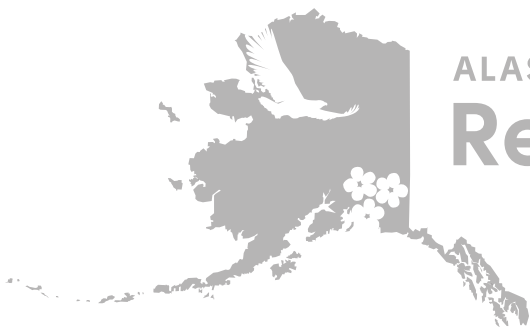




# INTRODUCTORY SECTION



ALASKA DIVISION OF  
**Retirement  
and Benefits**



THE STATE  
*of* **ALASKA**  
GOVERNOR MIKE DUNLEAVY

## Department of Administration

### DIVISION OF RETIREMENT AND BENEFITS

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333 Willoughby Avenue  
P.O. Box 110203  
Juneau, AK 99811-0203  
Phone: (907) 465-4460  
Toll-Free: (800) 821-2251  
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## LETTER OF TRANSMITTAL

December 15, 2022

The Honorable Mike Dunleavy, Governor  
Members of the Alaska State Legislature  
Alaska Retirement Management Board  
Employers and Plan Members

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the Teachers' Retirement System (TRS) (System) for the fiscal year ended June 30, 2022. The ACFR is intended to fulfill the legal requirements of Alaska Statute (AS) 14.25.004(a)(8).

The ACFR provides comprehensive information on the financial operations of the System for the fiscal year. Responsibility for the accuracy, completeness, and fairness of the information presented rests with the management of the System. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the System for the year ended June 30, 2022. All disclosures necessary to enable the reader to gain an understanding of the System's activities have been included.

KPMG LLP, Certified Public Accountants, has issued an unmodified opinion on the System's basic financial statements for the year ended June 30, 2022. The independent auditor's report is located at the beginning of the Financial Section of this report.

The management's discussion and analysis (MD&A) is also located in the Financial Section of this report. The MD&A provides an analytical overview of the financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### Profile of the System

The System was established in 1955 to provide pension benefits to teachers and other eligible participants. Post-employment health care benefits were added July 1, 1975. Senate Bill 141, signed into law on July 27, 2005, closed the Defined Benefit (DB) Plan effective July 1, 2006, to new members and created a Defined Contribution Retirement (DCR) Plan for members first hired on or after July 1, 2006. Beginning in fiscal year 2007, the System consists of: (1) the DB Plan and (2) the DCR Plan. This report includes both plans. The DB Plan includes the pension plan and the Alaska Retiree Health Care Trust (Tiers I and II). The DCR Plan includes the defined contribution

# Introductory Section

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retirement trust, occupational death and disability plan, retiree major medical plan, and the health reimbursement arrangement plan (Tier III).

## Reporting Entity

The System is considered a component unit of the State of Alaska (State) for financial reporting purposes. Due to the closeness of the System's relationship to the State, it is included in the State ACFR as a fiduciary fund.

The Commissioner of the Department of Administration, appointed by the Governor, is responsible for administering the System. In order to meet the statutory requirements of administering the System, the Commissioner appoints the Plan Administrator of the Division of Retirement and Benefits (Division). The Plan Administrator is responsible for the daily operations of the System.

The Board, constituted effective October 1, 2005, replaced the Teachers' Retirement Board (effective July 1, 2005) and the Alaska State Pension Investment Board (effective October 1, 2005).

The Board is responsible for:

- adopting investment policies and developing investment objectives;
- providing a range of investment options and establishing the rules by which participants can direct their investments among those options, when applicable;
- establishing crediting rates for members' individual contribution accounts, when applicable;
- assisting in prescribing policies for the proper operation of the System;
- coordinating with the System Administrator to have actuarial valuations performed;
- reviewing actuarial assumptions and conducting experience analyses;
- contracting for an independent audit of actuarial valuations and external performance calculations; and
- reporting the financial condition of the Systems to the Governor, Legislature, and individual employers participating in the System.

## Major Initiatives / Changes

The System continues making progress on several on-going projects. Most of these efforts are focused on improving the following: customer service, technology, methods for employers submitting information, methods for members to obtain information, and continued compliance with Governmental Accounting Standards Board (GASB) accounting requirements, as applicable. While COVID-19 continues to impact day-to-day and face-to-face interaction with members and employers, we continue providing via teleworking and hybrid telework arrangements the necessary services needed to meet stakeholder demands while maintaining appropriate security and safety measures.

The System is in the third year of a major member benefits system upgrade. The Division signed a contract with Sagitec, an industry leader in pension and healthcare software systems. The Division branded the new system Benefits and Retirement System, or BEARS. Recently, Sagitec presented the first of three pilot demonstrations of modules designed and created since the inception of the project. Staff is excited about this new system, the

# Introductory Section

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enhancements it provides, and looks forward to sharing more information with members and employers as we work toward implementation in 2024.

The System strives to offer best in class health care benefits balanced by strong financial management and cost initiatives that focus on value. Two examples are (1) the implementation of preventive care coverage in the retiree health plan and (2) implementation of specialty pharmacy management programs in the employee and retiree health plans. Both changes result in valuable medical coverage to the membership while striving to contain rising healthcare costs that impact the System.

Under the guidance of Director Ajay Desai, the System continues to assess and retool its communication efforts, including printed handbooks, newsletters, and website content. The System developed new employee videos for employers' use and plan information easily accessible online by members. While technology has enhanced our outreach, it does not replace in-person efforts to meet, discuss, and plan member benefits. The System strives to ensure that all communication material is clear, accurate, and user-friendly.

The System strives to provide the highest degree of customer service to all members. The Division continues to enhance and develop the central Member Services Section with the goals of improving phone service, faster processing of all customer requests, and improving member education services.

The System offers a broad array of fairs, town halls, and seminars as safely as possible for both members and employers. These efforts are directed at assisting employers with successful marketing of the plans, educating members about all benefits available from early career to retirement, encouraging healthy living, and how to best use the health plan.

## **Funding Requirements**

The System's consulting actuary, Buck Global LLC, presented the results of the June 30, 2021, actuarial valuation report to the Plan Administrator, Division, and the Board. The assumptions and benefits are explained in the Actuarial Section of this report.

Based on the most recent valuation report dated May 12, 2022, the System's DB Plan has a funding ratio (actuarial value of DB Plan assets divided by actuarial liabilities for pension and postemployment healthcare benefits) of 92.6%. The DB Plan's unfunded actuarial accrued liability (actuarial liability minus actuarial value of DB plan assets) totals approximately \$733.4 million. The unfunded liability continues to be addressed at all levels of the State. The Governor's budget proposes to provide funding to System's employers in order to maintain an appropriate level of employer contributions while also paying the actuarially determined contribution rate adopted by the Board.

## **Investments**

On June 30, 2022, the DB Plan's investment portfolio was valued at \$9.3 billion and earned an average (4.10)% return for the fiscal year ended June 30, 2022. The DCR Plan's investment portfolio was valued at \$1 billion for the fiscal year ended June 30, 2022. Over the past five years ending June 30, 2022, the DB Plan's investments earned an 8.19% return. The Board has statutory oversight of the System's investments and the Department of Revenue, Treasury Division, provides staff for the Board. Actual investing is performed by investment officers in the Treasury Division or by contracted external investment managers. The Board reviews and updates investment policies and strategies and is responsible for safeguarding invested assets.

# Introductory Section

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## Accounting System

This ACFR has been prepared to conform to the principles of accounting and reporting established by the GASB. Specific accounting treatments are detailed in the Notes to Financial Statements found in the Financial Section of this report.

## Internal Controls

Division management is responsible for establishing and maintaining a system of internal controls to protect System assets from loss, theft, or misuse and to ensure adequate accounting data is compiled for the preparation of financial statements in conformity with generally accepted accounting principles. The cost of internal control should not exceed anticipated benefits; the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its ACFR for the fiscal year ended June 30, 2021. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized ACFR. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The Division is confident our current ACFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA for consideration.

Additionally, the Public Pension Coordinating Council (PPCC) awarded the Public Pension Standards Award for Funding and Administration certificate to the Division for the fiscal year ended June 30, 2022. This award signifies that the Alaska TRS complies with the standard benchmarks for public defined benefit systems in the United States. The standards require a high level for the following: comprehensive benefit program, funding adequacy, accepted actuarial and audit practices, investment policy and evaluation, and member communications.

The Public Pension Standards Award for Funding and Administration certificate is valid for a period of one year. The Division is confident the System will continue to meet the standards award requirements and will apply to the PPCC for consideration in 2023.

## Acknowledgements

The preparation of this report is made possible by the dedicated services of the staff of the Department of Administration, Division of Retirement and Benefits and Division of Finance; Department of Law; and the Department of Revenue, Treasury Division. This report is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the System's financial resources.

The report is available on the web at <https://drb.alaska.gov/docs/reports/#trs> and mailed to those who submit a formal request. This report forms the link between the System and the membership. The cooperation of the membership contributes significantly to the success of the System. We hope the employers and plan members find this report informative.

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We are grateful to the Alaska Retirement Management Board, staff, advisors, and to the many people who have diligently worked to assure the successful operation of the System.

Respectfully submitted,



Paula Vrana  
Commissioner



Ajay Desai  
Division Director



Elizabeth "Betsy" Wood  
Acting Chief Health Policy Administrator



Jim Puckett  
Chief Pension Officer



Kevin Worley  
Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Alaska Teachers' Retirement System**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021





Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2022***

Presented to

**State of Alaska Teachers' Retirement System**

In recognition of meeting professional standards for  
plan funding and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

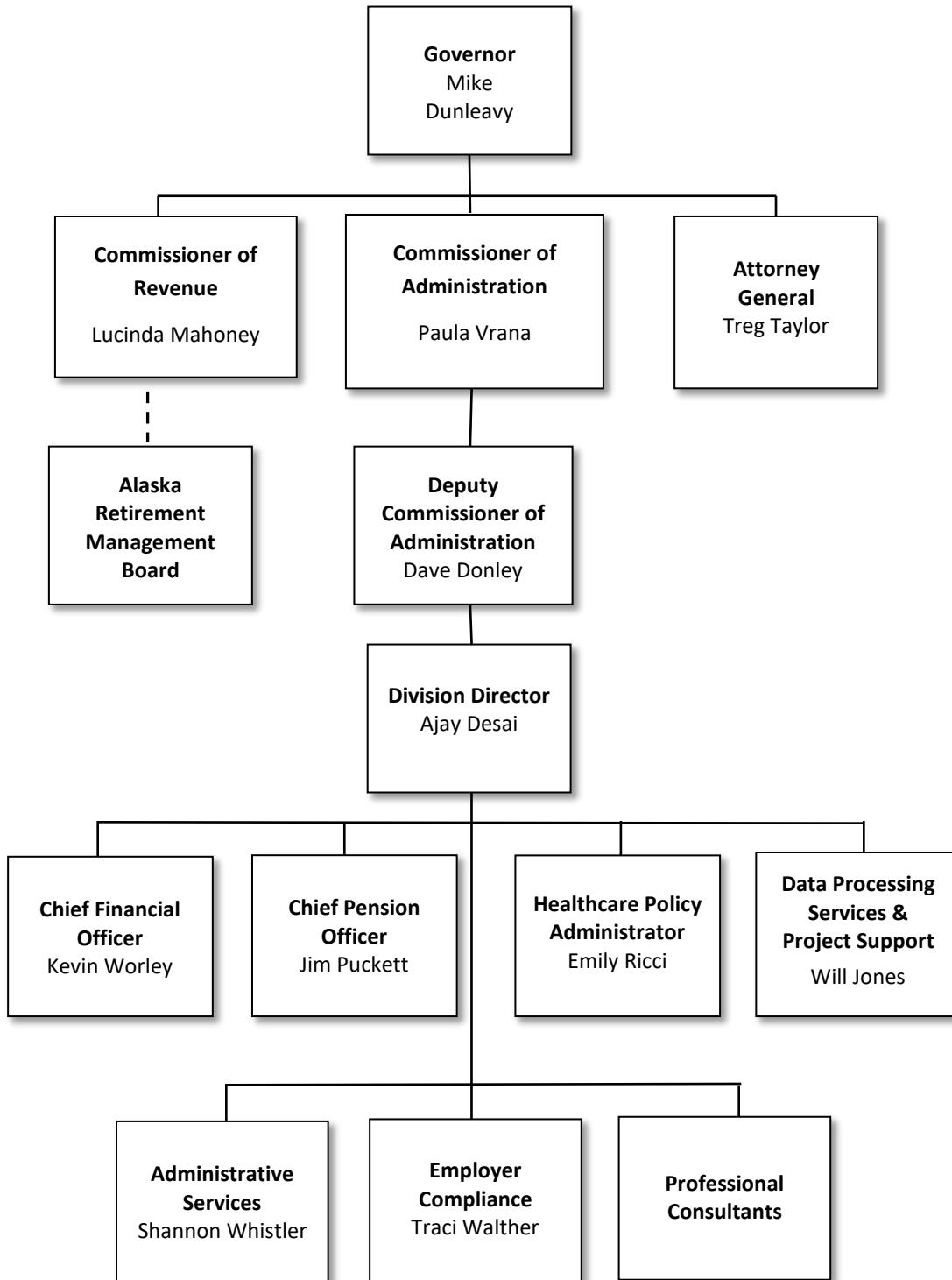
Alan H. Winkle  
Program Administrator

# Introductory Section

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## ORGANIZATION CHART

As of June 30, 2022



# Introductory Section

## Section Responsibilities

The **Member Services Section** is responsible for providing comprehensive retirement counseling to the participating members and employers in the plan. This section appoints members to retirement and maintains benefit payment information.

The **Health Plan Administration Section** is responsible for the administration of health, disability, and life insurance. This section provides benefits counseling and plan change information to the membership.

The **Financial Services Section** is responsible for maintaining the employee and employer records and accounts in each of the plans administered by the Division, producing financial statements and reports, and assuring compliance with Internal Revenue Service requirements.

The **Data Processing Services and Project Support Section** supports the information systems the System uses. Responsibilities include planning, development, data base design, programming, and operational support of the data processing systems, including the Local Area Network.

The **Administrative Services Section** is responsible for budget preparation, fiscal management of appropriations, procuring professional services, supplies, and equipment. The section manages the System's record center containing the member's physical records and performs other administrative functions such as legislative tracking and personnel management.

Professional Consultants		
<p><b>Consulting Actuary</b> Buck Global LLC <i>Denver, Colorado</i></p>	<p><b>Legal Counsel</b> Andrew Bocanumenth Kevin Dilg Morgan A. Griffin Kevin Higgins Ben Hofmeister Grace Lee Bill Milks Rebecca Polizzotto Assistant Attorney Generals <i>Juneau, Alaska</i></p>	<p><b>Legal Counsel (cont.)</b> Laura Wolff <i>Anchorage, AK</i></p> <p>Ice Miller LLP <i>Indianapolis, Indiana</i></p>
<p><b>Reviewing Actuary</b> Gabriel Roeder Smith <i>Denver, Colorado</i></p>	<p>Jessie Alloway Colleen Bailey Katherine Demarest Javier Diaz Kyle B. Emili Kimberly Halstead Eugene F. Hickey Margaret Paton-Walsh Jeff Pickett Christopher Robison Robert Schmidt Danielle Thurmond Rachel Witty</p>	<p><b>Third-Party Healthcare Claim Administrators</b> Aetna Life Insurance Company <i>Lexington, Kentucky</i> CHCS Services, Inc. <i>Pensacola, Florida</i> Moda Health / Delta Dental of Alaska <i>Portland, Oregon</i> PayFlex Systems USA, Inc. <i>Omaha, Nebraska</i> Optum Rx <i>Irvine, California</i></p>
<p><b>Independent Auditors</b> KPMG LLP <i>Anchorage, Alaska</i></p>		<p><b>Consulting Physicians</b> Julius Goslin <i>Anchorage, AK (HSS)</i></p>
<p><b>Benefits Consultants</b> Buck Global LLC <i>Denver, Colorado</i> The Segal Company <i>Greenwood Village, Colorado</i></p>		
<p><b>IT Consultants</b> Alaska IT Group <i>Juneau, Alaska</i> Applied Microsystems, Inc. Computer Task Group <i>Anchorage, Alaska</i></p>		

A list of investment consultants can be found in the Investment Section on pages 76 - 77. Investment fees and commissions can be found on pages 85 and 92.

# Introductory Section

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## Alaska Retirement Management Board

As of June 30, 2022

**Bob Williams, Chair**, was appointed by Governor Walker in March 2016 and reappointed by Governor Dunleavy in March 2020. Bob Williams was born and raised in Palmer, Alaska. He began his teaching career as a Peace Corps teacher in Gambia, Africa. He then taught for more than two decades as a secondary mathematics teacher in Alaska with more than a decade of experience teaching AP Calculus. He is a nationally board-certified teacher and the recipient of both the Presidential Award for Excellence in Mathematics Teaching and the Horace Mann Teaching Excellence Award. He was the Alaska 2009 Teacher of the Year and was inducted into the National Teachers Hall of Fame in 2017. Mr. Williams has a B.S. in Petroleum Engineering, an M.A. in Mathematics Education, an M.Ed. in Educational Leadership, and a Ph.D. in Public Policy and Administration. Mr. Williams also serves as Chair of the ARMB Defined Contribution Plan Committee.

**Allen Hippler, Vice-Chair**, was appointed by Governor Dunleavy in March 2019. Allen Hippler is a Vice President of Commercial Lending at Northrim Bank, where he specializes in underwriting loans for Alaskan businesses. He has almost two decades of experience working in finance throughout the state, most notably Wasilla, Bethel, and Anchorage. Mr. Hippler has chaired the City of Bethel finance committee; was elected to and served on the Bethel City Council and was named one of Alaska's 'Top Forty under Forty' in 2009. He is active with the Alaska Chamber of Commerce, and currently is Vice Chairman of that organization. Previous service to the State of Alaska includes working as a Commissioner of the Alaska Health Care Commission. Mr. Hippler holds a B.A. in Economics from the University of Dallas. Mr. Hippler also serves as Chair of the Actuarial Committee.

**Michael Williams, Secretary**, was appointed by Governor Dunleavy in March 2022. He previously served on the board from 2005 to 2012. He works for the Alaska Department of Revenue as a Revenue Audit Supervisor, managing the State's corporate income tax program. He also serves as Secretary/Treasurer for the Supervisory Unit of the Alaska Public Employees Association, and since 2005 has been the treasurer for the Pacific Health Coalition, a private health coalition representing 250,000 members through public and private unions and small businesses. He is an avid reader and travel enthusiast. Michael holds a B.A. in Accounting and a Master of Taxation from Weber State University. He is professionally licensed as an Enrolled Agent.

**Lucinda Mahoney** is the Commissioner of the Department of Revenue, appointed by Governor Dunleavy in February 2020. Lucinda has over 30 years of broad business experience working for various companies in the State of Alaska. Her experience includes investment management, business valuations, treasury, debt, accounting, strategic planning, budgeting, process improvements, shared services, and Sarbanes Oxley consulting. Lucinda was previously the CFO for the Municipality of Anchorage. She also managed the Arctic Slope Regional Corporation Shared Services Center. Prior to that, she was a Director with KPMG LLP managing its business consulting practice in Alaska. Finally, she held various management positions at ARCO, a multibillion oil company. Lucinda has a Master's in Business Administration, University of Alaska; a Bachelor's in Business Administration with a concentration in Finance, University of Texas; and is a Certified Valuation Analyst with the National Association of Certified Valuation Analysts.

**Paula Vrana** is the Commissioner of the Department of Administration, appointed by Governor Dunleavy on September 30, 2021. She served as deputy commissioner of the department since January 2019. Commissioner Vrana is an attorney and lifelong Alaskan, her family roots in Southeast Alaska date back to early World War II years in Skagway. She practiced law at the law firm of Brena, Bell & Clarkson and has served as the Chief Executive Officer of Copper River Native Association as well as Executive Director of Hospice of Anchorage.

# Introductory Section

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**Lorne Bretz** was appointed by Governor Dunleavy in March 2019. Lorne immigrated to Alaska in 1992, and with its vast beauty, it quickly became home. Volunteering in the community, hiking and off-road adventuring are some of Lorne's favorite hobbies. Mr. Bretz is the Plan Administrator for the Municipality of Anchorage Retiree Medical Funding Program Trust for Police Officers and Firefighters. He has a Masters in Business Administration, a Retirement Plans Associate designation and is a Certified Financial Planner professional. He has a passion for finances and a desire to support the needs of retirees and future retirees of the state he calls home.

**Donald Krohn** was appointed by Governor Dunleavy in March 2021. He began his career in law enforcement more than 45 years ago with a four-year stint in the Air Force. From there, he joined the U.S. Customs Service in Chicago, working on narcotics interdiction. In 1979, he was transferred to Anchorage and after five more years working in inspections and intercepting drug traffic, he joined the Anchorage Police Department. Mr. Krohn worked for several years at the department as a detective specializing in white-collar crime. He was then promoted to the major crime's unit. He finished his 18 years at APD working major crimes and as a homicide detective. In January 2002, he joined First National Bank Alaska as Security Officer. During his first three years at the bank, he developed and implemented programs that resulted in an 80 percent reduction in successful criminal attacks against the bank and its customers. He retired in May 2020. Mr. Krohn also holds a B.S. in Occupational Education, with a minor in Criminal Justice from Wayland Baptist University.

**Dennis Moen** was appointed by Governor Dunleavy in 2020. He is a retired Facility Manager for the State of Alaska, Department of Transportation & Public Facilities, Northern Region. Mr. Moen established and managed a multi-million-dollar annual operating budget. Supervised over 50 employees. Developed an annual budget for over 400 state owned facilities and was the Contracting Officer for 100's of state vendors. Fourteen hours after retiring from the State of Alaska, he went to work for the Public Employees Local 71 Laborer's Union. He was elected as Business Manager/Secretary Treasurer in 2012. As Business Manager, Mr. Moen represented 2400 members statewide. He developed a multi-million-dollar budget and provided fiduciary oversight of Local 71's operating budget. Dennis directed investment bankers and economic consultants for PE Local 71's Health Trust Fund. He also oversaw actuarial analysis and audits. Mr. Moen was concurrently Business Manager/Secretary Treasurer for Alaska District Council of Laborers for three Alaska Laborer Locals. He was also the Vice President of the Pacific Health Coalition (PHC), a private health coalition representing 250,000 members through public and private unions and small businesses. Mr. Moen lived and raised his 2 children in Fairbanks, Alaska for 40 years. He is a private pilot, a Coast-Guard Captain for 100-ton vessels and since his retirement from the Union in 2019 enjoys commercial fishing in Southeast Alaska.

**Sandra K. Ryan** has been a teacher of mathematics and computer science in the Fairbanks North Star Borough School District (FNSBSD) since 1994. She currently serves as the Fairbanks Education Association President, representing over 800 certificated staff. She also served as a member of the FNSBSD's curriculum committee, an advanced placement teacher in both AP Computer Science and AP Statistics, on two school Accreditation Committees, and on the Education Excellence for Teachers and Students Committee. Ms. Ryan is a new local presidents' trainer for the National Education Association, a member of Alpha Delta Kappa, and serves on the Fairbanks Chamber of Education and Commerce Workforce Committee. She holds a B.S. in Communications from the University of Texas at Austin, a B.S. in Mathematics from St. Edwards's University, and an M.S. in Computer Science—Software Engineering from the University of Alaska-Fairbanks.



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