



STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Management's Discussion and Analysis (Unaudited)	3–8
Statements of Fiduciary Net Position	9
Statements of Changes in Fiduciary Net Position	10
Notes to Financial Statements	11–17
Supplemental Schedules	
Schedule 1 – Schedules of Administrative and Investment Deductions	18
Schedule 2 – Schedules of Payments to Consultants Other Than Investment Advisors	19



KPMG LLP
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Anchorage, AK 99503

Independent Auditors' Report

The Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Deferred Compensation Plan:

Opinion

We have audited the financial statements of the State of Alaska Deferred Compensation Plan (the Plan), a component unit of the State of Alaska, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2024 and 2023, and the changes in fiduciary net position for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Anchorage, Alaska
October 15, 2024

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2024 and 2023

This section presents management's discussion and analysis (MD&A) of the State of Alaska Deferred Compensation Plan's (the Plan) financial position and performance for the fiscal years ended June 30, 2024 and 2023. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements and notes to financial statements to better understand the financial condition and performance of the Plan. Information for fiscal year 2022 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2024 were as follows:

- The Plan's fiduciary net position increased by \$88.7 million.
- The Plan's members and employer contributions and transfers in increased by \$1.1 million to \$50.8 million during fiscal year 2024 compared to fiscal year 2023.
- The Plan earned net investment income of \$149.5 million during fiscal year 2024, an increase of \$38.2 million compared to fiscal year 2023.
- The Plan's benefits paid to participants and purchases of annuity contracts totaled \$109.9 million, an increase of \$26.5 million compared to fiscal year 2023.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The Plan's financial statements are composed of three components: (1) statements of fiduciary net position, (2) statements of changes in fiduciary net position, and (3) notes to financial statements.

Statements of fiduciary net position – This statement presents information regarding the Plan's assets, liabilities, and resulting net position restricted for participants and operations. This statement reflects the Plan's investments at fair value and contract value, along with cash and cash equivalents and receivables, less liabilities at June 30, 2024 and 2023.

Statements of changes in fiduciary net position – This statement presents how the Plan's net position restricted for participants and operations changed during the years ended June 30, 2024 and 2023. This statement presents contributions and net investment income during the period. Deductions for benefits paid to participants and purchases of annuity contracts and administrative expenses are also presented.

The above statements represent resources available for investment and payment of benefits and expenses as of June 30, 2024 and 2023, and the sources and uses of those funds during the years ended June 30, 2024 and 2023.

Notes to financial statements – The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules that are essential to a full understanding of the Plan's financial statements.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2024 and 2023

Condensed Financial Information (In thousands)

Description	Fiduciary net position				
	2024	2023	Increase (decrease)		2022
			Amount	Percentage	
Assets:					
Cash and cash equivalents	\$ 3,671	3,223	448	13.9 %	2,866
Due from State of Alaska General Fund	1,934	1,860	74	4.0	1,778
Investments	1,218,496	1,130,220	88,276	7.8	1,054,654
Total asset	1,224,101	1,135,303	88,798	7.8	1,059,298
Liabilities:					
Accrued expenses	137	79	58	73.4	190
Total liabilities	137	79	58	73.4	190
Fiduciary net position	\$ 1,223,964	1,135,224	88,740	7.8 %	1,059,108

Description	Changes in fiduciary net position				
	2024	2023	Increase (decrease)		2022
			Amount	Percentage	
Fiduciary net position, beginning of year	\$ 1,135,224	1,059,108	76,116	7.2%	\$ 1,223,745
Additions:					
Contributions and transfers in	50,813	49,715	1,098	2.2	50,994
Net investment income (loss)	149,481	111,284	38,197	34.3	(128,638)
Other income (expense)	167	217	(50)	(23.0)	(8)
Total additions (reductions)	200,461	161,216	39,245	24.3	(77,652)
Deductions:					
Benefits paid to participants and purchases of annuity contracts	109,935	83,397	26,538	31.8	85,203
Administrative	1,786	1,703	83	4.9	1,782
Total deductions	111,721	85,100	26,621	31.3	86,985
Net increase (decrease) in net position	88,740	76,116	12,624	16.6	(164,637)
Fiduciary net position, end of year	\$ 1,223,964	1,135,224	88,740	7.8%	\$ 1,059,108

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis (Unaudited)

June 30, 2024 and 2023

Financial Analysis of the Plan

The statement of fiduciary net position as of June 30, 2024 and 2023 show net fiduciary position of \$1,223,964,000 and \$1,135,224,000, respectively. The entire amount is available to pay benefits to participants and their beneficiaries as well as administrative costs. These amounts represent an increase in the Plan's net position restricted for participants and operations of \$88,740,000, or 7.8%, from fiscal year 2023 to fiscal year 2024, and an increase of \$76,116,000, or 7.2%, from fiscal year 2022 to fiscal year 2023.

Contributions and Investment Income

Additions to the Plan are accumulated through a combination of participant contributions, plan transfers in, net investment income (loss), and other additions as follows:

	Additions (In thousands)				
	2024	2023	Increase (decrease)		2022
			Amount	Percentage	
Participant contributions	\$ 50,126	48,249	1,877	3.9%	\$ 49,665
Employer contributions	239	238	1	0.4	219
Transfers in	448	1,228	(780)	(63.5)	1,110
Total plan participant and employer contributions	50,813	49,715	1,098	2.2	50,994
Net investment income (loss)	149,481	111,284	38,197	34.3	(128,638)
Other income (expense)	167	217	(50)	(23.0)	(8)
Total	<u>\$ 200,461</u>	<u>161,216</u>	<u>39,245</u>	<u>24.3%</u>	<u>\$ (77,652)</u>

The Plan's participant contributions increased from \$48,249,000 in fiscal year 2023 to \$50,126,000 in fiscal year 2024, an increase of \$1,877,000 or 3.9%. The Plan's participant contributions decreased from \$49,665,000 in fiscal year 2022 to \$48,249,000 in fiscal year 2023, a decrease of \$1,416,000 or 2.9%. Fiscal year 2024 saw an increase in the average contribution size, while fiscal year 2023 saw a decrease in the average contribution size. The Plan is an optional participation plan with a minimum contribution of \$50 per month.

Beginning in fiscal year 2022, participating employers could offer an employer matching contribution. There is one participating employer which offered an employer matching contribution to its members.

The Plan's net investment income increased from \$111,284,000 in fiscal year 2023 to \$149,481,000 in fiscal year 2024, an increase of \$38,197,000 or 34.3% from amounts recorded in fiscal year 2023. The Plan's net investment income increased from a loss of \$128,638,000 in fiscal year 2022 to \$111,284,000 in fiscal year 2023, an increase of \$239,922,000 or 186.5% from amounts recorded in fiscal year 2022. The increase relates to an overall better investment environment during fiscal year 2024 in the markets compared to fiscal year 2023 as shown by Plan investment rates of return in almost all investment classes.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2024 and 2023

The Plan's investment rates of return at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Alaska Balanced Trust	9.20 %	5.86 %
Alaska Long-Term Balanced Trust	13.15	10.13
Alaska Target Date Retirement 2010 Trust	9.64	6.24
Alaska Target Date Retirement 2015 Trust	10.44	7.12
Alaska Target Date Retirement 2020 Trust	11.52	8.49
Alaska Target Date Retirement 2025 Trust	12.98	10.25
Alaska Target Date Retirement 2030 Trust	14.33	11.68
Alaska Target Date Retirement 2035 Trust	15.60	13.07
Alaska Target Date Retirement 2040 Trust	16.72	14.21
Alaska Target Date Retirement 2045 Trust	17.59	15.09
Alaska Target Date Retirement 2050 Trust	18.17	15.52
Alaska Target Date Retirement 2055 Trust	18.17	15.52
Alaska Target Date Retirement 2060 Trust	18.17	15.52
Alaska Target Date Retirement 2065 Trust	18.15	15.52
BlackRock Strategic Completion Fund	4.92	(4.27)
Environmental, Social and Governance Fund	27.35	18.55
International Equity Fund	10.03	18.30
JP Morgan SmartRetirement Blend 2015 R6	—	6.64
JP Morgan SmartRetirement Blend 2020 R6	—	6.81
MassMutual Bond Fund	3.64	(0.25)
MassMutual Equity Fund	7.65	9.60
Passive U.S. Bond Index Fund	2.63	(0.93)
Russell 3000 Index Fund	23.21	19.01
S&P 500 Stock Index Fund	24.55	19.58
Stable Value Fund	2.50	2.12
State Street Institutional Treasury Money Market	5.38	3.60
U.S. Small Cap Trust	9.21	10.90
World Equity Ex-U.S. Index Fund	11.46	13.24

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2024 and 2023

Benefits and Other Deductions

The primary deductions from the Plan are the payment of benefits and purchases of annuity contracts. Benefit payments and administrative costs were as follows:

	Deductions (In thousands)				
	2024	2023	Increase		2022
			Amount	Percentage	
Benefits paid to participants and purchases of annuity contracts	\$ 109,935	83,397	26,538	31.8%	\$ 85,203
Administrative	1,786	1,703	83	4.9	1,782
Total	<u>\$ 111,721</u>	<u>85,100</u>	<u>26,621</u>	<u>31.3%</u>	<u>\$ 86,985</u>

The Plan's benefits paid to participants and refunds of contributions, including purchases of annuity contracts for fiscal year 2024 was \$109,935,000, an increase of \$26,538,000, or 31.8%, from fiscal year 2023, and was \$83,397,000, a decrease of \$1,806,000, or 2.1%, from fiscal year 2022 to fiscal year 2023. The increase in refunds of contributions in fiscal year 2024 is attributable to an increase in the number of members requesting disbursements from the Plan. The decrease in refunds of contributions in fiscal year 2023 is related to a reduction in the number of members requesting disbursements from the Plan.

The Plan had administrative expenses of \$1,786,000 in fiscal year 2024 compared to \$1,703,000 in fiscal year 2023, an increase of \$83,000, or 4.9%. The increase in administrative expenses in fiscal year 2024 is primarily to increased costs for management and consulting fees as well as an increase in system modernization project expenses. The Plan had administrative expenses of \$1,703,000 in fiscal year 2023 compared to \$1,782,000 in fiscal year 2022, a decrease of \$79,000, or 4.4%. The decrease in administrative expenses in fiscal year 2023 was primarily due to a decrease in system modernization project expenses.

Fiduciary Responsibilities

The Board and the Commissioner of Administration are co-fiduciaries of the Plan. The Plan's assets can only be used for the exclusive benefit of the Plan's participants, beneficiaries, and alternate payees.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis (Unaudited)
June 30, 2024 and 2023

Request for Information

This financial report is designed to provide a general overview for those parties interested in the Plan's finances. Questions concerning any of the information provided in this financial report or requests for additional information should be addressed to:

State of Alaska Deferred Compensation Plan
Division of Retirement and Benefits, Finance Section
P.O. Box 110203
Juneau, Alaska 99811-0203

Questions concerning any of the investment information provided in this report or requests for additional investment information should be addressed to:

State of Alaska
Division of Revenue, Treasury Division
P.O. Box 110405
Juneau, Alaska 99811-0405

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Statements of Fiduciary Net Position

June 30, 2024 and 2023

(In thousands)

	2024	2023
Assets:		
Cash and cash equivalents:		
Investment in State of Alaska General Fund and		
Other Nonsegregated Investments Pool	\$ 287	321
Money market fund – nonparticipant directed	3,384	2,902
Total cash and cash equivalents	3,671	3,223
Receivables:		
Due from State of Alaska General Fund	1,934	1,860
Total receivables	1,934	1,860
Investments:		
Participant directed at fair value:		
Collective investment funds	736,651	654,569
Pooled investment funds	315,657	281,878
Participant directed at contract value:		
Synthetic investment contracts	166,188	193,773
Total investments	1,218,496	1,130,220
Total assets	1,224,101	1,135,303
Liabilities:		
Accrued expenses	137	79
Total liabilities	137	79
Fiduciary net position	\$ 1,223,964	1,135,224

See accompanying notes to financial statements.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Statements of Changes in Fiduciary Net Position

Years ended June 30, 2024 and 2023

(In thousands)

	2024	2023
Additions:		
Contributions:		
Plan members	\$ 50,126	48,249
Employer	239	238
Transfers in	448	1,228
Total contributions	50,813	49,715
Investment income:		
Net appreciation in value of investments	149,362	112,280
Interest	1,212	743
Total investment income	150,574	113,023
Less investment expense	1,093	1,739
Net investment income	149,481	111,284
Other income	167	217
Total additions	200,461	161,216
Deductions:		
Benefits paid to participants and purchases of annuity contracts	109,935	83,397
Administrative	1,786	1,703
Total deductions	111,721	85,100
Net increase in fiduciary net position	88,740	76,116
Fiduciary net position:		
Balance, beginning of year	1,135,224	1,059,108
Balance, end of year	\$ 1,223,964	1,135,224

See accompanying notes to financial statements.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2024 and 2023

(1) Description

The following description of the State of Alaska Deferred Compensation Plan (the Plan), a defined contribution plan, is provided for general information purposes only. Participants should refer to the plan document for more complete information.

(a) General

The Plan was created by State of Alaska (the State) statutes issued May 31, 1974, and was most recently amended effective August 30, 2021. It is a deferred compensation plan under Section 457 of the Internal Revenue Code and is available to all permanent and long-term nonpermanent employees, elected officials of the State of Alaska, and members of State boards and commissions, as well as employees of participating local government employers and public organizations. Participating members in the Plan authorize their employer to reduce their current salary or compensation so that they can receive the amount deferred at a later date. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. All amounts deferred are held in a trust for the exclusive benefit of employees and beneficiaries. Additionally, Plan participants may also have their contributions directed as a Roth contribution. Those amounts are post-tax contributions and earnings on Roth contributions are not taxable when properly withdrawn from the Plan. There were 12,486 participants in the Plan as of June 30, 2024.

At June 30, 2024 and 2023, the number of participating local government employers and public organizations, including the State was as follows:

State of Alaska and Component Units	1
Municipalities	11
School districts	6
Other	8
	8
Total employers	26

The Division of Retirement and Benefits is responsible for plan administration and record keeping. The Alaska Retirement Management Board (the Board) is responsible for the specific investment of moneys in the Plan.

(b) Contributions

During the fiscal year ended June 30, 2024, plan participants are required to contribute a minimum of \$50 per month (\$600 per year). At June 30, 2024, the maximum amount that could be deferred in a calendar year was \$23,000 for participants under age 50 and \$30,500 for participants who are age 50 and greater. However, for each of the participant's last three calendar years ending prior to the employer's primary pension plan's normal retirement age, a "catch-up limitation" may apply, which allows larger contributions (up to \$46,000 in calendar year 2024). Participants vest automatically in their contributions and earnings on those contributions.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2024 and 2023

Employers participating in the Plan may offer and make matching contributions. Currently, there is one employer actively matching employee contributions.

(c) Participant Accounts

Participant accounts are self-directed with respect to investment options. Each participant designates how their contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

Record keeping/administrative fees, consisting of a fixed amount applied in a lump sum each calendar year and a variable amount applied monthly, are deducted from each participant's account, applied pro rata to all the funds in which the employee participates. This fee is for costs incurred by the contracted recordkeeper and by the State.

At June 30, 2024 and 2023, participants had the following investment options:

(i) Collective Investment Funds

BlackRock Strategic Completion Fund – This fund allocates its investments across a strategic mix of U.S. Treasury Inflation Protected Securities, real estate investment trusts, and commodities asset classes, with the objective of complementing a diversified portfolio of more traditional asset classes. The asset classes in which the fund invests tend to have some “real return” characteristics and therefore may also provide a means to manage the effects of inflation on a diversified portfolio of more traditional asset classes. The fund shall be invested and reinvested in common stocks and other forms of equity securities, depositary receipts, investment company shares, fixed-income securities and other debt obligations, asset-backed securities, mortgage-backed securities, securities issued by publicly traded real estate companies, futures contracts, forward contracts, swaps, options, and other structured investments. The fund employs a proprietary investment model that analyzes securities market data, including risk, correlation and expected return statistics, to recommend the portfolio allocation among the asset classes.

Environmental, Social and Governance Fund – This fund is managed to have returns, net of fees, over time, closely matching the MSCI UAS Environmental, Social, and Governance (ESG) Leaders Index. The fund invests in domestic large cap and mid-cap investments with high ESG rankings.

International Equity Fund – This fund is investing primarily in the equity securities of non-U.S. issuers. The fund is a multimanager fund comprising two investment managers of differing investment strategies, style, and long-term market correlation.

MassMutual Bond Fund – This fund invests in investment-grade corporate and government bonds and other debt securities. This investment option is only available to participants whose contributions were originally invested with the MassMutual Life Insurance Company and have since remained with MassMutual.

MassMutual Equity Fund – This fund invests in diversified common stocks of high-quality growth companies for long-term capital growth with income as a secondary consideration. This investment option is only available to participants whose contributions were originally invested with the

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2024 and 2023

MassMutual Life Insurance Company and have since remained with MassMutual Life Insurance Company.

Passive U.S. Bond Index Fund – This fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the underlying index, Bloomberg Barclays U.S. Aggregate Bond Index.

Russell 3000 Index Fund – This fund invests in one or more commingled funds managed by SSgA, which, in combination, are designed to replicate the returns and characteristics of the Russell 3000 Index. The fund measures the performance of the largest 3,000 U.S. companies representing approximately 98.0% of the investable U.S. equity market.

Standard & Poor's 500 Stock Index Fund – This fund offers diversified investment in the U.S. equity market and replicates the returns and characteristics of the Standard & Poor's (S&P) 500 Composite Stock Price Index.

State Street Institutional Treasury Money Market Fund – The Treasury Money Market Fund seeks a high level of current income consistent with preserving principal and liquidity and the maintenance of a stable \$1.00 per share net asset value (“NAV”). The money market investment is neither insured nor guaranteed by the U.S. Government.

U.S. Small Cap Trust – This fund provides long-term capital appreciation by investing primarily in the common stocks of small companies that appear undervalued or offer the potential for superior earnings growth.

World Equity Ex-U.S. Index Fund – This fund provides income and capital appreciation and to replicate the returns of the MSCI Index and provide broad-based, low-cost exposure to both the developed and emerging markets.

(ii) *Pooled Investment Funds*

The Board contracts with an external investment manager who is given authority to invest in a wholly-owned pooled environment to accommodate 14 participant-directed funds.

Alaska Balanced Trust – The purpose of this fund is to provide exposure to a diversified mix of stocks, bonds, and money market securities. The fund seeks to provide a mixture of income and modest capital appreciation.

Alaska Long-Term Balanced Trust – The purpose of this fund is to provide exposure to a diversified mix of stocks, bonds, and money market securities.

Alaska Target Date Retirement 2010–2065 Trusts – The purpose of these funds is to provide a diverse mix of stocks, bonds, and money market securities for long-term investors with a higher tolerance for risk. The trusts are allocated among a broad range of underlying T. Rowe Price stock and bond portfolios. The allocations for the trusts with a stated retirement date will change over time; these trusts emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2024 and 2023

approaches, and focus on supporting an income stream over a long-term postretirement withdrawal horizon.

JPMorgan SmartRetirement Blend 2015 and 2020 Funds – The purpose of these funds was to provide a professionally managed portfolio that strategically shifts asset allocations as the Fund approaches and passes the target retirement date for investors who plan to retire around the target retirement year and then withdraw their investment in the Fund throughout retirement. These two funds were closed on October 25, 2023 due to low level of assets invested in the 2015 Fund and the 2020 Fund was merged with a broader target date fund and was no longer a discrete retiree income solution.

(iii) Synthetic Investment Contracts

Stable Value Fund – This fund seeks to preserve principal and to offer a competitive rate of interest consistent with stability and safety of principal. The fund primarily holds cash reserves and synthetic investment contracts (SICs), issued by high-quality banks and insurance companies that allow for participant-directed withdrawals and transfers to principal plus accrued interest. SICs are supported by fixed income portfolios made up of high-quality fixed income assets owned by the Plan. SICs credit a rate of interest based on a formula that intends to smooth the long-term performance of the fixed income portfolios supporting SICs. The supporting fixed income portfolios are benchmarked to the Bloomberg Barclays U.S. Intermediate Aggregate Bond Index.

(d) Payment of Benefits

Participants are eligible to withdraw their account balance upon termination. Benefits are payable in the form of a lump sum, one of various annuities, or a periodic payment option, unless the participant elects to defer commencement of benefits. Inactive member account balances of less than \$1,000 are automatically paid in the form of a lump-sum distribution after notification to the member. The deferred benefit commencement date can be no later than April 1 of the year after the participant would have turned age 70½. Payment of benefits to a participant commences 60 days after termination or the deferred benefit commencement date, as applicable.

Participants may request a hardship withdrawal for an unforeseeable emergency, within the definition allowed by the Internal Revenue Code. Hardship withdrawals are disbursed as lump sums and must be approved by the plan administrator.

(e) Income Taxes

The Plan is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code.

(f) Termination, Partial Termination, or Complete Discontinuance of Contributions

Although the State has established the Plan with the bona fide intention and expectation that it will continue the Plan indefinitely, the State may, in its sole and absolute discretion, terminate the Plan in whole or in part at any time without liability whatsoever for such termination. If the Plan is terminated, the participants in the Plan will be deemed to have withdrawn from the Plan as of the date of such termination. Deferred compensation shall thereupon cease. Upon plan termination, each participant or beneficiary shall be given the opportunity to elect a benefit commencement date and form of payment.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2024 and 2023

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Plan's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. In preparing the financial statements, the plan administrator is required to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and additions and deductions for the reporting periods. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents are composed of ownership of pooled investments and money market funds. The money market fund consists of nonparticipant-directed funds used to pay administrative costs of the Plan.

(c) Contributions Receivable

Contributions applicable to wages earned from the State of Alaska or other participating employers through June 30 are accrued if received after June 30. These contributions are considered fully collectible, and accordingly, no allowance for doubtful accounts is considered necessary.

(d) Due from State of Alaska General Fund

Amounts due from the State of Alaska General Fund represent the amounts of contributions receivable, less administrative and investment expenses paid after June 30.

(e) Valuation of Collective Investment Funds

The Plan's investments in collective investment funds held in trust are stated at fair value based on the net asset value per unit, as reported by the third-party administrator (TPA), multiplied by the number of units held by the Plan. The net asset value per unit is determined by the TPA based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

(f) Valuation of Pooled Investment Funds

The Plan's ownership of pooled investment funds held in trust are stated at fair value based on the unit values, as reported by the trustees, multiplied by the number of units held by the Plan. The unit value is determined by the trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

(g) Valuation of Synthetic Investment Contracts

The Plan's investment in fully benefit-responsive SICs are stated at contract value.

(3) Investments

The Plan is primarily participant directed, which means that the Plan's participants decide in which options to invest. Of total plan fiduciary net position of \$1,223,964,000 at June 30, 2024, 99.6% or \$1,218,496,000 were specifically allocated to individual participant accounts.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2024 and 2023

Each participant designates how their contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions, adjusted for the appreciation or depreciation in unit value for the investment funds, and reduced for administrative fees.

The carrying values of participant-directed investments at June 30, 2024 and 2023 are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
S&P 500 Stock Index Fund	\$ 325,013	269,775
Stable Value Fund	166,188	193,773
U.S. Small Cap Trust	108,346	111,936
Alaska Long-Term Balanced Trust	97,648	93,847
Passive U.S. Bond Index Fund	69,811	68,794
Russell 3000 Index Fund	67,595	52,363
Alaska Balanced Trust	44,653	43,897
Environmental, Social and Governance Fund	43,239	38,508
International Equity Fund	39,963	39,942
World Equity Ex-U.S. Index Fund	35,518	26,973
Alaska Target Date Retirement 2025 Trust	29,262	28,642
Alaska Target Date Retirement 2030 Trust	26,187	19,772
State Street Institutional Treasury Money Market	25,607	21,740
Alaska Target Date Retirement 2020 Trust	22,418	20,575
Alaska Target Date Retirement 2040 Trust	20,718	14,613
Alaska Target Date Retirement 2035 Trust	20,563	16,723
BlackRock Strategic Completion Fund	19,226	22,124
Alaska Target Date Retirement 2045 Trust	15,572	11,616
Alaska Target Date Retirement 2050 Trust	14,012	10,464
Alaska Target Date Retirement 2055 Trust	10,140	7,857
Alaska Target Date Retirement 2015 Trust	7,666	8,321
Alaska Target Date Retirement 2060 Trust	2,787	2,012
Alaska Target Date Retirement 2010 Trust	2,728	2,432
MassMutual Equity Fund	2,321	2,401
Alaska Target Date Retirement 2065 Trust	1,303	892
MassMutual Bond Fund	12	13
JPMorgan SmartRetirement Blend 2020 R6	—	110
JPMorgan SmartRetirement Blend 2015 R6	—	105
Total	\$ <u>1,218,496</u>	<u>1,130,220</u>

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2024 and 2023

For additional information on synthetic investment contracts, interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Plans at:

<https://treasury.dor.alaska.gov/armb/reports-and-policies/annual-audited-financial-schedules>.

(4) Risk and Uncertainty

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net position.

The Plan may invest in pooled separate accounts that include securities with contractual cash flows, which may include asset-backed securities, collateralized mortgage obligations, and commercial mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

(5) Subsequent Event

During Board and committee meetings in fiscal years 2023 and 2024, the Board performed an analysis of the managed account program and recommended that this program be discontinued due to the combined effects of its asset allocation, higher fees, and low participant engagement. The Board closed the managed account program to new participants effective November 2023. In June 2024 the Board voted to terminate the managed account program for existing participants effective November 15, 2024. the Plan is complying with the closure request and has worked with the record keeper to close the managed account program effective November 15, 2024.

SUPPLEMENTAL SCHEDULES

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Schedules of Administrative and Investment Deductions

Years ended June 30, 2024 and 2023

(In thousands)

	<u>Administrative</u>	<u>Investment</u>	<u>Totals</u>	
			<u>2024</u>	<u>2023</u>
Personal services:				
Wages	\$ 164	66	230	216
Benefits	102	32	134	131
Total personal services	<u>266</u>	<u>98</u>	<u>364</u>	<u>347</u>
Travel:				
Transportation	—	2	2	3
Per Diem	—	—	—	—
Total travel	<u>—</u>	<u>2</u>	<u>2</u>	<u>3</u>
Contractual services:				
Management and consulting	1,185	8	1,193	1,110
Investment management and custodial fees	—	959	959	1,616
Accounting and auditing	45	6	51	41
Data processing	238	6	244	261
Communications	4	—	4	2
Advertising and printing	3	—	3	2
Rentals/leases	13	3	16	24
Legal	5	4	9	6
Repairs and maintenance	—	2	2	—
Transportation	6	—	6	6
Other professional services	17	1	18	19
Total contractual services	<u>1,516</u>	<u>989</u>	<u>2,505</u>	<u>3,087</u>
Other:				
Equipment	2	4	6	1
Supplies	2	—	2	4
Total other	<u>4</u>	<u>4</u>	<u>8</u>	<u>5</u>
Total administrative and investment deductions	<u>\$ 1,786</u>	<u>1,093</u>	<u>2,879</u>	<u>3,442</u>

See accompanying independent auditors' report.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Schedules of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2024 and 2023

(In thousands)

<u>Firm</u>	<u>Services</u>	<u>2024</u>	<u>2023</u>
Buck Global LLC	Actuarial services	\$ 1	—
KPMG LLP	Auditing services	40	40
State Street Bank and Trust	Custodial banking services	123	151
Applied Microsystems Incorporation	Data processing services	9	8
Sagitec Solutions	Data processing services	218	195
SHI International Corporation	Data processing services	1	2
TechData Service Company	Data processing services	—	10
State of Alaska, Department of Law	Legal services	5	3
Linea Solutions Incorporated	Management and consulting services	36	—
		<u>\$ 433</u>	<u>409</u>

This schedule presents payments to consultants receiving greater than \$1,000.

See accompanying independent auditors' report.