



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

Financial Statements and Supplemental Schedules

June 30, 2021 and 2020

(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, 2021 and 2020, 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, 2021 and 2020, 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 audit 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 as a whole. The supplemental schedules on pages 19–20 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 20, 2021

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Management's Discussion and Analysis (Unaudited)  
June 30, 2021 and 2020

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 years ended June 30, 2021 and 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. Information for fiscal year 2019 is presented for comparative purposes.

**Financial Highlights**

The Plan's financial highlights for the year ended June 30, 2021 were as follows:

- The Plan's fiduciary net position increased by \$219.3 million.
- The Plan's participant contributions and transfers in of \$47.2 million increased by \$1.2 million when compared to fiscal year 2020.
- The Plan's net investment income increased by \$212.9 million when compared to fiscal year 2020, to \$253.4 million.
- Benefits paid to participants and purchases of annuity contracts of \$79.8 million increased by \$8.6 million when compared to fiscal year 2020.

**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 and contract value along with cash and cash equivalents and receivables less liabilities at June 30, 2021 and 2020.

*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, 2021 and 2020. This statement presents contributions and net investment income during the period. Deductions for benefits paid to participants and 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, 2021 and 2020, and the sources and uses of those funds during the years ended June 30, 2021 and 2020.

*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		Increase (decrease)		2019
	2021	2020	Amount	Percentage	
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,430	1,723	(293)	(17.0)%	\$ 1,362
Due from State of Alaska General Fund	2,774	1,803	971	53.9	3,328
Investments	1,219,728	1,001,091	218,637	21.8	987,484
Total assets	1,223,932	1,004,617	219,315	21.8	992,174
<b>Liabilities</b>					
Accrued expenses	187	161	26	16.1	1,854
Total liabilities	187	161	26	16.1	1,854
Fiduciary net position	\$ 1,223,745	1,004,456	219,289	21.8%	\$ 990,320

Description	Changes in fiduciary net position		Increase (decrease)		2019
	2021	2020	Amount	Percentage	
Fiduciary net position, beginning of year	\$ 1,004,456	990,320	14,136	1.4%	\$ 945,399
<b>Additions:</b>					
Contributions and transfers in	47,203	46,008	1,195	2.6	44,035
Net investment income	253,373	40,492	212,881	525.7	63,332
Other	39	20	19	95.0	29
Total additions	300,615	86,520	214,095	247.5	107,396
<b>Deductions:</b>					
Benefits paid to participants and purchases of annuity contracts	79,754	71,146	8,608	12.1	61,321
Administrative	1,572	1,238	334	27.0	1,154
Total deductions	81,326	72,384	8,942	12.4	62,475
Net increase in net position	219,289	14,136	205,153	1,451.3	44,921
Fiduciary net position, end of year	\$ 1,223,745	1,004,456	219,289	21.8%	\$ 990,320

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**Financial Analysis of the Plan**

The statement of fiduciary net position as of June 30, 2021 shows net fiduciary position of \$1,223,745,000. 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 \$219,289,000 or 21.8% from fiscal year 2020 to fiscal year 2021, and an increase of \$14,136,000 or 1.4% from fiscal year 2019 to fiscal year 2020.

**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:

	<b>Additions (In thousands)</b>				
	<b>2021</b>	<b>2020</b>	<b>Increase (decrease)</b>		<b>2019</b>
			<b>Amount</b>	<b>Percentage</b>	
Participant contributions	\$ 46,476	45,222	1,254	2.8%	\$ 42,495
Transfers in	727	786	(59)	(7.5)	1,540
Net investment income	253,373	40,492	212,881	525.7	63,332
Other	39	20	19	95.0	29
Total	<u>\$ 300,615</u>	<u>86,520</u>	<u>214,095</u>	<u>247.5%</u>	<u>\$ 107,396</u>

The Plan's participant contributions increased from \$45,222,000 in fiscal year 2020 to \$46,476,000 in fiscal year 2021, an increase of \$1,254,000 or 2.8%. 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%. Fiscal year 2021 saw an increase in the number of participants, partially offset by a small decrease in the average active plan participant contributions, while fiscal year 2020 saw an increase in the number of participants, but little change in the average active plan participant contributions. The Plan is an optional participation with a minimum contribution of \$50 per month.

The Plan's net investment income increased from \$40,492,000 in fiscal year 2020 to \$253,373,000 in fiscal year 2021, an increase of \$212,881,000 or 525.7%. The increase relates to significant positive rates of return in the overall investment environment in fiscal year 2021. Net investment income decreased in fiscal year 2020 by \$22,840,000 or 36.1% when compared to amounts recorded fiscal year 2019. This decrease relates to investment performance in fiscal year 2020 compared to similar investments in fiscal year 2019.

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The Plan's investment rates of return at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Alaska Balanced Trust	13.37 %	6.18 %
Alaska Long-Term Balanced Trust	23.55	5.16
Alaska Target Date Retirement 2010 Trust	15.17	5.01
Alaska Target Date Retirement 2015 Trust	17.74	5.12
Alaska Target Date Retirement 2020 Trust	21.44	4.93
Alaska Target Date Retirement 2025 Trust	25.28	4.78
Alaska Target Date Retirement 2030 Trust	28.72	4.46
Alaska Target Date Retirement 2035 Trust	31.81	4.33
Alaska Target Date Retirement 2040 Trust	34.46	4.09
Alaska Target Date Retirement 2045 Trust	36.74	3.76
Alaska Target Date Retirement 2050 Trust	36.78	3.75
Alaska Target Date Retirement 2055 Trust	36.82	3.77
Alaska Target Date Retirement 2060 Trust	36.71	3.62
Alaska Target Date Retirement 2065 Trust	36.58	N/A
BlackRock Strategic Completion Fund	24.97	(4.91)
Environmental, Social, and Governance Fund	40.93	9.16
International Equity Fund	42.43	0.14
MassMutual Bond Fund	1.28	7.67
MassMutual Equity Fund	33.10	0.12
Passive U.S. Bond Index Fund	(0.36)	8.69
Russell 3000 Index Fund	44.07	6.48
S&P 500 Index Fund	40.78	7.48
Stable Value Fund	2.18	2.57
State Street Institutional Treasury Money Market Fund	0.02	1.33
T. Rowe Price U.S. Small-Cap Trust	54.51	(0.03)



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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:

	<b>Deductions (In thousands)</b>				
	<b>2021</b>	<b>2020</b>	<b>Increase (decrease)</b>		<b>2019</b>
			<b>Amount</b>	<b>Percentage</b>	
Benefits paid to participants and purchases of annuity contracts	\$ 79,754	71,146	8,608	12.1%	\$ 61,321
Administrative	1,572	1,238	334	27.0	1,154
Total	<u>\$ 81,326</u>	<u>72,384</u>	<u>8,942</u>	<u>12.4%</u>	<u>\$ 62,475</u>

The Plan's benefits paid to participants and purchases of annuity contracts in fiscal year 2021 increased by \$8,608,000 or by 12.1% from fiscal year 2020 related to CARES Act distributions that active and terminated members could receive as described below. Due to the uncertainty of the world economy related to coronavirus, members opted to withdraw funds to be financially prepared in case of unemployment or loss of other funds they may have had previously. 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 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 active members of the Plan could request an in-service distribution of 25% of their account balance or \$25,000 maximum, whichever is less, between both the Plan and the State of Alaska Supplemental Annuity Plan (SBS-AP). Qualified terminated members could request up to an amount not to exceed \$100,000 from their account. Coronavirus-related withdrawals were required to be processed before December 31, 2020. The CARES Act had an option for the recipient to re-contribute any portion or all of the coronavirus-related withdrawal within three years of receipt. Through June 30, 2021, the Plan had \$3,758,000 in CARES Act distributions.

The Plan had administrative expenses of \$1,572,000 in fiscal year 2021 compared to \$1,238,000 in fiscal year 2020, an increase of \$334,000 or 27%. The increase in administrative expenses in fiscal year 2021 is primarily due to an increase in system modernization project expenses. The Plan had administrative expenses of \$1,238,000 in fiscal year 2020 compared to \$1,154,000 in fiscal year 2019 reflected an increase of \$84,000 or 7.3% primarily due to an increase personnel costs allocated to Plan expenses.

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**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.

**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, 2021 and 2020

(In thousands)

	<b>2021</b>	<b>2020</b>
<b>Assets:</b>		
Cash and cash equivalents:		
Investment in State of Alaska General Fund and Other Nonsegregated Investments Pool	\$ 120	296
Money market fund – nonparticipant directed	1,310	1,427
Total cash and cash equivalents	1,430	1,723
Receivables:		
Due from State of Alaska General Fund	2,774	1,803
Total receivables	2,774	1,803
Investments:		
Participant directed at fair value:		
Collective investment funds	733,082	581,622
Pooled investment funds	280,537	214,048
Participant directed at contract value:		
Synthetic investment contracts	206,109	205,421
Total investments	1,219,728	1,001,091
Total assets	1,223,932	1,004,617
<b>Liabilities:</b>		
Accrued expenses	187	161
Total liabilities	187	161
Fiduciary net position	\$ 1,223,745	1,004,456

See accompanying notes to financial statements.

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Statements of Changes in Fiduciary Net Position

Years ended June 30, 2021 and 2020

(In thousands)

	<b>2021</b>	<b>2020</b>
Additions:		
Participant contributions	\$ 46,476	45,222
Transfers in	727	786
Total contributions	47,203	46,008
Investment income:		
Net appreciation in value of investments	255,557	41,264
Interest	5	231
Total investment income	255,562	41,495
Less investment expense	2,189	1,003
Net investment income	253,373	40,492
Other income	39	20
Total additions	300,615	86,520
Deductions:		
Benefits paid to participants and purchases of annuity contracts	79,754	71,146
Administrative	1,572	1,238
Total deductions	81,326	72,384
Net increase in fiduciary net position	219,289	14,136
Fiduciary net position, beginning of year	1,004,456	990,320
Fiduciary net position, end of year	\$ 1,223,745	1,004,456

See accompanying 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 August 30, 2021. It is a deferred compensation plan under Section 457 of the Internal Revenue Code and is available to all permanent and long-term nonpermanent employees and elected officials of the State of Alaska and members of State boards and commissions, as well as employees of participating local government employers and public organizations. Participating members in the Plan authorize their employer to reduce their current salary or compensation so that they can receive the amount deferred at a later date. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. All amounts deferred are held in a trust for the exclusive benefit of employees and beneficiaries. Additionally, Plan participants may also have their contributions directed as a ROTH contribution. Those amounts are post-tax contributions and earnings on ROTH contributions are not taxable when properly withdrawn from the Plan. There were 12,454 participants in the Plan as of June 30, 2021.

At June 30, 2021 and 2020, the number of participating local government employers and public organizations, including the State was as follows:

	<b>2021</b>	<b>2020</b>
State of Alaska and Component Units	1	1
Municipalities	8	4
School districts	4	3
Other	6	6
Total employers	19	14

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, 2021, plan participants are required to contribute a minimum of \$50 per month (\$600 per year). At June 30, 2021, 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

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calendar year 2021). Participants vest automatically in their contributions and earnings on those contributions.

**(c) Participant Accounts**

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

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, 2021 and June 30, 2020, participants had the following investment options:

*(i) Collective Investment Funds*

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

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

*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

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option is only available to participants whose contributions were originally invested with the MassMutual Life Insurance Company and have since remained with MassMutual Life Insurance Company.

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

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

*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"). The 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 14 participant-directed funds.

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

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

*Alaska Target Date Retirement 2010–2065 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

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time; these trusts emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus on supporting an income stream over a long-term postretirement withdrawal horizon.

*(iii) Synthetic Investment Contracts*

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

**(d) Payment of Benefits**

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

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

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 active members of the Plan could request an in-service distribution of 25% of their account balance or \$25,000 maximum, whichever is less, between both the Plan and the State of Alaska Supplemental Annuity Plan (SBS-AP). Qualified terminated members could request up to an amount not to exceed \$100,000 from their account. Coronavirus-related withdrawals were required to be processed before December 31, 2020. The CARES Act had an option for the recipient to re-contribute any portion or all of the coronavirus-related withdrawal within three years of receipt.



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**(e) Income Taxes**

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

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

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

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

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

**(b) Cash and Cash Equivalents**

Cash and cash equivalents at June 30 are composed of ownership of pooled investments and money market funds. The money market fund consists of nonparticipant-directed funds used to pay administrative costs of the Plan.

**(c) Contributions Receivable**

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

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

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

**(e) Valuation of Collective Investment Funds**

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

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June 30, 2021 and 2020

**(f) Valuation of Pooled Investment Funds**

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

**(g) Valuation of Synthetic Investment Contracts**

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

**(3) Investments**

The Plan is primarily participant directed, which means that the Plan's participants decide in which options to invest. Of total plan fiduciary net position of \$1,223,745,000 at June 30, 2021, 99.7% or \$1,219,728,000 were specifically allocated to individual participant accounts.

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

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The carrying values of participant-directed investments at June 30, 2021 and 2020 are as follows (in thousands):

	<u>2021</u>	<u>2020</u>
S&P 500 Stock Index Fund	\$ 270,931	213,750
Stable Value Fund	206,109	205,421
T. Rowe Price U.S. Small-Cap Trust	155,398	110,706
Alaska Long-Term Balanced Trust	92,255	78,739
Passive U.S. Bond Index Fund	80,473	86,026
International Equity Fund	59,797	35,725
Environmental, Social, and Governance Fund	55,663	39,401
Russell 3000 Index Fund	51,363	37,554
Alaska Balanced Trust	44,250	28,564
Alaska Target Date Retirement 2025 Trust	32,318	22,926
Alaska Target Date Retirement 2020 Trust	26,016	22,475
State Street Institutional Treasury Money Market Fund	20,818	23,139
World Equity Ex-U.S. Index Fund	20,186	18,351
Alaska Target Date Retirement 2030 Trust	19,093	13,177
BlackRock Strategic Completion Fund	15,810	14,845
Alaska Target Date Retirement 2035 Trust	13,474	8,786
Alaska Target Date Retirement 2040 Trust	13,411	9,370
Alaska Target Date Retirement 2045 Trust	10,128	7,137
Alaska Target Date Retirement 2015 Trust	9,958	9,240
Alaska Target Date Retirement 2050 Trust	7,953	4,825
Alaska Target Date Retirement 2055 Trust	6,370	4,617
Alaska Target Date Retirement 2010 Trust	3,334	3,166
MassMutual Equity Fund	2,626	2,108
Alaska Target Date Retirement 2060 Trust	1,462	851
Alaska Target Date Retirement 2065 Trust	515	176
MassMutual Bond Fund	17	16
Total	<u>\$ 1,219,728</u>	<u>1,001,091</u>

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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**

Congress enacted the SECURE Act effective January 1, 2020 allowing Plan sponsors more flexibility in allowable in-service distributions. The Plan updated its Plan document effective July 30, 2021 to allow eligible members the opportunity to access funds via an in-service distribution. Prior to this change, withdrawals were limited to: (1) termination of employment, (2) qualified domestic relations order (QDRO), (3) death, or (4) retirement. As amended, the Plan allows for (5) in-service distributions before age 59 ½ (6) for birth and adoption, and (7) one-time only small account balance distribution, if plans adopted these changes to their plan document. These three updates were added and approved by the Plan Administrator and became effective August 30, 2021.

## **SUPPLEMENTAL SCHEDULES**

**STATE OF ALASKA**  
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Schedule of Administrative and Investment Deductions

Years ended June 30, 2021 and 2020

(In thousands)

	<u>Administrative</u>	<u>Investment</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
Personal services:				
Wages	\$ 166	62	228	282
Benefits	102	29	131	157
Total personal services	<u>268</u>	<u>91</u>	<u>359</u>	<u>439</u>
Travel:				
Transportation	—	—	—	2
Total travel	<u>—</u>	<u>—</u>	<u>—</u>	<u>2</u>
Contractual services:				
Management and consulting	1,014	16	1,030	866
Investment management and custodial fees	—	2,044	2,044	782
Accounting and auditing	33	—	33	38
Data processing	211	29	240	55
Communications	2	—	2	3
Advertising and printing	2	—	2	—
Rentals/leases	13	3	16	17
Legal	2	3	5	13
Transportation	7	—	7	4
Other professional services	17	2	19	18
Total contractual services	<u>1,301</u>	<u>2,097</u>	<u>3,398</u>	<u>1,796</u>
Other:				
Equipment	2	—	2	1
Supplies	1	1	2	3
Total other	<u>3</u>	<u>1</u>	<u>4</u>	<u>4</u>
Total administrative and investment deductions	\$ <u>1,572</u>	<u>2,189</u>	<u>3,761</u>	<u>2,241</u>

See accompanying independent auditors' report.

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Schedule of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2021 and 2020

(In thousands)

<u>Firm</u>	<u>Services</u>	<u>2021</u>	<u>2020</u>
KPMG LLP	Auditing services	\$ 31	35
State Street Bank and Trust	Custodial banking services	185	89
Alaska IT Group	Data processing services	3	2
Applied Microsystems Incorporation	Data processing services	1	3
DLT Solutions	Data processing services	14	—
Sagitec Solutions	Data processing services	183	—
SHI International Corporation	Data processing services	1	2
Glacier Stenographic Reporters	Legal services	1	—
State of Alaska, Department of Law	Legal services	4	12
Linea Solution Incorporated	Management services	—	9
		<u>\$ 423</u>	<u>152</u>

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

See accompanying independent auditors' report.