



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

Financial Statements and Supplemental Schedules

June 30, 2023 and 2022

(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
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Independent Auditors' Report

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

Opinion

We have audited the 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2023 and 2022, and the changes in fiduciary net position for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 basic financial statements, and other knowledge we obtained during our audits of the basic 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.

Supplementary Information

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

KPMG LLP

Anchorage, Alaska
October 12, 2023

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

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, 2023 and 2022. 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 2021 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2023 were as follows:

- The Plan's fiduciary net position increased by \$76.1 million.
- The Plan's participant contributions and transfers in of \$49.7 million decreased by \$1.3 million when compared to fiscal year 2022.
- The Plan's net investment income increased by \$239.9 million when compared to fiscal year 2022, to \$111.3 million.
- Benefits paid to participants and purchases of annuity contracts of \$83.4 million decreased by \$1.8 million when compared to fiscal year 2022.

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, 2023 and 2022.

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, 2023 and 2022. This statement presents contributions and net investment income (loss) 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, 2023 and 2022, and the sources and uses of those funds during the years ended June 30, 2023 and 2022.

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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June 30, 2023 and 2022

Condensed Financial Information (In thousands)

Description	Fiduciary net position		Increase (decrease)		2021
	2023	2022	Amount	Percentage	
Assets:					
Cash and cash equivalents	\$ 3,223	2,866	357	12.5%	\$ 1,430
Due from State of Alaska General Fund	1,860	1,778	82	4.6	2,774
Investments	1,130,220	1,054,654	75,566	7.2	1,219,728
Total assets	1,135,303	1,059,298	76,005	7.2	1,223,932
Liabilities					
Accrued expenses	79	190	(111)	(58.4)	187
Total liabilities	79	190	(111)	(58.4)	187
Fiduciary net position	\$ 1,135,224	1,059,108	76,116	7.2%	\$ 1,223,745

Changes in fiduciary net position

Description	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
Fiduciary net position, beginning of year	\$ 1,059,108	1,223,745	(164,637)	(13.5)%	\$ 1,004,456
Additions:					
Contributions and transfers in	49,715	50,994	(1,279)	(2.5)	47,203
Net investment income (loss)	111,284	(128,638)	239,922	186.5	253,373
Other income (expense)	217	(8)	225	2,812.5	39
Total additions	161,216	(77,652)	238,868	307.6	300,615
Deductions:					
Benefits paid to participants and purchases of annuity contracts	83,397	85,203	(1,806)	(2.1)	79,754
Administrative	1,703	1,782	(79)	(4.4)	1,572
Total deductions	85,100	86,985	(1,885)	(2.2)	81,326
Net increase (decrease) in net position	76,116	(164,637)	240,753	(146.2)	219,289
Fiduciary net position, end of year	\$ 1,135,224	1,059,108	76,116	7.2%	\$ 1,223,745

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Financial Analysis of the Plan

The statement of fiduciary net position as of June 30, 2023, shows net fiduciary position of \$1,135,224,000. 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 \$76,116,000, or 7.2%, from fiscal year 2022 to fiscal year 2023 and a decrease of \$164,637,000, or 13.5%, from fiscal year 2021 to fiscal year 2022.

Contributions and Investment Income

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

	Additions (In thousands)				2021
	2023	2022	Increase (decrease)		
			Amount	Percentage	
Participant contributions	\$ 48,249	49,665	(1,416)	(2.9)%	\$ 46,476
Employer contributions	238	219	19	8.7	—
Transfers in	1,228	1,110	118	10.6	727
Net investment income (loss)	111,284	(128,638)	239,922	186.5	253,373
Other income (expense)	217	(8)	225	2,812.5	39
Total	<u>\$ 161,216</u>	<u>(77,652)</u>	<u>238,868</u>	<u>307.6%</u>	<u>\$ 300,615</u>

The Plan's participant contributions decreased from \$49,665,000 in fiscal year 2022 to \$48,249,000 in fiscal year 2023, a decrease of \$1,416,000 or 2.9%. The Plan's participant contributions increased from \$46,476,000 in fiscal year 2021 to \$49,665,000 in fiscal year 2022, an increase of \$3,189,000 or 6.9%. Fiscal year 2023 saw a decrease in the average contribution size, while fiscal year 2022 saw an increase in the average contribution size. The Plan is an optional participation plan with a minimum contribution of \$50 per month.

Beginning in fiscal year 2022, participating employers could offer an employer matching contribution. There was one participating employer which offered an employer matching contribution to its members. This option was not offered to participants by their employers during fiscal year 2021.

The Plan's net investment income increased from a loss of \$128,638,000 in fiscal year 2022 to a gain of \$111,284,000 in fiscal year 2023, an increase of \$239,922,000 or 186.5%. Net investment income decreased in fiscal year 2022 by \$382,011,000, or 150.8%, when compared to amounts recorded fiscal year 2021. The increase relates to an overall better investment environment during fiscal year 2023 in the equities market compared to fiscal year 2022.

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The Plan's investment rates of return at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Alaska Balanced Trust	5.86 %	(9.02)%
Alaska Long-Term Balanced Trust	10.13	(11.17)
Alaska Target Date Retirement 2010 Trust	6.24	(8.29)
Alaska Target Date Retirement 2015 Trust	7.12	(8.84)
Alaska Target Date Retirement 2020 Trust	8.49	(9.77)
Alaska Target Date Retirement 2025 Trust	10.25	(10.95)
Alaska Target Date Retirement 2030 Trust	11.68	(11.85)
Alaska Target Date Retirement 2035 Trust	13.07	(12.65)
Alaska Target Date Retirement 2040 Trust	14.21	(13.26)
Alaska Target Date Retirement 2045 Trust	15.09	(13.72)
Alaska Target Date Retirement 2050 Trust	15.52	(13.87)
Alaska Target Date Retirement 2055 Trust	15.52	(13.89)
Alaska Target Date Retirement 2060 Trust	15.52	(13.96)
Alaska Target Date Retirement 2065 Trust	15.52	(13.97)
BlackRock Strategic Completion Fund	(4.27)	(2.49)
Environmental, Social and Governance Fund	18.55	(10.61)
International Equity Fund	18.30	(26.39)
JP Morgan SmartRetirement Blend 2015 R6	6.64	(11.99)
JP Morgan SmartRetirement Blend 2020 R6	6.81	(12.10)
MassMutual Bond Fund	(0.25)	(13.34)
MassMutual Equity Fund	9.60	(1.20)
Passive U.S. Bond Index Fund	(0.93)	(10.26)
Russell 3000 Index Fund	19.01	(13.69)
S&P 500 Stock Index Fund	19.58	(10.64)
Stable Value Fund	2.12	1.84
State Street Institutional Treasury Money Market	3.60	0.15
U.S. Small-Cap Trust	10.90	(23.19)
World Equity Ex-U.S. Index Fund	13.24	(19.14)

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Benefits and Other Deductions

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

	Deductions (In thousands)				
	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
Benefits paid to participants and purchases of annuity contracts	\$ 83,397	85,203	(1,806)	(2.1)%	\$ 79,754
Administrative	1,703	1,782	(79)	(4.4)	1,572
Total	<u>\$ 85,100</u>	<u>86,985</u>	<u>(1,885)</u>	<u>(2.2)%</u>	<u>\$ 81,326</u>

The Plan's benefits paid to participants and refunds of contributions, including purchases of annuity contracts for fiscal year 2023 decreased \$1,806,000, or 2.1%, from fiscal year 2022, and increased \$5,449,000, or 6.8%, from fiscal year 2021 to fiscal year 2022. The decrease in refunds of contributions in fiscal year 2023 is related to a reduction in the number of members requesting disbursements from the Plan. The increase in refunds of contributions in fiscal year 2022 is related to the increase in the number of members requesting disbursements from the Plan. The increase in refunds of contributions in fiscal year 2022 is related to the increase in the number of members requesting disbursements from the Plan.

The 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 \$1,703,000 in fiscal year 2023 compared to \$1,782,000 in fiscal year 2022, a decrease of \$79,000, or 4.4%. The decrease in administrative expenses in fiscal year 2023 is primarily due to a decrease in system modernization project expenses. The Plan had administrative expenses of \$1,782,000 in fiscal year 2022 compared to \$1,572,000 in fiscal year 2021, an increase of \$334,000 or 27.0%. The increase was primarily due to increases in system modernization project expenses over the prior year.

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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

STATE OF ALASKA
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Statements of Fiduciary Net Position

June 30, 2023 and 2022

(In thousands)

	2023	2022
Assets:		
Cash and cash equivalents:		
Investment in State of Alaska General Fund and Other Nonsegregated Investments Pool	\$ 321	375
Money market fund – nonparticipant directed	2,902	2,491
Total cash and cash equivalents	3,223	2,866
Receivables:		
Due from State of Alaska General Fund	1,860	1,778
Total receivables	1,860	1,778
Investments:		
Participant directed at fair value:		
Collective investment funds	654,569	596,502
Pooled investment funds	281,878	252,637
Participant directed at contract value:		
Synthetic investment contracts	193,773	205,515
Total investments	1,130,220	1,054,654
Total assets	1,135,303	1,059,298
Liabilities:		
Accrued expenses	79	190
Total liabilities	79	190
Fiduciary net position	\$ 1,135,224	1,059,108

See accompanying notes to financial statements.

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Statements of Changes in Fiduciary Net Position

Years ended June 30, 2023 and 2022

(In thousands)

	<u>2023</u>	<u>2022</u>
Additions (reductions):		
Participant contributions	\$ 48,249	49,665
Employer contributions	238	219
Transfers in	1,228	1,110
Total contributions	<u>49,715</u>	<u>50,994</u>
Investment income (loss):		
Net appreciation (depreciation) in value of investments	112,280	(126,864)
Interest	743	32
Total investment income (loss)	<u>113,023</u>	<u>(126,832)</u>
Less investment expense	<u>1,739</u>	<u>1,806</u>
Net investment income (loss)	111,284	(128,638)
Other income (expense)	<u>217</u>	<u>(8)</u>
Total additions (reductions)	<u>161,216</u>	<u>(77,652)</u>
Deductions:		
Benefits paid to participants and purchases of annuity contracts	83,397	85,203
Administrative	<u>1,703</u>	<u>1,782</u>
Total deductions	<u>85,100</u>	<u>86,985</u>
Net increase (decrease) in fiduciary net position	76,116	(164,637)
Fiduciary net position, beginning of year	<u>1,059,108</u>	<u>1,223,745</u>
Fiduciary net position, end of year	<u>\$ 1,135,224</u>	<u>1,059,108</u>

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2023 and 2022

(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, 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 12,672 participants in the Plan as of June 30, 2023.

At June 30, 2023 and 2022, the number of participating local government employers and public organizations, including the State was as follows:

	2023	2022
State of Alaska and Component Units	1	1
Municipalities	11	11
School districts	6	5
Other	8	7
Total employers	26	24

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, 2023, plan participants are required to contribute a minimum of \$50 per month (\$600 per year). At June 30, 2023, the maximum amount that could be deferred in a calendar year was \$22,500 for participants under age 50 and \$30,000 for participants who are age 50 and greater. However, for each of the participant's last three calendar years ending prior to the employer's primary pension plan's normal retirement age, a "catch-up limitation" may apply, which allows larger contributions (up to \$45,000 in calendar year 2023). Participants vest automatically in their contributions and earnings on those contributions.

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During fiscal year 2023, an employer participating in the Plan began offering and contributing matching contributions. Currently, there is one employer matching employee 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, 2023 and June 30, 2022, 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 as 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 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 market.

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.

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 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.

JPMorgan SmartRetirement Blend 2015 and 2020 Funds – The purpose of these funds is to provide a professionally managed portfolio that strategically shifts asset allocations as the Fund approaches and passes the target retirement date for investors who plan to retire around the target retirement year and then withdraw their investment in the Fund throughout retirement. These two funds will be closing on October 25, 2023.

(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 retirement 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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June 30, 2023 and 2022

(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 or other participating employers 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 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 per unit 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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(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 \$1,135,224,000 at June 30, 2023, 99.6% or \$1,130,220,000 was 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, 2023 and 2022 are as follows (in thousands):

	<u>2023</u>	<u>2022</u>
S&P 500 Stock Index Fund	\$ 269,775	229,832
Stable Value Fund	193,773	205,515
U.S. Small-Cap Trust	111,936	110,196
Alaska Long-Term Balanced Trust	93,847	82,617
Passive U.S. Bond Index Fund	68,794	64,136
Russell 3000 Index Fund	52,363	48,068
Environmental, Social and Governance Fund	38,508	45,679
Alaska Balanced Trust	43,897	42,523
International Equity Fund	39,942	37,487
Alaska Target Date Retirement 2025 Trust	28,642	26,370
World Equity Ex-U.S. Index Fund	26,973	23,035
Alaska Target Date Retirement 2020 Trust	20,575	21,429
State Street Institutional Treasury Money Market	21,740	20,414
Alaska Target Date Retirement 2030 Trust	19,772	17,324
BlackRock Strategic Completion Fund	22,124	15,311
Alaska Target Date Retirement 2035 Trust	16,723	13,152
Alaska Target Date Retirement 2040 Trust	14,613	12,100
Alaska Target Date Retirement 2045 Trust	11,616	9,303
Alaska Target Date Retirement 2050 Trust	10,464	7,531
Alaska Target Date Retirement 2015 Trust	8,321	8,815
Alaska Target Date Retirement 2055 Trust	7,857	6,078
Alaska Target Date Retirement 2010 Trust	2,432	3,134
MassMutual Equity Fund	2,401	2,331
Alaska Target Date Retirement 2060 Trust	2,012	1,408
Alaska Target Date Retirement 2065 Trust	892	761
JPMorgan SmartRetirement Blend 2020 R6	110	86
JPMorgan SmartRetirement Blend 2015 R6	105	6
MassMutual Bond Fund	13	13
Total	<u>\$ 1,130,220</u>	<u>1,054,654</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 <https://treasury.dor.alaska.gov/armb/reports-and-policies/annual-audited-financial-schedules>

(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

On February 13, 2023, the Plan was notified that the JPMorgan SmartRetirement Blend 2015 R6 pooled investment fund would be closed and liquidated due to the low level of assets invested. Additionally, the JPMorgan SmartRetirement Blend 2020 R6 pooled investment fund was going to be merged with JPMorgan's broader target date funds, and will no longer be a discrete retiree income solution. JPMorgan will close the 2015 fund on October 25, 2023, and will also close the 2020 fund to participants on the same date. Plan members may transfer out from those funds prior to that date, but any member in those funds at the closure date will be converted to an age-appropriate target date fund.

SUPPLEMENTAL SCHEDULES

STATE OF ALASKA
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Schedules of Administrative and Investment Deductions

Years ended June 30, 2023 and 2022

(In thousands)

	<u>Administrative</u>	<u>Investment</u>	<u>Totals</u>	
			<u>2023</u>	<u>2022</u>
Personal services:				
Wages	\$ 172	44	216	192
Benefits	110	21	131	122
Total personal services	<u>282</u>	<u>65</u>	<u>347</u>	<u>314</u>
Travel:				
Transportation	1	2	3	1
Total travel	<u>1</u>	<u>2</u>	<u>3</u>	<u>1</u>
Contractual services:				
Management and consulting	1,097	13	1,110	1,179
Investment management and custodial fees	—	1,616	1,616	1,653
Accounting and auditing	40	1	41	40
Data processing	229	32	261	350
Communications	2	—	2	1
Advertising and printing	2	—	2	4
Rentals/leases	21	3	24	8
Legal	3	3	6	6
Transportation	6	—	6	8
Other professional services	18	1	19	21
Total contractual services	<u>1,418</u>	<u>1,669</u>	<u>3,087</u>	<u>3,270</u>
Other:				
Equipment	—	1	1	1
Supplies	2	2	4	2
Total other	<u>2</u>	<u>3</u>	<u>5</u>	<u>3</u>
Total administrative and investment deductions	<u>\$ 1,703</u>	<u>1,739</u>	<u>3,442</u>	<u>3,588</u>

See accompanying independent auditors' report.

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Schedules of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2023 and 2022

(In thousands)

<u>Firm</u>	<u>Services</u>	<u>2023</u>	<u>2022</u>
KPMG LLP	Auditing services	\$ 40	37
State Street Bank and Trust	Custodial banking services	151	147
Alaska IT Group	Data processing services	—	1
Applied Microsystems Incorporation	Data processing services	8	11
Sagitec Solutions	Data processing services	195	288
SHI International Corporation	Data processing services	2	1
TechData Service Company	Data processing services	10	12
State of Alaska, Department of Law	Legal services	5	7
		<u>\$ 411</u>	<u>504</u>

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

See accompanying independent auditors' report.