



**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, 2024

(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
Suite 200
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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 National Guard and Naval Militia Retirement System:

Disclaimer of Opinion

We were engaged to audit 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 years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of the System. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

The System's total pension liability is measured using the census data provided by the various military divisions within the System. We were not allowed access to the personnel records to support this census data and it was not practicable to extend our auditing procedures sufficiently to satisfy ourselves as to the accuracy of such data. Consequently, we were unable to determine whether any adjustments to total pension liability and net pension asset as of June 30, 2024 and 2023 disclosed in note 4 to the financial statements were necessary.

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 one year after 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 responsibility is to conduct an audit of the System's financial statements in accordance with auditing standards generally accepted in the United States of America and to issue an auditors' report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.



We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

KPMG LLP

Anchorage, Alaska
October 15, 2024

**STATE OF ALASKA
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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 National Guard and Naval Militia Retirement System's (the System) financial position and performance for the 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, notes to financial statements, required supplementary information, and supplemental schedules to better understand the financial condition and performance of the System during the fiscal years ended June 30, 2024 and 2023. Information for fiscal year 2022 is presented for comparative purposes.

Financial Highlights

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

- The System's fiduciary net position restricted for pension benefits increased by \$536.7 thousand.
- The State of Alaska, Department of Military and Veterans' Affairs did not appropriate funds to the System for fiscal year 2024 due to the System's significant over-funded levels.
- The System's net investment income was \$2.6 million, an increase of \$155 thousand when compared to fiscal year 2023.
- System pension benefit expenditures totaled \$1.7 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's financial statements. The System'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 System's assets, liabilities, and resulting net position restricted for pension benefits. This statement reflects the System's investments at fair value, along with cash and cash equivalents, receivables, and other assets, less liabilities at June 30, 2024 and 2023.

Statement of changes in fiduciary net position – This statement presents how the System's net position restricted for pension benefits changed during the fiscal year ended June 30, 2024 and 2023. 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, 2024 and 2023, and the sources and uses of those funds during fiscal years 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 System's financial statements.

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Required supplementary information and related notes – The required supplementary information consists of three schedules and related notes concerning the funded status of the System, 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 System and payments to consultants other than investment advisors for professional services.

Condensed Financial Information

System net position					
Description	2024	2023	Increase (decrease)		2022
			Amount	Percentage	
Assets:					
Cash and cash equivalents	\$ 1,227,906	1,842,786	(614,880)	(33.4)%	\$ 578,572
Accounts receivable	3,644	319	3,325	1,042.3	79
Investments at fair value	43,868,135	42,814,322	1,053,813	2.5	43,633,890
Total assets	<u>45,099,685</u>	<u>44,657,427</u>	<u>442,258</u>	<u>1.0</u>	<u>44,212,541</u>
Liabilities:					
Accrued expenses	29,827	45,212	(15,385)	(34.0)	25,116
Securities lending collateral payable	31,139	86,801	(55,662)	(64.1)	80,866
Due to State of Alaska General Fund	828	24,230	(23,402)	(96.6)	18,518
Total liabilities	<u>61,794</u>	<u>156,243</u>	<u>(94,449)</u>	<u>(60.5)</u>	<u>124,500</u>
Net position	<u>\$ 45,037,891</u>	<u>44,501,184</u>	<u>536,707</u>	<u>1.2%</u>	<u>\$ 44,088,041</u>

Changes in system net position					
Description	2024	2023	Increase (decrease)		2022
			Amount	Percentage	
Net position, beginning of year	\$ 44,501,184	44,088,041	413,143	0.9%	\$ 49,813,036
Additions:					
Contributions – Alaska DMVA	—	—	—	—	—
Net investment income (loss)	2,608,878	2,453,401	155,477	6.3	(3,746,506)
Miscellaneous income	77	—	77	100.0	—
Total additions	<u>2,608,955</u>	<u>2,453,401</u>	<u>155,554</u>	<u>6.3</u>	<u>(3,746,506)</u>
Deductions:					
Pension benefits	1,710,829	1,745,217	(34,388)	(2.0)	1,620,749
Administrative	361,419	295,041	66,378	22.5	357,740
Total deductions	<u>2,072,248</u>	<u>2,040,258</u>	<u>31,990</u>	<u>1.6</u>	<u>1,978,489</u>
Increase (decrease) in net position	<u>536,707</u>	<u>413,143</u>	<u>123,564</u>	<u>29.9</u>	<u>(5,724,995)</u>
Net position, end of year	<u>\$ 45,037,891</u>	<u>44,501,184</u>	<u>536,707</u>	<u>1.2%</u>	<u>\$ 44,088,041</u>

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June 30, 2024 and 2023

Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2024 and 2023 show net position restricted for pension benefits of \$45,037,891 and \$44,501,184, respectively. The entire amount is available to cover the System's obligation to pay benefits to its members and their beneficiaries, as well as administrative costs.

This represents an increase in the System's net position restricted for pension benefits of \$536,707 or 1.2% from fiscal year 2023 to 2024, and an increase of \$413,143 or 0.9% from fiscal year 2022 to 2023. Over the long term, employer contributions and investment income are anticipated to sufficiently fund the pension benefit and administrative costs of the System.

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 System's constraints and objectives.

System Asset Allocation

During fiscal years 2024 and 2023, the Board adopted the following asset allocations:

	<u>2024</u>		<u>2023</u>	
	<u>Allocation</u>	<u>Range</u>	<u>Allocation</u>	<u>Range</u>
Broad domestic equity	12.0%	± 6%	20.0%	± 6%
Global equity ex-U.S.	9.0	± 4	13.0	± 4
Fixed income	56.0	± 10	44.0	± 10
Multi-asset	8.0	± 4	8.0	± 4
Real assets	7.0	± 4	7.0	± 4
Private equity	8.0	± 4	8.0	± 4
Total	<u>100.0%</u>		<u>100.0%</u>	
Expected return 20-year geometric mean	6.36%		5.73%	
Projected standard deviation	7.74		9.46	

For fiscal years 2024 and 2023, the System's investments generated a 6.35% and 5.44% rate of return, respectively.

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Contributions, Investment Income, and Other Additions

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

	Additions				2022
	2024	2023	Increase (decrease)		
			Amount	Percentage	
Net investment income (loss)	\$ 2,608,878	2,453,401	155,477	6.3%	\$ (3,746,506)
Other	77	—	77	100.0	—
Total	<u>\$ 2,608,955</u>	<u>2,453,401</u>	<u>155,554</u>	<u>6.3%</u>	<u>\$ (3,746,506)</u>

The System's employer contributions from the Alaska Department of Military and Veterans Affairs (DMVA) remained at \$0 during fiscal years 2024 and 2023 as the System continues to maintain a funded level well above 100%. These amounts were the actuarially determined contribution as calculated by the System's consulting actuary. No actuarially determined contribution amount was required for fiscal 2024 as a result of the roll-forward actuarial valuation report. Full actuarial valuation reports are completed for the System biennially with roll-forward actuarial valuation reports being completed in the interim years.

The System's net investment income in fiscal year 2024 increased by \$155,477 or 6.3% from amounts in fiscal year 2023. The System's net investment income in fiscal year 2023 increased by \$6,199,907 or 165.5% from amounts in fiscal year 2022. The System saw investment rate of returns roughly 1.0% higher than fiscal year 2023, primarily in the domestic equities market, and ended the year above the System's actuarial rate of return of 5.75%. The investment gains in fiscal year 2023 were substantially higher than the investment losses seen in fiscal year 2022, primarily due to improved investor sentiment in domestic stocks and an increase in overseas stocks aided through currency appreciation versus the U.S. dollar that exceeded the System's actuarial rate of return. However, other investment classes did not fare as well, ending the year slightly below the 5.75% actuarial rate of return. Over the long term, investment earnings play a significant role in funding System benefits. The Board continues to look at investment classes and strategies best suited to meet the expected earnings returns to meet future benefit payments.

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June 30, 2024 and 2023

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

	Year ended		
	2024	2023	2022
System returns	6.35%	5.44%	(6.29)%
Broad domestic equity	21.20	17.83	(11.73)
Global equity (ex-U.S.)	12.77	15.15	(20.96)
Fixed income	3.39	0.50	(7.25)
Multi-asset	7.94	4.10	(10.58)
Real assets	(0.04)	2.37	14.29
Private equity	4.96	(3.28)	26.26
Actuarially assumed rate of return	5.75	5.75	5.75

Benefits and Other Deductions

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

	Deductions				
	2024	2023	Increase (decrease)		2022
			Amount	Percentage	
Pension benefits	\$ 1,710,829	1,745,217	(34,388)	(2.0)%	\$ 1,620,749
Administrative	361,419	295,041	66,378	22.5	357,740
Total	<u>\$ 2,072,248</u>	<u>2,040,258</u>	<u>31,990</u>	<u>1.6%</u>	<u>\$ 1,978,489</u>

The fiscal year 2024 decrease in pension benefits is due to a decrease in the number of lump sum payment recipients. The fiscal year 2023 increase in pension benefits is due to an increase in the number of lump sum payment recipients. System retirees typically receive lump sum payments rather than receiving the monthly payment option so increases and decreases in pension benefits typically result from the number of lump sum payment options are received and processed by the System.

The System's administrative costs in fiscal year 2024 increased \$66,378 or 22.5% from fiscal year 2023 and decreased \$62,699 or 17.5% from fiscal year 2022. The increased administrative cost in fiscal years 2024 is related to increased costs related to a capital project for a retirement system replacement and increases in contractual costs, primarily management and consulting, charged to the System. For fiscal year 2023, the decrease in costs is related to a capital project for a retirement system replacement and reductions on contractual costs charged to the System.

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Net Pension Asset

Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, requires the System to report the total pension liability, fiduciary net position, and the net pension liability. The total pension liability represents the total obligation for the System'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 System's fiduciary net position represents the assets available to pay the System'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 System. When the fiduciary net position exceeds the total pension liability, the System reports a net pension asset.

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

	2024	2023
Total pension liability	\$ 28,971,272	28,322,520
System fiduciary net position	(45,037,891)	(44,501,184)
System's net pension (asset)	\$ (16,066,619)	(16,178,664)
System fiduciary net position as a percentage of the total pension liability	155.46 %	157.12 %

Funding

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

- The actuarially determined employer contribution amounts are calculated by the System's consulting actuary and approved by the Board. Contributions are determined on an annual basis either through the actuarial valuation or the roll-forward actuarial valuation process.
- The Board works with an external consultant to determine the proper asset allocation strategy.

Legislation

During fiscal year 2024, the 33rd Alaska State Legislature did not appropriate contribution funding from the General Fund to the Department of Military and Veterans' Affairs for deposit in the System's defined benefit pension fund as retirement funding for fiscal year ending June 30, 2025, due to the continued significant overfunding of the System.

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June 30, 2024 and 2023

Economic Conditions, Future Contribution Amounts, and Funding Status

Fiscal year 2024 had positive investment returns, with an overall return rate of 6.35%, higher than the System's assumed rate of return of 5.75%. Net investment income increased from \$2,453,401 in fiscal year 2023 to \$2,608,878 in fiscal year 2024, an increase of \$155,477 or 6.3%. The Board continues to work with its external investment consultant and the Alaska Department of Revenue, Treasury Division, to diversify the portfolio of the System to maintain an optimal risk/return ratio.

The consulting actuary recommended no change from the System's actuarially determined contribution amount of \$0 in fiscal year 2023 to fiscal year 2024. For fiscal year 2024, the actuary recommended that a contribution to the System was not necessary. With the System's 160.1% funding ratio as of the June 30, 2023 roll-forward actuarial valuation report, the Board concurred that no additional contributions are necessary for the System until such time that the System's funded ratio is less than 100%. The Alaska legislature did not appropriate funds for fiscal year 2024 and will continue to evaluate future contributions to the System.

The roll-forward actuarial valuation report for June 30, 2023 reported a funded ratio of 160.1% and a funding excess of \$17.4 million. The actuarial valuation for June 30, 2022 reported a funded ratio of 162.9% and a funding excess of \$17.8 million.

The decrease in the funding excess is attributable to investment income during fiscal year 2023 that provided an actuarial rate of return less than the expected return and was an asset loss of \$458,000. Additionally, there was a decrease to the actuarial accrued liability of approximately \$47,000 due to an administrative expense gain, based on the most recent actual administrative expenses paid from System assets compared to projected costs.

Both the roll-forward actuarial valuation report of June 30, 2023 and the actuarial valuation report of June 30, 2022 are posted to the System's web page. The actuarial valuation reports for the System are conducted biennially. The roll-forward actuarial valuation report for June 30, 2023 was completed and presented in March 2024, and adopted by the Board in June 2024. The actuarial valuation report for June 30, 2022 was presented to the Board in June 2023, and adopted in September 2023. The Board 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 were used in the actuarial valuation report for the year ended June 30, 2022.

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Requests for Information

This financial report is designed to provide a general overview for those parties interested in the System'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

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Statement of Fiduciary Net Position

June 30, 2024

Assets:	
Cash and cash equivalents:	
Short-term fixed income pool	\$ 1,196,767
Securities lending collateral	31,139
Total cash and cash equivalents	<u>1,227,906</u>
Accounts receivable	<u>3,644</u>
Investments at fair value:	
Fixed income securities:	
Opportunistic fixed income pool	4,803,071
Barclays aggregate bond fund	19,344,969
Total fixed income securities	<u>24,148,040</u>
Broad domestic equity:	
Large cap pool	4,838,954
Small cap pool	446,964
Total broad domestic equity	<u>5,285,918</u>
Global equity ex-U.S.:	
International equity pool	3,190,665
Emerging markets equity pool	771,020
Total global equity ex-U.S.	<u>3,961,685</u>
Multi-asset:	
Alternative equity strategies pool	294,454
Tactical allocation strategies pool	1,308,084
Alternative fixed income pool	1,178,340
Alternative beta pool	469,970
Total multi-asset	<u>3,250,848</u>
Private equity pool	<u>4,059,238</u>
Real assets:	
Real estate pools	1,130,386
Real estate investment trust pool	351,847
Infrastructure private pool	608,657
Energy pool	29,707
Farmland pool	756,636
Timber pool	285,173
Total real assets	<u>3,162,406</u>
Total investments	<u>43,868,135</u>
Total assets	<u>45,099,685</u>
Liabilities:	
Accrued expenses	29,827
Securities lending collateral payable	31,139
Due to State of Alaska General Fund	828
Total liabilities	<u>61,794</u>
Net position restricted for pension benefits	<u>\$ 45,037,891</u>

See accompanying notes to financial statements.

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Statement of Changes in Fiduciary Net Position

Year ended June 30, 2024

Additions:

Investment income:

Net appreciation in fair value	\$	1,724,575
Interest		745,153
Dividends		233,618
		2,703,346
Total investment income		2,703,346
Less investment expense		96,036
		2,607,310
Net investment income before securities lending activities		2,607,310
Securities lending income		4,196
Less securities lending expense		2,628
		1,568
Net income from securities lending activities		1,568
Net investment income		2,608,878

Other income:

Miscellaneous income		77
		77
Total additions		2,608,955

Deductions:

Pension benefits		1,710,829
Administrative		361,419
		2,072,248
Total deductions		2,072,248
Net increase		536,707

Net position restricted for pension benefits:

Balance, beginning of year		44,501,184
		44,501,184
Balance, end of year	\$	45,037,891

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2024

(1) Description

The State of Alaska National Guard and Naval Militia Retirement System (the System) is a component unit of the State of Alaska (the State). The System 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 System. 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) System Membership

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

	2022
Retirees and beneficiaries currently receiving benefits	691
Terminated plan members entitled to future benefits	702
Total current and future benefits	1,393
Active plan members:	
Alaska Air National Guard	2,300
Alaska Army National Guard	1,560
Alaska Naval Militia	49
Total active plan members	3,909
Total members	5,302

NOTE: The data for the Air Guard group was available as of June 30, 2021 only. Buck assumed the status of each Air Guard member as of June 30, 2021 was the same as of June 30, 2022, and increased each Air Guard active member's service as of June 30, 2021 by 1 year.

(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

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\$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 System'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 System. System members make no contributions to the System.

(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 System 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) Cash and Cash Equivalents

Cash and cash equivalents include the System's holdings within the short-term fixed-income pool and overnight investments associated with securities lending collateral. These holdings have the general characteristics of a demand deposit account.

(d) Investments

The System owns shares in various investment pools that are administered by the State of Alaska, Department of Revenue, Division of Treasury (Treasury). The System'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.

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June 30, 2024

(e) Administrative Costs

Administrative costs are paid from investment earnings.

(f) 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 System.

(g) Federal Income Tax Status

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

(3) Investments

The Board is the investment oversight authority of the System'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, 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 System's annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2024 was 5.99%.

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

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(4) Net Pension Asset

The components of the net pension asset at June 30, 2024 were as follows:

Total pension liability	\$	28,971,272
System fiduciary net position		<u>(45,037,891)</u>
System's net pension (asset)	\$	<u><u>(16,066,619)</u></u>
System fiduciary net position as a percentage of the total pension liability		155.46%

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50% per year
Salary increases	N/A
Investment rate of return	5.75%, net of pension plan investment expenses.
Mortality	<p>Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The new demographic and economic assumptions were adopted by the Board at the June 2022 meeting to better reflect expected future experience and were effective for the June 30, 2022 valuation.

The long-term expected rate of return on System 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 System's target asset allocation as of June 30, 2024 and 2023 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.39%).

Asset class	Long-term expected real rate of return
Broad domestic equity	5.48%
Global equity (ex-U.S.)	7.14
Global equity	5.79
Aggregate bonds	2.10
Real assets	4.63
Private equity	8.84
Cash equivalents	0.77

(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 System's fiduciary net position was projected to be available to make all projected future benefit payments of current System 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 System's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the System's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 4.21% as of June 30, 2024.

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

The following presents the System's net pension asset as of June 30, 2024, calculated using the discount rate of 5.75%, as well as what the System'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:

	<u>1% decrease (4.75%)</u>	<u>Current discount rate (5.75%)</u>	<u>1% Increase (6.75%)</u>
Net pension asset	\$ 13,259,018	16,066,619	18,473,824

(5) Commitments and Contingencies

The Division is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Division of Retirement and Benefits' counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Division.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

**STATE OF ALASKA
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Required Supplementary Information (Unaudited)

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

Last 10 Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:										
Service cost	\$ 741,029	722,955	656,678	517,376	507,899	578,431	610,686	610,686	603,495	603,495
Interest	1,618,552	1,521,266	1,438,540	1,567,548	1,532,008	2,370,401	2,265,875	2,170,196	2,659,657	2,553,940
Differences between expected and actual experience	—	1,156,457	—	(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	(1,710,829)	(1,745,217)	(1,620,749)	(1,454,330)	(1,641,475)	(1,343,753)	(1,359,467)	(1,485,669)	(1,728,729)	(1,563,816)
Net change in total pension liability	648,752	1,655,461	1,438,993	2,576,368	398,432	(11,747,740)	1,521,432	(7,368,322)	1,538,988	2,997,373
Total pension liability – beginning	28,322,520	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
Total pension liability – ending (a)	28,971,272	28,322,520	26,667,059	25,228,066	22,651,698	22,253,266	34,001,006	32,479,574	39,847,896	38,308,908
Plan fiduciary net position:										
Contributions – employer	—	—	—	—	860,686	851,686	907,231	866,905	734,500	627,300
Total net investment income (loss)	2,608,878	2,453,401	(3,746,506)	9,474,407	2,142,109	2,321,285	1,964,832	3,181,993	181,711	589,856
Benefit payments	(1,710,829)	(1,745,217)	(1,620,749)	(1,454,330)	(1,641,475)	(1,343,753)	(1,359,467)	(1,485,669)	(1,728,729)	(1,563,816)
Administrative expenses	(361,419)	(295,041)	(357,740)	(304,439)	(230,609)	(282,338)	(226,466)	(257,396)	(241,750)	(240,750)
Other income	77	—	—	1,690	—	—	—	—	582	145
Net change in plan fiduciary net position	536,707	413,143	(5,724,995)	7,717,328	1,130,711	1,546,880	1,286,130	2,305,833	(1,053,686)	(587,265)
Plan fiduciary net position – beginning	44,501,184	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
Plan fiduciary net position – ending (b)	45,037,891	44,501,184	44,088,041	49,813,036	42,095,708	40,964,997	39,418,117	38,131,987	35,826,154	36,879,840
Plan's net pension (asset) liability (a)–(b)	\$ (16,066,619)	(16,178,664)	(17,420,982)	(24,584,970)	(19,444,010)	(18,711,731)	(5,417,111)	(5,652,413)	4,021,742	1,429,068
Plan fiduciary net position as a percentage of the total pension liability	155.46%	157.12%	165.33%	197.45%	185.84%	184.09%	115.93%	117.40%	89.91%	96.27%
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.

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Required Supplementary Information (Unaudited)

Schedule of Employer Contributions

Last 10 Fiscal Years

<u>Fiscal Year</u>	<u>Actuarially determined contribution</u>	<u>Contribution in relation to the actuarially determined contribution</u>	<u>Contributions deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2024	\$ —	—	—	N/A	N/A
2023	—	—	—	N/A	N/A
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

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

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Schedule of Investment Returns

Last 10 Fiscal Years

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2024	5.99%
2023	5.71
2022	(7.69)
2021	23.01
2020	5.28
2019	5.95
2018	5.17
2017	8.99
2016	(0.16)
2015	1.63

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

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June 30, 2024

(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, 2022 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 unfunded accrued liability is 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 system assets measured on the valuation date.

Under this method, differences between the actual experience and that assumed in the determination of costs and liabilities will emerge as adjustments in the unfunded actuarial accrued liability, subject to amortization.

- (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 fair 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 – 5.75% per year, net of investment expenses
- (d) Mortality (pre-commencement) – Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement.
- (e) Mortality (post-commencement) – Retiree mortality in accordance with the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement.

Beneficiary mortality in accordance with the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement.

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June 30, 2024

- (f) Turnover – Select and ultimate rates based upon the 2017-2021 actual experience. Sample rates are shown below.

<u>Select Rates of Turnover During the First 5 Years of Employment</u>		<u>Ultimate Rates of Turnover After the First 5 Years of Employment</u>		
<u>Years of Employment</u>	<u>Unisex Rate</u>	<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
< 1	20.00%	< 30	9.53%	9.94%
1	10.00%	30	9.43%	9.84%
2	10.00%	35	8.81%	9.20%
3	10.00%	40	7.73%	8.06%
4	10.00%	45	6.83%	7.13%
		50	4.16%	4.33%
		55	2.64%	2.75%
		60	2.88%	3.00%

- (g) Disability – No changes to the incidence rates from the prior valuation due to insufficient 2017-2021 actual experience. Disability rates continue after a member is eligible for retirement. Sample rates are shown below.

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
< 23	0.0179%	0.0112%	50	0.1714%	0.1071%
23	0.0244	0.0153	55	0.2954	0.1846
25	0.0374	0.0234	60	0.5110	0.3194
30	0.0570	0.0356	65	0.6109	0.3818
35	0.0679	0.0425	69	0.2036	0.1273
40	0.0822	0.0514	70 +	0.2036	0.1273
45	0.1157	0.0723			

Post-disability mortality in accordance with the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.

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(h) Retirement – Retirement rates based on the 2017 – 2021 actual experience.

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
< 53	15.34%	18.20%	59	37.00%	32.50%
53	17.70	21.00	60	40.70	35.75
54	23.60	28.00	61	44.40	35.75
55	18.50	16.25	62	44.40	35.75
56	25.90	22.75	63	44.40	35.75
57	29.60	26.00	64	44.40	35.75
58	33.30	29.25	65 +	100.00	100.00

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.

(i) 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.

Buck assumed the status of each Air Guard member as of June 30, 2021 was the same as of June 30, 2022, and increased each Air Guard active member’s service as of June 30, 2021 by 1 year.

(j) Form of payment – 50% of members are assumed to elect a lump sum benefit. 50% 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 System. A lump sum of the remaining payments is paid if the member should die while receiving payments. Lump sums are calculated based on a 5.75% discount rate annuity certain factor.

(k) Administrative expenses – The Normal Cost as of June 30, 2022 was increased by \$331,000 for administrative expenses. This amount is based on the average of actual administrative expenses during the last two fiscal years.

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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
2021	\$ 304,000
2022	358,000
Total	\$ 662,000
	÷ 2
Expense load (rounded)	\$ 331,000

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

(2) Changes in Actuarial Assumptions, Methods, and Benefits Since the Prior Valuation

(a) Changes in Actuarial Methods Since the Prior Valuation – June 30, 2022 to June 30, 2023

There have been no changes in actuarial methods since the prior valuation.

(b) Changes in Actuarial Assumptions Since the Prior Valuation – June 30, 2022 to June 30, 2023

Effective for the June 30, 2023 roll-forward actuarial valuation report, the Board adopted a change in the Normal Cost for administrative expenses from \$331,000 to \$327,000, based on the most recent two years of actual administrative expenses paid from System assets.

(c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2022 to June 30, 2023

There have been 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, 2024

	<u>Administrative</u>	<u>Investment</u>	<u>Total</u>
Personal services:			
Wages	\$ 81,035	6,190	87,225
Benefits	49,167	2,963	52,130
Total personal services	<u>130,202</u>	<u>9,153</u>	<u>139,355</u>
Travel:			
Transportation	231	119	350
Per diem	34	22	56
Total travel	<u>265</u>	<u>141</u>	<u>406</u>
Contractual services:			
Management and consulting	40,368	6,673	47,041
Investment management and custodial fees	—	77,628	77,628
Accounting and auditing	64,943	281	65,224
Data processing	101,428	1,395	102,823
Communications	1,222	19	1,241
Advertising and printing	3,649	2	3,651
Rental/leases	6,161	203	6,364
Legal	65	164	229
Repairs & Maintenance	85	93	178
Transportation	3,238	2	3,240
Securities lending	—	2,628	2,628
Other services	8,190	95	8,285
Total contractual services	<u>229,349</u>	<u>89,183</u>	<u>318,532</u>
Other:			
Equipment	886	175	1,061
Supplies	717	12	729
Total other	<u>1,603</u>	<u>187</u>	<u>1,790</u>
Total administrative and investment deductions	<u>\$ 361,419</u>	<u>98,664</u>	<u>460,083</u>

See accompanying independent auditors' report.