



**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, 2025

(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 year ended June 30, 2025 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, 2025 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 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 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 22, 2025

**STATE OF ALASKA
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Management's Discussion and Analysis (Unaudited)

June 30, 2025

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, 2025 and 2024. 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, 2025 and 2024. Information for fiscal year 2023 is presented for comparative purposes.

Financial Highlights

The System's financial highlights for the year ended June 30, 2025 were as follows:

- The System's fiduciary net position restricted for pension benefits increased by \$1.5 million.
- The State of Alaska, Department of Military and Veterans' Affairs did not appropriate funds to the System for fiscal year 2025 due to the System's significant over-funded levels.
- The System's net investment income was \$3.8 million, an increase of \$1.2 million when compared to fiscal year 2024.
- System pension benefit expenditures totaled \$2.0 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, 2025.

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, 2025 and 2024. 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, 2025, and the sources and uses of those funds during fiscal year 2025.

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	2025	2024	Increase (decrease)		2023
			Amount	Percentage	
Assets:					
Cash and cash equivalents	\$ 1,791,850	1,227,906	563,944	45.9%	\$ 1,842,786
Accounts receivable	—	3,644	(3,644)	(100.0)	319
Investments at fair value	44,837,749	43,868,135	969,614	2.2	42,814,322
Total assets	46,629,599	45,099,685	1,529,914	3.4	44,657,427
Liabilities:					
Accrued expenses	52,241	29,827	22,414	75.1	45,212
Securities lending collateral payable	60,077	31,139	28,938	92.9	86,801
Due to State of Alaska General Fund	16,762	828	15,934	1,924.4	24,230
Total liabilities	129,080	61,794	67,286	108.9	156,243
Net position restricted for pension benefits	\$ 46,500,519	45,037,891	1,462,628	3.2%	\$ 44,501,184

Changes in system net position					
Description	2025	2024	Increase (decrease)		2023
			Amount	Percentage	
Net position, beginning of year	\$ 45,037,891	44,501,184	536,707	1.2%	\$ 44,088,041
Additions:					
Net investment income	3,758,895	2,608,878	1,150,017	44.1	2,453,401
Miscellaneous income	—	77	(77)	100.0	—
Total additions	3,758,895	2,608,955	1,149,940	44.1	2,453,401
Deductions:					
Pension benefits	1,995,805	1,710,829	284,976	16.7	1,745,217
Administrative	300,462	361,419	(60,957)	(16.9)	295,041
Total deductions	2,296,267	2,072,248	224,019	10.8	2,040,258
Increase in net position	1,462,628	536,707	925,921	172.5	413,143
Net position, end of year	\$ 46,500,519	45,037,891	1,462,628	3.2%	\$ 44,501,184

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Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2025 and 2024 show net position restricted for pension benefits of \$46,500,519 and \$45,037,891, 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 \$1,462,628 or 3.2% from fiscal year 2025 to 2024, and an increase of \$536,707 or 1.2% from fiscal year 2023 to 2024. 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 2025 and 2024, the Board adopted the following asset allocations:

	2025		2024	
	Allocation	Range	Allocation	Range
Broad domestic equity	12.0%	± 6%	12.0%	± 6%
Global equity ex-U.S.	9.0	± 4	9.0	± 4
Fixed income	58.0	± 10	56.0	± 10
Multi-asset	6.0	± 4	8.0	± 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	6.78%		6.36%	
Projected standard deviation	7.53		7.74	

For fiscal years 2025 and 2024, the System's investments generated a 8.21% and 6.35% 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 as follows:

			Additions		
			Increase (decrease)		
	2025	2024	Amount	Percentage	2023
Net investment income	\$ 3,758,895	2,608,878	1,150,017	44.1%	\$ 2,453,401
Other	—	77	(77)	100.0	—
Total	\$ 3,758,895	2,608,955	1,149,940	44.1%	\$ 2,453,401

The System's employer contributions from the Alaska Department of Military and Veterans Affairs (DMVA) remained at \$0 during fiscal years 2025 and 2024 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 2025 as a result of the 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 2025 increased by \$1,150,017 or 44.1% from amounts in fiscal year 2024. The System's net investment income in fiscal year 2024 increased \$155,477 or 6.3% from amounts in fiscal year 2023. The System saw investment rate of returns roughly 1.86% higher than fiscal year 2024, primarily in the Global Equity ex-U.S. market and ended the year above the System's actuarial rate of return of 5.75%. 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.

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

	Year ended		
	2025	2024	2023
System returns	8.21%	6.35%	5.44%
Broad domestic equity	13.46	21.20	17.83
Global equity (ex-U.S.)	19.65	12.77	15.15
Fixed income	6.32	3.39	0.50
Multi-asset	5.22	7.94	4.10
Real assets	4.24	(0.04)	2.37
Private equity	6.53	4.96	(3.28)
Actuarially assumed rate of return	5.75	5.75	5.75

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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:

			Additions		
			Increase (decrease)		
	2025	2024	Amount	Percentage	2023
Pension benefits	\$ 1,995,805	1,710,829	284,976	16.7%	\$ 1,745,217
Administrative	300,462	361,419	(60,957)	(16.9)	295,041
Total	\$ 2,296,267	2,072,248	224,019	10.8%	\$ 2,040,258

The fiscal year 2025 increase in pension benefits again is due to an increase in the number of lump sum payment recipients. The fiscal year 2024 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 2025 decreased \$60,957 or 16.9% from fiscal year 2024 and increased \$66,378 or 22.5% from fiscal year 2023. The decreased administrative cost in fiscal years 2025 is related to decreased costs related to a capital project for a retirement system replacement. For fiscal year 2024, the increase in costs is related to a capital project for a retirement system replacement and reductions on contractual costs charged to the System.

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 non-employer 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.

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

	<u>2025</u>	<u>2024</u>
Total pension liability	\$ 30,794,204	28,971,272
System fiduciary net position	<u>(46,500,519)</u>	<u>(45,037,891)</u>
System's net pension asset	<u>\$ (15,706,315)</u>	<u>(16,066,619)</u>
System fiduciary net position as a percentage of the total pension liability	151.00 %	155.46 %

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 2025, the 34th 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, 2026, due to the continued significant over-funding of the System.

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Economic Conditions, Future Contribution Amounts, and Funding Status

Fiscal year 2025 had positive investment returns, with an overall return rate of 8.21%, higher than the System's assumed rate of return of 5.75%. Net investment income increased from \$2,608,878 in fiscal year 2024 to \$3,758,895 in fiscal year 2025, an increase of \$1,150,017 or 44.1%. 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 2024 to fiscal year 2025. For fiscal year 2025, the actuary recommended that a contribution to the System was not necessary. With the System's 150.4% funding ratio as of the June 30, 2024 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 2026 and will continue to evaluate future contributions to the System.

The actuarial valuation report for June 30, 2024 reported a funded ratio of 150.4% and a funding excess of \$15,587 million. The roll-forward actuarial valuation for June 30, 2023 reported a funded ratio of 160.1% and a funding excess of \$17.4 million.

The decrease in the funding excess is attributable to investment income during fiscal year 2024 that provided an actuarial rate of return less than the expected return and was an asset loss of \$52,600. Additionally, there was an increase to the actuarial accrued liability of approximately \$1.3 million due to new entrants and rehires that had service accrued prior to June 30, 2023.

Both the actuarial valuation report of June 30, 2024 and the roll-forward actuarial valuation report of June 30, 2023 are posted to the System's web page. The actuarial valuation reports for the System are conducted biennially. The actuarial valuation report for June 30, 2024 was presented to the Board in June 2025, and adopted in September 2025. 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.

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June 30, 2025

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

**STATE OF ALASKA
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Statement of Fiduciary Net Position

June 30, 2025

Assets:

Cash and cash equivalents:

Short-term fixed-income pool	\$ 1,731,773
Securities lending collateral	60,077
Total cash and cash equivalents	<u>1,791,850</u>

Investments at fair value:

Fixed-income securities:

Opportunistic fixed-income pool	5,240,963
Barclays aggregate bond fund	19,807,500
Total fixed-income securities	<u>25,048,463</u>

Broad domestic equity:

Large cap pool	5,029,699
Small cap pool	525,790
Total broad domestic equity	<u>5,555,489</u>

Global equity ex-U.S.:

International equity pool	3,592,883
Emerging markets equity pool	664,363
Total global equity ex-U.S.	<u>4,257,246</u>

Multi-asset:

Tactical allocation strategies pool	956,167
Alternative fixed income pool	1,240,878
Alternative beta pool	466,150
Total multi-asset	<u>2,663,195</u>

Private equity pool

4,098,822

Real assets:

Real estate pools	1,147,911
Real estate investment trust pool	371,578
Infrastructure private pool	653,971
Energy pool	20,337
Farmland pool	736,643
Timber pool	284,094

Total real assets 3,214,534

Total investments 44,837,749

Total assets 46,629,599

Liabilities:

Accrued expenses	52,241
Securities lending collateral payable	60,077
Due to State of Alaska General Fund	16,762
Total liabilities	<u>129,080</u>

Net position restricted for pension benefits \$ 46,500,519

See accompanying notes to financial statements.

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Statement of Changes in Fiduciary Net Position

Year ended June 30, 2025

Additions:

Investment income:

Net appreciation in fair value	\$ 2,764,863
Interest	850,906
Dividends	<u>236,934</u>

Total investment income	<u>3,852,703</u>
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Less: investment expense	<u>95,632</u>
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Net investment income before securities lending activities	<u>3,757,071</u>
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Securities lending income	7,010
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Less: securities lending expense	<u>5,186</u>
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Net income from securities lending activities	<u>1,824</u>
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Net investment income	<u>3,758,895</u>
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Total additions	<u>3,758,895</u>
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Deductions:

Pension benefits	1,995,805
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Administrative	<u>300,462</u>
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Total deductions	<u>2,296,267</u>
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Net increase	1,462,628
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Net position restricted for pension benefits:

Balance, beginning of year	<u>45,037,891</u>
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Balance, end of year	<u><u>\$ 46,500,519</u></u>
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See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2025

(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:

	2024
Retirees and beneficiaries currently receiving benefits	694
Terminated plan members entitled to future benefits	669
Total current and future benefits	1,363
Active plan members:	
Alaska Air National Guard	2,713
Alaska Army National Guard	1,749
Alaska Naval Militia	45
Total active plan members	4,507
Total members	5,870

(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.

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(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.

(e) Administrative Costs

Administrative costs are paid from investment earnings.

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Notes to Financial Statements

June 30, 2025

(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, 2025 was 8.58%.

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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Notes to Financial Statements

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(4) Net Pension Asset

The components of the net pension asset at June 30, 2025 were as follows:

Total pension liability	\$ 30,794,204
System fiduciary net position	<u>(46,500,519)</u>
System's net pension (asset)	<u>\$ (15,706,315)</u>
System fiduciary net position as a percentage of the total pension liability	151.00%

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2025.

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.

The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021.

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

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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, 2025 and 2024 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.51%).

<u>Asset class</u>	<u>Long-term expected real rate of return</u>
Broad domestic equity	5.74 %
Global equity (ex-U.S.)	6.37
Global equity	5.88
Aggregate bonds	2.30
Real assets	4.54
Private equity	9.28
Cash equivalents	0.60

(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 Bond Buyer GO 20-Year Municipal Bond Index rate was 5.20% as of June 30, 2025. The prior rate was 4.21%, which was based on the S&P Municipal Bond 20-Year High Grade Index rate as of June 30, 2024. The underlying index was updated in order to exclude bonds subject to the alternative minimum tax.

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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, 2025, 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</u>	<u>1% Increase (6.75%)</u>
Net pension asset	\$ 12,537,914	15,706,135	18,415,177

(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)

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Required Supplementary Information (Unaudited)

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

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability:										
Service cost	\$ 860,100	741,029	722,955	656,678	517,376	507,899	578,431	610,686	610,686	603,495
Interest	1,653,940	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
Differences between expected and actual experience	1,304,697	—	1,156,457	—	(627,562)	—	(13,086,972)	4,338	(8,663,535)	4,565
Changes of assumptions	—	—	—	964,524	2,573,336	—	(265,847)	—	—	—
Benefit payments	(1,995,805)	(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)
Net change in total pension liability	1,822,932	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
Total pension liability – beginning	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
Total pension liability – ending (a)	30,794,204	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
Plan fiduciary net position:										
Contributions – employer	—	—	—	—	—	860,686	851,686	907,231	866,905	734,500
Total net investment income (loss)	3,758,895	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
Benefit payments	(1,995,805)	(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)
Administrative expenses	(300,462)	(361,419)	(295,041)	(357,740)	(304,439)	(230,609)	(282,338)	(226,466)	(257,396)	(241,750)
Other income	—	77	—	—	1,690	—	—	—	—	582
Net change in plan fiduciary net position	1,462,628	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)
Plan fiduciary net position – beginning	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 fiduciary net position – ending (b)	46,500,519	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
Plan's net pension (asset) liability (a)–(b)	\$ (15,706,315)	(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
Plan fiduciary net position as a percentage of the total pension liability	151.00%	155.46%	157.12%	165.33%	197.45%	185.84%	184.09%	115.93%	117.40%	89.91%
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>
2025	\$ —	—	—	N/A	N/A
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

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

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Required Supplementary Information (Unaudited)

Schedule of Investment Returns

Last 10 Fiscal Years

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2025	8.58%
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)

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

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June 30, 2025

(1) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Gallagher. The significant actuarial methods and assumptions used in the defined benefit pension benefit plan valuation as of June 30, 2024 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 – The actuarial asset value was initialized to equal Fair Value of Assets as of June 30, 2006. Beginning in FY07, the asset valuation method recognizes 20% of the gain or loss each year, for a period of five years. All assets are valued at fair 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 fair 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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- f. Turnover – Select and ultimate rates based upon the 2017-2021 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	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.

Age	Male	Female	Age	Male	Female
< 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.

- 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, 2024 was increased by \$328,000 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:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	\$ 295,000
2024	361,000
Total	\$ 656,000
	÷ 2
Expense load (rounded)	\$ <u>328,000</u>

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, 2024

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, 2024

The amount included in the Normal Cost for administrative expenses was changed from \$331,000 to \$328,000, 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, 2024

There have been no changes in benefit provisions since the prior valuation.

SUPPLEMENTAL SCHEDULES

Schedule 1

**STATE OF ALASKA
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Schedules of Administrative and Investment Deductions

Year ended June 30, 2025

	<u>Administrative</u>	<u>Investment</u>	<u>Total</u>
Personal services:			
Wages	\$ 88,097	6,283	94,380
Benefits	62,483	3,084	65,567
Total personal services	<u>150,580</u>	<u>9,367</u>	<u>159,947</u>
Travel:			
Transportation	77	152	229
Per diem	16	26	42
Total travel	<u>93</u>	<u>178</u>	<u>271</u>
Contractual services:			
Investment management and custodial fees	—	77,512	77,512
Data processing	44,924	1,237	46,161
Accounting and auditing	41,897	—	41,897
Management and consulting	32,715	6,253	38,968
Rental/leases	6,752	231	6,983
Securities lending	—	5,186	5,186
Transportation	4,926	1	4,927
Advertising and printing	4,087	—	4,087
Communications	623	20	643
Legal	—	160	160
Repairs & maintenance	49	2	51
Other services	12,836	640	13,476
Total contractual services	<u>148,809</u>	<u>91,242</u>	<u>240,051</u>
Other:			
Supplies	877	2	879
Equipment	103	29	132
Total other	<u>980</u>	<u>31</u>	<u>1,011</u>
Total administrative and investment deductions	<u>\$ 300,462</u>	<u>100,818</u>	<u>401,280</u>

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, 2025

Firm	Services	2025
Gallagher	Actuarial services	\$ 22,929
KPMG LLP	Auditing services	39,000
State Street Bank and Trust	Custodial banking services	2,265
Alaska IT Group	Data processing services	1,323
Applied Microsystems Incorporated	Data processing services	3,704
Sagitec Solutions	Data processing services	16,162
Linea Solutions Incorporated	Management consulting services	17,673
		<u>\$ 103,056</u>

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

See accompanying independent auditors' report.