

**State of Alaska**  
**ALASKA RETIREMENT MANAGEMENT BOARD**  
**BOARD OF TRUSTEES MEETING**

**Videoconference**

**MINUTES OF**  
**May 4, 2022**

**Wednesday May 4, 2022**

**ATTENDANCE**

**Committee Present:** Bob Williams, *Chair*  
Lorne Bretz  
Allen Hippler  
Donald Krohn  
Commissioner Lucinda Mahoney  
Sandra Ryan  
Michael Williams

**Committee Absent:**  
Dennis Moen  
Commissioner Paula Vrana

**IAC Members Present:**  
Dr. William Jennings  
Dr. Jerrold Mitchell  
Ruth Ryerson

**Department of Revenue Staff Present:**  
Zachary Hanna, Chief Investment Officer  
Pamela Leary, Director, Treasury Division  
Ryan Kauzlarich, Assistant Comptroller  
Michelle Prebula, State Investment Officer  
Alysia Jones, Board Liaison  
Grant Ficek, Business Analyst  
Leighan Gonzales, Executive Secretary

**Department of Administration Staff Present:**  
Dave Donley, Deputy Commissioner, Department of Administration

Amanda Pillifant, Executive Secretary, Department of Administration  
Ajay Desai, Director, Division of Retirement and Benefits  
Kevin Worley, Chief Financial Officer, Division of Retirement and Benefits  
Jim Puckett, Deputy Director, Division of Retirement and Benefits

**ARMB Legal Counsel Present:**

Benjamin Hofmeister, AAG, Department of Law

**Others Present:**

Steve Center, Callan  
Paul Erlendson, Callan  
Jay Kloepfer, Callan  
David Kershner, Buck  
Scott Young, Buck  
Paul Wood, GRS  
Bill Detweiler, GRS

**I. CALL TO ORDER**

CHAIR BOB WILLIAMS called the meeting of the Alaska Retirement Management Board meeting to order at 9:30 a.m.

**II. ROLL CALL**

MR. BRETZ, MR. HIPPLER, MR. KROHN, COMMISSIONER MAHONEY, MS. RYAN, CHAIR WILLIAMS and MR. WILLIAMS were present.

**III. PUBLIC MEETING NOTICE**

ALYSIA JONES confirmed that public meeting notice requirements had been met.

**IV. A. APPROVAL OF AGENDA**

MR. WILLIAMS moved to approve the agenda. MS. RYAN seconded the motion. The agenda was approved without objection.

**V. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS & APPEARANCES – None.**

**VI. EXECUTIVE SESSION**

CHAIR WILLIAMS explained that they had recently received proposals in response to RFP Number 2022-400-0015, ARM Board actuarial review services. He stated that under AS 36.30.230, proposals “are open for public inspection after the notice of intent to award a contract is issued under AS 36.30.365”. Because proposals are confidential by law, he asked for a motion to go into executive session per AS 44.62.310(C) (3) to consider the Proposal Evaluation Committee’s recommendations. He invited MR. HANNA, MS. LEARY, MR. HOFMEISTER, MS. JONES, MR. DESAI, MR. PUCKETT, and IAC members to join.

MS. RYAN moved to for executive session. MR. HIPPLER seconded the motion. The motion was approved without objection.

The board went off the record at 9:35 a.m. and was back on the record at 10:47 a.m.

## **VII. REVIEW ACTUARY RFP RECOMMENDATION**

MS. RYAN stated that on behalf of the Proposal Evaluation Committee, she recommended the continuation of the proposal for GRS. She explained Alaska Statute 37.10.220(A)(9) provides that all actuarial assumptions prepared shall be reviewed and certificated by a second member of the American Academy of Actuaries. She then explained the process involved in RFP 2022-0400-0015 and noted that four proposals were received, evaluated, and scored by the PEC members, and explained the evaluation criteria the proposals were scored on. She then recommended that the Alaska Retirement Management Board direct the staff to issue a notice of intent to award the contract following the expiration of the ten days' protest period when a contract would be entered into with GRS.

With no discussion, roll call vote was taken, and the motion passed unanimously.

## **VIII. EXPERIENCE ANALYSIS RECAP**

MR. WORLEY invited MR. KERSHNER to present.

MR. KERSHNER stated that they would present a follow-up to the projected healthcare funded ratios, give an update on the experience study, and present the alternative assumption scenario.

MR. KERSHNER presented slide 4 that represented three scenarios with six years of returns. He then explained each scenario and noted that other than the asset returns, all valuation and projection assumptions were the same as those shown in the draft June 30, 2021, actuarial valuation reports.

MR. KERSHNER then moved to slide 6 which illustrated how the inflation rate directly affected various assumptions and liabilities. He noted that slide 7 illustrated various expert opinions and forecasts of inflation rates over the next 10, 20 and 30 years.

COMMISSIONER MAHONEY asked, jumping ahead to slide 8, if everyone was embracing the Fed's assumption, that inflation was transitory; MR. KERSHNER noted that when they look at actuarial assumptions, they ignore the short-term fluctuations and use the long-term outlook, because of the framing of the retirement systems.

CHAIR WILLIAMS asked if their two choices were to hold at 2.5 or reduce to 2.25 inflation rate; MR. WILLIAMS said if they were saying that inflation was transitory for one or two years, he could accept the fact that inflation might be high but would normalize within a couple of years.

MR. HIPPLER said that he did not think they should reduce their projected inflation.

DR. JENNINGS said he thought there will be transitory inflation for the next 10 or 20 years. He said the shorter-term numbers may be bigger but might also be helpful in framing the 2.5 number.

MR. KERSHNER moved to slide 10 which showed the current and proposed assumptions. He said the current assumptions were based on the last experience study with the four years ending in 2017 and the assumptions the Board adopted had been used since the 2018 valuations. He noted the proposed assumptions that the Board adopts in June will be used beginning with the 2022 valuations.

MR. KERSHNER said the next few slides through slide 14 showed two sets of proposed assumptions; he said proposal 1 was from the March meeting and proposal 2 was what they were asked to present. He then went through each slide which showed the current and proposed assumptions and gave a brief explanation. He explained that they had used the Getzen model that the state has used for the last years and had changed the inflation assumption from either two-and-a-half or two-and-three-quarter and let the model project out the various rates.

MR. KERSHNER said that slides 15 through 34 were the proposed demographic assumptions that were discussed at the March meeting and noted there was a general agreement with those proposed assumptions.

MR. KERSHNER said slide 36 showed the various cost effects of the assumptions by plan and various proposed assumptions.

CHAIR WILLIAMS noted that increase in return or keeping the return at the same had more of an impact than the inflation change. MR. KERSHNER said that was correct.

COMMISSIONER MAHONEY asked what the average rate of return had been; MR. WORLEY said that it was 8.33 for pers, and 8.37 for TRS for a 30-year average rate of return.

MR. HANNA said that it was the nominal return over 30 years for PERS and TRS.

MR. KERSHNER said slide 37 showed the various cost effects of the assumptions for TRS. He noted that the next two slides were the same story for the other plans.

CHAIR WILLIAMS recessed the meeting from 10:28 a.m. until 10:39 a.m.

## **IX. STAFF UPDATES**

### **A. CIO Report**

MR. HANNA gave a brief report noting that equities were down close to 14 percent through the end of April, that bonds were down on rising interest rates and the Fed had announced that they were increasing rates by 50 basis points and that the Bloomberg aggregate bond index was down 9.5 percent in April. He said that stocks and bonds were down fairly steeply through April so the DB portfolio through April was down 7.2 percent. He said for the fiscal year the plan was down 0.8 percent. He said the plans sizable allocation to real assets continue to perform very well which provided downside protection to the plans.

MR. HANNA said that as to the ARM Board's Russian investments, the Moscow Exchange did reopen at the end of March to local investors but remained closed to foreign investors so there was no

way to buy or sell Russian equities. He said all major stock indices had completed their process of dropping Russian securities. He said that staff directed a halt on the purchase of Russian securities and also instructed the custodian bank to hold Russian securities at a zero value until there is more reliable pricing information.

CHAIR WILLIAMS asked if fixed income would heal itself or if something fundamentally changed that might be a different landscape going forward. MR. HANNA said they would have to wait and see how it played out, adding that the general expectation was that those rates would probably continue to normalize. He added in regard to the equity market, the ARM Board's bond holdings were relatively low compared to peers and that they would likely have less impact than those with higher bond holdings.

**B. Legal Report - None**

**C. Retirement & Benefits Division Report**

MR. DESAI noted that the new DRB website had gone live as of May 3<sup>rd</sup>. He said it took them longer due to the amount of documentation in the database and how to populate it in the appropriate location.

MR. DESAI said they received Commissioner Vrana's approval for a one-year extension on the recordkeeper contract and that they would continue the RFP process next year. He said Empower was willing to reduce their rate if their contract would be extended further and that was still under consideration..

MR. DESAI presented the legislative report starting on page 49 of the pdf.

MR. DESAI said that they are working on providing notice regarding the Metcalfe case by May 31<sup>st</sup>. He said they were going to provide notice on the public websites, and local newspapers to meet the court's requirements and would continue to work to find a way to mail out notices during the paper shortage due to a paper mill closure.

CHAIR WILLIAMS commented that he had met with MR. PUCKETT and Empower regarding transparency of fee information on the website and having additional clarity on what options cost money. He said he looked forward to an update at the June meeting.

CHAIR WILLIAMS also asked about the possibility of adjustments to the rate of deferred compensation and fees. MR. DESAI reported that they had prepared a memo to the Commissioner and were hopeful that it would be approved, and they would provide an update in June.

**X. UNFINISHED BUSINESS - None**

**XI. NEW BUSINESS - None**

**XII. OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD - None**

**XIII. PUBLIC/MEMBERS COMMENTS - None**

**XIV. INVESTMENT ADVISORY COUNCIL COMMENTS**

MR. RYERSON commented that she was fairly conservative and preferred to keep the actuarial rates at 2.5 percent but if she had to choose between the total rate of 7 or 7-and-a-quarter, she would go with 7.

DR. MITHCELL said that he wrestles with how to incorporate short-term information with long-term forecasts and that he did not know if the Feds had the answer. He said that he would go along with the actuary's suggestions and Callan's long-term estimates.

CHAIR WILLIAMS noted that DR. JENNINGS had no further comments.

**XV. TRUSTEE COMMENTS**

MS. RYAN thanked the RPF proposal evaluation committee and team for their hard work.

CHAIR WILLIAMS also thanked the proposal evaluation committee and everyone for taking their time to go through the packet and discuss the issues.

**XVI. FUTURE AGENDA ITEMS - None.**

**ADJOURNMENT**

MS. RYAN moved to adjourn the meeting. MR. KROHN seconded the motion. The motion passed without objection.

The meeting was adjourned at 11:09 a.m.



Chair of the Board of Trustees  
Alaska Retirement Management Board

**ATTEST:**



Corporate Secretary

Note: An outside contractor recorded the meeting and prepared the summary minutes. For in-depth discussion and more presentation details, please refer to the recording of the meeting and presentation materials on file at the ARMB office.