

**ALASKA RETIREMENT MANAGEMENT BOARD  
MEETING**

**Location of Meeting**  
Anchorage Marriott Hotel  
820 West 7<sup>th</sup> Avenue  
Anchorage, Alaska

**MINUTES OF**  
August 30, 2006

**Wednesday, August 30, 2006**

**I. CALL TO ORDER**

CHAIR SCHUBERT called the meeting of the Alaska Retirement Management Board to order at 9:05 a.m.

**II. ROLL CALL**

**ARM Board Members Present**

Martin Pihl  
Sam Trivette  
Gayle Harbo  
Gail Schubert  
Larry Semmens  
Scott Nordstrand  
Mike Williams

**ARM Board Members Absent**

Bill Corbus

**Consultants Present**

Rob Johnson, Legal Counsel  
Michael O'Leary, Callan Associates, Inc. CAI

**IAC Members Present**

Bill Jennings

**Department of Revenue Staff**

Tom Boutin, Deputy Commissioner, Department of Revenue  
Gary Bader, Chief Investment Officer  
Susan Taylor, Comptroller, Treasury Division, Department of Revenue  
Judy Hall, ARMB Liaison Officer, Department of Revenue

**Department of Administration Staff**

Melanie Millhorn, Deputy Commissioner, Department of Administration  
Traci Carpenter, Director, Division of Retirement and Benefits, Department  
of Administration  
Charlene Morrison, Chief Financial Officer, Department Of Administration

**Department of Law**

Mike Barnhill

**III. PUBLIC MEETING NOTICE**

JUDY HALL confirmed that proper notice had been made of this meeting.

**IV. APPROVAL OF AGENDA**

MS. HARBO moved to approve the agenda. MR. SEMMENS seconded.

COMMISSIONER NORDSTRAND asked to have time to provide an update on same-sex benefits. CHAIR SCHUBERT scheduled this discussion under New Business.

*There being no objection, the agenda was approved as amended.*

**V. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES**

JEFF PANTAGES, CIO of Alaska Permanent Capital Management, explained his firm is an institutional investment manager with \$2 billion under management. The firm specializes in fixed income management. The firm has over 60 accounts, 40 relationships, and is located in Alaska. The firm began in 1992 and was founded by Dave Rose, the first Executive Director of the Alaska Permanent Fund Corporation. Mr. Rose passed away recently and his son Evan Rose is now CEO of the company. The firm manages money for the Alaska Permanent Fund Corporation (APFC), Native corporations, state and local governments, utilities, insurance companies, and banks in Alaska. The firm is a low cost provider that focuses on net returns. For the APFC account the firm charges 12 basis points. The firm is part of the local community and contributes to it. There are 7 analysts, 3 of whom are CFAs. He has been with the firm for 1.5 years and for the previous 25 years was in the Lower 48 working with different financial management firms. He stated the firm would like the opportunity to present more detailed information at a later date and to be considered for a fixed income mandate. He invited any ARM Board member to visit the offices of Alaska Permanent Capital Management any time.

JOHN WANNAMAKER introduced Seattle Northwest Securities, a regional investment bank with a strong practice in public finance. The firm has tremendous experience addressing the issues that come before the ARM Board, particularly the issue of unfunded liabilities. Seattle Northwest Securities helped the State of Oregon with the use of pension obligation bonds in addressing their situation.

## **VI. APPROVAL OF MINUTES**

MS. HARBO moved to approve the minutes of June 14-15, 2006. MR. SEMMMENS seconded.

MR. PIHL noted that his name should be included with those dissenting on the first motion shown on page 65 of the minutes.

*There being no objection, the minutes were unanimously approved as corrected.*

## **VI. REPORTS**

### **1. Chair Report**

#### **a. Committee Appointment**

CHAIR SCHUBERT reported that she has worked with staff on various administrative matters since the last ARM Board meeting. She noted that the Board has received a copy of the newsletter compiled by staff. She commended staff for this informative document. CHAIR SCHUBERT stated that committee appointments would not be dealt with at this meeting.

### **2. Committee Reports**

#### **a. Real Estate Committee**

MR. SEMMENS reported that the Committee met August 2 in Juneau and received presentations from staff member Steve Sikes and representatives from Townsend. The Committee moved to recommend that the Board adopt the real estate annual plan and guidelines, which will come before the Board at its October meeting.

### **3. CIO Report**

#### **a. Contingent Manager – Fixed Income Portfolio – Resolution 2006-22**

GARY BADER noted that at its last meeting the Board terminated its contract with BlackRock in order to save nearly \$1 million a year in investment fees. That firm did an excellent job for the retirement funds. The internal staff has done an equally good job and it seemed opportunistic to save nearly \$1 million in fees. During discussion, the Chair and other members pointed out the need to have a back up in the event that staff at the Department of Revenue (DOR) was unable to meet its obligations to invest the retirement funds. In light of that, discussions have been initiated with State Street Global Advisors (SSGA) to serve as a back up manager. The first item of business is to receive authority from the Board through Resolution 2006-22 to allow the CIO to negotiate a contract with SSGA to manage a domestic fixed income portfolio on behalf of the ARM in the event that treasury staff becomes incapacitated or otherwise unable to manage the portfolio.

MR. PIHL moved to approve Resolution 2006-22. MS. HARBO seconded.

*There being no objection, the motion was unanimously approved.*

**b. International Fixed Income Guidelines – Resolution 2006-23**

MR. BADER noted that when the ARM Board was constituted all policies of the predecessor Alaska State Pension Investment Board were brought before it for adoption with the understanding that policies would be brought before the Board for review. Due to the changing nature of the investment world it is necessary to change the international investment policy to add the ability to invest in Mexico. Staff recommended that the Board approve Resolution 2006-23 adopting the fixed income guidelines as written.

TRUSTEE WILLIAMS moved to approve Resolution 2006-23. MR. SEMMENS seconded.

MR. TRIVETTE asked if a list would be attached as part of the policy related to guideline section E.5. MR. BADER stated the attachment to the contract would be discussed next and there is a list of permissive investments in that attachment.

*There being no objection, the motion was unanimously approved.*

**c. Mondrian Investment Partners – Permission for Mexico Investment**

MR. BADER stated this firm is the only international fixed income investor for the defined benefit plans. The contract with this firm lists the specific markets in which they can engage and the currencies. The requested motion would allow the items in which they can invest to be changed. The action would allow the CIO to engage Mondrian and modify appendix E of the investment management contract. Staff recommends that Mexican pesos and Singaporean dollars be added, with maximum weights of 7% and 15%, respectively. Staff further recommends that the currencies of Holland and Portugal be removed from the list, as those countries' currencies are now denominated in Euros. Last, staff recommends that the ECU be removed as it was replaced by the Euro and no longer exists.

MR. SEMMENS moved to approve the staff recommendation regarding international fixed income currency investment. MS. HARBO seconded.

*There being no objection, the motion was unanimously approved.*

**d. Delegation of Authority – Resolution 2006-24**

MR. BADER explained this and the next item relate to delegation of authority. The ARM has \$2 billion in assts committed to alternative investments. There are returns of capital and calls for capital by real estate managers, hedge fund managers, private equity and so on. Technically if a real estate manager asks for \$50 million to complete a transaction and the Board has approved the commitment and there is no change to the asset allocation, those are done routinely. There are three internal checks before this occurs. Staff verifies the call for capital, those calculations are checked by a supervisor or another senior staff member, and then signed off by the CIO. Technically, when an additional commitment is made to real estate or any other asset class, this effectively changes the asset allocation. He noted that none of his staff has delegated authority to carry out a change in asset allocation while he is not in the office. This request to the Board is for adoption of Resolution 2006-24 delegating certain responsibilities of the CIO to delete the phrase “with the exception of asset allocation adjustments.”

MS. HARBO moved to approve Resolution 2006-24. MR. PIHL seconded.

MS. HARBO asked if this authority could be delegated to any senior investment officer or is there a hierarchy. MR. BADER replied that authority would be delegated to Bob Mitchell and in his absence, to Steve Sikes, both of whom are senior investment officers.

MR. WILLIAMS noted that the information in the document entitled “Delegation of Investment Authority” refers to Resolution 2006-25 rather than 2006-24. MR. BADER asked that the motion refer to the resolution in the packet and the correct number would be confirmed at a later time.

*There being no objection, the motion was unanimously approved.*

**e. Rebalancing Guidelines – Resolution 2006-25**

MR. BADER explained that the Board has designated the CIO to rebalance the portfolio. The rebalancing would take place if something changes in the market so that the amount of assets allocated to a particular class are not within the bands prescribed by the Board. This could occur when he is out of the office and he would like to be able to delegate rebalancing responsibility to a senior investment officer. It is important to provide for the CIO’s absences from the office during a time when extraordinary things happen in the market.

MR. SEMMENS moved to approve Resolution 2006-25. MR. WILLIAMS seconded.

*There being no objection, the motion was unanimously approved.*

**f. Amendment to Townsend Contract**

MR. BADER noted there was a recommendation at the last meeting of the Board regarding Townsend, the Board’s real estate consultant. At his request the Board agreed to table that item to the October meeting, which was the next regularly scheduled meeting. There have been discussions with Townsend’s senior management in the interim and there is agreement in principal that their contract can be amended to achieve a savings of \$125,000 per year in the retainer they charge. He felt the retainer was excessive and, as staff has matured, the time Townsend is consulted does not merit that level of fee. Jeannine Balsamo, the Board’s lead consultant, has resigned from Townsend for personal reasons. Townsend feels that having a lead consultant is inconsistent with their philosophy that any consultant can take the lead on an account. Staff believes that deleting the reference to a lead consultant is not objectionable. The individual who is providing the lead on the fund’s account, Micolyn Yalonis, has substantial experience. The Real Estate Committee has had the opportunity to meet with Ms. Yalonis. Although she is not designated as lead on the Alaska account, it is understood that she will be the primary representative for the account. The staff recommended that the Board authorize the CIO to amend the contract with The Townsend Group to remove the key person provision and related references and revise the terms of the contract to reflect the proposed fee reduction.

MS. HARBO moved to approve the staff recommendation. MR. PIHL seconded.

*There being no objection, the motion was unanimously approved.*

### **Retiree Medical Insurance Plan**

MR. BADER noted that Ms. Harbo has several times raised the topic of the retiree medical insurance plan, of which Commissioner of Revenue Corbus is the fiduciary. Ms. Harbo has raised the issue that this is not an aggressive investment policy for that plan. Former Deputy Commissioner of Administration Brooks suggested that DOR and DOA staff work together to examine the issue. MR. BADER has worked with Ms. Morrison to review the cash flow of the accounts. He reviewed a graphic depiction of the cash flows into that fund. There was one time in March when \$50 million was removed and transferred back into the retirement funds. The graphic does not include that extraordinary event. The graphic shows that in every month the fund has had net asset gains, which implies to him that this fund can be more aggressively invested. The fund should be conservatively invested, but not to the degree it has been. He has discussed with Commissioner Corbus the adoption of asset allocation #5, which would invest 14% into equity broad market, 6% into an equity international, 41.5% into broad market fixed income, and 38% into cash and cash equivalents. Commissioner Corbus supports this recommendation and has empowered Mr. Bader to implement the new asset allocation effective September 1<sup>st</sup>.

MR. TRIVETTE moved that the ARM Board recommend that the Commissioner of Revenue adopt Asset Allocation #5 of the attached frontier as his asset allocation for the Retiree Health Insurance Plan. MR. WILLIAMS seconded.

MS. HARBO thanked the DOA and DOR for working together on this. She mentioned that as of June 30, 2006 there is \$150 million in the health reserve account and even more could probably be transferred back to achieve extra earnings.

COMMISSIONER NORDSTRAND asked if the chart provided by Mr. Bader shows the current asset allocation for these funds. MR. BADER stated the current policy had only fixed income investments and no equity investments. The CAI assumptions of a 4.75% return on broad market fixed income and less than that on cash indicates that the earnings under the existing allocation would be less than under the proposed allocation.

MR. SEMMENS appreciated the work that has been done on this, but he concurred with Ms. Harbo that if there is more money in this account there should be a policy to move the money back to the funds whenever the balance exceeds a reasonable level. This money will continue to grow and the funds would be well served with such a policy.

MR. BADER agreed with the remarks of Trustees Harbo and Semmens and stated that further work should be done by the departments to trace the origins of these funds. If the funds came from the retirement fund, that is one situation, but if they came from contributions of members who are required to pay a monthly premium, there should be care in transferring from this fund to the retirement funds. He stated that he and Ms. Morrison expect to continue their work.

COMMISSIONER NORDSTRAND stated the DOA is open to evaluating the fund level and whether it is excess to what is necessary. It is something of a moving target because it is subject to rates charged for a particular year and anticipated increased health care costs. On at least an

annual basis there should be evaluation whether or not there should be a refund. He recalled the recommendation from Deloitte was a 25% reserve above expenditures.

*There being no objection, the motion was unanimously approved.*

#### **State Street Letter Regarding Commission Recapture**

CHAIR BADER referenced a letter from State Street to the DOR. There has been a practice in the brokerage industry of providing soft dollars to firms that use a particular broker for a transaction. In such a transaction the broker might charge \$.06 per share to execute an order but also provide soft dollars in the form of research, for example. In past years, the previous board felt that dollars could be given back to the fund, so a commission recapture program was implemented whereby account managers were encouraged to work with brokers that would rebate money directly to the fund. There have been letters from several managers explaining that this practice is no longer as prevalent as in the past and commission fees are not as inflated as they were and changes are necessary in order for the practice to continue. The fund has a contract with SSGA to coordinate the commission recapture program and they have indicated that changes have occurred in the industry necessitating that they change the commission recapture program. They have provided a letter for the CIO to sign, which he felt was compelling. He asked that the Board give him the authority to sign this letter and return it to SSGA. The letter outlines a structure under which SSGA will rebate 90% of the commissions it receives in excess of the executing broker's execution-only rates.

MS. HARBO moved to authorize Gary Bader to sign the letter from SSGA and return it to them.  
MR. TRIVETTE seconded.

MR. TRIVETTE asked if 90% is a good return. MR. O'LEARY felt it was competitive. He noted that the changes in the industry are significant. Many brokers, particularly in the international arena, have dropped out of these programs. He stated that his colleague Janet Becker-Wold recently wrote a research paper on this topic.

MR. PIHL asked how this compares to the practice of the Permanent Fund. MR. O'LEARY stated the same topic was discussed at the Fund's meeting last week and Maria Tsu, who formerly worked at DOR and is an APFC investment officer, took the lead and Janet Becker-Wold made a presentation. Bank of New York oversees their program. They are reducing their expectations as to the amount of revenue that will be generated by the commission recapture program, but that it will be offset by lower commission costs.

*There being no objection, the motion was unanimously approved.*

#### **UAA Letter Regarding Contribution Rates**

MR. BADER stated this is an informational item from the UAA regarding contribution rates the Board will ultimately set for PERS and TRS funds. UAA is suggesting that the Board continue the previous practice of not raising the contribution rate more than 5% per year. He felt it is timely to review this request, as two actuaries will be presenting to the Board today.

### **Notification from Citizens Advisors Regarding Acquisition**

MR. BADER stated this firm runs a socially conscious fund on behalf of the ARM Board for the defined contribution plans. They have advised staff of their intention to be acquired by Pax World Management. They preliminarily indicate that the fund's account will still be managed by John White. He noted that at one point the Board was concerned with this manager and when Mr. White joined that firm, those fears were allayed; his involvement in the management of the portfolio is important. MR. BADER suggested that Citizens be put on the Watch List.

MR. TRIVETTE moved to place Citizens Advisors on the Watch List. TRUUSTEE HARBO seconded.

*There being no objection, the motion was unanimously approved.*

CHAIR SCHUBERT congratulated Mr. Bader and his staff for exceeding the APFC's returns for the last fiscal year. MR. O'LEARY noted that the returns of one real estate manager are yet to be received.

#### **4. Gabriel Roeder Smith – Actuary Introduction**

*For more information on this presentation, please refer to the document entitled "Alaska Retirement Management Board, Actuarial Review of PERS and TRS as of June 30, 2005," dated August 30, 2006 prepared by Gabriel Roeder Smith and kept on file at the ARM Board offices.*

MR. BADER introduced William "Flick" Forna with Gabriel Roeder Smith (GRS). This firm was hired by the ARM Board to serve as the second actuary required by SB141 to review the work products of the actuary Buck Consultants. Staff has taken the position that no work product should come before this Board unless it is also reviewed by GRS, which might be seen as a rigid interpretation of SB141, but for the first year this was felt to be appropriate. He thought the work of the DOA with Buck, DOR's work with GRS, and Buck's work with GRS has resulted in a good transfer of information between the firms and a collaborative and congenial relationship. Staff has encouraged GRS to provide comments and observations about the retirement system that they feel necessary for the Board to make informed decisions.

MR. FORNIA stated he has conducted numerous audits across the country and this work has been enjoyable because of the changes in the plan as of July 1, 2006. It is also a privilege to come to Alaska; this is his fourth visit. He stated his firm reviewed several items, including the actuarial valuation reports produced by Buck, a supplement that allocates the cost by employers, a 30-year amortization study, and the defined contribution plan that provides retiree health benefits and occupational death and disability benefits..

MR. FORNIA stated that GRS first met with staff to discuss the objectives of the audit, the nuances of the plans, and to receive reports, data and test cases from Buck. GRS worked with Buck in a cooperative way to settle technical issues. Data was then gathered and reviewed by GRS, along with test cases from Buck.

The major finding of the review of the June 30, 2005 PERS and TRS Valuation Reports is that the results are reasonable. The biggest issue is that the Level Dollar amortization of the UAL will result in increased costs next year. When the plan was ongoing on June 2005, costs were

developed assuming there would be a growing number of members and costs were being spread as a level percentage of payroll. There was a change on July 1, 2005 so there is no longer a continuing payroll. While the reporting is correct because it was done June 30, 2005, the fact is the plan is frozen and there is no continuing payroll. The budgets for July 1, 2007 through June 30, 2008 are now being set and, at that point, the fact the plan is closed will be obvious. The question is to what extent the realities of today should be considered when setting the rates. There was a payroll growth assumption rate in Buck's work that was technically correct on June 30, 2005, but that is no longer applicable. The system uses a Projected Unit Credit funding method that will result in increased costs over time, but now the plan is closed.

The PERS Supplemental Report also appears to have accurate results, but any change in the current valuation would change those allocations.

The 30-year Amortization Study included accurate computations. This study resulted in various mechanisms to reduce the FY08 contributions. Next year's costs will be higher because of the plan being closed, so while the 30-year amortization study was done, it might be wiser to change to 30-year next year. He noted that while a 25- to 30-year amortization period is appropriate today, it would not be in ten years.

MS. HARBO was aware that some states use longer than a 30-year amortization period, but GASB recommends 30 years as the highest. She presumed it would not be appropriate to go beyond 30 years. MR. FORNIA replied that there is no recommendation to go beyond 30 years. He stated that currently the systems are not paying the actuarial rate, so even though the actuary is calculating the rate on a 25-year basis, the systems are establishing a different rate. He presumed that the rate would not pay the liability over 40, 50 or 100 years. GASB looks at what is being put into the system and the actuary figures out the rates based on that.

MR. FORNIA stated the final major finding is that the contribution rates for the plan for new hires is reasonable, but there are no new hires at this point so no data is available. While the computations are reasonable, the costs could be higher or lower than what is projected. He stated this plan is new so there is a unique opportunity to develop a good contribution policy. His report includes recommendations to the Board and to Buck. In particular the PUC funding method will generate increasing costs as the group ages, so it might not be an appropriate method.

MR. FORNIA stated GRS also reviewed the projections of future liabilities and costs. He referred to page 23 of the TRS report prepared by Buck containing a projection of costs that he felt was the most realistic of the five prepared by Buck. In particular, he discussed the employer contribution rate, which was formerly 21%, is currently 26%, and that Buck recommends at 42.26%, which will jump to 53%. These numbers continue to rise because the population is shrinking. Because there are no new hires and people are retiring, this is close to reality in terms of what the contribution rates will be. In 2030 contribution rates could be 340% of pay. If the Board desires to maintain a percentage of pay basis, perhaps the rise would be 21% to 26% to 31%. He highlighted that the methodology of paying on a percentage of payroll while the payroll is shrinking will create some alarmingly large numbers.

COMMISSIONER NORDSTRAND understood the bill proposed to make changes in SB141 included a provision that an employer rate would be based upon total payroll whether the employees are in the legacy plan or the new plan. His Department's view is that this is the employer's liability and they will have to pay for it either as a percentage of payroll or a lump sum. He was not sure if calculations have been done assuming that growth in payroll would continue. The Legislature thought it was doing that when it passed SB141, but the language did not accomplish that. MR. FORNIA stated that Buck did produce those numbers, but unfortunately this is not the situation today. If it is possible for the contribution to be spread among more people, it will go down. The dollar amount of the unfunded liability will remain and it must be paid somehow. How it is paid under the current provisions is somewhat unworkable because it is allocated to payroll that will go away.

MR. FORNIA stated GRS reviewed Buck's actuarial assumptions and reviewed them with peers. They seemed reasonable, in general. GRS encouraged Buck to look at a number of things in regard to their assumptions. GRS has suggested that there be a detailed analysis of health care assumptions. Some of the work done by Buck was conservative and is hopefully generating conservative healthcare costs. He explained an analysis of total claims divided by number of employees for 2003, 2004, 2005 and 2006. There were three years of good experience and, taking the average of those years and projecting forward for two years, Buck projected high average claims going forward from 2005. If things do not turn out to be this bad, there will be a good experience next year. MR. FORNIA explained that Buck assumed 17% as a new health care cost assumption in 2005; that assumption trends down through 2015. Buck assumed the 9.5% rate trending down would start over at 9.5%, so hopefully it will be the case that health care inflation will be low.

MR. SEMMENS asked why the 2005 health care cost assumption for June 30, 2005 is 17%. MR. FORNIA explained that by taking 2003, 2004 and 2005 claims and averaging those, and assuming 9.5% inflation from 2004 to 2006, a much higher claim increase is generated in the first year than if only 2005 numbers were used. This is a common actuarial technique that he does not favor and he hopes it is overstating the increase. Buck did not designate 17% as a number for 2005, but that is what it was.

MR. PIHL stated the record is 10% per year since 1978 and he was very uncomfortable assuming that health care costs will trend down as much as this work indicates. He stated that Alaska is a young state that is building hospitals and hospitals will generate revenue where there is an insurance plan in place. He felt that national trends are not applicable to Alaska. MR. FORNIA stated that if Mr. Pihl is right, the liabilities are considerably higher than reported.

MR. JOHNSON stated Mercer was criticized for the health care cost component in their forward projections. He asked how is the Buck assessment is different than the Mercer approach. MR. FORNIA did not review the Mercer approach. He reviewed the analysis of the errors found in Mercer's work and those have been corrected in Buck's work. If there are criticisms of Mercer's methodology that are not errors, he was not familiar with them.

MS. HARBO had concerns similar to those of Mr. Pihl about health care costs because the 2002 jump in rates was after the Milliman audit and almost 11% of that increase was due to the errors

Mercer made in health care costs. In March it became evident that Mercer continued to make errors with respect to PERS' healthcare. In this report, it seems Mercer had other errors. She hoped Buck is not relying on anything Mercer provided and is doing studies themselves. MR. FORNIA understood that Buck discovered these errors. He was confident that Buck has fixed what appeared to be wrong and reproduced what Mercer did from scratch. GRS watched over Buck as they prepared their reports. He hoped that Buck was more conservative than necessary on health care. He stated that theoretically on a national basis, incredibly high health care costs cannot continue.

COMMISSIONER NORDSTRAND noted page 10 of Mr. Fornia's presentation contains a projection and page 11 shows the June 30, 2005 trend rate as 17%. He asked if that should be 2006 because the health care costs for 2005 are known. MR. FORNIA explained that the liabilities were measured as of June 30, 2005 and estimated the costs during 2005 to project the following 12 months of claims. He understood Trustee Nordstrand's confusion. COMMISSIONER NORDSTRAND stated that the costs did not go up 17%. The premium increase was 3%; the active plan increase was 1.8%. MR. FORNIA stated there would be actuarial gain when the numbers are produced as of July 1, 2006.

MR. FORNIA stated that Projected Unit Credit (PUC) is a less commonly used funding method in the public sector; the most common method is Entry Age Normal (EAN) that develops costs that are designed to be a level percentage of payroll. With an EAN method, the actuary figures out what percentage of pay would generate stable costs. This method generates a more stable contribution rate over time. If someone is trying to save for their retirement later in life rather than earlier, they have to invest more. PUC works well for an ongoing plan because the average age of the plan does not change much from year to year. Alaska is now in a situation of having both a frozen plan and a new plan and in both the average age of members will be creeping up.

MR. FORNIA stated that the current contribution requirement using the June 30, 2005 methodology is that there is a 25-year amortization, increasing payroll, and results are determined as a percent of pay. On July 1, 2005 the plan was closed, so a 4.25% payroll growth rate can no longer be presumed. The State has a \$6.9 billion unfunded liability and the methodology being used, while fairly valid for an ongoing plan, is not valid for the current situation. The accounting rules will require use of the level dollar method.

MR. SEMMENS asked what the increasing payroll amortization under the ongoing does in terms of employer contribution rates. MR. FORNIA stated for next year the TRS rate is 53% and for PERS it is 41.7%.

MR. FORNIA noted that if the 5% employer rate increase cap policy continues, the funding will be two-thirds the size of the increasing payroll amortization method. He suggested that the Board may want to accept Buck's recommendation for this year and go up approximately 10% next year, or have them calculate what would be that 10% increase if it was done this year, or split the difference and increase by 5% more. He stated he did not want the Board to be disappointed that the rates will increase by 10% next year because that is a function of the fact there are no new employees in the frozen plan.

MS. HARBO asked how the payroll growth assumption of 4.25% is calculated; she assumed it came both from more employees and increased salaries. In the TRS system in the last year there has been a decrease in the numbers of employees and only a slight increase in the number of employees for PERS. Neither the TRS nor PERS have received much salary increase in the last 10 years. MR. FORNIA stated he did review how the 4.25% was calculated. It is typically calculated on inflation with some average wage growth, but it does not matter because the plan is losing people, not gaining people, so there should be no payroll growth assumption. MS. HARBO thought even if the law was changed to contribution based on total payroll, she did not think payroll growth would reach 4.25%. MR. FORNIA stated if the law was repealed, then the question of 4.25% might be revisited, but in any case there are no new people going into the defined benefit plan.

COMMISSIONER NORDSTRAND asked if this could be viewed as another funding mechanism. He stated that PERS employers often do choose to make contributions. If there is an obligation to cover the legacy employees for FY06, so long as it is paid, it should not matter how. MR. FORNIA explained the increasing payroll amortization methodology is only permissible if there is an ongoing plan with payroll growth. COMMISSIONER NORDSTRAND stated that even assuming the level dollar amortization, there is a commensurate amount of money. Regardless of how the employer calculates the dollars, what matters is if they contribute the needed funds.

MR. FORNIA next reviewed recommendations regarding actuarial assumptions and methods. GRS finds that the payroll growth rate is inconsistent with a closed plan. They suggest that Buck consider using level dollar amortization. GRS points out that the PUC cost method is uncommon for similar systems and believes the EAN is more stable. GRS suggests that PERS Other and TRS data be separated for experience study. Lastly, GRS suggests that Buck consider more gender distinct analysis.

The supplemental report achieves the directive of the statutes to determine employer contribution for each employer for FY08. GRS made some recommendations for Buck on this report. MR. FORNIA encouraged the ARM Board, Buck or GRS to figure out how funding policies will be done once the jurisdictions no longer have active employees.

The report for new members: the key is that the people are unknown and their experience is unknown. The report is fine, but the reality is likely to be different.

GRS reviewed the FY08 employer contributions to the new DC plan and found the computations are fine.

MR. FORNIA hoped that the opportunity would be seized to generate policies for the new plan that will avoid using the PUC method but instead some more stable funding method.

MR. FORNIA summarized his findings: large contribution increases should be expected next year; GRS has made many modest suggestions to Buck to analyze in the experience study; there is a unique opportunity on the new plan to develop a funding philosophy; and GRS encourages Buck to revisit using the PUC method.

MR. TRIVETTE stated that he found GRS's reports easy to read and their suggestions were, without exception, apropos. He noted that the Board would be dealing with an action item respecting those recommendations; he appreciated GRS's work. The Board also appreciates the dialogue between GRS and Buck to discuss issues that have caused concern among the Board members in the past.

MR. BADER noted that the staff has put forward an action memorandum associated with this presentation. He summarized AS 39.10.220 (a) (9) prescribing certain duties and reports the ARM Board is responsible for securing from a member of the American Academy of Actuaries. In addition, it contains a requirement that "the result of all actuarial assumptions prepared under this paragraph shall be reviewed and certified by a second member of the American Academy of Actuaries before presentation to the board." That second member is GRS.

MR. TRIVETTE moved to accept the review and certification of the actuarial products by Gabriel Roeder Smith & Company. MR. PIHL seconded.

*There being no objection, the motion was unanimously approved.*

BREAK 10:47 a.m. to 11:03 a.m.
--------------------------------

##### **5. Buck Consultants – Actuarial Valuation Update**

*For more information on this presentation, please refer to the document entitled "State of Alaska Retirement Systems, Actuarial Presentation to the Alaska Retirement Management Board," dated August 30, 2006 prepared by Buck Consultants and kept on file at the ARM Board offices.*

DAVE SLISHINSKY and MICHELLE DELANG with Buck Consultants presented to the Board. MR. SLISHINSKY stated last March Buck came to the Board with the results of the actuarial valuation. Since that time, there have been minor modifications to the numbers in those reports, which he intended to review with the Board. He outlined the agenda for his presentation.

MR. SLISHINSKY noted that a slight modification was made to the basis used to amortize the unfunded liability to produce contribution rates. The amortization of the unfunded liability for PERS increased by approximately \$1 million from \$285 to \$286 million, resulting in a minor increase in the percentage of pay contribution from 39.27% to 39.35%. The employer contribution then increased from \$514 million to \$515 million and the percent of pay contribution from 32.43% to 32.51%.

MS. HARBO asked if Buck calculated a funding ratio excluding healthcare. MR. SLISHINSKY explained that the assets are not tracked separately between pension and healthcare and, as a result, funded ratios are allocated on the basis of accrued liability and funded ratios are the same for pension and healthcare. MS. HARBO stated that Mercer always provided a funding ratio both with and without medical included. MS. DELANG stated that pension-only liability figures are included in Buck's March presentation. MR. SLISHINSKY reiterated that today's presentation is the changes since March.

MR. SLISHINSKY stated that for TRS the unfunded liability increased from \$166 million to \$167 million, increasing the percentage of pay contribution from 50.83% to 50.95% and the employer contribution rate to 42.26%.

MR. PIHL understood that the amortization of the unfunded liability is not on a level basis. MR. SLISHINSKY replied that for the valuation as of June 30, 2005, Buck used the 4.25% payroll growth assumption. The period from July 2005 to June 2006 is a year of transition from funding an ongoing plan to a closed plan for existing hires and a defined contribution plan for new hires. MR. PIHL noted that looking at this on a level basis would mean an additional \$100 million is needed. MR. SLISHINSKY stated that is shown in the projections.

MR. SLISHINSKY next reviewed the calculations and projections done for PERS. All of the projections and costs are based on all the assumptions being exactly realized. Buck knows that going forward this will not be the case in every year, but it provides a direction for funding the systems. He noted that the analysis for PERS includes employees participating under Tier 1, Tier 2, and Tier 3. For the FY ending 2006, using the June 30, 2005 actuarial valuation, the number of active employees is just under 35,000. There is an open year from June 30, 2005 through June 30, 2006 because members hired in that time frame are participating in this plan. After June 30, 2006, the plan is closed and all new hires go into a defined contribution plan. As the members of the defined benefit plan leave active membership, numbers decline.

MR. SLISHINSKY next reviewed figures for the inactive participant group. As people retire and terminate, the participant numbers increase, but then there is a point where there are fewer people in the active group that are retiring or terminating to replace those in the retired group that die because of age. As a result, the total number of members declines over time.

MR. SLISHINSKY reviewed actuarial projections at a calculated rate, depicted on page 9 of his presentation. This assumes that the calculated actuarial rate is contributed over the two-year deferral method. This is first analyzed as a rate of pay contribution that applies only to the members covered by the defined benefit, which is the closed group. Secondly, this is analyzed with a percentage of pay contribution applied to both defined benefit and defined contribution plans. An analysis was also done of a current rate contribution, applying it to both the defined benefit and the combined defined benefit (DB) and defined contribution (DC).

When contribution amounts are viewed as a percentage of pay, because only the DB group is being considered and payroll declines as that group declines, the percentage of payroll increases significantly over a 30-year period. The actual dollars increase over the first few years primarily because of the two-year delay in contribution rate, but by 2010 they reach a level that is around \$650 million and the amortization on a level dollar basis levels off. Amortizing over a 25-year period, the unfunded liability gets paid off and the contribution comes down.

MR. TRIVETTE asked what is the average annual contribution in this scenario. MR. SLISHINSKY replied it is 26% of pay or \$266 million. From \$266 million, if the actuarial rate is paid, the dollar amounts will go above \$600 million by 2010. He asked that the Board understand there is a benefit obligation of about \$6.9 billion that the retirement systems must pay and in pension funding that can be paid now or it can be paid later. The more money that goes in

earlier, the less long-term cost there is to a pension system. If the obligation is not paid, it grows with interest.

MR. SLISHINSKY next reviewed projections at the calculated rate based on total DB and DC payroll after July 1, 2006. In the first few years less is being paid into the system than is paid if the unfunded liability is amortized without the payroll growth assumption. The payment would be \$650 million without the payroll increase assumption and around \$600 million for several years until the later years when the contribution amount would go up to over \$800 million. This method pays less now and more later, versus the previous method of paying more now and less later.

COMMISSIONER NORDSTRAND referenced the projections based on DB only payroll after July 1, 2006 shown on page 9 of the presentation, noting that the first line is for FY ending June 30, 2006, which is now past, and the average employer rate paid last year for PERS was 16%. The 2007 rate for PERS is 21% now, so he understood the \$350 million cost is based upon that rate. MR. SLISHINSKY replied that it is based on that rate and the anticipated payroll for FY07. COMMISSIONER NORDSTRAND asked what assumption for an employer contribution rate produces \$500 million in FY08. MR. SLISHINSKY explained that rate is being applied to the DB only payroll in that year, which is two years out. It is projecting the lower payroll amount against which the current calculated rate is applied. The dollars are slightly less when applied to that future payroll after the group is closed. MS. DELANG stated that as of June 30, 2005 Buck calculated the contribution to be 32.51%, which will not come in for two years. The fact that it is not being paid for two years makes the situation worse into the future. COMMISSIONER NORDSTRAND understood that the projected contribution amounts go from the current fiscal year cost of \$350 million up to at least \$600 million for a period of time. MR. SLISHINSKY stated this is correct.

MR. PIHL asked if there is a schedule that lists the employer contribution rate for these various methods of calculating contribution amounts. MS. DELANG stated page 29 of the PERS actuarial valuation report provides detail to page 9 of this presentation. MR. SEMMENS noted it is significant to him that a 100% funding ratio is never achieved under that method. MR. SLISHINSKY stated the funding ratio goes from 65.7% up to almost 92%, but because of the two-year lag, the system catches up only over time.

MS. HARBO asked if all systems work on a lag period or can that be changed. MR. SLISHINSKY stated that some do a one-year lag. MS. HARBO asked if it is possible to have no lag. MR. SLISHINSKY stated he has a client that, if their statutory contribution does not cover the contribution for the year, pays an amount out of the next year's budget at the beginning of the year to make up for it.

MR. SEMMENS asked why this is referred to as a two-year lag, noting that the FY05 results will be applied in FY08, which appears to be a three-year lag. MR. SLISHINSKY explained the actuaries are calculating the value as of the valuation date for both liabilities and assets. In their measurements, they are determining the unfunded liability on the valuation date, which in this case is June 30, 2005, and then determining the cost of accruing benefits for active members through June 30, 2006. Some of the cost of the accruing benefits for that year and amortization

of the unfunded for that year are used to calculate the contribution and the percentage of pay contribution based on the payroll used in the valuation for that year. That percentage is then applied two years later. When such a large portion of the contribution is the unfunded liability and pay is not going up at the same 8.25% as the unfunded liability, the unfunded liability is not fully paid.

MR. SLISHINSKY next reviewed page 11 of his presentation depicting the contribution amounts as if the current rate were frozen, as applied to the DB payroll only. That rate increases because of the two-year lag. The contribution becomes \$500 million in 2008 and then drops as the salary amounts for the DB decline. In this method, contributions would decline over time, but there is a significant problem with this process because the funded ratio would begin dropping and there would therefore be a growth in the unfunded liability. The pension fund would run out of money by 2032. In this method, the rate for PERS is 32.51%; that rate is frozen and applied to a declining DB payroll.

MR. O'LEARY stated these numbers were determined based on the assumption the 8.25% investment return was achieved. If there were a rapidly dwindling corpus, the reasonableness of an 8.25% return would be even more suspect. MR. SLISHINSKY stated there might be a decision to invest the funds more conservatively, which would lessen the return. A return of less than 8.25% would accelerate the fund running out of money.

MR. SLISHINSKY lastly reviewed an analysis of projections at the current 32.51% rate based on total DB and DC payroll. The total payroll is growing, so the amount contributed would grow over time. Even after the 25-year amortization period, if that rate continued to be paid, there would be an additional contribution. This method increases the funded ratio to 100% by 2033 because at that point in time the unfunded liability is paid off; there continues to be an additional contribution.

MR. O'LEARY noted that this method does not include the cost associated with the new DC program. So from an employer's perspective, this does not reflect their total retirement cost. MR. SLISHINSKY agreed that this is correct; this is a cost on a plan perspective. If employers pay 32.51% of total pay, they will eventually be contributing the cost of the DC plan members as an additional cost. MR. O'LEARY noted that the graph on page 13 of Buck's presentation depicts an increasing cost from a total plan perspective. MR. SLISHINSKY added that dollar amounts would be increasing in terms of the employer costs for the DC members.

MR. SLISHINSKY reviewed an analysis based on the calculated rate for DB only payroll, but showing variability in contribution amounts if the investment rate varies by plus or minus .75% (7.5%, 8.25% and 9.0%), which is depicted on page 15 of his presentation. The further in the future the deviation persists, the greater the deviation between the optimistic and pessimistic scenarios. The slight difference in investment return grows and amplifies over time.

MR. SLISHINSKY next reviewed the TRS 30-year projections. There are two tiers in TRS instead of three, but the same general pattern exists in this analysis as in the DB only analysis for PERS. The active participant count for DB grows until 2006 and then begins to decline over 30 years. The inactive group also grows for a while until it reaches a point where the number of

retirees dying exceeds the number of new retirees in the plan. There is the same general pattern in terms of the contribution amount if the actuarial rate is applied to DB only payroll. This is a fixed dollar calculation, not a percentage of payroll calculation. The contribution goes up to \$300 million, stays at that level for about 25 years until the unfunded amount begins to be paid off, and then drops down.

An analysis using the calculated rate based on the total DB and DC payroll uses a 4.25% payroll growth assumption. The initial amount of the contribution is \$250 million, but it grows to almost \$500 million during the 25-year period until the unfunded is paid off.

An analysis using the calculated rate based on DB only payroll results in the contribution going up to \$227 million in 2009 and dropping from there as the current rate is applied to a declining DB payroll. The funded ratio of the TRS system declines and it would run out of money in 2028.

By applying the current rate to total DB and DC payroll, the amount goes up to \$250 million and then, as the payroll increases, the dollars contributed to the plan increase. Calculation at the current rate applied to total DB and DC payroll funded ratio is depicted on page 24 of the presentation. Page 25 of the presentation depicts projections at the calculated rate applied to DB only payroll and the impact that varying investment returns have on the contribution amount over time. By 2036, the contribution amount is over \$100 million, if the 8.25% investment return is achieved. Earning 7.5%, it is near \$200 million and earning 9.00%, it is less than \$50 million.

MR. BARNHILL asked why the funding ratio for PERS does not change, while it does for TRS. MR. SLISHINSKY stated the funded ratio for TRS is currently less than for PERS. MR. BARNHILL explained he is comparing page 14 and page 24 of Buck's presentation. MS. MORRISON explained that the spread between the PERS approved rate and the actuarially calculated rate is much smaller than the TRS approved rate and the actuarially calculated rate. Therefore, PERS progresses while TRS does not.

MS. DELANG reviewed the PERS Supplemental Report. She stated the PERS Plan is an agent multiple employer plan, which means the costs and assets are allocated to each employer. TRS is a cost sharing multiple employer plan wherein all employers share in the experience and there is one rate. The cost allocation for PERS is based on a consolidated normal cost rate so all employers pay the same normal cost rate regardless of their actual normal cost rate, but the past service rate is based on their own experiences. Each employer's rate is set based on their own past service rate and the consolidated normal cost rate. This report removed the 5% cap on the increasing contribution and added the consolidated normal cost rate as a minimum for each employer, which differs from last year. The report also shows GASB 26 and 27 exhibits for employers.

MR. SEMMENS stated this report is of most interest to employers because it sets out past service rates. He stated that in the past employers have been expected to accept those numbers and assume that all the data inputs were accurate. From his own experience this year, he was unpleasantly surprised with the results for the City of Kenai, his employer; the unfunded liability increased 46%. In 2001, the actuarial report indicated that the City of Kenai had a \$2 million surplus and in 2004 it had a \$11.5 million liability and in 2005 Buck says it has a \$16.7 million

unfunded liability. He asked how these liabilities are calculated for each employer; are they based on each actual employees or are they estimated. MS. DELANG replied that the liability for each employer is calculated for that employer. Allocation is based on the service of each active and retired employee for that specific employer. If an individual works at multiple employers, that liability is allocated across all employers. The liability numbers shown in the Supplemental Report are based on actual data. MR. SEMMENS assumed that for the City of Kenai, which has experienced a 46% increase in liability compared to one-third for the system, something must have radically changed at the City of Kenai. MS. DELANG understood this was the case. She noted that retiree liability is fully funded into the retiree reserve in this Supplemental Report. So if a large portion of active employees were to retire, their liability goes to 100% funded. That is taken out of the assets and the remaining assets have to be funded over the active liability. MR. SEMMENS noted that as a representative of the municipalities on the ARM Board, he did not think the City of Kenai will be alone in wanting to know why its liability changed to the extent it did. He encouraged Buck to find some cost effective way to provide this information to employers with an analysis of this change. MR. SLISHINSKY felt it would be fruitful to review the methodology for allocating the costs to employers. He talked with Ms. Morrison who asked whether other states do this type of allocation. He indicated this is not the norm, rather it is a hybrid allocation. Yet there is an allocation based on accrued liability for each employer based upon their members that are participating. This is a combination between an agent multiple employer plan and a cost sharing multiple employer plan. There would typically be actual allocation of assets and actual determination of the normal cost rates for the City of Kenai members compared to members of other cities. The assets can still be commingled, but there is a method of accounting for the assets to take a different approach of calculating the unfunded liability. It is either this method or what is done in TRS. MR. SEMMENS was aware there is some interest in changing the PERS system to the TRS method.

MR. PIHL asked what circumstance causes the adjusted assets to go negative. MS. DELANG replied that the situation in the Supplemental Report to which Trustee Pihl refers is one in which there are a large number of retirees that is greater than the allocated assets by employer. MR. PIHL stated the allocated assets by employer are the actual contributions that employer has put into the fund. MS. MORRISON noted that the retiree reserve is fully funded, so a community could end up with negative assets left over for the active population. MR. PIHL noted that Fairbanks shows -\$75 million in assets. MS. MORRISON stated that there is -\$75 million in assets for active and \$177 million for retirees; the two together represents the assets the City of Fairbanks has in the plan.

MR. SEMMENS understood that when a person retires, all of the projected assets needed to pay that liability over their projected lifetime are put into the reserve account. He asked if the actuary does not consider those reserves as being available. He did not see how this changes his contribution rate radically because the assets are available to pay the benefits. He asked if there is any impact on the rate if the funds are transferred to the retiree reserve. MS. DELANG explained that comparing the active actuarial liability to the assets remaining after fully funding the retiree reserve, there would be an impact to the unfunded amount, which then impacts the rates that are paid. She explained the idea behind this is that the current active population is paying for the entire unfunded. If there are no actives at an employer, that employer pays nothing. All retirees are fully funded and the actives are paying for the unfunded. MR.

SLISHINSKY stated in a closed group where contribution rates are calculated, a level dollar amount is better than percentage of pay. This addresses the issue for employers with no active members and it seems to be a more reasonable approach to determining costs.

MR. BADER noted that all of the reports are stamped “draft” and he has taken that to mean they are draft until the Board accepts them. MR. SLISHINSKY indicated this is correct. MR. BADER understood there is no proposal to modify these reports. MR. SLISHINSKY replied that there is no such proposal, but it would be worthwhile to review the methodology. Buck has replicated the way this has been done in the past. There are some statutory reasons for the calculations, such as the requirement to use a consolidated rate. There is a history of employers joining the system at different times so there are different past service rates.

MR. PIHL referenced pages 27-37 of the Supplemental Report and asked what is meant by “net change in reserve” and “amount to be transferred.” He asked if the latter is what is put into the reserve for people retiring during that year. MS. DELANG replied that it is the difference between the retiree reserve and the actual liability of the retiree reserve. On page 37 the \$936 million to be transferred is the difference between the retiree reserve that is on the books with the Division of Retirement & Benefits compared to the actual retiree reserve as it was calculated as of June 30, 2005. That almost \$1 billion needs to be transferred from what were the active assets to the retiree reserve. MR. PIHL asked if this is attributable primarily to those who retire between 2004 and 2005. MS. MORRISON stated it is that or because of the change in liability because experience is different than what was assumed. MR. WILLIAMS understood this is based on the entire retiree population, not only those who retire in a given year.

MR. FORNIA stated this is very confusing and, while it is logical, he cannot imagine the difficulty municipalities face doing it.

MS. HARBO asked that at some time the Board be shown sample cases of these contribution calculations for its consideration. MR. SLISHINSKY noted that it might make sense to charge the cost of the accruing benefit of each employer, which would require statutory change.

MR. SEMMENS asked if the retiree reserve concept is contained in statute. He noted that this methodology would produce extreme variations in the rates employers pay from one year to the next. MS. CARPENTER stated the retiree reserve concept is in statute.

MR. SLISHINSKY stated a study was done of increasing the amortization period from 25 years to 30 years. He explained that it is current practice to generate a new base each year that is amortized over 25 years. A base is changed when what is experienced is different than what was expected. The sum of all the bases equals the unfunded liability. Fixing the period each year means there is an additional increment in the unfunded liability that is amortized over a new 25-year period. The other approach is to take whatever is measured as the unfunded liability this year and amortize it over 30 years. Next year the measure of the unfunded liability is also amortized over 30 years. In that approach, if all assumptions are realized, the unfunded liability is not paid off because it is continually spread over 30 years.

The fixed period rates are 32.51% for PERS and 42.26% for TRS. If 5 years is added to the four years of bases so that the current year's base is amortized over 30 years, last year's is amortized over 29 years, and so forth, the rate for PERS is 30.53% and for TRS is 38.94%. Going to a rolling 30-year amortization period, all previous years are amortized over 30 years and the rates would be 29.90% for PERS and 37.73% for TRS. An analysis was also done of the actual dollar increase in total contributions required with a 30-year amortization. Under the 30-year fixed scenario, the contributions PERS would pay increase by \$2.3 billion and TRS by \$1.3 billion. Under the 30-year rolling scenario the contributions PERS would pay increase by \$3.4 billion and TRS by \$2.1 billion.

MS. HARBO noted that the best way to address this is what the Board recommended to the Legislature: make a down payment. MR. SLISHINSKY stated the least expensive way to address the situation is to pay the unfunded liability as quickly as possible.

MR. SEMMENS asked if there should be an anticipated 10% increase to the contribution rates next year. MR. SLISHINSKY stated this is the case, considering the projections Buck has calculated. This is found on page 29 of the PERS Report as applied to DB only payroll, provided that the rates recommended by Buck are adopted and are actually paid. If that happens, then the employer rate for the fiscal year ending June 30, 2006 is 16.77%, for fiscal year ending June 30, 2007 is 21.77%, for fiscal year ending June 30, 2008 is 32.51%, and for fiscal year ending June 30, 2009 is 41.68%. If all of Buck's assumptions work out over the coming year the PERS employer contribution rate will be 41.68%. TRUSTEE SEMMENS asked if the primary reason for the increase is a smaller payroll. MR. SLISHINSKY replied there is the element of the two-year lag and the fact the contribution rate being contributed now is not sufficient to pay the unfunded liability and the liability is growing with interest. As the DB payroll drops the amortization, determined as a level dollar amount, increases as a percentage of pay.

MR. FORNIA noted that GRS found the major reason for the 9% to 10% contribution rate increase is that the amortization method changes because this is no longer an open plan. MS. MORRISON explained that instead of a 4% rate, it doubles to 8%.

MR. SLISHINSKY next reviewed the actuarial study of the benefit accrual cost for new tier benefits for post-employment healthcare and occupational death and disability. Buck looked at the most recent tier, determined the cost of the accruing benefit, and applied that to the new benefit structure. Buck assumed that all deaths and disabilities would be occupational in order to develop a conservative assumption. There is variability from one year to the next in the number of individuals who become eligible for an occupational death or disability benefit. As a result, a 100% assumption was used. Other than that, the same actuarial assumptions and methods were used for PERS and TRS based on the 2005 valuation.

MR. SLISHINSKY stated the results for post-employment healthcare cost is an employer rate of .99% of pay, for the occupational death and disability benefits for PERS Others is .58%, PERS peace officer and firefighter is 1.33%, and for TRS is 0.56%.

MS. HARBO asked if the category of peace officers includes Alaska Department of Fish & Game protection officers. MR. TRIVETTE indicated this is the case. MR. WILLIAMS explained this is better defined as 20 and out or 30 and out.

MR. TRIVETTE asked if a projection of fewer death and disability benefits would be significant. MS. DELANG explained that Buck was looking to build a cushion in the first several years. This assumption will build up a cushion and, once there is better data, there can be a re-evaluation of the assumption.

MS. HARBO appreciated that Buck analyzed this for TRS, but wondered if the Administration has any plans to ensure TRS members are covered with death and disability benefits. MS. MORRISON stated it is in HB475 as a fix. MS. MILLHORN stated the members under the new plan have the benefit, but there is no funding from the employer for the benefit.

## **7. Replication Report: Judicial Retirement System and Naval Militia Retirement System**

MS. DELANG next reviewed the replication work done for the Judicial Retirement System and the National Guard & Naval Militia Retirement System work done by Mercer. Mercer calculated a liability of \$64.9 million for Judicial and Buck's calculation was \$69.5 million. For healthcare benefit liability Mercer calculated \$10.7 million and Buck calculated \$21.9 million. She stated that Mercer valued approximately half of the medical benefits Buck felt should be valued. These numbers were used in claims cost development, so the application used by Buck was double. This increased the healthcare normal cost by \$245,000. Ultimately Buck's employer contribution is 50.82% where Mercer had a cost rate of 37.37%.

MS. HARBO stated that last year was the first time she had reviewed the Judicial Retirement System. She understood they are valued on a two-year basis, but this is an annual rate. MS. DELANG replied that they are valued every other year, but this is an annual rate. COMMISSIONER NORDSTRAND noted that at the last ARM Board meeting he noted that the new judges' bill added six judges and dramatically increased pay for judges and retirees. Every time the judicial salaries go up, the retirement benefit goes up automatically. As a result, this dramatically increases the unfunded liability. The rate increase from 37% to 50% does not consider the fact that the benefit is going to go up dramatically. He stated he went to the Court System because the DOA sets this rate and it has been practice to set it at the actuarially calculated rate. Once the bill passed and Buck was asked for information on what the rate should be for FY07, they estimated the rate for FY07 would need to be approximately 60%. He issued a letter to the Court System indicating that the rate would increase to 60% and ultimately the DOA agreed to let the Court System keep a rate of 38% with the assurance that they will put the actuarially calculated rate in their FY08 budget. They also agree that since they are not paying 60% this year, the rate for FY08 will be much higher.

MR. SEMMENS expected that the fiscal note provided to the Legislature on that bill would have been different than this analysis shows. He was extremely frustrated with the reliance that must be placed on actuarial information that is so frequently wrong. MR. PIHL asked if there was a fiscal note to the Legislature. COMMISSIONER NORDSTRAND stated the financial

information provided to the Legislature only included the salary increase to judges and the cost of capital improvements.

MS. HARBO noted that these employees do not come under the new DC plan. She wondered how DOA testified on this bill because PERS and TRS Boards and the ARM Board said they did not want any enhancement of benefits for anyone. COMMISSIONER NORDSTRAND stated the Administration supported the bill, as did every virtually legislator. It is unfortunate that when the number of judges is increased and pay is increased, there are significant costs to the retirement system.

MR. TRIVETTE felt it was unfortunate that there was not full information available to the Legislature on the costs of this bill. He also understood that no change to the retirement system would go through without an actuarial review of the impact of the change. He was disappointed that this legislation was adopted. COMMISSIONER NORDSTRAND stated that there was actuarial information available. He noted that when pay is raised, the retirement benefit goes up commensurately. MS. DELANG stated that Buck prepared calculations and that information was included in the fiscal note. Only the pension replication, not the medical, had been prepared at that time. The 38% rate that was referred to included Buck's calculation of the pension and Mercer's calculation of the medical. In early August Buck completed the medical and reconciled the differences between their numbers and Mercer's. COMMISSIONER NORDSTRAND clarified that the information from Buck was available, but it was not part of the fiscal note. MR. JOHNSON stated the language in SB141 is that "it is the intent of the legislature that there will be a moratorium after the effective date of this act on legislation affecting all public employees' retirement plans until the Alaska Retirement Management board can present a report to the Legislature containing the Board's assessments and recommendations as provided in this section." COMMISSIONER NORDSTRAND asked if this includes Judicial. MR. JOHNSON replied that the reference is to plans.

MS. DELANG stated the differences between the results generated by Buck and those generated by Mercer were that Mercer used a family unit cost and Buck used an individual unit cost. The second largest difference was the age at which Medicare reduction was applied. Buck used a spouse's actual age of 65 and Mercer used the member's age 65. There were some other things that Buck could not completely reconcile, which she believed had to do with marriage and spousal benefits.

MS. DELANG stated the replication of the National Guard & Naval Militia closely matched that of Mercer. Mercer had a pension liability of \$19.7 million and Buck calculated approximately \$19 million. The difference of nearly \$800,000 is an assumption difference; Buck valued active members who are expected to terminate the same as terminated members. The total contribution generated by Mercer is \$1.7 million and by Buck is \$1.6 million.

MS. HARBO understood total contribution amount is an actual amount that the Commissioner of the Department of Military Affairs has to put in the budget. She thought last year their funding ratio was 68% and asked if the Commissioner would include this amount this year so it is 100% funded. COMMISSIONER NORDSTRAND stated that he would accept what that Commissioner sends. MS. CARPENTER stated this information is provided to the

Commissioner. MR. TRIVETTE asked if there is a history of what has occurred in this regard. MS. CARPENTER did not have that history.

MS. MORRISON explained that when the valuation is received for National Guard & Naval Militia, a memorandum is prepared for Veterans Affairs explaining the contribution rate for the two years related to the valuation. With Buck's replication, the contribution would go down; they have not been notified they could pay a lower amount. It is expected they will pay what was put in the original notification and that they will budget for that amount. MS. HARBO noted that they apparently have not been paying the amount recommended by the actuary in the past because they are not 100% funded. MS. MORRISON stated they do pay the amount the actuary calculates, but they are not 100% funded because some of the unfunded liability is being amortized over a period of time.

COMMISSIONER NORDSTRAND added that he has asked Buck for a valuation of the Judicial Retirement System based on FY06 so that is available to develop an accurate contribution rate for the next budget cycle.

## **6. Board Discussion**

MR. BADER noted that a number of issues were raised in the review by GRS and he believed those questions and recommendations should be addressed before the Board begins setting rates. An action memorandum is before the Board to direct staff to work with both actuaries to incorporate the suggestions and recommendations of GRS into current or future work products, or explain to the Board, in writing, why the suggestions and recommendations should be rejected or deferred to a later date.

MR. PIHL felt that this Board should find a way to fund at the full actuarial rate, including for FY07, for the purpose of spreading the unfunded liability evenly. The Board needs to know those numbers and seek legislative funding, with the Administration hopefully recommending it, of the difference for state employees and some way to help school districts and municipalities with the difference for the current year, in order to achieve the full actuarial amount over 25 years. He did not agree with a 30-year amortization period. The rates for the current year are set, but the actuarial rate is much higher than the current rate. The Board should seek legislative funding of the difference between the two rates. The liability must be spread evenly and not allowed to grow. He asked what would be the contribution rates if the unfunded liability is spread on an even basis. MR. SLISHINSKY stated that could be quickly calculated for FY08. MR. PIHL suggested that this should be done for FY07, recommending that a supplemental appropriation be sought in the next session.

MR. BADER stated the ARM Board's report to the Legislature included three appropriation requests, one of which would address this issue in large measure. The Legislature did not address those recommendations. He thought if the Board wants to update its report to the Legislature, it might be a reasonable vehicle to communicate the Board's wishes.

MR. SEMMENS asked if the ARM Board is the final authority regarding setting rates. MR. BARNHILL replied in the affirmative. MR. SEMMENS understood that the Board is not constrained by the actuarial projections. MR. BARNHILL replied there is a standard of

reasonableness. The rate cannot be dropped to 0% or raised to 100% without a reasonable basis to do so. MR. SEMMENS thought there is a reasonable basis that next year another 10% increase can be expected. He was not in favor of a 30-year amortization period in FY08, knowing that the rates would go up again in FY09. If the Board knows the rates will rise 10% in FY09, there is some justification for setting the rates above the 32.51% that the actuary says is needed in FY08. MR. BARNHILL believed this is within a reasonable parameter and noted that the decision on rates rests with the Board. MR. JOHNSON concurred with Mr. Barnhill, adding that there should be a clear record of the basis for the Board's recommendation if it is different than Buck's recommendation.

MS. HARBO agreed with Mr. Pihl. She asked that Mr. Bader's August 30, 2006 memorandum entitled "Response to review by the second actuary" include some kind of study on the issue of lag time in section D. Additional Comments. She stated it is difficult to deal with old material and set the rates two years ahead.

MR. WILLIAMS moved to instruct staff to continue working with Buck and GRS on the suggestions and recommendations by GRS. MR. TRIVETTE seconded.

MS. HARBO knew there was a 2000 mortality table, yet the 1994 mortality table is still being used. She asked if the newer table could be used. MR. SLISHINSKY replied that the experience analysis is underway and the results will be presented in October. The experience on pre-retirement and post-retirement death was reviewed and Buck will make recommendations for changes. Often the same table or the same table with adjustments will be used; Buck is doing the latter. MS. HARBO noted that many systems use 3-, 4- or 5-year smoothing techniques and Alaska uses a 5-year smoothing technique. MR. SLISHINSKY replied that most of the systems he works with use 3-year, 4-year, or 5-year smoothing. There are IRS procedures used in the private sector about reasonable methods for smoothing. The longest allowed for private sector plans is 5 years. A number of systems have extended their smoothing, but that just increases the deviation between the actuarial value of assets and the market value of assets and puts into question whether the measure of the unfunded liability is reasonable for funding and disclosure purposes.

MR. TRIVETTE assumed that Mr. Williams' motion included the wording in staff's recommendation. MR. WILLIAMS replied in the affirmative.

***There being no objection, the motion was unanimously approved.***

MR. PIHL moved that the ARM Board recommend a 25-year amortization period and that the approach to the unfunded liability be on a level dollar basis. MS. HARBO seconded.

MR. SEMMENS was interested in getting this information, but was not ready to put the Board in a position of supporting such a motion without having reviewed that information. He was hoping the motion could be changed to the Board receiving the information so it is before the Board at the time it sets the rates. MR. PIHL accepted this as a friendly amendment. MR. WILLIAMS moved to table the motion to the ARM Board's next regular meeting. MR. TRIVETTE seconded.

MR. SEMMENS wished to ensure the information requested by MR. Pihl will be received. COMMISSIONER NORDSTRAND asked if Trustee Pihl is requesting what the rates would be if the liability is amortized on a level dollar basis for 25 years versus 30 years. MR. PHIL clarified that he wants the rates to be calculated on a level dollar basis and to understand what will be the actuarial contribution rates, including the current year. MS. MORRISON stated that a level dollar basis would assume no payroll growth.

MR. SLISHINSKY understood this was a recalculation the current FY08 rate of 32.51%, which is calculated with a 4.25% payroll growth assumption. If the payroll growth assumption is removed and the amortization of the unfunded is converted to a level dollar amount, but the 25-year amortization period is kept, a different rate would result. COMMISSIONER NORDSTRAND noted that some projections did take out payroll growth. MR. SLISHINSKY agreed that the payroll growth assumption is removed from the projection charts for next year, but it is applied to fiscal year 2009. COMMISSIONER NORDSTRAND noted that is, in fact, a declining payroll. MR. SLISHINSKY explained that the amortization is at a level dollar basis. If the contribution rate is calculated at a level dollar amount while payroll is declining, the contribution increases as a rate of pay.

CHAIR SCHUBERT felt Mr. Williams' motion was broad enough to cover the Board's discussion and request for information. She indicated she was also not ready to vote on Mr. Pihl's motion. MR. PIHL agreed to withdraw his motion, with the concurrence of the second, so long as the intent is understood.

## **IX. UNFINISHED BUSINESS**

### **1. 2007 Calendar**

JUDY HALL stated the calendar was dealt with at the last ARM Board meeting. This meeting a change is proposed to move the March meeting to April 12-13, 2007. Trustee Harbo has a conflict with that date, so she will poll the Board members and consultants to see if they would be available on April 10-11, 2007. CHAIR SCHUBERT stated she is not available April 10-11, but is available on April 12-13, 2007. MS. HALL stated she would poll the Board members as to their availability for a meeting in April.

### **2. Disclosure Report**

JUDY HALL reported that a disclosure report is contained in Trustees' packets.

### **3. Legal Report**

ROB JOHNSON had no specific report other than to advise the Board that he has been engaged in interesting discussions with Mr. Barnhill and with Ice Miller, the law firm that has been retained to assist with various tax issues. He will be reviewing items such as the indemnity provisions in past contracts, and that would normally be included in limited liability partnerships and other investment vehicles in which the retirement systems are invested.

MR. BARNHILL reported that he is working with staff on indemnification clauses in the variety of contracts with investment managers. He found out this week that there are nearly 200

contracts that potentially have these clauses. He is looking for a way to streamline his review because the Department of Law has a policy that no state agency indemnifies a vendor for anything without the Department's approval.

## **X. NEW BUSINESS**

### **1. Same Sex Benefit Update**

COMMISSIONER NORDSTRAND provided an update on the same-sex benefits. In October of 2005 the Supreme Court issued an order in a case involving the American Civil Liberties Union (ACLU) and the Department of Administration that concluded that the State of Alaska would have to begin providing benefits to same-sex partners. Because of the analysis and the question of equal protection, it does not apply to heterosexual partners because they have the ability to become married. Last fall, the Supreme Court solicited briefs on what remedies should be undertaken to remedy the discrimination. The Department of Law and the ACLU briefed this issue to the Supreme Court in January and the Supreme Court did not respond and, in fact, retained jurisdiction on the remedy issue. In the first week of June, Supreme Court issued a 1.5 page order requiring that the State of Alaska implement same-sex benefits and be in a position to provide benefits by January 1, 2007. They then remanded it back Superior Court to supervise the process. The Department of Administration and the Administration was left with how to do this. The best situation would be for the Legislature to amend the statutes it has enacted about who gets benefits and make it conform to the Court's decision and also perhaps set up criteria to determine who is and is not eligible for the benefit. In the absence of the Legislature, the Department of Administration proposed to the Court in a brief that the Department of Administration would establish regulations to set up the benefits, both for the active plan and the retiree plan. The Department of Administration has drafted regulations for the active plan and the retiree plan and those are submitted to the Court and the ACLU for consideration. Those will be formally noticed this week for public comment over a 30-day period. Ultimately, final regulations will be filed with a view toward providing the benefit beginning on January 1, 2007. Today the Department of Administration is currently briefing before the Superior Court judge on whether or not she believes the draft regulations are constitutional. The judge should issue an opinion very soon.

COMMISSIONER NORDSTRAND explained that the general criteria were drawn largely from University of Alaska, which has been providing this benefit for a number of years. There is a list of statements that must be affirmed by the partners dealing with the nature of their relationship; these would need to be affirmed on an annual basis. There are also nine documentary proofs of which six must be provided. There is no idea at this point what financial impact this will have on the plan.

COMMISSIONER NORDSTRAND noted there is another aspect of the regulation dealing with the imputed income issue. The fair market value of the benefit to the same-sex partner will be added to the W2 of the employee. CHAIR SCHUBERT asked if there is a defined time period that the individuals must be together. COMMISSIONER NORDSTRAND replied that the draft regulations require that partners be in an exclusive, committed, intimate relationship for 12 months and living at the same primary residence for 12 months. He noted that the draft regulations of the Municipality of Anchorage did not include a time requirement. He thought the

Department of Administration's time period requirement is consistent with the norm around the country.

## **2. Third Party Administrator Transition**

COMMISSIONER NORDSTRAND next discussed the transition from one third party administrator to another for the health care plan. He felt there has been a successful conversion. One of the results of the conversion is learning things about the administration of the healthcare plan that were not known. For example, there is a potential problem with coordination of benefits in terms of who is the primary and who is the secondary provider. Generally speaking, the State's plan requires that the State plan is primary for a State employee. Other plans set the primary provider by the birth date of the beneficiary. The third party administrator in the past was coordinating benefits for purposes of medical claims. The third party administrator was perhaps not coordinating benefits for prescription drugs. This came to light because Premera has a system to identify who should be the primary provider. The scope of the problem is unknown. Buck has been asked to look into this to determine the extent of a problem and what is the financial impact. In 2005, the retiree plans' total spending on claims was \$250 million and somewhere close to \$100 million of that was for prescription drugs.

MS. HARBO asked that at its next meeting the ARM Board be provided with a one-page summary of the results of the positive open enrollment program and how many people were "taken off the books." She indicated she receives calls from people about the lack of doctors that will accept Medicare patients. She asked if there are statistics about the number of doctors in Anchorage that accept Medicare patients that can be compared to the number of retirees. At age 65, people are required to pay Medicare Part B, which has increased nearly 100% over the past few years, but many doctors will not accept Medicare patients. Some patients must sign a waiver that if they want to stay with their doctor they will pay the full cost.

CHAIR SCHUBERT asked whether the contract with the prior third party administrator required them to ensure the State was the primary provider. COMMISSIONER NORDSTRAND responded that they were required to enforce plan documents, which required coordination of plan benefits for claims and prescription drugs. CHAIR SCHUBERT asked whether action against them is being considered, if they breached that provision. COMMISSIONER NORDSTRAND stated there will be an analysis of what happened, what it cost, and then who will pay for it.

COMMISSIONER NORDSTRAND noted regarding cost savings that the open enrollment for active and retirees saved \$14 million per year. On the question of whether there will be recapture of benefits received by those who were not eligible, the answer is this will not be pursued, but there could be tax implications. The cost savings by requiring eligibility was \$3 million annually. Saving \$17 million a year on a plan that spent \$305 million in 2005, is significant.

## **X. OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD**

### **1. Special Meeting: Set Contribution Rates**

MR. BADER stated some Trustees and others have indicated that an October date is late to be advising municipalities of their contribution rate. The trade off is allowing the amount of time to

receive responses to the questions the Board put today versus being timely for the municipalities and other political subdivisions. No date is being recommended.

MR. TRIVETTE asked if the work asked for in the last motion could be ready for a September 18, 2007 meeting. MR. BADER thought there was general agreement on the resolution of issues, so information can be provided quickly. COMMISSIONER NORDSTRAND stated he would be out of the country from September 12 through September 22, 2006.

CHAIR SCHUBERT proposed that the ARM Board meet September 11, 2006 at 9:00 AM. Other Trustees agreed to this date.

MR. TRIVETTE asked if this allows sufficient time for public notification. MS. HALL replied in the affirmative.

MR. SEMMENS assumed that the valuation reports are final and asked if they would be made public. MS. CARPENTER stated the reports are not final until the Board adopts them and sets the rates.

MR. BADER stated the intent of the valuation report is to take a snapshot of the value of the plan on June 30, 2005 given the law in place at that time. He questioned whether setting the contribution rate is dependent upon that valuation date. There has been discussion of setting the rates based on reality, not the snapshot on June 30, 2005. He thought the Board could accept the valuation reports as presented and not be bound by the contribution rates calculated in them because the Board has asked for additional information. COMMISSIONER NORDSTRAND agreed that the reports are final. There is an assumption built into the reports that on June 30, 2005 there was a continuing DB system. That reality changed in 2006. The Board can set a different rate, if it chooses.

COMMISSIONER NORDSTRAND moved to accept the actuarial reports prepared by Buck Consultants. MR. TRIVETTE seconded.

MR. PIHL was concerned that the Supplemental Report to the municipalities would go out if this motion is accepted and, if level dollar funding is used, the information will change from that what is in that report.

COMMISSIONER NORDSTRAND suggested that the Supplemental Report could be reviewed at the Board's next meeting. He would be willing to accept a Supplemental Report that generates different numbers, but both sets of numbers will be correct, they would just be based on different assumptions. MR. SLISHINSKY noted that the PERS Report shows that the Board-adopted average employer contribution rate for FY08 is to be determined. He viewed this report as up to date with regard to this discussion.

MR. SEMMENS stated one reason to certify the reports is that finance offices are trying to develop their financial statements. His point is there will likely be employers that look at the FY08 in the report rates and put that amount in their budget.

COMMISSIONER NORDSTRAND noted that similar reports have been issued and disseminated in the past and the recipients recognize that the rates set by the Board might be different.

MR. JOHNSON explained that the statute reads, "Coordinate with the retirement system administrator to have an annual actuarial report ... and to certify the appropriate budgetary authority." There can be two steps, if the Board wishes.

COMMISSIONER NORDSTRAND noted he would accept as an amendment that this action is not intended to set employer contribution rates for FY08, which will be determined by the Board in September 2006. MR. PIHL agreed with this amendment.

MS. CARPENTER asked if these documents should be published as final without Board-adopted rates. She explained that her concern is that, from an historical perspective, these documents have included rates in the past. MR. SEMMENS stated the statute says the Board "will certify to the appropriate budgetary authority of each employer in the system an appropriate contribution rate for normal cost and an appropriate contribution rate for liquidating any past service liability." Ultimately, he thought what is posted on the website is the rate the Board adopts for every employer in the system. When the Board meets next, he would expect it would receive a similar report that calculates for every employer this level dollar calculation, reduced to a rate. Otherwise, he did not see how the Board could accomplish the statutory requirement.

COMMISSIONER NORDSTRAND thought it would be good for attorneys to evaluate before the September meeting whether the statute allows the Board to adopt a rate that is inconsistent with the actuarially calculated rate. He is of the view the Board could adopt a different rate, so long as it is reasonably acceptable. He thought the Board would ultimately have to set a consolidated rate. He noted that last year Mercer provided a Supplemental Report with a variety of rates and none of those rates were set. MR. SEMMENS noted that last year the 5% cap regulation was thought to be in place.

MR. FORNIA did not know the advantage of accepting the report now, noting that ultimately the report that is issued will include the cost rate. Unless there is a clear advantage to issuing the report, he did not see the need to do so. He feared that adopting the report would also make it more difficult for the Board to adopt a higher rate. He advised the Board to keep its options open until next month. COMMISSIONER NORDSTRAND stated the report is in fact a public document and he felt that an action of the Board to accept numbers based on particular assumptions is appropriate. There may be a different set of numbers generated by using other assumptions. He favored making the information available to employers.

MS. MORRISON noted that these actuarial reports assume continued employee growth. She understood that Mr. Pihl was asking for information to help the Board decide what rate to set and, while not changing the information in these reports, he was asking for additional information based on level dollar amortization. She asked if the actuaries are being asked to change the assumptions and thereby change the actuarially calculated rate or leave the actuarially calculated rate and provide additional information that the Board can use in deciding what rate to set. CHAIR SCHUBERT stated her understanding was the latter. COMMISSIONER

NORDSTRAND stated the ARM Board approves the assumptions. The proposed action is fast-forwarding the work so there is a report with one set of assumptions and another report with another set of assumptions so the Board can make a choice.

MR. PIHL understood the Board is approving this report subject to the receipt of additional information before it sets the rate.

*There being no objection, the motion was unanimously approved.*

**XII. PUBLIC/MEMBER COMMENTS – None**

**XIII. INVESTMENT ADVISORY COUNCIL COMMENTS – None**

**XIV. TRUSTEE COMMENTS**

MS. HARBO thanked Gary Bader and Judy Hall for preparing the monthly newsletter.

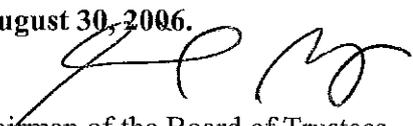
**XV. FUTURE AGENDA ITEMS – None**

**XVI. ADJOURNMENT**

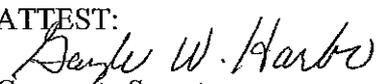
MS. HARBO moved to adjourn the meeting of the ARM Board. MR. WILLIAMS seconded.

*There being no objection, the motion PASSED unanimously.*

**THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, THE ALASKA RETIREMENT MANAGEMENT BOARD MEETING ADJOURNED AT 1:38 PM ON August 30, 2006.**

  
Chairman of the Board of Trustees  
Alaska Retirement Management Board

ATTEST:

  
Corporate Secretary

**Note:** The summary minutes are extracted from tape recordings of the meeting and are prepared by outside contractors. For in-depth discussion and presentations, please refer to tapes of the meeting on file at the ARM Board offices.

WORDSMITH  
Kimberly D. Stalder  
Anchorage, Alaska