



**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, 2018

(With Independent Auditors' Report Thereon)

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

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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 schedule of employer and nonemployer allocations of the State of Alaska Teachers' Retirement System Alaska Retiree Healthcare Trust (the Plan) as of June 30, 2018, 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 schedule of OPEB amounts by employer and nonemployer of the Plan as of and for the year ended June 30, 2018, 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 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, 2018, 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, 2018, and our report thereon, dated November 21, 2018, 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
April 26, 2019

**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, 2018

<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	\$ 123,525,000	13.85521 %
Cordova City School District	704	1,041,000	0.11676
Craig City School District	705	1,155,000	0.12955
Fairbanks North Star Borough School District	706	34,524,000	3.87239
Haines Borough School District	707	787,000	0.08827
Hoonah City School District	708	287,000	0.03219
Hydaburg City School District	709	305,000	0.03421
Juneau Borough School District	710	13,107,000	1.47015
Kake City School District	712	348,000	0.03903
Ketchikan Gateway Borough School District	714	6,821,000	0.76508
Klawock City School District	717	601,000	0.06741
Kodiak Island Borough School District	718	7,053,000	0.79110
Nenana City School District	719	1,032,000	0.11575
Nome City School District	720	1,896,000	0.21267
Matanuska-Susitna Borough School District	722	45,996,000	5.15915
Pelican City School District	723	31,000	0.00348
Petersburg City School District	724	1,519,000	0.17038
Sitka Borough School District	727	4,134,000	0.46369
Skagway City School District	728	422,000	0.04733
Unalaska City School District	729	1,200,000	0.13460
Valdez City School District	730	2,432,000	0.27279
Wrangell Public School District	731	812,000	0.09108
Yakutat School District	732	236,000	0.02647
University of Alaska	733	14,897,000	1.67093
Galena City School District	735	2,709,000	0.30386
North Slope Borough School District	736	6,871,000	0.77069
State of Alaska	737	5,963,000	0.66884
Bristol Bay Borough School District	742	306,000	0.03432
Southeast Regional Resource Center	743	315,000	0.03533
Dillingham City School District	744	1,491,000	0.16724
Kenai Peninsula Borough School District	746	23,262,000	2.60919
Saint Mary's School District	748	618,000	0.06932
Northwest Arctic Borough School District	751	6,703,000	0.75184
Bering Strait School District	752	7,900,000	0.88611
Lower Yukon School District	753	6,273,000	0.70361
Lower Kuskokwim School District	754	12,961,000	1.45377
Kuspuk School District	755	1,257,000	0.14099

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
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Schedule of Employer and Nonemployer Allocations

As of and for the year ended June 30, 2018

<u>Employer / nonemployer</u>	<u>Employer/ nonemployer number</u>	<u>Present value of projected future contributions</u>	<u>Allocation percentage</u>
Southwest Region School District	756	\$ 2,506,000	0.28109
Lake And Peninsula Borough School District	757	1,799,000	0.20179
Aleutian Region School District	758	160,000	0.01795
Pribilof School District	759	277,000	0.03107
Iditarod Area School District	761	696,000	0.07807
Yukon/Koyukuk School District	762	2,103,000	0.23588
Yukon Flats School District	763	999,000	0.11205
Denali Borough School District	764	1,104,000	0.12383
Delta/Greely School District	765	1,926,000	0.21603
Alaska Gateway School District	766	1,255,000	0.14077
Copper River School District	767	783,000	0.08783
Chatham School District	768	567,000	0.06360
Southeast Island School District	769	804,000	0.09018
Annette Island School District	770	975,000	0.10936
Chugach School District	771	654,000	0.07336
Tanana School District	775	135,000	0.01514
Kashunamiut School District	777	845,000	0.09478
Yupit School District	778	1,459,000	0.16365
Special Education Service Agency	779	410,000	0.04599
Aleutians East Borough School District	780	1,055,000	0.11833
Total present value of projected future employer contributions		361,302,000	40.52553
Total nonemployer: State of Alaska	999	530,240,000	59.47447
Total for all entities		\$ 891,542,000	100.00000 %

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, 2018

Employer/nonemployer	Employer/ nonemployer number	Net OPEB liability	Change of assumptions	Deferred outflows of resources	
				Changes in proportion and difference between employer contributions and proportionate share of contributions	Total deferred outflows of resources
Employer:					
Anchorage School District	701	\$ 43,081,246	12,387,387	4,538,298	16,925,685
Cordova City School District	704	363,065	104,394	70,424	174,818
Craig City School District	705	402,824	115,826	62,882	178,708
Fairbanks North Star Borough School District	706	12,040,777	3,462,151	1,296,574	4,758,725
Haines Borough School District	707	274,478	78,922	23,480	102,402
Hoonah City School District	708	100,096	28,781	3,126	31,907
Hydaburg City School District	709	106,373	30,586	16,947	47,533
Juneau Borough School District	710	4,571,268	1,314,402	433,155	1,747,557
Kake City School District	712	121,370	34,898	—	34,898
Ketchikan Gateway Borough School District	714	2,378,929	684,026	272,020	956,046
Klawock City School District	717	209,608	60,270	29,679	89,949
Kodiak Island Borough School District	718	2,459,842	707,292	322,552	1,029,844
Nenana City School District	719	359,926	103,491	46,073	149,564
Nome City School District	720	661,259	190,135	38,900	229,035
Matanuska-Susitna Borough School District	722	16,041,813	4,612,591	1,743,028	6,355,619
Pelican City School District	723	10,812	3,109	347	3,456
Petersburg City School District	724	529,775	152,329	69,345	221,674
Sitka Borough School District	727	1,441,796	414,568	153,097	567,665
Skagway City School District	728	147,179	42,319	11,971	54,290
Unalaska City School District	729	418,518	120,339	32,801	153,140
Valdez City School District	730	848,197	243,887	134,170	378,057
Wrangell Public School District	731	283,198	81,429	17,029	98,458
Yakutat School District	732	82,309	23,667	4,652	28,319
University of Alaska	733	5,195,558	1,493,907	499,615	1,993,522
Galena City School District	735	944,805	271,665	128,955	400,620
North Slope Borough School District	736	2,396,367	689,041	279,127	968,168
State of Alaska	737	2,079,690	597,985	11,348	609,333
Bristol Bay Borough School District	742	106,722	30,686	10,759	41,445
Southeast Regional Resource Center	743	109,861	31,589	5,497	37,086
Dillingham City School District	744	520,009	149,521	14,424	163,945
Kenai Peninsula Borough School District	746	8,112,981	2,332,770	866,765	3,199,535
Saint Mary's School District	748	215,537	61,975	39,331	101,306
Northwest Arctic Borough School District	751	2,337,774	672,193	219,136	891,329
Bering Strait School District	752	2,755,247	792,231	328,957	1,121,188
Lower Yukon School District	753	2,187,805	629,072	269,828	898,900
Lower Kuskokwim School District	754	4,520,348	1,299,761	452,314	1,752,075
Kuspuk School District	755	438,398	126,055	14,333	140,388
Southwest Region School District	756	874,006	251,308	149,830	401,138
Lake And Peninsula Borough School District	757	627,429	180,408	80,625	261,033
Aleutian Region School District	758	55,802	16,045	5,207	21,252
Pribilof School District	759	96,608	27,778	16,228	44,006
Iditarod Area School District	761	242,741	69,797	26,940	96,737
Yukon/Koyukuk School District	762	733,454	210,894	86,841	297,735
Yukon Flats School District	763	348,417	100,182	44,015	144,197
Denali Borough School District	764	385,037	110,712	48,741	159,453
Delta/Greely School District	765	671,722	193,144	67,574	260,718
Alaska Gateway School District	766	437,701	125,854	55,476	181,330
Copper River School District	767	273,083	78,521	4,818	83,339
Chatham School District	768	197,750	56,860	3,737	60,597
Southeast Island School District	769	280,407	80,627	31,293	111,920
Annette Island School District	770	340,046	97,775	15,768	113,543
Chugach School District	771	228,093	65,585	22,297	87,882
Tanana School District	775	47,083	13,538	1,289	14,827
Kashunamiut School District	777	294,707	84,739	12,577	97,316
Yupit School District	778	508,849	146,312	98,791	245,103
Special Education Service Agency	779	142,994	41,116	12,006	53,122
Aleutians East Borough School District	780	367,947	105,798	33,432	139,230
Total attributable to employer contributions		126,009,636	36,232,243	13,278,424	49,510,667
Nonemployer:					
State of Alaska	999	184,929,364	53,173,757	2,194,589	55,368,346
Total for all entities		310,939,000	89,406,000	15,473,013	104,879,013

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

**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, 2018

Deferred inflows of resources				OPEB expense		
Difference between expected and actual experience	Net difference between projected and actual investment earnings on OPEB plan investments	Changes in proportion and differences between employer contributions and proportionate share of contributions	Total deferred inflows of resources	Proportionate share of plan OPEB expense	Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	
					Proportionate share of plan OPEB expense	Total OPEB expense (benefit)
5,326,345	11,219,948	663,103	17,209,396	7,694,062	2,124,157	9,818,219
44,887	94,555	402	139,844	64,841	57,682	122,523
49,803	104,910	2,685	157,398	71,942	45,690	117,632
1,488,660	3,135,863	264,785	4,889,308	2,150,413	418,517	2,568,930
33,935	71,484	2,547	107,966	49,020	13,200	62,220
12,375	26,069	28,326	66,770	17,877	(15,790)	2,087
13,151	27,704	—	40,855	18,998	21,276	40,274
565,168	1,190,527	39,681	1,795,376	816,402	261,760	1,078,162
15,006	31,609	16,574	63,189	21,676	(15,680)	5,996
294,119	619,561	25,845	939,525	424,863	162,072	586,935
25,915	54,590	1,160	81,665	37,435	21,833	59,268
304,122	640,634	22,959	967,715	439,314	211,396	650,710
44,499	93,738	4,326	142,563	64,281	27,579	91,860
81,755	172,216	21,688	275,659	118,097	(21,804)	96,293
1,983,328	4,177,881	190,722	6,351,931	2,864,975	975,717	3,840,692
1,337	2,816	61	4,214	1,931	137	2,068
65,499	137,973	—	203,472	94,615	59,630	154,245
178,256	375,497	13,140	566,893	257,496	94,731	352,227
18,196	38,331	—	56,527	26,285	11,105	37,390
51,743	108,998	13,356	174,097	74,745	(6,056)	68,689
104,867	220,902	—	325,769	151,483	116,879	268,362
35,013	73,755	2,135	110,903	50,577	8,854	59,431
10,176	21,436	1,806	33,418	14,700	(639)	14,061
642,352	1,353,115	115,602	2,111,069	927,897	127,340	1,055,237
116,811	246,062	2,431	365,304	168,737	101,384	270,121
296,275	624,102	89,476	1,009,853	427,977	8,917	436,894
257,125	541,627	34,876	833,628	371,421	(77,739)	293,682
13,195	27,794	5,730	46,719	19,060	(5,359)	13,701
13,583	28,612	—	42,195	19,621	9,348	28,969
64,291	135,430	18,574	218,295	92,871	(34,414)	58,457
1,003,047	2,112,920	195,417	3,311,384	1,448,931	233,762	1,682,693
26,648	56,134	—	82,782	38,494	35,744	74,238
289,030	608,843	45,944	943,817	417,513	67,753	485,266
340,645	717,568	28,006	1,086,219	492,071	204,116	696,187
270,489	569,785	81,596	921,870	390,729	20,866	411,595
558,873	1,177,266	55,381	1,791,520	807,308	238,476	1,045,784
54,201	114,175	17,165	185,541	78,295	(30,969)	47,326
108,058	227,623	23,745	359,426	156,092	65,494	221,586
77,572	163,406	21,543	262,521	112,055	13,331	125,386
6,899	14,533	264	21,696	9,966	3,680	13,646
11,944	25,160	1,273	38,377	17,254	10,341	27,595
30,011	63,219	29,950	123,180	43,352	(52,424)	(9,072)
90,680	191,018	35,664	317,362	130,991	(16,792)	114,199
43,076	90,741	12,825	146,642	62,225	4,616	66,841
47,604	100,278	—	147,882	68,765	46,304	115,069
83,048	174,941	6,958	264,947	119,966	38,916	158,882
54,115	113,993	14,544	182,652	78,171	9,869	88,040
33,763	71,121	11,052	115,936	48,771	(23,616)	25,155
24,449	51,501	942	76,892	35,317	759	36,076
34,668	73,028	14,020	121,716	50,079	(8,973)	41,106
42,042	88,561	23,335	153,938	60,730	(45,197)	15,533
28,200	59,404	1,307	88,911	40,736	15,315	56,051
5,821	12,262	9,333	27,416	8,409	(4,555)	3,854
36,436	76,753	8,434	121,623	52,633	(10,604)	42,029
62,911	132,523	38,190	233,624	90,877	(13,148)	77,729
17,679	37,241	4,201	59,121	25,538	(498)	25,040
45,491	95,827	6,206	147,524	65,713	12,345	78,058
15,579,187	32,817,563	2,269,285	50,666,035	22,504,593	5,516,634	28,021,227
22,863,722	48,162,437	13,203,728	84,229,887	33,027,316	(5,516,634)	27,510,682
38,442,909	80,980,000	15,473,013	134,895,922	55,531,909	—	55,531,909

**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, 2018

(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 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 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, 2018

(4) Contributions

Employer contributions are actuarially determined and adopted by the Alaska Retirement Management Board (the Board). Employer contributions were 4.16% of annual payroll for the year ended June 30, 2018.

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

(a) 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, 2018:

Total OPEB liability	\$ 3,181,074,000
Plan fiduciary net position	<u>(2,870,135,000)</u>
Net OPEB liability	<u>\$ 310,939,000</u>

The total OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. These actuarial valuations used the following actuarial assumptions as of June 30, 2018 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 postretirement healthcare plan investment expenses. This is based on average inflation rate of 3.12% and a real rate of return of 4.88%.
Trend rates	Pre-65 medical: 8.0% grading down to 4.0% Post-65 medical: 5.5% grading down to 4.0% Prescription drugs: 9.0% grading down to 4.0% Retiree Drug Subsidy/Employer Group Waiver Plan: 6.5% grading down to 4.0%

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
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Notes to Schedule of Employer and Nonemployer Allocations and
Schedule of OPEB Amounts by Employer and Nonemployer

June 30, 2018

Mortality Posttermination mortality rates were based on 94% of the male rates and 97% of the 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 pretermination mortality were 68% of the male rates and 60% of the female rates of the posttermination mortality rates.

Participation 100% system paid 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 elect the healthcare benefits as soon as they are eligible.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013. The assumptions used in the June 30, 2017 actuarial valuation are the same as those used in the June 30, 2016 valuation with the following exceptions:

1. The medical trend rate assumption was updated to reflect anticipated increases in costs based on recent survey data.
2. An obligation for the Cadillac Tax was added to the June 30, 2017 valuation because it was no longer deemed immaterial due to the updated trend rates and the change to use chained CPI (which was part of the Tax Cut and Jobs Act passed in December 2017) to project the tax thresholds in future years.

(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 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

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Notes to Schedule of Employer and Nonemployer Allocations and
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June 30, 2018

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
Domestic equity	8.90 %
Global ex-U.S. equity	7.85
Fixed income	1.25
Opportunistic	4.76
Real assets	6.20
Absolute return	4.76
Private equity	12.08
Cash equivalents	0.66

(c) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018 was 8.00%. 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.

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

The following presents the collective net OPEB liability of the Plan as of June 30, 2018, 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%)
\$ 738,084,000	310,939,000	(41,644,000)

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(e) 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, 2018, 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>
\$	(84,699,000)	310,939,000	793,808,000

(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, 2018:

	<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	\$ —	163,911,000	74,505,000	89,406,000
Total deferred outflows of resources			\$ —	163,911,000	74,505,000	89,406,000
Deferred inflows of resources:						
Difference between expected and actual experience	2017 2018	2.4 years 2.2 years	\$ 23,842,000 —	— 57,990,000	17,030,000 26,359,091	6,812,000 31,630,909
			23,842,000	57,990,000	43,389,091	38,442,909
Difference between projected and actual earnings on OPEB plan investments	2017 2018	5 years 5 years	98,848,000 —	— 8,555,000	24,712,000 1,711,000	74,136,000 6,844,000
			98,848,000	8,555,000	26,423,000	80,980,000
Total deferred inflows of resources			\$ 122,690,000	66,545,000	69,812,091	119,422,909

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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:		
2019	\$	14,910,909
2020		(16,793,818)
2021		(26,423,000)
2022		<u>(1,711,000)</u>
Total	\$	<u><u>(30,016,909)</u></u>

(7) Collective OPEB Expense

The components of the collective OPEB expense for the year ending June 30, 2018 are as follows:

Service cost		\$ 32,821,000
Interest on total OPEB liability		232,774,000
Administrative expense		1,527,000
Expected investment return net of investment expenses		(216,265,000)
Other		(18,000)
Recognition (amortization) of deferred outflows/inflows of resources:		
Difference between projected and actual investment earnings on OPEB plan investments		(26,423,000)
Difference between expected and actual experience		(43,389,091)
Changes in assumptions		<u>74,505,000</u>
Total OPEB expense	\$	<u><u>55,531,909</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, 2018

<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	\$ 184,330,000	34.76353 %
Cordova City School District	704	1,553,000	0.29289
Craig City School District	705	1,722,000	0.32476
Fairbanks North Star Borough School District	706	51,521,000	9.71654
Haines Borough School District	707	1,174,000	0.22141
Hoonah City School District	708	429,000	0.08091
Hydaburg City School District	709	450,000	0.08487
Juneau Borough School District	710	19,558,000	3.68852
Kake City School District	712	518,000	0.09769
Ketchikan Gateway Borough School District	714	10,179,000	1.91970
Klawock City School District	717	900,000	0.16973
Kodiak Island Borough School District	718	10,522,000	1.98438
Nenana City School District	719	1,538,000	0.29006
Nome City School District	720	2,827,000	0.53315
Matanuska-Susitna Borough School District	722	68,638,000	12.94470
PELICAN CITY School District	723	47,000	0.00886
Petersburg City School District	724	2,265,000	0.42717
Sitka Borough School District	727	6,170,000	1.16362
Skagway City School District	728	627,000	0.11825
Unalaska City School District	729	1,790,000	0.33758
Valdez City School District	730	3,631,000	0.68478
Wrangell Public School District	731	1,211,000	0.22839
Yakutat School District	732	353,000	0.06657
University of Alaska	733	22,235,000	4.19338
Galena City School District	735	4,041,000	0.76211
North Slope Borough School District	736	10,250,000	1.93309
Bristol Bay Borough School District	742	452,000	0.08524
Southeast Regional Resource Center	743	471,000	0.08883
Dillingham City School District	744	2,224,000	0.41943
Kenai Peninsula Borough School District	746	34,712,000	6.54647
Saint Mary's School District	748	922,000	0.17388
Northwest Arctic Borough School District	751	10,003,000	1.88650
Bering Strait School District	752	11,785,000	2.22258
Lower Yukon School District	753	9,366,000	1.76637
Lower Kuskokwim School District	754	19,343,000	3.64797
Kuspuk School District	755	1,875,000	0.35361
Southwest Region School District	756	3,739,000	0.70515
Lake And Peninsula Borough School District	757	2,685,000	0.50637
Aleutian Region School District	758	241,000	0.04545

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

As of and for the year ended June 30, 2018

Employer	Employer number	Present value of projected future State contributions	Employer proportionate share
Pribilof School District	759	\$ 416,000	0.07846
Iditarod Area School District	761	1,032,000	0.19463
Yukon/Koyukuk School District	762	3,141,000	0.59237
Yukon Flats School District	763	1,491,000	0.28119
Denali Borough School District	764	1,648,000	0.31080
Delta/Greely School District	765	2,873,000	0.54183
Alaska Gateway School District	766	1,871,000	0.35286
Copper River School District	767	1,171,000	0.22084
Chatham School District	768	847,000	0.15974
Southeast Island School District	769	1,199,000	0.22612
Annette Island School District	770	1,450,000	0.27346
Chugach School District	771	976,000	0.18407
Tanana School District	775	202,000	0.03810
Kashunamiut School District	777	1,262,000	0.23801
Yupiiit School District	778	2,178,000	0.41076
Special Education Service Agency	779	608,000	0.11467
Aleutians East Borough School District	780	1,578,000	0.29760
		<u>\$ 530,240,000</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, 2018

<u>Employer</u>	<u>Employer number</u>	<u>State proportionate share of net OPEB liability attributable to employer</u>	<u>Employer OPEB expense and related revenue attributable to special funding situation</u>
Anchorage School District	701	\$ 64,287,926	\$ 11,481,449
Cordova City School District	704	541,633	96,732
Craig City School District	705	600,574	107,259
Fairbanks North Star Borough School District	706	17,968,742	3,209,114
Haines Borough School District	707	409,451	73,126
Hoonah City School District	708	149,620	26,721
Hydaburg City School District	709	156,944	28,029
Juneau Borough School District	710	6,821,154	1,218,219
Kake City School District	712	180,660	32,265
Ketchikan Gateway Borough School District	714	3,550,083	634,024
Klawock City School District	717	313,889	56,059
Kodiak Island Borough School District	718	3,669,710	655,389
Nenana City School District	719	536,401	95,798
Nome City School District	720	985,960	176,087
Matanuska-Susitna Borough School District	722	23,938,559	4,275,288
Pelican City School District	723	16,392	2,928
Petersburg City School District	724	789,954	141,081
Sitka Borough School District	727	2,151,883	384,314
Skagway City School District	728	218,676	39,054
Unalaska City School District	729	624,290	111,495
Valdez City School District	730	1,266,367	226,166
Wrangell Public School District	731	422,355	75,430
Yakutat School District	732	123,114	21,987
University of Alaska	733	7,754,799	1,384,962
Galena City School District	735	1,409,361	251,704
North Slope Borough School District	736	3,574,845	638,447
Bristol Bay Borough School District	742	157,642	28,154
Southeast Regional Resource Center	743	164,269	29,337
Dillingham City School District	744	775,654	138,527
Kenai Peninsula Borough School District	746	12,106,344	2,162,123
Saint Mary's School District	748	321,562	57,429
Northwest Arctic Borough School District	751	3,488,700	623,062
Bering Strait School District	752	4,110,200	734,058
Lower Yukon School District	753	3,266,537	583,385
Lower Kuskokwim School District	754	6,746,169	1,204,827

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ALASKA RETIREE HEALTHCARE TRUST**

Supplemental Schedule of Special Funding Amounts by Employer (Unaudited)

As of and for the year ended June 30, 2018

Employer	Employer number	State proportionate share of net OPEB liability attributable to employer	Employer OPEB expense and related revenue attributable to special funding situation
Kuspuk School District	755	\$ 653,935	\$ 116,789
Southwest Region School District	756	1,304,034	232,893
Lake And Peninsula Borough School District	757	936,435	167,242
Aleutian Region School District	758	84,052	15,011
Pribilof School District	759	145,086	25,912
Iditarod Area School District	761	359,926	64,281
Yukon/Koyukuk School District	762	1,095,472	195,645
Yukon Flats School District	763	520,009	92,871
Denali Borough School District	764	574,765	102,650
Delta/Greely School District	765	1,002,003	178,952
Alaska Gateway School District	766	652,540	116,540
Copper River School District	767	408,404	72,939
Chatham School District	768	295,404	52,757
Southeast Island School District	769	418,170	74,683
Annette Island School District	770	505,710	90,317
Chugach School District	771	340,395	60,793
Tanana School District	775	70,451	12,582
Kashunamiut School District	777	440,142	78,607
Yupit School District	778	759,611	135,662
Special Education Service Agency	779	212,049	37,871
Aleutians East Borough School District	780	550,352	98,290
Total for all employers		\$ <u>184,929,364</u>	<u>33,027,316</u>

See accompanying independent auditors' report

**STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM
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Supplemental Schedule of Employer and Nonemployer Contributions (Unaudited)

For the year ended June 30, 2018

<u>Employer / nonemployer</u>	<u>Employer number</u>	<u>Actual employer contributions</u>	<u>Retiree drug subsidy allocation*</u>	<u>Total actual contributions</u>
Employers:				
Anchorage SD	701	\$ 6,911,105	678,057	7,589,162
Cordova City SD	704	63,556	6,236	69,792
Craig City SD	705	65,418	6,418	71,836
Fairbanks North Star Borough SD	706	1,983,461	194,600	2,178,061
Haines Borough SD	707	29,130	2,858	31,988
Hoonah City SD	708	10,318	1,012	11,330
Hydaburg City SD	709	18,347	1,800	20,147
Juneau Borough SD	710	760,617	74,625	835,242
Kake City SD	712	16,112	1,581	17,693
Ketchikan Gateway Borough SD	714	377,001	36,988	413,989
Klawock City SD	717	34,989	3,433	38,422
Kodiak Island Borough SD	718	329,942	32,371	362,313
Nenana City SD	719	63,677	6,247	69,924
Nome City SD	720	95,188	9,339	104,527
Matanuska-Susitna Borough SD	722	2,563,074	251,466	2,814,540
Pelican City SD	723	407	40	447
Petersburg City SD	724	123,829	12,149	135,978
Sitka Borough SD	727	251,550	24,680	276,230
Skagway City SD	728	20,711	2,032	22,743
Unalaska City SD	729	61,988	6,082	68,070
Valdez City SD	730	150,425	14,758	165,183
Wrangell Public SD	731	44,156	4,332	48,488
Yakutat SD	732	11,987	1,176	13,163
University of Alaska	733	976,535	95,809	1,072,344
Galena City SD	735	153,967	15,106	169,073
North Slope Borough SD	736	289,639	28,417	318,056
State of Alaska (Employer and Nonemployer)	737	152,853	14,997	167,850
Bristol Bay Borough SD	742	15,188	1,490	16,678
Southeast Regional Resource Center	743	11,225	1,101	12,326
Dillingham City SD	744	60,924	5,977	66,901
Kenai Peninsula Borough SD	746	1,267,282	124,335	1,391,617
Saint Mary's SD	748	34,528	3,388	37,916
Northwest Arctic Borough SD	751	290,622	28,513	319,135
Bering Strait SD	752	277,304	27,207	304,511
Lower Yukon SD	753	257,995	25,312	283,307
Lower Kuskokwim SD	754	575,855	56,498	632,353
Kuspuk SD	755	58,353	5,725	64,078
Southwest Region SD	756	87,048	8,540	95,588
Lake and Peninsula Borough SD	757	65,856	6,461	72,317
Aleutian Region SD	758	6,159	604	6,763
Pribilof SD	759	8,332	817	9,149
Iditarod Area SD	761	29,544	2,899	32,443
Yukon / Koyukuk SD	762	106,830	10,481	117,311
Yukon Flats SD	763	45,719	4,486	50,205
Denali Borough SD	764	59,625	5,850	65,475
Delta/greely SD	765	98,248	9,639	107,887
Alaska Gateway SD	766	63,543	6,234	69,777
Copper River SD	767	38,483	3,776	42,259
Chatham SD	768	23,646	2,320	25,966
Southeast Island SD	769	30,659	3,008	33,667
Annette Island SD	770	31,787	3,119	34,906
Chugach SD	771	44,470	4,363	48,833
Tanana SD	775	4,971	488	5,459
Kashunamiut SD	777	33,957	3,332	37,289

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Supplemental Schedule of Employer and Nonemployer Contributions (Unaudited)

For the year ended June 30, 2018

<u>Employer / nonemployer</u>	<u>Employer number</u>	<u>Actual employer contributions</u>	<u>Retiree drug subsidy allocation*</u>	<u>Total actual contributions</u>
Yupit SD	778	\$ 51,943	5,096	57,039
Special Education Service Agency	779	16,159	1,585	17,744
Aleutians East Borough SD	780	48,386	4,747	53,133
Total employer contributions		19,304,623	1,894,000	21,198,623
Nonemployer:				
State of Alaska	999	—	—	—
		<u>\$ 19,304,623</u>	<u>1,894,000</u>	<u>21,198,623</u>

* The RDS subsidy is allocated in proportion to actual contributions

See accompanying independent auditors' report