

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
MEETING - TELECONFERENCE

Location:
Teleconferenced

MINUTES OF
August 26, 2019

Monday, August 26, 2019

CALL TO ORDER

CHAIR ROBERT JOHNSON called the meeting of the Alaska Retirement Management Board (ARMB) to order at 1:00 p.m.

ROLL CALL

Seven ARMB trustees were present at roll call to form a quorum.

Board Members Present

Robert Johnson, *Chair*
Tom Brice, *Vice Chair* (arrived late)
Gayle Harbo, *Secretary*
Lorne Bretz
Allen Hippler
Commissioner Bruce Tangeman
Commissioner Kelly Tshibaka (arrived late)
Norman West
Bob Williams

Board Members Absent

None

Investment Advisory Council Members Present

None

Investment Advisory Council Members Absent

Dr. William Jennings
Robert Shaw

Department of Revenue Staff Present

Bob Mitchell, Chief Investment Officer
Pamela Leary, Director, Treasury Division

Zach Hanna, Deputy Chief Investment Officer
Stephanie Alexander, Board Liaison

Department of Administration Staff Present

Kevin Worley, Chief Financial Officer

Consultants, Invited Participants, and Others Present

David Kershner, Conduent HR, Buck

Scott Young, Conduent HR, Buck

Stuart Goering, Department of Law, Assistant Attorney General

Leslie Thompson, Gabriel Roeder Smith

Paul Wood, Gabriel Roeder Smith

Larry Semmens, Public

PUBLIC MEETING NOTICE

STEPHANIE ALEXANDER, Board Liaison, confirmed public meeting notice requirements had been met.

APPROVAL OF AGENDA

MS. HARBO moved to approve the agenda. MR. WILLIAMS seconded the motion.

The agenda was approved without objection.

MR. BRICE joined the meeting.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS, AND APPEARANCES

CHAIR JOHNSON informed a communication had been received by the Board from a former ARM Board Trustee LARRY SEMMENS. The two issues raised concerned the REIT option being changed to a different investment and the appointment of MR. BRETZ to the finance officer position. CHAIR JOHNSON informed he had drafted a response to send to MR. SEMMENS. There was no objection.

TRUSTEE REPORTS

1. COMMITTEE REPORT - ACTUARIAL COMMITTEE

A. Actuarial Review / Acceptance - Certification of FY2018 Review Reports and Valuations

MR. WEST, as Chair of the Actuarial Committee, advised the Committee reviewed the reports and requested additional informational items. The list of items were added to each report and provided to Board members. There was no actual change to the valuations.

Action: Board Acceptance of GRS Certification for FY2018 PERS, TRS, NGNMRS, JRS, and DC Plan Valuations

MR. WEST, as Chair of the Actuarial Committee, made a motion for the Alaska Retirement Management Board to accept the review and certification of Fiscal Year 2018 Actuarial Reports by Gabriel Roeder Smith and Co.

CHAIR JOHNSON requested LESLIE THOMPSON, Gabriel Roeder Smith (GRS), to discuss considerations of the certification. MS. THOMPSON indicated 90% of GRS' comments were taken into account and have been handled. There were only two remaining issues. One item was the inability to compare the recommended assumption change cost to the actual assumption change cost. Buck indicated to GRS, the requested comparison is unable to be performed because the variables are different, as apples and oranges are different. GRS accepted the explanation.

MS. THOMPSON noted the second issue regarded the .2% disparity assumption between the DCR and the regular plans. She stated GRS and Buck have dissented on this assumption for years, and have reconciled by agreeing to disagree.

CHAIR JOHNSON requested additional clarification regarding the going-forward change in earnings assumption from 8% to 7.38%, the layering change, and implementation of EGWP. DAVID KERSHNER, Buck, explained the table on page seven of the PERS report which indicates other items that increased/decreased the actuarial accrued liability as of June 30, 2018. The first line addresses the implementation of EGWP and the second line is a combined effect of all the assumptions and methods that were changed and adopted by the Board in January. All of the assumptions, including the 7.38% earnings assumption, are listed in the appendix in Section 6 of the report. CHAIR JOHNSON expressed appreciation for the explanation.

A roll call vote was taken, and the motion passed unanimously.

Action: Board Acceptance of FY 2018 Buck Valuations for PERS, TRS, NGNMRS, JRS, and DC Plan Valuations

COMMISSIONER TSHIBAKA joined the meeting.

MR. WEST, as Chair of the Actuarial Committee, made a motion for the Alaska Retirement Management Board to accept the Actuarial Valuation Reports prepared by Buck for the Public Employees, Teachers, Public Employees Defined Contribution for Occupational Death and Disability and Retiree Medical Benefits, Teachers' Defined Contribution for Occupational Death and Disability and Retiree Medical Benefits, Judicial, National Guard and Naval Militia Retirement Systems, as of June 30, 2018.

MR. HIPPLER inquired if Buck will be physically present at the September Board meeting. KEVIN WORLEY, Chief Financial Officer, Division of Retirement and Benefits, advised MR. KERSHNER, the lead actuary, will be physically present at the September meeting to

discuss the FY21 rates. This will provide an educational benefit, especially to the new Trustees. He noted both MR. KERSHNER and SCOTT YOUNG, Buck, will be physically present at the December meeting.

CHAIR JOHNSON requested MR. WORLEY explain why it was necessary to have today's special ARM Board meeting for the purposes of adopting these motions. MR. WORLEY discussed the meeting today allows the valuation reports to be adopted before the audit is complete and to provide important information for the GASB reporting requirements in the financial statements. He explained the normal timeline for these actions was delayed due to the request to postpone adoption of the experience study analysis assumption changes because of the changeover in the new Administration and new commissioners coming onboard. The experience analysis was adopted in January, which postponed the actuary's work and approval process by four months. The deadline to issue the completed audited financial statements to the Division of Finance is October 15, 2019. The meeting today to adopt the certification and valuation will also allow the external auditors to meet the deadline.

A roll call vote was taken, and the motion passed unanimously.

MR. WEST expressed appreciation to Board members for attending the special meeting.

UNFINISHED BUSINESS

None

NEW BUSINESS

CHAIR JOHNSON asked if there were any objection to conducting the Investment Advisory Council (IAC) interviews of the three candidates via video-conference. CHAIR JOHNSON indicated video-conference interviews would provide a significant cost savings.

MR. HIPPLER asked if there would be any sacrifice in quality of the selection process by conducting a video-conference interview rather than an in-person interview. COMMISSIONER TANGEMAN discussed his reasoning for suggesting video-conferencing and explained he and COMMISSIONER TSHIBAKA have conducted recent exceptional interviews via video-conference. They were pleased with the outcomes and saved on travel costs. MS. ALEXANDER noted the interviews are scheduled on the agenda for 30 minutes each.

MR. WILLIAMS expressed support for conducting the interview via video-conference. He gave anecdotal references to his personal experiences.

There were no objections to conducting the IAC candidate interviews by video-conference.

OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD

None

PUBLIC/MEMBER COMMENTS

LARRY SEMMENS, retiree and former ARM Board Trustee, commented he misses serving on the Board and commended members for their important work. MR. SEMMENS expressed his concern regarding the decision the Board made in April to replace the US REIT Index Fund with a Strategic Completion Fund managed by Blackrock. He noted 13,000 people were affected by the sale of the REIT fund and the replacement fund containing TIPS and commodities. MR. SEMMENS understands a communication was sent via postal mail, which he did not receive. His preferences with Empower are to receive notification by email. No email notifications of this change were sent. No confirmation regarding the transaction was sent.

MR. SEMMENS informed he found out about the transaction because he was conducting a deep-dive into his SBS account transaction history and saw a transaction had occurred. He contacted Empower and the representative had the letter that was supposed to be sent out, but did not have additional information and did not know who could answer his questions. MR. SEMMENS noted he called the State DRB, who took the complaint as a lack of communication. MR. SEMMENS reviewed prior minutes and only found reference that MR. MITCHELL reminded the Board in April that in September, the Board was advised the suggestion to combine these funds would occur. He noted MR. WEST commented in the minutes that 13,000 people's accounts would be affected. MR. SEMMENS noted another Board member comments in the minutes were, "Well, they don't have much money in this stuff, so you know, hopefully, it'll actually be better for them."

MR. SEMMENS indicated his REIT fund was making 19.5% at the time it was sold. He would have preferred to have made the decision to sell himself. MR. SEMMENS commented he would have also preferred to have been able to decide which fund the proceeds of the REIT fund were ultimately invested. MR. SEMMENS encouraged the Board and everyone who is connected to the retirement funds to be more diligent regarding communication.

MR. HIPPLER asked if MR. SEMMENS would be interested in REIT funds in the future, even if the costs were slightly higher. MR. SEMMENS noted he was and still is interested in REITs, depending on the specifics of the costs. He is not really interested in a combined fund that has dissimilar investments, such as TIPS, commodities, and REITs.

CHAIR JOHNSON expressed appreciation to MR. SEMMENS for his appropriate comments regarding the problems of notification. He believes it would be appropriate for the Board to receive a report regarding notification to members of changes to investment options.

TRUSTEE COMMENTS

None

FUTURE AGENDA ITEMS

CHAIR JOHNSON suggested placing on the agenda a report regarding notification to members of changes to investment options.

MR. HIPPLER agreed. He suggested opening a new discussion regarding a REIT only investment option.

ADJOURNMENT

There being no objection and no further business to come before the Board, the meeting was adjourned at 1:44 p.m. on August 26, 2019, on a motion made by MS. HARBO and seconded by VICE-CHAIR BRICE.

Chair of the Board of Trustees
Alaska Retirement Management Board
ATTEST:

Corporate Secretary