



**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM  
OCCUPATIONAL DEATH AND DISABILITY PLAN**

Schedules of OPEB Amounts by Employer

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM  
OCCUPATIONAL DEATH AND DISABILITY PLAN**

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## **Independent Auditors' Report**

The Division of Retirement and Benefits and  
Members of the Alaska Retirement Management Board  
State of Alaska Teachers' Retirement System:

We have audited the total for all entities of the columns titled net OPEB asset, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense (specified column totals) included in the accompanying schedule of OPEB amounts by employer of the State of Alaska Teachers' Retirement System Occupational Death and Disability Plan (the Plan) as of and for the year ended June 30, 2017 and the total for all entities of the column titled net OPEB asset (specified column total) included in the accompanying schedule of OPEB amounts by employer of the Plan as of June 30, 2016, and the related notes.

### ***Management's Responsibility for the Schedules***

Management is responsible for the preparation and fair presentation of these schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on the specified column totals included in the schedules of OPEB amounts by employer 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 specified column totals included in the schedules of OPEB amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the specified column totals included in the schedule of OPEB amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the specified column totals included in the schedule of OPEB amounts by employer, 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 specified column totals included in the schedule of OPEB amounts by employer 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 specified column totals included in the schedule of OPEB amounts by employer.

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



***Opinions***

In our opinion, the schedules referred to above present fairly, in all material respects, the net OPEB asset, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense for the total of all participating entities for the Plan as of and for the year ended June 30, 2017, and the net OPEB asset for the total of all participating entities for the Plan as of June 30, 2016, in accordance with U.S. generally accepted accounting principles.

***Other Matter***

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of the State of Alaska Teachers' Retirement System, which includes the Occupational Death and Disability Plan, as of and for the year ended June 30, 2017, and our report thereon, dated December 5, 2017, expressed an unmodified opinion on those financial statements.

***Restriction on Use***

Our report is intended solely for the information and use of the State of Alaska Teachers' Retirement System management, the members of the Alaska Retirement Management Board, State of Alaska Teachers' Retirement System Occupational Death and Disability Plan employers, and their auditors, and is not intended to be and should not be used by anyone other than these specified parties.

*KPMG LLP*

Anchorage, Alaska  
October 26, 2018

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM  
OCCUPATIONAL DEATH AND DISABILITY PLAN**

Schedules of OPEB Amounts by Employer

As of and for the years ended June 30, 2017 and 2016

Employer	Employer number	Net OPEB Asset		Deferred outflows of resources as of June 30, 2017		
		June 30, 2017	June 30, 2016	Changes of assumptions	Changes in proportion and difference between employer contributions and proportionate share of contributions	Total deferred outflows of resources
Employer:						
Anchorage SD	701	\$ 1,008,824	970,360	-	7,102	7,102
Cordova City SD	704	7,654	6,025	-	-	-
Craig City SD	705	9,386	9,123	-	152	152
Fairbanks North Star Borough SD	706	280,781	261,648	-	-	-
Haines Borough SD	707	10,577	11,718	-	1,472	1,472
Hoonah City SD	708	5,320	3,701	-	-	-
Hydaburg City SD	709	2,387	4,346	-	1,873	1,873
Juneau Borough SD	710	101,440	98,441	-	1,501	1,501
Kake City SD	712	6,091	6,290	-	434	434
Ketchikan Gateway Borough SD	714	51,708	51,055	-	1,559	1,559
Klawock City SD	717	4,787	3,642	-	-	-
Kodiak Island Borough SD	718	88,949	79,082	-	-	-
Nenana City SD	719	9,610	8,148	-	-	-
Nome City SD	720	21,484	22,458	-	1,776	1,776
Matanuska-Susitna Borough SD	722	360,315	330,091	-	-	-
Pelican City SD	723	586	517	-	-	-
Petersburg City SD	724	7,643	8,590	-	1,175	1,175
Sitka Borough SD	727	35,069	32,801	-	-	-
Skagway City SD	728	5,115	3,460	-	-	-
Unalaska City SD	729	11,208	12,677	-	1,796	1,796
Valdez City SD	730	14,336	9,601	-	-	-
Wrangell Public SD	731	8,703	7,812	-	-	-
Yakutat SD	732	2,137	1,016	-	-	-
University of Alaska	733	75,049	70,910	-	-	-
Galena City SD	735	21,198	18,950	-	-	-
North Slope Borough SD	736	99,168	98,480	-	3,499	3,499
State of Alaska	737	11,712	12,897	-	1,560	1,560
Bristol Bay Borough SD	742	3,628	4,931	-	1,330	1,330
Southeast Regional Resource Center	743	4,626	4,490	-	69	69
Dillingham City SD	744	19,015	22,428	-	3,882	3,882
Kenai Peninsula Borough SD	746	214,673	203,150	-	-	-
Saint Mary's SD	748	5,357	5,802	-	626	626
Northwest Arctic Borough SD	751	101,913	98,999	-	1,597	1,597
Bering Strait SD	752	118,245	117,330	-	4,087	4,087
Lower Yukon SD	753	85,035	88,780	-	6,927	6,927
Lower Kuskokwim SD	754	163,789	152,700	-	-	-
Kuspuk SD	755	18,946	17,740	-	-	-
Southwest Region SD	756	36,504	32,413	-	-	-
Lake And Peninsula Borough SD	757	24,962	26,654	-	2,570	2,570
Aleutian Region SD	758	2,812	2,883	-	181	181
Pribilof SD	759	4,220	4,526	-	453	453
Iditarod Area SD	761	12,833	8,172	-	-	-
Yukon / Koyukuk SD	762	26,539	27,838	-	2,279	2,279
Yukon Flats SD	763	15,383	15,338	-	599	599
Denali Borough SD	764	11,315	8,938	-	-	-
Delta/Greely SD	765	16,414	16,381	-	653	653
Alaska Gateway SD	766	14,227	11,642	-	-	-
Copper River SD	767	7,217	7,266	-	344	344
Chatham SD	768	8,171	6,989	-	-	-
Southeast Island SD	769	11,792	11,387	-	124	124
Annette Island SD	770	16,351	14,563	-	-	-
Chugach SD	771	3,333	3,320	-	126	126
Tanana SD	775	1,284	2,502	-	1,156	1,156
Kashunamiut SD	777	11,926	13,396	-	1,827	1,827
Yupit SD	778	26,171	25,445	-	430	430
Special Education Service Agency	779	5,559	5,239	-	-	-
Aleutians East Borough SD	780	14,523	12,919	-	-	-
Total attributable to employer contributions		\$ 3,268,000	3,118,000	-	53,159	53,159

See accompanying notes to schedules of OPEB amounts by employer.

Deferred inflows of resources as of June 30, 2017

OPEB expense  
for the year ended June 30, 2017

Difference between expected and actual experience	Changes of assumptions	Net difference between projected and actual investment earnings on OPEB plan investments	Changes in proportion and difference between employer contributions and proportionate share of contributions	Total deferred inflows of resources	Proportionate share of OPEB expense	Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	Total OPEB expense
4,193	-	38,277	-	42,470	(3,834)	743	(3,091)
32	-	290	1,157	1,479	(29)	(121)	(150)
39	-	356	-	395	(36)	16	(20)
1,167	-	10,654	5,656	17,477	(1,067)	(589)	(1,656)
44	-	401	-	445	(40)	153	113
22	-	202	1,244	1,468	(20)	(130)	(150)
10	-	91	-	101	(9)	195	186
422	-	3,849	-	4,271	(385)	156	(229)
25	-	231	-	256	(23)	45	22
215	-	1,962	-	2,177	(196)	162	(34)
20	-	182	838	1,040	(18)	(87)	(105)
370	-	3,375	5,238	8,983	(338)	(546)	(884)
40	-	365	924	1,329	(37)	(96)	(133)
89	-	815	-	904	(82)	185	103
1,498	-	13,672	12,397	27,567	(1,369)	(1,291)	(2,660)
2	-	22	38	62	(2)	(4)	(6)
32	-	290	-	322	(29)	122	93
146	-	1,331	596	2,073	(133)	(62)	(195)
21	-	194	1,286	1,501	(19)	(134)	(153)
47	-	425	-	472	(43)	187	144
60	-	544	3,692	4,296	(54)	(385)	(439)
36	-	330	446	812	(33)	(46)	(79)
9	-	81	927	1,017	(8)	(97)	(105)
312	-	2,848	629	3,789	(285)	(66)	(351)
88	-	804	1,154	2,046	(81)	(120)	(201)
412	-	3,763	-	4,175	(377)	364	(13)
49	-	444	-	493	(44)	163	119
15	-	138	-	153	(14)	139	125
19	-	176	-	195	(18)	7	(11)
79	-	722	-	801	(72)	404	332
892	-	8,145	1,512	10,549	(816)	(158)	(974)
22	-	203	-	225	(20)	65	45
424	-	3,867	-	4,291	(387)	166	(221)
492	-	4,487	-	4,979	(449)	426	(23)
353	-	3,227	-	3,580	(323)	722	399
681	-	6,215	3,234	10,130	(622)	(337)	(959)
79	-	719	304	1,102	(72)	(32)	(104)
152	-	1,385	2,188	3,725	(139)	(228)	(367)
104	-	947	-	1,051	(95)	268	173
12	-	107	-	119	(11)	19	8
18	-	160	-	178	(16)	47	31
53	-	487	3,688	4,228	(49)	(384)	(433)
110	-	1,007	-	1,117	(101)	237	136
64	-	584	-	648	(58)	62	4
47	-	429	1,683	2,159	(43)	(175)	(218)
68	-	623	-	691	(62)	68	6
59	-	540	1,750	2,349	(54)	(182)	(236)
30	-	274	-	304	(27)	36	9
34	-	310	731	1,075	(31)	(76)	(107)
49	-	447	-	496	(45)	13	(32)
68	-	620	939	1,627	(62)	(98)	(160)
14	-	126	-	140	(13)	13	-
5	-	49	-	54	(5)	120	115
50	-	453	-	503	(45)	190	145
109	-	993	-	1,102	(99)	45	(54)
23	-	211	59	293	(21)	(6)	(27)
60	-	551	849	1,460	(55)	(88)	(143)
13,585	-	124,000	53,159	190,744	(12,415)	-	(12,415)

**THE STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM**  
**OCCUPATIONAL DEATH AND DISABILITY PLAN**

Notes to Schedules of OPEB Amounts by Employer  
June 30, 2017 and 2016

**(1) Plan Description**

The State of Alaska Teachers' Retirement System (System) Occupational Death and Disability Plan (Plan) is a cost-sharing, multiple-employer defined benefit other postemployment benefits (OPEB) plan that provides OPEB benefits for teachers and other eligible members.

The Plan is established under Alaska Statute 14.35 which defines benefit and contribution provisions and may be amended only by the State of Alaska (State) legislature. The Plan provides death benefits for beneficiaries of Plan participants and long-term disability benefits to all active members within the System.

*Death Benefits*

If (1) the death of an employee occurs before the employee's retirement and before the employee's normal retirement date, (2) the proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance and within the scope of the employee's duties, and (3) the injury or hazard is not the proximate result of willful negligence of the employee, then a monthly survivor's pension shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse later dies, the monthly survivor's pension shall be paid in equal parts to the dependent children of the employee.

The monthly survivor's pension section for survivors of Plan employees is 40% of the employee's monthly compensation in the month in which the employee dies. While the monthly survivor's pension is being paid, the employer shall make contributions on behalf of the employee's beneficiaries based on the deceased employee's gross monthly compensation at the time of occupational death.

*Disability Benefits*

A Plan member is eligible for an occupational disability benefit if employment is terminated because of a total and apparently permanent occupational disability before the employee's normal retirement date. The occupational disability benefits accrue beginning the first day of the month following termination of employment as a result of the disability and are payable the last day of the month. If a final determination granting the benefit is not made in time to pay the benefit when due, a retroactive payment shall be made to cover the period of deferment.

**(2) Basis of Presentation**

The schedules of OPEB amounts by employer (the Schedules) present amounts that are considered elements of the financial statements of the System and its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the System, its participating employers, or the State. The amounts presented in the Schedules are prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**(3) Allocation Methodology**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB asset, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. During the years ended June 30, 2017 and 2016, there were no

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employer contributions to the Plan. For purposes of GASB Statement No. 75, management determined that since the contribution base of the Plan was comparable to that of the System's Retiree Medical Plan, the allocation percentages computed in the Retiree Medical Plan would be used for this Plan. Allocation percentages are presented in a separate audit report titled *State of Alaska Teachers' Retirement System Retiree Medical Plan Schedules of Employer Allocations*.

**(4) Contributions**

Employer contributions are actuarially determined and adopted by the Alaska Retirement Management Board (Board). Employer contributions were 0.00% of annual payroll for the year ended June 30, 2017.

**(5) Collective Net OPEB Asset**

*Components of the Collective Net OPEB Asset*

The components of the collective net OPEB asset of the Plan are as follows as of June 30:

	<b>2017</b>	<b>2016</b>
Total OPEB liability	\$ 263,000	19,000
Plan fiduciary net position	3,531,000	3,137,000
Net OPEB asset	\$ (3,268,000)	(3,118,000)

The total OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total OPEB liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, which was rolled forward to June 30, 2016. These actuarial valuations used the following actuarial assumptions as of both the June 30, 2017 and 2016 measurement dates:

Inflation rate	3.12%
Salary increases:	Graded by service, from 8.11% to 3.87%
Investment rate of return	8.00%, net of OPEB plan investment expenses. This is based on average inflation rate of 3.12% and a real rate of return of 4.88%.

Post-termination mortality rates were based on 94% of the male rates and 97% of female rates of the RP-2000 Combined Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB, with a 3-year setback for males and 4-year setback for females. The rates for pre-termination mortality were 68% of the male and 60% of the female post-termination mortality rates (deaths were assumed to result from occupational causes 15% of the time). Disability mortality rates were in accordance with the RP-2000 Disabled Retiree Mortality Table, 2000 Base Year, projected to 2018 with Projection Scale BB.

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Notes to Schedules of OPEB Amounts by Employer

June 30, 2017 and 2016

The actuarial assumptions used in the June 30, 2016 and 2015 actuarial valuations were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions effective for the June 30, 2014 actuarial valuation adopted by the Board to better reflect expected future experience.

*Long-term Expected Rate of Return*

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocations as of June 30, 2017 and 2016 are summarized in the following table (note that the rates shown below exclude the inflation component):

<u>Asset class</u>	<b>Long-term expected real rate of return</b>	
	<u>2017</u>	<u>2016</u>
Broad domestic equity	8.83%	—%
Global ex-U.S. equity	7.79	5.55
Intermediate treasuries	1.29	—
Opportunistic	4.76	—
Real assets	4.94	3.65
Absolute return	4.76	—
Private equity	12.02	—
Cash equivalents	0.63	—
Fixed income composite	—	0.80
Alternative equity	—	4.70
Domestic equity	—	5.35
Private equity	—	6.25

*Discount Rate*

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 8.0%. The projection of cash flows used to determine the discount rate assumed that employer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the collective net OPEB asset of the Plan as of June 30, 2017 and 2016, calculated using the discount rate of 8.0%, as well as what the Plan's collective net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

		<u>1% Decrease (7%)</u>	<u>Current discount rate (8%)</u>	<u>1% Increase (9%)</u>
<b>2017</b>	\$	(3,284,000)	(3,268,000)	(3,260,000)
<b>2016</b>	\$	(3,146,249)	(3,118,000)	(3,096,975)

**(6) Collective Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred outflows of resources relate entirely to employer specific amounts.

The following presents a summary of changes in the collective deferred inflows of resources (excluding employer specific amounts) for the year ending June 30, 2017:

	<u>Year of Deferral</u>	<u>Amortization Period</u>	<u>Beginning of year balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>End of year balance</u>
<b>Deferred Inflows of Resources:</b>						
Difference between expected and actual experience	2017	10.6 years	\$ —	15,000	1,415	13,585
Difference between projected and actual earnings on OPEB plan investments	2017	5 years	—	155,000	31,000	124,000
Total Deferred Inflows of Resources			<u>\$ —</u>	<u>170,000</u>	<u>32,415</u>	<u>137,585</u>

Amounts reported as deferred inflows of resources (excluding employer specific amounts) related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2018	\$ (32,415)
2019	(32,415)
2020	(32,415)
2021	(32,415)
2022	(1,415)
Thereafter	<u>(6,510)</u>
Total	<u>\$ (137,585)</u>

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**(7) Collective OPEB Expense**

The components of the collective OPEB expense (benefit) (excluding employer specific amounts) for the year ending June 30, 2017 are as follows:

Service cost	\$	238,000
Interest on total OPEB liability		21,000
Administrative expense		12,000
Expected investment return net of investment expenses		(251,000)
Recognition (amortization) of deferred outflows/inflows of resources:		
Difference between projected and actual investment earnings on OPEB plan investments		(31,000)
Difference between expected and actual experience		(1,415)
Total OPEB expense (benefit)	\$	<u>(12,415)</u>