	—	—
Lower Yukon School District	753	9,517,568	—	—
Lower Kuskokwim School District	754	22,455,793	—	—
Kuspuk School District	755	2,959,590	—	—
Southwest Region School District	756	4,190,821	—	—
Lake And Peninsula Borough School District	757	3,418,082	—	—
Aleutian Region School District	758	283,338	—	—
Pribilof School District	759	334,854	—	—
Iditarod Area School District	761	1,475,931	—	—
Yukon/Koyukuk School District	762	4,309,307	—	—
Yukon Flats School District	763	1,560,933	—	—
Denali Borough School District	764	2,418,673	—	—
Delta/Greely School District	765	3,433,537	—	—
Alaska Gateway School District	766	2,240,943	—	—
Copper River School District	767	1,478,507	—	—
Chatham School District	768	971,075	—	—
Southeast Island School District	769	1,751,542	—	—
Annette Island School District	770	2,055,486	—	—
Chugach School District	771	1,493,962	—	—
Tanana School District	775	236,973	—	—
Kashunamiut School District	777	898,953	—	—
Yupit School District	778	2,933,832	—	—
Special Education Service Agency	779	986,530	—	—
Aleutians East Borough School District	780	1,388,354	14,064	14,064
Total attributable to employer contributions		656,985,200	29,810	29,810
<b>Nonemployer:</b>				
State of Alaska	999	505,695,800	16,351,437	16,351,437
Total of all participating entities		\$ 1,162,681,000	16,381,247	16,381,247

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	Difference between projected and actual investment earnings	Change in proportion and difference between employer contributions and proportionate share of contributions	Total deferred inflows of resources	Net amortization of deferred amounts from change in proportion and difference between employer contributions and proportionate share of contributions		
					Proportionate share of allocable plan OPEB expense (benefit)	Proportionate share of contributions	Total OPEB expense (benefit)
1,606,140	6,606,212	89,468,261	5,573,785	103,254,398	(66,291,752)	(9,047,541)	(75,339,293)
12,132	49,898	675,776	12,788	750,594	(500,718)	(6,507)	(507,225)
15,386	63,284	857,057	63,676	999,403	(635,039)	(106,440)	(741,479)
455,485	1,873,455	25,372,303	1,518,427	29,219,670	(18,799,677)	(2,461,380)	(21,261,057)
8,986	36,959	500,537	34,294	580,776	(370,874)	(64,526)	(435,400)
4,448	18,294	247,751	26,647	297,140	(183,572)	(48,096)	(231,668)
5,044	20,748	280,986	18,978	325,756	(208,197)	(37,387)	(245,584)
175,338	721,183	9,767,022	638,392	11,301,935	(7,236,902)	(1,015,479)	(8,252,381)
4,954	20,376	275,950	17,928	319,208	(204,466)	(31,603)	(236,069)
94,015	386,693	5,237,009	351,772	6,069,489	(3,880,376)	(581,003)	(4,461,379)
7,919	32,571	441,117	18,993	500,600	(326,847)	(26,011)	(352,858)
86,277	354,866	4,805,963	358,441	5,605,547	(3,560,991)	(613,063)	(4,174,054)
13,072	53,765	728,146	31,571	826,554	(539,522)	(45,264)	(584,786)
24,263	99,797	1,351,551	114,905	1,590,516	(1,001,436)	(201,814)	(1,203,250)
594,103	2,443,605	33,093,870	1,966,721	38,098,299	(24,520,993)	(3,150,048)	(27,671,041)
687	2,826	38,270	5,719	47,502	(28,357)	(11,589)	(39,946)
19,092	78,529	1,063,516	49,121	1,210,258	(788,015)	(67,378)	(855,393)
52,829	217,292	2,942,796	140,898	3,353,815	(2,180,473)	(202,678)	(2,383,151)
6,165	25,358	343,427	29,623	404,573	(254,463)	(50,498)	(304,961)
13,849	56,963	771,452	52,633	894,897	(571,609)	(84,195)	(655,804)
30,013	123,444	1,671,815	98,394	1,923,666	(1,238,736)	(161,575)	(1,400,311)
11,517	47,370	641,534	58,467	758,888	(475,346)	(101,765)	(577,111)
2,712	11,155	151,068	14,828	179,763	(111,934)	(25,308)	(137,242)
163,442	672,252	9,104,339	394,820	10,334,853	(6,745,885)	(491,160)	(7,237,045)
33,321	137,053	1,856,117	121,075	2,147,566	(1,375,295)	(195,333)	(1,570,628)
95,986	394,799	5,346,785	469,248	6,306,818	(3,961,715)	(829,884)	(4,791,599)
53,317	219,301	2,969,988	—	3,242,606	(2,200,620)	48,237	(2,152,383)
5,044	20,748	280,986	29,971	336,749	(208,197)	(49,450)	(257,647)
3,779	15,542	210,487	25,285	255,093	(155,961)	(49,231)	(205,192)
19,924	81,949	1,109,843	229,858	1,441,574	(822,341)	(396,795)	(1,219,136)
291,411	1,198,601	16,232,715	952,991	18,675,718	(12,027,674)	(1,489,345)	(13,517,019)
9,130	37,554	508,594	44,324	599,602	(376,844)	(78,448)	(455,292)
84,812	348,842	4,724,387	281,050	5,439,091	(3,500,547)	(478,287)	(3,978,834)
95,913	394,502	5,342,757	438,137	6,271,309	(3,958,730)	(795,688)	(4,754,418)
66,805	274,775	3,721,298	237,209	4,300,087	(2,757,306)	(374,645)	(3,131,951)
157,620	648,306	8,780,048	596,137	10,182,111	(6,505,600)	(1,048,955)	(7,554,555)
20,774	85,444	1,157,178	139,396	1,402,792	(857,414)	(267,387)	(1,124,801)
29,416	120,990	1,638,580	106,191	1,895,177	(1,214,110)	(188,609)	(1,402,719)
23,992	98,681	1,336,444	118,490	1,577,607	(990,242)	(213,642)	(1,203,884)
1,989	8,180	110,783	9,218	130,170	(82,085)	(16,718)	(98,803)
2,350	9,667	130,925	7,199	150,141	(97,009)	(12,499)	(109,508)
10,360	42,611	577,078	50,164	680,213	(427,588)	(95,270)	(522,858)
30,248	124,411	1,684,907	130,590	1,970,156	(1,248,436)	(231,132)	(1,479,568)
10,956	45,065	610,313	54,251	720,585	(452,213)	(87,199)	(539,412)
16,977	69,828	945,683	55,775	1,088,263	(700,706)	(95,118)	(795,824)
24,100	99,127	1,342,487	73,619	1,539,333	(994,720)	(113,114)	(1,107,834)
15,729	64,697	876,192	58,652	1,015,270	(649,217)	(106,846)	(756,063)
10,378	42,685	578,085	59,306	690,454	(428,334)	(102,934)	(531,268)
6,816	28,035	379,683	40,394	454,928	(281,327)	(70,579)	(351,906)
12,294	50,568	684,840	92,508	840,210	(507,434)	(170,309)	(677,743)
14,428	59,343	803,680	102,228	979,679	(595,489)	(184,553)	(780,042)
10,486	43,131	584,128	41,789	679,534	(432,811)	(65,065)	(497,876)
1,663	6,841	92,655	14,692	115,851	(68,653)	(25,277)	(93,930)
6,310	25,953	351,484	34,663	418,410	(260,433)	(52,233)	(312,666)
20,593	84,701	1,147,106	147,318	1,399,718	(849,952)	(261,956)	(1,111,908)
6,925	28,481	385,726	27,698	448,830	(285,805)	(54,968)	(340,773)
9,745	40,082	542,836	—	592,663	(402,216)	36,123	(366,093)
4,611,459	18,967,388	256,876,314	16,381,247	296,836,408	(190,333,204)	(26,749,417)	(217,082,621)
3,549,541	14,599,612	197,723,286	—	215,872,439	(146,503,608)	26,749,417	(119,754,191)
8,161,000	33,567,000	454,599,600	16,381,247	512,708,847	(336,836,812)	—	(336,836,812)

**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, 2021

**(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 24<sup>th</sup> 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:

- Employees hired between July 1, 1955 and June 30, 1990
- 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**

Governmental Accounting Standards Board (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 2023 to 2039. Employer and nonemployer allocation percentages have been rounded for presentation purposes;

**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, 2021

therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

**(4) Contributions**

Employer contributions are actuarially determined and adopted by the Alaska Retirement Management Board (Board). Employer contributions were 6.91% of annual payroll for the year ended June 30, 2021.

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, 2021 are as follows:

Total OPEB liability	\$	2,560,350,000
Plan fiduciary net position		<u>(3,723,031,000)</u>
Net OPEB asset	\$	<u><u>(1,162,681,000)</u></u>

The total OPEB liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. The actuarial valuation used the following actuarial assumptions:

Inflation	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: 6.5% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Prescription drug: 7.5% grading down to 4.5% Employer Group Waiver Plan (EGWP): 7.5% grading down to 4.5%

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Mortality	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.
Participation	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.

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. Retired member contributions were updated to reflect the 5% decrease from Calendar Year (CY) 20 to CY21.
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.

**(b) Long-term Rate of Return**

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

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postretirement healthcare plan's target asset allocation as of June 30, 2021 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.50%):

<u>Asset class</u>	<u>Target asset allocation</u>	<u>Long-term expected real rate of return</u>
Broad Domestic equity	28.0 %	6.63%
Global equity (non-U.S.)	19.0	5.41
Aggregate bonds	22.0	0.76
Opportunistic	6.0	4.39
Real assets	13.0	3.16
Private equity	12.0	9.29
Cash equivalents	—	0.13

**(c) Discount Rate**

The discount rate used to measure the total OPEB liability 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 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.

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

The following presents the collective net OPEB asset as of June 30, 2021, calculated using the discount rate of 7.38%, 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:

	<u>1% decrease (6.38%)</u>	<u>Current discount rate (7.38%)</u>	<u>1% increase (8.38%)</u>
\$	837,747,000	1,162,681,000	1,431,519,000

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

The following presents the collective net OPEB asset as of June 30, 2021, calculated using the healthcare cost trend rates, as well as what the System's net OPEB asset would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	<b>1% decrease</b>	<b>Current healthcare cost trend rate</b>	<b>1% increase</b>
\$	1,461,739,000	1,162,681,000	800,304,000

**(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, 2021:

	Year of deferral	Amortization period	Beginning of year balance	Additions	Deductions	End of year balance
<b>Deferred outflows of resources:</b>	None					
<b>Deferred inflows of resources:</b>						
Difference between expected and actual experience						
	2020	1.7 years	\$ 9,593,294	—	9,593,294	—
	2021	1.5 years	—	24,483,000	16,322,000	8,161,000
			9,593,294	24,483,000	25,915,294	8,161,000
Change in assumptions						
	2020	1.7 years	112,543,118	—	112,543,118	—
	2021	1.5 years	—	100,701,000	67,134,000	33,567,000
			112,543,118	100,701,000	179,677,118	33,567,000
Difference between projected and actual earnings on OPEB plan investments						
	2017	5 years	24,712,000	—	24,712,000	—
	2018	5 years	3,422,000	—	1,711,000	1,711,000
	2019	5 years	(23,181,000)	—	(7,727,000)	(15,454,000)
	2020	5 years	(74,100,000)	—	(18,525,000)	(55,575,000)
	2021	5 years	—	654,897,000	130,979,400	523,917,600
			(69,147,000)	654,897,000	131,150,400	454,599,600
Total deferred inflows of resources			\$ 52,989,412	780,081,000	336,742,812	496,327,600

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The previous amounts do not include employer and nonemployer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer and nonemployer over the average of the expected remaining service lives of all plan members, which is 1.5 years for the 2021 amount.

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:	
2022	\$ (148,166,400)
2023	(104,727,400)
2024	(112,454,400)
2025	<u>(130,979,400)</u>
Total	<u>\$ (496,327,600)</u>

**(7) Collective OPEB Expense (Benefit)**

The components of the collective OPEB expense (benefit) (excluding employer specific amounts) for the year ending June 30, 2021 are as follows:

Service cost	\$ 23,793,000
Interest on total OPEB liability	188,868,000
Administrative expense	1,836,000
Expected investment return net of investment expenses	(214,344,000)
Other	(247,000)
Recognition (amortization) of deferred outflows/inflows of resources:	
Difference between expected and actual experience	(25,915,294)
Change in assumptions	(179,677,118)
Difference between projected and actual investment earnings on OPEB plan investments	<u>(131,150,400)</u>
Total OPEB expense (benefit)	<u>\$ (336,836,812)</u>

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

As of and for the year ended June 30, 2021

Employer	Employer number	Present value of projected future State contributions	Employer proportionate share
Anchorage School District	701	\$ 69,173,000	35.23376 %
Cordova City School District	704	522,000	0.26588
Craig City School District	705	661,000	0.33668
Fairbanks North Star Borough School District	706	19,617,000	9.99205
Haines Borough School District	707	388,000	0.19763
Hoonah City School District	708	190,000	0.09678
Hydaburg City School District	709	219,000	0.11155
Juneau Borough School District	710	7,550,000	3.84564
Kake City School District	712	212,000	0.10798
Ketchikan Gateway Borough School District	714	4,052,000	2.06391
Klawock City School District	717	341,000	0.17369
Kodiak Island Borough School District	718	3,714,000	1.89175
Nenana City School District	719	565,000	0.28779
Nome City School District	720	1,045,000	0.53228
Matanuska-Susitna Borough School District	722	25,588,000	13.03342
PELICAN CITY School District	723	27,000	0.01375
Petersburg City School District	724	826,000	0.42073
Sitka Borough School District	727	2,276,000	1.15930
Skagway City School District	728	265,000	0.13498
Unalaska City School District	729	595,000	0.30307
Valdez City School District	730	1,294,000	0.65911
Wrangell Public School District	731	499,000	0.25417
Yakutat School District	732	115,000	0.05858
University of Alaska	733	7,040,000	3.58587
Galena City School District	735	1,437,000	0.73195
North Slope Borough School District	736	4,135,000	2.10619
Bristol Bay Borough School District	742	219,000	0.11155
Southeast Regional Resource Center	743	162,000	0.08252
Dillingham City School District	744	860,000	0.43805
Kenai Peninsula Borough School District	746	12,550,000	6.39243
Saint Mary's School District	748	393,000	0.20018
Northwest Arctic Borough School District	751	3,653,000	1.86068
Bering Strait School District	752	4,133,000	2.10517
Lower Yukon School District	753	2,878,000	1.46593
Lower Kuskokwim School District	754	6,788,000	3.45751
Kuspuk School District	755	894,000	0.45537
Southwest Region School District	756	1,269,000	0.64637
Lake And Peninsula Borough School District	757	1,035,000	0.52718
Aleutian Region School District	758	85,000	0.04330



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

As of and for the year ended June 30, 2021

Employer	Employer number	Present value of projected future State contributions	Employer proportionate share
Pribilof School District	759	\$ 101,000	0.05145 %
Iditarod Area School District	761	447,000	0.22768
Yukon/Koyukuk School District	762	1,302,000	0.66318
Yukon Flats School District	763	470,000	0.23940
Denali Borough School District	764	733,000	0.37336
Delta/Greely School District	765	1,037,000	0.52820
Alaska Gateway School District	766	679,000	0.34585
Copper River School District	767	447,000	0.22768
Chatham School District	768	293,000	0.14924
Southeast Island School District	769	533,000	0.27149
Annette Island School District	770	620,000	0.31580
Chugach School District	771	451,000	0.22972
Tanana School District	775	75,000	0.03820
Kashunamiut School District	777	273,000	0.13905
Yupit School District	778	887,000	0.45180
Special Education Service Agency	779	294,000	0.14975
Aleutians East Borough School District	780	419,000	0.21342
Total for all employers		\$ <u>196,326,000</u>	<u>100.00000 %</u>

See accompanying independent auditors' report.

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Supplemental Schedule of Special Funding Amounts by Employer (Unaudited)

As of and for the year ended June 30, 2021

<b>Employer</b>	<b>Employer number</b>	<b>State proportionate share of net OPEB asset attributable to employer</b>	<b>Employer OPEB benefit and related revenue attributable to special funding situation</b>
Anchorage School District	701	\$ 178,175,561	(51,618,701)
Cordova City School District	704	1,344,566	(389,530)
Craig City School District	705	1,702,601	(493,256)
Fairbanks North Star Borough School District	706	50,529,398	(14,638,720)
Haines Borough School District	707	999,409	(289,536)
Hoonah City School District	708	489,401	(141,783)
Hydaburg City School District	709	564,099	(163,424)
Juneau Borough School District	710	19,447,263	(5,634,008)
Kake City School District	712	546,069	(158,200)
Ketchikan Gateway Borough School District	714	10,437,127	(3,023,709)
Klawock City School District	717	878,347	(254,463)
Kodiak Island Borough School District	718	9,566,508	(2,771,484)
Nenana City School District	719	1,455,325	(421,618)
Nome City School District	720	2,691,707	(779,806)
Matanuska-Susitna Borough School District	722	65,909,478	(19,094,436)
Pelican City School District	723	69,547	(20,148)
Petersburg City School District	724	2,127,608	(616,383)
Sitka Borough School District	727	5,862,513	(1,698,411)
Skagway City School District	728	682,586	(197,750)
Unalaska City School District	729	1,532,599	(444,005)
Valdez City School District	730	3,333,081	(965,617)
Wrangell Public School District	731	1,285,322	(372,367)
Yakutat School District	732	296,217	(85,816)
University of Alaska	733	18,133,607	(5,253,433)
Galena City School District	735	3,701,419	(1,072,327)
North Slope Borough School District	736	10,650,918	(3,085,645)
Bristol Bay Borough School District	742	564,099	(163,424)
Southeast Regional Resource Center	743	417,279	(120,889)
Dillingham City School District	744	2,215,185	(641,755)
Kenai Peninsula Borough School District	746	32,326,245	(9,365,139)
Saint Mary's School District	748	1,012,288	(293,267)
Northwest Arctic Borough School District	751	9,409,384	(2,725,964)
Bering Strait School District	752	10,645,766	(3,084,153)

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Supplemental Schedule of Special Funding Amounts by Employer (Unaudited)

As of and for the year ended June 30, 2021

Employer	Employer number	State proportionate share of net OPEB asset attributable to employer	Employer OPEB benefit and related revenue attributable to special funding situation
Lower Yukon School District	753	\$ 7,413,142	(2,147,639)
Lower Kuskokwim School District	754	17,484,506	(5,065,384)
Kuspuk School District	755	2,302,762	(667,126)
Southwest Region School District	756	3,268,686	(946,961)
Lake And Peninsula Borough School District	757	2,665,949	(772,344)
Aleutian Region School District	758	218,943	(63,429)
Pribilof School District	759	260,155	(75,369)
Iditarod Area School District	761	1,151,381	(333,563)
Yukon/Koyukuk School District	762	3,353,687	(971,587)
Yukon Flats School District	763	1,210,624	(350,726)
Denali Borough School District	764	1,888,059	(546,984)
Delta/Greely School District	765	2,671,101	(773,837)
Alaska Gateway School District	766	1,748,966	(506,688)
Copper River School District	767	1,151,381	(333,563)
Chatham School District	768	754,708	(218,644)
Southeast Island School District	769	1,372,899	(397,739)
Annette Island School District	770	1,596,994	(462,660)
Chugach School District	771	1,161,684	(336,548)
Tanana School District	775	193,185	(55,967)
Kashunamiut School District	777	703,192	(203,720)
Yupit School District	778	2,284,731	(661,903)
Special Education Service Agency	779	757,284	(219,391)
Aleutians East Borough School District	780	1,079,259	(312,669)
Total for all employers		<u>\$ 505,695,800</u>	<u>(146,503,608)</u>

See accompanying independent auditors' report.

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Supplemental Schedule of Employer and Nonemployer Contributions (Unaudited)

For the year ended June 30, 2021

Employer/nonemployer	Employer number	Employer contributions		
		Actual	RDS	Total
Employer:				
Anchorage SD	701	\$ 9,264,086	23,254	9,287,340
Cordova City SD	704	85,956	216	86,172
Craig City SD	705	106,357	267	106,624
Fairbanks North Star Borough SD	706	2,393,379	6,008	2,399,387
Haines Borough SD	707	29,824	75	29,899
Hoonah City SD	708	19,000	48	19,048
Hydaburg City SD	709	15,888	40	15,928
Juneau Borough SD	710	1,030,181	2,586	1,032,767
Kake City SD	712	16,196	41	16,237
Ketchikan Gateway Borough SD	714	528,980	1,328	530,308
Klawock City SD	717	63,756	160	63,916
Kodiak Island Borough SD	718	434,899	1,092	435,991
Nenana City SD	719	81,350	204	81,554
Nome City SD	720	122,340	307	122,647
Matanuska-Susitna Borough SD	722	3,578,766	8,983	3,587,749
Pelican City SD	723	—	—	—
Petersburg City SD	724	127,502	320	127,822
Sitka Borough SD	727	314,420	789	315,209
Skagway City SD	728	29,989	75	30,064
Unalaska City SD	729	64,580	162	64,742
Valdez City SD	730	204,961	514	205,475
Wrangell Public SD	731	61,453	154	61,607
Yakutat SD	732	9,105	23	9,128
University of Alaska	733	1,106,619	2,778	1,109,397
Galena City SD	735	180,662	453	181,115
North Slope Borough SD	736	314,172	789	314,961
State of Alaska	737	210,179	528	210,707
Bristol Bay Borough SD	742	20,158	51	20,209
Southeast Regional Resource Center	743	10,274	26	10,300
Dillingham City SD	744	58,051	146	58,197
Kenai Peninsula Borough SD	746	1,651,052	4,144	1,655,196
Saint Mary's SD	748	44,014	110	44,124
Northwest Arctic Borough SD	751	268,572	674	269,246
Bering Strait SD	752	299,322	751	300,073
Lower Yukon SD	753	317,221	796	318,017
Lower Kuskokwim SD	754	593,693	1,490	595,183
Kuspuk SD	755	45,864	115	45,979
Southwest Region SD	756	90,942	228	91,170
Lake and Peninsula Borough SD	757	86,552	217	86,769
Aleutian Region SD	758	—	—	—
Pribilof SD	759	—	—	—
Iditarod Area SD	761	34,849	87	34,936
Yukon / Koyukuk SD	762	115,656	290	115,946
Yukon Flats SD	763	42,607	107	42,714
Denali Borough SD	764	101,168	254	101,422
Delta/greely SD	765	149,249	375	149,624
Alaska Gateway SD	766	39,081	98	39,179
Copper River SD	767	34,072	86	34,158
Chatham SD	768	19,932	50	19,982
Southeast Island SD	769	23,214	58	23,272
Annette Island SD	770	28,749	72	28,821

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Supplemental Schedule of Employer and Nonemployer Contributions (Unaudited)

For the year ended June 30, 2021

Employer/nonemployer	Employer number	Employer contributions		
		Actual	RDS	Total
Chugach SD	771	\$ 78,339	197	78,536
Tanana SD	775	—	—	—
Kashunamiut SD	777	14,672	37	14,709
Yupit SD	778	61,333	154	61,487
Special Education Service Agency	779	22,299	56	22,355
Aleutians East Borough SD	780	54,436	137	54,573
Total employer contributions		<u>24,699,971</u>	<u>62,000</u>	<u>24,761,971</u>
Nonemployer:				
State of Alaska	999	—	—	—
Total of all participating entities		<u>\$ 24,699,971</u>	<u>62,000</u>	<u>24,761,971</u>

See accompanying independent auditors' report.