

Agenda



Municipality of Anchorage RETIREE MEDICAL FUNDING PROGRAM TRUST FOR POLICE OFFICERS AND FIREFIGHTERS

BOARD MEETING

1 0 :00 A.M. 2/24/2025
City Hall Suite 715, Anchorage AK

Type of meeting:

General

Call to Order

Minutes

Administrator report

OLD BUSINESS

None

NEW BUSINESS

Trustee Terms

1. Staff salary

Robert Woolsey, AFDG
01/01/2023 – 12/31/2025
Terry Marquart, APD
01/01/2023 – 12/31/2025
Donald Krohn, APD
01/01/2024 – 12/31/2026

2. Proxy voting: Discussion

Richard Parry, AFD
01/01/2024 – 12/31/2026
Greg Stewart, APD
01/01/2025 – 12/31/2027
James Vianola, AFD
01/01/2025 – 12/31/2027

Glenn Cipriano
Mayor Appointee

Vacant
Mayor Appointee

ADJOURNMENT

NEXT MEETING _____, 2025



Municipality of Anchorage
RETIREE MEDICAL FUNDING PROGRAM TRUST
FOR POLICE OFFICERS AND FIREFIGHTERS

Plan Administrator Report

February 12, 2025

Financial Report – As of January 31, 2025, the positions in the member allocated fund are within target allocation range except for cash. This position is temporarily over but will soon be within target after pending trades settle. The balances in the general, operating and allocated accounts were \$3,988,325 and \$7,225 and \$20,224,594, respectively. The total of all funds is \$24,220,144.

Trades:

10/29/2024 Vanguard Total International Stock Index Fund Sell \$15,000

10/29/2024 Vanguard Total Stock Market Index Fund Sell \$45,000

A purchase of \$250,000 US Treasury NT 3.875% 11/30/2029 maturity was made 11/15/2024

A purchase of \$250,000 SALLIE MAE BANK CD 4.05% 11/21/2029 maturity was made 11/21/2024

A purchase of \$250,000 US Treasury NT 4.125% 10/31/2029 maturity was made 11/27/2024

A purchase of \$250,000 GOLDMAN SACHS BANK CD 4% 12/03/2029 maturity was made 12/03/2024

A purchase of \$500,000 Schwab Treasury Obligation Money was made 12/06/2024

12/31/2024 Vanguard Total Stock Market Index Fund Sell \$80,191

A purchase of \$250,000 CELTIC BANK CORP CD 4% 12/20/2029 maturity was made 12/20/2024

A purchase of \$250,000 Morgan Stanley Priv CD 4% 1/10/2028 maturity was made 1/08/2025

A purchase of \$250,000 The Bank of Green CD 3.9% 1/10/2030 maturity was made 1/10/2025

A purchase of \$250,000 BNY Mellon, NTNL CD 3.9% 2/06/2030 maturity was made 2/06/2025

Approval was received from the Chair prior to initiating all trades and transfers.



Municipality of Anchorage
RETIREE MEDICAL FUNDING PROGRAM TRUST
FOR POLICE OFFICERS AND FIREFIGHTERS

Plan Administrator Report

February 12, 2025

Contributions and Benefit Payments:

- November contribution: \$313,196 received from Prefunding November 1, 2024
- November surplus benefit: \$40,095
- November medical premium discount: \$133,217
- November reimbursement: \$255,570
- December contribution: \$313,196 received from Prefunding December 1, 2024
- December surplus benefit: \$40,095
- December medical premium discount: \$133,217
- December reimbursement: 422,578
- January contribution: \$318,900 received from Prefunding December 30, 2024
- January surplus benefit: \$33,567
- January medical premium discount: \$151,440
- January reimbursement: \$390,150.

Attached reports:

- Actual vs. Target Allocation 1/31/2025
- Cashflow report 1/31/2025

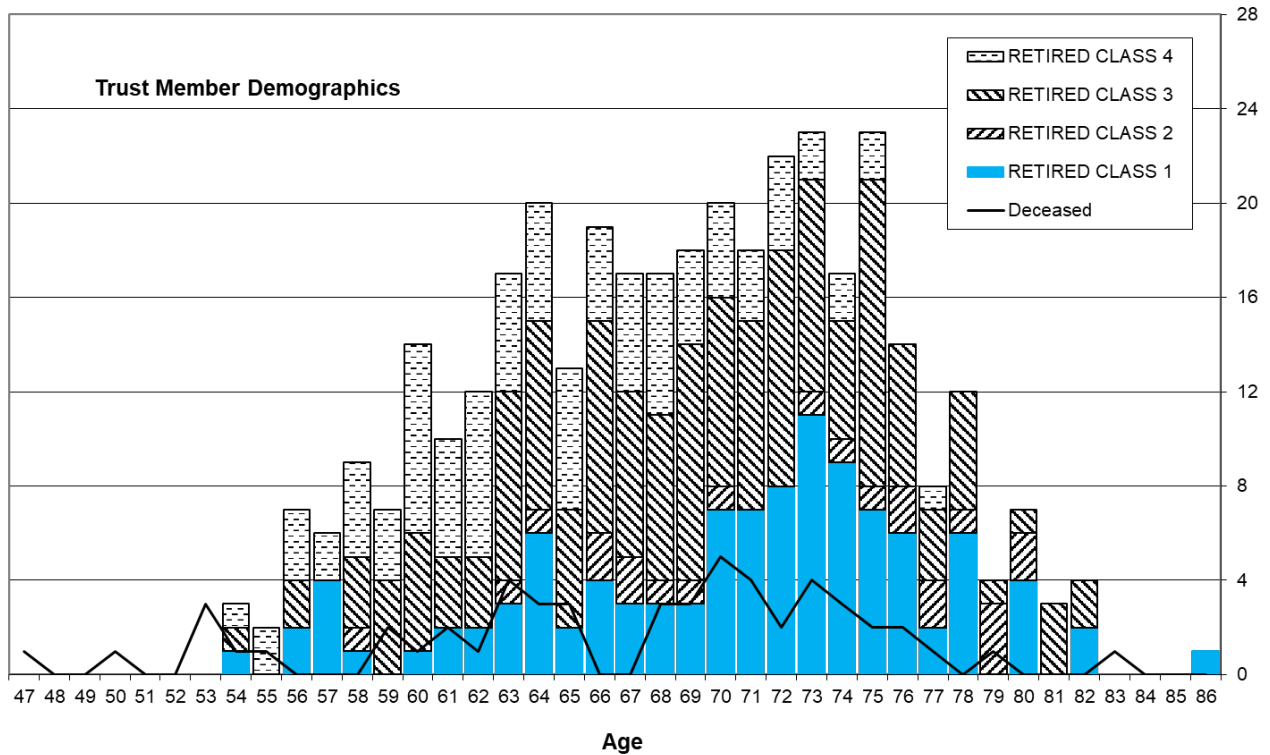


Municipality of Anchorage
RETIREE MEDICAL FUNDING PROGRAM TRUST
FOR POLICE OFFICERS AND FIREFIGHTERS

Membership: One police retiree died in September of 2024. Trust membership is 370 retirees as of January 1, 2025. Below are two charts, January 1, 2025, indicating Trust member demographics. The first chart is what was reported to prefunding before the death was reported. The financial adjustment to prefunding will occur in the March billing.

Police	January	Contributions YTD	Fire	January	Contributions YTD
Class 1	48		Class 1	74	
Class 2	11		Class 2	9	
Class 3	81		Class 3	63	
Class 4	41		Class 4	26	
Deferred Vested	10		Deferred Vested	4	
Section H	0		Section H	2	
Section I	1		Section I	0	
Police Total	193		Fire Total	178	
	51.9%			48.1%	
	159,571.31	1,576,424.30		159,328.75	1,573,892.85

Grand Total	371	318,900.06
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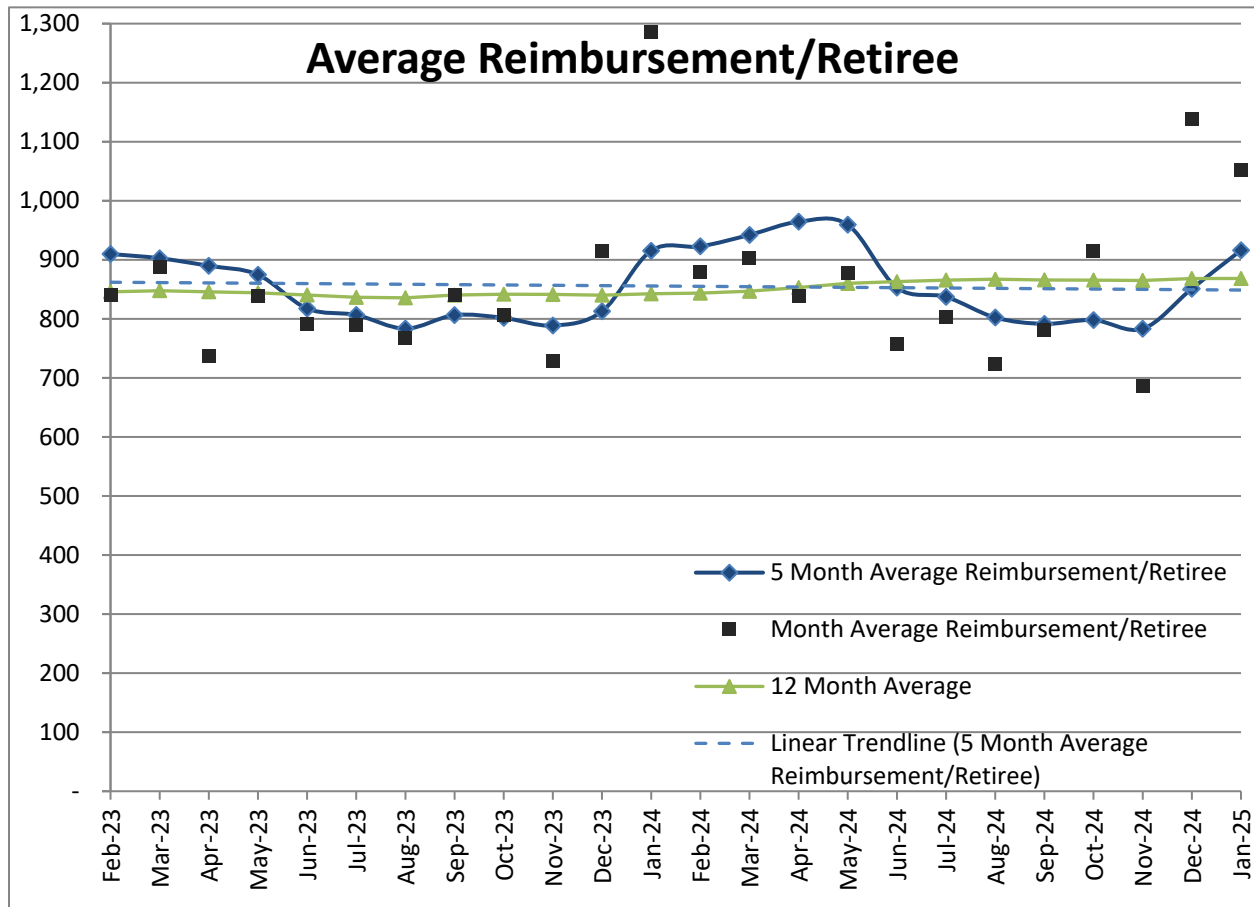
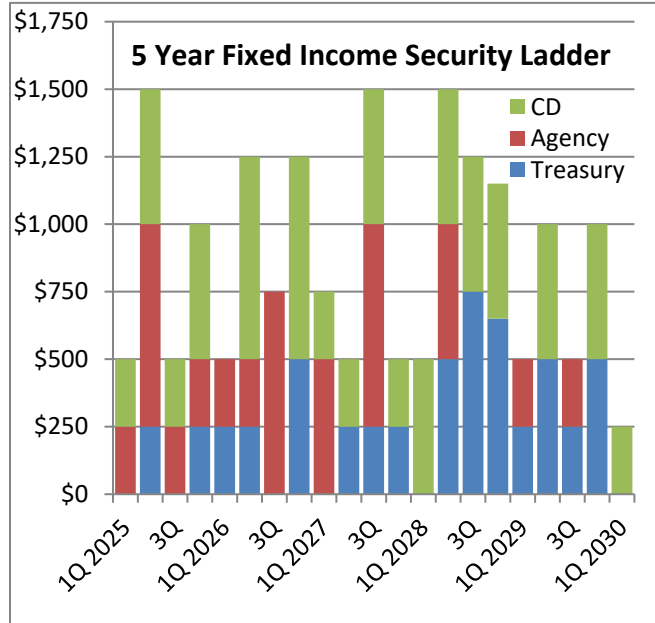
Municipality of Anchorage
 RETIREE MEDICAL FUNDING PROGRAM TRUST
 FOR POLICE OFFICERS AND FIREFIGHTERS

Cash Flow Analysis and Projection

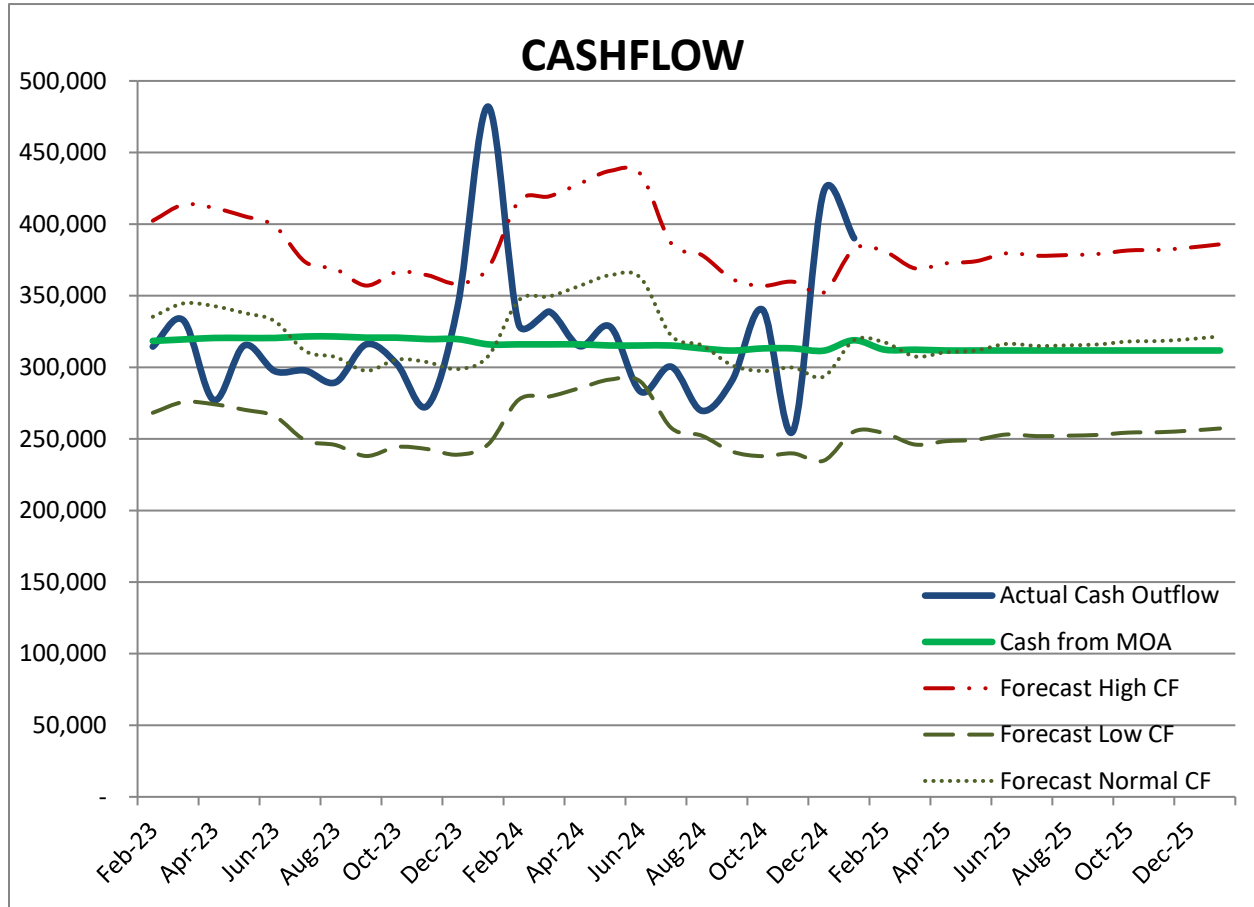
Date: February 12, 2025

On August 23, 2011 the board implemented a 1-5 year U.S. treasury ladder strategy for the member allocated funds in efforts to obtain a higher return on investments. The policy was amended in February of 2014 to allow for the purchase of U.S. Government Agencies and Certificates of Deposit. The target allocation was amended in August of 2015. Current weighted yield to maturity of the ladder is 2.537%.

The U.S. Department of Labor reported a 2.8% increase in the medical CPI for the preceding 12 month period, February 1, 2024 through January 31,



2025. The 12 month average reimbursement amount per retiree during the same period was \$867. This is an increase of 3.1 percent from the preceding 12 month period.



Cash flow forecasting models, data has long suggested cash inflow will roughly average but fall short of cash outflow. This has been the case so far, with the usual seasonal fluctuations. For the next 12 months, monthly cash inflow from the Municipality of Anchorage is projected to be \$315,000.

For the next 12 months, cash outflows are projected to be between \$250,000 and \$380,000 with a norm of \$315,000. Percentagewise, data suggests that expected outflows will exceed inflows with a high of 20%, and a low of negative 21%.

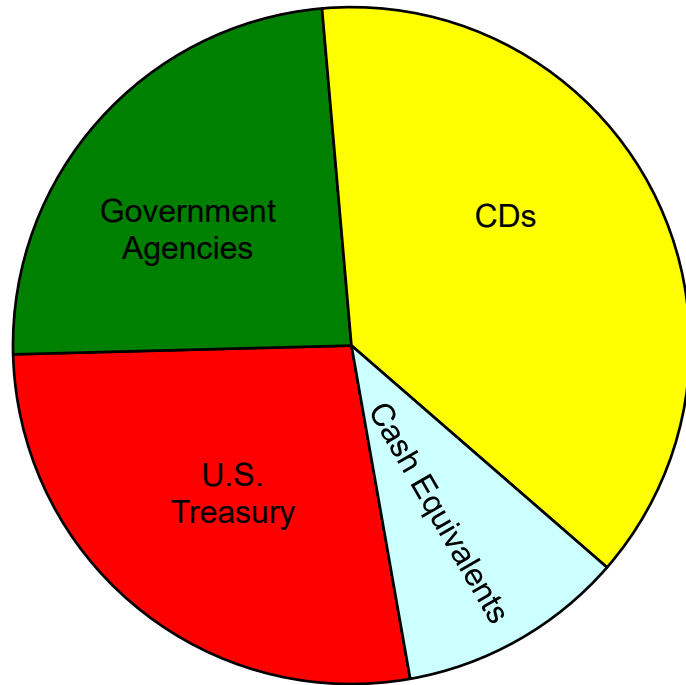
Member Account Allocation - January 31, 2025

Symbol	Name	Quantity	Price	Market Value	Cost Basis	\$ Gain/Loss	% Gain/Loss	YTM
91282ZT0	US TREAS NT 0.25% DUE 05/31/2025	250,000	98.68750	246,719	248,513	(1,794)	-0.72%	0.370%
91282CAZ4	US TREAS NT 0.375% DUE 11/30/2025	250,000	96.85937	242,148	249,788	(7,639)	-3.06%	0.392%
91282CBQ3	US TREAS NT 0.5% DUE 02/28/2026	250,000	96.09375	240,234	247,851	(7,616)	-3.07%	0.677%
91282CCF6	US TREAS NT 0.75% DUE 05/31/2026	250,000	95.56250	238,906	249,517	(10,611)	-4.25%	0.790%
91282CDG3	US TREAS NT 1.125% DUE 10/31/2026	250,000	94.85937	237,148	249,153	(12,005)	-4.82%	1.195%
91282CDK4	US TREAS NT 1.25% DUE 11/30/2026	250,000	94.84375	237,109	250,058	(12,948)	-5.18%	1.245%
91282CEN7	US TREAS NT 2.75% DUE 04/30/2027	250,000	96.89062	242,227	248,618	(6,391)	-2.57%	2.871%
91282CFM8	US TREAS NT 4.125% DUE 09/30/2027	250,000	99.75000	249,375	251,014	(1,639)	-0.65%	4.034%
91282CGC9	US TREAS NT 3.875% DIE 12/31/2027	250,000	99.03125	247,578	249,162	(1,584)	-0.64%	3.950%
91282CHE4	US TREAS NT 3.625% DUE 05/31/2028	250,000	98.03125	245,078	246,455	(1,377)	-0.56%	3.942%
91282CHK0	US TREAS NT 4% DUE 06/30/2028	250,000	99.15625	247,891	250,029	(2,139)	-0.86%	3.997%
91282CHX2	US TREAS NT 4.375% DUE 08/31/2028	250,000	100.26562	250,664	247,483	3,181	1.29%	4.605%
91282CJA0	US TREAS NT 4.625% DUE 09/30/2028	500,000	101.10937	505,547	504,215	1,332	0.26%	4.429%
91282CJF9	US TREAS NT 4.875% DUE 10/31/2028	250,000	101.96875	254,922	250,945	3,977	1.58%	4.789%
91282CDP3	US TREAS NT 1.375% DUE 12/31/2028	400,000	89.53125	358,125	355,719	2,406	0.68%	3.827%
91282CKD2	US TREAS NT 4.25% DUE 02/28/2029	250,000	99.75000	249,375	249,935	(560)	-0.22%	4.255%
91282CKT7	US TREAS NT 4.5% DUE 05/31/2029	250,000	100.70312	251,758	252,847	(1,089)	-0.43%	4.242%
91282CKT7	US TREAS NT 4.5% DUE 05/31/2029	250,000	100.70312	251,758	252,549	(791)	-0.31%	4.268%
9128CFL0	US TREAS NT 3.875% DUE 09/30/2029	250,000	98.03125	245,078	253,398	(8,319)	-3.28%	3.579%
91282CLR0	US TREAS NT 4.125% DUE 10/31/2029	250,000	99.10937	247,773	249,293	(1,519)	-0.61%	4.189%
9128CFY2	US TREAS NT 3.875% DUE 11/30/2029	250,000	97.95312	244,883	245,205	(322)	-0.13%	4.302%
Total Treasuries:				5,534,297	5,601,744	(67,447)	-1.20%	3.216%
3137EAEP0	FREDIE MAC 1.5% DUE 02/12/2025	250,000	99.9281	249,820	249,041	779	0.31%	1.406%
3130AJKW8	FHLB 0.5% DUE 06/13/25	250,000	98.6366	246,592	248,580	(1,989)	-0.80%	0.613%
3130AJKW8	FHLB 0.5% DUE 06/13/25	250,000	98.6366	246,592	249,400	(2,809)	-1.13%	0.549%
3135G04Z3	FEDERAL NTNL MORT 0.5% DUE 06/17/25	250,000	98.5954	246,489	250,618	(\$4,130)	-1.65%	0.449%
3130AK5E2	FHLB 0.375% DUE 09/04/2025	250,000	97.7396	244,349	250,203	(\$5,854)	-2.34%	0.358%
3135G06G3	FEDERAL NTNL MORT 0.5% DUE 11/07/25	250,000	97.1969	242,992	251,198	(\$8,206)	-3.27%	0.504%
3130AKRG3	FHLB 0.5% DUE 12/12/2025	250,000	96.9416	242,354	250,128	(\$7,774)	-3.11%	0.489%
3130ALG40	FEDERAL HOME LN 0.5% DUE 03/13/2026	250,000	96.0511	240,128	247,851	(\$7,723)	-3.12%	0.674%
3130AMFS6	FHLB 0.75% DUE 06/12/2026	250,000	95.4855	238,714	249,973	(\$11,259)	-4.50%	0.752%
3130AN6L9	FHLB 0.82% DUE 07/08/2026	250,000	95.3549	238,387	250,555	(\$12,168)	-4.86%	0.775%
3130A8XY4	FHLB 1.875% DUE 09/11/2026	250,000	96.3959	240,990	260,996	(\$20,006)	-7.67%	0.960%
3135G0Q22	FEDERAL NTNL 1.875% DUE 09/24/2026	250,000	96.3173	240,793	258,535	(\$17,742)	-6.86%	1.155%
3130A3DU5	FHLB 3% DUE 03/12/2027	250,000	97.5650	243,913	260,346	(\$16,434)	-6.31%	2.122%
3130AAZ92	FHLB 2.875% DUE 03/12/2027	250,000	97.3155	243,289	249,685	(\$6,396)	-2.56%	2.903%
3130AJXE4	FHLB 0.625% DUE 09/10/2027	250,000	91.1841	227,960	217,288	\$10,673	4.91%	3.500%
3133ENL99	FFCB 3.375% DUE 09/15/2027	250,000	97.8808	244,702	241,717	\$2,985	1.23%	4.123%
3130ACDQ4	FHLB 2.375 DUE 09/10/2027	250,000	95.4526	238,632	231,113	\$7,519	3.25%	4.083%
3130AWN63	FHLB 4% DUE 06/30/2028	250,000	99.0306	247,577	249,500	(\$1,924)	-0.77%	4.045%
3133EP5J0	FEDERAL FARM CR 4.125% DUE 03/12/2029	250,000	99.1182	247,796	249,935	(\$2,140)	-0.86%	4.253%
3130ATHX8	FHLB 4.125% DUE 09/14/2029	250,000	98.9381	247,345	252,679	(\$5,334)	-2.11%	3.547%
Total Agencies:				4,859,411	4,969,339	(109,928)	-2.21%	1.863%
73319FAF6	Poppy Bank 1.1% DUE 03/18/2025	250,000	99.5901	248,975	250,000	(\$1,025)	-0.41%	1.100%
856285TL5	State Bank of India 1% DUE 05/15/2025	250,000	99.0929	247,732	250,000	(\$2,268)	-0.91%	1.000%
45340KFM6	Independence Bank 0.6% DUE 06/16/2025	250,000	98.6659	246,665	250,000	(\$3,335)	-1.33%	0.600%
29278TRG7	Enerbank USA Inc. 0.5 DUE 09/25/2025	250,000	97.6555	244,139	250,000	(\$5,861)	-2.34%	0.500%

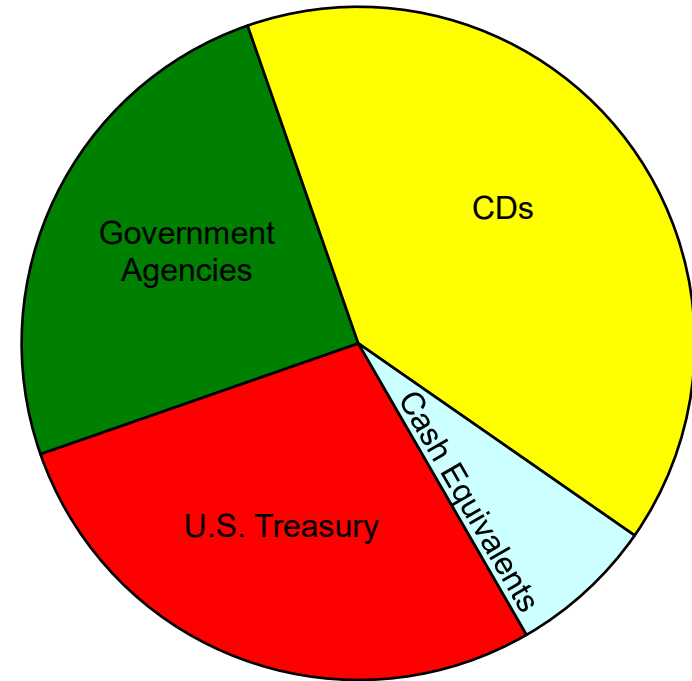
58404DJE2	Medallion Bank 0.4% DUE 11/10/2025	250,000	97.1316	242,829	250,000	(\$7,171)	-2.87%	0.400%
05580AYA6	BMW Bank North America 0.5% DUE 12/11/2025	250,000	96.9155	242,289	250,000	(\$7,711)	-3.08%	0.500%
88241TKS8	Texas Exchange B 0.75% DUE 04/09/2026 (callable)	250,000	96.0875	240,219	250,000	(\$9,781)	-3.91%	0.750%
066519QV4	Bankunited, INS 0.95% DUE 04/14/2026	250,000	96.2897	240,724	250,000	(\$9,276)	-3.71%	0.950%
31944MBH7	First Carolina BA 0.6% DUE 06/23/2026	250,000	95.1711	237,928	250,000	(\$12,072)	-4.83%	0.600%
87165GG89	Synchrony Bank 1% DUE 10/08/2026	250,000	94.8804	237,201	250,000	(\$12,799)	-5.12%	1.000%
90348JW55	UBS BANK USA 1.1% DUE 11/10/2026	250,000	94.8033	237,008	250,000	(\$12,992)	-5.20%	1.100%
89235MMK4	TOYOTA FINL SAVI 1.25% DUE 12/2026	250,000	94.8046	237,012	250,000	(\$12,989)	-5.20%	1.250%
856285K91	State Bank of India 2% DUE 03/23/2027	250,000	95.6374	239,094	250,000	(\$10,907)	-4.36%	2.000%
254673F76	Discover Bank DE 3.2% DUE 06/01/2027	250,000	97.8995	244,749	250,000	(\$5,251)	-2.10%	3.200%
32022RSY4	1ST FINL BANK USA 3.4% DUE 09/14/2027	250,000	98.2034	245,509	250,000	(\$4,492)	-1.80%	3.400%
89235MPC9	TOYOTA FINL SAVI 3.6% DUE 9/16/2027	250,000	98.6435	246,609	250,000	(\$3,391)	-1.36%	3.600%
14042RUX7	CAPITAL ONE, NTNL 4.5% DUE 10/13/2027	250,000	100.8670	252,168	250,000	\$2,168	0.87%	4.500%
61776NHZ9	Morgan Stanley Priv 4% DUE 01/10/2028	250,000	99.5774	248,944	250,000	(\$1,057)	-0.42%	4.000%
979424AC2	Woodford State BA 3.8% DUE 01/11/2028	250,000	99.0969	247,742	250,000	(\$2,258)	-0.90%	3.800%
02589AEW8	American Express 4.45% DUE 05/24/2028	250,000	100.9102	252,276	250,000	\$2,276	0.91%	4.450%
61690DAE8	Morgan Stanley BA 4.4% DUE 06/21/2028	250,000	100.7703	251,926	250,000	\$1,926	0.77%	4.400%
8562852V2	State Bank of IN 4.55% DUE 08/18/2028	250,000	101.2825	253,206	250,000	3,206	1.28%	4.550%
843383DL1	Southern Bank 4.45% DUE 08/28/2028	250,000	101.0933	252,733	250,000	2,733	1.09%	4.450%
15118RT49	Celtic Bank Corp 4% DUE 12/20/2028	250,000	99.5818	248,955	250,000	(\$1,046)	-0.42%	4.000%
949764KG8	WELLS FARGO BANK, N 4% DUE 12/29/2028	250,000	99.5906	248,977	250,001	(\$1,025)	-0.41%	4.000%
39083PDQ2	Great Midwest Ban 4.5% DUE 04/27/2029	250,000	101.5346	253,837	250,002	\$3,835	1.53%	4.500%
23204HPQ5	Customers Bank I 4.55% DUE 06/27/2029	250,000	101.6828	254,207	250,000	\$4,207	1.68%	4.550%
710819BX0	Poeoples Bank 3.7% DUE 09/12/2029	250,000	98.2766	245,692	250,000	(\$4,309)	-1.72%	3.700%
79545DT7	SALLIE MAE BANK 4.05% DUE 11/21/2029	250,000	99.7608	249,402	250,000	(598)	-0.24%	4.050%
38150VC98	Goldman Sachs Bank 4% DUE 12/03/2029	250,000	99.5407	248,852	250,000	(1,148)	-0.46%	4.000%
06427HBA1	The Bank of Green 3.9% DUE 01/10/2030	250,000	100.0000	250,000	250,000	-	0.00%	3.900%
Total CDs:				7,637,594	7,750,003	(\$112,410)	-1.45%	2.735%
Cash Equivalents		2,193,293		2,193,293				
Total Cash				2,193,293				
Grand Total:				20,224,594			Weighted YTM	2.646%

Asset Class	Current Value	% Current	Policy Target	% Difference
U.S. Treasury	\$ 5,534,297	27.4%	28.0%	-0.6%
Government Agencies	\$ 4,859,411	24.0%	25.0%	-1.0%
CDs	\$ 7,637,594	37.8%	40.0%	-2.2%
Cash Equivalents	\$ 2,193,293	10.8%	7.0%	3.8%
Grand Total	\$ 20,224,594			

Actual Allocation



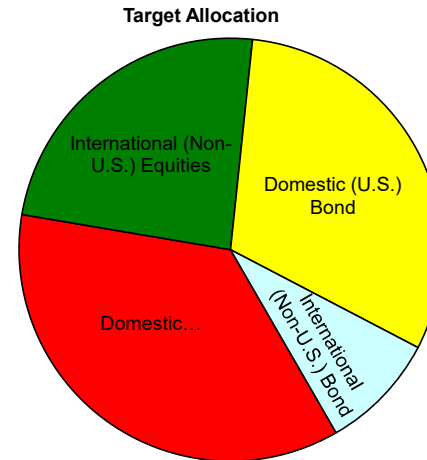
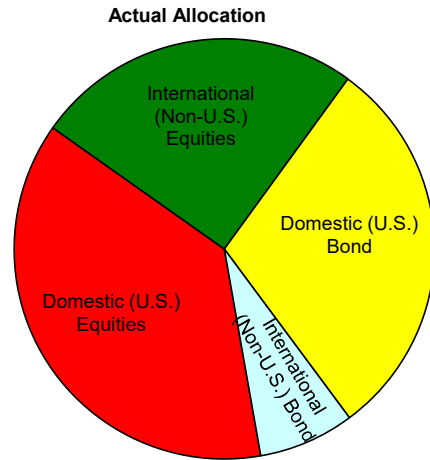
Target Allocation



General Account Allocation - January 31, 2025

Symbol	Name	Quantity	Price	Market Value
VTSAX	Vanguard Total Stock Market Index Fund	10,305.025	145.39	1,498,248
Total Domestic (U.S.) Equities:				1,498,248
VTIAX	Vanguard Total International Stock Index Fund	30,711.922	32.75	1,005,815
Total International (Non-U.S.) Equities				1,005,815
VBTLX	Vanguard Total Bond Market Index Fund	72,875.474	9.51	693,046
VFSUX	Vanguard Short-Term Investment-Grade Fund	20,163.172	10.33	208,286
VFIDX	Vanguard Intermediate-Term Investment-Grade Fund	17,881.271	8.58	153,421
VWETX	Vanguard Long-Term Investment-grade Fund	17,924.120	7.54	135,148
Total Domestic (U.S.) Bond:				1,189,900
VTABX	Vanguard Total International Bond Index Fund	15,003	19.62	294,361
Total International (Non-U.S. Bond)				294,361
Grand Total:				3,988,325

Asset Class	Current Value	% Current	Policy Target	% Difference
Domestic (U.S.) Equities	\$ 1,498,248	37.6%	36.0%	1.6%
International (Non-U.S.) Equities	\$ 1,005,815	25.2%	24.0%	1.2%
Domestic (U.S.) Bond	\$ 1,189,900	29.8%	31.0%	-1.2%
International (Non-U.S.) Bond	\$ 294,361	7.4%	9.0%	-1.6%
Grand Total	\$ 3,988,325			





Performance

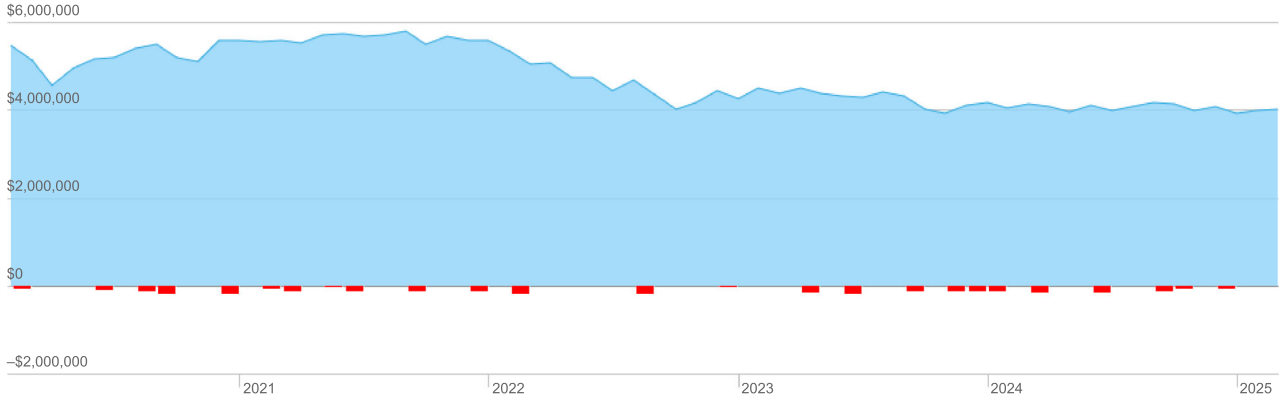
Personal performance

02/01/2020 - 02/05/2025

Beginning balance \$5,444,967.01
Purchases & withdrawals **-\$3,244,470.04**
Investment returns \$1,812,284.68

Ending balance \$4,012,781.65

Rate of return* 7.8%



View:

Holdings

Balance as of 02/05/2025

	Balance as of 02/05/2025
MOA RETIREE MEDICAL FUNDING PROGRAM TRUST FOR POLICE OFFICERS AND FIREFIGHTERS	\$4,012,781.65
Vanguard Intermediate-Term Investment-Grade Fund Admiral Shares	\$154,494.18
Vanguard Long-Term Investment-Grade Fund Admiral Shares	\$137,478.00
Vanguard Short-Term Investment-Grade Fund Admiral Shares	\$208,487.20
Vanguard Total Bond Market Index Fund Admiral Shares	\$697,418.29
Vanguard Total International Bond Index Fund Admiral Shares	\$296,161.65
Vanguard Total International Stock Index Fund Admiral Shares	\$1,014,414.78
Vanguard Total Stock Market Index Fund Admiral Shares	\$1,504,327.55

Disclaimer:

Your personal performance figures are an estimate only and should not be solely relied upon in making investment decisions. If you are enrolled in Vanguard Cash Deposit, your personal performance figures will not include Vanguard Cash Deposit assets. Your personal performance figures are calculated using an internal rate of return formula, which is a dollar-weighted return. Investment return provides the total dollar amount that was made or lost based on the simple formula of balance minus amount invested. Amount invested is determined by netting all trading and settlement fund activity starting with a position level and building to an account level.

Certain margin account activity related to the use of your margin credit and/or debit balance will create an imbalance in the activity used to calculate the amount invested, causing actual performance to be overstated or understated. By default, all of your accounts are included in your performance information. To exclude your margin account from your performance information, please de-select your margin account from view.

Other factors including unsettled activity, mutual fund to ETF conversions, and corporate actions may cause performance results to differ from actual performance. For example, check deposits that occur on the last day of the month may cause an artificial increase in performance at month end, with a corresponding loss the next month. While these activities may impact performance, over time the impact will minimize.



Performance

Investment prices and returns

Investment prices and returns displays the standardized monthly performance information for investments held in your accounts. To view personalized performance information, go to personal performance.

Symbol	Name	Expense ratio	Price		Change		SEC yield	YTD returns as of 2/06/2025	Returns as of 1/31/2025				
			\$	%	\$	%			1-Year	3-Year	5-Year	10-Year	
Mutual funds													
VFIDX	Vanguard Intermediate-Term Investment-Grade Fund Admiral Shares	0.09%	\$8.64	\$0.04	0.47%	5.27% A 30day 02/04/2025	1.42%	3.94%	-0.01%	0.82%	2.29%		
VWETX	Vanguard Long-Term Investment-Grade Fund Admiral Shares	0.10%	\$7.67	\$0.08	1.05%	5.46% A 30day 02/04/2025	2.37%	-1.33%	-5.65%	-3.08%	1.33%		
VFSUX	Vanguard Short-Term Investment-Grade Fund Admiral Shares	0.09%	\$10.34	\$0.01	0.10%	4.65% A 30day 02/04/2025	0.73%	5.23%	2.27%	1.91%	2.24%		
VBTLX	Vanguard Total Bond Market Index Fund Admiral Shares	0.04%	\$9.57	\$0.05	0.53%	4.58% A 30day 02/04/2025	1.33%	2.12%	-1.49%	-0.61%	1.16%		
VTABX	Vanguard Total International Bond Index Fund Admiral Shares	0.10%	\$19.74	\$0.04	0.20%	3.00% A 30day 02/04/2025	0.77%	4.34%	-0.08%	-0.28%	1.73%		
VTIAX	Vanguard Total International Stock Index Fund Admiral Shares	0.09%	\$33.03	\$0.23	0.70%	—	4.23%	10.68%	2.76%	5.68%	5.39%		
VTSAX	Vanguard Total Stock Market Index Fund Admiral Shares	0.04%	\$145.98	\$0.66	0.45%	1.17% B 30day 01/31/2025	3.51%	26.16%	11.24%	14.51%	13.15%		

Note: The as of date for the returns for non-Vanguard mutual funds may be different than for Vanguard mutual funds. Month-end information for these funds is provided by Morningstar and is generally available by the middle of the following month. Updated information for these funds is also available at Morningstar's website.

The performance data shown represents past performance, which is not a guarantee of future results. Total investment returns and principal value will fluctuate, so that investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. Performance data for periods of less than one year do not reflect the deduction of purchase and redemption fees that may apply. All other performance data are adjusted for purchase and redemption fees, where applicable. Click a fund or ETF name to view standardized quarterly returns, after-taxes returns, since-inception returns, fees, and expense ratio information. For ETFs, the returns presented are based on market price. Click an ETF name to view ETF returns based on net asset value (NAV).

Vanguard Prime Money Market Fund and Vanguard's Tax-Exempt Money Market Funds:

The fund is only available to retail investors (natural persons). You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Vanguard Federal Money Market Fund and Vanguard Treasury Money Market Fund:

You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.





2025 Capital Markets Assumptions

Capital Markets Research Group

January 2025

Jay Kloepfer

Director of Callan's Capital Markets
Research

Kevin Machiz, CFA, FRM

Adam Lozinski, CFA

Presenters



Jay Kloepfer

Adam Lozinski, CFA

Kevin Machiz, CFA, FRM

Agenda

Summary of 2025 projections

Current market conditions

2025 expectations

Fixed Income

Equity

Alternatives

Portfolio implications

Summary of 2025 Projections

How Our Capital Markets Assumptions Are Constructed

Guiding objectives and process

Underlying beliefs guide the development of the projections:

- An initial bias toward long-run averages
- A conservative bias
- An awareness of risk premiums
- A presumption that markets are ultimately clear and rational

Reflect our beliefs that long-term equilibrium relationships between the capital markets and lasting trends in global economic growth are key drivers to setting capital markets expectations

Long-term compensated risk premiums represent “beta” – exposure to each broad market, whether traditional or “exotic,” with limited dependence on successful realization of alpha

The projection process is built around several key building blocks:

- Advanced modeling at the individual asset class level (e.g., a detailed bond model, an equity model)
- A path for interest rates and inflation
- A cohesive economic outlook
- A framework that encompasses Callan beliefs about the long-term operation and efficiencies of the capital markets

2025 vs. 2024 Risk and Returns

Asset Class	Index	Projected Return		Projected Risk	2024–2033	
		10-Year Geometric*	Real	Standard Deviation	10-Year Geometric*	Standard Deviation
Equities						
Broad U.S. Equity	Russell 3000	7.35%	4.85%	17.35%	7.65%	17.40%
Large Cap U.S. Equity	S&P 500	7.25%	4.75%	17.00%	7.50%	17.00%
Smid Cap U.S. Equity	Russell 2500	7.45%	4.95%	22.00%	7.70%	22.00%
Global ex-U.S. Equity	MSCI ACWI ex USA	7.45%	4.95%	21.25%	7.65%	21.40%
Developed ex-U.S. Equity	MSCI World ex USA	7.25%	4.75%	20.15%	7.50%	20.15%
Emerging Market Equity	MSCI Emerging Markets	7.45%	4.95%	25.65%	7.70%	25.60%
Fixed Income						
Short Duration Gov/Credit	Bloomberg 1-3 Year Gov/Credit	4.00%	1.50%	2.40%	4.25%	2.40%
Core U.S. Fixed	Bloomberg Aggregate	4.75%	2.25%	4.40%	5.25%	4.25%
Long Government/Credit	Bloomberg Long Gov/Credit	5.20%	2.70%	11.75%	6.00%	11.70%
TIPS	Bloomberg TIPS	4.55%	2.05%	5.40%	5.05%	5.40%
High Yield	Bloomberg High Yield	6.00%	3.50%	11.75%	6.80%	11.75%
Global ex-U.S. Fixed	Bloomberg GI Agg ex US	2.85%	0.35%	9.80%	3.15%	9.80%
Emerging Market Sovereign Debt	EMBI Global Diversified	5.35%	2.85%	10.65%	6.35%	10.65%
Alternatives						
Core Real Estate	NCREIF ODCE	6.25%	3.75%	14.00%	6.00%	14.00%
Private Infrastructure	MSCI Glb Infra / FTSE Dev Core 50/50	6.35%	3.85%	15.20%	6.35%	15.20%
Private Equity	Cambridge Private Equity	8.50%	6.00%	27.60%	8.75%	27.60%
Private Credit	Cambridge Senior Debt Index	7.25%	4.75%	15.70%	7.40%	15.70%
Hedge Funds	Callan Hedge FOF Database	5.70%	3.20%	8.20%	6.05%	8.20%
Commodities	Bloomberg Commodity	3.90%	1.40%	18.05%	3.90%	18.05%
Cash Equivalents	90-Day T-Bill	3.00%	0.50%	0.90%	3.00%	0.90%
Inflation	CPI-U	2.50%		1.60%	2.50%	1.60%

* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).

Current Market Conditions

The Recession Never Came in 2024; Now What?

A recession stayed away after we were sure it would show up.

The economy showed some signs of slowing during 2024, but GDP growth persisted, and the job market proved resilient despite some head fakes.

- The Federal Reserve’s process of rate hikes, from elevated inflation, and spreading geopolitical turmoil barely dented the U.S. economic engine.
- Job openings trended down over 2024, and monthly job gains faltered a couple of times, but November (+212,000) and December (+256,000) saw a bounce back after the hurricanes in the southeast hit in October.
- Real incomes rose and real wage growth boosted consumer incomes and spending.
- GDP growth hit 3% in 2Q and 3.1% in 3Q and is expected to hit an annual rate just below the 2.9% notched in 2023.

The Fed completed its mission to raise interest rates to fight inflation and began cutting rates in September 2024.

Current target range of 4.25%–4.5%.

- Inverted yield curve remains in place, but it's been inverted since 2022.

Is recession still inevitable, and if so, when?

Strong GDP growth suggests no easing in tight labor markets; the prospect for continued inflationary pressure from the labor market is high.

- Getting inflation down to the Fed’s stated goal of 2% will take time, and some discomfort. Squeezing out the last of excess inflation will require a period of below trend growth, a loosening of the labor market, and the pain of a rise in unemployment.

Equity Markets Up Sharply in 2025

Stocks have recovered losses of 2022; fixed income still lags

S&P 500 climbed 25% in 2024

- U.S. large cap substantially outperformed U.S. small cap, developed ex-U.S. markets, and emerging markets. Technology and AI drove the S&P 500.

Weak 4Q for core fixed income

- The Bloomberg Aggregate fell 3.1%. Long duration and non-U.S. bonds saw even greater declines.
- Interest rates remain volatile as the markets assess how the Fed will continue with easing.
- CPI-U came in at 2.9% (year-over-year) through December, up from 3Q, but with a welcome decline in the core figure, which rose 3.2%.

Solid economic growth through 2024

- 3Q GDP came in at a surprisingly strong 3.1%, after another surprise in 2Q, and is expected to see 2.7% growth in 4Q. Consumer spending continues to drive GDP growth.

*Cambridge Private Equity and Cambridge Senior Debt data as of 6/30/24. NCREIF Property as of 9/30/24. Returns greater than one year are annualized.

Sources: Bloomberg, Callan, Cambridge, FTSE Russell, HFRI, MSCI, NCREIF, S&P Dow Jones Indices

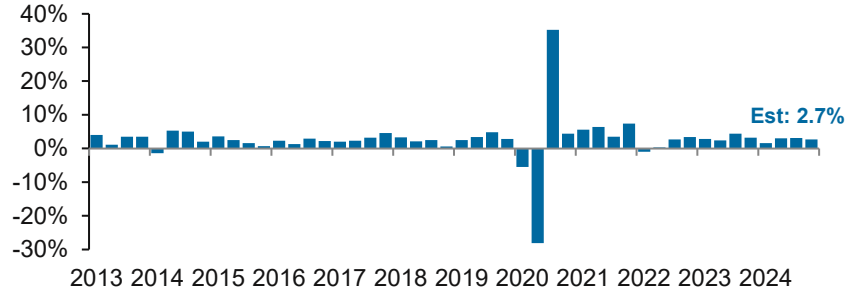
Returns for Periods ended 12/31/24

	Quarter	1 Year	1/1/22 - Current	5 Years	10 Years	25 Years
U.S. Equity						
Russell 3000	2.63	23.81	8.01	13.86	12.55	7.84
S&P 500	2.41	25.02	8.94	14.53	13.10	7.70
Russell 2000	0.33	11.54	1.24	7.40	7.82	7.55
Global ex-U.S. Equity						
MSCI World ex USA	-7.43	4.70	1.91	5.10	5.26	3.78
MSCI Emerging Markets	-8.01	7.50	-1.92	1.70	3.64	--
MSCI ACWI ex USA Small Cap	-7.66	3.36	-1.47	4.30	5.66	6.23
Fixed Income						
Bloomberg Aggregate	-3.06	1.25	-2.41	-0.33	1.35	3.94
90-day T-Bill	1.17	5.25	3.89	2.46	1.77	1.91
Bloomberg Long Gov/Credit	-7.42	-4.15	-9.20	-3.26	0.99	5.36
Bloomberg Global Agg ex-US	-6.84	-4.22	-6.28	-3.37	-0.90	2.45
Real Estate						
NCREIF Property*	0.78	-3.47	0.87	3.26	5.88	7.67
FTSE Nareit Equity	-6.21	8.73	-2.20	4.27	5.73	9.84
Alternatives						
Cambridge Private Equity*	1.00	4.62	3.71	13.84	13.10	12.73
Cambridge Senior Debt*	1.19	7.51	6.07	6.92	6.76	4.33
HFRI Fund Weighted	1.65	10.01	4.47	7.03	5.28	5.58
Bloomberg Commodity	-0.45	5.38	4.05	6.77	1.28	2.15
CPI-U	0.10	2.89	4.22	4.20	3.00	2.54

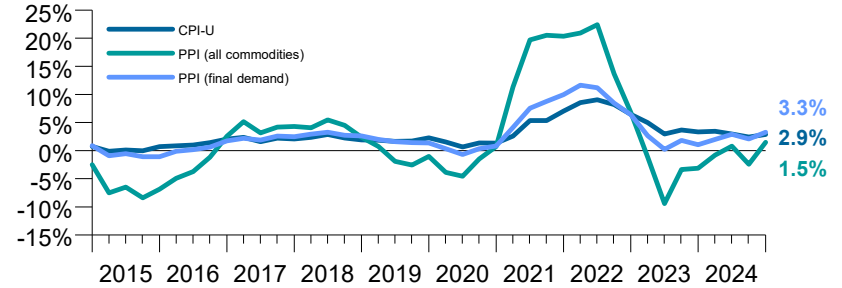
U.S. Economy—Summary

For periods ended 12/31/24

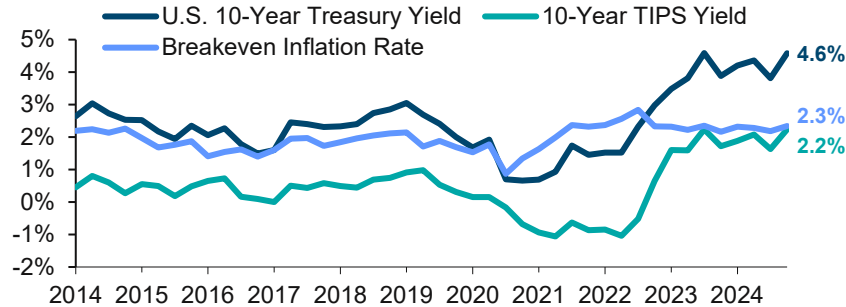
Quarterly Real GDP Growth



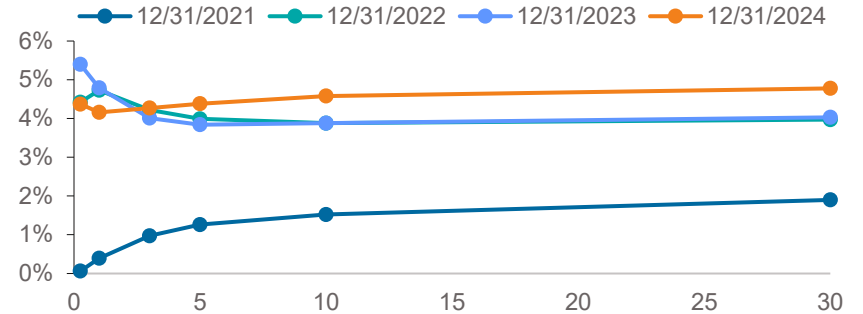
Inflation Year-Over-Year



U.S. Treasury Yield Curves



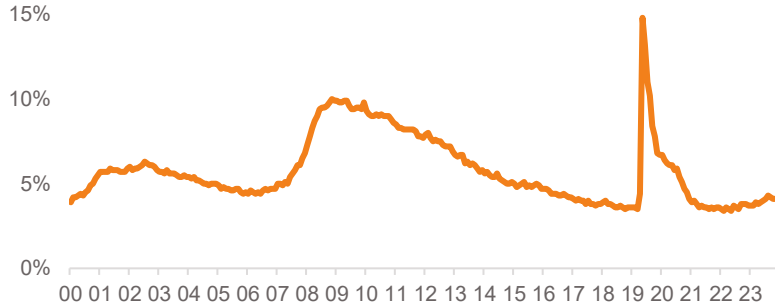
Historical 10-Year Yields



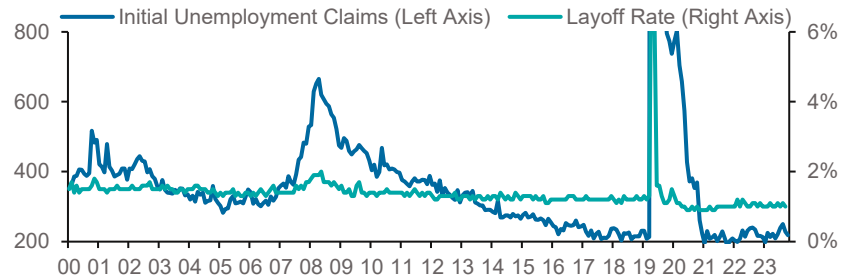
Sources: Bureau of Labor Statistics, Callan, Federal Reserve, GDPNow

Labor

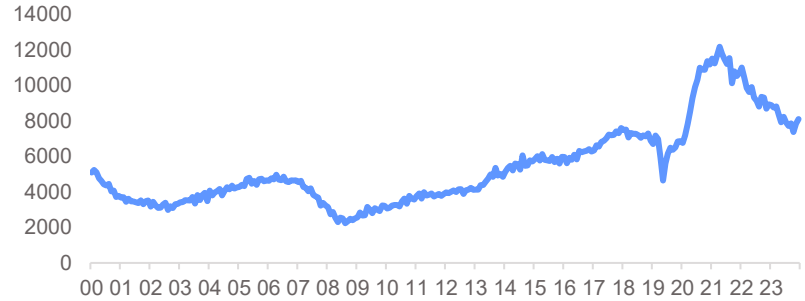
Unemployment Rate



Job Losses (Level in Thousands) and Layoffs



Job Openings (Level in Thousands)

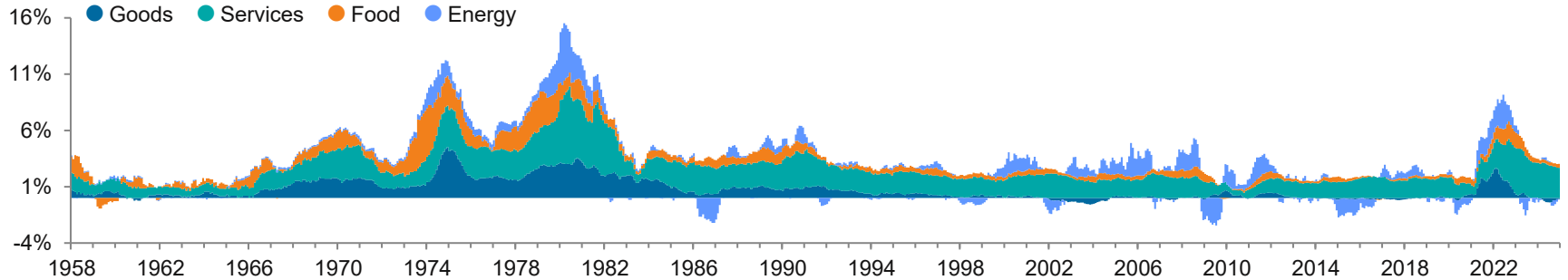


- The unemployment rate was 4.2% as of November.
- Job openings have declined from post-COVID peaks.
- Unemployment claims and layoffs remain low.
- It is likely that labor supply is higher than estimated due to immigration not being counted in official measures.
 - Immigration accounted for roughly half of labor force growth from 2021–23.

Sources: FRED, U.S. Bureau of Labor Statistics (JOLTS and Unemployment), U.S. Employment and Training Administration (Initial Claims)

Broad Components of Inflation

Contribution to Inflation by Broad Component



Category	Category Weight	Year-over-Year Change											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Headline CPI	100.0%	3.1%	3.2%	3.5%	3.4%	3.3%	3.0%	2.9%	2.5%	2.4%	2.6%	2.7%	2.9%
Food	13.6%	2.6%	2.2%	2.2%	2.2%	2.1%	2.2%	2.2%	2.1%	2.3%	2.1%	2.4%	2.5%
Energy	6.7%	-4.6%	-1.9%	2.1%	2.6%	3.7%	1.0%	1.1%	-4.0%	-6.8%	-4.9%	-3.2%	-0.5%
Core CPI	79.8%	3.9%	3.8%	3.8%	3.6%	3.4%	3.3%	3.2%	3.2%	3.3%	3.3%	3.3%	3.2%
Goods Less Food and Energy	18.9%	-0.3%	-0.3%	-0.7%	-1.3%	-1.7%	-1.8%	-1.9%	-1.9%	-1.0%	-1.0%	-0.6%	-0.5%
Services Less Energy	60.9%	5.4%	5.2%	5.4%	5.3%	5.3%	5.1%	4.9%	4.9%	4.7%	4.8%	4.6%	4.4%

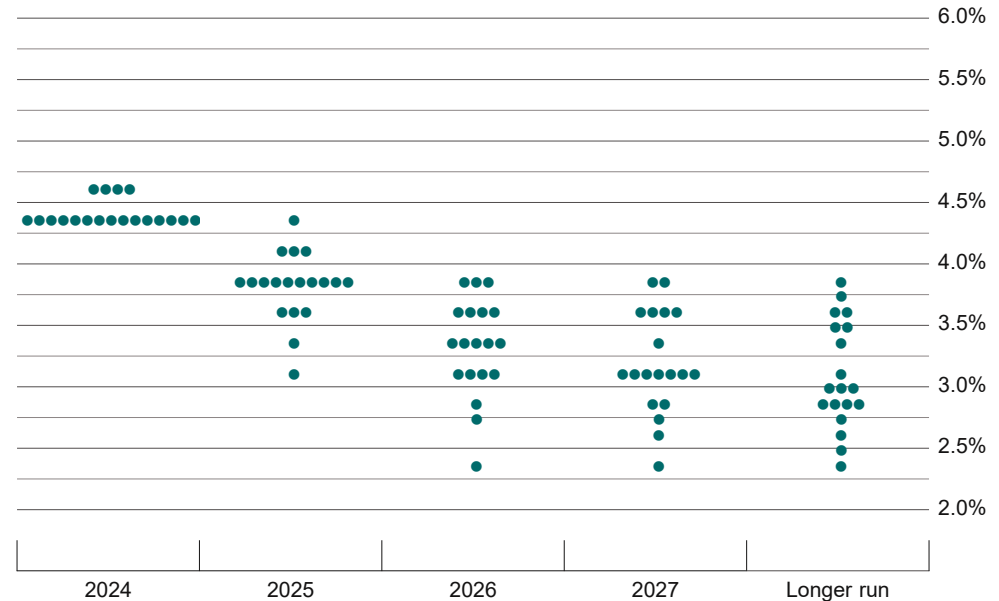
Source: U.S. Bureau of Labor Statistics. Note: Goods excludes food and energy goods while Services excludes energy services.

The Fed's 'Dot Plot'

Dec. 18, 2024

Federal Open Market Committee (FOMC) participants' assessments of appropriate monetary policy

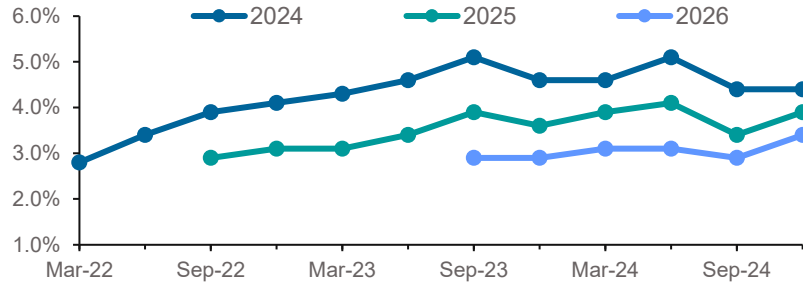
- Median year-end in 2025 = 3.9% (up from 3.4% projection at September meeting)
- “Longer run” median up 10 basis points to 3.0%
 - *Bias is toward higher rates; lower bound is 2.4% but higher bound is 3.9%.*
- Dispersion of views widens in 2025 and beyond.
- Market expects fewer cuts in 2025 based on CME FedWatch as of January; Fed Funds expectations for 2025:
 - *Majority expect no cuts through May*
 - *One cut by end of year has 34% probability*
 - *Two cuts by end of year has 31% probability*



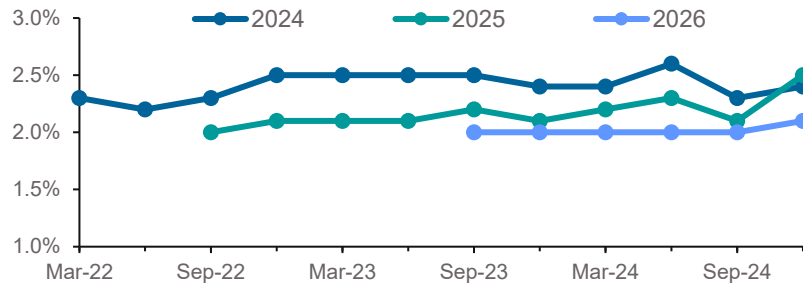
Source: Federal Reserve. FOMC participants do not always submit projections for all time periods.

The Shifting Mindset at the Fed

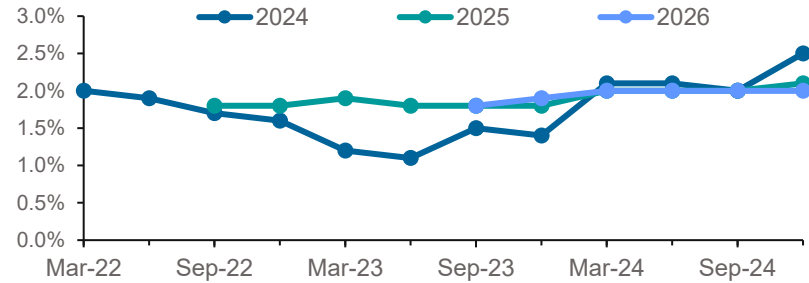
**Fed Projection of Fed Funds Rate
By Fed Meeting Date and Projection Year**



**Fed Projection of Change in PCE Inflation
By Fed Meeting Date and Projection Year**



**Fed Projection of Change in Real GDP
By Fed Meeting Date and Projection Year**



Projections for the Fed Funds Rate at the end of 2025 reflect expectations for two more 0.25% cuts.

- Long-term neutral rate of 3.0% expected to be hit after 2027.

The big swing in the Fed's GDP projection reflects the surprising nature of economic resilience.

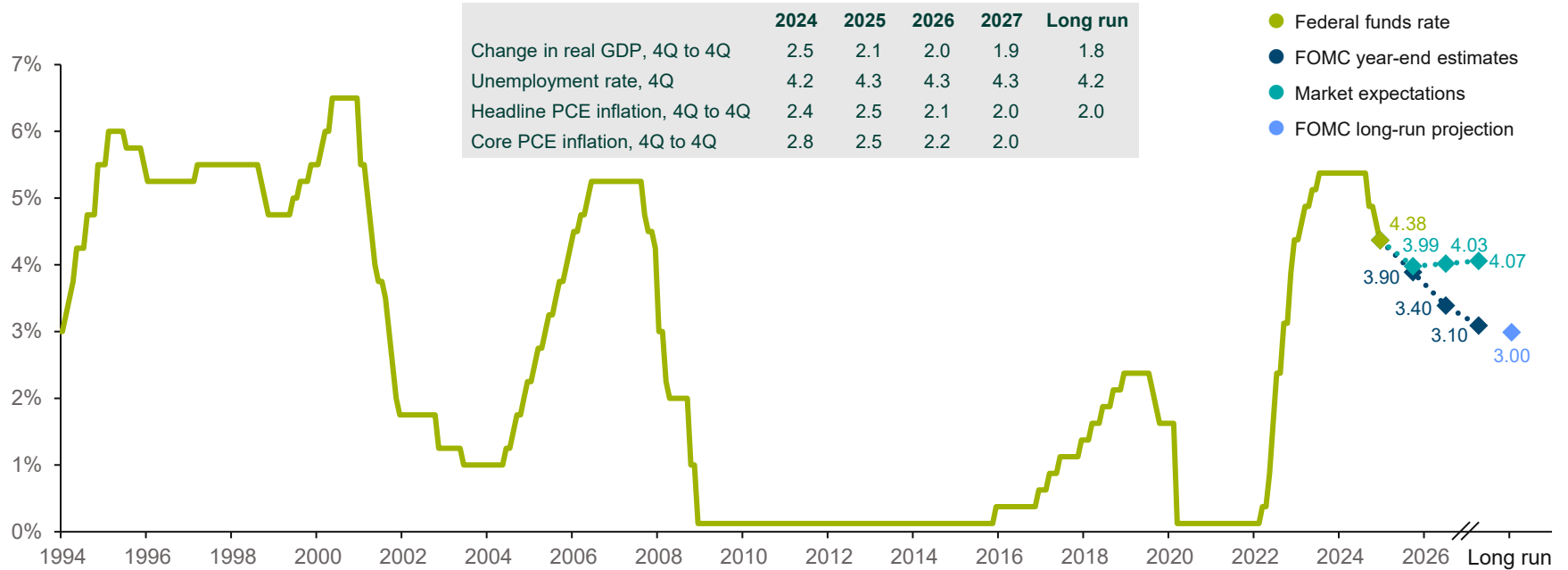
- The Fed now expects 2024 GDP growth to finish at 2.5%.

Inflation is expected to reach Fed's target of 2% in 2027.

Sources: Federal Reserve, Financial Times

Market and Fed Expectations Diverging

FOMC and market expectations for the federal funds rate



Sources: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management Guide to the Markets – U.S. Data are as of Jan. 9, 2025.

2025 Expectations

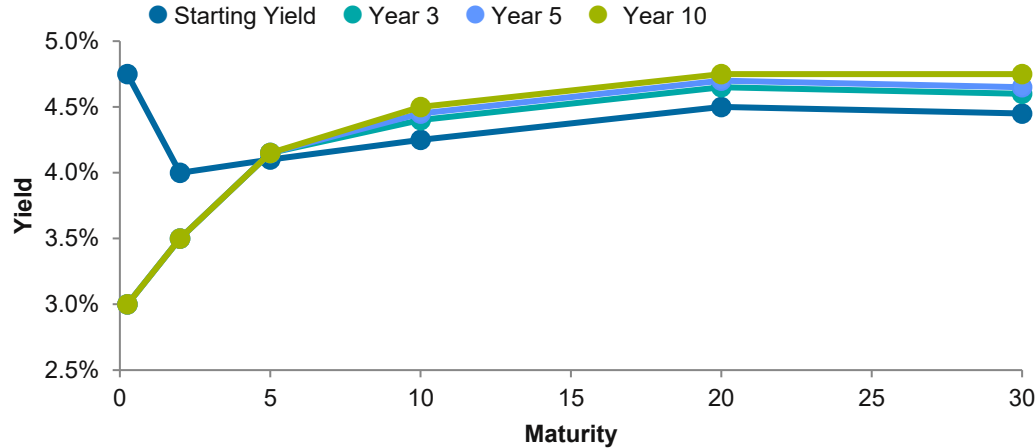
Fixed Income

Projected Fixed Income Returns

10-year projections

	Income Return	+ Capital Gain/Loss	+ Credit Default	+ Roll Return	=	2025 Expected Return	2024 Expected Return	Change vs. 2024
Cash	3.00%	0.00%	0.00%	0.00%		3.00%	3.00%	0.00%
1-3 Year Gov/Credit	3.65%	0.10%	0.00%	0.25%		4.00%	4.25%	-0.25%
1-3 Year Government	3.45%	0.10%	0.00%	0.25%		3.80%	4.15%	
1-3 Year Credit	4.05%	0.20%	-0.20%	0.25%		4.30%	4.65%	
Intermediate Gov/Credit	4.25%	0.00%	-0.10%	0.25%		4.40%	4.75%	-0.35%
Intermediate Gov	3.95%	0.00%	0.00%	0.25%		4.20%	4.45%	
Intermediate Credit	4.70%	0.00%	-0.20%	0.25%		4.75%	5.25%	
Aggregate	4.60%	0.00%	-0.10%	0.25%		4.75%	5.25%	-0.50%
Government	4.20%	0.10%	0.00%	0.25%		4.55%	4.85%	
Securitized	4.35%	0.30%	0.00%	0.25%		4.90%	5.35%	
Credit	5.30%	-0.30%	-0.30%	0.25%		4.95%	5.60%	
Long Duration Gov/Credit	5.40%	-0.60%	-0.20%	0.60%		5.20%	6.00%	-0.80%
Long Government	4.60%	-0.40%	0.00%	0.60%		4.80%	5.40%	
Long Credit	5.90%	-0.80%	-0.30%	0.60%		5.40%	6.30%	
TIPS	4.30%	0.00%	0.00%	0.25%		4.55%	5.05%	-0.50%
Global ex-U.S. Fixed	2.80%	-0.10%	-0.10%	0.25%		2.85%	3.15%	-0.30%
High Yield	8.15%	-0.30%	-2.10%	0.25%		6.00%	6.80%	-0.80%
Emerging Market Debt	7.40%	-0.40%	-1.90%	0.25%		5.35%	6.35%	-1.00%
Bank Loans	8.20%	-0.40%	-1.70%	0.00%		6.10%	6.55%	-0.45%

Shape of Yield Curve at Different Points in Forecast Horizon

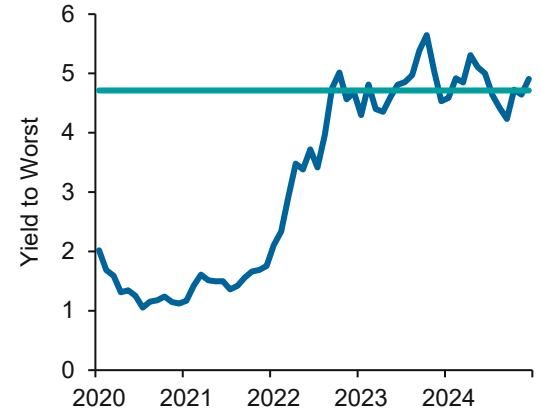
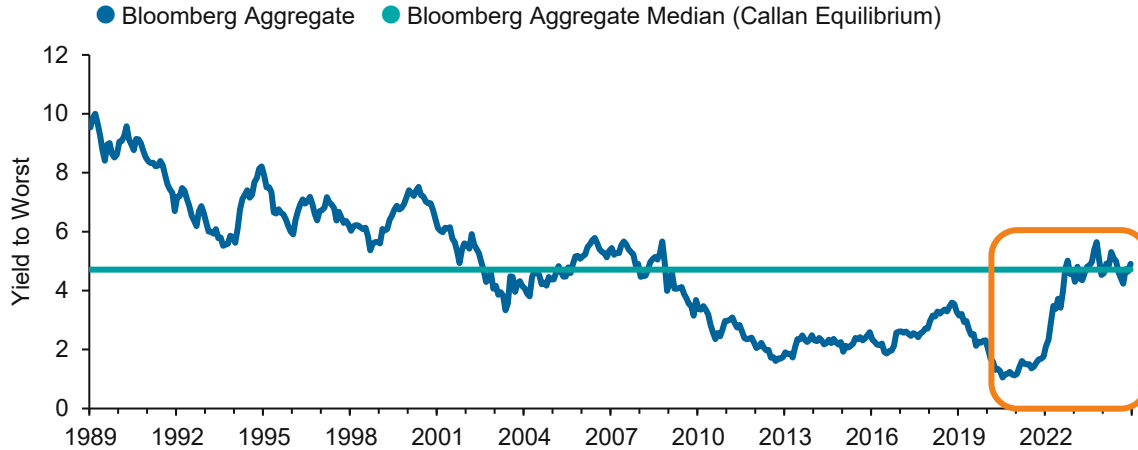


	3 Month	2 Year	5 Year	10 Year	20 Year	30 Year
Starting Yield	4.75	4.00	4.10	4.25	4.50	4.45
Forecast Year 3	3.00	3.50	4.15	4.40	4.65	4.60
Forecast Year 5	3.00	3.50	4.15	4.45	4.70	4.65
Forecast Year 10 (Equilibrium Reached)	3.00	3.50	4.15	4.50	4.75	4.75

Our fixed income projections assume the yield curve returns to an upward-sloping pattern within the next few years.

Short rates fall to Callan's equilibrium while intermediate and longer rates rise to equilibrium.

Drowning Out the Noise

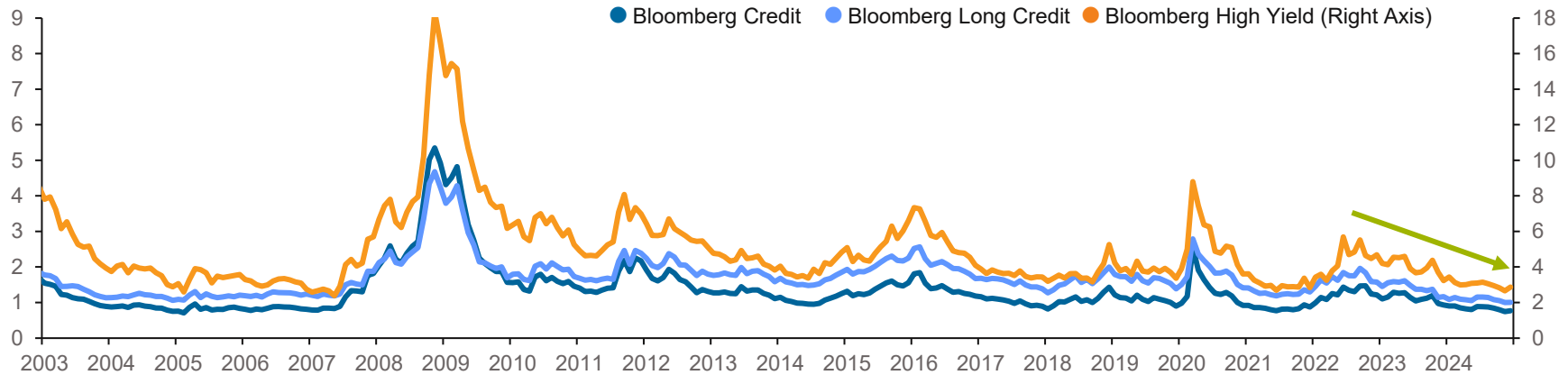


There has been a lot of rate volatility, but rates have been range-bound around our equilibrium.

We have been updating our bond assumptions to drown out the short-term noise and focus more on the longer-term trends.

Spreads Act as a Headwind

Historical Option Adjusted Spreads (OAS)



Spreads are at some of the tightest levels they have been in the last 20+ years as the risk-on mentality in the stock market has carried over into bonds.

We assume spreads will widen to levels consistent with long-term history, which is a headwind to returns.

— This is akin to a valuation adjustment in equities.

2025 Expectations

Equity

Equity Forecasts

Overview

Fundamental Relationship:

$$\text{Equity Return} = \underbrace{\text{Capital Appreciation}}_{\text{Real Earnings Growth} + \text{Inflation}} + \underbrace{\text{Income}}_{\text{Dividend Yield} + \text{Net Share Buybacks}} \pm \text{Valuation Adjustment}$$

Building up U.S. equity (S&P 500) returns from long-term fundamentals, we arrive at 7.25%.

Real earnings growth is linked to real GDP growth over long horizons; we forecast U.S. real GDP of 2.50% over the next decade.

Inflation (CPI-U) is forecasted at 2.50% over the next 10 years.

- Slightly above the Fed's inflation target of 2%
 - *Realized inflation over the past quarter century is 2.6%*
- In line with the market-based forecast of breakeven inflation (yield difference between Treasuries and TIPS)

Income return of 2.50% from dividend yield and share buybacks

U.S. equity valuation adjustment of -0.25% as current valuations exceed historical norms

Small premium for global ex-U.S. over U.S. stems from emerging market growth potential.

Equity Forecasts

Building block model

Index	Forecasted Dividend Yield	Net Buyback Yield	Inflation	Real Earnings Growth	Valuation Adjustment	Total Expected Return
S&P 500	1.75%	0.75%	2.50%	2.50%	-0.25%	7.25%
MSCI World ex USA	3.50%	0.00%	2.00%	1.75%	0.00%	7.25%
MSCI Emerging Markets	3.30%	-2.90%	3.25%	3.80%	0.00%	7.45%

Our return expectations for U.S. large cap (S&P 500) and developed ex-U.S. markets (MSCI World ex-USA) are the same, but the paths to those returns are different.

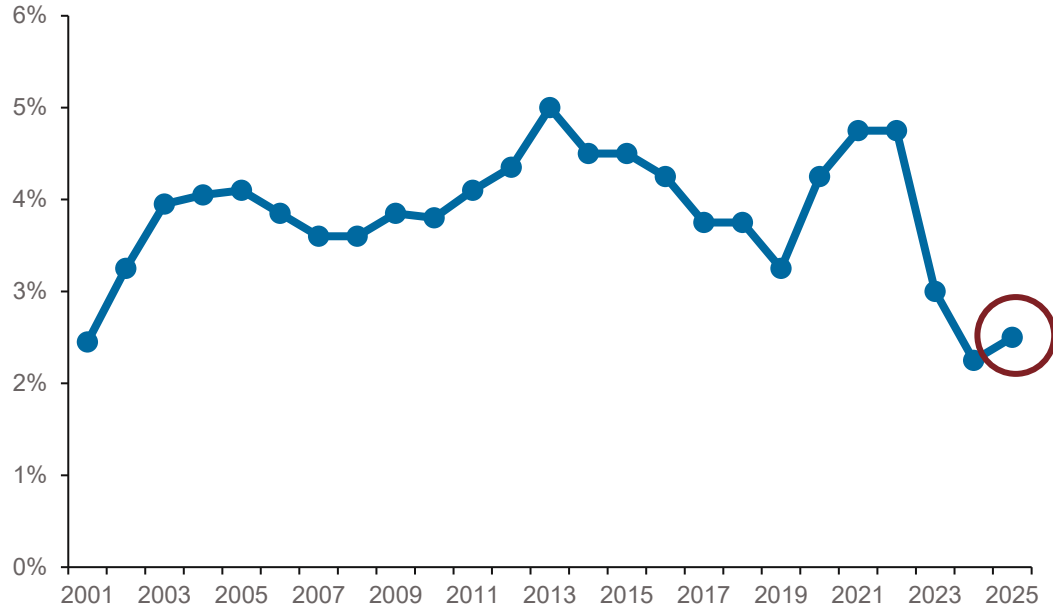
U.S. companies tend to deliver more return from earnings growth than from return of capital via dividends or buybacks.

- Developed ex-U.S. companies have the opposite relationship.
- Emerging market companies tend to deliver strong earnings growth, which is somewhat offset by net issuance of shares as these companies issue stock to support growth.

Callan's Equity Risk Premia Forecasts Over Time

S&P 500 forecast minus Bloomberg Aggregate forecast

Forecasted Equity Risk Premium vs. Bonds

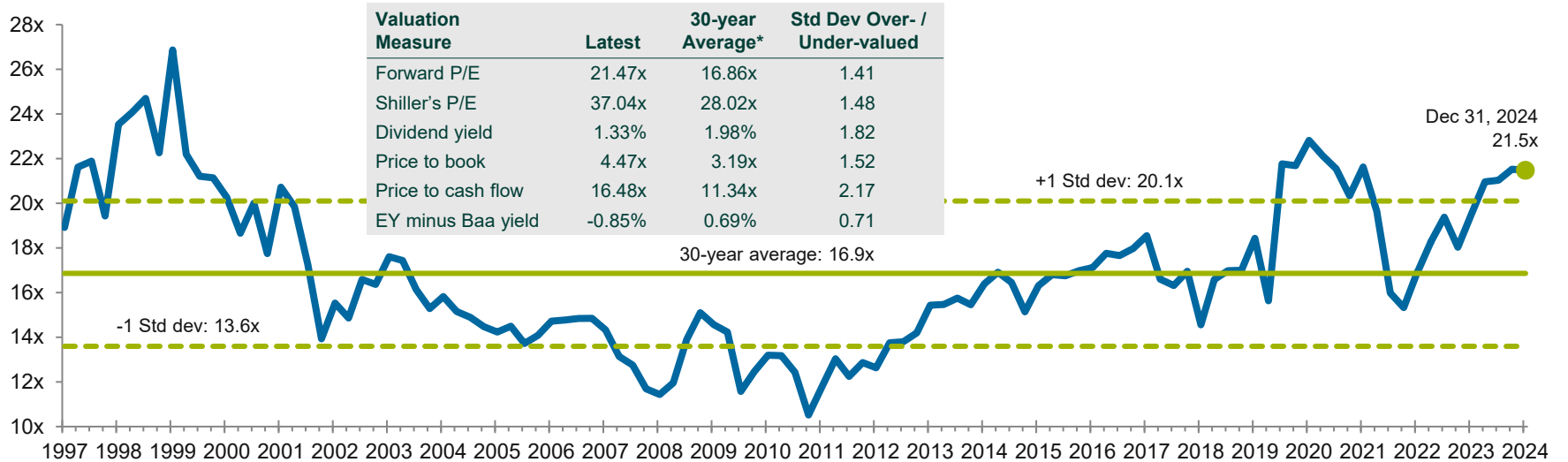


Callan's forecasted return spread between the S&P 500 and the Bloomberg Aggregate (2.50%) remains narrow.

Forecasts are annualized over 10 years.

U.S. Equity Market: Key Metrics

S&P 500 forward P/E ratio



Forward P/E (21.5) is more than one standard deviation above its long-term average (16.9).

A host of U.S. valuation measures are elevated.

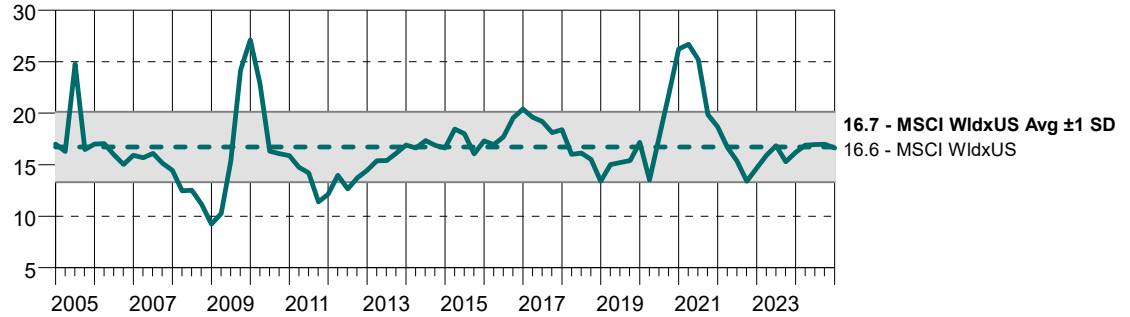
Sources: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management Guide to the Markets.

Equity Forecasts

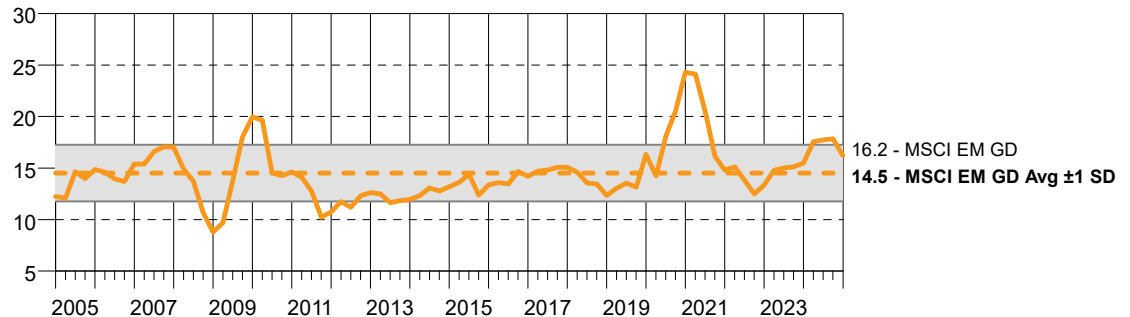
Global ex-U.S. valuations

In contrast, global ex-U.S. equity markets appear less stretched than the U.S.

Developed Markets ex-U.S. Price/Earnings Ratio (inc neg)



Emerging Markets Price/Earnings Ratio (inc neg)

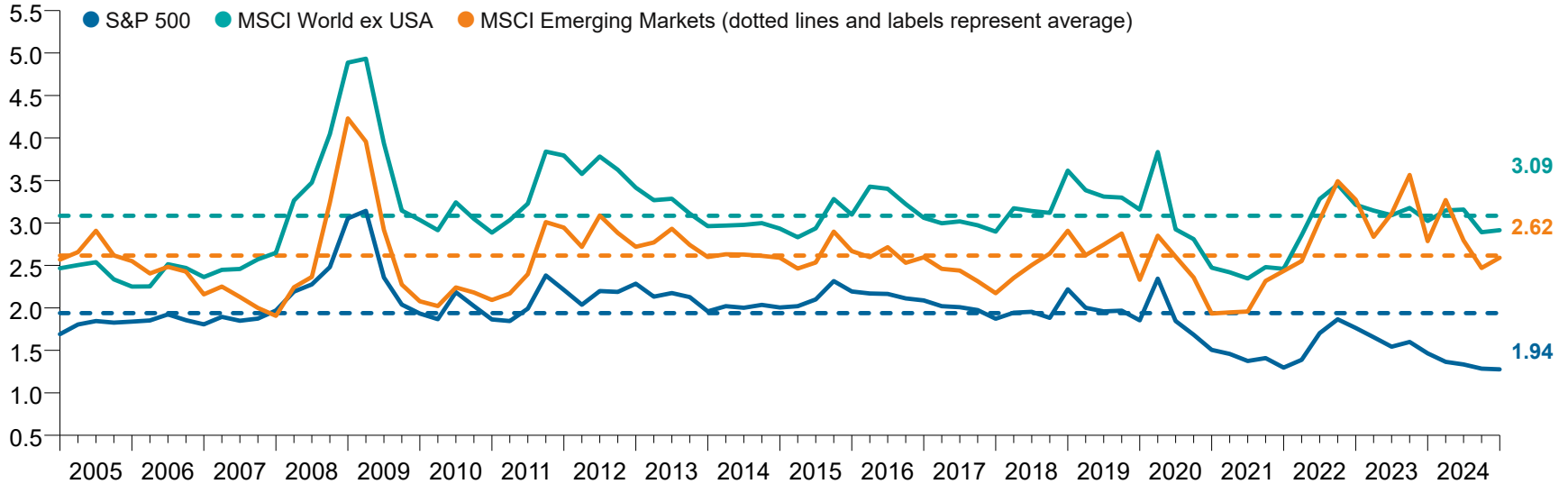


P/E measure is one year trailing.

Equity Forecasts

Dividend yields (past 20 years)

Dividend Yield for 20 Years Ended December 31, 2024



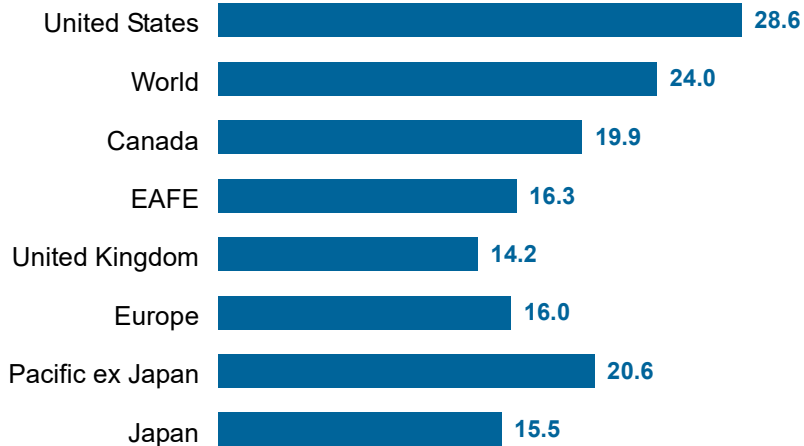
Global ex-U.S. equity has consistently provided higher dividend yields than U.S. equity.

Dividend yield measure is one year trailing

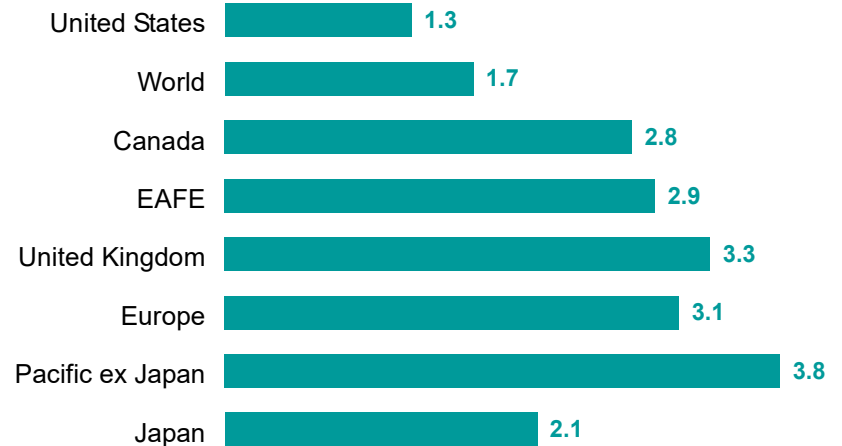
Global ex-U.S. Equity Assumptions

Developed market valuations and dividend yield

Price Earnings Ratio



Dividend Yield



Valuations have increased in most developed markets, especially the United States.

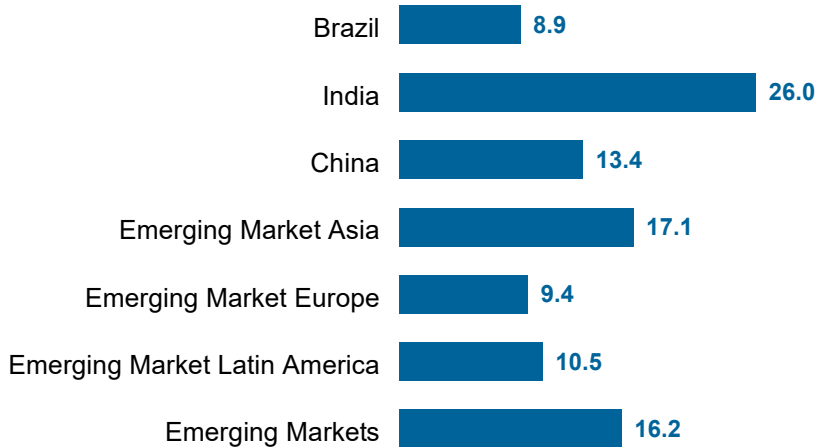
Dividend yields continue to decline.

Source: MSCI (Dec 31, 2024)

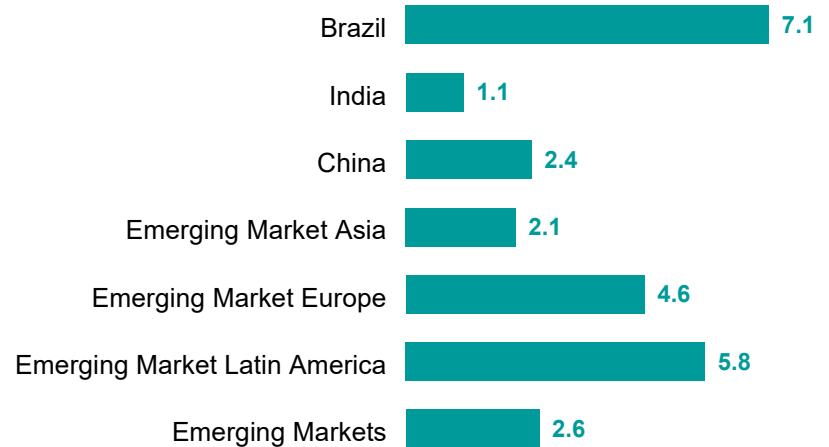
Global ex-U.S. Equity Assumptions

Emerging market valuations and dividend yield

Price Earnings Ratio



Dividend Yield



Emerging market valuations increased over 2024.

Dividend yields declined across most emerging market indices.

Source: MSCI (Dec 31, 2024)

2025 Expectations

Alternatives

Core Real Estate

Recent price declines may offer more attractive entry points

Background

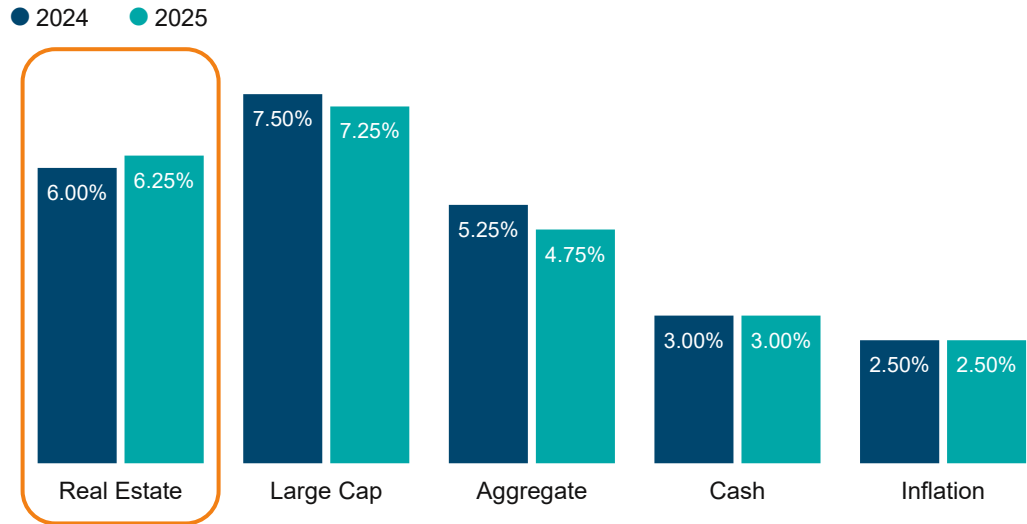
Real estate has characteristics of equity (ownership and appreciation) and bonds (income from rents). Real estate fell 3.5% for the year ended Sept. 30, 2024, on an unlevered property basis.

While real estate, especially within offices, could continue to face headwinds in the short-term, recent price declines could make more attractive entry points available for long-term investors.

Slight increase in real estate returns compared to last year

2025 real estate return projection: 6.25% (up 25 bps)

Return Projections



Sources: Callan, NCREIF

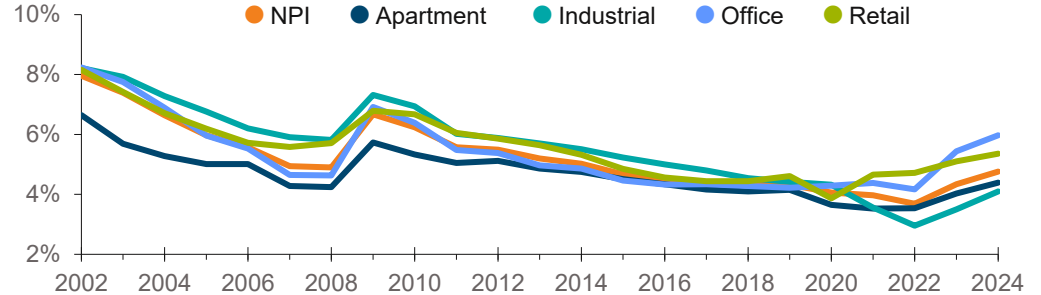
Core Real Estate

6.25% core real estate compound return (net of fees)

Return calculations assume 5.3% cost of leverage and 0.5x debt-to-equity (33% loan-to-value)

Income Return (unlevered property)	5.0%
Appreciation (unlevered property)	1.2%
Total Return (before leverage)	6.2%

Annual Cap Rates (through Sept. 30, 2024)



Callan Return Assumptions (unlevered property returns)

	Office	Retail	Industrial	Apartments	Other	NPI Index
Income	5.9%	5.5%	4.4%	4.7%	5.9%	5.0%
Appreciation	0.7%	0.7%	2.1%	0.9%	0.9%	1.2%
Total Return	6.6%	6.2%	6.5%	5.6%	6.8%	6.2%

Source: NCREIF Property Index (NPI) cap rates correspond to unlevered property valuations

Private Equity

Manager selection prowess could lead to much better results

Background

The private equity market is driven by many of the same economic factors as public equity markets. We expect private equity to benefit from more transaction activity and moderating rates.

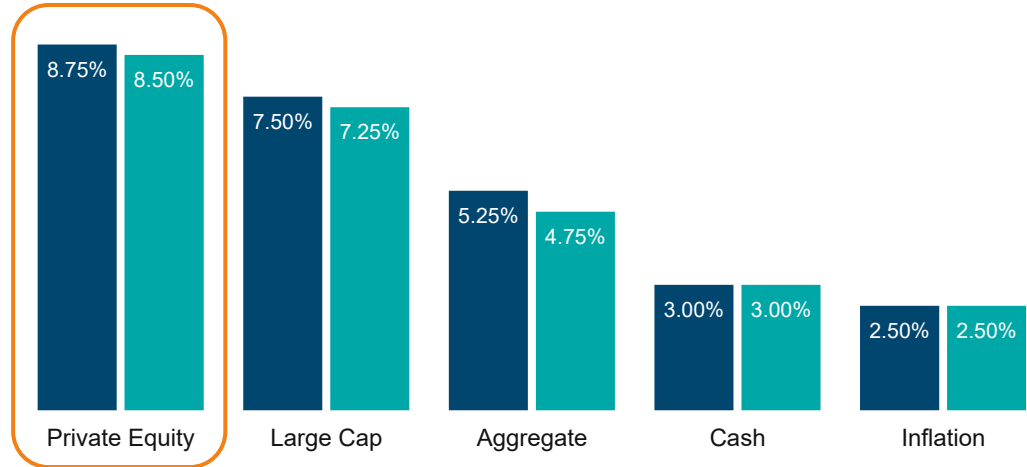
Private equity performance expectations fell in line with public equity expectations.

We see tremendous disparity between the best- and worst-performing managers. The ability to select skillful managers could result in realized returns significantly greater than projected here.

2025 private equity return projection: 8.50% (down 25 bps)

Return Projections

● 2024 ● 2025



Source: Callan

Private Credit

Strong appetite continues

Background

Return projection is anchored on middle market direct lending, where yields have fallen along with public fixed income yields.

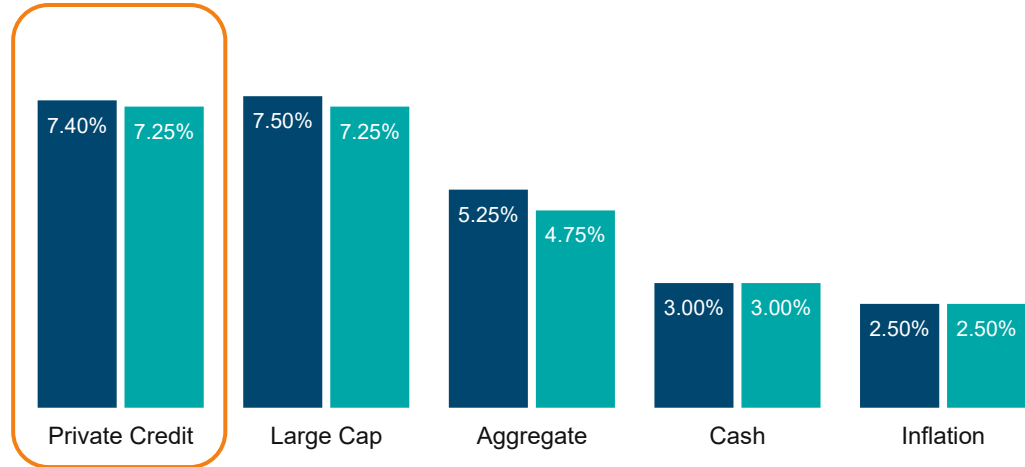
Strong appetite from institutional and retail investors persists.

**2025 private credit return projection:
7.25% (down 15 bps)**

Unlevered Yield	9.5%
Leverage	0.85x
Levered Yield	12.8%
Loss Ratio	2.4%
Net Arithmetic	8.4%
Net Compound Return	7.25%

Return Projections

● 2024 ● 2025



Source: Callan

Return calculation assumes 5.5% cost of leverage and 1.3% unlevered loss ratio

Hedge Funds

Complex model anchored on cash return

Background

Hedge funds can be evaluated using the following relationship:

Expected Return = Cash + Equity Beta x (Equity-Cash) + Exotic Beta + Net Alpha

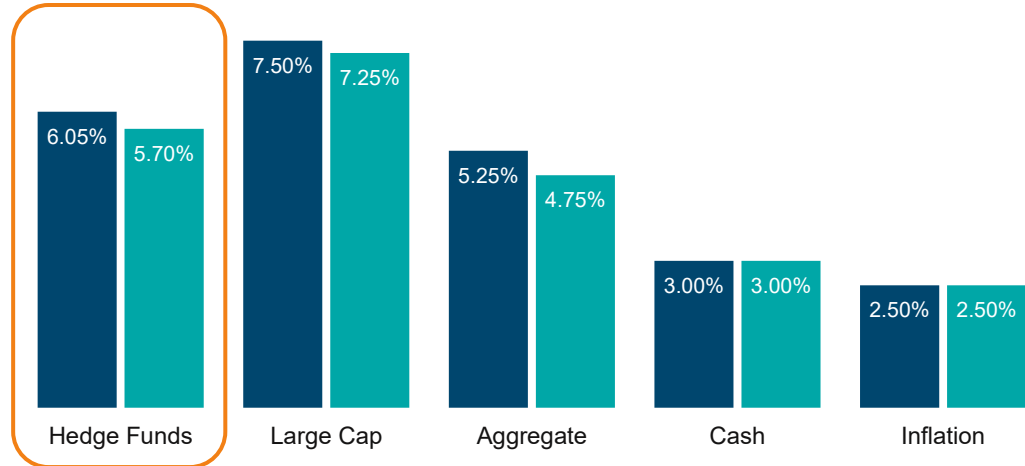
Callan's 10-year cash forecast is 3.00%.

Diversified hedge fund portfolios have exhibited equity beta relative to the S&P 500 of about 0.4. Combined with our equity risk premium forecast, this results in an excess return from equity beta of 1.7%. Hedge fund exotic beta and illiquidity premia is forecast to be 0.5% to 1.5%.

**2025 hedge fund return projection:
5.70% (down 35 bps)**

Return Projections

● 2024 ● 2025



Source: Callan

Portfolio Implications

Callan's Capital Markets Assumptions: 10 Years (2025–2034)

Key changes from 2024

Summary of important changes for 2025 Capital Markets Assumptions

- Cash return held constant at 3.0%
- Core fixed income return reduced by 50 bps, from 5.25% to 4.75%
- Public equity returns reduced 20–30 bps; equity risk premium over cash narrowed and over fixed income widened slightly
- Inflation held at 2.5%
- Private markets returns reduced commensurate with public equity, excluding real estate; hedge funds reflect starting cash return

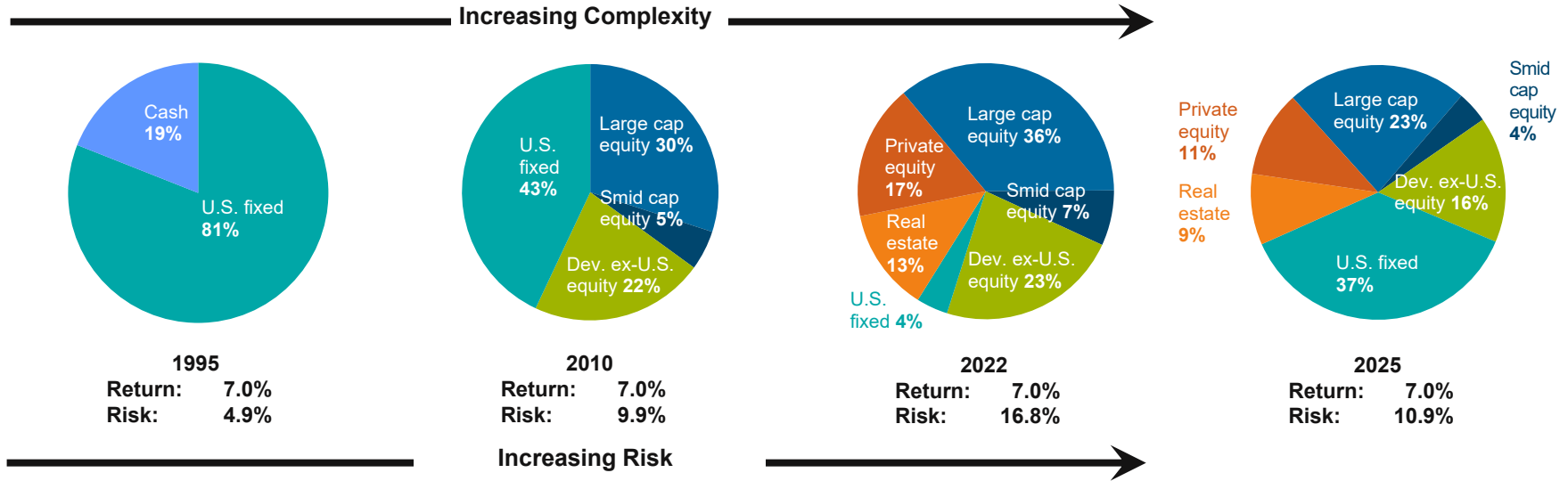
Allocations within equity reflect neutral weights to the broad markets

- Efficient SMID cap weight set to 15% of broad U.S. equity
- Efficient emerging market equity weight set to 30% of global ex-U.S. equity
- Efficient U.S. / global ex-U.S. equity set to 60/40 neutral weight (not a change, but the market has now caught up to us!)

Broadened set of diversifying asset classes to consider

- Private credit
- Private infrastructure
- Inflation-sensitive equity – REITs, natural resources, global listed infrastructure

7% Expected Returns Over Past 30 Years



In 1995, expectations for cash and U.S. fixed income were 4.8% and 7.5%, respectively. Return-seeking assets were not required to earn a 7% projected return.

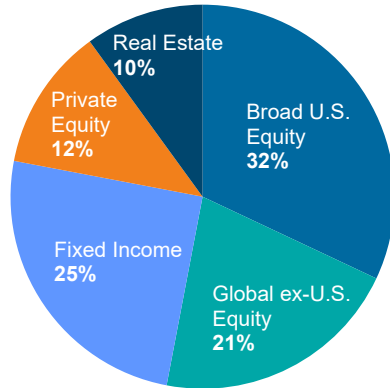
15 years later, an investor would have needed over half of the portfolio in public equities to achieve a 7% projected return, with double the portfolio volatility of 1995.

In 2022 an investor was required to include 96% in return-seeking assets (including 30% in private markets investments) to earn a 7% projected return at over 3x the volatility compared to 1995.

Today's 7% expected return portfolio is much more reasonable than it was just three years ago. The allocation to fixed income jumps to 37%, while risk is just 2/3 what it was in 2022.

Sample Portfolios in 2025 vs. 2024

Sample Public Defined Benefit



Inflation: no change

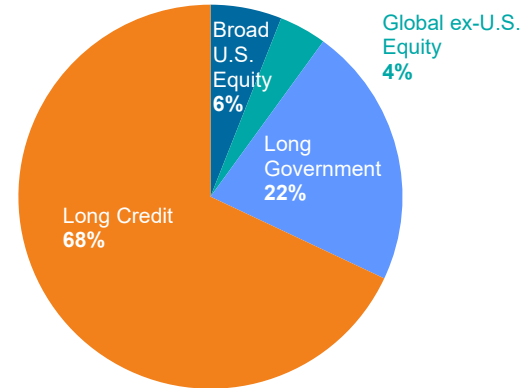
Cash: no change

Public/Private Equity: -20–30 bps

Fixed Income: -25-100 bps

Real Estate: +25 bps

Sample LDI Corporate Defined Benefit

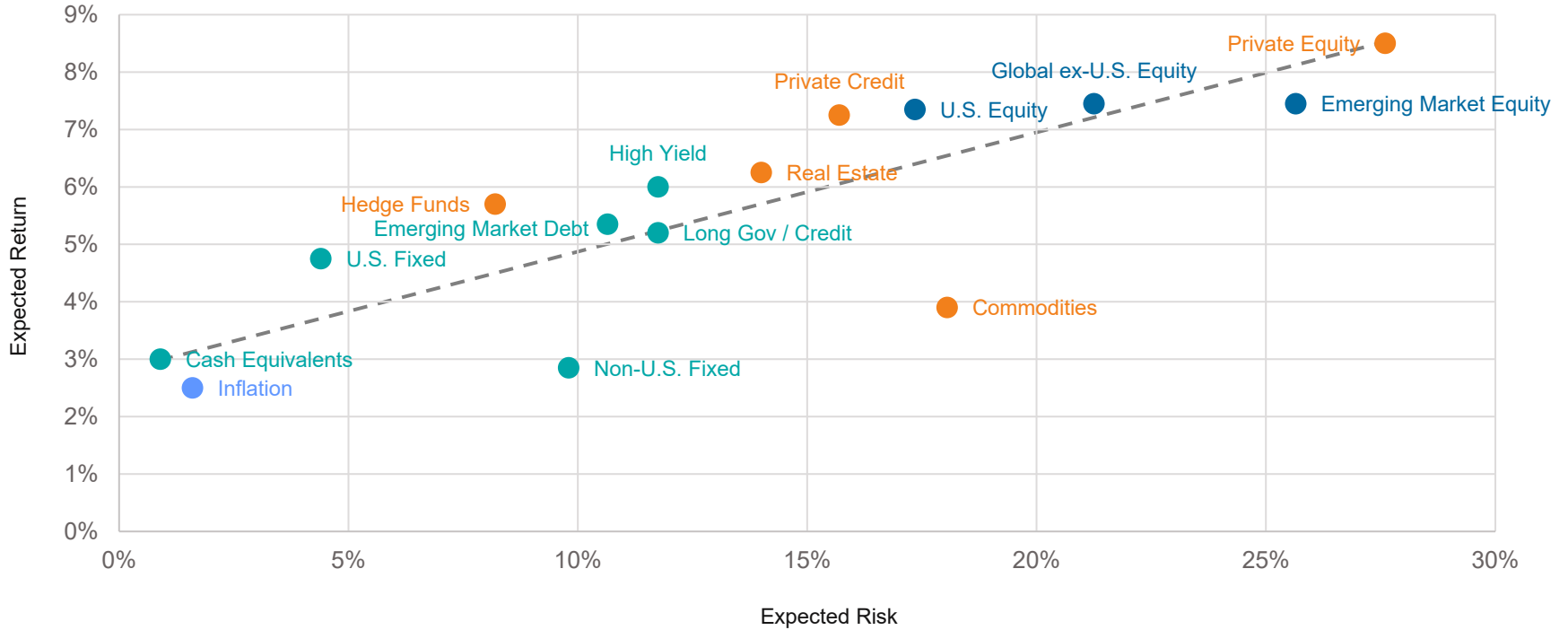


Mix Characteristics	2025	2024	Difference
Expected Return (nominal)	7.34%	7.55%	-0.21%
Expected Return (real)	4.84%	5.05%	-0.21%
Standard Deviation	13.06%	13.13%	-0.07%
Sharpe Ratio	0.32	0.34	-0.02

Mix Characteristics	2025	2024	Difference
Expected Return (nominal)	5.67%	6.37%	-0.70%
Expected Return (real)	3.17%	3.87%	-0.70%
Standard Deviation	11.13%	11.10%	+0.03%
Sharpe Ratio	0.24	0.30	-0.06

Risk Aversion

Visualizing Callan's 2025–2034 Capital Markets Assumptions



Source: Callan 2025–2034 Capital Markets Assumptions





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Biographies

Jay V. Kloepfer is an executive vice president and the director of Callan's Capital Markets Research group, helping clients with their strategic planning, conducting asset allocation and asset/liability studies, developing optimal investment manager structures, evaluating defined contribution plan investment lineups, and providing custom research on a variety of investment topics. He is a member of the Callan Institute Advisory Committee and is a shareholder of the firm. Jay is the author of the Callan Periodic Table of Investment Returns, which he created in 1999.

Adam Lozinski, CFA, is a senior vice president and consultant in Callan's Capital Markets Research group. He is responsible for assisting clients with their strategic investment planning, conducting asset allocation studies, developing optimal investment manager structures, and providing custom research on a variety of investment topics. Adam is a member of Callan's Nonprofit Group and Student Engagement Team. He is a shareholder of the firm. Adam is a holder of the right to use the Chartered Financial Analyst® designation, and is a member of CFA Institute and CFA Society Colorado.

Kevin Machiz, CFA, FRM, is a senior vice president and consultant in Callan's Capital Markets Research group. He is responsible for assisting clients with their strategic investment planning, conducting asset allocation studies, developing optimal investment manager structures, and providing custom research on a variety of investment topics. Kevin is also the head of Callan's multi-asset class research effort and is a shareholder of the firm. Kevin is a holder of the right to use the Chartered Financial Analyst® designation and is a member of CFA Institute and CFA Society Portland. He is a Certified Financial Risk Manager.

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Date: February 5, 2025

TO: MOA Retiree Medical Funding Program Trust for Police Officers and Firefighters Board

FROM: Terry Marquart, Trustee

SUBJECT: Staff Salary

A survey of salary changes in the MOA was done in response to your question regarding if there was a need for an increase in staff wages.

In 2024 the Municipal Assembly passed a resolution adjusted the non-represented pay plans by adding six additional 2.5% steps to the top end of each grade and increasing the top end of the executive pay plan by twenty-four percent for grades 21 through 24.

Retention of current employees in a competitive market was a driving factor.

Attached is the full Assembly resolution with justification and reason for the change.

Since the pay plan change, Alaska voters have also approved a significant increase in minimum wage. This emphasizes the need for the plan change.

In 2025, APDEA received a 3.3% wage increase and IAFF and Non-represented received a 1.5% wage increase.

Both staff positions at the Trust are executive positions that require board action to increase wages.

Attachments:

AR No. 2024-31

2025 Proposed General Government Operating Budget Appendix C

Alaska DOL FAQ regarding minimum wage change

ANCHORAGE, ALASKA
AR No. 2024-31, As Amended

1 **A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE ADJUSTING THE**
2 **NON-REPRESENTED AND PUBLIC SAFETY NON-REPRESENTED PAY**
3 **PLANS BY ADDING SIX (6) ADDITIONAL 2.5% STEPS TO THE TOP END OF**
4 **EACH GRADE AND INCREASING THE TOP END OF THE EXECUTIVE PAY**
5 **PLAN BY TWENTY-FOUR PERCENT (24%) FOR GRADES 21 THROUGH 24**
6 **AND THIRTY-THREE PERCENT (33%) FOR GRADE 25.**

7
8 **WHEREAS**, on November 21, 2023, the Anchorage Assembly adopted the 2024
9 General Government and Utility Enterprise Operating Budget for the Municipality;
10 and

11
12 **WHEREAS**, the 2024 General Government Operating Budget and Utility Enterprise
13 Budget includes the non-represented, public safety non-represented, and executive
14 pay plans, and increases are warranted, with the specific objective of providing
15 additional steps to the pay plans for all non-represented and public safety non-
16 represented positions and an increase to the maximum pay for the executive pay
17 plans; and

18
19 **WHEREAS**, this change comes at a crucial time to recruit, retain, and develop
20 succession planning for employees within the Municipality; and

21
22 **WHEREAS**, increased workforce competition has made it increasingly difficult to
23 retain and to hire new non-represented, public safety non-represented, and
24 executive employees at the Municipality; and

25
26 **WHEREAS**, the Municipality's non-represented, public safety non-represented, and
27 executive employees have experienced salary stagnation especially as compared
28 to the compensation of private sector and represented employees; and

29
30 **WHEREAS**, the proposed resolution will conform to the Personnel Rules to provide
31 for an increase to the non-represented, public safety non-represented, and
32 executive pay plans in accordance with this objective.

33
34 **THE ANCHORAGE ASSEMBLY RESOLVES:**

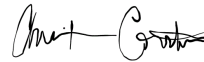
35
36 **Section 1.** Amend the non-represented ~~[and public safety non-represented]~~
37 pay plans by adding six (6) additional two and one-half percent (2.5%) pay steps at
38 the top end of each pay scale of each for a total of fifteen percent (15%), **to be**
39 **effective and implemented on or after January 1, 2025.**

40
41 **Section 2.** Amend (increase) the top end of the executive pay plan twenty-four
42 percent (24%) for grades 21 through 24 and thirty-three percent (33%) for grade 25.
43

1 **Section 3. Amend the public safety non-represented pay plans by adding**
2 **six (6) additional two and one-half percent (2.5%) pay steps at the top end of**
3 **each pay scale of each for a total of fifteen percent (15%).**
4

5 **Section 4[3].** This Resolution shall take effect first full pay period following
6 Assembly approval, upon passage and approval by the Anchorage Assembly.
7

8
9 PASSED AND APPROVED by the Anchorage Assembly this 19th day of March,
10 2024.
11

12
13 

14 _____
15 Chair

16 ATTEST:

17
18 

19 _____
20 Municipal Clerk
21



MUNICIPALITY OF ANCHORAGE

Assembly Memorandum

No. AM 87-2024

Meeting Date: January 23, 2024

1 **From:** MAYOR

2
3 **Subject:** A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE
4 ADJUSTING THE NON-REPRESENTED AND PUBLIC SAFETY
5 NON-REPRESENTED PAY PLANS BY ADDING SIX (6)
6 ADDITIONAL 2.5% STEPS TO THE TOP END OF EACH GRADE
7 AND INCREASING THE TOP END OF THE EXECUTIVE PAY
8 PLAN BY TWENTY-FOUR PERCENT (24%) FOR GRADES 21
9 THROUGH 24 AND THIRTY-THREE PERCENT (33%) FOR
10 GRADE 25.
11
12

13 All non-represented, public safety non-represented, and executive positions are
14 compensated based on a pay plan in conformance with Municipal Personnel Rule
15 3.30.174.I. The pay plan consists of pay ranges for executive employees and pay
16 ranges and steps for non-represented employees; each job classification and
17 grade is assigned a pay range. See attached Exhibit A.
18

19 The Administration and Anchorage Assembly agree that the ability to increase
20 compensation is necessary to recruit, retain and develop succession planning for
21 employees within the Municipality. The changes to the salary plan come at a
22 crucial time as increased competition for employees continues within the
23 Municipality of Anchorage, and the Municipality faces considerable challenges in
24 retaining employees.
25

26 There are challenges in filling the non-represented, public safety non-represented,
27 and executive leadership roles throughout the Municipality of Anchorage. It is
28 common for represented employees to take a significant reduction in pay when
29 promoted to these leadership positions. The addition of six new pay steps to the
30 non-represented pay scale will allow union employees to receive a pay increase
31 when promoted to a non-represented leadership position. This will be a significant
32 tool in retaining and promoting highly experienced, qualified employees.
33

34 For non-represented positions the pay plan consists of pay ranges (Grades 3
35 through 19) and pay steps (1 through 6). This resolution proposes to conform the
36 Personnel Rules to add six additional pay steps of 2.5% each to the non-
37 represented pay plan. Effective the first full pay period after Assembly approval,
38 non-represented employees, if at step 6, will advance to pay step 7 on their merit
39 anniversary date.

1 For public safety non-represented positions, the pay plan consists of pay ranges
2 (Grades 27 through 29), with three pay steps for Grades 27 and 28 and two pay
3 steps for Grade 29. This resolution proposes to conform the Personnel Rules to
4 add six additional pay steps of 2.5% each to the public safety non-represented pay
5 plan with the intent to create more pay raise headroom for public safety non-
6 represented employees who have previously been limited to only two or three pay
7 steps. The resolution will incorporate existing temporary pay increases into the
8 new step regime but will not result in automatic raises. Instead, effective the first
9 full pay period after Assembly approval, public safety non-represented employees
10 will be placed within their appropriate pay step and will advance to the next pay
11 step only on their first merit anniversary date.

12
13 The executive pay plan consists of pay ranges Grades 21 through 25. Currently
14 the difference between the top of the salary ranges varies from approximately 18%
15 between Grade 21 and Grade 22 to only 4% between Grade 24 and Grade 25.
16 This resolution proposes to conform the Personnel Rules by increasing the
17 maximum pay for Grade 21 through Grade 24 by 24%, and the maximum pay for
18 Grade 25 by 33%. This will provide additional pay raise headroom for recruitment
19 and retention purposes.

20
21 The overall average annual cost of the additional pay steps for the public safety non
22 represented is 3.3% for General Government. The overall average annual cost of
23 the additional non represented pay steps is 3.3% for General Government and 3.6%
24 for Utility Enterprise.

25
26
27 **THE ADMINISTRATION RECOMMENDS APPROVAL.**

28
29 Prepared by: Raylene Griffith, Labor Relations Director
30 Approved by: Tyler Andrews, Director, Human Resources
31 Concur: Sharon Lechner, Acting Director, Office of
32 Management & Budget
33 Concur: Alden Thern, CFO
34 Concur: Anne Helzer, Municipal Attorney
35 Concur: Kent Kohlhase, P. E., Municipal Manager
36 Respectfully submitted: Dave Bronson, Mayor

Exhibit A

Job Classification Grades and Proposed Pay Ranges

Non-Represented Grades:

Public Service Student Aide I	NON-REPRESENTED	GRD03
Public Service Student Aide II	NON-REPRESENTED	GRD04
Office Assistant	NON-REPRESENTED	GRD07
Accounting Clerk I	NON-REPRESENTED	GRD08
Public Service Intern I	NON-REPRESENTED	GRD08
Senior Office Assistant	NON-REPRESENTED	GRD08
Accounting Clerk II	NON-REPRESENTED	GRD09
Legal Clerk I	NON-REPRESENTED	GRD09
Office Associate	NON-REPRESENTED	GRD09
Personnel Technician I	NON-REPRESENTED	GRD09
Accounting Clerk III	NON-REPRESENTED	GRD10
Legal Clerk II	NON-REPRESENTED	GRD10
Personnel Technician II	NON-REPRESENTED	GRD10
Public Service Intern II	NON-REPRESENTED	GRD10
Senior Office Associate	NON-REPRESENTED	GRD10
Executive Assistant I	NON-REPRESENTED	GRD11
Legal Secretary I	NON-REPRESENTED	GRD11
Personnel Technician III	NON-REPRESENTED	GRD11
Retirement Specialist I	NON-REPRESENTED	GRD11
Associate Librarian	NON-REPRESENTED	GRD12
Audit Technician	NON-REPRESENTED	GRD12
Collector	NON-REPRESENTED	GRD12
Executive Assistant II	NON-REPRESENTED	GRD12
Junior Accountant	NON-REPRESENTED	GRD12
Junior Admin Officer	NON-REPRESENTED	GRD12
Legal Secretary II	NON-REPRESENTED	GRD12
Personnel Analyst I	NON-REPRESENTED	GRD12
Principal Office Associate	NON-REPRESENTED	GRD12
Professional Investigator I	NON-REPRESENTED	GRD12
Public Service Intern III	NON-REPRESENTED	GRD12
Recreation Supervisor	NON-REPRESENTED	GRD12
Accountant	NON-REPRESENTED	GRD13
Accounting Section Supv	NON-REPRESENTED	GRD13
Administrative Coordinator	NON-REPRESENTED	GRD13
Claims Administrator I	NON-REPRESENTED	GRD13
Legal Secretary III	NON-REPRESENTED	GRD13
Professional Librarian I	NON-REPRESENTED	GRD13

Retirement Specialist II	NON-REPRESENTED	GRD13
Administrative Officer	NON-REPRESENTED	GRD14
Aquatics Superintendent	NON-REPRESENTED	GRD14
Horticulture Supervisor	NON-REPRESENTED	GRD14
Human Resources Professional II	NON-REPRESENTED	GRD14
Information Center Consultant I	NON-REPRESENTED	GRD14
Legal Secretary IV	NON-REPRESENTED	GRD14
Parks Superintendent	NON-REPRESENTED	GRD14
Personnel Analyst II	NON-REPRESENTED	GRD14
Professional Investigator II	NON-REPRESENTED	GRD14
Professional Librarian II	NON-REPRESENTED	GRD14
Recreation Superintendent	NON-REPRESENTED	GRD14
Senior Accountant	NON-REPRESENTED	GRD14
Budget Analyst I	NON-REPRESENTED	GRD15
Business Analyst	NON-REPRESENTED	GRD15
Claims Administrator II	NON-REPRESENTED	GRD15
Computer Operations Supervisor	NON-REPRESENTED	GRD15
Human Resources Professional III	NON-REPRESENTED	GRD15
Information Center Consultant II	NON-REPRESENTED	GRD15
Maintenance Supervisor	NON-REPRESENTED	GRD15
Network Technician III	NON-REPRESENTED	GRD15
Port Maintenance Supervisor	NON-REPRESENTED	GRD15
Professional Investigator III	NON-REPRESENTED	GRD15
Professional Librarian III	NON-REPRESENTED	GRD15
Public Health Supervisor	NON-REPRESENTED	GRD15
Reprographics Supervisor	NON-REPRESENTED	GRD15
Retirement Specialist III	NON-REPRESENTED	GRD15
Senior Admin Officer	NON-REPRESENTED	GRD15
Senior Staff Accountant	NON-REPRESENTED	GRD15
Staff Auditor	NON-REPRESENTED	GRD15
Street Maintenance Supervisor	NON-REPRESENTED	GRD15
Transit Shift Supervisor	NON-REPRESENTED	GRD15
Appraisal Supervisor	NON-REPRESENTED	GRD16
Budget Analyst II	NON-REPRESENTED	GRD16
Community Health Supervisor	NON-REPRESENTED	GRD16
Data Base Administrator I	NON-REPRESENTED	GRD16
Engineering Technician IV	NON-REPRESENTED	GRD16
Environmental Sanitarian IV	NON-REPRESENTED	GRD16
General Foreman	NON-REPRESENTED	GRD16
Horticulturist	NON-REPRESENTED	GRD16
Human Resources Professional IV	NON-REPRESENTED	GRD16

Laboratory Supervisor	NON-REPRESENTED	GRD16
Nurse Supervisor I	NON-REPRESENTED	GRD16
Operations Supervisor	NON-REPRESENTED	GRD16
Personnel Analyst III	NON-REPRESENTED	GRD16
Principal Accountant	NON-REPRESENTED	GRD16
Principal Administrative Officer	NON-REPRESENTED	GRD16
Principal Auditor	NON-REPRESENTED	GRD16
Professional Investigator IV	NON-REPRESENTED	GRD16
Professional Librarian IV	NON-REPRESENTED	GRD16
Retirement Specialist IV	NON-REPRESENTED	GRD16
Safety Coordinator	NON-REPRESENTED	GRD16
Senior Landscape Architect	NON-REPRESENTED	GRD16
Systems Analyst	NON-REPRESENTED	GRD16
Systems Programmer I	NON-REPRESENTED	GRD16
Utility Tariff Analyst	NON-REPRESENTED	GRD16
Associate Traffic Engineer	NON-REPRESENTED	GRD17
Civil Engineer III	NON-REPRESENTED	GRD17
Data Base Administrator II	NON-REPRESENTED	GRD17
Deputy Officer	NON-REPRESENTED	GRD17
Finance Supervisor	NON-REPRESENTED	GRD17
Forensic Supervisor	NON-REPRESENTED	GRD17
Information Center Consultant III	NON-REPRESENTED	GRD17
Light & Power Engineer	NON-REPRESENTED	GRD17
Light & Power Superintendent	NON-REPRESENTED	GRD17
ML&P Supervisor	NON-REPRESENTED	GRD17
Network Analyst	NON-REPRESENTED	GRD17
Nurse Supervisor II	NON-REPRESENTED	GRD17
Planning Supervisor	NON-REPRESENTED	GRD17
Property Appraisal Administrator	NON-REPRESENTED	GRD17
Senior Systems Analyst	NON-REPRESENTED	GRD17
Superintendent	NON-REPRESENTED	GRD17
Systems Analyst Supervisor	NON-REPRESENTED	GRD17
Systems Programmer II	NON-REPRESENTED	GRD17
Treatment Super (Water/Wastewater)	NON-REPRESENTED	GRD17
Utility Management Assistant	NON-REPRESENTED	GRD17
Application Services Supervisor	NON-REPRESENTED	GRD18
Civil Engineer IV	NON-REPRESENTED	GRD18
Computer Operations Officer	NON-REPRESENTED	GRD18
Human Resources Professional V	NON-REPRESENTED	GRD18
Manager	NON-REPRESENTED	GRD18
Public Finance Manager	NON-REPRESENTED	GRD18

Technical Support Manager	NON-REPRESENTED	GRD18
Chief Administrative Officer	NON-REPRESENTED	GRD19
Chief Operating Officer	NON-REPRESENTED	GRD19

Public Safety Non-Represented Grades:

EMS Battalion Chief	PUBLIC SAEFTY NON-REPRESENTED	GRD27
Fire Battalion Chief	PUBLIC SAEFTY NON-REPRESENTED	GRD27
Battalion Chief	PUBLIC SAEFTY NON-REPRESENTED	GRD28
Police Lieutenant	PUBLIC SAEFTY NON-REPRESENTED	GRD28
Assistant Chief	PUBLIC SAEFTY NON-REPRESENTED	GRD29
Police Captain	PUBLIC SAEFTY NON-REPRESENTED	GRD29

Proposed Non-Represented Salary Table

		Step														
		1	2	3	4	5	6	7	8	9	10	11	12			
Grade	3	\$12.18														
	4	\$13.56														
	5	\$14.93														
	6	\$14.13	\$14.85	\$15.59	\$16.34	\$17.16	\$18.07	\$18.52	\$18.98	\$19.46	\$19.95	\$20.44	\$20.96			
	7	\$15.59	\$16.34	\$17.16	\$18.07	\$18.97	\$19.90	\$20.40	\$20.91	\$21.43	\$21.97	\$22.52	\$23.08			
	8	\$17.16	\$18.07	\$18.97	\$19.90	\$20.94	\$21.97	\$22.52	\$23.08	\$23.66	\$24.25	\$24.86	\$25.48			
	9	\$18.97	\$19.90	\$20.94	\$21.97	\$23.06	\$24.20	\$24.81	\$25.43	\$26.06	\$26.71	\$27.38	\$28.06			
	10	\$20.94	\$21.97	\$23.06	\$24.20	\$25.33	\$26.65	\$27.32	\$28.00	\$28.70	\$29.42	\$30.15	\$30.91			
	11	\$23.06	\$24.20	\$25.33	\$26.65	\$28.01	\$29.35	\$30.08	\$30.84	\$31.61	\$32.40	\$33.21	\$34.04			
	12	\$25.33	\$26.65	\$28.01	\$29.35	\$30.80	\$32.30	\$33.11	\$33.94	\$34.78	\$35.65	\$36.54	\$37.46			
	13	\$28.01	\$29.35	\$30.80	\$32.30	\$34.00	\$35.71	\$36.60	\$37.52	\$38.46	\$39.42	\$40.40	\$41.41			
	14	\$30.80	\$32.30	\$34.00	\$35.71	\$37.50	\$39.37	\$40.35	\$41.36	\$42.40	\$43.46	\$44.54	\$45.66			
	15	\$34.00	\$35.71	\$37.50	\$39.37	\$41.38	\$43.47	\$44.56	\$45.67	\$46.81	\$47.98	\$49.18	\$50.41			
	16	\$37.50	\$39.37	\$41.38	\$43.47	\$45.56	\$47.83	\$49.03	\$50.25	\$51.51	\$52.80	\$54.12	\$55.47			
	17	\$41.38	\$43.47	\$45.56	\$47.83	\$50.25	\$52.74	\$54.06	\$55.41	\$56.80	\$58.22	\$59.67	\$61.16			
	18	\$45.56	\$47.83	\$50.25	\$52.74	\$55.38	\$58.15	\$59.60	\$61.09	\$62.62	\$64.19	\$65.79	\$67.44			
	19	\$50.25	\$52.74	\$55.38	\$58.15	\$61.05	\$64.10	\$65.70	\$67.35	\$69.03	\$70.75	\$72.52	\$74.34			

Proposed Public Safety Non-Represented Salary Table:

		Step								
		1	2	3	4	5	6	7	8	9
Grade	27	\$50.50	\$51.77	\$53.04	\$54.37	\$55.73	\$57.12	\$58.55	\$60.01	\$61.51
	28	\$70.69	\$72.46	\$74.26	\$76.12	\$78.02	\$79.97	\$81.97	\$84.02	\$86.12
	29	\$76.51	\$78.43	\$80.39	\$82.40	\$84.46	\$86.57	\$88.73	\$90.95	

Proposed Executive Salary Table:

Grade	Min/Annual	Max/Annual
21	\$ 44,037.99	\$ 123,373.30
22	\$ 61,980.98	\$ 145,621.06
23	\$ 76,658.62	\$ 167,867.32
24	\$ 96,230.53	\$ 190,113.49
25	\$ 114,173.51	\$ 212,591.04

Appendix C

2025 Salaries and Benefits Assumptions

Total benefit costs include benefit percentage of salary plus fixed medical rate.

Employee Group	Contract End	FTE Definition 7 Hours	Wage Increase	Monthly Premium		PERS/ Pension 3	Leave Cashout 6	SS/Medicare Unemp/et al. 1, 4
				Premium 1, 5 Health	2 Other			
AMEA	12/31/2025	2088	1.50%	\$2,260	\$5.38	22.00%	2.50%	8.01%
APDEA (Police) Sworn	12/31/2027	2088	3.30%	\$2,471	\$21.05	28.00%	1.50%	8.01%
APDEA (Police) Non-Sworn	12/31/2027	2088	3.30%	\$2,471	\$10.85	28.00%	1.50%	8.01%
Executives		2088	0.00%	\$2,351	\$5.38	22.00%	1.00%	8.01%
IAFF (Fire) F40	6/30/2025	2088	1.50%	\$2,790	\$21.05	22.00%	7.00%	8.01%
IAFF (Fire) F56	6/30/2025	3185	1.50%	\$2,790	\$21.05	22.00%	8.90%	8.01%
IAFF (Fire) Dispatch	6/30/2025	2408	1.50%	\$2,790	\$21.05	22.00%	6.00%	8.01%
IBEW/Electrical	6/30/2027	2088	4.00%	\$2,399 / \$2,399	\$48.73	\$1,430	1.60%	9.75%
IBEW/Technicians	12/31/2024	2088	0.00%	\$2,260	\$5.38	22.00%	2.20%	8.01%
Local 71 (Laborers)	6/30/2024	2088	0.00%	\$1,868 / \$1,868	\$1.98	22.00%	3.00%	8.01%
Mayor		2088	0.00%	\$2,351	\$5.38	22.00%	0.00%	8.01%
Non-represented		2088	1.50%	\$2,351	\$5.38	22.00%	3.70%	8.01%
Non-represented-F56		3159	1.50%	\$2,351	\$5.38	22.00%	3.70%	8.01%
Operating Engineers	6/30/2026	2088	5.70%	\$1,844 / \$1,844	\$53.98	\$1,131	1.80%	7.85%
Plumbers	6/30/2026	2088	3.30%	\$2,260	\$5.38	22.00%	2.30%	8.01%
Teamsters	12/31/2026	2088	3.30%	\$2,351	\$5.38	22.00%	1.60%	8.01%
Assembly Members		2088	0.00%	\$542	\$1.98	22.00%	0.00%	7.85%

1 Medical, Long Term Disability (LTD), Life and retirement benefits only apply to employees who work greater than 20 hours per week or FTE>0.49 and are not temporary or seasonal with the exception of IBEW workers. Medical premium for Laborers L71 and IBEW is a blended rate because contract ends mid year.

2 Other includes EAP, Life, Administrative Fees, Legal Trust, and Apprenticeship Fund monthly premiums.

EAP: \$1.98/month all unions except APDEA and IAFF \$2.45/month

Life: \$3.40/month= AMEA, Non-Rep, Exec, IBEW-Mechanics, Plumbers, Teamsters, IBEW-Electrical workers and APDEA-Non-sworn; \$13.60/month IAFF and APDEA-Sworn; Not applicable = Assembly, Local 71, and Operating Engineers

Administrative Fee: \$5/month APDEA & IAFF

Legal Trust: \$25.95/month IBEW Electrical

Apprenticeship Fund: \$17.40/month IBEW Electrical employees and \$54/month for Operating Engineer employees.

3 Police retirement includes 6% to represent the unions 401K matching program.

4 SS/Medicare/Unemp/et al. includes:

Money Purchase Plan 1.9% IBEW Electrical

LTD 0.156% all unions except Operating Engineers, IBEW/Electrical, and Assembly

Social Security 6.2% all unions, 2025 base wage assumption max of \$174,900. Some police and fire employees are exempt.

Medicare 1.45% all unions

Unemployment 0.2% all unions

5 AMEA (Article 6.1.4.) 2025 contribution 4.5% increase = \$2,260

APDEA (Article XVII, Section 2.C) 2025 contribution 4.5% increase = \$2,471 (90% of the \$500 premium)

EXE, Mayor, Non-Reps, and Teamsters (Article 6.1.5) increase MOA Renewal Plan Rate of 4.5% = \$2,351

IAFF (Article 15.2.B.) 2025 contribution = \$2,790 - Increase CPI-M or \$50 whichever is less and \$175 monthly MERP to PERS Tier IV

IBEW (Article 6.1.C) - Jan 1 - Mar 30, 2025 = \$2,399; Apr 1 - Dec 31, 2024 = \$2,519 (assumes 3.5% CPI-M)

IBEW/Technicians (Article 6.1.4) 2025 contribution 4.5% increase = \$2,260

L71 (Article 6.1.C.1, 6.1.C.3.) - Jan 1 - Jun 30, 2025 = \$1,868; Jul 1 - Dec 31, 2024 = \$1,868

Operating Engineers (Article 6.1.C) Jan 1 - Jun 30, 2025 = \$1,844; Jul 1 - Dec 31, 2024 = \$1,845

Plumbers (Article 6.1.C) 2024 contribution = \$2,260 - Increase CPI-M or max \$70 (assumes 3.5% CPI-M)

Assembly Members = \$271 per pay period, 26 pay periods in the year

6 For general government, compensated absences are based on modified accrual so that the leave cashout percentage represents the amount of leave expected to be cashed out during the budget year, as a percentage of salary. Utilities, enterprises, and internal service funds determine compensated absences by full accrual method so that the calculated leave cashout is performed external to the percentages used on this schedule. Except for the Mayor position, as approved on February 12, 2015 by the Commission on Salaries and Emoluments of Elected Officials, will not acquire and accumulate annual leave commencing on July 1, 2015.

7 AMEA, APDEA, EXE, F40, IBEW, IBEW/Technicians, L71, Mayor, Non-Rep, Operating Engineers, Plumbers, Teamsters, Assembly Members - 2088 payable hours in the year
IAFF Dispatch - 2408 = 52 weeks * 40 hrs = 2080 + 120 Holiday Pay (Article 13.3 - 15 holidays * 8 hours - paid out first pay check of December) + 208 FLSA OT equivalent (4hrs * 1.5 additional OT pay * 26 PP) + (4hrs * .5 additional OT pay * 26 pay periods) the 4 regular is already included in the 2080 because the employees work weeks are staggered 36/48

F56 - 3185 = 52 weeks * 56 hours = 2912 + 195 Holiday pay (Article 13.2 - 15 holidays * 13 hours - paid out first pay check of December) + 78 FLSA OT equivalent (4 hrs * 1.5 to convert to OT = 6 * 13 pay cycles)

Non-F56 - 3159 = 52 weeks * 56 hours = 2912 + 169 Holiday pay (Non-Rep Section 3.30.146 - 13 holidays * 13 hours - paid out first pay check of December) + 78 FLSA OT equivalent (4 hrs * 1.5 to convert to OT = 6 * 13 pay cycles)



Department of Labor and Workforce Development
LABOR STANDARDS AND SAFETY DIVISION

[State of Alaska](#) / [DOLWD](#) / [LSS](#) / **Ballot Measure 1 FAQ**

Ballot Measure 1 Faq

This FAQ will provide some clarity regarding the questions we have received on Ballot Measure 1. Specifically in reference to the increase of the minimum wage and the provision of paid sick leave to workers, as well as information about how these changes may affect any existing paid time off (PTO) programs.

1. What is Ballot Measure 1 that was passed in 2024?

Ballot Measure 1 is a voter initiative that was part of the 2024 General Election. Ballot Measure 1 passed, was certified, and will be enacted as law effective **July 1, 2025**. State law does not allow for the governor to veto laws passed by initiative, and the legislature is prohibited from repealing said laws for a two-year period. Ballot Measure 1 does three things.

- increases the minimum wage,
- establishes sick leave,
- prohibits employers from holding mandatory meetings for the primary purpose of sharing political or religious opinions.

Regulations relating to Ballot Measure 1 will be drafted in accordance with the Administrative Procedure Act. The regulations will go out sometime in the spring of 2025 and will include a public notice and comment period to allow the opportunity for public input. To stay informed about potential new regulations you can sign up for alerts from the Online Public Notice system located at <https://aws.state.ak.us/OnlinePublicNotices/Default.aspx>.

2. When do the minimum wage rates increase?

Ballot Measure 1 changes the minimum wage gradually over the next three years. The current minimum wage is \$11.91. Ballot Measure 1 will increase the minimum wage, to

- \$13.00 on July 1, 2025,
- \$14.00 on July 1, 2026,

- \$15.00 on July 1, 2027.

Starting January 1, 2028, the minimum wage will be adjusted annually for inflation based on the Consumer Price Index (CPI). Ballot Measure 1 only changes the minimum wage rate, it does not change to whom the minimum wage applies.

3. What happens to Alaska's minimum wage rate if the federal minimum wage is changed?

Ballot measure 1 contains a provision that says Alaska's minimum wage rate will be set at two dollars over federal minimum wage, then adjusted annually for inflation in subsequent years.

4. How does the minimum wage increases affect salary exempt employees?

Under Alaska Statute 23.10.055 the salary of exempt employees must be at least twice the minimum wage based off a 40-hour week. Changes to the minimum wage also affect the minimum salary level to qualify as a salary-exempt employee, which is currently \$952.80/week (\$49,546/year). This will increase to,

- \$1,040.00/week (\$54,080/year) on July 1, 2025,
- \$1,120.00/week (\$ 58,240/year) on July 1, 2026,
- and \$1,200.00/week (\$62,400/year) on July 1, 2027.

Salary levels will need to be adjusted thereafter based on changes made to the minimum wage based on the CPI. Salary exempt employees must still meet the duties test for the executive, administrative, or professional to qualify for the overtime exemption.

5. Which employers are required to provide sick leave?

All employers in Alaska are required to provide paid sick leave to all employees, except for certain employees exempt from the requirements.

6. Which employees are exempt from the paid sick leave requirement?

The following individuals are exempt from Ballot Measure 1's requirement for paid sick leave:

- Minors under 18 years of age that work less than 30 hours per week. *If the minor works more than 30 hours in a week, they must earn sick leave for all hours worked that week.*

- Apprentices receiving a minimum wage exemption approved by the Commissioner of the Department,
- Student learners on a plan approved by the Commissioner of the Department,
- Seasonal employees of a non-profit residential summer camp,
- Work therapy patients at a residential drug abuse or alcoholism treatment program,
- Employed prisoners,
- Employees covered by a collective bargaining agreement that expressly waives the right to sick leave in clear and unambiguous terms,
- Those exempt from minimum wage and overtime under AS 23.10.055, which includes employees in agriculture, aquaculture, domestic service, and federal and state employees.

7. Do employers need to provide paid sick leave to part time employees?

Yes, part time employees must be provided with paid sick leave.

8. How much sick leave must the employer provide?

Sick leave is accrued at the minimum rate of one hour of sick leave for every 30 hours of work. This ratio is used regardless of whether the hours worked are straight time, overtime, or paid at different rates, or worked in the same pay period. Employees on alternative schedules, rotational schedules, or other non-traditional arrangements still earn one hour of sick leave for every 30 hours of work.

9. How is sick leave accrued for salary exempt employees?

Salary exempt employees, exempt from overtime requirements under 29 U.S.C. §213(a)(1), are only required to be credited up to 40 hours of work per week for purposes of paid sick leave accrual, unless their normal work week is less than 40 hours, in which case paid sick leave accrues based upon that normal work week.

10. How much sick leave are employers required to allow employees to accrue?

Small employers, fewer than 15 employees, are required to allow employees to accrue and use up to 40 hours of sick leave per year. Employers with 15 or more employees are required to allow employees to accrue and use up to 56 hours of sick leave per year. An employee can carry a sick leave balance forward into a new year and must begin to accrue sick leave again. While usage and accrual of sick leave is capped at either 40 or 56 hours per year, an employee's sick leave balance can exceed this.

11. When can sick leave be used?

Sick leave, as defined by Ballot Measure 1, is paid leave that is allowed to be used for injury, illness, to care for a family member, or when necessary to receive care or legal help related to domestic violence, sexual assault, or stalking.

An employer cannot deny an employee's use of sick leave, penalize an employee for using sick leave, or require an employee to arrange coverage for their missed shift. When used, sick leave should be used to cover the worktime the employee missed due to the illness or injury, paid out at the employee's regular rate.

Employers are not allowed to require proof of illness for paid sick leave unless it extends beyond three consecutive workdays. If requested, a signed note from a health care professional indicating that the sick leave is/was necessary will suffice. An employer is barred from requiring the employee to share the nature or detail of the illness or underlying health needs.

12. What if we already have an existing PTO plan?

Ballot Measure 1 does not necessarily require that employers provide additional paid sick leave if their current paid time off (PTO) program meets the minimum requirements for paid sick leave and the employee is allowed to use that time for absences due to sickness or injury. In the same way that employers are free to pay an employee over minimum wage, they are free to offer a more generous leave program as long as it exceeds the requirements of Ballot Measure 1. Employers should review existing plans for compliance with the new law, particularly regarding leave request procedures.

If an employee with a combined PTO/sick leave plan uses their entire leave balance for a vacation and later falls ill, they are not entitled to any additional paid leave. If they accrue at least one hour of leave per 30 hours worked and have the option to use it as paid sick leave the employer has satisfied the requirements of Ballot Measure 1.

13. Are employers required to pay out accrued sick leave when employment ends?

Employers are not required to pay out accrued sick leave at the end of employment, but if it is not paid out and an employee is rehired within six months of ending employment, they have their previously held sick leave balance reinstated.

14. Our company allows employees to "cash out" unused PTO at the end of each calendar year. Will this no longer be allowed?

Employers can have a policy that allows employees to request a "cash out" of accrued PTO/sick leave. However, employers cannot mandate payout of yearly sick leave accrual. They must allow sick leave to roll over year to year.

Is there anything else we should know about Ballot Measure 1?

Ballot Measure 1 will take effect on July 1, 2025. We hope this FAQ helps clarify some of the confusion surrounding the change in labor law. You can look for regulations to be published for public comment sometime during the spring of 2025.

Wage and Hour provides a cost-free counseling service to Alaska employers, and we invite you to take advantage of this service. A monthly webinar is offered to the employers and employees concerning wage and hours laws. Check our website for the time of each webinar or contact our office at (907) 269-4900. An investigator is on duty Monday through Friday from 8:30 a.m. to 4:30 p.m. excluding the noon hour, to answer any questions you may have.



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