



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

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

June 30, 2017 and 2016

(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 schedules of employer and nonemployer allocations of the State of Alaska Teachers' Retirement System Alaska Retiree Healthcare Trust (the Plan) as of and for the years ended June 30, 2017 and 2016, and the related notes. We have also audited the total for all entities of the columns titled net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense (specified column totals) included in the accompanying schedules of OPEB amounts by employer and nonemployer of the Plan as of and for the year ended June 30, 2017 and the total for all entities of the column titled net OPEB liability (specified column total) included in the accompanying schedule of OPEB amounts by employer and nonemployer 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 schedules of employer and nonemployer allocations and the specified column totals included in the schedules of OPEB amounts by employer and nonemployer 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 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 liability, 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 employer and nonemployer allocations and the net OPEB liability for the total of all participating entities for the Plan as of and for the year ended 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 Alaska Retiree Healthcare Trust, 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.

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 schedules of employer and nonemployer allocations and schedules 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
October 26, 2018

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

Schedules of Employer and Nonemployer Allocations

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

Employer/ Nonemployer	Employer number	2017		2016	
		Present value of projected future contributions	Allocation percentage	Present value of projected future contributions	Allocation percentage
Employers:					
Anchorage SD	701	\$ 118,590,000	12.65888%	\$ 118,847,000	15.72127%
Cordova City SD	704	837,000	0.08935%	806,000	0.10662%
Craig City SD	705	997,000	0.10642%	978,000	0.12937%
Fairbanks North Star Borough SD	706	33,161,000	3.53977%	34,690,000	4.58885%
Haines Borough SD	707	736,000	0.07856%	690,000	0.09127%
Hoonah City SD	708	474,000	0.05060%	370,000	0.04894%
Hydaburg City SD	709	289,000	0.03085%	198,000	0.02619%
Juneau Borough SD	710	12,946,000	1.38192%	12,510,000	1.65484%
Kake City SD	712	481,000	0.05134%	437,000	0.05781%
Ketchikan Gateway Borough SD	714	6,413,000	0.68456%	6,322,000	0.83628%
Klawock City SD	717	539,000	0.05754%	522,000	0.06905%
Kodiak Island Borough SD	718	6,199,000	0.66171%	5,930,000	0.78443%
Nenana City SD	719	965,000	0.10301%	956,000	0.12646%
Nome City SD	720	1,956,000	0.20879%	2,096,000	0.27726%
Matanuska-Susitna Borough SD	722	43,826,000	4.67820%	43,268,000	5.72356%
Pelican City SD	723	-	0.00317%	24,000	0.00317%
Petersburg City SD	724	1,519,000	0.16215%	1,363,000	0.18030%
Sitka Borough SD	727	4,030,000	0.43018%	3,925,000	0.51921%
Skagway City SD	728	419,000	0.04473%	374,000	0.04947%
Unalaska City SD	729	1,198,000	0.12788%	1,302,000	0.17223%
Valdez City SD	730	2,149,000	0.22939%	2,035,000	0.26919%
Wrangell Public SD	731	847,000	0.09041%	789,000	0.10437%
Yakutat SD	732	245,000	0.02615%	260,000	0.03439%
University of Alaska	733	15,049,000	1.60640%	16,112,000	2.13132%
Galena City SD	735	2,444,000	0.26088%	2,307,000	0.30517%
North Slope Borough SD	736	6,129,000	0.65424%	6,817,000	0.90176%
State of Alaska	737	6,283,000	0.67070%	5,643,000	0.74647%
Bristol Bay Borough SD	742	290,000	0.03096%	333,000	0.04405%
Southeast Regional Resource Center	743	331,000	0.03533%	238,000	0.03149%
Dillingham City SD	744	1,582,000	0.16887%	1,622,000	0.21456%
Kenai Peninsula Borough SD	746	22,150,000	2.36440%	23,219,000	3.07145%
Saint Mary's SD	748	510,000	0.05444%	450,000	0.05953%
Northwest Arctic Borough SD	751	6,304,000	0.67292%	6,212,000	0.82173%
Bering Strait SD	752	6,815,000	0.72747%	6,322,000	0.83628%
Lower Yukon SD	753	5,490,000	0.58603%	6,045,000	0.79964%
Lower Kuskokwim SD	754	12,076,000	1.28905%	11,667,000	1.54333%
Kuspuk SD	755	1,345,000	0.14357%	1,424,000	0.18838%
Southwest Region SD	756	1,904,000	0.20324%	2,006,000	0.26536%
Lake And Peninsula Borough SD	757	1,529,000	0.16321%	1,628,000	0.21535%
Aleutian Region SD	758	148,000	0.01580%	131,000	0.01733%
Pribilof SD	759	208,000	0.02220%	202,000	0.02672%
Iditarod Area SD	761	629,000	0.06714%	982,000	0.12990%
Yukon / Koyukuk SD	762	1,929,000	0.20591%	2,243,000	0.29671%
Yukon Flats SD	763	884,000	0.09436%	970,000	0.12831%
Denali Borough SD	764	1,026,000	0.10952%	866,000	0.11456%
Delta/Greely SD	765	1,835,000	0.19588%	1,764,000	0.23334%
Alaska Gateway SD	766	1,130,000	0.12062%	1,240,000	0.16403%
Copper River SD	767	868,000	0.09265%	960,000	0.12699%
Chatham SD	768	613,000	0.06543%	538,000	0.07117%
Southeast Island SD	769	714,000	0.07622%	824,000	0.10900%
Annette Island SD	770	972,000	0.10376%	1,174,000	0.15530%

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

Schedules of Employer and Nonemployer Allocations

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

Employer/ Nonemployer	Employer number	2017		2016	
		Present value of projected future contributions	Allocation percentage	Present value of projected future contributions	Allocation percentage
Chugach SD	771	\$ 664,000	0.07088%	\$ 650,000	0.08599%
Tanana SD	775	201,000	0.02146%	158,000	0.02090%
Kashunamiut SD	777	870,000	0.09287%	871,000	0.11523%
Yupiit SD	778	1,048,000	0.11187%	1,493,000	0.19750%
Special Education Service Agency	779	388,000	0.04142%	399,000	0.05278%
Aleutians East Borough SD	780	1,007,000	0.10749%	979,000	0.12950%
Total present value of projected future employer contributions		344,181,000	36.74275%	347,181,000	45.92566%
Total Nonemployer:					
State of Alaska	999	592,602,000	63.25725%	408,782,000	54.07434%
Total for all entities		<u>\$ 936,783,000</u>	<u>100.00000%</u>	<u>\$ 755,963,000</u>	<u>100.00000%</u>

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

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

Schedules of OPEB Amounts by Employer and Nonemployer
As of and for the years ended June 30, 2017 and 2016

Employer/ Nonemployer	Employer/ nonemployer number	Net OPEB liability		Deferred outflows of resources as of June 30, 2017		
		June 30, 2017	June 30, 2016	Changes of assumptions	Changes in proportionate share of contributions and difference between employer contributions and proportionate share of contributions	Total deferred outflows of resources
Employer:						
Anchorage SD	701	\$ 23,283,857	48,609,075	-	-	-
Cordova City SD	704	164,336	329,658	-	-	-
Craig City SD	705	195,750	400,007	-	-	-
Fairbanks North Star Borough SD	706	6,510,802	14,188,400	-	-	-
Haines Borough SD	707	144,506	282,214	-	-	-
Hoonah City SD	708	93,065	151,332	-	10,941	10,941
Hydaburg City SD	709	56,742	80,983	-	15,023	15,023
Juneau Borough SD	710	2,541,806	5,116,658	-	-	-
Take City SD	712	94,439	178,735	-	-	-
Ketchikan Gateway Borough SD	714	1,259,123	2,585,733	-	-	-
Klawock City SD	717	105,827	213,501	-	-	-
Kodiak Island Borough SD	718	1,217,106	2,425,402	-	-	-
Nenana City SD	719	189,467	391,009	-	-	-
Nome City SD	720	384,039	857,275	-	-	-
Matanuska-Susitna Borough SD	722	8,604,759	17,696,849	-	-	-
Pelican City SD	723	5,839	9,816	-	-	-
Petersburg City SD	724	298,239	557,474	-	3,869	3,869
Sitka Borough SD	727	791,247	1,605,346	-	-	-
Skagway City SD	728	82,266	152,968	-	2,371	2,371
Unalaska City SD	729	235,214	532,525	-	-	-
Valdez City SD	730	421,933	832,326	-	10,647	10,647
Wrangell Public SD	731	166,299	322,705	-	-	-
Yakutat SD	732	48,103	106,341	-	-	-
University of Alaska	733	2,954,708	6,589,896	-	-	-
Galena City SD	735	479,853	943,576	-	-	-
North Slope Borough SD	736	1,203,363	2,788,190	-	-	-
State of Alaska	737	1,233,599	2,308,018	-	-	-
Bristol Bay Borough SD	742	56,938	136,199	-	-	-
Southeast Regional Resource Center	743	64,988	97,343	-	10,010	10,010
Dillingham City SD	744	310,609	663,407	-	-	-
Kenai Peninsula Borough SD	746	4,348,912	9,496,698	-	-	-
Saint Mary's SD	748	100,133	184,052	-	6,233	6,233
Northwest Arctic Borough SD	751	1,237,722	2,540,742	-	-	-
Bering Strait SD	752	1,338,051	2,585,733	-	-	-
Lower Yukon SD	753	1,077,902	2,472,438	-	-	-
Lower Kuskokwim SD	754	2,370,991	4,771,867	-	-	-
Kuspuk SD	755	264,076	582,424	-	-	-
Southwest Region SD	756	373,830	820,465	-	-	-
Lake And Peninsula Borough SD	757	300,203	665,861	-	-	-
Aleutian Region SD	758	29,058	53,580	-	-	-
Pribilof SD	759	40,839	82,619	-	-	-
Iditarod Area SD	761	123,497	401,643	-	-	-
Yukon / Koyukuk SD	762	378,738	917,399	-	-	-
Yukon Flats SD	763	173,564	396,735	-	-	-
Denali Borough SD	764	201,444	354,199	-	11,943	11,943
Delta/Greely SD	765	360,282	721,486	-	-	-
Alaska Gateway SD	766	221,863	507,167	-	-	-
Copper River SD	767	170,422	392,645	-	-	-
Chatham SD	768	120,356	220,045	-	-	-
Southeast Island SD	769	140,186	337,021	-	-	-
Annette Island SD	770	190,842	480,172	-	-	-
Chugach SD	771	130,369	265,854	-	-	-
Tanana SD	775	39,464	64,623	-	4,511	4,511
Kashunamiut SD	777	170,815	356,244	-	-	-
Yupit SD	778	205,763	610,645	-	-	-
Special Education Service Agency	779	76,180	163,193	-	-	-
Aleutians East Borough SD	780	197,714	400,416	-	-	-
Total attributable to employer contributions		67,582,038	141,998,927	-	75,548	75,548
Nonemployer:						
State of Alaska	999	116,350,962	167,194,073	-	7,681,062	7,681,062
Total for all entities		183,933,000	309,193,000	-	7,756,610	7,756,610

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

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
3,018,128	-	12,513,049	2,320,860	17,852,037	2,721,528	(1,657,758)	1,063,770
21,302	-	88,316	1,406	111,024	19,208	(1,004)	18,204
25,374	-	105,199	9,396	139,969	22,880	(6,711)	16,169
843,952	-	3,498,990	926,746	5,269,688	761,015	(661,962)	99,053
18,731	-	77,659	8,914	105,304	16,891	(6,367)	10,524
12,063	-	50,014	-	62,077	10,878	7,815	18,693
7,355	-	30,494	-	37,849	6,632	10,730	17,362
329,477	-	1,366,000	138,884	1,834,361	297,099	(99,203)	197,896
12,242	-	50,753	3,924	66,919	11,039	(2,803)	8,236
163,212	-	676,669	90,456	930,337	147,173	(64,612)	82,561
13,718	-	56,873	4,060	74,651	12,370	(2,900)	9,470
157,765	-	654,089	80,357	892,211	142,261	(57,398)	84,863
24,559	-	101,822	15,141	141,522	22,146	(10,815)	11,331
49,780	-	206,388	75,908	332,076	44,888	(54,220)	(9,332)
1,115,377	-	4,624,310	667,529	6,407,216	1,005,767	(476,806)	528,961
757	-	3,138	213	4,108	683	(152)	531
38,659	-	160,278	-	198,937	34,860	2,764	37,624
102,564	-	425,226	45,991	573,781	92,485	(32,851)	59,634
10,664	-	44,211	-	54,875	9,616	1,694	11,310
30,489	-	126,407	46,744	203,642	27,493	(33,390)	(5,897)
54,692	-	226,752	-	281,444	49,318	7,605	56,923
21,556	-	89,371	7,472	118,399	19,438	(5,337)	14,101
6,235	-	25,851	6,322	38,408	5,623	(4,515)	1,108
382,999	-	1,587,899	404,608	2,375,506	345,361	(289,006)	56,355
62,200	-	257,879	8,510	328,589	56,088	(6,079)	50,009
155,984	-	646,703	313,165	1,115,852	140,655	(223,689)	(83,034)
159,903	-	662,952	122,069	944,924	144,189	(87,192)	56,997
7,381	-	30,599	20,055	58,035	6,655	(14,325)	(7,670)
8,424	-	34,926	-	43,350	7,596	7,150	14,746
40,262	-	166,925	65,008	272,195	36,305	(46,434)	(10,129)
563,720	-	2,337,162	683,959	3,584,841	508,322	(488,542)	19,780
12,980	-	53,813	-	66,793	11,704	4,452	16,156
160,438	-	665,168	160,805	986,411	144,671	(114,861)	29,810
173,443	-	719,086	98,021	990,550	156,398	(70,015)	86,383
139,721	-	579,279	285,587	1,004,587	125,991	(203,990)	(77,999)
307,336	-	1,274,202	193,833	1,775,371	277,133	(138,452)	138,681
34,230	-	141,918	60,078	236,226	30,867	(42,913)	(12,046)
48,457	-	200,901	83,109	332,467	43,695	(59,364)	(15,669)
38,913	-	161,333	75,399	275,645	35,089	(53,857)	(18,768)
3,767	-	15,616	923	20,306	3,396	(659)	2,737
5,294	-	21,947	4,456	31,697	4,773	(3,183)	1,590
16,008	-	66,369	104,824	187,201	14,435	(74,874)	(60,439)
49,093	-	203,539	124,824	377,456	44,269	(89,160)	(44,891)
22,498	-	93,275	44,888	160,661	20,287	(32,063)	(11,776)
26,112	-	108,259	-	134,371	23,546	8,531	32,077
46,701	-	193,620	24,353	264,674	42,112	(17,395)	24,717
28,759	-	119,232	50,905	198,896	25,932	(36,361)	(10,429)
22,091	-	91,587	38,683	152,361	19,920	(27,631)	(7,711)
15,601	-	64,681	3,298	83,580	14,068	(2,356)	11,712
18,171	-	75,338	49,071	142,580	16,386	(35,050)	(18,664)
24,738	-	102,561	81,673	208,972	22,307	(58,338)	(36,031)
16,899	-	70,062	4,573	91,534	15,238	(3,266)	11,972
5,115	-	21,209	-	26,324	4,613	3,222	7,835
22,142	-	91,798	29,518	143,458	19,966	(21,084)	(1,118)
26,672	-	110,580	133,664	270,916	24,051	(95,474)	(71,423)
9,875	-	40,940	14,704	65,519	8,904	(10,503)	(1,599)
25,628	-	106,254	21,722	153,604	23,110	(15,516)	7,594
8,760,206	-	36,319,471	7,756,610	52,836,287	7,899,323	(5,486,473)	2,412,850
15,081,794	-	62,528,529	-	77,610,323	13,599,677	5,486,473	19,086,150
23,842,000	-	98,848,000	7,756,610	130,446,610	21,499,000	-	21,499,000

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

ALASKA RETIREE HEALTHCARE TRUST

Note to Schedules of Employer and Nonemployer Allocations and Schedules of OPEB Amounts by Employer and Nonemployer

June 30, 2017 and 2016

(1) Plan Description

The State of Alaska Teachers' Retirement System (System) Alaska Retiree Healthcare Trust (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 schedules of employer and nonemployer allocations and the schedules of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of the System, 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 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 liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. 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 2019 to 2039 for the year ended June 30, 2017, and for the fiscal years 2018 to 2039 for the year ended June 30, 2016. Employers with zero present value of future contributions during the year ended June 30, 2017 received the same employer allocation percentage as was allocated for the year ended June 30, 2016. 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.

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Note to Schedules of Employer and Nonemployer Allocations and
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(4) Contributions

Employer contributions are actuarially determined and adopted by the Alaska Retirement Management Board (Board). Employer contributions were 4.98% of annual payroll for the year ended June 30, 2017.

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 Liability

Components of the Collective Net OPEB Liability

The components of the collective net OPEB liability of the Plan were as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Total OPEB liability	\$ 2,941,598,000	2,832,773,000
Plan fiduciary net position	<u>2,757,665,000</u>	<u>2,523,580,000</u>
Net OPEB liability	<u>\$ 183,933,000</u>	<u>309,193,000</u>

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

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**Note to Schedules of Employer and Nonemployer Allocations and
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June 30, 2017 and 2016

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%.
Healthcare cost trend rates	Pre-65 medical: 8.8% grading down to 4.4% Post-65 medical: 5.8% grading down to 4.0% Prescription drugs: 5.4% grading down to 4.0%
Healthcare participation	100% system paid of members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible 10% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible

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 used for pre-termination mortality were 68% of the male and 60% of the female post-termination mortality rates.

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 allocation as of June 30, 2017 and

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Note to Schedules of Employer and Nonemployer Allocations and
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2016 are summarized in the following table (note that the rates shown below exclude the inflation component):

<u>Asset class</u>	<u>Long-term expected real rate of return</u>	
	<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 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Collective Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability (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 liability (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>
2017 \$	560,494,000	183,933,000	(128,506,000)
2016 \$	677,621,000	309,193,000	4,068,000

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Sensitivity of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the collective net OPEB liability (asset) of the Plan as of June 30, 2017 and 2016, calculated using the healthcare cost trend rates and using trend rates that are 1-percentage-point lower or 1-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>
2017 \$	(171,461,000)	183,933,000	616,144,000
2016 \$	(15,144,000)	309,193,000	703,369,000

(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>
Deferred Inflows of Resources:						
Difference between expected and actual experience	2017	2.4 years	\$ —	40,872,000	17,030,000	23,842,000
Difference between projected and actual earnings on OPEB plan investments	2017	5 years	—	123,560,000	24,712,000	98,848,000
Total Deferred Inflows of Resources			\$ —	164,432,000	41,742,000	122,690,000

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	\$ (41,742,000)
2019	(31,524,000)
2020	(24,712,000)
2021	(24,712,000)
	<u>(24,712,000)</u>
Total	\$ <u>(122,690,000)</u>

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Note to Schedules of Employer and Nonemployer Allocations and
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(7) Collective OPEB Expense

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

Service cost	\$	31,605,000
Interest on total OPEB liability		224,435,000
Administrative expense		5,908,000
Expected investment return net of investment expenses		(198,659,000)
Other		(48,000)
Recognition (amortization) of deferred outflows/inflows of resources:		
Difference between projected and actual investment earnings on OPEB plan investments		(24,712,000)
Difference between expected and actual experience		<u>(17,030,000)</u>
Total OPEB expense	\$	<u><u>21,499,000</u></u>

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

As of and for the year ended June 30, 2017

Employer	Employer Number	Present value of projected future state contributions	Employer Proportionate Share
Anchorage SD	701	\$ 207,992,000	35.09808%
Cordova City SD	704	1,465,000	0.24721%
Craig City SD	705	1,750,000	0.29531%
Fairbanks North Star Borough SD	706	58,156,000	9.81367%
Haines Borough SD	707	1,292,000	0.21802%
Hoonah City SD	708	827,000	0.13955%
Hydaburg City SD	709	504,000	0.08505%
Juneau Borough SD	710	22,702,000	3.83090%
Kake City SD	712	846,000	0.14276%
Ketchikan Gateway Borough SD	714	11,254,000	1.89908%
Klawock City SD	717	939,000	0.15845%
Kodiak Island Borough SD	718	10,872,000	1.83462%
Nenana City SD	719	1,697,000	0.28636%
Nome City SD	720	3,433,000	0.57931%
Matanuska-Susitna Borough SD	722	76,865,000	12.97076%
Petersburg City SD	724	2,667,000	0.45005%
Sitka Borough SD	727	7,062,000	1.19169%
Skagway City SD	728	738,000	0.12454%
Unalaska City SD	729	2,098,000	0.35403%
Valdez City SD	730	3,769,000	0.63601%
Wrangell Public SD	731	1,485,000	0.25059%
Yakutat SD	732	426,000	0.07189%
University of Alaska	733	26,395,000	4.45409%
Galena City SD	735	4,281,000	0.72241%
North Slope Borough SD	736	10,747,000	1.81353%
Bristol Bay Borough SD	742	509,000	0.08589%
Southeast Regional Resource Center	743	577,000	0.09737%
Dillingham City SD	744	2,780,000	0.46912%
Kenai Peninsula Borough SD	746	38,843,000	6.55465%
Saint Mary's SD	748	897,000	0.15137%
Northwest Arctic Borough SD	751	11,053,000	1.86516%
Bering Strait SD	752	11,952,000	2.01687%
Lower Yukon SD	753	9,628,000	1.62470%
Lower Kuskokwim SD	754	21,179,000	3.57390%
Kuspuk SD	755	2,361,000	0.39841%
Southwest Region SD	756	3,339,000	0.56345%
Lake And Peninsula Borough SD	757	2,682,000	0.45258%
Aleutian Region SD	758	256,000	0.04320%
Pribilof SD	759	362,000	0.06109%
Iditarod Area SD	761	1,100,000	0.18562%
Yukon / Koyukuk SD	762	3,391,000	0.57222%
Yukon Flats SD	763	1,545,000	0.26071%

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

As of and for the year ended June 30, 2017

<u>Employer</u>	<u>Employer Number</u>	<u>Present value of projected future state contributions</u>	<u>Employer Proportionate Share</u>
Denali Borough SD	764	\$ 1,800,000	0.30375%
Delta/Greely SD	765	3,219,000	0.54320%
Alaska Gateway SD	766	1,983,000	0.33463%
Copper River SD	767	1,519,000	0.25633%
Chatham SD	768	1,077,000	0.18174%
Southeast Island SD	769	1,251,000	0.21110%
Annette Island SD	770	1,706,000	0.28788%
Chugach SD	771	1,166,000	0.19676%
Tanana SD	775	354,000	0.05974%
Kashunamiut SD	777	1,528,000	0.25785%
Yupit SD	778	1,837,000	0.30999%
Special Education Service Agency	779	680,000	0.11475%
Aleutians East Borough SD	780	1,766,000	0.29801%
Total Present Value of Projected Future State Contributions		\$ <u>592,602,000</u>	<u>100.00000%</u>

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, 2017

Employer	Employer Number	State Proportionate Share of Net OPEB Liability Attributable to Employer	Employer OPEB Expense and Related Revenue Attributable to Special Funding Situation
Anchorage SD	701	\$ 40,836,969	4,773,227
Cordova City SD	704	287,637	33,620
Craig City SD	705	343,593	40,161
Fairbanks North Star Borough SD	706	11,418,299	1,334,627
Haines Borough SD	707	253,670	29,650
Hoonah City SD	708	162,372	18,979
Hydaburg City SD	709	98,955	11,566
Juneau Borough SD	710	4,457,291	520,990
Kake City SD	712	166,103	19,415
Ketchikan Gateway Borough SD	714	2,209,601	258,269
Klawock City SD	717	184,362	21,549
Kodiak Island Borough SD	718	2,134,599	249,503
Nenana City SD	719	333,188	38,945
Nome City SD	720	674,032	78,784
Matanuska-Susitna Borough SD	722	15,091,607	1,763,982
Petersburg City SD	724	523,636	61,205
Sitka Borough SD	727	1,386,547	162,067
Skagway City SD	728	144,898	16,937
Unalaska City SD	729	411,920	48,147
Valdez City SD	730	740,002	86,495
Wrangell Public SD	731	291,564	34,079
Yakutat SD	732	83,640	9,776
University of Alaska	733	5,182,371	605,741
Galena City SD	735	840,528	98,245
North Slope Borough SD	736	2,110,057	246,634
Bristol Bay Borough SD	742	99,937	11,681
Southeast Regional Resource Center	743	113,288	13,242
Dillingham City SD	744	545,823	63,799
Kenai Peninsula Borough SD	746	7,626,401	891,412
Saint Mary's SD	748	176,116	20,585
Northwest Arctic Borough SD	751	2,170,136	253,656
Bering Strait SD	752	2,346,645	274,288
Lower Yukon SD	753	1,890,353	220,954
Lower Kuskokwim SD	754	4,158,266	486,039
Kuspuk SD	755	463,557	54,183
Southwest Region SD	756	655,576	76,627
Lake And Peninsula Borough SD	757	526,582	61,550
Aleutian Region SD	758	50,263	5,875
Pribilof SD	759	71,075	8,308

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Supplemental Schedule of Special Funding Amounts by Employer (Unaudited)

As of and for the year ended June 30, 2017

Employer	Employer Number	State Proportionate Share of Net OPEB Liability Attributable to Employer	Employer OPEB Expense and Related Revenue Attributable to Special Funding Situation
Iditarod Area SD	761	\$ 215,973	25,244
Yukon / Koyukuk SD	762	665,786	77,820
Yukon Flats SD	763	303,344	35,456
Denali Borough SD	764	353,410	41,308
Delta/Greely SD	765	632,016	73,873
Alaska Gateway SD	766	389,341	45,508
Copper River SD	767	298,239	34,860
Chatham SD	768	211,457	24,716
Southeast Island SD	769	245,620	28,709
Annette Island SD	770	334,955	39,151
Chugach SD	771	228,931	26,759
Tanana SD	775	69,504	8,124
Kashunamiut SD	777	300,006	35,066
Yupit SD	778	360,675	42,158
Special Education Service Agency	779	133,511	15,605
Aleutians East Borough SD	780	346,735	40,528
Total for all employers		\$ <u>116,350,962</u>	<u>13,599,677</u>

See accompanying independent auditors' report

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Supplemental Schedule of Employer and Nonemployer Contributions (Unaudited)

As of and for the year ended June 30, 2017

<u>Employer/Nonemployer</u>	<u>Employer number</u>	<u>2017 Actual contributions</u>
Employers:		
Anchorage SD	701	\$ 8,536,948
Cordova City SD	704	72,503
Craig City SD	705	80,457
Fairbanks North Star Borough SD	706	2,506,963
Haines Borough SD	707	42,927
Hoonah City SD	708	25,823
Hydaburg City SD	709	18,777
Juneau Borough SD	710	938,387
Kake City SD	712	25,613
Ketchikan Gateway Borough SD	714	478,833
Klawock City SD	717	42,493
Kodiak Island Borough SD	718	400,948
Nenana City SD	719	71,350
Nome City SD	720	131,828
Matanuska-Susitna Borough SD	722	3,213,835
Pelican City SD	723	400
Petersburg City SD	724	101,791
Sitka Borough SD	727	299,953
Skagway City SD	728	29,508
Unalaska City SD	729	87,771
Valdez City SD	730	196,519
Wrangell Public SD	731	52,108
Yakutat SD	732	20,937
University of Alaska	733	1,316,038
Galena City SD	735	185,143
North Slope Borough SD	736	385,943
State of Alaska	737	186,644
Bristol Bay Borough SD	742	13,555
Southeast Regional Resource Center	743	13,762
Dillingham City SD	744	70,475
Kenai Peninsula Borough SD	746	1,582,726
Saint Mary's SD	748	39,517
Northwest Arctic Borough SD	751	346,420
Bering Strait SD	752	343,515
Lower Yukon SD	753	311,950
Lower Kuskokwim SD	754	764,186
Kuspuk SD	755	70,074
Southwest Region SD	756	98,500
Lake And Peninsula Borough SD	757	71,246

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Supplemental Schedule of Employer and Nonemployer Contributions (Unaudited)

As of and for the year ended June 30, 2017

Employer/Nonemployer	Employer number	2017 Actual contributions
Aleutian Region SD	758	\$ 6,953
Pribilof SD	759	11,675
Iditarod Area SD	761	30,505
Yukon / Koyukuk SD	762	116,313
Yukon Flats SD	763	50,735
Denali Borough SD	764	62,403
Delta/Greely SD	765	121,245
Alaska Gateway SD	766	75,979
Copper River SD	767	62,150
Chatham SD	768	27,822
Southeast Island SD	769	35,590
Annette Island SD	770	44,329
Chugach SD	771	55,922
Tanana SD	775	11,181
Kashunamiut SD	777	40,852
Yupiiit SD	778	62,542
Special Education Service Agency	779	19,897
Aleutians East Borough SD	780	56,693
Total Employer Contributions		<u>24,069,152</u>
Nonemployer:		
State of Alaska		<u>-</u>
Total for all entities		<u>\$ 24,069,152</u>

See accompanying independent auditor's report