KPMG

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2022

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

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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 National Guard and Naval Militia Retirement System:

Qualified Opinion

We have audited the financial statements of the State of Alaska National Guard and Naval Militia Retirement System (the System), a component unit of the State of Alaska, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2022, and the changes in its fiduciary net position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence about the accuracy of census data for active members who terminated after the valuation date of June 30, 2020 and of the terminated plan members entitled to future benefits used to measure the total pension liability because certain personnel and retirement records were not available and we were unable to satisfy ourselves using other means. Consequently, we were unable to determine whether any adjustments to total pension liability and net pension asset as of June 30, 2022 disclosed in note 4 to the financial statements were necessary.

We conducted our audit 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 System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 System'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 System'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 System'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 and the required supplementary information listed in the table of contents 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 audit 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System'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 14, 2022

This section presents management's discussion and analysis (MD&A) of the State of Alaska National Guard and Naval Militia Retirement System's (the Plan) financial position and performance for the year ended June 30, 2022. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to financial statements, required supplementary information, and supplemental schedules to better understand the financial condition and performance of the Plan during the fiscal year ended June 30, 2022. Information for fiscal years 2021 and 2020 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights for the year ended June 30, 2022 were as follows:

- The Plan's fiduciary net position restricted for pension benefits decreased by $5.7 million.
- The State of Alaska, Department of Military and Veterans' Affairs did not appropriate funds to the Plan for fiscal years 2022 and 2021 due to the Plan's significant over-funded levels.
- The Plan's net investment income decreased by $13.2 million when compared to 2021, to a loss of $3.7 million.
- Plan pension benefit expenditures totaled $1.6 million.

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) statement of fiduciary net position, (2) statement of changes in fiduciary net position, and (3) notes to financial statements. This report also contains required supplementary information and other supplemental schedules.

Statement of fiduciary net position – This statement presents information regarding the Plan's assets, liabilities, and resulting net position restricted for pension benefits. This statement reflects the Plan's investments at fair value, along with cash and cash equivalents, receivables, and other assets less liabilities at June 30, 2022.

Statement of changes in fiduciary net position – This statement presents how the Plan's net position restricted for pension benefits changed during the fiscal year ended June 30, 2022. This statement presents contributions and investment income during the period. Deductions for pension benefits and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2022, and the sources and uses of those funds during fiscal year 2022.

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.

(Continued)

Required supplementary information and related notes – The required supplementary information consists of three schedules and related notes concerning the funded status of the Plan, as well as actuarial assumptions and methods used in the actuarial valuation.

Supplemental schedules – Supplemental schedules include detailed information on administrative and investment deductions incurred by the Plan and payments to consultants (other than investment advisors) for professional services.

Condensed Financial Information

Fiduciary net position

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage	2020
Assets:					
Cash and cash equivalents	$ 578,572	1,385,305	(806,733)	(58.2)%	$ 73,584
Accounts receivable	79	319	(240)	(75.2)	309
Investments at fair value	43,633,890	48,659,557	(5,025,667)	(10.3)	42,119,032
Total assets	44,212,541	50,045,181	(5,832,640)	(11.7)	42,192,925
Liabilities:					
Accrued expenses	25,116	29,429	(4,313)	(14.7)	22,473
Securities lending collateral payable	80,866	113,918	(33,052)	(29.0)	62,647
Due to State of Alaska General Fund	18,518	88,798	(70,280)	(79.1)	12,097
Total liabilities	124,500	232,145	(107,645)	(46.4)	97,217
Net position	$ 44,088,041	49,813,036	(5,724,995)	(11.5)%	$ 42,095,708

Changes in fiduciary net position

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage	2020
Net position, beginning of year	$ 49,813,036	42,095,708	7,717,328	18.3%	$ 40,964,997
Additions:					
Contributions – Alaska DMVA	—	—	—	—	860,686
Net investment income (loss)	(3,746,506)	9,474,407	(13,220,913)	(139.5)	2,142,109
Miscellaneous income	—	1,690	(1,690)	100.0	—
Total additions	(3,746,506)	9,476,097	(13,222,603)	(139.5)	3,002,795
Deductions:					
Pension benefits	1,620,749	1,454,330	166,419	11.4	1,641,475
Administrative	357,740	304,439	53,301	17.5	230,609
Total deductions	1,978,489	1,758,769	219,720	12.5	1,872,084
Increase (decrease) in net position	(5,724,995)	7,717,328	(13,442,323)	(174.2)	1,130,711
Net position, end of year	$ 44,088,041	49,813,036	(5,724,995)	(11.5)%	$ 42,095,708

Financial Analysis of the Plan

The statements of fiduciary net position as of June 30, 2022 shows net position restricted for pension benefits of $44,088,041. The entire amount is available to cover the Plan’s obligations to pay benefits to its members and their beneficiaries, as well as administrative costs.

This represents a decrease of $5,724,995 or 11.5% in plan net position restricted for pension benefits from fiscal year 2021 to 2022, and an increase of $7,717,328 or 18.3% from fiscal year 2020 to 2021. Over the long term, employer contributions and investment income are projected to sufficiently fund the Plan’s pension and administrative costs.

The investment of pension funds is a long-term undertaking. On an annual basis, the Alaska Retirement Management Board (the Board) reviews and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk/return level given the Plan’s constraints and objectives.

Plan Asset Allocation

During fiscal years 2022 and 2021, the Board adopted the following asset allocations:

	2022		2021	
	Allocation	**Range**	**Allocation**	**Range**
Broad domestic equity	20.0%	± 6%	20.0%	± 6%
Global equity ex-U.S.	13.0	± 4	13.0	± 4
Fixed income	46.0	± 10	46.0	± 10
Opportunistic	6.0	± 4	6.0	± 4
Real assets	7.0	± 4	7.0	± 4
Private equity	8.0	± 4	8.0	± 4
Total	100.0%		100.0%	
Expected return - 20 year geometric mean	5.68%		6.10%	
Projected standard deviation	9.33		9.33	

For fiscal years 2022 and 2021, the Plan’s investments generated a (6.29)% and 21.56% rate of return, respectively.

(Continued)

Contributions and Investment Income

The additions required to fund retirement benefits are accumulated through a combination of employer contributions, investment income, and other additions are as follows:

		Additions				
				Increase (decrease)		
		2022	2021	Amount	Percentage	2020
Contributions – DMVA	$	—	—	—	—%	860,686
Net investment income (loss)		(3,746,506)	9,474,407	(13,220,913)	(139.5)	2,142,109
Other		—	1,690	(1,690)	100.0%	—
Total	$	(3,746,506)	9,476,097	(13,222,603)	(139.5)%	3,002,795

The Plan's employer contributions from the Department of Military and Veterans Affairs (DMVA) remained at $0 during fiscal years 2022 and 2021 as the Plan continues to maintain a funded level well above 100%. These amounts were the actuarial determined contribution as calculated by the Plan's consulting actuary. No actuarially determined contribution amount was required for fiscal 2022 as a result of the roll-forward actuarial valuation report. Full actuarial valuation reports are completed for the Plan biennially with roll-forward actuarial valuation reports being completed in the interim years.

The Plan's net investment income in fiscal year 2022 decreased by $13,220,913 or 139.5% from amounts in fiscal year 2021. The Plan's net investment income in fiscal year 2021 increased by $7,332,298 or 342.3% from amounts in fiscal year 2020. The investment losses in fiscal year 2022 were lower than the investment gains seen in fiscal year 2021, causing a difference in investment returns when comparing 2022 and 2021. Over the long term, investment earnings play a significant role in funding plan benefits. The Board continues to look at investment classes and strategies best suited to meet the expected earnings returns to meet future benefit payments.

The Plan's investment rates of return for the year ended June 30 were as follows:

	Year ended		
	2022	**2021**	**2020**
System returns	(6.29)%	21.56 %	5.41 %
Domestic equities	(11.73)	42.84	2.71
Fixed income	(7.25)	2.31	8.87
Opportunistic	(10.58)	23.94	(0.18)
Real assets	14.29	10.22	—
International equities	(20.96)	38.73	(3.40)
Private equity	26.26	68.52	—
Cash equivalents	—	0.19	1.93
Actuarially assumed rate of return	5.75	5.75	7.00

Benefits and Other Deductions

The primary deduction of the Plan is the payment of pension benefits. These benefit payments and the cost of administering the Plan comprise the cost of operations as follows:

	Deductions				
			Increase (decrease)		
	2022	**2021**	**Amount**	**Percentage**	**2020**
Pension benefits	$ 1,620,749	1,454,330	166,419	11.4%	$ 1,641,475
Administrative	357,740	304,439	53,301	17.5	230,609
Total	$ 1,978,489	1,758,769	219,720	12.5%	$ 1,872,084

The fiscal year 2022 increase in pension benefits is due to an increase in the number of lump sum payment recipients. The fiscal year 2021 decrease in pension benefits is due to a lower average monthly benefit amount and a decrease in lump sum payments recipients and amounts.

Administrative expenditures for both fiscal year 2022 and 2021 increased primarily due to a capital project for a retirement system replacement.

Net Pension Asset

Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans,* requires the Plan to report the total pension liability, fiduciary net position, and the net pension liability. The total pension liability represents the total obligation for the Plan's pension benefits related to costs incurred as a result of years of service, changes in benefit terms, changes in actuarial assumptions, and any differences between the actuarial assumptions and actual experience. The Plan's fiduciary net position represents the assets available to pay the Plan's future payment stream. The assets are derived from contributions received from the participating employer and nonemployer contributions, if any, as well as investment earnings, less benefit payments during the year and the related costs to administer the Plan. When the fiduciary net position exceeds the total pension liability, the Plan reports a net pension asset.

The components of the net pension asset at June 30 were as follows:

		2022	2021
Total pension liability	$	26,667,059	22,654,730
Plan fiduciary net position		(44,088,041)	(49,813,036)
Plan's net pension asset	$	(17,420,982)	(27,158,306)
Plan fiduciary net position as a percentage of the total pension liability		165.33 %	219.88 %

Funding

Retirement benefits are financed by accumulations from DMVA contributions, periodic State of Alaska appropriations, and income earned on Plan investments.

The actuarially determined employer contribution amounts are calculated by the Plan's consulting actuary and approved by the Board. Contributions are determined on an annual basis either through the actuarial valuation or the actuarial valuation roll-forward process.

The Board works with an external consultant to determine the proper asset allocation strategy.

Legislation

During fiscal year 2022, the 32nd Alaska State Legislature did not appropriate contribution funding from the General Fund to the Department of Military and Veterans' Affairs for deposit in the Plan's defined benefit pension fund as retirement funding for fiscal year ending June 30, 2023, due to the continued significant overfunding of the Plan.

Economic Conditions, Future Contribution Amounts, and Funding Status

Fiscal year 2022 had negative investment returns, with an overall return rate of (6.29%), much less than the 7.00**%** assumed rate of return. Net investment income decreased from $9,474,407 in fiscal year 2021 to a loss of $3,746,506 in fiscal year 2022, a decrease of $13,220,913 or 139.5**%**. The Board continues to work with its external investment consultant and the Alaska Department of Revenue, Treasury Division, to diversify the portfolio of the Plan to maintain an optimal risk/return ratio.

The consulting actuary recommended no change from the Plan's actuarially determined contribution amount of $0 in fiscal year 2021 to fiscal year 2022. For fiscal year 2023, the actuary recommended that a contribution to the Plan was not necessary. With the Plan's 196.9% funding ratio as of the June 30, 2021 actuarial valuation roll-forward report, the Board concurred that no additional contributions are necessary for the Plan until such time that the Plan's funded ratio is less than 100%. The Alaska legislature did not appropriate funds for fiscal year 2023 and will continue to evaluate future contributions to the Plan.

The actuarial valuation roll-forward report for fiscal year 2021 reports a funding ratio of 196.9% and a funding excess of $22.3 million. The actuarial valuation for June 30, 2020 reported a funding ratio of 191.9% and a funding excess of $20.6 million. The decrease in the unfunded liability is attributable to significant investment income during fiscal year 2021. Both the actuarial valuation roll-forward report of June 30, 2021 and the actuarial valuation report of June 30, 2020 are posted to the Plan's web page. The actuarial valuation reports for the Plan are conducted biennially. The roll-forward June 30, 2021 report was completed and presented in March 2022, and adopted by the Board in June 2022. The next full actuarial valuation report will be completed for the period ending June 30, 2022. The Board also adopted new valuation assumptions as a result of an experience study conducted for the period July 1, 2017 to June 30, 2021. The adoption of these assumptions occurred in June 2022 and will be used on the next annual actuarial valuation report for the year ended June 30, 2022.

Requests 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 report or requests for additional financial information should be addressed to:

State of Alaska National Guard and Naval Militia Retirement System
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
Department of Revenue, Treasury Division
P.O. Box 110405
Juneau, Alaska 99811-0405

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Statement of Fiduciary Net Position

June 30, 2022

		2022
Assets:		
Cash and cash equivalents:		
Short-term fixed income pool	$	497,706
Securities lending collateral		80,866
Total cash and cash equivalents		578,572
Accounts receivable		79
Investments at fair value:		
Fixed income securities:		
Alternative fixed income pool		2,626,973
Opportunistic fixed income pool		3,457,030
Barclays aggregate bond fund		14,508,292
Total fixed income securities		20,592,295
Broad domestic equity:		
Large cap pool		7,283,621
Small cap pool		641,745
Total broad domestic equity		7,925,366
Global equity ex-U.S.:		
International equity pool		4,194,787
Emerging markets equity pool		938,701
Total global equity ex-U.S.		5,133,488
Opportunistic:		
Alternative equity pool		454,958
Tactical allocation strategies pool		1,611,130
Alternative beta pool		501,465
Other opportunities pool		6,200
Total opportunistic		2,573,753
Private equity pool		4,155,582
Real assets:		
Real estate pools		1,298,561
Real estate investment trust pool		363,216
Infrastructure private pool		575,358
Energy pool		45,845
Farmland pool		693,908
Timber pool		276,518
Total real assets		3,253,406
Total investments		43,633,890
Total assets		44,212,541
Liabilities:		
Accrued expenses		25,116
Securities lending collateral payable		80,866
Due to State of Alaska General Fund		18,518
Total liabilities		124,500
Fiduciary net position restricted for pension benefits	$	44,088,041

See accompanying notes to financial statements.

STATE OF ALASKA
NATIONAL GUARD AND
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Statement of Changes in Fiduciary Net Position

Year ended June 30, 2022

		2022
Additions (reductions):		
Contributions – Alaska Department of Military & Veterans Affairs	$	—
Investment income (loss):		
Net depreciation in fair value		(4,346,404)
Interest		365,865
Dividends		343,652
Total investment loss		(3,636,887)
Less investment expense		110,760
Net investment loss before securities lending activities		(3,747,647)
Securities lending income		1,426
Less securities lending expense		285
Net income from securities lending activities		1,141
Net investment loss		(3,746,506)
Total additions (reductions)		(3,746,506)
Deductions:		
Pension benefits		1,620,749
Administrative		357,740
Total deductions		1,978,489
Net decrease		(5,724,995)
Fiduciary net position restricted for pension benefits:		
Balance, beginning of year		49,813,036
Balance, end of year	$	44,088,041

See accompanying notes to financial statements.

(1) Description

The State of Alaska National Guard and Naval Militia Retirement System (the Plan) is a component unit of the State of Alaska (the State). The Plan is administered by the Division of Retirement and Benefits (the Division) within the Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Alaska Retirement Management Board (the Board) is responsible for overseeing the management and investment of the Plan. The Board consists of nine trustees as follows, two trustees consisting of the commissioner of administration and the commissioner of revenue, two trustees who are members of the general public, one trustee who is employed as a finance officer for a political subdivision participating in either the Public Employees' Retirement System (PERS) or Teachers' Retirement System (TRS), two trustees who are PERS members, and two trustees who are TRS members.

(a) Plan Membership

Plan membership as of the valuation year ended June 30 is as follows:

	2020
Retirees and beneficiaries currently receiving benefits	708
Terminated plan members entitled to future benefits	649
Total current and future benefits	1,357
Active plan members:	
Alaska Air National Guard	2,242
Alaska Army National Guard	1,639
Alaska Naval Militia	53
Total active plan members	3,934
Total members	5,291

(b) Pension Benefits

Members who voluntarily retire from the Alaska National Guard or Alaska Naval Militia after at least five years of Alaska Guard service and a total of at least 20 years of U.S. military service or members who involuntarily leave the Alaska Guard service due to federal standards imposed on the Alaska Guard, regardless of length of service, are eligible for a retirement pension. The retirement pension is $100 per month for each month of Alaska Guard service and may be paid to the member monthly or in a one-time lump sum.

(c) Death Benefits

Upon the death of an eligible member, as previously described, the member's designated beneficiary is entitled to a lump-sum benefit equal to the original pension amount less any payments already paid to the member.

(d) Contributions

The Plan's funding policy provides for annual employer contributions by the State of Alaska, Department of Military and Veterans' Affairs (Department) at actuarially determined contribution amounts that are sufficient to accumulate assets to pay benefits when due. Some officials of the Department may be members of the Plan. Plan members make no contributions to the Plan.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). Contributions are due to the Plan when employee services have been performed and paid. Contributions are recognized as revenue when due pursuant to statutory requirements. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payment is made.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

(c) Investments

The Plan owns shares in various investment pools that are administered by the State of Alaska, Department of Revenue, Division of Treasury (Treasury). The Plan's investment in the pools, except for the short-term fixed-income pool, is reported at fair value based on the net asset value reported by the Treasury. The short-term fixed-income pool maintains a share price of $1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals.

(d) Administrative Costs

Administrative costs are paid from investment earnings.

(e) Due to State of Alaska General Fund

Amounts due to the State of Alaska General Fund represent the amounts paid by the General Fund on behalf of the Plan.

(f) Federal Income Tax Status

The Plan is a qualified plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a).

(Continued)

(3) Investments

The Board is the investment oversight authority of the Plan's investments. As the fiduciary, the Board has the statutory authority to invest assets under the Prudent Investor Rule. Fiduciary responsibility for the Board's invested assets is pursuant to Alaska Statutes 37.10.210–390.

Alaska Statute 37.10.071 provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board.

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Board has developed investment guidelines, policies, and procedures for Treasury staff and external investment managers to adhere to when managing investments. Treasury manages the U.S. Treasury Fixed-Income Pool and Real Estate Investment Trust Pool, and cash holdings of certain external managers, in addition to acting as oversight manager for all externally managed investments. All other investments are managed by external management companies.

The short-term fixed income pool is a State pool managed by Treasury that holds investments on behalf of the Board as well as other State funds.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The Plan's annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2022 was (7.69)%.

For additional information on securities lending, 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
http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules

(4) Net Pension Asset

The components of the net pension asset at June 30, 2022 were as follows:

Total pension liability	$	26,667,059
Plan fiduciary net position		(44,088,041)
Plan's net pension asset	$	(17,420,982)
Plan fiduciary net position as a percentage of the total pension liability		165.33%

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The new assumptions shown below were adopted to better reflect expected future experience and are effective June 30, 2022:

Inflation	2.50% per year
Salary increases	N/A
Investment rate of return	5.75%, net of pension plan investment expenses.
Mortality	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Other	Please see the experience study report dated July 15, 2022.

(Continued)

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 adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2022 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.88%).

Asset class	Long-term expected real rate of return
Domestic equity	6.51%
Global equity (non-US)	5.73
Aggregate bonds	0.31
Real assets	3.71
Private equity	9.61
Cash equivalents	(0.50)

(b) Discount Rate

The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that State 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability in accordance with the method prescribed by GASB 67. In the event benefit payments are not covered by the Plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the Plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 4.09% as of June 30, 2022.

(Continued)

(c) *Sensitivity of the Net Pension Asset to Changes in the Discount Rate*

The following presents the Plan's net pension asset as of June 30, 2022, calculated using the discount rate of 5.75%, as well as what the Plan's net pension asset would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% decrease (4.75%)	Current discount rate (5.75%)	1% Increase (6.75%)
Net pension asset	$ 15,146,868	17,420,982	19,355,291

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Changes in Employer Net Pension (Asset) Liability and Related Ratios

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability:										
Service cost	$ 656,678	517,376	507,899	578,431	610,686	610,686	603,495	603,495	654,797	631,921
Interest	1,438,540	1,567,548	1,532,008	2,370,401	2,265,875	2,170,196	2,659,657	2,553,940	2,359,276	2,277,228
Differences between expected and actual experience	—	(627,562)	—	(13,086,972)	4,338	(8,663,535)	4,565	1,258,332	—	—
Changes of assumptions	964,524	2,573,336	—	(265,847)	—	—	—	145,422	—	—
Benefit payments	(1,620,749)	(1,454,330)	(1,641,475)	(1,343,753)	(1,359,467)	(1,485,669)	(1,728,729)	(1,563,816)	(1,610,506)	(1,772,198)
Net change in total pension liability	1,438,993	2,576,368	398,432	(11,747,740)	1,521,432	(7,368,322)	1,538,988	2,997,373	1,403,567	1,136,951
Total pension liability – beginning	25,228,066	22,651,698	22,253,266	34,001,006	32,479,574	39,847,896	38,308,908	35,311,535	33,907,968	32,771,017
Total pension liability – ending (a)	26,667,059	25,228,066	22,651,698	22,253,266	34,001,006	32,479,574	39,847,896	38,308,908	35,311,535	33,907,968
Plan fiduciary net position:										
Contributions – employer	—	—	860,686	851,686	907,231	866,905	734,500	627,300	740,100	739,100
Total net investment income (loss)	(3,746,506)	9,474,407	2,142,109	2,321,285	1,964,832	3,181,993	181,711	589,856	4,527,672	2,593,463
Benefit payments	(1,620,749)	(1,454,330)	(1,641,475)	(1,343,753)	(1,359,467)	(1,485,669)	(1,728,729)	(1,563,816)	(1,610,506)	(1,772,198)
Administrative expenses	(357,740)	(304,439)	(230,609)	(282,338)	(226,466)	(257,396)	(241,750)	(240,750)	(223,334)	(165,651)
Other income	—	1,690	—	—	—	—	582	145	21	4
Net change in plan fiduciary net position	(5,724,995)	7,717,328	1,130,711	1,546,880	1,286,130	2,305,833	(1,053,686)	(587,265)	3,433,953	1,394,718
Plan fiduciary net position – beginning	49,813,036	42,095,708	40,964,997	39,418,117	38,131,987	35,826,154	36,879,840	37,467,105	34,033,152	32,638,434
Plan fiduciary net position – ending (b)	44,088,041	49,813,036	42,095,708	40,964,997	39,418,117	38,131,987	35,826,154	36,879,840	37,467,105	34,033,152
Plan's net pension (asset) liability (a)–(b)	$ (17,420,982)	(24,584,970)	(19,444,010)	(18,711,731)	(5,417,111)	(5,652,413)	4,021,742	1,429,068	(2,155,570)	(125,184)
Plan fiduciary net position as a percentage of the total pension liability	165.33%	197.45%	185.84%	184.09%	115.93%	117.40%	89.91%	96.27%	106.10%	100.37%
Covered payroll	$ N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

STATE OF ALASKA
NATIONAL GUARD AND
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(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions

Last 10 Fiscal Years

Fiscal Year		Actuarially determined contribution	Contribution in relation to the actuarially determined contribution	Contributions deficiency (excess)	Covered payroll	Contribution as a percentage of covered payroll
2022	$	—	—	—	N/A	N/A
2021		—	—	—	N/A	N/A
2020		—	860,686	(860,686)	N/A	N/A
2019		—	851,686	(851,686)	N/A	N/A
2018		907,231	907,231	—	N/A	N/A
2017		866,900	866,905	(5)	N/A	N/A
2016		734,560	734,500	60	N/A	N/A
2015		627,327	627,300	27	N/A	N/A
2014		474,791	740,100	(265,309)	N/A	N/A
2013		431,367	739,100	(307,733)	N/A	N/A

See accompanying notes to required supplementary information (unaudited) and independent auditors’ report.

STATE OF ALASKA
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Required Supplementary Information (Unaudited)

Schedule of Investment Returns

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2022	(7.69)%
2021	23.01 %
2020	5.28 %
2019	5.95 %
2018	5.17 %
2017	8.99 %
2016	(0.16)%
2015	1.63 %
2014	13.53 %

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors’ report.

(1) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Buck. The significant actuarial methods and assumptions used in the defined benefit pension benefit Plan valuation as of June 30, 2020 were as follows:

(a) Actuarial cost method – Liabilities and contributions in the report are computed using the Entry Age Normal Actuarial Cost Method (level dollar basis), any funding surpluses or UAAL amortized over 20 years less the average total military service of active members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date).The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of Plan assets measured on the valuation date.

Under this method, experience gains or losses, i.e. decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

(b) Valuation of assets – Effective June 30, 2006, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method was phased in over five years. Assets are initialized at market value as of June 30, 2006. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from financial statements. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

(c) Investment return – 7.00% per year, net of investment expenses

(d) Mortality (pre-commencement) – RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement

(e) Mortality (post-commencement) – 91% of male and 96% of female rates of RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement

(f) Disability mortality – RP-2014 disabled table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement

(Continued)

(g) Administrative expenses – The expense load is equal to the average of the prior two years' actual administrative expenses rounded to the nearest $1,000 as follows:

Fiscal Year Ending June 30		Amount
2019	$	282,338
2020		230,609
Total	$	512,947
	÷	2
Expense load (rounded)	$	256,000

(h) Turnover – Ultimate rates of turnover based upon the 2013-2017 actual experience. Sample rates are shown below.

Select Rates of Turnover During the First 5 Years of Employment		Ultimate Rates of Turnover After the First 5 Years of Employment		
Years of Employment	**Unisex Rate**	**Age**	**Male Rate**	**Female Rate**
1	20.00%	30	11.09%	14.05%
2	10.00%	40	9.09%	11.52%
3	10.00%	50	4.89%	6.19%
4	10.00%			
5	10.00%			

(i) Disability rate – Incidence rates based upon 2013–2017 actual experience of the State of Alaska Public Employees' Retirement System for Peace Officer/Firefighter group.

(j) Retirement – Retirement rates based upon the 2013-2017 actual experience. Active members are assumed to retire beginning at the earliest eligible retirement age according to the following rates:

Age	Rate	Age	Rate
<51	13%	58	45%
51	13	59	50
52	13	60	55
53	15	61	60
54	20	62	60
55	25	63	60
56	35	64	60
57	40	65+	100

Vested terminated members are assumed to retire at the later of current age or age 50 when electing an annuity, and at current age when electing a lump sum.

(k) Form of payment – 70% of members are assumed to elect a lump sum benefit. 30% of members are assumed to elect a monthly annuity with the number of payments equal to the number of months they were active in the Plan. A lump sum of the remaining payments is paid if the member should die while receiving payments. Lump sums are calculated based on a 7% discount rate annuity certain factor.

(l) Imputed data – Data changes from the prior valuation which are deemed to have an immaterial impact on liabilities and contributions are assumed to be correct in the current year's client data. Active and terminated members with a date of termination after the last date of hire are assumed to be terminated with status based on their amount of vesting service.

The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the Plan. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated benefits.

Changes in Actuarial Methods Since the Prior Valuation – June 30, 2020 to June 30, 2021

The June 30, 2020 actuarial accrued liability used for the roll-forward valuation reflects a valuation system coding update that was recommended by the Board's review actuary. This update decreased the June 30, 2020 actuarial accrued liability by $38,250.

Changes in Actuarial Assumptions Since the Prior Valuation – June 30, 2020 to June 30, 2021

Effective for the June 30, 2021 roll-forward valuation, the Board adopted a change in the Normal Cost for administrative expenses from $256,000 to $268,000, based on the most recent two years of actual administrative expenses paid from Plan asset.

Changes in Benefit Provisions Since the Prior Valuation – June 30, 2020 to June 30, 2021

There were no changes in benefit provisions since the prior valuation.

SUPPLEMENTAL SCHEDULES

STATE OF ALASKA
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Schedules of Administrative and Investment Deductions

Year ended June 30, 2022

		Administrative	Investment	Total
Personal services:				
Wages	$	76,401	4,684	81,085
Benefits		51,165	2,434	53,599
Total personal services		127,566	7,118	134,684
Travel:				
Transportation		42	45	87
Per diem		8	8	16
Total travel		50	53	103
Contractual services:				
Management and consulting		26,762	2,764	29,526
Investment management and custodial fees		—	98,577	98,577
Accounting and auditing		60,773	17	60,790
Data processing		125,063	1,654	126,717
Communications		550	20	570
Advertising and printing		1,465	3	1,468
Rental/leases		2,198	189	2,387
Legal		14	65	79
Repairs & Maintenance		56	1	57
Transportation		4,755	2	4,757
Securities lending		—	285	285
Other services		8,008	129	8,137
Total contractual services		229,644	103,706	333,350
Other:				
Equipment		150	20	170
Supplies		330	148	478
Total other		480	168	648
Total administrative and investment deductions	$	357,740	111,045	468,785

See accompanying independent auditors’ report.

Schedule 2

STATE OF ALASKA
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Schedules of Payments to Consultants Other Than Investment Advisors

Year ended June 30, 2022

Firm	Services	Amount
Buck Global LLC	Actuarial services	$ 22,566
KPMG LLP	Auditing services	59,751
State Street Bank and Trust	Custodial banking services	2,329
Alaska IT Group	Data processing services	460
Applied Microsystems Incorporated	Data processing services	4,965
Sagitec Solutions	Data processing services	111,467
TechData Service Company	Data processing services	5,177
		$ 206,715

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

See accompanying independent auditors' report.