

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

**Videoconference**

**MINUTES OF**  
**June 16-17, 2022**

**Thursday, June 16, 2022**

**CALL TO ORDER**

CHAIR BOB WILLIAMS called the videoconference of the Alaska Retirement Management Board (ARMB) to order at 9:00 a.m.

**ROLL CALL**

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

**Board Members Present**

Bob Williams, *Chair*  
Lorne Bretz  
Allen Hippler  
Donald Krohn  
Commissioner Lucinda Mahoney  
Dennis Moen  
Sandra Ryan  
Michael Williams  
Commissioner Paula Vrana

**Board Members Absent**

None

**Department of Revenue Staff Present**

Zachary Hanna, Chief Investment Officer  
Pamela Leary, Director, Treasury Division  
Shane Carson, State Investment Officer  
Kevin Elliott, State Investment Officer  
Scott Jones, Head of Investment Operations, Performance & Analytics  
Ryan Kauzlarich, Assistant Comptroller  
Alysia Jones, Board Liaison  
Grant Ficek, Business Analyst

Sean Howard, State Investment Officer  
Mark Moon, State Investment Officer  
Stephanie Pham, State Investment Officer  
Michelle Prebula, State Investment Officer  
Hunter Romberg, Investment Data Analyst

**Department of Administration Staff Present**

Ajay Desai, Director, Division of Retirement & Benefits  
Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits  
Roberto Aceveda, Benefits and Counseling Manager  
Emily Ricci, Health Care Policy Administrator, Division of Retirement & Benefits  
Jim Puckett, Chief Pension Officer, Division of Retirement & Benefits  
Andrea Mueca, Health Operations Manager, Division of Retirement & Benefits  
Traci Walther, Accountant V, Division of Retirement & Benefits  
Hans Zigmund, Deputy Commissioner  
Amanda Pillifant, Executive Secretary, Commissioner's Office

**ARMB Legal Counsel Present**

Benjamin Hofmeister, Assistant Attorney General, Department of Law

**Investment Advisory Council Members Present**

Dr. William Jennings  
Dr. Jerrold Mitchell  
Ruth Ryerson

**Consultants, Invited Participants**

Steve Center, Callan  
Paul Erlendson, Callan  
Peter Keliuotis, Callan  
Catherine Beard, Callan  
Jay Kloepfer, Callan  
David Kershner, Buck  
Steve Oats, Buck  
Brett Hunter, Buck  
Paul Wood, Gabriel Roeder Smith  
Doug Bratton, Crestline  
Keith Williams, Crestline  
Frank Ramos-Smith, Crestline  
Robert Gillam, McKinley Capital  
Renee Marsjanik, McKinley Capital  
Forest Badgley, McKinley Capital  
John Reynolds, McKinley Capital

**Others Present**

Mike Tobin, Public

Elaine Schroeder, Public  
Rob Johnson, Public  
Tom Klaameyer, NEA, Alaska, Public

## **PUBLIC MEETING NOTICE**

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

## **APPROVAL OF AGENDA**

CHAIR WILLIAMS made a change under IX. Actuarial items, Item B moved to June 17<sup>th</sup> after the asset allocation decision.

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

With no objections, the agenda was approved.

## **PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES**

MR. TOBIN with 350 Juneau spoke regarding fossil fuel divestment.

MRS. SCHROEDER, with 350 Juneau spoke regarding Russian oil.

## **APPROVAL OF MINUTES – March 17 – 18, 2022 and APPROVAL OF MINUTES – May 4, 2022**

MR. WILLIAMS moved to approve the minutes of the March 17 - 18, 2022 as amended, and May 4, 2022, meeting of the ARM Board. MS. RYAN seconded the motion.

With no objection, the motion was approved.

## **STAFF REPORTS**

### **A. Liaison Report**

MS. JONES presented the first quarter financial disclosure report, communications report, 2022 and 2023 calendars, and an updated version of the ARMB Timeline of Contract and Review Deadlines for FY22-FY27.

MR. MOEN moved to adopt the 2023 meeting calendar MR. KROHN seconded the motion.

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

### **B. Fund Financial Presentation**

MR. KAUZLARICH presented the financials as of April 30<sup>th</sup> and shared the figures as of May 31<sup>st</sup>, noting a decrease.

MR. WORLEY shared the Alaska Retirement Management Board Financial report as well as the operating bill.

## **C. Retirement & Benefits Division Report**

### **1. Buck Consulting Invoices**

MR. WORLEY presented a summary of the monthly billing for Buck. MS. MAHONEY asked about the anticipated full year cost for Buck. MR. WORLEY said he would get back to her on total fiscal year cost.

### **2. Member Statistics**

MR. WORLEY presented member statistics for quarter ending March 31<sup>st</sup>, 2022 noting decreases in membership for DB membership for PERS and TRS, an increase in DCR membership for PERS and TRS and an increase in retirees for PERS with a decrease for TRS.

### **3. Legislative Summary**

MR. DESAI reported no significant updates since the last report in May.

### **4. BEARS Project Update**

MR. DESAI provided an update for the project discussing the different phases and noting the implementation had been pushed from December 2023 to the end of March of 2024.

## **D. Treasury Division Report**

MS. LEARY reported that the ARM Board budget had moved through the legislature and was with the governor.

## **E. CIO Report**

MR. HANNA discussed asset allocation and the unique environment created by not only the pandemic but also the global conflict in the Ukraine.

MR. HANNA discussed the watch list and requested a motion to remove Man Group..

MS. RYAN moved to adopt MR. HANNA'S recommendations to take Man Group off the ARM Board manager watch list. MR. KROHN seconded the motion.

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

## **F. Legal Report**

MR. HOFMEISTER said that he had nothing to report.

## **TRUSTEE REPORTS**

### **A. Chair Report**

CHAIR WILLIAMS noted that he had thoughtful conversations with Department of Administration and Department of Revenue staff in planning for the meeting.

## **B. Committee Reports**

### **1. Audit Committee**

MR. WILLIAMS reported that KPMG presented the timeline for the current fiscal year's audit. He said that they had also reviewed the Division of Retirement & Benefits internal audits and audits of employers and staffing changes. He said they had also discussed with KPMG and the Division of Retirement and Benefits the service organization controls and reports.

### **2. DC Plan Committee**

CHAIR WILLIAMS reported that T. Rowe Price had presented on the structures of the Stable Value Fund and received an update on the fund restructuring. MR. PUCKETT presented a legislative update and reported on the work the Division was doing. MR. WORLEY announced that the fee for the deferred compensation rate was going to change from 17 basis points to 11 basis points. MR. DESAI reported that there would be an extension of the contract with Empower for at least a year. MS. DAVIDSEN of Empower presented on fee transparency.

### **3. Operations Committee**

MR. MOEN reported that MS. LEARY and her team got the ARM Board budget passed. He said they also reviewed examples of more summarized minutes and considered the possibility of a Trustee 101 training. MR. JONES discussed vendor files, reconciliations, and interfaces, and said that cyber security was ongoing.

### **4. Actuarial Committee**

MR. HIPPLER reported that they had reviewed and approved the actuarial review conducted by GRS on the actuary's findings on the plan. He noted that most of the discussion was spent reviewing the experience analysis and the assumptions that would be adopted for the next few years. He reported the committee had recommended a reduction in the real rate of return of 13 basis point relative to a higher rate of return, noting there would be additional discussion following tomorrow's presentations on asset allocation.

### **5. Alaska Retiree Health Plan Advisory Board**

MR. BRETZ reported on the settlement agreement in regard to the litigation with RPEA and changes made in the 2014 Alaska Care defined benefit retirement plan and the dental, vision, and audio plans.

## **ACTUARIAL ACTION ITEMS**

### **A. Certification of FY 2021 Review Reports & Valuations**

MR. HIPPLER presented an action item to accept GRS' review and certification of Buck's actuarial valuations, and the actuarial valuation reports themselves prepared by Buck.

CHAIR WILLIAMS confirmed that the motion was the ARM Board accept the review and certification of the FY 2021 actuarial reports by GRS and the actuarial valuation report 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 and the roll-forward actuarial valuation reports for the Judicial and National Guard and Naval Militia Retirement Systems as of June 30<sup>th</sup> 2021.

MR. HIPPLER motioned to accept the FY 2021 review reports and valuations.

CHAIR WILLIAMS stated that it was a motion coming from the Actuarial Committee with no need for a second.

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

***B. Acceptance of Experience Study for July 1, 2017, to June 30, 2021 (Moved to Friday, June 17, 2022) (PAGE 106 OF THE PACKET)***

**C. Acceptance of Actuarial Audit**

MR. HIPPLER presented an action item with the recommendation to accept the actuarial audit of pension and post-employment healthcare plans dated May 20, 2022, by GRS.

MR. HIPPLER motioned to accept GRS' actuarial audit report.

CHAIR WILLIAMS stated that it was a motion coming from the Actuarial Committee with no need for a second.

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

CHAIR WILLIAMS recessed the meeting from 10:30 a.m. until 10:40 a.m.

**PRESENTATIONS**

**A. Performance Measurement – 1<sup>st</sup> Quarter**

MR. ERLENDSON gave a presentation on the market and economic environment and discussed how the returns had been fantastic, and how the state of the economy was causing negative returns and suggested to stay the course of the long-term strategic plan.

MR. CENTER presented the performance of the PERS, TRS, and JRS pension plans as of March 31, 2022. He noted that asset class allocations were in line with targets after the asset allocation update and associated rebalancing and the weightings to real assets and alternatives were high in comparison to other public funds. MR. CENTER presented the Participant Directed Plans noting that PERS DC was cash-flow positive as was the TRS plan, but TRS DC plan was cash-flow negative as was the SBS fund.

MR. ERLENDSON announced his retirement, stating that his last attendance of an ARM Board meeting would be in December and noted their proposed new team member was Butch Cliff who had been with Callan for 30 years as the Director of Research.

CHAIR WILLIAMS recessed the meeting from 11:54 a.m. until 1:15 p.m.

**B. ARMB Domestic, International Equity**

MR. MOON discussed the reset of 2019 and the reasons behind the decisions made to consolidate

various domestic large cap strategies and portfolios, and making the overall exposures reoriented to: passive, factor-tilted, and active.

MS. PREBULA explained the current structure to international equities, noting that the factor and passive strategies were segregated into developed and emerging markets and that the active strategies were a mix of developed and emerging markets.

In response to CHAIR WILLIAMS' question regarding the search for additional managers, MS PREBULA said they had in mind adding a maximum of three.

MS PREBULA recommended the Alaska Retirement Management board direct the staff to engage Callan and Associates to conduct a search for one or more Global Ex U. S. investment managers.

MS. MAHONEY motioned to accept the recommendation to engage Callan to conduct a search for one or more Global Ex. U.S. investment manager(s). MR. WILLIAMS seconded the motion.

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

### **C. Opportunistic/Multi-Asset**

MR. CARSON discussed the history, structure, performance, managers, underlying strategies, and proposed changes to the opportunistic asset class. He also recommended renaming the asset class to Multi-Asset, refining the purpose statement, and transitioning the alternative fixed income mandates into Multi-Asset.

### **D. McKinley Healthcare Transformation**

MR. GILLAM presented healthcare transformation strategies and updates, noting they had designed the strategy to address the growing costs of healthcare. He also introduced new team member, MS. RENNE MARSJANIK, Director of Client Solutions.

CHAIR WILLIAMS recessed the meeting from 3:25 p.m. until 3:30 p.m.

### **E. Executive Session**

CHAIR WILLIAMS asked for a motion for the Alaska Retirement Management Board to go into Executive Session to consider a matter related to a specific manager, the immediate knowledge of which may harm the character or reputation of the persons discussed.

CHAIR WILLIAMS invited IAC members, Treasury staff, and ARM Board legal counsel to join the Board in executive session.

MR. MOEN motioned to go into executive session. MR. BRETZ seconded the motion.

The Board went off the record at 3:48 p.m., recessing the public portion of the meeting until Friday morning.

Friday, June 17, 2022

CALL BACK TO ORDER

CHAIR WILLIAMS stated that Thursday's executive session ended at 4:21 p.m. and that no action was taken by the board. He then reconvened the meeting at 9:00 a.m.

#### **F. Private Credit Education and Implementation**

MR. KELIUTOIS' presentation consisted of a review of private credit as an asset class, how they selected the manager, the due diligence involved, and the implementation of the portfolio.

MS. BEARD continued the presentation and explained the history of private credit, the program design, and private credit strategies.

#### **G. Crestline**

MR. BRATTON presented an overview of Crestline and the employees. He discussed the multi-strategies in which the ARM Board invests.

MR. WILLIAMS discussed their approach to capital preservation, direct lending strategies, specialty lending strategies, and opportunistic strategies. He then discussed Blue Glacier Fund Class D, describing it as the most recent vintage.

#### **H. Opportunistic/Multi-Asset Wrap-up**

MR. CARSON noted that the staff believed the risk, return, and diversified benefits and characters would be additive to the overall ARMB Board portfolio; he explained that if they did not continue to make commitments to private debt they would eventually wind down by 2027. He suggested the Board continue to bring capital to the space and consider expanding investments and the manager set.

MR. HIPPLER motioned that the Alaska Retirement Board direct staff to engage Callan to conduct a search for private debt managers and delegate authority to staff to contract and invest with up to two managers for up to a hundred million each, subject to successful due diligence and contract negotiation. MR. MOEN seconded the motion.

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

CHAIR WILLIAMS recessed the meeting from 10:43 a.m. until 11:00 a.m.

#### **I. ARMB 2022 Asset Allocation Strategy**

MR. KLOEPFER presented the ARMB 2022 asset allocation strategy. He discussed the 2022 10-year assumptions versus the 2021 standard set, he also summarized the important changes for 2022 capital markets assumptions.

#### **J. Asset Allocation Discussion and Action**

MR. HANNA reviewed the ARMB's asset allocation process and explained that the goal was to balance investment objectives, risk tolerance, and other attributes.

He then discussed time horizon, liquidity needs, rebalancing, peer assumptions, and risk posture, noting that the ARMB had a shorter time horizon and slightly riskier portfolio compared to peers. MR. HANNA presented four asset allocation mixes for PERS, TRS and Judicial, and stated that staff recommended Mix 2 as the closest to the actuarial target.

MR. HANNA stated that for National Guard and Naval, staff recommended a portfolio that targets the 5.75 % actuarially expected return and had an 8% allocation to Multi-Asset.

MS. RYERSON noted that they were focusing on a number, 4.57, but that there's likely a range of 4.3 to 4.7 because of the estimates and assumptions being considered. She commended MR. HANNA and MR. KLOEPFER on their presentations and noted that staff has returned that excess return.

DR. JENNINGS concurred with MS. RYERSON. He added that they are a long-term investor, meaning they can take equity risk and supported staff's recommendation of Mix 2.

DR. MITCHELL complimented Callan and staff on their thoughtful process.

**Action: Resolution 2022-02 Asset Allocation for PERS DB & DC, TRS DB & DC, and JRS (Mix 2)**

MR. BRETZ moved to adopt Resolution 2022-02. MR. KROHN seconded the motion.

MR. HIPPLER suggested they were overestimating the value of fixed income to provide a hedge and underestimating fixed incomes' level of risk with respect to inflation and increasing interest rates.

MR. HIPPLER moved to amend the motion to reflect Mix 3. MS. MAHONEY seconded the motion.

MS. MAHONEY commented that her concern with Mix 2 was that de-risking was a reflection of where they were today versus 20 years down the road.

MR. HIPPLER commented that they were coming off a real rate of return target of 4.88, that 4.65 would be a compromise between the various real rates of return.

MR. WILLIAMS stated that he was hesitant to support the amendment given that it was contrary to staff, Callan, and IAC recommendation.

MR. HANNA clarified that his recommendation was to modestly de-risk given where the ARMB is compared to peers. He added that there was a strong recommendation not to move to Mix 4, but that there was not a huge distinction between Mix 2 and Mix 3.

A roll call vote was taken on the amendment (Mix 3), the motion passed with 6 yeas and 3 nays.

**Action: Resolution 2022-02 Asset Allocation for PERS DB & DC, TRS DB & DC and JRS (Amendment Mix 3)**

A roll call vote was taken, and the motion passed with 8 yeas and 1 nay.

**Action: Resolution 2022-03 Asset Allocation for NGNMRS**

MR. HIPPLER moved the motion as presented. MR. BRETZ seconded the motion.

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

**Action: Resolution 2022-01 Acceptance of Experience Analysis**

MR. HIPPLER motioned to accept the experience analysis prepared by Buck as well as the assumption and methods changes recommended therein as Proposed Option #2.

CHAIR WILLIAMS stated that it did not need a second as it came from the Actuarial Committee.

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

**UNFINISHED BUSINESS** - None

**NEW BUSINESS** – None

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

**PUBLIC/MEMBER COMMENTS**

MS. JONES stated that written comments regarding equity options and SBS, had been received and forwarded to the DC Plan Committee in early May.

**INVESTMENT ADVISORY COUNCIL COMMENTS**

MS. RYERSON commented that it was a really good process and was refreshing to see a board consider all the different options and have thorough discussions and come up with good solutions.

DR. JENNINGS and DR. MITCHELL had no further comments.

**TRUSTEE COMMENTS** - None

**FUTURE AGENDA ITEMS** – None

**ADJOURNMENT**

There being no objection and no further business to come before the board, the meeting was adjourned at 12:48 p.m. on June 17, 2022, on a motion made by MS. RYAN and seconded by MR. HIPPLER.



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Chair of the Board of Trustees  
Alaska Retirement Management Board

**ATTEST:**



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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.