



**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Schedule of Employer and Nonemployer Allocations and
Schedule of OPEB Amounts by Employer and Nonemployer

June 30, 2019

(With Independent Auditors' Report Thereon)

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

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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 accompanying schedule of employer and nonemployer allocations of the State of Alaska Teachers' Retirement System Alaska Retiree Healthcare Trust (the Plan) as of and for the year ended June 30, 2019, and the related notes. We have also 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 (benefit) (specified column totals) included in the accompanying schedule of OPEB amounts by employer and nonemployer of the Plan as of and for the year ended June 30, 2019, 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 schedule of employer and nonemployer allocations and the specified column totals included in the schedule of OPEB amounts by employer and nonemployer based on our audit. We conducted our audit 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 schedule of employer and nonemployer allocations and specified column totals included in the schedule of OPEB amounts by employer and nonemployer are free from material misstatement.

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

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 employer and nonemployer allocations and the net OPEB asset, total deferred outflows of resources, total deferred inflows of resources, and total OPEB benefit for the total of all entities for the Plan as of and for the year ended June 30, 2019, 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 Alaska Retiree Healthcare Trust, as of and for the year ended June 30, 2019, and our report thereon, dated October 23, 2019, expressed an unmodified opinion on those financial statements.

Other Information

The supplemental schedule of employer allocations of special funding amounts, supplemental schedule of special funding amounts by employer, and supplemental schedule of employer and nonemployer contributions have not been subject to the auditing procedures applied in the audit of the schedule of employer and nonemployer allocations and schedule of OPEB amounts by employer and nonemployer and accordingly, we do not express an opinion or provide any assurance on them.

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 Alaska Retiree Healthcare Trust employers and nonemployers, 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
February 27, 2020

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Schedule of Employer and Nonemployer Allocations

As of and for the year ended June 30, 2019

<u>Employer/nonemployer</u>	<u>Employer/ nonemployer number</u>	<u>Present value of projected future contributions</u>	<u>Allocation percentage</u>
Employers:			
Anchorage School District	701	\$ 107,019,000	13.76564 %
Cordova City School District	704	969,000	0.12464
Craig City School District	705	849,000	0.10921
Fairbanks North Star Borough School District	706	31,066,000	3.99596
Haines Borough School District	707	589,000	0.07576
Hoonah City School District	708	250,000	0.03216
Hydaburg City School District	709	202,000	0.02598
Juneau Borough School District	710	11,768,000	1.51369
Kake City School District	712	390,000	0.05016
Ketchikan Gateway Borough School District	714	5,808,000	0.74707
Klawock City School District	717	515,000	0.06624
Kodiak Island Borough School District	718	5,543,000	0.71298
Nenana City School District	719	956,000	0.12297
Nome City School District	720	1,435,000	0.18458
Matanuska-Susitna Borough School District	722	39,894,000	5.13148
Pelican City School District	723	27,000	0.00347
Petersburg City School District	724	1,349,000	0.17352
Sitka Borough School District	727	3,952,000	0.50834
Skagway City School District	728	404,000	0.05197
Unalaska City School District	729	1,025,000	0.13184
Valdez City School District	730	1,626,000	0.20915
Wrangell Public School District	731	690,000	0.08875
Yakutat School District	732	181,000	0.02328
University of Alaska	733	12,436,000	1.59962
Galena City School District	735	2,218,000	0.28530
North Slope Borough School District	736	7,188,000	0.92458
State of Alaska	737	5,176,000	0.66578
Bristol Bay Borough School District	742	335,000	0.04309
Southeast Regional Resource Center	743	167,000	0.02148
Dillingham City School District	744	1,369,000	0.17609
Kenai Peninsula Borough School District	746	20,801,000	2.67559
Saint Mary's School District	748	512,000	0.06586
Northwest Arctic Borough School District	751	6,507,000	0.83698
Bering Strait School District	752	6,184,000	0.79544
Lower Yukon School District	753	5,205,000	0.66951
Lower Kuskokwim School District	754	11,115,000	1.42970

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Schedule of Employer and Nonemployer Allocations

As of and for the year ended June 30, 2019

<u>Employer/nonemployer</u>	<u>Employer/ nonemployer number</u>	<u>Present value of projected future contributions</u>	<u>Allocation percentage</u>
Kuspuk School District	755	\$ 1,140,000	0.14664 %
Southwest Region School District	756	2,247,000	0.28903
Lake And Peninsula Borough School District	757	1,580,000	0.20323
Aleutian Region School District	758	143,000	0.01839
Pribilof School District	759	215,000	0.02766
Iditarod Area School District	761	650,000	0.08361
Yukon/Koyukuk School District	762	2,044,000	0.26292
Yukon Flats School District	763	962,000	0.12374
Denali Borough School District	764	1,032,000	0.13274
Delta/Greely School District	765	1,681,000	0.21622
Alaska Gateway School District	766	1,130,000	0.14535
Copper River School District	767	774,000	0.09956
Chatham School District	768	515,000	0.06624
Southeast Island School District	769	727,000	0.09351
Annette Island School District	770	997,000	0.12824
Chugach School District	771	617,000	0.07936
Tanana School District	775	173,000	0.02225
Kashunamiut School District	777	687,000	0.08837
Yupiiit School District	778	1,245,000	0.16014
Special Education Service Agency	779	383,000	0.04926
Aleutians East Borough School District	780	914,000	0.11757
Total present value of projected future employer contributions		315,576,000	40.59189
Total nonemployer:			
State of Alaska	999	461,860,000	59.40811
Total for all entities		<u>\$ 777,436,000</u>	<u>100.00000 %</u>

See accompanying notes to schedule of employer and nonemployer allocations and schedule of OPEB amounts by employer and nonemployer.

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**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Schedule of OPEB Amounts by Employer and Nonemployer

As of and for the year ended June 30, 2019

Employer/nonemployer	Employer/ nonemployer number	Net OPEB asset	Change in assumptions	Defered outflows of resources	
				Change in proportion and difference between employer contributions and proportionate share of contributions	Total deferred outflows of resources
Employer:					
Anchorage School District	701	\$ 21,036,780	2,051,216	3,301,647	5,352,863
Cordova City School District	704	190,477	18,573	50,541	69,114
Craig City School District	705	166,888	16,273	10,480	26,753
Fairbanks North Star Borough School District	706	6,106,660	595,437	1,128,947	1,724,384
Haines Borough School District	707	115,780	11,289	3,913	15,202
Hoonah City School District	708	49,143	4,792	4,111	8,903
Hydaburg City School District	709	39,707	3,872	2,109	5,981
Juneau Borough School District	710	2,313,242	225,556	426,781	652,337
Kake City School District	712	76,663	7,475	20,507	27,982
Ketchikan Gateway Borough School District	714	1,141,682	111,321	195,948	307,269
Klawock City School District	717	101,234	9,871	16,452	26,323
Kodiak Island Borough School District	718	1,089,590	106,242	53,759	160,001
Nenana City School District	719	187,921	18,324	40,326	58,650
Nome City School District	720	282,079	27,504	6,483	33,987
Matanuska-Susitna Borough School District	722	7,841,984	764,642	1,279,151	2,043,793
Pelican City School District	723	5,307	518	58	576
Petersburg City School District	724	265,174	25,856	56,679	82,535
Sitka Borough School District	727	776,847	75,747	175,279	251,026
Skagway City School District	728	79,414	7,743	13,663	21,406
Unalaska City School District	729	201,485	19,646	15,665	35,311
Valdez City School District	730	319,624	31,165	21,855	53,020
Wrangell Public School District	731	135,634	13,225	12,650	25,875
Yakutat School District	732	35,579	3,469	776	4,245
University of Alaska	733	2,444,551	238,359	365,214	603,573
Galena City School District	735	435,993	42,512	27,818	70,330
North Slope Borough School District	736	1,412,949	137,771	361,091	498,862
State of Alaska	737	1,017,449	99,208	10,915	110,123
Bristol Bay Borough School District	742	65,851	6,421	19,494	25,915
Southeast Regional Resource Center	743	32,827	3,201	440	3,641
Dillingham City School District	744	269,105	26,239	26,727	52,966
Kenai Peninsula Borough School District	746	4,088,863	398,690	683,777	1,082,467
Saint Mary's School District	748	100,644	9,813	13,041	22,854
Northwest Arctic Borough School District	751	1,279,084	124,719	240,311	365,030
Bering Strait School District	752	1,215,592	118,528	54,826	173,354
Lower Yukon School District	753	1,023,150	99,763	75,801	175,564
Lower Kuskokwim School District	754	2,184,881	213,040	186,480	399,520
Kuspuk School District	755	224,090	21,850	23,506	45,356
Southwest Region School District	756	441,694	43,068	55,578	98,646
Lake And Peninsula Borough School District	757	310,581	30,284	20,509	50,793
Aleutian Region School District	758	28,110	2,741	3,083	5,824
Pribilof School District	759	42,263	4,121	2,705	6,826
Iditarod Area School District	761	127,771	12,458	20,685	33,143
Yukon/Koyukuk School District	762	401,790	39,177	91,306	130,483
Yukon Flats School District	763	189,101	18,439	41,799	60,238
Denali Borough School District	764	202,861	19,780	46,573	66,353
Delta/Greely School District	765	330,435	32,219	49,403	81,622
Alaska Gateway School District	766	222,125	21,659	33,192	54,851
Copper River School District	767	152,146	14,835	29,385	44,220
Chatham School District	768	101,234	9,871	6,445	16,316
Southeast Island School District	769	142,907	13,934	17,636	31,570
Annette Island School District	770	195,981	19,109	40,641	59,750
Chugach School District	771	121,284	11,826	31,089	42,915
Tanana School District	775	34,007	3,316	12,656	15,972
Kashunamiut School District	777	135,044	13,168	2,096	15,264
Yupit School District	778	244,730	23,863	25,063	48,926
Special Education Service Agency	779	75,287	7,341	10,516	17,857
Aleutians East Borough School District	780	179,665	17,519	21,389	38,908
Total attributable to employer contributions		62,032,939	6,048,598	9,488,970	15,537,568
Nonemployer:					
State of Alaska	999	90,788,061	8,852,402	—	8,852,402
Total for all entities		\$ 152,821,000	14,901,000	9,488,970	24,389,970

See accompanying notes to schedule of employer and nonemployer allocations and schedule of OPEB amounts by employer and nonemployer.

Deferred inflows of resources					OPEB expense (benefit)		
Difference between expected and actual experience	Change in assumptions	Net difference between projected and actual investment earnings on OPEB plan investments	Change in proportion and difference between employer contributions and proportionate share of contributions	Total deferred inflows of resources	Proportionate share of allocable plan OPEB expense (benefit)	Net amortization of deferred amounts from change in proportion and difference between employer contributions and proportionate share of contributions	
						Total OPEB expense (benefit)	Total OPEB expense (benefit)
3,849,768	6,356,830	3,255,433	—	13,462,031	(53,165,002)	5,946,878	(47,218,124)
34,858	57,558	29,476	—	121,892	(481,381)	101,400	(379,981)
30,541	50,430	25,826	8,098	114,895	(421,767)	40,719	(381,048)
1,117,529	1,845,292	945,004	—	3,907,825	(15,432,997)	1,829,974	(13,603,023)
21,188	34,986	17,917	18,314	92,405	(292,604)	(3,328)	(295,932)
8,993	14,850	7,605	4,721	36,169	(124,195)	(15,911)	(140,106)
7,266	11,999	6,145	10,284	35,694	(100,350)	3,411	(96,939)
423,327	699,009	357,973	—	1,480,309	(5,846,118)	715,269	(5,130,849)
14,029	23,166	11,863	2,575	51,633	(193,745)	8,788	(184,957)
208,930	344,990	176,675	—	730,595	(2,885,304)	368,185	(2,517,119)
18,526	30,591	15,666	—	64,783	(255,842)	36,357	(219,485)
199,397	329,249	168,614	24,434	721,694	(2,753,657)	218,686	(2,534,971)
34,390	56,786	29,081	—	120,257	(474,923)	70,342	(404,581)
51,621	85,238	43,652	22,588	203,099	(712,881)	(14,369)	(727,250)
1,435,096	2,369,668	1,213,545	—	5,018,309	(19,818,580)	2,360,297	(17,458,283)
971	1,604	821	409	3,805	(13,413)	(225)	(13,638)
48,527	80,129	41,036	—	169,692	(670,158)	108,311	(561,847)
142,164	234,745	120,217	—	497,126	(1,963,278)	280,844	(1,682,434)
14,533	23,997	12,289	—	50,819	(200,700)	23,178	(177,522)
36,872	60,884	31,180	—	128,936	(509,200)	25,310	(483,890)
58,492	96,583	49,462	47,744	252,281	(807,766)	59,266	(748,500)
24,821	40,985	20,989	—	86,795	(342,779)	22,959	(319,820)
6,511	10,751	5,506	—	22,768	(89,917)	2,071	(87,846)
447,357	738,687	378,293	—	1,564,337	(6,177,968)	614,015	(5,563,953)
79,788	131,747	67,470	—	279,005	(1,101,860)	112,060	(989,800)
258,572	426,961	218,653	—	904,186	(3,570,862)	492,653	(3,078,209)
186,195	307,450	157,450	—	651,095	(2,571,338)	(15,394)	(2,586,732)
12,051	19,899	10,190	—	42,140	(166,422)	22,904	(143,518)
6,007	9,920	5,080	19,467	40,474	(82,962)	(16,573)	(99,535)
49,247	81,317	41,644	—	172,208	(680,093)	20,472	(659,621)
748,269	1,235,561	632,750	—	2,616,580	(10,333,541)	1,126,128	(9,207,413)
18,418	30,412	15,575	—	64,405	(254,352)	40,608	(213,744)
234,075	386,510	197,938	—	818,523	(3,232,554)	363,100	(2,869,454)
222,455	367,324	188,112	68,639	846,530	(3,072,093)	169,860	(2,902,233)
187,238	309,172	158,332	—	654,742	(2,585,745)	177,516	(2,408,229)
399,837	660,221	338,110	—	1,398,168	(5,521,720)	444,986	(5,076,734)
41,009	67,715	34,678	—	143,402	(566,330)	18,242	(548,088)
80,831	133,470	68,352	—	282,653	(1,116,267)	135,119	(981,148)
56,837	93,851	48,062	—	198,750	(784,914)	53,502	(731,412)
5,144	8,494	4,350	—	17,988	(71,040)	6,536	(64,504)
7,734	12,771	6,540	5,223	32,268	(106,808)	6,447	(100,361)
23,382	38,609	19,772	—	81,763	(322,908)	10,495	(312,413)
73,528	121,412	62,177	—	257,117	(1,015,420)	122,073	(893,347)
34,606	57,142	29,263	—	121,011	(477,903)	62,147	(415,756)
37,124	61,300	31,393	—	129,817	(512,678)	84,539	(428,139)
60,470	99,850	51,135	—	211,455	(835,089)	91,732	(743,357)
40,649	67,121	34,374	—	142,144	(561,362)	58,292	(503,070)
27,843	45,975	23,544	—	97,362	(384,508)	24,721	(359,787)
18,526	30,591	15,666	—	64,783	(255,842)	8,641	(247,201)
26,152	43,183	22,115	—	91,450	(361,160)	25,858	(335,302)
35,865	59,221	30,328	—	125,414	(495,291)	32,042	(463,249)
22,195	36,649	18,769	—	77,613	(306,514)	47,689	(258,825)
6,223	10,276	5,263	1,555	23,317	(85,943)	7,574	(78,369)
24,713	40,807	20,898	5,350	91,768	(341,289)	(3,897)	(345,186)
44,786	73,952	37,872	—	156,610	(618,492)	53,689	(564,803)
13,778	22,750	11,651	—	48,179	(190,267)	15,265	(175,002)
32,879	54,291	27,803	—	114,973	(454,058)	39,228	(414,830)
11,352,133	18,744,931	9,599,577	239,401	39,936,042	(156,772,150)	16,640,681	(140,131,469)
16,614,369	27,434,069	14,049,423	9,249,569	67,347,430	(229,443,257)	(16,640,681)	(246,083,938)
27,966,502	46,179,000	23,649,000	9,488,970	107,283,472	(386,215,407)	—	(386,215,407)

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Notes to Schedule of Employer and Nonemployer Allocations and
Schedule of OPEB Amounts by Employer and Nonemployer

June 30, 2019

(1) Plan Description

The State of Alaska Teachers' Retirement System (the System) Alaska Retiree Healthcare Trust (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan that provides health benefits for teachers and other eligible members.

The Plan is established under Alaska Statute 14.25, which defines the benefit and contribution provisions and may be amended only by the State of Alaska (State) legislature. The Plan, a healthcare trust fund of the State, provides major medical coverage to retirees of the System's Defined Benefit Pension Plan (DB Plan). The Plan is self-funded and self-insured. The 24th Alaska State Legislature enacted into law Senate Bill 141, which closed the Plan to new members effective July 1, 2006.

There are two tiers within the Plan: 1) Employees hired between July 1, 1955 and June 30, 1990, and 2) Employees hired between July 1, 1990 and June 30, 2006.

When pension benefits begin, major medical benefits are provided without cost to (1) all members first hired before July 1, 1990; (2) members hired after July 1, 1990, with 25 years of membership service; and (3) members who are disabled or age 60 or older, regardless of their initial hire dates. Members first hired after June 30, 1990, may receive major medical benefits prior to age 60 by paying premiums.

(2) Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of the Plan, its participating employers, or the State as a nonemployer entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the Plan, 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 (benefit). The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of OPEB amounts by employer and nonemployer are based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions to the Plan for the fiscal years 2020 to 2039. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
ALASKA RETIREE HEALTHCARE TRUST**

Notes to Schedule of Employer and Nonemployer Allocations and
Schedule of OPEB Amounts by Employer and Nonemployer

June 30, 2019

(4) Contributions

Employer contributions are actuarially determined and adopted by the Alaska Retirement Management Board (Board). Employer contributions were 4.15% of annual payroll for the year ended June 30, 2019.

Alaska Statute 14.25.085 requires the State, as a nonemployer contributing entity, to contribute each July 1, or as soon after July 1 for the ensuing fiscal year, an amount that when combined with the total employer contributions is sufficient to pay the Plan's past service liability at the actuarially determined contribution rate adopted by the Board for that fiscal year.

(5) Collective Net OPEB Asset

(a) Components of the Collective Net OPEB Asset

The components of the collective net OPEB asset of the Plan were as follows:

Total OPEB liability	\$	2,776,498,000
Plan fiduciary net position		<u>(2,929,319,000)</u>
Net OPEB asset	\$	<u><u>(152,821,000)</u></u>

The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial valuation used the following actuarial assumptions as of the June 30, 2019 measurement date:

Inflation rate	2.50% per year
Salary increases	Graded by service, from 6.75% to 2.75%
Investment rate of return	7.38%, net of postretirement healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Healthcare cost trend rates	Pre-65 medical: 7.5% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 8.5% grading down to 4.5% Employer Group Waiver Plan (EGWP): 8.5% grading down to 4.5%

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Mortality	<p>Pre-termination and post-termination mortality rates were based upon the 2013-2017 actual mortality experience. Pre-termination mortality rates were based on 100% of the RP-2014 white-collar employee table with MP-2017 generational improvement. Post-termination mortality rates were based on 93% of male and 90% of female rates of the RP-2014 white-collar healthy annuitant table with MP-2017 generational improvement.</p> <p>Deaths are assumed to be occupational 15% of the time. Disability mortality in accordance with the RP-2014 disabled table with MP-2017 generational improvement.</p>
Participation	<p>100% of system paid of members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.</p> <p>20% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.</p>

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2017. As a result of this experience study, the Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

In addition to the changes in assumptions resulting from the experience study, the following assumption changes have been made since the prior valuation:

1. Based on recent experience, the healthcare cost trend assumptions were updated.
2. Per capita claims costs were updated to reflect recent experience.
3. Healthcare cost trends were updated to reflect a Cadillac Tax load.

The change of benefit terms is significantly impacted by the adoption of the EGWP program effective January 1, 2019. Under the EGWP program, certain prescription drug benefits previously provided by the Plan are now provided directly by Medicare.

(b) 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 Plan 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

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arithmetic real rates of return, excluding the inflation component of 2.50%, for each major asset class included in the Plan's target asset allocation are summarized in the following table:

Asset class	Long-term expected real rate of return
Domestic equity	8.16 %
Global equity (non-U.S.)	7.51
Intermediate treasuries	1.58
Opportunistic	3.96
Real assets	4.76
Private equity	11.39
Cash equivalents	0.83

(c) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and nonemployer 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 in accordance with the method prescribed by GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*.

(d) Sensitivity of the Collective Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the collective net OPEB liability (asset) of the Plan as of June 30, 2019 calculated using the discount rate of 7.38%, as well as what the Plan's collective net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% decrease (6.38%)	Current discount rate (7.38%)	1% increase (8.38%)
\$	229,315,000	(152,821,000)	(465,622,000)

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(e) Sensitivity of the Collective Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the collective net OPEB liability (asset) of the Plan as of June 30, 2019 calculated using the healthcare cost trend rates as well as what the Plan's net OPEB liability (asset) would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

<u>1% decrease</u>	<u>Current healthcare cost trend rate</u>	<u>1% increase</u>
\$ (500,124,000)	(152,821,000)	273,207,000

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

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ending June 30, 2019:

	<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>
Deferred outflows of resources:						
Change in assumptions	2018	2.2 years	\$ 89,406,000	—	74,505,000	14,901,000
Total deferred outflows of resources			<u>\$ 89,406,000</u>	<u>—</u>	<u>74,505,000</u>	<u>14,901,000</u>
Deferred inflows of resources:						
Difference between expected and actual experience	2017	2.4 years	\$ 6,812,000	—	6,812,000	—
	2018	2.2 years	31,630,909	—	26,359,091	5,271,818
	2019	1.9 years	—	47,911,000	25,216,316	22,694,684
			<u>38,442,909</u>	<u>47,911,000</u>	<u>58,387,407</u>	<u>27,966,502</u>
Change in assumptions	2019	1.9 years	\$ —	97,489,000	51,310,000	46,179,000
Difference between projected and actual earnings on OPEB plan investments						
	2017	5 years	74,136,000	—	24,712,000	49,424,000
	2018	5 years	6,844,000	—	1,711,000	5,133,000
	2019	5 years	—	(38,635,000)	(7,727,000)	(30,908,000)
			<u>80,980,000</u>	<u>(38,635,000)</u>	<u>18,696,000</u>	<u>23,649,000</u>
Total deferred inflows of resources			<u>\$ 119,422,909</u>	<u>106,765,000</u>	<u>128,393,407</u>	<u>97,794,502</u>

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

Year ending June 30:	
2020	\$ (77,940,502)
2021	(18,696,000)
2022	6,016,000
2023	<u>7,727,000</u>
Total	<u>\$ (82,893,502)</u>

(7) Collective OPEB Benefit

The components of the collective OPEB benefit (excluding employer specific amounts) for the year ending June 30, 2019 are as follows:

Service cost	\$ 34,729,000
Interest on total OPEB liability	252,021,000
Administrative expense	1,351,000
Change of benefit terms	(412,286,000)
Expected investment return net of investment expenses	(207,818,000)
Other	(324,000)
Recognition (amortization) of deferred outflows/inflows of resources:	
Difference between projected and actual investment earnings on OPEB plan investments	(18,696,000)
Difference between expected and actual experience	(58,387,407)
Change in assumptions	<u>23,195,000</u>
Total OPEB benefit	<u>\$ (386,215,407)</u>

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Supplemental Schedule of Employer Allocations of Special Funding Amounts (Unaudited)

As of and for the year ended June 30, 2019

<u>Employer</u>	<u>Employer number</u>	<u>Present value of projected future State contributions</u>	<u>Employer proportionate share</u>
Anchorage School District	701	\$ 159,237,000	34.47730 %
Cordova City School District	704	1,442,000	0.31222
Craig City School District	705	1,264,000	0.27368
Fairbanks North Star Borough School District	706	46,225,000	10.00844
Haines Borough School District	707	876,000	0.18967
Hoonah City School District	708	374,000	0.08098
Hydaburg City School District	709	301,000	0.06517
Juneau Borough School District	710	17,510,000	3.79119
Kake City School District	712	577,000	0.12493
Ketchikan Gateway Borough School District	714	8,643,000	1.87135
Klawock City School District	717	768,000	0.16628
Kodiak Island Borough School District	718	8,247,000	1.78561
Nenana City School District	719	1,419,000	0.30724
Nome City School District	720	2,134,000	0.46204
Matanuska-Susitna Borough School District	722	59,363,000	12.85303
PELICAN CITY School District	723	42,000	0.00909
Petersburg City School District	724	2,008,000	0.43476
Sitka Borough School District	727	5,882,000	1.27355
Skagway City School District	728	602,000	0.13034
Unalaska City School District	729	1,526,000	0.33040
Valdez City School District	730	2,418,000	0.52354
Wrangell Public School District	731	1,022,000	0.22128
Yakutat School District	732	269,000	0.05824
University of Alaska	733	18,507,000	4.00706
Galena City School District	735	3,302,000	0.71494
North Slope Borough School District	736	10,699,000	2.31650
Bristol Bay Borough School District	742	497,000	0.10761
Southeast Regional Resource Center	743	247,000	0.05348
Dillingham City School District	744	2,036,000	0.44083
Kenai Peninsula Borough School District	746	30,956,000	6.70246
Saint Mary's School District	748	763,000	0.16520
Northwest Arctic Borough School District	751	9,684,000	2.09674
Bering Strait School District	752	9,198,000	1.99151
Lower Yukon School District	753	7,741,000	1.67605
Lower Kuskokwim School District	754	16,536,000	3.58031
Kuspuk School District	755	1,699,000	0.36786
Southwest Region School District	756	3,342,000	0.72360
Lake And Peninsula Borough School District	757	2,351,000	0.50903
Aleutian Region School District	758	214,000	0.04633

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Supplemental Schedule of Employer Allocations of Special Funding Amounts (Unaudited)

As of and for the year ended June 30, 2019

Employer	Employer number	Present value of projected future State contributions	Employer proportionate share
Pribilof School District	759	\$ 318,000	0.06885 %
Iditarod Area School District	761	968,000	0.20959
Yukon/Koyukuk School District	762	3,042,000	0.65864
Yukon Flats School District	763	1,433,000	0.31027
Denali Borough School District	764	1,535,000	0.33235
Delta/Greely School District	765	2,502,000	0.54172
Alaska Gateway School District	766	1,680,000	0.36375
Copper River School District	767	1,151,000	0.24921
Chatham School District	768	766,000	0.16585
Southeast Island School District	769	1,083,000	0.23449
Annette Island School District	770	1,485,000	0.32153
Chugach School District	771	917,000	0.19855
Tanana School District	775	259,000	0.05608
Kashunamiut School District	777	1,021,000	0.22106
Yupit School District	778	1,852,000	0.40099
Special Education Service Agency	779	571,000	0.12363
Aleutians East Borough School District	780	1,356,000	0.29360
		\$ 461,860,000	100.00000 %

See accompanying independent auditors' report.

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Supplemental Schedule of Special Funding Amounts by Employer (Unaudited)

As of and for the year ended June 30, 2019

Employer	Employer number	State proportionate share of net OPEB asset attributable to employer	Employer OPEB expense (benefit) and related revenue attributable to special funding situation
Anchorage School District	701	\$ 31,301,300	(79,105,911)
Cordova City School District	704	283,455	(716,358)
Craig City School District	705	248,465	(627,931)
Fairbanks North Star Borough School District	706	9,086,472	(22,963,700)
Haines Borough School District	707	172,196	(435,180)
Hoonah City School District	708	73,517	(185,796)
Hydaburg City School District	709	59,168	(149,531)
Juneau Borough School District	710	3,441,950	(8,698,635)
Kake City School District	712	113,421	(286,643)
Ketchikan Gateway Borough School District	714	1,698,959	(4,293,678)
Klawock City School District	717	150,966	(381,528)
Kodiak Island Borough School District	718	1,621,117	(4,096,953)
Nenana City School District	719	278,934	(704,932)
Nome City School District	720	419,481	(1,060,131)
Matanuska-Susitna Borough School District	722	11,669,016	(29,490,408)
Pelican City School District	723	8,256	(20,865)
Petersburg City School District	724	394,714	(997,536)
Sitka Borough School District	727	1,156,228	(2,922,066)
Skagway City School District	728	118,335	(299,062)
Unalaska City School District	729	299,967	(758,088)
Valdez City School District	730	475,307	(1,201,216)
Wrangell Public School District	731	200,895	(507,710)
Yakutat School District	732	52,877	(133,634)
University of Alaska	733	3,637,931	(9,193,925)
Galena City School District	735	649,076	(1,640,371)
North Slope Borough School District	736	2,103,108	(5,315,060)
Bristol Bay Borough School District	742	97,696	(246,900)
Southeast Regional Resource Center	743	48,553	(122,705)
Dillingham City School District	744	400,218	(1,011,446)
Kenai Peninsula Borough School District	746	6,085,037	(15,378,352)
Saint Mary's School District	748	149,983	(379,044)
Northwest Arctic Borough School District	751	1,903,589	(4,810,827)
Bering Strait School District	752	1,808,056	(4,569,391)

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Supplemental Schedule of Special Funding Amounts by Employer (Unaudited)

As of and for the year ended June 30, 2019

Employer	Employer number	State proportionate share of net OPEB asset attributable to employer	Employer OPEB expense (benefit) and related revenue attributable to special funding situation
Lower Yukon School District	753	\$ 1,521,652	(3,845,581)
Lower Kuskokwim School District	754	3,250,490	(8,214,770)
Kuspuk School District	755	333,973	(844,031)
Southwest Region School District	756	656,939	(1,660,242)
Lake And Peninsula Borough School District	757	462,137	(1,167,932)
Aleutian Region School District	758	42,066	(106,311)
Pribilof School District	759	62,509	(157,976)
Iditarod Area School District	761	190,280	(480,884)
Yukon/Koyukuk School District	762	597,968	(1,511,208)
Yukon Flats School District	763	281,686	(711,887)
Denali Borough School District	764	301,736	(762,559)
Delta/Greely School District	765	491,819	(1,242,946)
Alaska Gateway School District	766	330,238	(834,592)
Copper River School District	767	226,253	(571,795)
Chatham School District	768	150,573	(380,534)
Southeast Island School District	769	212,886	(538,014)
Annette Island School District	770	291,907	(737,720)
Chugach School District	771	180,255	(455,548)
Tanana School District	775	50,912	(128,666)
Kashunamiut School District	777	200,698	(507,213)
Yupiit School District	778	364,049	(920,038)
Special Education Service Agency	779	112,242	(283,662)
Aleutians East Borough School District	780	266,550	(673,635)
Total for all employers		\$ <u>90,788,061</u>	<u>(229,443,257)</u>

See accompanying independent auditors' report.

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Supplemental Schedule of Employer and Nonemployer Contributions (Unaudited)

For the year ended June 30, 2019

Employer/nonemployer	Employer number	Actual employer contributions	Retiree drug subsidy allocation*	Total actual contributions
Employers:				
Anchorage SD	701	\$ 6,605,762	2,468,685	9,074,447
Cordova City SD	704	62,466	23,345	85,811
Craig City SD	705	57,663	21,549	79,212
Fairbanks North Star Borough SD	706	1,813,732	677,822	2,491,554
Haines Borough SD	707	16,515	6,172	22,687
Hoonah City SD	708	12,178	4,551	16,729
Hydaburg City SD	709	9,282	3,469	12,751
Juneau Borough SD	710	708,667	264,841	973,508
Kake City SD	712	12,895	4,819	17,714
Ketchikan Gateway Borough SD	714	410,305	153,338	563,643
Klawock City SD	717	32,476	12,137	44,613
Kodiak Island Borough SD	718	284,367	106,273	390,640
Nenana City SD	719	54,348	20,311	74,659
Nome City SD	720	68,138	25,464	93,602
Matanuska-Susitna Borough SD	722	2,509,478	937,834	3,447,312
Pelican City SD	723	6	2	8
Petersburg City SD	724	92,990	34,752	127,742
Sitka Borough SD	727	210,624	78,714	289,338
Skagway City SD	728	15,939	5,957	21,896
Unalaska City SD	729	46,185	17,260	63,445
Valdez City SD	730	122,130	45,642	167,772
Wrangell Public SD	731	36,787	13,748	50,535
Yakutat SD	732	12,098	4,521	16,619
University of Alaska	733	897,520	335,418	1,232,938
Galena City SD	735	107,015	39,993	147,008
North Slope Borough SD	736	267,499	99,969	367,468
State of Alaska (Employer and Nonemployer)	737	141,348	52,824	194,172
Bristol Bay Borough SD	742	13,179	4,925	18,104
Southeast Regional Resource Center	743	8,318	3,109	11,427
Dillingham City SD	744	47,027	17,575	64,602
Kenai Peninsula Borough SD	746	1,144,462	427,705	1,572,167
Saint Mary's SD	748	30,838	11,525	42,363
Northwest Arctic Borough SD	751	252,163	94,237	346,400
Bering Strait SD	752	262,396	98,062	360,458
Lower Yukon SD	753	252,250	94,270	346,520
Lower Kuskokwim SD	754	487,212	182,079	669,291
Kuspuk SD	755	44,775	16,733	61,508
Southwest Region SD	756	79,226	29,608	108,834
Lake and Peninsula Borough SD	757	43,771	16,358	60,129
Aleutian Region SD	758	5,597	2,092	7,689
Pribilof SD	759	5,415	2,024	7,439
Iditarod Area SD	761	26,149	9,772	35,921
Yukon / Koyukuk SD	762	98,194	36,697	134,891
Yukon Flats SD	763	46,176	17,257	63,433
Denali Borough SD	764	61,676	23,049	84,725
Delta/greely SD	765	96,961	36,236	133,197
Alaska Gateway SD	766	51,527	19,256	70,783
Copper River SD	767	32,682	12,214	44,896
Chatham SD	768	14,277	5,335	19,612
Southeast Island SD	769	27,611	10,319	37,930
Annette Island SD	770	34,584	12,925	47,509
Chugach SD	771	41,407	15,474	56,881
Tanana SD	775	5,798	2,167	7,965
Kashunamiut SD	777	23,562	8,806	32,368

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Supplemental Schedule of Employer and Nonemployer Contributions (Unaudited)

For the year ended June 30, 2019

<u>Employer/nonemployer</u>	<u>Employer number</u>	<u>Actual employer contributions</u>	<u>Retiree drug subsidy allocation*</u>	<u>Total actual contributions</u>
Yupiit SD	778	\$ 50,675	18,938	69,613
Special Education Service Agency	779	13,799	5,157	18,956
Aleutians East Borough SD	780	47,326	17,686	65,012
Total employer contributions		17,957,446	6,711,000	24,668,446
Nonemployer:				
State of Alaska	999	—	—	—
Total for all entities		\$ 17,957,446	6,711,000	24,668,446

* The RDS subsidy is allocated in proportion to actual contributions

See accompanying independent auditors' report.