



**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
RETIREE MEDICAL PLAN**

Schedules of Employer Allocations and
Schedules of OPEB Amounts by Employer

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
RETIREE MEDICAL PLAN**

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KPMG LLP
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Independent Auditors' Report

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

We have audited the accompanying schedules of employer allocations of the State of Alaska Teachers' Retirement System Retiree Medical Plan (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 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 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 schedules of employer allocations and 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 schedules of employer allocations and 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 schedule of employer allocations and 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 schedule of employer allocations and 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 schedule of employer allocations and 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 schedule of employer allocations and 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 employer allocations and 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 employer allocations and the net OPEB asset 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 Retiree Medical 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 Retiree Medical 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
RETIREE MEDICAL PLAN**

Schedules of Employer Allocations

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

Employer	Employer Number	2017		2016	
		Employer Contributions	Allocation percentage	Employer Contributions	Allocation percentage
Anchorage SD	701	\$ 1,088,040	30.86980%	\$ 1,966,072	31.12136%
Cordova City SD	704	8,255	0.23421%	12,207	0.19323%
Craig City SD	705	10,123	0.28721%	18,484	0.29259%
Fairbanks North Star Borough SD	706	302,829	8.59184%	530,129	8.39153%
Haines Borough SD	707	11,408	0.32367%	23,741	0.37581%
Hoonah City SD	708	5,737	0.16278%	7,499	0.11871%
Hydaburg City SD	709	2,575	0.07305%	8,805	0.13938%
Juneau Borough SD	710	109,405	3.10404%	199,454	3.15719%
Kake City SD	712	6,569	0.18637%	12,744	0.20172%
Ketchikan Gateway Borough SD	714	55,768	1.58224%	103,444	1.63744%
Klawock City SD	717	5,163	0.14648%	7,380	0.11682%
Kodiak Island Borough SD	718	95,933	2.72181%	160,230	2.53631%
Nenana City SD	719	10,364	0.29405%	16,508	0.26132%
Nome City SD	720	23,171	0.65740%	45,503	0.72028%
Matanuska-Susitna Borough SD	722	388,607	11.02554%	668,803	10.58662%
Pelican City SD	723	632	0.01794%	1,048	0.01658%
Petersburg City SD	724	8,243	0.23388%	17,404	0.27549%
Sitka Borough SD	727	37,822	1.07309%	66,458	1.05198%
Skagway City SD	728	5,516	0.15651%	7,010	0.11096%
Unalaska City SD	729	12,088	0.34297%	25,684	0.40656%
Valdez City SD	730	15,462	0.43869%	19,453	0.30793%
Wrangell Public SD	731	9,387	0.26632%	15,827	0.25053%
Yakutat SD	732	2,305	0.06541%	2,058	0.03258%
University of Alaska	733	80,942	2.29648%	143,671	2.27420%
Galena City SD	735	22,862	0.64865%	38,396	0.60778%
North Slope Borough SD	736	106,955	3.03452%	199,532	3.15843%
State of Alaska	737	12,631	0.35837%	26,130	0.41361%
Bristol Bay Borough SD	742	3,913	0.11103%	9,991	0.15814%
Southeast Regional Resource Center	743	4,990	0.14156%	9,098	0.14401%
Dillingham City SD	744	20,508	0.58186%	45,442	0.71932%
Kenai Peninsula Borough SD	746	231,529	6.56894%	411,605	6.51539%
Saint Mary's SD	748	5,777	0.16391%	11,755	0.18607%
Northwest Arctic Borough SD	751	109,915	3.11850%	200,583	3.17507%
Bering Strait SD	752	127,530	3.61827%	237,724	3.76298%
Lower Yukon SD	753	91,713	2.60206%	179,879	2.84735%
Lower Kuskokwim SD	754	176,650	5.01190%	309,389	4.89738%
Kuspuk SD	755	20,433	0.57974%	35,944	0.56896%
Southwest Region SD	756	39,370	1.11700%	65,672	1.03953%
Lake And Peninsula Borough SD	757	26,922	0.76384%	54,003	0.85483%
Aleutian Region SD	758	3,033	0.08605%	5,841	0.09246%
Pribilof SD	759	4,551	0.12912%	9,171	0.14517%
Iditarod Area SD	761	13,841	0.39268%	16,557	0.26208%
Yukon / Koyukuk SD	762	28,623	0.81209%	56,403	0.89281%
Yukon Flats SD	763	16,591	0.47071%	31,077	0.49192%
Denali Borough SD	764	12,203	0.34624%	18,109	0.28665%
Delta/Greely SD	765	17,703	0.50226%	33,191	0.52538%
Alaska Gateway SD	766	15,344	0.43534%	23,587	0.37337%
Copper River SD	767	7,784	0.22085%	14,721	0.23303%
Chatham SD	768	8,813	0.25002%	14,160	0.22414%
Southeast Island SD	769	12,718	0.36082%	23,071	0.36520%
Annette Island SD	770	17,635	0.50034%	29,507	0.46708%
Chugach SD	771	3,595	0.10200%	6,727	0.10648%
Tanana SD	775	1,385	0.03929%	5,069	0.08024%
Kashunamiut SD	777	12,863	0.36494%	27,141	0.42962%
Yupit SD	778	28,226	0.80081%	51,554	0.81605%
Special Education Service Agency	779	5,995	0.17010%	10,614	0.16802%
Aleutians East Borough SD	780	15,664	0.44441%	26,175	0.41433%
Total contributions		\$ 3,524,609	100.00000%	\$ 6,317,434	100.00000%

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

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**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
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Schedules of OPEB Amounts by Employer
As of and for the years ended June 30, 2017 and 2016

Employer	Employer number	Net OPEB Asset		Changes of assumptions	Deferred outflows of resources as of June 30, 2017	
		June 30, 2017	June 30, 2016		Changes in proportion and difference between employer contributions and proportionate share of contributions	Total deferred outflows of resources
Employer:						
Anchorage SD	701	\$ 1,463,226	810,090	-	5,551	5,551
Cordova City SD	704	11,102	5,030	-	-	-
Craig City SD	705	13,614	7,616	-	128	128
Fairbanks North Star Borough SD	706	407,253	218,431	-	-	-
Haines Borough SD	707	15,342	9,782	-	1,231	1,231
Hoonah City SD	708	7,716	3,090	-	-	-
Hydaburg City SD	709	3,462	3,628	-	1,564	1,564
Juneau Borough SD	710	147,132	82,182	-	1,270	1,270
Kake City SD	712	8,834	5,251	-	363	363
Ketchikan Gateway Borough SD	714	74,998	42,623	-	1,310	1,310
Klawock City SD	717	6,943	3,041	-	-	-
Kodiak Island Borough SD	718	129,014	66,020	-	-	-
Nenana City SD	719	13,938	6,802	-	-	-
Nome City SD	720	31,161	18,749	-	1,486	1,486
Matanuska-Susitna Borough SD	722	522,610	275,570	-	-	-
Pelican City SD	723	850	432	-	-	-
Petersburg City SD	724	11,086	7,171	-	982	982
Sitka Borough SD	727	50,865	27,383	-	-	-
Skagway City SD	728	7,419	2,888	-	-	-
Unalaska City SD	729	16,257	10,583	-	1,501	1,501
Valdez City SD	730	20,794	8,015	-	-	-
Wrangell Public SD	731	12,624	6,521	-	-	-
Yakutat SD	732	3,100	848	-	-	-
University of Alaska	733	108,853	59,197	-	-	-
Galena City SD	735	30,746	15,820	-	-	-
North Slope Borough SD	736	143,836	82,214	-	2,938	2,938
State of Alaska	737	16,987	10,766	-	1,304	1,304
Bristol Bay Borough SD	742	5,263	4,116	-	1,111	1,111
Southeast Regional Resource Center	743	6,710	3,749	-	58	58
Dillingham City SD	744	27,580	18,724	-	3,244	3,244
Kenai Peninsula Borough SD	746	311,368	169,596	-	-	-
Saint Mary's SD	748	7,769	4,843	-	523	523
Northwest Arctic Borough SD	751	147,817	82,647	-	1,351	1,351
Bering Strait SD	752	171,506	97,950	-	3,432	3,432
Lower Yukon SD	753	123,338	74,116	-	5,797	5,797
Lower Kuskokwim SD	754	237,564	127,479	-	-	-
Kuspuk SD	755	27,479	14,810	-	-	-
Southwest Region SD	756	52,946	27,059	-	-	-
Lake And Peninsula Borough SD	757	36,206	22,251	-	2,149	2,149
Aleutian Region SD	758	4,079	2,407	-	152	152
Pribilof SD	759	6,120	3,779	-	379	379
Iditarod Area SD	761	18,613	6,822	-	-	-
Yukon / Koyukuk SD	762	38,493	23,240	-	1,907	1,907
Yukon Flats SD	763	22,312	12,805	-	503	503
Denali Borough SD	764	16,412	7,461	-	-	-
Delta/Greely SD	765	23,807	13,676	-	548	548
Alaska Gateway SD	766	20,635	9,719	-	-	-
Copper River SD	767	10,468	6,066	-	288	288
Chatham SD	768	11,852	5,834	-	-	-
Southeast Island SD	769	17,103	9,506	-	105	105
Annette Island SD	770	23,716	12,158	-	-	-
Chugach SD	771	4,835	2,772	-	106	106
Tanana SD	775	1,862	2,089	-	966	966
Kashunamiut SD	777	17,298	11,183	-	1,527	1,527
Yupit SD	778	37,959	21,242	-	363	363
Special Education Service Agency	779	8,063	4,373	-	-	-
Aleutians East Borough SD	780	21,065	10,785	-	-	-
Total attributable to employer contributions		\$ 4,740,000	2,603,000	-	44,137	44,137

See accompanying notes to schedules of employer allocations and 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
			proportionate share of contributions	proportionate share of contributions			proportionate share of contributions	proportionate share of contributions	
556	-	295,366	-	-	295,922	724,082	578	724,660	
4	-	2,241	965	-	3,210	5,494	(101)	5,393	
5	-	2,748	-	-	2,753	6,737	13	6,750	
156	-	82,207	4,675	-	87,038	201,531	(487)	201,044	
6	-	3,097	-	-	3,103	7,592	128	7,720	
3	-	1,557	1,038	-	2,598	3,818	(108)	3,710	
1	-	699	-	-	700	1,713	163	1,876	
56	-	29,699	-	-	29,755	72,809	132	72,941	
3	-	1,783	-	-	1,786	4,372	38	4,410	
29	-	15,139	-	-	15,168	37,113	136	37,249	
3	-	1,402	698	-	2,103	3,436	(73)	3,363	
49	-	26,042	4,358	-	30,449	63,843	(454)	63,389	
5	-	2,813	770	-	3,588	6,897	(80)	6,817	
12	-	6,290	-	-	6,302	15,420	155	15,575	
200	-	105,492	10,286	-	115,978	258,616	(1,071)	257,545	
-	-	172	32	-	204	421	(3)	418	
4	-	2,238	-	-	2,242	5,486	102	5,588	
19	-	10,267	492	-	10,778	25,171	(51)	25,120	
3	-	1,497	1,073	-	2,573	3,671	(112)	3,559	
6	-	3,281	-	-	3,287	8,045	156	8,201	
8	-	4,197	3,080	-	7,285	10,290	(321)	9,969	
5	-	2,548	371	-	2,924	6,247	(39)	6,208	
1	-	626	773	-	1,400	1,534	(81)	1,453	
42	-	21,973	513	-	22,528	53,867	(53)	53,814	
12	-	6,206	960	-	7,178	15,215	(100)	15,115	
55	-	29,034	-	-	29,089	71,178	306	71,484	
6	-	3,429	-	-	3,435	8,406	136	8,542	
2	-	1,062	-	-	1,064	2,604	116	2,720	
3	-	1,354	-	-	1,357	3,321	6	3,327	
11	-	5,567	-	-	5,578	13,648	338	13,986	
119	-	62,852	1,226	-	64,197	154,082	(128)	153,954	
3	-	1,568	-	-	1,571	3,845	55	3,900	
56	-	29,838	-	-	29,894	73,148	141	73,289	
66	-	34,620	-	-	34,686	84,871	357	85,228	
47	-	24,897	-	-	24,944	61,034	604	61,638	
91	-	47,954	2,672	-	50,717	117,560	(278)	117,282	
11	-	5,547	251	-	5,809	13,598	(26)	13,572	
20	-	10,687	1,820	-	12,527	26,201	(190)	26,011	
14	-	7,308	-	-	7,322	17,917	224	18,141	
2	-	823	-	-	825	2,018	16	2,034	
2	-	1,235	-	-	1,237	3,029	39	3,068	
7	-	3,757	3,077	-	6,841	9,211	(320)	8,891	
15	-	7,770	-	-	7,785	19,049	199	19,248	
9	-	4,504	-	-	4,513	11,041	52	11,093	
6	-	3,313	1,403	-	4,722	8,121	(146)	7,975	
9	-	4,806	-	-	4,815	11,781	57	11,838	
8	-	4,165	1,459	-	5,632	10,211	(152)	10,059	
4	-	2,113	-	-	2,117	5,180	30	5,210	
5	-	2,392	609	-	3,006	5,865	(63)	5,802	
7	-	3,452	-	-	3,459	8,463	11	8,474	
9	-	4,787	781	-	5,577	11,736	(81)	11,655	
2	-	976	-	-	978	2,393	11	2,404	
1	-	376	-	-	377	922	101	1,023	
7	-	3,492	-	-	3,499	8,560	159	8,719	
15	-	7,662	-	-	7,677	18,784	38	18,822	
3	-	1,628	48	-	1,679	3,990	(5)	3,985	
8	-	4,252	707	-	4,967	10,424	(74)	10,350	
1,811	-	956,800	44,137	-	1,002,748	2,345,611	-	2,345,611	

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

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

June 30, 2017 and 2016

(1) Plan Description

The State of Alaska Teachers' Retirement System (System) Retiree Medical Plan (Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefits (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 self-insured Plan provides major medical coverage to eligible employees who participate in the System's Defined Contribution Retirement (DCR) Plan. Members are not eligible to use this Plan until they have at least 10 years of service, and are Medicare age eligible.

The medical benefits available to eligible persons means that an eligible person may not be denied medical coverage except for failure to pay the required premium. Major medical insurance coverage takes effect on the first day of the month following the date of the Plan administrator's approval of the election and stops when the person who elects coverage dies or fails to make the required premium payment. The coverage for persons 65 years of age or older is the same as that available for persons under 65 years of age. The benefits payable to those persons 65 years of age or older supplement any benefits provided under the federal old age, survivors and disability insurance program. The medical and optional insurance premiums owed by the person who elects coverage may be deducted from the health reimbursement arrangement until the balance becomes insufficient to pay the premiums, at which point the person who elects coverage shall pay the premiums directly.

The cost of premiums for retiree major medical insurance coverage for an eligible member or surviving spouse who is:

- (1) not eligible for Medicare is an amount equal to the full monthly group premium for retiree major medical insurance coverage,
- (2) eligible for Medicare is the following percentage of the premium amounts established for retirees who are eligible for Medicare:
 - (a) 30 percent if the member had 10 or more, but less than 15, years of service;
 - (b) 25 percent if the member had 15 or more, but less than 20, years of service;
 - (c) 20 percent if the member had 20 or more, but less than 25, years of service;
 - (d) 15 percent if the member had 25 or more, but less than 30, years of service; and
 - (e) 10 percent if the member had 30 or more years of service.

(2) Basis of Presentation

The schedules of employer allocations and the schedules of OPEB amounts by employer (collectively, 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

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

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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. The employer allocation percentages presented in the schedules of employer allocations and applied to amounts presented in the schedules of OPEB amounts by employer are based on the ratio of contributions made for each employer to total contributions made to the Plan during the years ended June 30, 2017 and 2016, respectively. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedules of OPEB amounts by employer may result in immaterial differences.

(4) Contributions

Employer contribution rates are actuarially determined and adopted by the Alaska Retirement Management Board (Board). The 2017 employer effective contribution rate is 1.05% of member's compensation.

(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:

	<u>2017</u>	<u>2016</u>
Total OPEB liability	\$ 26,108,000	21,476,000
Plan fiduciary net position	<u>30,848,000</u>	<u>24,079,000</u>
Net OPEB asset	<u>\$ (4,740,000)</u>	<u>(2,603,000)</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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forward to June 30, 2016. The 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%

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.

Participation rates reflect the expected plan election rate that varies by reason for decrement, duration that a member may pay full cost prior to Medicare eligibility and availability of alternative and/or lower cost options, particularly in the Medicare market. This assumption is based on observed trends in participation from a range of other plans. The following participation rates were used to measure the collective net OPEB liability of the Plan as of both June 30, 2017 and 2016:

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Note to Schedules of Employer Allocations and
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<u>Decrement Due to Disability</u>		<u>Decrement Due to Retirement</u>	
<u>Age</u>	<u>Percent Participation</u>	<u>Age</u>	<u>Percent Participation</u>
<56	73.00%	55	40.00%
56	77.50	56	50.00
57	79.75	57	55.00
58	82.00	58	60.00
59	84.25	59	65.00
60	86.50	60	70.00
61	88.75	61	75.00
62	91.00	62	80.00
63	93.25	63	85.00
64	95.50	64	90.00
65+	94.40	65+	<u>Years of Service</u>
			<15
			15-19
			20-24
			25-29
			30+
			70.50%
			75.20
			79.90
			89.30
			94.00

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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2016 are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset class	Long-term expected real rate of return	
	2017	2016
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 OPEB 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.

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Sensitivity of the Collective Net OPEB Asset 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:

	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
2017 \$	2,032,000	(4,740,000)	(9,885,000)
2016 \$	3,111,441	(2,603,000)	(6,928,061)

Sensitivity of the Collective Net OPEB 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, 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:

	1% Decrease	Current healthcare cost trend rate	1% Increase
2017 \$	(10,911,000)	(4,740,000)	3,796,000
2016 \$	(7,658,109)	(2,603,000)	4,380,809

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(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:

	Year of Deferral	Amortization Period	Beginning of year balance	Additions	Deductions	End of year balance
Deferred Inflows of Resources:						
Difference between expected and actual experience	2017	10.6 years	\$ —	2,000	189	1,811
Difference between projected and actual earnings on OPEB plan investments	2017	5 years	—	1,196,000	239,200	956,800
Total Deferred Inflows of Resources			\$ —	1,198,000	239,389	958,611

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

2018	\$ (239,389)
2019	(239,389)
2020	(239,389)
2021	(239,389)
2022	(189)
Thereafter	(866)
Total	<u>\$ (958,611)</u>

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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	\$	2,703,000
Interest on total OPEB liability		1,934,000
Administrative expense		12,000
Expected investment return net of investment expenses		(2,064,000)
Recognition (amortization) of deferred outflows/inflows of resources:		
Difference between projected and actual investment earnings on OPEB plan investments		(239,200)
Difference between expected and actual experience		<u>(189)</u>
Total OPEB expense	\$	<u><u>2,345,611</u></u>