Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Basic Financial Statements and *Government Auditing Standards* Auditor's Report
Year Ended June 30, 2020

(With Independent Auditor's Report Thereon)

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member
of BDO International Limited, a UK company limited by guarantee.

Alaska Mental Health Trust Authority

(A Component Unit of the State of Alaska)

Basic Financial Statements and *Government Auditing Standards*
Auditor’s Report
Year Ended June 30, 2020

(With Independent Auditor’s Report Thereon)

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Contents

	Page
Independent Auditor's Report	1-3
Management's Discussion and Analysis	6-10
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds	
Balance Sheet	14
Reconciliation of Governmental Fund Balance Sheet to Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balance	16
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	17
Notes to Basic Financial Statements	18-58
Required Supplementary Information	
Public Employees' Retirement System:	
Schedule of the Trust's Proportionate Share of the Net Pension Liability – Pension Plan	60
Schedule of the Trust's Contributions – Pension Plan	61
Schedule of the Trust's Proportionate Share of the Net OPEB Liability - ARHCT	62
Schedule of the Trust's Contributions - ARCHT	63
Schedule of the Trust's Proportionate Share of the Net OPEB Liability - RMP	64
Schedule of the Trust's Contributions - RMP	65
Schedule of the Trust's Proportionate Share of the NET OPEB Asset - ODD	66
Schedule of the Trust's Contributions - ODD	67
Notes to Required Supplementary Information	68-69

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Contents

	Page
***Government Auditing Standards* Auditor's Report**	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*	72-73
Schedule of Findings and Questioned Costs	74
Alaska Mental Health Trust Authority Audit Responses (Unaudited)	
Summary Schedule of Prior Year Audit Findings	76

Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

To The Board of Trustees
Alaska Mental Health Trust Authority
Anchorage, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the Alaska Mental Health Trust Authority (the Trust), a component unit of the State of Alaska, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Trust's basic financials statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the investments managed by the Alaska Permanent Fund Corporation and the related disclosures in the notes to the financial statements, which represent 73%, 75%, and 38%, of the assets and deferred outflows, net position, and revenues of the Trust, respectively. Those schedules were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Schedules of Investments Managed by the Alaska Permanent Fund Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Alaska Mental Health Trust Authority, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Alaska Mental Health Trust Authority and do not purport to, and do not, present fairly the financial position of the State of Alaska nor the Alaska Permanent Fund Corporation as of June 30, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 10 and the Schedules of Net Pension Liability, and Pension Contributions, and the Schedules of Net OPEB Liability and Contributions on pages 60 through 69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior-Year Comparative Information
The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended June 30, 2019, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020 on our consideration of the Alaska Mental Health Trust Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alaska Mental Health Trust Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alaska Mental Health Trust Authority's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
October 30, 2020

This page intentionally left blank.

Management's Discussion and Analysis

As management of the Alaska Mental Health Trust Authority (the Trust), we offer readers this narrative overview and analysis of the financial activities of the Alaska Mental Health Trust for the fiscal years ended June 30, 2020 and June 30, 2019.

Management's Discussion and Analysis ("MD&A") is comprised of four components: financial highlights, an overview of the financial statements, a financial analysis of the Trust's statements, and a summary of other facts, decisions or conditions that could potentially materially affect the Trust. Please review the MD&A in conjunction with the Trust's financial statements and the accompanying notes to the financial statements.

If you have questions about the Trust or need additional financial information, we encourage readers to visit www.mhtrust.org or contact the Trust at (907) 269–7960.

Financial Highlights

- The Trust's net position at the close of the Fiscal Year (FY) ending June 30, 2020 increased to $714.3 million from $705.0 million in FY2019, representing an increase of $9.3 million or 1.3% from the prior fiscal year.

- The Trust's assets closed at $777.4 million for FY2020, a $30.3 million or 4.1% increase over FY2019. The Trust's liabilities totaling $63.9 million for FY2020, a $21.3 million or 50% increase over FY2019.

- The Trust's total revenues, at $39.2 million, were 16% below FY2019 as markets responded to the anticipated impact of the novel coronavirus (COVID-19) global pandemic. Returns on the Trust's investments managed by the Alaska Permanent Fund Corporation (APFC) returned 2.01% in FY2020 as compared to 6.32% overall in FY2019. The Trust's budget reserves managed by the Department of Revenue Treasury Division (State Treasury) generated a 5.96% return in FY2020 as compared to a 6.84% return during FY2019.

- Total FY2020 expenses of the Trust were $29.9 million, an increase of 5.6% over the $28.3 million in FY2019 driven by increased grant awards. $21.3 million in grants were disbursed, a 13.6% increase over FY2019.

Overview of the Financial Statements

The financial statements of the Trust include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The financial statements are prepared in conformity with accounting principles generally accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board.

Government-wide Financial Statements: The government-wide financial statements use economic resources measurement focus and the accrual basis of accounting.

The *Statement of Net Position* helps answer the question: "How is the Trust's financial health at the end of the year?" By adding assets and deferred outflows of resources (if any) and subtracting liabilities and deferred inflows of resources (if any), net position is determined. Over multiple fiscal periods, increases or decreases in net position serve as a useful indicator of whether the financial position of the Trust is improving or deteriorating.

The *Statement of Activities* helps answer the question: "Is the Trust as a whole better off or worse off as a result of the year's activities?" by determining if revenues were sufficient to recover all of the expenses incurred. Revenue and expenses are reported once the underlying event occurs, regardless of the timing of related cash flows. Therefore, items such as personal leave earned but not yet used are reported as an expense in this statement.

Fund Financial Statements: The fund financial statements use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Trust's fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting.

The *Balance Sheet* helps answer the question: "How is the Trust's financial health at the end of the year?" It includes only current assets and current liabilities. For example, capital assets used for operations (including land, buildings and equipment that are not acquired for financial investment purposes) are not reported in the Balance Sheet. Additionally, certain long-term liabilities such as compensated absences not due and payable in the current period are excluded from the Balance Sheet but are reported in the government-wide Statement of Net Position. The Balance Sheet reconciles the fund balance to the net position in the government-wide Statement of Net Position.

The *Statement of Revenues, Expenditures and Changes in Fund Balance* helps answer the question: "Did the Trust's cash inflows and outflows make it better or worse off as a whole?" by providing information on the impact of investment and operational activities on the fund balance. Revenues are included when they become available and measurable. Expenditures (not expenses) are included when measurable and paid. Spending for capital outlays are reported as expenditures in the fund financial statements but capitalized on the government-wide financial statements. The change in fund balance is reconciled to the change in net position in the government-wide Statement of Net Position.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Financial Analysis

The tables below contain condensed financial information derived from the Trust's government-wide financial statements and reflects the Trust's change in net position during FY2020.

June 30,	2020	2019	Net Change	Percent Change
			$30,211,000	
Current and other assets	$ 757,142,000	$ 726,931,000		4.2%
Capital assets	20,265,000	20,136,000	129,000	0.6%
Total assets	777,407,000	747,067,000	30,340,000	4.1%
Total deferred outflows	1,367,000	1,218,000	149,000	12.2%
Current and other liabilities	56,426,000	34,695,000	21,731,000	62.6%
Long-term liabilities	7,519,000	7,928,000	(409,000)	(5.2)%
Total liabilities	63,945,000	42,423,000	21,322,000	50.0%
Total deferred inflows	560,000	701,000	(141,000)	(20.1)%
Net position				
Net invested in capital assets	20,265,000	20,136,000	129,000	0.6%
Restricted for investments	512,365,000	557,951,000	(45,586,000)	(8.2)%
Unrestricted	181,639,000	126,874,000	54,765,000	43.2%
Total Net Position	$ 714,269,000	$ 704,961,000	9,308,000	1.3%

The majority of the Trust's financially measurable assets are managed by the APFC and, to a lesser degree, State Treasury. Assets invested by APFC are invested with the same asset allocation as the Alaska Permanent Fund. Consequently, the performance of the Trust's portfolio is intrinsically tied to that of the Alaska Permanent Fund and the overall financial markets.

In FY2020, there is a global health emergency pertaining to a new strain of coronavirus, known as COVID-19. Despite COVID-19 and the resulting volatility in the markets where Trust assets have been invested, the net position of the Trust increased by $9.3 million, or 1.3%, during the fiscal year. Asset balances rose due to earnings contributions, increases in the fair value of investments, and increase in the due from the state of $22.6 million. Liabilities increased primarily due to Alaska Permanent Fund Corporation's increase in obligations due, but not yet settled, on securities purchases and due to deposits held in escrow for a land sale.

At the end of FY2020, the Trust's capital assets included $8.6 in buildings, infrastructure and equipment, and $11.6 million in land and land improvements. This is a 0.6% increase over the $20.1 million in capital assets at the end of FY2019.

June 30,	2020	2019	Net Change	Percent Change
Total revenues	$ 39,248,000	$ 46,834,000	$ (7,586,000)	(16.2)%
Total expenses	(29,940,000)	(28,349,000)	(1,591,000)	(5.6)%
Increase (decrease) in net position	9,308,000	18,485,000	(9,177,000)	(49.6)%
Net Position - beginning of year	704,961,000	686,476,000	18,485,000	2.7%
Net Position – end of year	$ 714,269,000	704,961,000	$ 9,308,000	1.3%

As shown in the table above, during FY2020, The Trust generated $39.2 million in total revenues. Combined investment income from APFC and State Treasury managed funds generated 57% of total revenues, significantly below plan due to the economic impact of COVID-19.

Investment income, net of operating expenses, from investments managed by APFC was $14 million in FY2020, a decline from $31.1 million in FY2019. APFC calculated its total investment yield at 2.01% for FY2020, compared to a yield of 6.32% for the preceding year.

Investments held through the State Treasury, where a portion of the Trust's budget reserves are invested, generated interest and investment income of $4 million and $3.2 million in FY2020 and FY2019, respectively.

$11.5 million in FY2020 revenue from assets managed by the Trust Land Office was up 8% from $10.6 million in FY2019. The Trust continued to make significant effort to advance the US Forest Service Land Exchange project and collected escrow payments as scheduled for the Juneau Subport sale during FY2020. The Trust finalized the $20 million Juneau Subport property sale subsequent to the close of FY2020.

Expenses for FY2020 totaled $29.9 million, an increase of 5.6% from FY2019. This is attributed to an increase in grant awards countered by a decrease in operating expenses levels due COVID-19. Of the grants awarded in FY2020, more than $1.4 million was to organizations in support of their efforts to mitigate potential negative effects from COVID-19.

Other Facts, Decisions or Conditions

Asset valuation: The Trust applies fair market values to determine asset value for liquid investments and developed properties. Land for which there is insufficient data to measure fair value is maintained at the original value of $1 per acre.

Legal and other contingencies: The fiduciary responsibility of the Trust Land Office (TLO) is to maximize value of the land transferred to the Trust through the 1994 mental health trust settlement. This may involve development, resource extraction, sale and/or exchange of Trust land. If individual persons or entities oppose a proposed TLO action, they may initiate litigation to stop or delay action. The outcome of litigation is inherently uncertain. If legal matters are resolved against the proposed action of the TLO, the revenue expected from the action on that parcel of land could be materially adversely affected.

State of Alaska Legislative Audit: The State completed a Legislative Audit FY2018 concluding the cash principal used to invest in commercial real estate assets was statutorily required to be managed by the APFC. The Trust took several major actions in FY2019 to respond to the Legislative Audit's recommendations, and in FY2020, the Trust engaged a Securities and Exchange Commission-registered independent commercial real estate financial advisor to evaluate the commercial real estate performance and serve as an advisor to the Trust. In March 2020, the Chairman of the Legislative Budget and Audit Committee informed the Trust it would be conducting a follow-up audit. Although the outcomes of the follow-up audit are uncertain, the Trust believes the actions taken to address the concerns outlined in the Legislative Audit report align with the Trust's statutory, regulatory and fiduciary responsibilities.

COVID-19: Although there is uncertainty about CARES Act funding and the impact of COVID-19 on Trust's investment and operations, the Trust believes its current cash, cash equivalents and fund reserve balances are sufficient to satisfy its operating needs and other liquidity requirements over the next 12 months. Revenue from assets used to support Trust activities is based on a formula designed for long-term sustainability. Additionally, the Trust strives to maintain a Reserve balance of 400% of the annual distribution from these funds in order to maintain a relatively consistent operating budget if facing an environment of market volatility. This Reserve target was exceeded in FY2020. Due to the uncertainty, the Trust will continue to monitor the effects from COVID-19.

Basic Financial Statements

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Statement of Net Position (With Summarized Comparative Amounts for 2019)

June 30,	2020	2019
Assets and Deferred Outflows of Resources		
Cash and investments	$ 697,495,000	$ 692,828,000
Accounts receivable, net of allowance	18,367,000	5,173,000
Prepaid items	434,000	697,000
Due from State of Alaska	22,589,000	-
Securities lending collateral invested	12,616,000	22,889,000
Notes receivable, net of allowance	5,596,000	5,312,000
Net OPEB asset	45,000	32,000
Capital assets, net of accumulated depreciation	20,265,000	20,136,000
Total Assets	777,407,000	747,067,000
Deferred Outflows of Resources		
Related to pension	824,000	744,000
Related to OPEB	543,000	474,000
Total Deferred Outflows of Resources	1,367,000	1,218,000
Total Assets and Deferred Outflows of Resources	$ 778,774,000	$ 748,285,000
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Accounts payable and accrued liabilities	$ 42,292,000	$ 9,156,000
Securities lending collateral	12,616,000	22,889,000
Due to State of Alaska	-	901,000
Unearned revenue	825,000	988,000
Accrued leave	693,000	761,000
Noncurrent liabilities:		
Net pension liability - due in more than one year	7,278,000	6,554,000
Net OPEB liability - due in more than one year	241,000	1,374,000
Total Liabilities	63,945,000	42,623,000
Deferred Inflows of Resources		
Related to pension	292,000	165,000
Related to OPEB	268,000	536,000
Total Deferred Inflows of Resources	560,000	701,000
Net Position		
Net investment in capital assets	20,265,000	20,136,000
Restricted for investments	512,365,000	557,951,000
Unrestricted	181,639,000	126,874,000
Total Net Position	714,269,000	704,961,000
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 778,774,000	$ 748,285,000

See accompanying notes to basic financial statements.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Statement of Activities (With Summarized Comparative Amounts for 2019)

Years Ended June 30,	2020	2019
Expenses		
Personnel services	$ 2,391,000	$ 3,033,000
Travel	63,000	110,000
Services	1,636,000	1,766,000
Supplies	57,000	41,000
Trust land office and land management	4,095,000	4,252,000
Grant awards	21,265,000	18,710,000
Depreciation	433,000	437,000
Total Expenses	29,940,000	28,349,000
Revenues		
Program revenues:		
Nonexpendable rents, royalties and exchanges	7,027,000	5,203,000
Rents and royalties	12,450,000	4,372,000
Nonexpendable investment income (loss)	(11,973,000)	3,953,000
Investment income	31,391,000	33,064,000
Charges for services, fines and forfeitures	220,000	59,000
PERS On-behalf revenue	227,000	89,000
Other revenues (expenses)	(94,000)	94,000
Total Revenues	39,248,000	46,834,000
Change in net position	9,308,000	18,485,000
Net Position, beginning of year	704,961,000	686,476,000
Net Position, end of year	$ 714,269,000	$ 704,961,000

See accompanying notes to basic financial statements.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Balance Sheet (With Summarized Comparative Amounts for 2019)

June 30,	2020	2019
Assets		
Cash and investments	$ 697,495,000	$ 692,828,000
Accounts receivable, net of allowance	18,367,000	5,173,000
Prepaid items	434,000	697,000
Due from State of Alaska	22,589,000	-
Securities lending collateral invested	12,616,000	22,889,000
Notes receivable, net	5,596,000	5,312,000
Total Assets	$ 757,097,000	$ 726,899,000
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable and accrued liabilities	$ 42,292,000	$ 9,156,000
Securities lending collateral	12,616,000	22,889,000
Due to State of Alaska	-	901,000
Unearned revenue	825,000	988,000
Total Liabilities	55,733,000	33,934,000
Deferred Inflows of Resources		
Land sales - unavailable	5,750,000	5,221,000
Total Liabilities and Deferred Inflows of Resources	61,483,000	39,155,000
Fund Balance		
Nonspendable:		
Nonexpendable corpus	506,615,000	552,730,000
Prepaid items	434,000	697,000
Assigned	188,565,000	134,317,000
Total Fund Balance	695,614,000	687,744,000
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 757,097,000	$ 726,899,000

See accompanying notes to basic financial statements.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Reconciliation of Governmental Fund Balance Sheet to Statement of Net Position
(With Summarized Comparative Amounts for 2019)

June 30,	2020	2019
Total fund balance	$ 695,614,000	$ 687,744,000
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	20,265,000	20,136,000
Long-term assets are not receivable in the current period and therefore are not reported as fund assets. This is the amount of net OPEB asset.	45,000	32,000
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. Long-term liabilities reported in these statements consist of:		
Accrued leave	(693,000)	(761,000)
Net pension liability	(7,278,000)	(6,554,000)
Net OPEB liability	(241,000)	(1,374,000)
Total long-term liabilities	(8,212,000)	(8,689,000)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These are amortized over time.		
Deferred outflows of resources related to pension	824,000	744,000
Deferred outflows of resources related to OPEB	543,000	474,000
Deferred inflows of resources related to pension	(292,000)	(165,000)
Deferred inflows of resources related to OPEB	(268,000)	(536,000)
Total deferred pension items	807,000	517,000
Land sales contract receivables are not available to pay current period expenditures, and therefore are deferred in the governmental funds.	5,750,000	5,221,000
Total Net Position	$ 714,269,000	$ 704,961,000

See accompanying notes to basic financial statements.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Statement of Revenues, Expenditures and Changes in Fund Balance
(With Summarized Comparative Amounts for 2019)

Years Ended June 30,	2020	2019
Revenues		
Investment income	$ 31,391,000	$ 33,064,000
Nonexpendable investment income (loss)	(11,973,000)	3,953,000
Nonexpendable rents, royalties and exchanges	6,498,000	5,759,000
Rents and royalties	12,450,000	4,372,000
Charges for services	220,000	59,000
PERS on-behalf revenue	227,000	226,000
Other revenues (expenses)	(94,000)	94,000
Total Revenues	38,719,000	47,527,000
Expenditures		
Personnel services	2,833,000	2,797,000
Travel	63,000	110,000
Services	1,636,000	1,766,000
Supplies	57,000	41,000
Trust land office and land management	4,925,000	6,958,000
Grant awards	21,335,000	18,650,000
Total Expenditures	30,849,000	30,322,000
Net change in fund balance	7,870,000	17,205,000
Fund Balance, beginning of year	687,744,000	670,539,000
Fund Balance, end of year	$ 695,614,000	$ 687,744,000

See accompanying notes to basic financial statements.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities (With Summarized Comparative Amounts for 2019)

Years Ended June 30,	2020	2019
Net change in fund balance	$ 7,870,000	$ 17,205,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	562,000	2,889,000
Depreciation	(433,000)	(437,000)
Net change in capital assets	129,000	2,452,000
Some expenses do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of change in accrued leave.	68,000	1,000
Changes in net pension liability and related accounts can increase or decrease net position. This is the net decrease in equity due to changes in net pension liability and the related deferred outflows and inflows of resources.	(771,000)	(439,000)
Changes in net OPEB liability and related accounts can increase or decrease net position. This is the net increase (decrease) in equity due to changes in net OPEB liability and the related deferred outflows and inflows of resources.	1,483,000	(178,000)
Some revenues in the statement of activities that do not provide current financial resources are not reported in the statement of revenues, expenditures, and changes in fund balance. This is the change in unavailable land sales revenue.	529,000	(556,000)
Change in Net Position	$ 9,308,000	$ 18,485,000

See accompanying notes to basic financial statements.

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements include only the accounts of the Alaska Mental Health Trust Authority (the Trust), a component unit of the State of Alaska (the State) created by an act of the State of Alaska legislature as the result of the settlement of mental health land trust litigation (Weiss v. State). The act authorized the Trust to use income from the Alaska Mental Health Trust Fund to assist it in fulfilling its purpose and ensuring an integrated comprehensive mental health program for the State. The Trust is governed by a Board of Trustees appointed by the governor and confirmed by the legislature. These financial statements are not intended to present the complete financial activity of the State as a whole. The complete financial activity of the State is shown in the Comprehensive Annual Financial Report available from the Division of Finance in the Department of Administration.

The Trust Land Office (TLO) manages Trust land to generate income, which is used by the Trust to improve the lives and circumstance of Trust beneficiaries. The 1994 settlement reconstituted the Trust, and the related legislation transferred nearly one million acres of land to the Trust. As required by the settlement and legislation, the Trust contracts with the Alaska Permanent Fund Corporation to manage the cash corpus of the Trust and with the Department of Natural Resources (DNR) to manage the land corpus of the Trust. The TLO was established within DNR for this purpose and manages about one million acres of Trust land throughout the State on behalf of the Trust.

By statute and memorandum of agreement, a portion of the assets of the Trust are to be held and invested by the Alaska Permanent Fund Corporation (APFC) under the same investment authority as the Alaska Permanent Fund (the Fund) is managed. The APFC is a component unit of the State and is administered by a Board of Trustees (the APFC Trustees). By statute, net income from the Trust is distributed to the Mental Health Trust Income Account and is not included in the computation of Fund dividends, which are distributed to eligible State residents annually. These financial statements are not intended to present the complete financial activity of the APFC as a whole.

Basis of Presentation

The accounts of the Trust are organized as a Permanent Fund. Accordingly, the financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Measurement Focus and Basis of Accounting – Government-wide Statements

The Government-wide Financial Statements include the Statement of Net Position and the Statement of Activities and report information about the Trust as a whole.

The Government-wide Financial Statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred.

Measurement Focus and Basis of Accounting – Fund Statements

The Fund Financial Statements have been prepared using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. The Trust considers receivables collected within the fiscal year to be available and recognizes them as revenues of the current year. Expenditures are recorded at the time fund liabilities are incurred, as under accrual accounting. However, expenditures related to accrued leave are recorded only to the extent they have matured.

Cash and Temporary Investments

Included in the amounts shown on the Statement of Net Position as cash and investments is amounts with the State of Alaska, Department of Revenue, Treasury Division (Treasury) and the APFC. The APFC's asset allocation includes approximately 2% in cash. APFC's investment policy specifies that funds dedicated to this portion of the asset allocation will be invested in money market funds or fixed income securities with weighted average maturities of no greater than 24 months.

Cash, Investments, and Related Policies

Funds in the State's internally managed Special Revenue Fund and Other Non-Segregated Investments Pool
The Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages the investments the Commissioner has fiduciary responsibility for. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Fund invests in the State's internally managed Special Revenue Fund and Other Non-Segregated Investments Pool (GeFONSI). The GeFONSI consists of investments in the State's internally managed Short-term Fixed Income Pool, Short-term Liquidity Fixed Income Pool and the Intermediate-term Fixed Income Pool. The Complete financial activity of the Fund is shown in the Comprehensive Annual Financial Report (CAFR) available from the Department of Administration, Division of Finance.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Securities are valued each business day using prices obtained from a pricing service.

The accrual basis of accounting is used for the investment income and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by state legislature. Income in the Short-term, Short-term Liquidity, and Intermediate-term Fixed Income Pools is allocated to the pool participants daily on a pro-rata basis.

For additional information on 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 Commissioner of Revenue at: http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx

Mental Health Trust Fund
The Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages the investments the Commissioner has fiduciary responsibility for. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Fund invests in the State's internally managed Short-term Fixed Income Pool, the Broad Market Fixed Income Pool, as well as the State's internally managed Domestic Equity and International Equity Pools. The Complete financial activity of the Fund is shown in the Comprehensive Annual Financial Report (CAFR) available from the Department of Administration, Division of Finance.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Fixed income and equity securities are valued each business day. Securities expressed in terms of foreign currencies are translated into U.S dollars at the prevailing exchange rates.

The accrual basis of accounting is used for investment income. Income in the Short-term and Broad Market Fixed Income Pools is allocated to pool participants daily on a pro-rata basis.

For additional information on 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 Commissioner of Revenue at: http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx

APFC Managed Funds
The Trust's investments managed by the APFC have been commingled with the assets of the Fund for investment purposes. The investments have been credited with unit shares and fractions of unit shares, which represent an undivided beneficial interest in the commingled assets managed by the APFC equal to the proportion those shares bear to the total unit shares outstanding. The Trust has received unit shares and fractions of unit shares based directly upon the dollar amount per share of funds contributed; the Trust will be charged with unit shares and fractions of unit shares based directly upon the dollar amount per share of funds withdrawn.

Investment Income
Earnings are allocated from the commingled invested assets monthly as a credit to the Trust on the basis of total unit shares outstanding at the end of the month. All earnings are subject to allocation, which includes interest, dividends, and realized and unrealized gains and losses on total investments managed by the APFC.

Carrying Value of Investments
The investments managed by the APFC are reported at fair value in the statements. Investments without a readily determinable fair value are generally reported by using the net asset value per share (or its equivalent) of the investment. Securities transactions are recorded on the trade date that securities are purchased or sold. Unrealized gains and losses are reported as components of net increase or decrease in fair value of investments.

State Investment Regulations
In accordance with Alaska Statute 37.13.120(a), the APFC Trustees have adopted regulations designating the types of eligible investments for Trust assets. The regulations follow the prudent investor rule, requiring the exercise of judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the assets over time while maximizing the expected total return from both income and the appreciation of capital.

Investment Policy - Asset Allocation
The APFC Trustees have established a long-term goal of achieving a five percent real rate of return over time on the investment portfolio. To help achieve this goal, the Trustees of the Alaska Permanent Fund allocate the investments among various asset classes. At June 30, 2020, the APFC's strategic asset allocation targets were as follows:

Asset Class	Asset Class Target
Public Equities	37%
Fixed Income Plus	20%
Private Equity/Growth Opportunities	13%
Real Estate	12%
Private Credit/Infrastructure/Income Opportunities	8%
Absolute Return	5%
Asset Allocation	5%

To allow for market fluctuations and to minimize transaction costs, the Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each risk and asset class, the APFC's chief investment officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the investment policy), the APFC's executive director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the APFC's Board can approve operating for longer than 30 days within a third range (the "red zone"). For example, the target dollar allocation for the public equities class is 38 percent, with the green zone range set at plus or minus five percent, the yellow range set at zero to ten percent beyond the green zone, and red zone range set at greater than ten percent beyond the green zone. In a similar manner, the APFC investment policy also requires the APFC to monitor relative risk (the expected investment portfolio's risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limit on private investments and future commitments.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The APFC manages the Trust's exposure to interest rate risk in part through tracking error guidelines set forth in the APFC's investment policy. Duration is an indicator of a portfolio's market sensitivity to changes in interest rates. In general, the major factors affecting duration are, in order of importance, maturity, prepayment frequency, level of market interest rates, size of coupon, and frequency of coupon payments. Rising interest rates generally translate into the value of fixed income investments declining, while falling interest rates are generally associated with increasing value. Effective duration attempts to account for the price sensitivity of a bond to

changes in prevailing interest rates, including the effect of embedded options. As an example, for a bond portfolio with duration of five years, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of five percent.

At June 30, 2020, the Trust held fixed income investments with floating, step, and variable interest rates, valued at $4,370,000 in the investments managed by APFC. These fixed income investments were both domestic and nondomestic and had current annual interest rates ranging from zero to sixty-one percent.

Unit Shares
Unit Shares represent an undivided beneficial interest in the commingled assets managed by the APFC, and are computed on the next calendar day following the valuation date.

Valuation Data
The last calendar day of each month is designated as the valuation date.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to a marketable debt investment will not fulfill its obligations. The APFC requires that its investment grade fixed income managers, both internal and external, invest in domestic and nondomestic bonds that have an explicit or implied investment grade rating. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain high yield investment managers are allowed to invest a specified amount of funds in bonds rated below investment grade.

Custodial Credit Risk
Custodial credit risk is the risk that in the event of a bank failure the Trust's deposits may not be returned. The APFC generally requires that all investment securities at custodian banks be held in the name of the Fund or the APFC (on behalf of the Trust). For the Trust's nondomestic securities held by most sub-custodians, the APFC's primary custodian provides contractual indemnities against sub-custodial credit risk. Excess cash in custodial accounts is swept daily to a money market fund. Late deposits of cash which miss the money market sweep deadline are deposited to an interest bearing account at the custodian.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. The APFC manages the Trust's concentration of credit risk by following its strategic asset allocation policy, diversifying investments among managers with varying investment styles and mandates, and monitoring tracking error. Tracking error is a measure of how closely a portfolio follows the index to which it is benchmarked. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with APFC investment policy and investment manager contracts. There is no single-issuer exposure within the APFC portfolio that comprises five percent or more of the overall portfolio. Therefore, no concentration of credit risk is reported in the notes to the schedules.

Foreign Currency Risk
Foreign currency risk is the risk of loss from adverse changes in foreign currency exchange rates. Foreign currency risk is managed through foreign currency forward contracts, and by diversifying assets into various countries and currencies.

Forward Exchange Contracts
APFC's Fund managers enter into a variety of forward currency contracts in their trading activities and management of foreign currency exchange rate risk exposure. These contracts are typically intended to neutralize the effect of foreign currency fluctuations, and the contract amounts do not appear on the schedules of investments. Realized gains and losses are included in the net increase/decrease in the fair value of investments at the time the contract is settled and determined based on the difference between the contract rate and the market rate at the time of maturity or closing. Unrealized gains and losses are also included in the net increase/decrease in the fair value of investments, and are calculated based on the difference between the contract rate and a forward market rate determined as of the schedule of investments date.

A portion of forward exchange contracts is intended to manage, rather than neutralize, foreign currency fluctuations. Certain managers seek to control the effect of fluctuations in foreign exchange rates within their overall portfolio strategy rather than on a security by security basis. They attempt to optimize their foreign currency exposure in a market rather than accept the natural geographical exposure to the market's currency.

Futures
Certain equity and fixed income managers at APFC for the Fund are permitted to buy and sell equity and interest rate index futures. The gross fair value of futures does not appear in the balance sheets. The net unrealized gain or loss on open futures trades is included in investments on the balance sheets, based on the difference between the future's purchase price and the current value of such index futures. Realized gains and losses on futures are included in investment income at the time the futures contract expires. The net change in unrealized gains and losses is included in investment income.

Real Estate
Trust assets are invested in a variety of real estate interests, including directly owned real estate, real estate investment trusts, a multi-family and industrial real estate operating companies, private real estate funds and other entities in which the assets consist primarily of real property. The APFC invests Trust assets in real estate directly through ownership of interests in corporations, limited liability companies, and partnerships that hold title to the real estate. Real estate is included in investments and is reported at fair value in accordance with GASB 52, *Land and Other Real Estate Held as Investments by Endowments*. Net unrealized changes in fair value are included in investments on the balance sheets. Realized gains and losses are included in investment income.

The net change in unrealized gains and losses is included in investment income. The Trust's directly owned real estate investments are managed by either (1) external institutional real estate management firms (for all directly owned real estate commingled with the Fund), or (2) by the TLO (for all other directly owned real estate not under fiduciary care of APFC). The Trust periodically reviews real estate investments for other than temporary impairment.

During FY2020, it was determined that one direct real estate holding was impaired because it was more than likely than not that the Fund would not recover the carrying cost over the remaining estimated holding period of the asset. In order to reflect the impairment in statutory net income and fund balance classifications, $66,000 of unrealized losses were realized through a write-down of cost to fair value.

Alternative Investments
Alternative investments include the Trust's investments managed by APFC in or through absolute return strategies, private equity, infrastructure, and private credit. The APFC periodically reviews alternative investments for other than temporary impairment.

Absolute return strategies are investments in specialized funds that seek to deliver returns that are largely uncorrelated with traditional market driven asset classes. Through APFC, the Trust is invested in two existing limited partnerships, in which APFC is the only limited partner ("fund-of-one"); both are currently in liquidation. The Trust also holds direct hedge fund investments, in which APFC is one of many limited partners. External investment management services are provided by institutional investment managers who have acknowledged their status as fiduciaries with respect to the Fund. In FY2017, it was decided to redeem the fund-of-one accounts and move towards more direct hedge fund investments. The liquidation of these accounts is expected to take time, given the illiquid nature of some of the underlying funds. Because of the off-exchange and private nature of many absolute return strategies, investments could have no readily determinable fair value, and the estimated fair values could differ significantly from values that would be obtained in a market transaction for the assets. Each manager provides the APFC with fair value estimates of partnership interests and undergoes an annual independent audit.

Through APFC, the Trust holds private equity through investments in limited liability companies and limited partnerships that typically invest in unlisted, illiquid common and preferred stock and, to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The APFC has hired external advisors to select private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by the external advisors and the underlying fund managers. The underlying private equity funds provide the APFC with fair value estimates of the investments utilizing the most current information available. In addition, the external advisors review the fair value estimates, and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

During FY2020 it was determined that 20 private equity funds were impaired because it was more likely than not that the Fund would not recover their carrying cost over the remaining estimated holding period of the assets. In order to reflect the impairment in the statutory net income, $1,633,000 of unrealized losses were realized through a write-down of cost to fair value. These impairments have no impact on the carrying value of investments or on the net increase/(decrease) in the fair value of private equity investments.

Infrastructure investments involve ownership or operating agreements in essential long-term service assets with high barriers to entry. Examples of infrastructure assets include: toll roads; airports; deep water ports; communication towers; and energy generation, storage and transmission facilities. Investments in this asset class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the APFC's investment strategy. Through APFC, the Trust holds infrastructure investments through commingled funds organized as limited partnerships whose investment managers provide periodic fair value estimates, as well as securities listed on public exchanges. The limited partnerships undergo annual independent audits. Infrastructure investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

During FY2020, it was determined that one infrastructure was impaired because it was more likely than not that the Fund would not recover the carrying cost over the remaining estimated holding period of the asset. In order to reflect the impairment in the statutory net income, $205,000 of unrealized losses were realized through a write-down of cost to fair value.

Through APFC, the Fund invests in private credit through limited partnerships that invest either directly in distressed or mezzanine debt, or in commingled limited liability funds with a distressed debt or credit opportunity focus. The investments are funded over time, as opportunities arise. The limited partnerships and funds undergo annual independent audits. Private credit investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

During FY2020, it was determined that three private credit funds were impaired because it was more likely than not that the Fund would not recover the carrying cost over the remaining estimated holding period of the asset. In order to reflect the impairment in the statutory net income, $349,000 of unrealized losses were realized through a write-down of cost to fair value.

Fair Value Measurement
Various inputs are used in valuing the investments held by the Trust. Accounting principles generally accepted in the United States of America (GAAP) establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These inputs are summarized as follows:

Level 1 – Quoted prices for identical assets in an active market.

Level 2 – Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly.

Level 3 – Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

Investments measured using net asset value (NAV) per share as a practical expedient to fair value are not categorized into input levels.

Accounts and Notes Receivables

Accounts receivable have been established and offset with proper provisions for estimated uncollectible accounts where applicable. Practically all accounts receivable of the Trust are due from interest income related to resource management and investments with the State and APFC.

Notes receivable are secured through land sale contracts. Notes are generally repaid over terms ranging from two to twenty years, with annual scheduled principal and interest payments. Interest rates are fixed at the time the loan agreement is signed.

Factors used by management to determine the allowance include individual loan delinquencies, economic conditions and other factors.

Capital Assets

Capital assets, which include land, buildings, infrastructure, and other equipment, are reported in the Statement of Net Position. Capital assets are defined by the Alaska Mental Health Trust as assets with an initial, individual cost of more than $100,000 and an estimated useful life of at least five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Corpus land is received from the State of Alaska and recorded at $1 per acre when it is conveyed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Equipment	3-10
Buildings and infrastructure	10-40

Deposits

It is the Trust's policy to receive advance payment deposits prior to the usage of land, for any reason. The Trust may apply the deposit to pay for the performance of the default obligation incurred as a result of the lessee or the deposit is returned when the lessee has fully satisfied the terms of the agreement.

Accrued Leave

It is the Trust's policy to permit employees to accumulate earned but unused personal leave. All personal leave pay is accrued when incurred in the Statement of Net Position. A liability for these amounts is reported on the fund statements only if they have matured (e.g. the employee has terminated employment).

Due to/from State of Alaska

The Trust uses the State of Alaska's central treasury for payments of current obligations. The obligations are settled daily from the Trust's cash or investment accounts with the central treasury.

Deferred Inflow and Deferred Outflow of Resources

Deferred inflows in the governmental fund financial statements include those items that are measurable, but not yet available for revenue recognition under the modified accrual basis of accounting rules. Specifically, this includes receivables for amounts for amounts not collected for land sales contracts that are not considered to be available to liquidate liabilities of the current period.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Generally, the Trust reports deferred charges on bond refunding and pension related items as deferred outflows of resources. These items are amortized to expense over time.

In addition to the liabilities, the financial statements may also present deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until later. The Trust reports certain pension related items as deferred inflows of resources. These items are amortized as a reduction of expense over varying periods of time based on their nature.

Fund Balance

The 1994 State legislature authorized the appropriation of $200,000,000 and approximately 957,170 acres nominally valued at $1 per acre to the principal of the Trust. The corpus of the Trust is to be retained perpetually for investment and is included in nonspendable fund balance – nonexpendable corpus. Additionally, the Board of Trustees of the Trust has approved additional reservations of Trust income, as authorized by State law.

By statute, earnings of the Trust may be used to offset the effect of inflation on the value of the corpus of the Trust. Increases to the nonspendable fund balance consist of historical land rent and royalty revenues, special appropriations, and inflation - proofing transfers within the Fund, as well as recorded unrealized appreciation or depreciation of invested assets. Assigned fund balances consist of the realized earnings of the Fund, which have not yet been appropriated.

Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets (net of debt, when applicable); restricted net position; and unrestricted net position. Net position is reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Sometimes the Trust will fund outlays for a purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Trust’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Program Revenues and Expenses

Program revenues and expenses generally result from providing services in connection with the Trust’s principal ongoing programs. Revenues received from the management of Trust land is allocated between principal and income as follows: to principal, 100 percent of (a) land sale revenue, (b) royalties on coal, oil, gas, materials, and minerals, (c) revenues for perpetual easements, and (d) 85 percent of timber sales; to income, 100 percent of (a) interest from land sale contracts, (b) bonus bids, (c) rents, and (d) 15 percent of timber sales. Program expenses include operating costs, Trust land office and funding of comprehensive mental health programs for Alaskans who experience mental illness, developmental disabilities, chronic alcoholism, or Alzheimer's disease and related dementia.

Revenue generated by the TLO from Trust Land is characterized as Distributable Income (proceeds from no disposal actions on Trust land) and Principal (proceeds from the disposal of nonrenewable Trust Land assets). Distributable Income is transmitted to the Trust and expended in accordance with Trust policies and procedures. Trust Land principal is deposited in the Principal Fund (cash corpus) of the Trust or, with the Trust's approval, used to purchase substitute Trust Lands. Trust Land principal continues to generate income in the Principal Fund, with that income making up a significant portion of annual Trust income distributions.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Prior Year Financial Information

The financial statements include certain prior-year comparative information in the Statement of Net Position, Statement of Activities, Balance Sheet, and Statement of Revenues, Expenditures and Changes in Fund Balance. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended June 30, 2019, from which the prior year information was derived. Certain reclassifications have been made to the 2019 basic financial statements to conform to the 2020 presentation.

Management's Use of Estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows/inflows of resources, and liabilities and the disclosure of contingent assets, deferred outflows/inflows of resources, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Income Taxes

The Internal Revenue Code provides that gross income for tax purposes does not include income accruing to a state, territory or any political subdivision thereof which is derived from the exercise of any essential governmental function or any public utility. The Trust is a political subdivision of the State of Alaska and is therefore exempt from state and federal taxes.

2. Cash and Investments

At June 30, 2020, the fund's share of pooled investments and APFC investments was as follows:

	Alaska Mental Health Trust Reserve AY70	GeFONSI 21519	GeFONSI 21521	GeFONSI 21992	Trust Land Office(Other)	Alaska Permanent Fund Corp	Total
Investment Type							
Cash and temporary investments	$ -	$ -	$ -	$ -	$ -	$ 40,259,000	$ 40,259,000
Corporate bonds	-	-	-	-	-	51,654,000	51,654,000
Mortgage-backed securities	-	-	-	-	-	17,549,000	17,549,000
Bond-backed exchange Traded funds	-	-	-	-	-	3,209,000	3,209,000
Commercial mortgage/ asset-backed securities	-	-	-	-	-	2,133,000	2,133,000
Non-U.S. treasury and government bonds	-	-	-	-	-	16,698,000	16,698,000
Non-U.S. corporate bonds	-	-	-	-	-	9,422,000	9,422,000
Preferred and common stock	-	-	-	-	-	206,613,000	206,613,000
Real estate	-	-	-	-	63,062,000	33,954,000	97,016,000
Alternative investments:							
Absolute return	-	-	-	-	-	35,401,000	35,401,000
Private credit	-	-	-	-	-	15,608,000	15,608,000
Private equity	-	-	-	-	-	77,900,000	77,900,000
Infrastructure	-	-	-	-	-	15,639,000	15,639,000
U.S. Treasury bills, notes, bonds, and TIPS	-	-	-	-	-	12,308,000	12,308,000
Fixed Income Securities Broad-term Internally Managed	22,989,000	-	-	-	-	-	22,989,000
Broad Domestic Equity Ssga Russell 3000	17,479,000	-	-	-	-	-	17,479,000
Global Equity Ex-U.S. SOA International Equity Pool	12,560,000	-	-	-	-	-	12,560,000
Investment Managed by Department of Revenue	-	3,147,000	38,975,000	923,000	-	-	43,045,000
Cash in transit	-	3,000	10,000	-	-	-	13,000
Net Cash and Investments	$ 53,028,000	$ 3,150,000	$ 38,985,000	$ 923,000	$ 63,062,000	$ 538,347,000	$ 697,495,000

The Trust transferred $23,057,000 from an APFC managed account to the State Treasury account GeFONSI 221992 on June 30, 2020. Due to timing required to transfer funds and the organizations' different reporting systems, this transfer is not reflected as "cash in transit" for GeFONSI 21992. Had the transfer been completed earlier in FY2020, net cash and investments for GeFONSI 21992 and the total net cash and investments would be $23,980,000 and $720,552,000, respectively, as of June 30, 2020. The $23,057,000 transfer is being reported as due from State of Alaska as of June 30, 2020.

Fair Value Measurement

The input levels used to measure Trust's investments and derivative instruments at June 30, 2020 are summarized as follows:

	Measured using input levels			Measured	
2020	Level 1	Level 2	Level 3	Using NAV	Total
APFC:					
Marketable debt securities	$ 15,525,000	$ 96,809,000	$ 639,000	$ -	$ 112,973,000
Preferred and common stock	205,084,000	-	-	1,529,000	206,613,000
Real state	1,696,000	-	-	32,258,000	33,954,000
Absolute return	-	-	-	35,401,000	35,401,000
Private credit	-	-	-	15,608,000	15,608,000
Private equity	745,000	-	-	77,155,000	77,900,000
Infrastructure	1,609,000	-	-	14,030,000	15,639,000
Total Investments	$224,659,000	$ 96,809,000	$ 639,000	$ 175,981,000	$ 498,088,000

Marketable debt securities are preferred, and common stock classified as level 1 as valued using prices quoted in active markets for those securities. Debt securities classified as level 2 are valued using matrix pricing. Pricing is sourced from various sources. Marketable debt securities valued at level 3 are term loans.

Publicly traded real estate investment trusts are valued using prices quoted in active markets and are reported as level 1. Directly owned real estate through ownership of interests in corporations, limited liability companies, and partnerships that hold title to real estate are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Directly owned real estate investments are subject to annual appraisals and audits. American Homes 4 Rent II is reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions, and does not allow redemptions until the company is wound-up and dissolved.

Absolute return investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Absolute return investments undergo annual independent financial statement audits. The redemption notice period is from 1-91 days and the frequency of redemption is daily to quarterly.

Private credit investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private credit investments undergo annual independent financial statement audits. Redemptions are not allowed, and the usual life of these investments is five to seven years.

Private equity investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private equity investments undergo annual independent financial statement audits. Redemptions are not allowed, and the usual life of these investments is ten to twelve years.

Publicly traded infrastructure investments are classified as level 1 and are valued using prices quoted in active markets for those securities. The majority of infrastructure investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Infrastructure investments undergo annual independent financial statement audits. Redemptions are not allowed, and the usual life of these investments is five to seven years.

Marketable Debt Duration
To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2020, the effective duration by investment type, based on fair value, is as follows:

	Percent of Bond Holdings	Duration (in years)
Domestic Bonds		
Treasury and government notes/bonds	14.17%	8.25
Mortgage-backed securities	20.21%	1.91
Corporate bonds	59.47%	7.72
Commercial mortgage and asset backed securities	2.46%	3.82
Bond-backed exchange traded funds	3.69%	-
Total Domestic Bonds	100.00%	6.24
Nondomestic Bonds		
Non-U.S. treasury and government bonds	63.93%	8.02
Non-U.S. corporate bonds	36.07%	7.37
Bond-backed exchange traded funds	0.00%	-
Total Nondomestic Bonds	100.00%	7.79

Credit Risk

Marketable debt credit rating
To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate, issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating of BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organizations (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Managers with high yield mandates are allowed to hold positions in assets with below investment grade ratings (high yield bonds) based on the terms of their contracts. For purposes of this note, if credit ratings differ among the NRSROs used, the rating with the highest degree of risk (the lowest rating) is reported.

At June 30, 2020, the Trust's credit ratings for its marketable debt securities are as follows:

NRSRO Quality rating	Domestic	Non-domestic	Total fair value	Percent of holdings
AAA	$ 2,481,000	$ 1,575,000	$ 4,056,000	3.59%
AA	3,617,000	2,594,000	6,211,000	5.50%
A	13,591,000	6,500,000	20,091,000	17.78%
BBB	21,781,000	8,120,000	29,901,000	26.46%
BB	6,726,000	2,512,000	9,238,000	8.18%
B	3,926,000	1,723,000	5,649,000	5.00%
CCC	1,146,000	438,000	1,584,000	1.40%
CC	29,000	102,000	131,000	0.12%
C	4,000	-	4,000	0.00%
D	55,000	184,000	239,000	0.21%
Total fair value of rated debt securities	53,356,000	23,748,000	77,104,000	68.24%
Commingled bond funds	3,611,000	-	3,611,000	3.20%
Not rated	109,000	2,372,000	2,481,000	2.20%
U.S. government explicitly backed by the U.S government (AA)	16,909,000	-	16,909,000	14.97%
U.S. government implicitly backed by the U.S. government (AA)	12,868,000	-	12,868,000	11.39%
Total Fair Value Debt Securities	$ 86,853,000	$ 26,120,000	$ 112,973,000	100.00%

Preferred and Common Stock

Direct investments in preferred and common stock are held by the APFC's custodian bank on behalf of the Fund and the Trust. The Fund and the Trust also invests in commingled stock funds, which are held by the custodian bank of the fund manager on behalf of fund investors, and equity index futures, which are held at the prime broker.

Preferred and common stocks and commingled stock funds at June 30, 2020 are summarized as follows, and include the net fair value of equity index futures of $18,000 as of June 30, 2020:

	Cost	Fair Value	Unrealized Holding Gains
Direct investments:			
Domestic	$ 93,016,000	$ 106,717,000	$ 13,701,000
Nondomestic	91,504,000	92,965,000	1,461,000
Commingled funds	7,244,000	6,931,000	(313,000)
Total Preferred and Common Stock	$ 191,764,000	$ 206,613,000	$ 14,849,000

Marketable Debt Securities

Marketable debt securities held by APFC on behalf of the Trust at June 30, 2020 are summarized as follows, categorized by debt instrument type and by country of registration:

	Amortized Cost	Fair Value	Unrealized Holding Gains
Treasury and government notes/bonds	$ 12,131,000	$ 12,308,000	$ 177,000
Mortgage-backed securities	17,458,000	17,549,000	91,000
Corporate bonds	48,530,000	51,654,000	3,124,000
Commercial mortgage/asset-backed securities	2,043,000	2,133,000	90,000
Non-U.S. treasury and government bonds	17,140,000	16,698,000	(442,000)
Non-U.S. corporate bonds	9,050,000	9,422,000	372,000
Bond-backed exchange traded funds	3,449,000	3,209,000	(240,000)
Total Marketable Debt Securities	$ 109,801,000	$ 112,973,000	$ 3,172,000

Foreign Currency Exposure

Alaska Permanent Fund Corporation
Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies.

Cash amounts in the schedule below include receivables, payables, certificates of deposits, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value. The remaining Trust assets are invested in U.S. cash, equities, and debt, as well as in direct real estate properties, absolute return and similar funds, and infrastructure, all of which are denominated in U.S. dollars, and are not included in the schedule below.

At June 30, 2020, the Trust's cash holdings, foreign currency forward contracts, nondomestic public and private equity, and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded):

Foreign Currency	Cash and Cash Equivalents	Foreign Exchange Forward Contracts	Public / Private Equity, Real Estate, Infrastructure	Debt	Total Foreign Currency Exposure
Australian Dollar	$ 787,000	$ (269,000)	$ 2,678,000	$ 238,000	$ 3,434,000
Brazilian Real	11,000	89,000	1,062,000	285,000	1,447,000
Canadian Dollar	485,000	(1,262,000)	3,551,000	189,000	2,963,000
Chilean Peso	1,000	(49,000)	52,000	116,000	120,000
Chinese Yuan Renminbi	31,000	(572,000)	2,241,000	707,000	2,407,000
Columbian Peso	16,000	(39,000)	10,000	245,000	232,000
Czech Koruna	1,000	71,000	13,000	70,000	155,000
Danish Krone	33,000	(17,000)	1,057,000	-	1,073,000
Dominican Republic Peso	-	-	-	2,000	2,000
Egyptian Pound	1,000	(16,000)	1,000	15,000	1,000
Euro Currency	1,381,000	(5,073,000)	20,969,000	3,289,000	20,566,000
Hong Kong Dollar	378,000	(329,000)	9,056,000	-	9,105,000
Hungarian Forint	2,000	13,000	72,000	57,000	144,000
Indian Rupee	5,000	(85,000)	1,844,000	-	1,764,000
Indonesian Rupiah	24,000	(158,000)	389,000	515,000	770,000
Israeli Shekel	8,000	(68,000)	163,000	95,000	198,000
Japanese Yen	1,180,000	(2,417,000)	9,840,000	2,911,000	11,514,000
Malaysian Ringgit	14,000	(51,000)	156,000	250,000	369,000
Mexican Peso	49,000	(166,000)	359,000	583,000	825,000
New Taiwan Dollar	9,000	(68,000)	2,356,000	-	2,297,000
New Zealand Dollar	76,000	309,000	103,000	41,000	529,000
Nigerian Naira	-	(7,000)	-	-	(7,000)
Norwegian Krone	4,000	(565,000	314,000	133,000	(114,000)
Peruvian Sol	1,000	(56,000)	-	100,000	45,000
Philippine Peso	-	(44,000)	46,000	-	2,000
Polish Zloty	3,000	111,000	184,000	122,000	420,000
Pound Sterling	613,000	(2,113,000)	7,078,000	685,000	6,263,000
Qatari Riyal	4,000	(3,000)	83,000	-	84,000
Romanian Leu	1,000	27,000	-	34,000	62,000
Russian Ruble	14,000	(115,000)	65,000	494,000	458,000
Saudi Arabian Riyal	1,000	-	84,000	-	85,000
Serbian Dinar	2,000	-	-	45,000	47,000
Singapore Dollar	351,000	(312,000)	345,000	96,000	480,000
South African Rand	50,000	(96,000)	500,000	316,000	770,000
South Korean Won	17,000	(229,000)	2,471,000	313,000	2,572,000
Swedish Krona	79,000	(155,000)	1,343,000	91,000	1,358,000
Swiss Franc	102,000	5,000	3,174,000	-	3,281,000
Thai Baht	15,000	99,000	324,000	159,000	597,000
Turkish Lira	4,000	(12,000)	286,000	29,000	307,000
UAE Dirham	3,000	-	74,000	-	77,000
Ukraine Hryvana	-	-	-	19,000	19,000
Uruguayan Peso	-	-	-	5,000	5,000
Total	$ 5,756,000	$ (13,622,000)	$ 72,343,000	$ 12,249,000	$ 76,726,000

Foreign Exchange Contracts, Futures, Derivative Exposure, and Off-Balance Sheet Risk

Alaska Permanent Fund Corporation
Certain APFC external investment managers enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell specified amounts of foreign currencies at specified rates and future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2020 ranged between one and 274 days.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Trust is exposed to credit risk to the extent of nonperformance by these counterparties. The Trust's market risk as of June 30, 2020 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts are summarized as follows:

***Balance** at June 30, 2020*	
Face value of FX forward contracts	$ 21,500,000
Net unrealized holding gains on FX forward contracts	39,000
Fair Value of FX Forward Contracts	**$ 21,539,000**

Activity for fiscal year Ending June 30, 2020	
Change in unrealized holding gains	$ 218,000
Realized gains	196,000
Net Increase in Fair Value of FX Forward Contracts	**$ 414,000**

Certain APFC equity investment managers are permitted to trade in equity index futures for the Fund's account, and the internal fixed income management team began trading U.S. Treasury index futures. Equity index futures are traded in both domestic and nondomestic markets based on an underlying stock exchange value. Equity and fixed income index futures are settled with cash for the net difference between the trade price and the settle price.

Activity and balances related to equity index futures are summarized as follows:

***Balance** at June 30, 2020*	
Face value of equity index futures	$ 260,000
Net unrealized holding losses on futures	17,000
Fair Value of Equity Index Futures	**$ 277,000**

Activity for fiscal year Ending June 30, 2020	
Change in unrealized holding losses	$ 10,000
Realized gains	(15,000)
Net Decrease in Fair Value of Futures	**$ (5,000)**

Activity and balances related to equity U.S. Treasury futures are summarized as follows:

***Balance** at June 30, 2020*	
Face value of U.S. Treasury index futures	$ 671,000
Net unrealized holding losses on futures	(5,000)
Fair Value of U.S. Treasury Futures	**$ 666,000**
Activity for fiscal year Ending June 30, 2020	
Change in unrealized holding gains	$ 26,000
Realized losses	(495,000)
Net Decrease in Fair Value of U.S. Treasury Futures	**$ (469,000)**

The face value of FX forward contracts and futures shown in these schedules is not required to be included in the schedules of investments of the Trust. All other balance and activity amounts shown above are included in the schedules of investments and investment income of the Trust.

Real Estate

Real estate investments at June 30, 2020 are summarized as follows:

	Cost	Fair Value	Unrealized Holding Gains
Real estate investment trusts	$ 1,508,000	$ 1,744,000	$ 236,000
Real estate funds and notes	2,874,000	3,010,000	136,000
American Homes 4 Rent II	1,076,000	1,205,000	129,000
Directly owned real estate:			
Retail	6,571,000	12,052,000	5,481,000
Hotel	8,482,000	9,715,000	1,233,000
Office	46,260,000	63,580,000	17,320,000
Industrial	2,138,000	3,203,000	1,065,000
Multifamily	1,843,000	2,507,000	664,000
Total Real Estate	**$ 70,752,000**	**$ 97,016,000**	**$ 26,264,000**

As of June 30, 2020, the APFC, on behalf of the Trust, had outstanding future funding commitments of $5 million for real estate fund investment. Included in Office above are seven properties with fair value of $63,062,000 and cost of $45,763,000 managed by the Trust Land Office.

Alternative Investments

Alternative investments at June 30, 2020 are summarized as follows:

	Cost	Fair Value	Unrealized Holding Gains
Absolute return	$ 33,361,000	$ 35,401,000	$ 2,040,000
Private credit	14,722,000	15,608,000	886,000
Private equity	59,897,000	77,900,000	18,003,000
Infrastructure	14,457,000	15,639,000	1,182,000
Total Alternative Investments	$ 122,437,000	$ 144,548,000	$ 22,111,000

As of June 30, 2020, the APFC, on behalf of the Trust, had outstanding future funding commitments of $1 million for absolute return; $40 million for private equity; $10 million for public-private credit; and $16 million for infrastructure investments. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specific period has elapsed.

3. Securities Lending

State regulations at 15 AAC 137.510 and the APFC investment policy authorize the APFC to enter into securities lending transactions on behalf of the Trust. Through a contract with the Bank of New York Mellon (the Bank), the Trust lends marketable debt and equity securities to borrowers who are banks and broker-dealers. The loans are collateralized with cash or marketable securities guaranteed by the U.S. government or a U.S. government agency. Under APFC's contract with the Bank, the Bank must mark the loaned securities and collateral to the market daily, and the loan agreements require the borrowers to maintain the collateral at not less than 102 percent of the fair value of the loaned securities for domestic securities (and nondomestic loaned securities denominated in U.S. dollars) and not less than 105 percent of the fair value for other nondomestic loaned securities. The APFC can sell securities that are on loan. If a borrower fails to return the loaned securities (borrower default), the Bank can use cash collateral (and the proceeds on the sale of any noncash collateral) to purchase replacement securities. Generally, the APFC is protected from credit risk associated with the lending transactions through indemnification by the Bank against losses resulting from counterparty failure, the reinvestment of cash collateral, default on collateral investments, or a borrower's failure to return loaned securities.

Cash collateral received for loaned securities is reported on the Trust's schedules of investments and invested by the Bank on behalf of the Fund and the Trust. As of June 30, 2020, such investments were in overnight repurchase agreements that had a weighted-average-maturity of one day. The average term of the loans was also one day.

At June 30, 2020 the value of securities on loan is as follows:

Fair Value of Securities on Loan, Secured by Cash Collateral	$ 12,390,000
Cash Collateral	$ 12,616,000
Fair Value of Securities on Loan, Secured by Noncash Collateral	$ 50,184,000
Noncash Collateral	$ 54,872,000

The Trust receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the year ended June 30, 2020, the Trust incurred no losses from securities lending transactions. The Trust received $261,000 from securities lending for the year ended June 30, 2020.

4. Accounts Receivable

Accounts receivable at June 30, 2020 are as follows:

Interest and dividends receivable	$ 18,251,000
Other receivables	191,000
Total accounts receivables	18,442,000
Allowance for uncollectible accounts	(75,000)
Total Accounts Receivable, net of allowance	$ 18,367,000

Accounts receivable increased in FY2020 from $5,000,000 in FY2019 due primarily to investment activities of the APFC on behalf of the Trust.

5. Notes Receivable

Notes receivable at June 30, 2020 are as follows:

Land sale notes receivable	$ 6,321,000
Allowance for uncollectible accounts	(725,000)
Total Notes Receivable, net of allowance	$ 5,596,000

6. Capital Assets

The Trust owns and accounts for all land and buildings. Contributed assets are recorded at fair value at date of receipt. Capital asset activity for the year ended June 30, 2020 follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Nondepreciable Assets:				
Land:				
Corpus	$ 1,009,000	$ 1,000	$ -	$ 1,010,000
Land and land improvements	10,045,000	561,000	-	10,606,000
Total nondepreciable assets	11,054,000	562,000	-	11,616,000
Depreciable Assets:				
Buildings and infrastructure	13,118,000	-	-	13,118,000
Equipment	312,000	-	-	312,000
Total depreciable assets	13,430,000	-	-	13,430,000
Accumulated depreciation	(4,348,000)	(433,000)	-	(4,781,000)
Total Capital Assets, Net of Accumulated Depreciation	$ 20,136,000	$ 129,000	$ -	$ 20,265,000

Depreciation expense for the year ended June 30, 2020 was $433,000.

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2020 are summarized as follows:

Accounts payable	$ 23,105,000
Deposits	18,861,000
Accrued payroll and benefits	326,000
Total	$ 42,292,000

Accounts payable and accrued liabilities increased $33,000,000 in FY2020. Accounts payable increased $14,416,000 related to securities purchased on or near June 30, 2020 that had not yet settled. Deposits increased by $18,000,000 related to funds in escrow pending the completion of the Juneau Subport sale in FY2021.

8. Accrued Leave Liability

The following is a summary of the accrued leave liability for the year ended June 30, 2019:

Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
$ 761,000	$ 511,000	$ (579,000)	$ 693,000	$ 693,000

9. Retirement Plans

General Information About the Plan

The Trust participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at http://doa.alaska.gov/drb/pers. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and postemployment healthcare benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other postemployment benefits (OPEB). A complete benefit comparison chart is available at the website noted above.

(a) Defined Benefit (DB) Pension Plan

The PERS DB Plan was closed to new entrants effective July 1, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from a DB agent-multiple employer plan to a DB cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes. The Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

Alaska Statute 39.35.280 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board (ARM Board). As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary. Police officers and firefighters are required to contribute 7.50% of their annual covered salary.

Employer and Other Contribution Rates

There are several contribution rates associated with the pension contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, the amount calculated for the statutory employer effective contribution rate is 22% on eligible wages. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the DC plan. Contributions derived from the DC employee payroll is referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25-year term which ends in 2039.

State Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the proprietary funds and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

Contribution rates for the year ended June 30, 2020 were determined in the June 30, 2017 actuarial valuations. The Trust's contribution rates for the 2020 fiscal year were as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	15.72%	23.73%	6.62%
Postemployment healthcare (ARHCT)	6.28%	4.89%	0.00%
Total Contribution Rates	22.00%	28.62%	6.62%

In 2020, the Trust was credited with the following contributions to the pension plan.

	Measurement Period July 1, 2018 to June 30, 2019	Trust Fiscal Year July 1, 2019 to June 30, 2020
Employer contributions (including DBUL)	$ 483,000	$ 451,000
Nonemployer contributions (on-behalf)	225,000	227,000
Total Contributions	$ 708,000	$ 678,000

In addition, employee contributions to the Plan totaled $102,000 during the Trust's fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Trust reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Trust. The amount recognized by the Trust for its proportional share, the related State proportion, and the total portion of the net pension liability that was associated with the Trust were as follows:

Trust proportionate share of NPL	$ 7,278,000
State's proportionate share of NPL associated with the Trust	2,890,000
Total Net Pension Liability	$ 10,168,000

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 to calculate the net pension liability as of that date. The Trust's proportion of the net pension liability is based on the ratio of the present value of projected future contributions for each employer to the present value of project future contributions to the Plan for the fiscal years 2020 to 2039. At the June 30, 2019 measurement date, the Trust's proportion was 0.00133 percent, which was an increase of 0.00001 from its proportion measured as of June 30, 2018.

The remainder of this page intentionally left blank.

For the year ended June 30, 2020, the Trust recognized pension expense of $746,000 and on-behalf revenue of $393,000 for support provided by the State. At June 30, 2020, the Trust reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (107,000)
Changes in assumptions	223,000	-
Net difference between projected and actual earnings on pension plan investments	104,000	-
Changes in proportion and differences between Trust contributions and proportionate share of contributions	46,000	(185,000)
Trust contributions subsequent to the measurement date	451,000	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	$ 824,000	$ (292,000)

The $451,000 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2021	$ 46,000
2022	(77,000)
2023	30,000
2024	82,000
2025	-
Thereafter	-
Total Amortization	$ 81,000

The remainder of this page intentionally left blank.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level percentage of pay, closed
Inflation	2.50%
Salary increases	Increases range from 6.75% to 2.75% based on service.
Investment rate of return	7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Mortality	Pre-termination and post-termination mortality rates were based upon the 2013-2017 actual mortality experience. Pre-termination mortality rates were based on 100% of the RP-2014 table with MP-2017 generational improvement. Post-termination mortality rates were based on 91% of male and 96% of female rates of the RP-2014 table with MP-2017 generational improvement. Deaths are assumed to be occupational 40% of the time for all others.

The actuarial assumptions used in the June 30, 2018 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return, excluding the inflation component of 2.50%, for each major asset class included in the pension plan’s target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	24%	8.16%
Global equity (non-U.S.)	22%	7.51%
Intermediate treasuries	10%	1.58%
Opportunistic	10%	3.96%
Real assets	17%	4.76%
Absolute return	7%	4.76%
Private equity	9%	11.39%
Cash equivalents	1%	0.83%

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. This is a reduction in the discount rate used since the prior measurement date, which was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Trust's proportionate share of the net pension liability calculated using the discount rate of 7.38%, as well as what the Trust's proportionate share of the net pension liability 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:

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Trust's proportionate share of the net pension liability	0.00133%	$ 9,605,000	$ 7,278,000	$ 5,328,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

(b) Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a DC plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the DB plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension participation accounts. Each participation account is self-directed with respect to investment options. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. http://doa.alaska.gov/drb/pers.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Trust contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended June 30, 2020 to cover a portion of the Trust's employer match contributions. For the year ended June 30, 2020, forfeitures reduced pension expense by zero.

Employee Contribution Rate

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2020, the Trust was required to contribute 5% of covered salary into the Plan.

The Trust and employee contributions to PERS for pensions for the year ended June 30, 2020 were $88,000 and $141,000, respectively. The Trust contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

As part of its participation in PERS, the Trust participates in the following cost sharing multiple employer defined benefit OPEB plans: Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD).

The ARHCT, a healthcare trust fund, provides major medical coverage to retirees of the DB plan. The ARHCT is self-funded and self-insured. The ARHCT was closed to all new members effective July 1, 2006. Benefits vary by Tier level. The RMP is self-insured and provides major medical coverage to retirees of the PERS DC Plan (Tier IV). Members are not eligible to use the Plan until they have at least 10 years of service and are Medicare age eligible. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in the comprehensive annual financial report for PERS, at the following website, as noted above. http://doa.alaska.gov/drb/pers.

Employer Contribution Rate

Employer contribution rates are actuarily determined and adopted by and may be amended by the Board. Employees do not contribute.

Employer contribution rates for the year ended June 30, 2020 were as follows:

	Other
Alaska Retiree Healthcare Trust	6.28%
Retiree Medical Plan	1.32%
Occupational Death and Disability Benefits	0.26%
Total Contribution Rates	7.86%

In 2020, the Trust was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2018 to June 30, 2019	Trust Fiscal Year July 1, 2019 to June 30, 2020
Employer contributions – ARHCT	$ 175,000	$ 162,000
Employer contributions - RMP	19,000	18,000
Employer contributions - ODD	5,000	3,000
Total Contributions	$ 199,000	$ 183,000

OPEB Liabilities, OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At June 30, 2020, the Trust reported a liability for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for State OPEB support provided to the Trust. The amount recognized by the Trust for its proportional share, the related State proportion, and the total were as follows:

Trust’s proportionate share of NOL – ARHCT	$ 198,000
Trust’s proportionate share of NOL – RMP	43,000
Total Trust’s Proportionate Share of Net OPEB Liabilities	$ 241,000
State’s proportionate share of the ARHCT NOL associated with the Trust	56,000
Total Net OPEB Liabilities	$ 297,000

At June 30, 2020, the Trust reported an asset for its proportionate share of the net OPEB asset (NOA) associated with the Trust's participation in the ODD Plan. The amount recognized by the Trust for its proportionate share was $45,000.

The total OPEB liabilities (asset) for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 to calculate the net OPEB liabilities (asset) as of that date. The Trust's proportion of the net OPEB liabilities (asset) is based on the ratio of the present value of projected future contributions for each employer to the present value of project future contributions to the Plans for the fiscal years 2020 to 2039.

	June 30, 2018 Measurement Date Employer Proportion	June 30, 2019 Measurement Date Employer Proportion	Change
Trust's proportionate share of the net OPEB liabilities (asset):			
ARHCT	0.00132%	0.00133%	0.00001%
RMP	0.00166%	0.00180%	0.00014%
ODD	0.00166%	0.00184%	0.00018%

For the year ended June 30, 2020, the Trust recognized OPEB expense of $(1,330,000). Of this amount, $(507,000) was recorded for on-behalf revenue and expense for support provided by the ARHCT plan. OPEB expense and on-behalf revenue is listed by plan in the table below:

Plan	OPEB expense	On-behalf revenue
ARHCT	$ (1,363,000)	$ (507,000)
RMP	30,000	-
ODD	3,000	-
Total	$ (1,330,000)	$ (507,000)

The remainder of this page intentionally left blank.

At June 30, 2020, the Trust reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

Deferred Outflows of Resources	ARHCT	RMP	ODD	Total
Changes in assumptions	$ 262,000	$ 21,000	$ -	$ 283,000
Changes in proportion and differences between Trust contributions and proportionate share of contributions	57,000	14,000	6,000	77,000
Trust contributions subsequent to the measurement date	162,000	18,000	3,000	183,000
Total Deferred Outflows of Resources Related to OPEB Plans	$ 481,000	$ 53,000	$ 9,000	$ 543,000

Deferred Inflows of Resources	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	$ (133,000)	$ (3,000)	$ (14,000)	$ (150,000)
Changes in assumptions	-	-	(1,000)	(1,000)
Difference between projected and actual investment earnings	(86,000)	(1,000)	-	(87,000)
Changes in proportion and differences between Trust contributions and proportionate share of contributions	(29,000)	(1,000)	-	(30,000)
Total Deferred Inflows of Resources Related to OPEB Plans	$ (248,000)	$ (5,000)	$ (15,000)	$ (268,000)

Amounts reported as deferred outflows of resources related to OPEB plans resulting from Trust contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liabilities (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	ARHCT	RMP	ODD	Total
2021	$ 54,000	$ 2,000	$ (2,000)	$ 54,000
2022	(67,000)	2,000	(2,000)	(67,000)
2023	21,000	3,000	(2,000)	22,000
2024	63,000	3,000	(2,000)	64,000
2025	-	2,000	(2,000)	-
Thereafter	-	18,000	1,000	19,000
Total Amortization	$ 71,000	$ 30,000	$ (9,000)	$ 92,000

Actuarial Assumptions

The total OPEB liability for each plan for the measurement period ended June 30, 2019 was determined by actuarial valuations as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2019:

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level percentage of payroll, closed
Inflation	2.50%
Salary increases	Graded by service from 6.75% to 2.75% for all others.
Investment return of return	7.38%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Healthcare cost trend rates (ARHCT Plan and RMP)	Pre-65 medical: 7.5% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 8.5% grading down to 4.5% EGWP: 8.5% grading down to 4.5%
Mortality	Pre-termination and post-termination mortality rates were based upon the 2013-2017 actual mortality experience. Post-termination mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table project with MP-2017 generational improvement. The rates for pre-termination mortality were 100% of the RP-2014 employee table with MP-2017 generational improvement.
Participation (ARHCT)	100% system paid of members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

In addition to the changes in assumptions resulting from the experience study, the following assumption changes have been made since the prior valuation:

1. An Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in larger projected subsidies to offset the cost of prescription drug coverage.
2. Based on recent experience, the healthcare cost trend assumptions were updated
3. Per capita claims costs were updated to reflect recent experience.
4. Healthcare cost trends were updated to reflect a Cadillac Tax load.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return, excluding the inflation component of 2.50% for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	24%	8.16%
Global equity (non-U.S.)	22%	7.51%
Intermediate treasuries	10%	1.58%
Opportunistic	10%	3.96%
Real assets	17%	4.76%
Absolute return	7%	4.76%
Private equity	9%	11.39%
Cash equivalents	1%	0.83%

Discount Rate

The discount rate used to measure the total OPEB liability for each plan as of June 30, 2019 was 7.38%. This is a reduction in the discount rate used since the prior measurement date, which was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the fiduciary net position or each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability for each plan.

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

The following presents the Trust's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.38%, as well as what the Trust's proportionate share of the respective plan's net OPEB liability (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:

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Trust's proportionate share of the net OPEB liability (asset):				
ARHCT	0.00133%	$ 1,587,000	$ 198,000	$ (946,000)
RMP	0.00180%	$ 108,000	$ 43,000	$ (6,000)
ODD	0.00184%	$ (42,000)	$ (45,000)	$ (46,000)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the Trust's proportionate share of the net OPEB liability (asset) calculated using the healthcare cost trend rates as summarized in the 2019 actuarial valuation reports as well as what the Trust's proportionate share of the respective plan's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Trust's proportionate share of the net OPEB liability (asset):				
ARHCT	0.00133%	$ (1,079,000)	$ 198,000	$ 1,755,000
RMP	0.00180%	$ (13,000)	$ 43,000	$ 120,000
ODD	0.00184%	$ n/a	$ n/a	$ n/a

OPEB Plan Fiduciary Net Position

Detailed information about each OPEB plan's fiduciary net position is available in the separately issued PERS financial report.

(d) Defined Contribution OPEB Plans

PERS DC Pension Plan participants (PERS Tier IV) also participate in the Health Reimbursement Arrangement Plan (HRA Plan). The HRA Plan is established under AS 39.30.300. The HRA Plan allows for medical care expense to be reimbursed from individual savings accounts established for eligible persons. The HRA Plan became effective July 1, 2006 at which time contributions by employers began.

Contribution Rate

AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2019, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates $2,121 per year for each full-time employee, and $1.36 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In fiscal year 2020, the Trust contributed $43,000 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

10. Rental Income under Operating Leases

The Trust's program revenues, rents and royalties include the leasing of land. The following is a schedule of minimum future rental income payments under noncancelable operating leases for the next five years:

Year Ending June 30:	Land	Minerals, Oil & Gas	Total
2021	$ 1,117,000	$ 607,000	$ 1,724,000
2022	1,022,000	607,000	1,629,000
2023	996,000	597,000	1,593,000
2024	980,000	597,000	1,577,000
2025	954,000	475,000	1,429,000
	$ 5,069,000	$ 2,883,000	$ 7,952,000

11. Statutory Income

By Alaska law, statutory net income is computed in accordance with accounting principles generally accepted in the United States of America (GAAP), excluding any unrealized gains or losses. However, the income from investments is required by GAAP to include unrealized gains and losses and income, regardless of source. Consequently, GAAP income from investments and statutory net income differ.

The APFC periodically reviews investments for other than temporary impairment of value. Investments with fair values significantly less than costs over multiple reporting periods may be considered impaired if the cost basis will not be recovered over the investment's remaining estimated holding period. If an other-than-temporary impairment is determined to exist for an investment, a realized loss will be recorded which will replace the previously recorded unrealized loss. Carrying value will not be affected, but the reclassification of the loss from unrealized to realized will affect the statutory net income of the Trust. During FY2020 approximately $2.3 million of impairments were recorded.

Statutory net income for the year ended June 30, 2020 is calculated as follows:

Income from investments managed by APFC	$ 13,965,000
Unrealized holding losses	11,973,000
Statutory Net Income	$ 25,938,000

12. Nonspendable Trust Assets Managed by APFC

The legislature determines amounts to be contributed to, or distributed from, nonspendable Trust assets. The 1994 State legislature authorized the appropriation of $200,000,000 to the principal of the Trust, transferring the funds on July 3, 1995 to the APFC. Additionally, the Board of Directors of the Trust has approved additional reservations of Trust income, as authorized by State law. By statute, earnings of the Trust may be used to offset the effect of inflation on the value of the contributions to the Trust. The Trust authorized no inflation proofing during the year ended June 30, 2020. The balance of the contributions and appropriations as of June 30, 2020 was $421,965,000. On June 16, 2009 the APFC received a State of Alaska Attorney General's Opinion clarifying the accounting treatment of unrealized gains and losses. Based on the opinion, nonspendable fund balance and assigned fund balance should be allocated proportionate values of the unrealized appreciation or depreciation on invested assets. Previously unrealized gains and losses had been allocated in full to the nonspendable fund balance.

Based on the Opinion, the recorded unrealized earnings of the Trust assets were reclassified from assigned Trust fund balance to nonspendable Trust fund balance. The Opinion had no effect on previously reported gains or losses from investments managed by the APFC. See 2003 Attorney General Opinion (June 18; 663-03-0153).

13. Spendable Trust Assets Managed by APFC

The Trust has established an account to ensure sufficient reserves are available to meet the disbursement requirements of the Trust's existing payout policy. Earnings are allocated monthly to the Trust on the basis of its total unit shares and fractional unit shares outstanding on the valuation date. The earnings of the Trust are to be used to assist the Trust in fulfilling its purpose of ensuring an integrated comprehensive mental health program for the State. As stated in note 12, the unrealized gains and losses of the Trust assets are allocated proportionately between the nonspendable Trust assets and spendable Trust assets.

14. Risk Management

With regards to workers' compensation insurance, the Trust participates in the State of Alaska Risk Management Pool. The risks are transferred to the Pool, and the premium is charged to the Trust based on payroll expenditures. The State is an authorized self-insurer under AS 23.30.090. Casualty and property insurance coverage is provided under endorsement to the State of Alaska Aviation and Airports program of insurance. For directly owned real estate holdings located outside of Alaska and managed by the TLO, commercial insurance policies are purchased from the marketplace in the state the property is located to indemnify the title holding entity and to mitigate the risk of loss that the Trust is exposed to.

15. Contingencies and Commitments

Environmental Contingencies and Commitments
As prescribed by the Governmental Accounting Standards Board (GASB) under Statement 49, the Trust is required to estimate pollution remediation outlays and determine whether outlays should be accrued as a liability when the government is compelled to take pollution remediation action because of an eminent endangerment or when the government commences or legally obligates itself to commence pollution remediation.

There are several sites used by previous parties that may require environmental review, feasibility study and remediation and restoration of the sites, as applicable. The Trust intends to seek reimbursement of pollution remediation costs from responsible parties and any remaining costs will be recognized by the Trust. While an obligating event, as defined by Statement 49, has occurred no liability has been recognized by the Trust either because the amounts are not material to the financial statements and/or the risk is such that the Trust is under no obligation to address the site.

Legal Contingencies and Commitments
In 2009, under the authority of the Alaska Land Transfer Acceleration Act, the Alaska Department of Natural Resources ("DNR"), the Trust, and the U.S. Department of the Interior entered into an agreement to close out the remaining Alaska Mental Health Enabling Act (AMHEA) entitlement ("Closeout Agreement"). As part of the Closeout Agreement, and under the authority of AMHEA, the federal government conveyed to Alaska one parcel of land known as No Name Bay. Southeast Alaska Conservation Council (SEACC) sued DNR and the Trust, claiming that the State's acceptance of the federal patent to the No Name Bay parcel under the AMHEA and the Closeout Agreement breached the settlement agreement entered into in 1994 in Weiss v. State, 939 P.2d 380 (Alaska 1997) and an alleged oral agreement with SEACC incorporating that agreement.

This breach of contract case seeking to have the Court void the State's conveyance of the No Name Bay parcel to the Trust was decided in favor of DNR and the Trust. An appeal by SEACC to the Alaska Supreme Court was decided subsequent to the end of FY2020. The court remanded the case back to Superior Court. The decision did not negate the Trust's land ownership but supported that the conveyance appeared to conflict with the Settlement legislation. The final status of this land will not be known until a subsequent Superior Court decision. This land is included in a land exchange between the Trust and the U.S. Forest Service (USFS Exchange), thus the Supreme Court decision may adversely influence the USFS Exchange. The parcel has not been appraised and the actual value of the 3,621 acre property is not known; AMHTA could possibly lose the value of the property, an award of attorney's fees to SEACC, as well as any potential income that could have been derived from the property, including from timber or other uses.

Legislative Audit
Between fiscal years FY2011 and FY2016, the TLO purchased seven commercial properties using principal earnings generated from land assets under TLO management. The conclusion of a State Legislative Audit completed in FY2018 was that the cash principal used by the TLO to purchase the assets was statutorily required to be managed by the APFC. In response to the recommendations of the Legislative Audit, and with Board of Trustees approval, the Trust made the following actions:

1) In FY2019, $39,500,000 was transferred from spendable reserves to the Trust Fund and transferred the asset classification from a principal-based investment to an investment from Trust spendable reserves;
2) In FY2019, $1,800,000 was transferred from spendable reserves to the Trust Fund for the purpose of making-whole principal funds that had been used to invest in program-related real estate;
3) In FY2020, implemented a revised Asset Management Policy Statement and a revised Resource Management Strategy; and
4) In FY2020, engaged a Securities and Exchange Commission-registered independent commercial real estate financial advisor, Harvest Capital, to evaluate the commercial real estate performance and serve as an advisor to the Trust.

In March 2020, the Chairman of the Legislative Budget and Audit Committee informed the Trust it would be conducting a follow-up audit to confirm funds were transferred to APFC for management, review regulations and policies, and address other concerns that could be identified during the following audit. Although the outcomes of the follow-up audit are uncertain, the Trust believes the actions it has taken to address the concerns outlined in the Legislative Audit report align with its statutory, regulatory and fiduciary responsibilities.

COVID-19
On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. It has adversely affected global, regional, and Alaska economic activity. This has contributed to the deterioration and volatility in the markets in which the Trust assets are invested, the deterioration and volatility of markets into which resources extracted or harvested from Trust lands are sold, increased operating uncertainty for organizations that receive or could receive grant funding from the Trust, regional commercial real estate supply imbalances affecting lease revenue, and a sustained global economic downturn negatively affecting reserve balances. As such, it is uncertain as to the full magnitude that the pandemic will have on the Trust's financial condition, liquidity, and future results of operations.

Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Trust is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

On March 27, 2020 President Trump signed into law the “Coronavirus Aid, Relief and Economic Security (CARES) Act.” The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to States and certain local governments. It also appropriated certain relief funds, for which the Trust may be eligible. At the time of this report, zero has been awarded. The Trust will continue to examine the impact that the Cares Act may have. Currently, the Trust is unable to determine the full impact that the CARES Act will have on the Trust’s financial condition, results of operations or liquidity.

16. New Accounting Pronouncements

The Governmental Accounting Standards Board has issued several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined. The statements are as follows:

GASB Statement No. 84 – Fiduciary Activities – Effective for year-end June 30, 2020. This Statement addresses criteria for identifying and reporting fiduciary activities.

GASB Statement No. 87 – Leases – Effective for year-end June 30, 2021, This Statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period – Effective for year-end June 30, 2021. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB Statement No. 90 – Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61 – Effective for year-end June 30, 2020. This Statement addresses accounting and financial reporting for a majority equity interest in a legally separate organization. It provides a definition of a majority equity interest and provides guidance for further presentation as either an investment or a component unit, based on specific criteria.

GASB Statement No. 91 – Conduit Debt Obligations – Effective for year-end June 30, 2022.This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This Statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.

GASB Statement No. 92 - Omnibus 2020 – Provisions of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The effective date for all other provisions of the Statement are to be implemented for year-end June 30, 2021. This Statement addresses a variety of topics such as leases, the applicability of Statement No. 73 and Statement No. 74 for reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments.

GASB Statement No. 93 – Replacement of Interbank Offered Rates – The provisions of this Statement, except for paragraph 11b, are required to be implemented for year-end June 30, 2022 The requirements in paragraph 11b are required to be implemented for year-end June 30, 2023. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements – Effective for year-end June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA).

In light of the COVID-19 Pandemic, on May 8, 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to provide relief to governments. This Statement, which was effective upon issuance, postpones the effective dates of certain provisions in the above noted pronouncements for one year, except for Statement No. 87 and provisions related to leases in Statement No. 92 which are postponed for eighteen months, Certain other provisions of Statement No. 92 are excluded from Statement No. 95. Additionally, Statement No. 95 excludes provisions in Statement No. 93 related to lease modifications and excludes Statement No. 94 since the GASB considered the pandemic in determining effective dates. Earlier application of the standards is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements – Effective for year-end June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.

GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – Effective for year-end June 30, 2022, except the portion of the pronouncement related to component unit criteria, which is effective for year-end June 30, 2020. This statement modifies certain guidance contained in Statement No. 84 and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

17. Subsequent Events

In FY2020, the Trust finalized a $20,000,000 sales agreement of property located in Juneau, Alaska. The purchase price, plus or minus all adjustments or credits, was paid in full subsequent to year end, on October 9, 2020.

Required Supplementary Information

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System Pension Plan
Schedule of the Trust's Proportionate Share of the Net Pension Liability - Pension Plan

Years Ended June 30,	Trust's Proportion of the Net Pension Liability	Trust's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Trust's Covered Payroll	Trust's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.13295%	$ 7,278,000	$ 2,890,000	$ 10,168,000	$ 3,786,000	192.23%	63.42%
2019	0.13190%	$ 6,554,000	$ 1,899,000	$ 8,453,000	$ 3,272,000	200.31%	65.19%
2018	0.10445%	$ 5,399,000	$ 2,012,000	$ 7,411,000	$ 3,507,000	153.95%	63.37%
2017	0.14636%	$ 8,181,000	$ 1,031,000	$ 9,212,000	$ 3,761,000	217.52%	59.55%
2016	0.13338%	$ 6,387,000	$ 1,662,000	$ 8,049,000	$ 3,834,000	166.59%	63.96%
2015	0.08800%	$ 4,277,000	$ 3,702,000	$ 7,979,000	$ 3,664,000	116.73%	62.37%
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System Pension Plan
Schedule of the Trust's Contributions - Pension Plan

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Trust's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$ 451,000	$ 451,000	$ -	$ 3,272,000	13.784%
2019	$ 483,000	$ 483,000	$ -	$ 3,786,000	12.758%
2018	$ 442,000	$ 442,000	$ -	$ 3,272,000	13.509%
2017	$ 376,000	$ 376,000	$ -	$ 3,507,000	10.721%
2016	$ 398,000	$ 398,000	$ -	$ 3,761,000	10.582%
2015	$ 382,000	$ 382,000	$ -	$ 3,834,000	9.963%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority

Public Employees' Retirement System OPEB Plan

Schedule of the Trust's Proportionate Share of the Net OPEB Liability - ARHCT

Years Ended June 30,	Trust's Proportion of the Net OPEB Liability	Trust's Proportionate Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	Trust's Covered Payroll	Trust's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.13294%	$ 198,000	$ 56,000	$ 254,000	$ 1,751,000	11.31%	98.13%
2019	0.13188%	$ 1,353,000	$ 393,000	$ 1,746,000	$ 1,515,000	89.31%	88.12%
2018	0.10446%	$ 882,000	$ 329,000	$ 1,211,000	$ 1,809,000	48.76%	89.68%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Contributions - ARHCT

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Trust's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$ 162,000	$ 162,000	$ -	$ 1,515,000	10.69%
2019	$ 175,000	$ 175,000	$ -	$ 1,751,000	9.99%
2018	$ 126,000	$ 126,000	$ -	$ 1,515,000	8.32%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Proportionate Share of the Net OPEB Liability - RMP

Years Ended June 30,	Trust's Proportion of the Net OPEB Liability	Trust's Proportion Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	Trust's Covered Payroll	Trust's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.18045%	$ 43,000	$ -	$ 43,000	$ 2,034,000	2.11%	83.17%
2019	0.16615%	$ 21,000	$ -	$ 21,000	$ 1,757,000	1.20%	88.71%
2018	0.13918%	$ 7,000	$ -	$ 7,000	$ 1,697,000	0.41%	93.98%
2017	*		*		*		*
2016	*		*		*		*
2015	*		*		*		*
2014	*		*		*		*
2013	*		*		*		*
2012	*		*		*		*
2011	*		*		*		*
2010	*		*		*		*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Contributions - RMP

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Trust's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$ 18,000	$ 18,000	$ -	$ 1,757,000	1.02%
2019	$ 19,000	$ 19,000	$ -	$ 2,034,000	0.93%
2018	$ 7,000	$ 7,000	$ -	$ 1,757,000	0.40%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority

Public Employees' Retirement System OPEB Plan

Schedule of the Trust's Proportionate Share of the Net OPEB Asset - ODD

Years Ended June 30,	Trust's Proportion of the Net OPEB Asset	Trust's Proportion Share of the Net OPEB Asset	State of Alaska Proportionate Share of the Net OPEB Asset	Total Net OPEB Asset	Trust's Covered Payroll	Trust's Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset
2020	0.18363%	$ (45,000)	$ -	$ (45,000)	$ 2,034,000	-2.21%	297.43%
2019	0.16615%	$ (32,000)	$ -	$ (32,000)	$ 1,757,000	-1.82%	270.62%
2018	0.13918%	$ (20,000)	$ -	$ (20,000)	$ 1,697,000	-1.18%	212.97%
2017	*		*		*		*
2016	*		*		*		*
2015	*		*		*		*
2014	*		*		*		*
2013	*		*		*		*
2012	*		*		*		*
2011	*		*		*		*
2010	*		*		*		*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Contributions - ODD

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Trust's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$ 3,000	$ 3,000	$ -	$ 1,757,000	0.17%
2019	$ 5,000	$ 5,000	$ -	$ 2,034,000	0.25%
2018	$ 3,000	$ 3,000	$ -	$ 1,757,000	0.17%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

1. Public Employees' Retirement System Pension Plan

Schedule of the Trust's Proportionate Share of the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2020, the Plan measurement date is June 30, 2019.

Changes in Assumptions:

In 2020, the discount rate was lowered from 8% to 7.38%.

The actuarial assumptions used in the June 30, 2018 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

Amounts reported reflect a change in assumptions between 2016 and 2017 in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the Trust will present only those years for which information is available.

Schedule of Trust Contributions

This table is based on the Trust's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the Trust will present only those years for which information is available.

2. Public Employees' Retirement System OPEB Plans

Schedule of the Trust's Proportionate Share of the Net OPEB Asset and Liability

This table is presented based on the Plan measurement date. For June 30, 2020, the Plan measurement date is June 30, 2019.

Changes in Assumptions:

1. An Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in larger projected subsidies to offset the cost of prescription drug coverage.
2. Based on recent experience, the healthcare cost trend assumptions were updated
3. Per capita claims costs were updated to reflect recent experience
4. Healthcare cost trends were updated to reflect a Cadillac Tax load.
5. The discount rate was lowered from 8% to 7.38%.

The actuarial assumptions used in the June 30, 2018 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.
Changes in Methods:

As part of the experience study, the actuarial cost method for the retiree healthcare plan was changed from the Entry Age Level Dollar method to the Entry Age Level Percent of Pay method.

GASB requires ten years of information be presented. However, until a full 10 years of information is available, the Trust will present only those years for which information is available.

Schedule of Trust Contributions

This table is based on the Trust's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the Trust will present only those years for which information is available.

This page intentionally left blank.

Government Auditing Standards Auditor's Report

Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To The Board of Trustees
Alaska Mental Health Trust Authority
Anchorage, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alaska Mental Health Trust Authority (the Trust), a component unit of the State of Alaska, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated October 30, 2020. Our report includes a reference to other auditors who audited the Schedules of Investments Managed by the Alaska Permanent Fund Corporation as described in our report on the Trust's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alaska Mental Health Trust Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
October 30, 2020

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X (none reported)
Noncompliance material to financial statements noted?	___ yes	X no

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

There were no findings related to the financial statements which are required to be reported in accordance with the standards of financial audits contained in *Government Auditing Standards*.

Alaska Mental Health Trust Authority
Audit Responses (Unaudited)

Alaska Mental Health Trust Authority

3745 Community Park Loop, Suite 200
Anchorage, AK 99508
Tel 907.269.7960
www.mhtrust.org

Summary Schedule of Prior Audit Findings

Financial Statement Findings

2019-001 **Financial Report – Significant Deficiency in Internal Control**

Significant Deficiency: Items reported in the financial statements were not reconciled and required material adjustments to correct.

Status: This finding is resolved.