



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

Financial Statements and Supplemental Schedules

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

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

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

Independent Auditors' Report

The Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Deferred Compensation Plan:

We have audited the accompanying financial statements of the State of Alaska Deferred Compensation Plan (the Plan), a component unit of the State of Alaska, as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, which collectively comprise the Plan's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the State of Alaska Deferred Compensation Plan as of June 30, 2020 and 2019, and the changes in fiduciary net position for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's financial statements. The supplemental schedules on pages 18–19 are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

October 28, 2020

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2020 and 2019

This section presents management's discussion and analysis (MD&A) of the State of Alaska Deferred Compensation Plan's (the Plan) financial position and performance for the fiscal year ended June 30, 2020. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements and notes to financial statements to better understand the financial condition and performance of the Plan during the fiscal years ended June 30, 2020 and 2019. Information for fiscal year 2018 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2020 were as follows:

- The Plan's fiduciary net position increased by \$14.1 million.
- The Plan's participant contributions and transfers in of \$46 million increased by \$1.9 million when compared to fiscal year 2019.
- The Plan's net investment income decreased by \$22.8 million when compared to fiscal year 2019, to \$40.5 million.
- Benefits paid to participants and purchases of annuity contracts of \$71.1 million increased by \$9.8 million when compared to fiscal year 2019.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The Plan's financial statements are composed of three components: (1) statements of fiduciary net position, (2) statements of changes in fiduciary net position, and (3) notes to financial statements.

Statements of fiduciary net position – This statement presents information regarding the Plan's assets, liabilities, and resulting net position restricted for participants and operations. This statement reflects the Plan's investments at fair value along with cash and cash equivalents and receivables less liabilities at June 30, 2020 and 2019.

Statements of changes in fiduciary net position – This statement presents how the Plan's net position restricted for participants and operations changed during the years ended June 30, 2020 and 2019. This statement presents contributions and net investment income during the period. Deductions for benefits paid, purchases of annuity contracts, and administrative expenses are also presented.

The above statements represent resources available for investment and payment of benefits and expenses as of June 30, 2020 and 2019 and the sources and uses of those funds during the years ended June 30, 2020 and 2019.

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

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Condensed Financial Information (In thousands)

Description	Fiduciary net position				
	2020	2019	Increase (decrease)		2018
			Amount	Percentage	
Assets:					
Cash and cash equivalents	\$ 1,723	1,362	361	26.5%	\$ 2,675
Participant contributions receivable	—	—	—	—	1,735
Due from State of Alaska General Fund	1,803	3,328	(1,525)	(45.8)	—
Investments	1,001,091	987,484	13,607	1.4	941,277
Total assets	1,004,617	992,174	12,443	1.3	945,687
Liabilities					
Due to State of Alaska General Fund	—	—	—	—	68
Accrued expenses	161	1,854	(1,693)	(91.3)	220
Total liabilities	161	1,854	(1,693)	(91.3)	288
Fiduciary net position	\$ 1,004,456	990,320	14,136	1.4%	\$ 945,399

Description	Changes in fiduciary net position				
	2020	2019	Increase (decrease)		2018
			Amount	Percentage	
Fiduciary net position, beginning of year	\$ 990,320	945,399	44,921	4.8%	\$ 884,363
Additions:					
Contributions and transfers in	46,008	44,035	1,973	4.5	42,283
Net investment income	40,492	63,332	(22,840)	(36.1)	76,973
Other	20	29	(9)	(31.0)	10
Total additions	86,520	107,396	(20,876)	(19.4)	119,266
Deductions:					
Benefits paid to participants and purchases of annuity contracts	71,146	61,321	9,825	16.0	57,048
Administrative	1,238	1,154	84	7.3	1,182
Total deductions	72,384	62,475	9,909	15.9	58,230
Net increase in net position	14,136	44,921	(30,785)	(68.5)	61,036
Fiduciary net position, end of year	\$ 1,004,456	990,320	14,136	1.4%	\$ 945,399

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Financial Analysis of the Plan

The statement of fiduciary net position as of June 30, 2020 shows net fiduciary position of \$1,004,456,000. The entire amount is available to pay benefits to participants and their beneficiaries as well as administrative costs.

This amount represents an increase in the Plan's net position restricted for participants and operations of \$14,136,000 or 1.4% from fiscal year 2019 to fiscal year 2020, and an increase of \$44,921,000 or 4.8% from fiscal year 2018 to fiscal year 2019.

Contributions and Investment Income

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

	Additions (In thousands)				
	2020	2019	Increase (decrease)		2018
			Amount	Percentage	
Participant contributions	\$ 45,222	42,495	2,727	6.4%	\$ 41,462
Transfers in	786	1,540	(754)	(49.0)	821
Net investment income	40,492	63,332	(22,840)	(36.1)	76,973
Other	20	29	(9)	(31.0)	10
Total	\$ 86,520	107,396	(20,876)	(19.4)%	\$ 119,266

The Plan's participant contributions increased from \$42,495,000 in fiscal year 2019 to \$45,222,000 in fiscal year 2020, an increase of \$2,727,000 or 6.4%. The Plan's participant contributions increased from \$41,462,000 in fiscal year 2018 to \$42,495,000 in fiscal year 2019, an increase of \$1,033,000 or 2.5%. Fiscal year 2020 saw an increase in number of participants, but little change in the average active plan participant contributions, while fiscal year 2019 saw little change in number of participants, but an increase in the average active plan participants contribution. The plan is an optional participation plan with a minimum contribution of \$50 dollars per month.

The Plan's net investment income decreased from \$63,332,000 in fiscal year 2019 to \$40,492,000 in fiscal year 2020, a decrease of \$22,840,000 or 36.1%. The decrease relates to the decrease in overall investment performance in fiscal year 2020 compared to fiscal year 2019. Net investment income decreased in fiscal year 2019 by \$13,641,000 or 17.7% when compared to amounts recorded fiscal year 2018. This decrease relates to investment performance in fiscal year 2018 compared to similar investments in fiscal year 2017.

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The Plan's investment rates of return at June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Alaska Balanced Trust	6.18 %	6.53 %
Alaska Long-Term Balanced Trust	5.16	6.67
Alaska Target Date Retirement 2010 Trust	5.01	5.92
Alaska Target Date Retirement 2015 Trust	5.12	6.23
Alaska Target Date Retirement 2020 Trust	4.93	6.42
Alaska Target Date Retirement 2025 Trust	4.78	6.61
Alaska Target Date Retirement 2030 Trust	4.46	6.76
Alaska Target Date Retirement 2035 Trust	4.33	6.80
Alaska Target Date Retirement 2040 Trust	4.09	6.77
Alaska Target Date Retirement 2045 Trust	3.76	6.82
Alaska Target Date Retirement 2050 Trust	3.75	6.83
Alaska Target Date Retirement 2055 Trust	3.77	6.79
Alaska Target Date Retirement 2060 Trust	3.62	6.74
Alaska Target Date Retirement 2065 Trust	N/A	N/A
Blackrock Strategic Completion Fund	(4.91)	N/A
Environmental, Social, and Governance Fund	9.16	N/A
International Equity Fund	0.14	(3.15)
Passive U.S. Bond Index Fund	8.69	N/A
Russell 3000 Index Fund	6.48	8.98
S&P 500 Index Fund	7.48	10.42
Stable Value Fund	2.57	N/A
State Street Institutional Treasury Money Market Fund	1.33	2.17
T. Rowe Price U.S. Small-Cap Trust	(0.03)	11.02
U.S. Real Estate Investment Trust Index Fund	N/A	9.72
U.S. Treasury Inflation Protected Security Index Fund	N/A	4.79
World Equity Ex-U.S. Index Fund	(4.41)	1.51

The MassMutual Equity Fund and MassMutual Bond Fund have both been closed to participant use since 1986. Because of the closed nature of the funds, a rate of return on a fully comparable basis is not provided. However, both funds closely mirror funds generally of the same asset composition that are actively available.

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Benefits and Other Deductions

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

	Deductions (In thousands)				
	2020	2019	Increase (decrease)		2018
			Amount	Percentage	
Benefits paid to participants and purchases of annuity contracts	\$ 71,146	61,321	9,825	16.0%	\$ 57,048
Administrative	1,238	1,154	84	7.3	1,182
Total	<u>\$ 72,384</u>	<u>62,475</u>	<u>9,909</u>	<u>15.9%</u>	<u>\$ 58,230</u>

The Plan's benefits paid to participants and purchases of annuity contracts in fiscal year 2020 increased by \$9,825,000 or by 16.0% from fiscal year 2019 based on retiree preference. The Plan's benefits paid to participants and purchases of annuity contracts in fiscal year 2019 increased by \$4,273,000 or by 7.5% from fiscal year 2018 based on retiree preference.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into U.S. law on March 27, 2020. Section 2202 of the CARES act provided expanded distribution options for up to \$100,000 of coronavirus-related distributions from eligible retirements plans. The Department of Administration, Division of Retirement and Benefits, in coordination with Empower Retirement, allowed for coronavirus-related distributions for members effective June 3, 2020.

Qualified members of the plan may request an in-service distribution of 25% of their account or \$25,000 maximum, whichever is less, between both the Alaska Supplemental Annuity Plan (SBS-AP) and the Alaska Deferred Compensation Plan plans. Qualified members who have terminated employment may request up to an amount not to exceed \$100,000 from their account. Coronavirus-related withdrawal must be processed before December 31, 2020. There is an option for the recipient to re-contribute any portion or all of the coronavirus-related withdrawal within three year of receipt. Through June 30, 2020, the Plan had \$1,211,000 in CARES Act distributions.

The Plan had administrative expenses of \$1,238,000 in fiscal year 2020 compared to \$1,154,000 in fiscal year 2019. The Plan's fiscal year 2020 increased primarily due to an increase in personnel cost allocated to Plan expenses. The Plan's administrative expenses of \$1,154,000 in fiscal year 2019 compared to \$1,182,000 in fiscal year 2018 reflected a decrease of \$28,000 or 2.4% primarily due lower personnel costs allocated to Plan expenses.

Fiduciary Responsibilities

The Alaska Retirement Management Board and the Commissioner of Administration are co-fiduciaries of the Plan.

The Plan's assets can only be used for the exclusive benefit of the Plan's participants, beneficiaries, and alternate payees.

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Request for Information

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

State of Alaska Deferred Compensation Plan
Division of Retirement and Benefits, Finance Section
P.O. Box 110203
Juneau, Alaska 99811-0203

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Statements of Fiduciary Net Position

June 30, 2020 and 2019

(In thousands)

	2020	2019
Assets:		
Cash and cash equivalents:		
Investment in State of Alaska General Fund and Other Nonsegregated Investments Pool	\$ 296	495
Money market fund – nonparticipant directed	1,427	867
Total cash and cash equivalents	1,723	1,362
Receivables:		
Due from State of Alaska General Fund	1,803	3,328
Total receivables	1,803	3,328
Investments:		
Participant directed at fair value:		
Collective investment funds	581,622	579,317
Pooled investment funds	214,048	224,685
Participant directed at contract value:		
Synthetic investment contracts	205,421	183,482
Total investments	1,001,091	987,484
Total assets	1,004,617	992,174
Liabilities:		
Accrued expenses	161	1,854
Total liabilities	161	1,854
Fiduciary net position	\$ 1,004,456	990,320

See accompanying notes to financial statements.

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Statements of Changes in Fiduciary Net Position

Years ended June 30, 2020 and 2019

(In thousands)

	2020	2019
Additions:		
Participant contributions	\$ 45,222	42,495
Transfers in	786	1,540
Total contributions	46,008	44,035
Investment income:		
Net appreciation in fair value of investments	41,264	64,157
Interest	231	312
Total investment income	41,495	64,469
Less investment expense	1,003	1,137
Net investment income	40,492	63,332
Other income	20	29
Total additions	86,520	107,396
Deductions:		
Benefits paid to participants and purchases of annuity contracts	71,146	61,321
Administrative	1,238	1,154
Total deductions	72,384	62,475
Net increase in fiduciary net position	14,136	44,921
Fiduciary net position, beginning of year	990,320	945,399
Fiduciary net position, end of year	\$ 1,004,456	990,320

See accompanying notes to financial statements.

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Notes to Financial Statements

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(1) Description

The following description of the State of Alaska Deferred Compensation Plan (the Plan), a defined contribution plan, is provided for general information purposes only. Participants should refer to the plan document for more complete information.

(a) General

The Plan was created by State of Alaska (the State) statutes issued May 31, 1974 and was most recently amended effective January 1, 2011. It is a deferred compensation plan under Section 457 of the Internal Revenue Code and is available to all permanent and long-term nonpermanent employees and elected officials of the State and members of State boards and commissions. Participants in the Plan authorize the State to reduce their current salary or compensation so that they can receive the amount deferred at a later date. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. All amounts deferred are held in a trust for the exclusive benefit of employees and beneficiaries. There were 11,940 participants in the Plan as of June 30, 2020.

At June 30, 2020 and 2019, the number of participating local government employers and public organizations, including the State was as follows:

	2020	2019
State of Alaska and Component Units	1	1
Municipalities	4	2
School districts	3	1
Other	6	2
Total employers	14	6

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

(b) Contributions

During the fiscal year ended June 30, 2020, plan participants are required to contribute a minimum of \$50 per month (\$600 per year). At June 30, 2020, the maximum amount that could be deferred in a calendar year was \$19,500 for participants under age 50 and \$26,000 for participants who are age 50 and greater. However, for each of the participant's last three calendar years ending prior to normal retirement age, a "catch-up limitation" may apply, which allows larger contributions (up to \$39,000 in calendar year 2020). Participants vest automatically in all their contributions and earnings on those contributions.

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(c) Participant Accounts

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

A record keeping/administrative fee is deducted monthly from each participant's account and applied pro rata to all the funds in which the member participates. This fee is for all costs incurred by the contracted recordkeeper and by the State.

At June 30, 2020 and June 30, 2019, participants had the following investment options:

(i) Collective Investment Funds

BlackRock Strategic Completion Fund – This fund allocates its investments across a strategic mix of U.S. Treasury Inflation Protected Securities, real estate investment trusts, and commodities asset classes, with the objective of complementing a diversified portfolio of more traditional asset classes. This fund invests in asset classes which tend to have some "real return" characteristics and therefore may also provide a means to manage the effects of inflation on a diversified portfolio of more traditional asset classes. The fund invests and reinvests in common stocks and other forms of equity securities, depositary receipts, investment company shares, fixed-income securities and other debt obligations, asset-backed securities, mortgage-backed securities, securities issued by publicly traded real estate companies, futures contracts, forward contracts, swaps, options, and other structured investments. The fund employs a proprietary investment model that analyzes securities market data, including risk, correlation and expected return statistics, to recommend the portfolio allocation among the asset classes.

Environmental, Social, and Governance Fund – This fund is passively managed to have returns, net of fees, over time, closely matching the MSCI UAS Environmental, Social, and Governance (ESG) Leaders Index. The fund invests in domestic large cap and mid-cap investments with high ESG rankings.

International Equity Fund – This fund is investing primarily in the equity securities of non-U.S. issuers. The fund is a multimanager fund comprising two investment managers of differing investment strategies, style, and long-term market correlation.

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

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

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MassMutual Life Insurance Company and have since remained with MassMutual Life Insurance Company.

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

Russell 3000 Index Fund – This fund invests in Large Cap investments may be most appropriate for someone willing to accept market fluctuations in return for potential long term capital growth. Stock investments tend to be more volatile than bond or money market investments.

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

State Street Institutional Treasury Money Market Fund – The Treasury Money Market Fund seeks a high level of current income consistent with preserving principal and liquidity and the maintenance of a stable \$1.00 per share net asset value ("NAV"). Money market investment is neither insured nor guaranteed by the U.S. Government.

T. Rowe Price U.S. Small-Cap Trust – This fund provides long-term capital appreciation by investing primarily in the common stocks of small companies that appear undervalued or offer the potential for superior earnings growth.

World Equity Ex-U.S. Index Fund – This fund provides income and capital appreciation and to replicate the returns of the MSCI Index and provide broad-based, low cost exposure to both the developed and emerging markets.

(ii) *Pooled Investment Funds*

The Board contracts with an external investment manager who is given authority to invest in a wholly owned pooled environment to accommodate 13 participant-directed funds.

Alaska Balanced Trust – The purpose of this fund is to provide exposure to a diversified mix of stocks, bonds, and money market securities. The fund seeks to provide a mixture of income and modest capital appreciation.

Alaska Long-Term Balanced Trust – The purpose of this fund is to provide exposure to a diversified mix of stocks, bonds, and money market securities.

Alaska Target Date Retirement 2010–2065 Trusts – The purpose of these funds is to provide a diverse mix of stocks, bonds, and money market securities for long-term investors with a higher tolerance for risk. The trusts are allocated among a broad range of underlying T. Rowe Price stock and bond portfolios. The allocations for the trusts with a stated retirement date will change over time; these trusts emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement

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approaches, and focus on supporting an income stream over a long-term postretirement withdrawal horizon.

(iii) Synthetic Investment Contracts

Stable Value Fund – The fund seeks to preserve principal and to offer a competitive rate of interest consistent with stability and safety of principal. The fund primarily holds cash reserves and synthetic investment contracts (SICs), issued by high quality banks and insurance companies that allow for participant-directed withdrawals and transfers to principal plus accrued interest. SICs are supported by fixed income portfolios made up of high quality fixed income assets owned by the Plan. SICs credit a rate of interest based on a formula that intends to smooth the long term performance of the fixed income portfolios supporting SICs. The supporting fixed income portfolios are benchmarked to the Bloomberg Barclays U.S. Intermediate Aggregate Bond Index.

(d) Payment of Benefits

Participants are eligible to withdraw their account balance upon termination. Benefits are payable in the form of a lump sum, one of various annuities, or a periodic payment option, unless the participant elects to defer commencement of benefits. Account balances of \$1,000 or less are automatically paid in the form of a lump-sum distribution. The deferred benefit commencement date can be no later than April 1 of the year after the participant would have turned age 70½. Payment of benefits to a participant commences 60 days after termination or the deferred benefit commencement date, as applicable.

Participants may request a hardship withdrawal for an unforeseeable emergency, within the definition allowed by the Internal Revenue Code. Hardship withdrawals are disbursed as lump sums and must be approved by the plan administrator.

(e) Income Taxes

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

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

Although the State has established the Plan with the bona fide intention and expectation that it will continue the Plan indefinitely, the State may, in its sole and absolute discretion, terminate the Plan in whole or in part at any time without liability whatsoever for such termination. If the Plan is terminated, the participants in the Plan will be deemed to have withdrawn from the Plan as of the date of such termination. Deferred compensation shall thereupon cease. Upon plan termination, each participant or beneficiary shall be given the opportunity to elect a benefit commencement date and form of payment.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Plan's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. In preparing the financial statements, the plan administrator is required to make estimates that affect the reported amounts of assets and liabilities and disclosures of

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contingent assets and liabilities as of the date of the financial statements and additions and deductions for the reporting periods. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2020 are composed of interest-bearing deposits. The money market fund consists of nonparticipant-directed funds used to pay administrative costs of the Plan.

(c) Contributions Receivable

Contributions applicable to wages earned through June 30 are accrued. These contributions are considered fully collectible, and accordingly, no allowance for doubtful accounts is considered necessary.

(d) Due from (to) State of Alaska General Fund

Amounts due from the State of Alaska General Fund represent the amounts remitted by employers to the General Fund but not yet transmitted to the Plan. Amounts due to the State of Alaska General Fund represent amounts paid by others on behalf of the Plan.

(e) Valuation of Collective Investment Funds

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

(f) Valuation of Ownership of Pooled Investment Funds

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

(g) Valuation of Synthetic Investment Contracts

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

(h) Reclassifications

Certain reclassifications were made to the prior year balances to conform with current year presentation.

(3) Investments

The Plan is primarily participant directed, which means that the Plan's participants decide in which options to invest. Of total plan net position of \$1,004,456,000 at June 30, 2020, 99.7% or \$1,001,091,000 are specifically allocated to individual participant accounts.

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June 30, 2020 and 2019

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

The carrying values of participant-directed investments at June 30, 2020 and 2019 are as follows (in thousands):

	<u>2020</u>	<u>2019</u>
S&P 500 Stock Index Fund	\$ 213,750	219,141
Stable Value Fund	205,421	183,482
T. Rowe Price U.S. Small-Cap Trust	110,706	118,956
Passive U.S. Bond Index Fund	86,026	62,020
Alaska Long-Term Balanced Trust	78,739	87,336
Environmental, Social, and Governance Fund	39,401	23,553
Russell 3000 Index Fund	37,554	48,473
International Equity Fund	35,725	34,183
Alaska Balanced Trust	28,564	31,198
State Street Institutional Treasury Money Market Fund	23,139	14,814
Alaska Target Date Retirement 2025 Trust	22,926	20,807
Alaska Target Date Retirement 2020 Trust	22,475	25,040
World Equity Ex-U.S. Index Fund	18,351	22,002
Blackrock Strategic Completion Fund	14,845	—
Alaska Target Date Retirement 2030 Trust	13,177	13,248
Alaska Target Date Retirement 2040 Trust	9,370	8,882
Alaska Target Date Retirement 2015 Trust	9,240	9,421
Alaska Target Date Retirement 2035 Trust	8,786	8,158
Alaska Target Date Retirement 2045 Trust	7,137	6,463
Alaska Target Date Retirement 2050 Trust	4,825	4,656
Alaska Target Date Retirement 2055 Trust	4,617	4,484
Alaska Target Date Retirement 2010 Trust	3,166	4,060
MassMutual Equity Fund	2,108	2,188
Alaska Target Date Retirement 2060 Trust	851	932
Alaska Target Date Retirement 2065 Trust	176	—
MassMutual Bond Fund	16	49
U.S. Treasury Inflation-Protected Security Index Fund	—	18,964
U.S. Real Estate Investment Trust Index Fund	—	14,974
Total	<u>\$ 1,001,091</u>	<u>987,484</u>

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Notes to Financial Statements

June 30, 2020 and 2019

For additional information on synthetic investment contracts, interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Plans at <http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx>.

(4) Risk and Uncertainty

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

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

(5) Subsequent Event

In September 2020, Empower Retirement, the Plan's record-keeper, and Massachusetts Mutual Life Insurance Company (MassMutual) announced an agreement for Empower to acquire the MassMutual retirement plan business. Currently, the Plan has two investments with MassMutual, the Equity Fund and the Bond Fund. Both asset classes will transfer to Empower with the completion of the acquisition.

SUPPLEMENTAL SCHEDULES

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

Schedule of Administrative and Investment Deductions

Years ended June 30, 2020 and 2019

(In thousands)

	<u>Administrative</u>	<u>Investment</u>	<u>Totals</u>	
			<u>2020</u>	<u>2019</u>
Personal services:				
Wages	\$ 166	116	282	170
Benefits	103	54	157	100
Total personal services	<u>269</u>	<u>170</u>	<u>439</u>	<u>270</u>
Travel:				
Transportation	1	1	2	5
Per diem	—	—	—	2
Total travel	<u>1</u>	<u>1</u>	<u>2</u>	<u>7</u>
Contractual services:				
Management and consulting	858	8	866	1,145
Investment manager fees	—	782	782	724
Accounting and auditing	37	1	38	25
Data processing	26	29	55	66
Communications	2	1	3	4
Rentals/leases	13	4	17	18
Legal	10	3	13	9
Repairs and maintenance	—	—	—	3
Transportation	4	—	4	2
Other professional services	17	1	18	10
Total contractual services	<u>967</u>	<u>829</u>	<u>1,796</u>	<u>2,006</u>
Other:				
Supplies	—	1	1	4
Equipment	1	2	3	4
Total other	<u>1</u>	<u>3</u>	<u>4</u>	<u>8</u>
Total administrative and investment deductions	\$ <u>1,238</u>	<u>1,003</u>	<u>2,241</u>	<u>2,291</u>

See accompanying independent auditors' report.

STATE OF ALASKA
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Schedule of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2020 and 2019

(In thousands)

<u>Firm</u>	<u>Services</u>	<u>2020</u>	<u>2019</u>
KPMG LLP	Auditing services	\$ 35	24
State Street Bank and Trust	Custodial banking services	89	126
Alaska IT Group	Data processing services	2	3
Applied Microsystems Incorporation	Data processing services	3	3
Resource Data Incorporated	Data processing services	—	2
SHI International Corporation	Data processing services	2	12
Linea Solution Incorporated	Management services	9	3
State of Alaska, Department of Law	Legal services	12	8
		<u>\$ 152</u>	<u>181</u>

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

See accompanying independent auditors' report.