

**ALASKA RETIREMENT MANAGEMENT BOARD
BOARD OF TRUSTEES MEETING
HYBRID/TEAMS**

**June 15 & 16, 2023
9:00 a.m.**

**Originating at:
Atwood Conference Center
550 West 7th Avenue, 1st Floor
Anchorage, Alaska 99501**

Trustees Present:

Bob Williams, Chair
Sandra Ryan
Mike Williams
Adam Crum

Donald Krohn
Dennis Moen
Lorne Bretz

Department of Revenue Staff Present:

Zach Hanna, Chief Investment Officer
Scott Jones, Investment Operations, Performance
& Analytics

Pamela Leary, Director, Treasury Division
Ryan Kauzlarich, Assistant Comptroller

Shane Carson, State Investment Officer
Emily Howard, State Investment Officer
Hunter Romberg, Senior Compliance Officer
Robyn Mesdag, State Investment Officer
Mark Moon, State Investment Officer
Rosa Sanchez, Assistant Compliance Officer
Grant Ficek, Business Analyst

Casey Colson, State Investment Officer
Cahal Morehouse, State Investment Officer
Chris Madsen, Administrative Operations Manager
Keith Moniz, Systems Programmer
Stephanie Pham, State Investment Officer
Robert Vicario, Administrative Assistant II
Alysia Jones, Board Liaison

Department of Law Staff Present:

Ben Hofmeister, Assistant Attorney General
Graham Vert

Maria Smilde

Investment Advisory Council Present:

Dr. William W. Jennings
Ruth Traylor

Dr. Jerrold Mitchell

Department of Administration - Division of Retirement & Benefits Staff Present:

Ajay Desai, Director
Kevin Worley, Chief Financial Officer
Mindy Voigt, Acting Chief Pension Officer
Roberto Aceveda, Education & Counseling Manager
Brandon Roomsburg, Retirement & Benefits Specialist

Department of Administration (DOA) Staff:

Dave Donley, Deputy Commissioner

Callan:

Ivan "Butch" Cliff, Executive Vice President, Director of Research
Steve Center, Senior Vice President
Jay Kloepfer, Executive Vice President and Director, Capital Market Research

Buck:

David Kershner, Principal, Consulting Actuary

GRS:

Paul Wood, Actuary, Senior Consultant & Team Leader
Bill Detweiler, Consultant

Guests/Presenters:

Pete Keliuotis, Executive Vice President, Alternatives Consulting, Callan
Keith Ashton, Partner, Portfolio Manager, Co-Head of Alternative Credit
Juliette Schainuck, Principal, Relationship Manager
David Walla, Vice President Alternative Credit
Doug Bratton, Founding Partner, CEO and Co-CIO
Keith Williams, Managing Partner and Co-CIO

Public Present:

Doug Woodby, 350Juneau
Randall Burns, RPEA President
Tom Klaameyer, NEA-Alaska

Robert Schroeder, 350Juneau
James Simard, 350Juneau

PROCEEDINGS

CALL TO ORDER

CHAIR BOB WILLIAMS called the Alaska Retirement Management Board meeting to order and asked for a roll call.

MS. JONES called the roll.

PUBLIC MEETING NOTICE

CHAIR BOB WILLIAMS asked if the public notice requirement was met for this meeting.

MS. JONES replied, yes, it had.

APPROVAL OF AGENDA

CHAIR BOB WILLIAMS moved to the agenda and stated that there was one alteration. After approval of the minutes, there would be an election of officer for vice chair, which was vacant. Other than that change, he asked for any other corrections or additions. Hearing none, the agenda was approved.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS, AND APPEARANCES

CHAIR BOB WILLIAMS then moved to the public member participation. He stated that he had the names of three people to testify and reminded them that they had three minutes. He recognized Bob Schroeder.

MR. SCHROEDER stated that he has lived in Juneau for 45 years. He was a retired anthropologist and had worked for the State and Federal Government in Rural Alaska. In earlier testimony he had argued that the ARMB needed to undertake climate risk assessment of all of its holdings, which would be a sort of climate stress test. It would identify investments likely to be hurt or to benefit from anticipated climate change. He also supported divestment from certain investments in the fossil fuel segment of the economy that would lose value as the national and global economies transitioned. He talked about the climate situation continuing throughout the world and quoted findings from the United Nations' International Protocol on Climate Change Sixth Assessment Report. The progression of climate change will result in major social and economic changes which will affect ARMB's investment policy. A surprising number of people, funds, schools, and municipalities have decided to divest fossil fuel investments, and he added that it is time for the ARMB to seriously examine its investment direction. He thanked the Board for their service, and stated that he would be happy to answer any questions.

CHAIR BOB WILLIAMS thanked Mr. Schroeder, and recognized Doug Woodby.

MR. WOODYBY stated that he lives in Juneau, received a monthly pension from the State and is a member of 350Juneau. He continued that Alaska Representative Kevin McCabe introduced House Bill 174 titled: "An Act restricting fiduciary actions by a fiduciary of a state fund, the Alaska Retirement Management Board, and the Alaska Permanent Fund Corporation Board that have the purpose of furthering social, political, or ideological interests." That bill was referred to House Finance and was still sitting there. He added that if that bill is passed next year, it would restrict the ability to use all available information in your investment decisions. The bill states: "If evidence indicates a commitment to eliminating, reducing, offsetting, or disclosing

greenhouse gas emissions,” and some other things. The bill’s sponsors issued testimony stating that this meant the investment decisions would be made solely on the basis of financial duty, which would have a cooling effect on the ability to do their job. He talked about fulfilling their duty of loyalty and care to beneficiaries and the implication to the pension fund. He requested the pension fund managers to consider climate risk, among the other risks, and to do that for the sake of the fund.

CHAIR BOB WILLIAMS asked for any questions and thanked him for the comments, and recognized Jim Simard.

MR. SIMARD stated that he lives in Juneau. He is a librarian retired from the state of Alaska; is a board member of 350Juneau; and is a grandfather. He continued that he had spoken several times in the past about the investment risk posed by litigation against major oil producers. Dozens of American cities have brought lawsuits alleging that oil producers recklessly and knowingly caused harm to those cities through the production and the deceptive marketing of the products. He gave a few updates on those lawsuits. The children’s lawsuit against the State of Montana, *Held versus Montana*, was brought by 16 young people. They maintain that the energy policies of the State of Montana, which prioritize fossil fuels, have denied their constitutional right to a healthy environment. He added that the two-week trial was being Zoomed live, and he recommended watching. He reminded the board that their fiduciary responsibility extended to all generations of Alaskans.

CHAIR BOB WILLIAMS thanked him and asked for anyone else online or in the room that would like to speak. Hearing none, he closed the public member participation, communications, and appearance section of the meeting, and then moved to approval of the minutes

APPROVAL OF MINUTES

CHAIR BOB WILLIAMS asked for a motion to approve the minutes from March 16-17, 2023.

MOTION: A motion was made to approve the minutes of March 16-17, 2023. The motion was made by TRUSTEE KROHN; seconded by TRUSTEE RYAN.

There being no objection, the MOTION was APPROVED.

CHAIR BOB WILLIAMS stated that one of the differences from the last meeting was that Trustee Hippler took a different employment position that made it so that he could not serve as a public member. He read into the record a letter that was mailed to Mr. Hippler on June 9, 2023, noting great appreciation for his service. He stated the need to have an election of officer for vice chair.

ELECTION OF VICE CHAIR

CHAIR BOB WILLIAMS asked for a motion.

MOTION: TRUSTEE MOEN nominated Sandy Ryan for the position of vice chair.

CHAIR BOB WILLIAMS asked Sandy Ryan if she was willing to accept that position.

TRUSTEE RYAN replied, yes.

The Motion was seconded by TRUSTEE KROHN.

After a roll-call vote, the MOTION was APPROVED. (Trustee Mike Williams, yes; Trustee Bretz, yes; Commissioner Crum, no response; Trustee Krohn, yes; Trustee Moen, yes; Commissioner Vrana, no response; Trustee Ryan, abstained; Chair Bob Williams, yes.)

STAFF REPORTS

ARM BOARD LIAISON

CHAIR BOB WILLIAMS moved into staff reports and recognized ARM Board Liaison Alysia Jones.

MS. JONES began with the first quarter disclosure memorandum and stated that there were no disclosure transactions that required additional review or discussion. The communications memorandum listed communications directed to or sent on behalf of the Board since the March 16-17, 2023, meeting. It also included a summary of public records requests. She talked about the 2024 proposed calendar and added that an action item would be brought forward by Chair Moen during the Operations Committee report. The last item was a timeline showing contract and review deadlines for FY23 through FY28, which had been updated since the March meeting to reflect actions that were taken at the last meeting.

FUND FINANCIAL PRESENTATION

CHAIR BOB WILLIAMS recognized Assistant Comptroller Ryan Kauzlarich and CFO Kevin Worley.

MR. KAUZLARICH summarized the PERS, TRS, JRS, SBS, and the DC assets as of the end of April 2023. Total assets were up 2.28 percent year-to-date. He also went through some updated figures as of June 13th.

CFO WORLEY began with the total from Department of Revenue's report that Mr. Kauzlarich spoke about, and then provided the detail for contributions and expenditures for all of those funds. He continued that additional information requested by the Board related to participant-directed disbursements by plan was located on page 74. He added that was broken down by invested amounts, from 100 percent invested in employer contributions down to zero percent invested in contributions. Similar categories were also broken out by years for the defined benefit portions of PERS, TRS, and JRS.

CHAIR BOB WILLIAMS stated appreciation for the detail and context provided, and continued forward to Item C.

RETIREMENT AND BENEFITS DIVISION REPORT

DIRECTOR DESAI began with the Legislative update and highlighted HB22, SB11, SB35, and SB88. SB22 was specific to the fire fighters; SB11 was for both PERS and TRS with a similar design; SB35 was the companion bill for HB22. SB88 was introduced by Senator Giessel where all of those previous three bills were pulled together. SB88 offered DB tiers for the PERS and TRS system and closed the defined contribution retirement plan in the PERS and TRS system for new hires. This bill offered options to existing DCR members to choose within a specific

window to elect under the DB plan, and for new hires, it would be a DB plan moving forward. He added that this bill was passed out from Senate, Labor, and Commerce and was heard and held in Senate Finance at the end of session. The belief is that it would continue through this year.

TRUSTEE RYAN understood that these bills, if compared to the current DB plan, show a difference in health care. She asked if it was known why.

DIRECTOR DESAI replied that all these bills appear to offer identical benefits to the current Tier 4 and Tier 3 DCR military health benefits. He stated that the Division did not design the bills. When these DB tiers were closed in 2006, the decision was made by the Legislators, and the new design that was put in place for DCRs was also determined by the Legislators. The Division's role in this process was to support all the requirements and necessary data information and analysis.

CFO WORLEY stated that the next presentation was about consulting invoices by quarter. The detail was requested by the Board in comparison for the prior fiscal year to the current fiscal year, and for the impacts on each of the systems. He continued that the detail was broken down by September, December, and March of 2023, as well as a nine-month summary. He continued that the next item was the quarterly statistics for the quarter ending March 31, 2023. At Chair Williams' request, a segment was added in the middle of each of the quarterly statistics related to managed accounts; not just the total number of folks participating with the dollar amount reflected. It impacts PERS, DRC, TRS, DCR, SDS, and Deferred Comp. Related additional information was also included.

BEARS PROJECT UPDATE

DIRECTOR DESIA stated that the acronym BEARS stands for Benefits and Retirement System. Over the last 30-plus years, the Division of Retirement and Benefits operated successfully with the decentralized management of many of its core business processes. However, DRB continually creates many challenges, internal and external, with manual work processes and data exchanges. He continued that, generally, employers are responsible for maintaining an employee's record and correctly reporting related data to DRB. Incorrect employee reporting has been a long issue with the legacy systems to smartly identify and have a good process. An example was a member who applied for retirement based on the incorrect hire date that had been originally confirmed by the employer showed an additional service for which the member was not eligible. Upon further review, the employer confirmed and corrected the hire date, and he was still eligible for the retirement benefits. He talked about the impacts of the errors. He added that they were still continuing to look into it, and they do believe that they will find a solution. He talked about the new system and, when it goes live, a lot of manual data, paper files, would be converted into the data. The new system was designed based on the rules and the statutes. They were working very hard to fix every single piece of data that goes into this new system accurately.

TREASURY DIVISION REPORT

DIRECTOR LEARY thanked Director Desai for his heartfelt comments, and added that what they did was really important for the people of Alaska. She stated appreciation for the Board support, as well. She continued that she had two comments. First, the fiscal year '24 budget bill, HB39, was transmitted to the Governor and was on his desk as of June 13. She added that he

had 20 days for signatures, and that they were awaiting the final budget. The Legislature passed their budget; the ARM Board budgets were intact, with a hope to see that continue. She stated that the second item was the annual picnic and softball game on June 2 with the Alaska Permanent Fund Corporation, Treasury versus APFC. “The Green Machine,” their name, smashed it 18 to 2. She added that the commissioner and deputy commissioner also worked with the softball team to make that happen.

CIO REPORT

CIO HANNA stated that recent economic news had been largely positive; CPI continued coming down, and the Fed elected for taking a break from raising rates. The market reaction was pretty positive, and most of the rebound occurred on this calendar year. He added that they were completing their transition to a more focused Board meeting format, with an asset class or two taking center stage for each meeting. The hope is to take a deeper dive into each asset class on a recurring basis, with the focus of this meeting being the multi-asset portfolio. Portfolio Manager Shane Carson would go through the growing private debt investment portion, and tomorrow would cover tactical asset allocation strategies. He continued that a manager review meeting was held with requested information and disclosures from all of the managers, in addition to the ongoing staff manager monitoring. He continued through the watch list changes that were made. He stated that they had four managers on the watch list currently; one for personnel turnover, and three for performance. The first manager was Fidelity Real Estate High Income, and their performance had improved. They actually qualify for being taken off the watch list. We left them on, and recommend continuing to do so with further discussion in September. Baillie Gifford was also on the watch list for performance reasons, and had been on it for about a year. Their performance had improved, and they were about 50 basis points from being off the watch list. The recommendation was to have them stay on the watch list with no further action at this point. He recommended that two managers be removed from the watch list. First was Brandes International; they were placed on the watch list in March of last year for performance, which had improved dramatically. They qualify for watch list removal. He stated that BlackRock Real Estate had a key portfolio manager depart, and it had already been over a year. Staff has met with the remaining team and portfolio managers, and they are happy with how things are going. He requested a motion to remove both Brandes International and BlackRock Real Estate Fund from the ARM Board manager watch list.

CHAIR BOB WILLIAMS entertained a motion.

MOTION: A motion to remove both Brandes International and BlackRock Real Estate Fund from the ARM Board manager watch list was made by TRUSTEE BRETZ; seconded by TRUSTEE MIKE WILLIAMS.

After the roll-call vote, the MOTION was APPROVED. (Trustee Ryan, yes; Trustee Krohn, yes; Trustee Moen, yes; Commissioner Crum, no response; Commissioner Vrana, no response; Trustee Mike Williams, yes; Chair Bob Williams, yes.)

CIO HANNA stated that the items in area three were places where he exercised CIO delegation for contracting. Item A is \$50 million private equity to New Mountain VII. New Mountain is a middle market private equity firm focused on defensive growth businesses. They have been a very good investment for the Board. Item B is a \$50 million private equity commitment to

Genstar IX. They are a successful private equity firm focused on middle market investments and financial services, software, industrials, and health care. Item C is a \$100 million investment with Comvest Credit Partners. This was a second hire from the private debt search. The Board delegated authority to the staff to hire two managers. Shane Carson will discuss this in more detail later today. Item D is a \$200 million commitment with Crestline Blue Glacier Fund 2. It was a continuation of a series of successful opportunist investments by Crestline for the Board. This will also be discussed later by Mr. Carson. Items E and F are the execution of contract renewals for Callan's consulting and real estate consulting contracts, as directed by the Board at the last meeting. He also reported, in terms of Board action, being in advanced stages of contracting with the three new equity managers recommended for hire at the March meeting: Acadian, First Eagle, and Eagle. He stated that Item 4 continued with the summary of the portfolio rebalancing that took place between February and April this year. The rebalancing activity focused on risk management. For the first quarter, it was selling outperforming international and domestic equity investments to fund investments in fixed income. Also conducted were three internal rebalancing transactions over this period to equalize the relative allocations across the 14 plans managed for the ARM Board. He noted that it was IAC Member Dr. Jerry Mitchell's very last meeting, and he looked forward to his later comments.

CHAIR BOB WILLIAMS moved to Item F, legal report, and recognized Assistant Attorney General, ARM Board Counsel, Ben Hofmeister.

LEGAL REPORT

MR. HOFMEISTER stated that he did not have a legal report for this meeting.

STATUTORY INVESTMENT POWERS AND DUTIES

MR. HOFMEISTER continued that he would be using the analogy of Star Wars Jedis because they are selfless, and an order designed to help other people. In talking with the trustees, that is also what they do. He added that while talking about statutory powers and investment authorities, they would really be discussing fiduciary responsibility, primarily under state law. The duties and powers of a fiduciary are very important, and it is required under state law for the trustees to have this presentation. He noted that 37.10.210 is the starting point for anything in terms of the ARM Board. He went through the definition of "fiduciary" and then to "fiduciary duty." He continued that the ARM Board's fiduciary duty is to serve as the trustee of the assets of the State's retirement plans and the retiree health care trusts. He went through all in greater detail, explaining as he went along. He noted that the ARM Board's powers and duties as to investments are pretty clear: The prudent investor rule and the fiduciary duty applies to all funds that are managed by the Board. There is not an ideal prudent behavior for all situations, and it depends on the purposes of each invested fund. Diversification is something that the trustees will constantly try to evaluate. He continued that they had an enormous fiduciary responsibility with a significant toolkit set out in the statutes, to be used as powers and duties. He suggested refining structure and governance, and always looking at what would make a better organization and what those outcomes would mean for the beneficiaries. The Board should continue reviewing policies; maintaining compliance; complying with reporting requirements as required by state law; attend meetings and ask questions; and realize the people that have a wealth of information to share will help in terms of complying with the Board's fiduciary responsibility.

CHAIR BOB WILLIAMS thanked Mr. Hofmeister and called a break.

(Break.)

TRUSTEE REPORTS

CHAIR REPORT

CHAIR BOB WILLIAMS called the meeting back to order and continued with the Chair report. He noted that there were a lot of different meetings in preparation for the committee meetings. He thanked staff and everyone that helped to make the preparation for this meeting come together. He gave his deep gratitude to the IAC members, and also shared appreciation for Trustee Hippler's service. He recognized the Audit Committee Chair.

COMMITTEE REPORTS

AUDIT COMMITTEE

CHAIR MIKE WILLIAMS reported that the Audit Committee of the Alaska Retirement Management Board met and went through the normal review of the annual audit process with KPMG. The audit will begin later this summer or early fall. Its findings will go up to the State's comprehensive and then financial report. He talked about the results of Ernst & Young's audit of statements regarding State Street's custodial accounts managed for the ARMB. There were no material findings, and the report stated that State Street's controls represented fairly all material aspects to the control systems and then the control objectives. It was a good report on the controls for the custodial arrangement with State Street. The Division of Retirement and Benefits and Treasury reported on continuing staffing challenges. They are working to address them, but that is not impacting delivery of services in any material way. They will continue to fill vacancies and making sure that the mission and objectives of the plan are being met. The Division of Retirement and Benefits talked about the status of employer audits and delinquencies, and their plans are working closely with those participant plans to become current.

DEFINED CONTRIBUTION COMMITTEE REPORT

CHAIR BOB WILLIAMS thanked ARM Board liaison Alysia Jones for bringing everything together, and stated that there was a Treasury update which included two action items. The chief pension officer report looked at a recordkeeping fee reduction to members beginning July 1st. He continued that Kevin Worley put together a beautiful PERS and TRS Social Security report, which gave a thorough review of where it all was. Larry Davis gave an update on the Metcalfe conversions, and explained that a couple hundred people filled out the online survey. There was also an update from Empower, and then we went into an extended Executive Session. He thanked Assistant Attorney General, ARM Board Counsel Ben Hofmeister, for the help in the process. He moved to the two action items from the committee to the Board. JP Morgan decided to close the JP Morgan 2015 Smart Spend, and it made sense to close the 2015 and the 2020.

MOTION: The DC Committee recommends the Alaska Retirement Management Board direct staff to discontinue the JP Morgan Smart Retirement Blend 2015 and the JP Morgan Smart Retirement Blend 2020 in the Alaska Supplemental Annuity Plan, the Defined Contribution Retirement Plans and the Deferred Compensation Plan, and requests that the recordkeeper notify participants of the intent to remap them into an age-appropriate target date fund if they do not select a different option prior to the date the 2015 fund will be discontinued.

After the roll-call vote, the MOTION was APPROVED. (Trustee Bretz, yes; Commissioner Crum, no response; Trustee Krohn, yes; Trustee Moen, yes; Trustee Ryan, yes; Commissioner Vrana, no response; Trustee Mike Williams, yes; Chair Bob Williams, yes.)

MOTION: The DC Committee is recommending the Alaska Retirement Management Board direct staff to contract with Fidelity to offer the Core Plus Strategy in the Alaska Supplemental Annuity Plan, the Defined Contribution Retirement Plans, and the Deferred Compensation plan.

After the roll-call vote, the MOTION was APPROVED. (Trustee Mike Williams, yes; Commissioner Vrana, no response; Trustee Ryan, yes; Trustee Moen, yes; Trustee Krohn, yes; Commissioner Crum, no response; Trustee Bretz, yes; Chair Bob Williams, yes.)

CHAIR BOB WILLIAMS concluded the DC Committee report and moved to the Actuarial Committee chaired by Chair Ryan.

ACTUARIAL COMMITTEE REPORT

TRUSTEE RYAN reported that the Actuarial Committee had a wonderful meeting and doubled down on the actuaries, both from Buck and GRS. Both presentations were good, informative, and reassured that the information is being handled correctly. Mr. Worley talked about the continued issues with the National Guard, getting real numbers, and how he had tried to get those in line. They also went over some of the accounts that appeared to be delinquent in payments, but may have missed by a couple of days. She continued that there were a couple of action items coming from the committee. The first one is the FY2022 certification of actuarial reviews.

MOTION: The Alaska Retirement Management Board accept and review the certification of the Fiscal Year 2022 Actuary Report from GRS.

After the roll-call vote, the MOTION was APPROVED. (Trustee Krohn, yes; Trustee Moen, yes; Commissioner Vrana, no response; Trustee Mike Williams, yes; Trustee Bretz, yes; Commissioner Crum, no response; Trustee Ryan, yes; Chair Bob Williams, yes.)

MOTION: The Alaska Retirement Management Board accepts the actuarial evaluation report prepared by Buck for the public employees, teachers, public employees defined contribution for occupational death and disability and retired medical benefits, and teachers defined contribution for occupational death and disability and retiree medical benefits retirement system as of June 30, 2022.

After the roll-call vote, the MOTION was APPROVED. (Trustee Moan, yes; Trustee Krohn, yes; Commissioner Crum, no response; Trustee Bretz, yes; Trustee Ryan, yes; Trustee Mike Williams, yes; Commissioner Vrana, no response; Chair Bob Williams, yes.)

OPERATIONS COMMITTEE

CHAIR BOB WILLIAMS stated that the Operations Committee was chaired by Trustee Moen because he was unavailable for the meeting yesterday. He began with a status update on the Investment Advisory Council member that would be replacing the unreplaceable Dr. Mitchell. The process was gone through and narrowed down, and we will have an Executive Session tomorrow with the recommendation from the PEC Committee. He stated that Director Leary gave a budget update, and had a staffing, recruitment, and retention conversation. Scott Jones gave an update on how things were moving along in the middle office. ARM Board Liaison Alysia Jones gave a review of travel policies. He moved to the action item and asked Ms. Jones to share the calendar. The changes were that the committee meetings would be on Tuesday, and Board meetings would be on Wednesday and Thursday. The other change was that the September meeting location would be in Fairbanks. The cost difference will be around \$6,000.

MOTION: The Operations Committee brought forward a motion that the Board adopt the 2024 recommended ARM Board calendar.

TRUSTEE BRETZ commented that he really favored the ARM Board meeting whenever possible to be on the road system, because it is good for the members.

After the roll-call vote, the MOTION was APPROVED. (Trustee Bretz, yes; Commissioner Crum, no response; Trustee Krohn, yes; Trustee Moen, yes; Trustee Ryan, yes; Commissioner Vrana, no response; Trustee Mike Williams, yes; Chair Bob Williams, yes.)

TRUSTEE MOEN was curious about the issues with retention and asked what the typical tenure was for those folks, how often the turnover was.

DIRECTOR LEARY stated that she would be happy to do an analysis. The reality is that Treasury had been lucky to have a lot of longevity. Some turnover had been seen in the past, with five years at various levels.

ALASKA RETIREE HEALTH PLAN ADVISORY BOARD

TRUSTEE BRETZ stated that it seemed like there were always things added to the health plan. The changes were deliberated and made with the retiree in mind. Right now, they were in a public comment period that would end tomorrow. He continued that the three things being discussed are being deliberated about adding to the plan: an update to the lifetime benefit maximum; addition of supplemental non-emergent surgery and travel benefits; and addition of virtual physical therapy and musculoskeletal care. He gave a brief update to the lifetime benefit maximum. He anticipated that all of the plan changes would be made.

RFS20230400-0016 PROCUREMENT EVALUATION COMMITTEE

CHAIR BOB WILLIAMS stated that this report is about the Procurement Evaluation Committee for filling the IAC position. He felt very good about the process that they went through as an organization. He continued that there were five trustees on the committee who met multiple times, and we had a really strong response. There was an advertisement in "Pensions & Investment," which resulted in 17 applications. It was narrowed down, and we did interviews. There will be a recommendation brought forward at an Executive Session tomorrow. He called a break.

(Break.)

CHAIR BOB WILLIAMS called the meeting back to order and moved to the first quarter presentations with performance measurements. He recognized Steve Center and Butch Cliff.

PRESENTATIONS

PERFORMANCE MEASUREMENT – 1ST QUARTER

MR. CLIFF stated that Steve Center would not be attending. He reported that equity markets were up two quarters in a row, and the S&P 500 was up 7.5 percent for two quarters. Fixed income had also done well two quarters in a row as inflation began to ease and the Fed continued battling with inflation, which was coming down steadily. He went through some quick charts on the economy which was continuing slowly upward. There was a dramatic, quick change back to a growth market last quarter, primarily driven by the mega cap stocks. Small caps, unfortunately, lagged. He went through some of the highlights of growth internationally. He also talked about the uncertainty in interest rates and in equity valuations. It is very volatile, and everyone is worried about inflation and interest rates. He continued talking about private real estate and what was happening there, and then moved to private equity, which was much slower in revaluing their companies. Of all of the types of private equity, venture capital and growth equity have revalued downward quicker because they have more technology exposure. He stated that fundraising had been more challenging for the private equity general partners because of the denominator effect. Fund sponsors were pulling back on some of their commitments. There were less distributions coming back from current private equity limited partnerships that usually turn around and recommit to new partnerships. He continued that general partners were not used to having a hard time fundraising. He went through the PERS DC plan quickly because there was not much to note there. He then moved to the flows and the changes in asset values and continued to Deferred Comp and asset allocation.

MR. CLIFF continued with his presentation, moving to large cap and small cap, and then continued to the profile of the domestic equity program. He completed his presentation and stated that the company had a big retirement. The head of Fund Sponsor Consulting, Millie Viquiera, one of his peers and associates in the New Jersey office, retired. They named Greg DeForrest, the head of the San Francisco office, as the new head of Fund Sponsor Consulting, a big promotion for him. He will be a great addition to the team.

DR. MITCHELL gave a couple of observations on the EAFE performance, international performance. Japan was the critical out-performer, up about 28 percent this year, and about 25 percent of the index; that deserved attention.

CHAIR BOB WILLIAMS called lunch.

(Lunch break.)

CHAIR BOB WILLIAMS called the meeting back into session and introduced Mr. Shane Carson.

ARMB PRIVATE DEBT SEARCH PROCESS & CURRENT ENVIRONMENT

MR. CARSON stated that he oversees the multi-asset asset class. Within that asset class

is a portfolio of private debt, which is valued at roughly about \$850, \$900 million. Presenting with him was Pete Keliuotis from Callan.

MR. KELIUOTIS stated that he was the head of Alternatives Consulting at Callan. Ashley Kahn and Gary Robertson were both in his team. He covered private equity, private credit and hedge fund strategies. He was there to talk about private credit.

MR. CARSON stated that the presentation was called the ARM Board Private Debt Search Process, and then current environment. In June of 2022, the Board had directed staff to engage Callen, Mr. Keliuotis, to conduct a search for private debt managers, and then delegated authority to staff to contract up to two of those managers for an amount of \$100 million each, subject to successful due diligence and contract negotiations. Staff actually finished the second of the contract in that process in May of this year. He continued that the intent of this presentation was to provide the Board with some high-level insight into what happened during that search process. They began with a look at a timeline of events and walked through some of the key points. He and Mr. Keliuotis discussed what Callan did and their role, and then what staff did in this process. They then discussed the search process. He clarified, for the record, that the scoring process used by staff was an illustrative example and not the actual scoring process. A key point is that no firm, no man, no investment manager is perfect; no one gets perfect scores. There is no uniformity out there as far as investment managers go. He noted that the scoring process kind of forces a couple different things: One is that it forces staff to make a quantitative assessment of the managers. He added that the due diligence process does not stop when the contracts are signed; it is ongoing. They continually talk to the consultants and learn what they think about the managers and are continually testing the original investment pieces. They continually go through the information gathering and development as the process evolves.

MR. KELIUOTIS talked about the private credit environment and what Callan had seen among the ARM Board's peers. He stated that the private credit environment changes from quarter to quarter and was a completely different world today than it was a year ago, given the interest rate environment.

MR. CARSON stated that he would present two private debt managers and both of them would walk through their spectrum investments.

DR. MITCHELL asked about bank lending regulation.

MR. KELIUOTIS replied that, like any other asset manager, there was regulation from the SEC in terms of the activities that the managers were following. The other thing that the Federal Reserve regulates is how much leverage is allowable in terms of loans. That also has a big impact on how much leverage is seen in the private credit market.

ARES – PATHFINDER CORE FUND

CHAIR BOB WILLIAMS stated that there was a presentation from Ares Pathfinder Core Fund, and recognized Shane Carson for the introductions.

MR. CARSON stated that Ares was the first of the managers contracted with during this process. The contract was just finished with them for the Pathfinder Core Fund in February. It is an

evergreen fund, and the Board made a commitment of up to \$100 million into this fund. He introduced Juliette Schainuck.

MS. SCHAINUCK thanked the entire Board, investment staff, and Callan for the time today. They were thrilled to be in Anchorage, and it was great to meet many of them in person for the first time. She thanked them all for their support and investment in the evergreen alternative credit strategy called Pathfinder Core, which focuses on asset-based lending. She stated that she is the relationship manager at the firm. Her role is to help investors and to evaluate all of the investment solutions across the Ares platform. She introduced her colleagues, Keith Ashton and David Walla. Keith Ashton is a partner at the firm, and is the co-head of the alternative credit business at Ares. He joined the firm in 2011 from Indicus, a firm that Ares acquired, which was a firm he cofounded; and he led that structure kind of business before joining Ares. He serves as the co-portfolio manager for Pathfinder Core and serves on the investment committee, based in New York City. She then introduced David Walla, the vice president on the investor relations team. He plays a critical role in fundraising, investor communications, all around the alternative credit strategies of Pathfinder Core. He joined the firm in 2014, and is also based in New York City. She stated that the plan was to do a quick overview of Ares, the firm, and then dive into the strategy, the team, what it invests in, and why it is a compelling market opportunity to invest in the strategy. She began with a brief background of the company.

MR. ASHTON stated that the team is made up of 62 investment professionals and is at least two times larger than their next largest competitor. Typically, their peers in this market have teams of less than ten. Ares has made a very significant effort and investment in this platform in order to execute on the strategy like Pathfinder Core, which is anchored in diversification and relative value. They just need a lot of resources. In addition to being a large team, it is also a very experienced team. More than half of the team has been investing in these kinds of investments for the better part of 20 years. He could not overstate the benefit of having that much experience in these markets, and it is their biggest advantage. It is a special team of incredibly talented professionals. Every single investment made is ultimately an investment in a pool or portfolio of assets of credit that generate contractual cash flows, contractual yield. We do not do single-name investing at all. What we ultimately look for are portfolios in assets that demonstrate resiliency to stress. One of the ways we test that resiliency is in the way the investments are designed. Another core principle of the strategy is the idea of relative value. He continued that in every transaction there is the ability to withstand three times more losses in the underlying portfolio than were expected to be seen. The transactions can all handle worse-than-GFC stress.

MR. WALLA continued that the key principle of the strategy is the relative value lens of the approach they take. A good aspect is that the 62-person team has experience investing in each one of the sectors, except crypto. He continued that the sectors are constantly debated and discussed on a weekly basis with the team. One differentiator of the Pathfinder Core strategy is the relative value of the approach taken in that, and we can invest across a number of different sectors based on what is found interesting at a given time. A key component is that to focus on a number of different sectors takes a scaled team and a scaled capital base.

CHAIR BOB WILLIAMS stated appreciation for the experience and the candidness in the presentation, and for sharing the work they do on behalf of the Alaska Retirement Management Board. He also thanked them for the work they are doing to benefit the beneficiaries, members, and the Alaska state pension funds. He called a break.

(Break.)

CHAIR BOB WILLIAMS called the meeting back and moved to a presentation by Crestline Blue Glacier Fund, Crestline Direct Lending Funds, with an introduction by Shane Carson.

CRESTLINE – BLUE GLACIER FUND, CRESTLINE DIRECT LENDING FUNDS

MR. CARSON stated that the ARM Board has had a relationship with Crestline back to 2004, and the more recent engagement is in the Blue Glacier funds. He talked about the different investment strategy terms like Class A, B, C, and D, and now E; different investment classes within the Blue Glacier funds. There was a recently negotiated contract where classes in the Blue Glacier Fund were stopped, and that are now going to an evergreen fund, which is Class E. Those will become a professional vehicle. He turned it over to Crestline to do the introductions.

MR. BRATTON stated that he is the founding partner and chief executive officer of Crestline. He introduced Keith Williams, the managing partner and head of the credit division. He stated appreciation for the opportunity to present to the Board and began with a quick update on Crestline. He continued that, since 2012, they built out their credit strategies. The Retirement Board is a core investor, and one of the first investors to combine the opportunistic strategy and the nav living strategy that created the best ideas fund. Now there are some other division plans in the country coming around to that strategy. He added that Crestline is a \$16.7 billion the credit investment manager, with 180 global employees and five offices around the world. They have a one-team culture.

MR. WILLIAMS continued that when the presentation was put together, they began with updates on the portfolios and wove in a bit about the approach and why it is different. In their approach every credit manager talks about capital preservation. When a loan is made, how do we get the money back. He continued that they looked back at what worked and what did not and came down to three attributes that worked well. One, opportunities are current in contractual revenue, was noncontractual, but recurring; second is asset-backing, what is it worth; last is multiple kind of pools of value, multiple streams of cash flow. From the attributes, they went to the attachment points; how much cushion is there. The other one is security. He added that the three attributes had really distinct industries that were applied. They looked at things in software, data centers, and in recurring revenue payment processing, business services, multi-site. The teams were built over the years and have dedicated expertise in each of the industries. The other critical aspect is around situational capabilities. He then talked about opportunism, which is a very flexible mandate where a lot of things could be done with the need for a lot of different skills. That is the basis of building the 50-person team.

CHAIR BOB WILLIAMS thanked them for their presentation.

INVESTMENT ADVISORY COUNCIL PERSPECTIVES

CHAIR BOB WILLIAMS thanked IAC members for taking the opportunities to share their wisdom and talk about some things to do to protect ourselves for insurance. He recognized IAC Member Ruth Traylor.

MS. TRAYLOR stated that what she would insure was lack of or inappropriate delegation. Under fiduciary laws, the trustee has a duty to personally perform the responsibilities of the

trusteeship, except a prudent person might delegate those responsibilities. She continued that trustees really need to know what they do not know and should not be expected to directly adjust the fund's investments to perform actuarial calculations or know how to implement information technology systems. Trustees should delegate to prudent experts and also need to be monitoring those experts. It is a continual cycle: delegate, check, monitor. She noted that what she would insure against is a lack of inappropriate delegation.

DR. JENNINGS stated that he would insure against the danger of parochialism. An example would be avoiding a too-strong home bias in investing. Over the last ten years, the S&P had generated about twice the ending wealth of MSCI EAFE international investing. He continued that there are more concerns about China; international diversification is diversifying; but it also affords investment opportunity. Avoid the geographical parochialism. He stated that his second parochialism to caution against is also geographic, and that is the parochialism of expecting an every weekday return to the office in Juneau. Then, insuring against the parochialism of constituency-based thinking as trustees. So be broad-minded and insure against the danger of parochialism.

DR. MITCHELL stated that his insurance is to insure against the loss of experience and qualified staff. He added that he would elaborate on it, with the permission of the Board, tomorrow.

CHAIR BOB WILLIAMS thanked the IAC for sharing their wisdom and looked forward to the presentation tomorrow. He highlighted the experience and wisdom of the IAC members. He also stated that this is a cohesive group that cares about the best interest. He stated they would come back tomorrow.

(Alaska Retirement Management Board Trustees meeting recessed at 4:15 p.m.)

June 16, 2023

CALL TO ORDER

CHAIR BOB WILLIAMS called the Alaska Retirement Management Board meeting back in session and thanked those that made it last night to celebrate Dr. Jerry Mitchell. It was a great time. He gave a shout-out to Director Pam Leary and Board Liaison Alysia Jones for the phenomenal decorations. He thanked all for the preparation and celebration of a great, great man. He recognized Dr. Jerry Mitchell to share his pearls of wisdom on his last day at an ARM Board.

DR. MITCHELL began by echoing Chair Bob Williams' words, last night was phenomenal. He was grateful to the Board and to staff and to the incomparable Alysia and Pam for making it a very special occasion for him. His gratitude knew no bounds. When he was asked to spend a few minutes talking about his experience, 60 years as an investment manager and 30 years with the Alaska Pension Fund, he thought he would try to create some sort of a unified theory of investing, much like Albert Einstein tried to do with physics when he was working toward a unified field theory. Einstein failed in creating a unified field theory, and Dr. Mitchell noted that he also failed in creating a unified investment theory. He continued that, instead, there would be a hodgepodge of comments and remembrances, some of which had been heard before. He began at the beginning. Thirty years ago, the Alaska State Pension Investment Board, ASPIB, was looking for an international manager, and Dr. Mitchell was working at Wellington Management

Company in Boston. He was sent to Juneau to see if he could gain some assets. He met with Wilson Condon, the Commissioner of Revenue, who also became an Attorney General of the state. He was a distinguished lawyer; created oil and gas law for Alaska; and was a brilliant man. The two began talking about international investing, and the conversation turned from investing to rowing. He explained the crew and the sport of rowing, and stated that it was eight strong guys in a boat pulling with all their strength, and then there was one little guy, about 115 pounds, at the back of the boat who yells at them. "Row faster." He was that guy for four years in college. He had that in common with Wilson, who coached crew at Stanford. He said that he got in the business and began managing money for the State. To this day, he did not know whether he was selected because of his investment acumen and Wellington's reputation, or because Wilson felt that if he could control eight guys in a boat, he could certainly control a board of the Alaska pension plan. He began reviewing his 30 years with the Fund. He stated that the long trajectory of the State's pension funds over the past 30 years involved both change and continuity. Both are important. Change is vital to any organization. If there is not change, you do not evolve, and risk falling behind. If the change in the world is not recognized, everything dies. But continuity is also important for an organization to remain true to its mission; to remember its successes; remember the failures; and to benefit from both. There must be a link to its past. There is a need for institutional memory and continuity. He talked about the major changes at the ARM Board during his 30 years of involvement. Size was one of them. In 1993, the Fund had about \$5 billion in assets, and today has about \$39 billion. Size created challenges and opportunities. It also meant more resources, more recognition, and the ability to diversify and invest broadly. In addition to size, another major change had been an asset allocation. In 1993, domestic equity was 36 percent of the portfolio; today it is 27. Global ex-U.S. was 7 percent; it was now 18. Fixed income was 50; and today is 19. Real assets moved from 7 percent of the portfolio to 14. And private equity was zero, and it is now 14. Those were changes of real magnitude, major scope; very big changes. They implied additional complexity. He stated that the management of those assets had changed, as well. The Fund had moved broadly and substantially from active management to indexing; basically, away from active toward passive. It was exclusively outside managers when he joined, to internal managers where more money each year is managed by the staff. The ARM Board had nudged aside the classic 60/40 stock/bond mix and joined the endowment world. Those changes meant that the Board has more responsibilities today than it ever had in the past. There was more study, more to keep up with also, with a superior staff and more confidence in them. He continued that life is more complicated, and the center of the Fund had moved, in terms of management control, from experts in Boston and New York and San Francisco to Juneau. He thought that the Board had coped very well with change. Change is important and so is continuity. The ARM Board enjoyed a high level of continuity over the past 30 years, and that continuity treated them well. There has and will always be Board and staff turnover, and both have been less than at other large funds. Continuity also allows for the ownership of an idea and the ability to live with it long-term. He added that the continuity of your consultant, Callan, which has been with you for all of his 30 years; and for all of that time with just three regular representatives: O'Leary, Erlendson, and Center. That means that your consultant knows your fund, your people, your governance and your history. The consultant has seen it all, and that is worth a lot. They have done a great job, and are of considerable value to the Fund. There has also been continuity on the IAC. That is important because it takes a while for an IAC member to understand the Board, the staff, and the Fund. What is required of them as IAC members to help, and it takes time. He continued that another element of continuity is the collegiality of the Board. Inter-board antagonisms could ruin a fund more easily than an individual failed manager or an unfortunate

asset class choice. He added that throughout his tenure, this Board has been collegial and civil, and that is a happy bit of continuity. In talking about change, he came up with five future themes that the Board and staff may be conscious of for the longer-term future. The first one he referenced was artificial intelligence, AI. He did not know much about it, but it seems that it may have the power to change the way the investment business works, and that will have consequences in the future. The second future theme to be concerned about is activism. There has always been shareholder activism, but it seems to be political when activists approach large funds and suggest investments. They try to take over the corporations that the funds own. The third was the democratization of information. When he began investing, information was obtainable in a way that would now result in a jail term. Secrets came from people. The next theme was a bipolar world or a multi-polar world. That had implications not only for the investments made, but the investments that are allowed to be made. The next was antibusiness rhetoric. It is said that the business of America is business. Business has gotten a bad reputation among the younger generation. Business is not seen as a wealth-creating force. It is seen as something that hampers the individual and the individual's ability to express themselves. The next part of his talk was originally presented to the Permanent Fund and called "50 Years of Investing: Some Observations." Then it was given to the ARM Board and called "57 Years of Investing: Some Observations." Now it is up to 60 years and involves ten observations: No. 1, own the U.S. stock market; No. 2, remember that investment management is a business, and all investment managers are salesmen; No. 3, economic forecasting is notoriously inaccurate, and mainline indicators tell almost nothing about what the stock market will do; No. 4, market insights are temporary and self-correcting; No. 6, few manager presentations ever show returns in the fourth, third, or even second quartiles, where, mathematically, 75 percent of all managers have to be; No. 7, have realistic return assumptions; No. 9, doing nothing is sometimes better than doing something. Successful investors are those that change very little and do very little. They buy and hold and hold and hold. No. 10, the smartest person in the room is not always the best investor. There is a need to have a special talent for being a great investor, and being smart helps, but talent makes the difference. He moved to a few observations about the ARMB. Simply, they are a great Board, and a great staff, with a great consultant, a great IAC, and they employ some great managers; all of which should result in superior performance and great governance. He stated that they should be proud of their accomplishments, and it has been an honor to have been associated with them.

(Applause.)

CHAIR BOB WILLIAMS thanked Dr. Mitchell for the words of wisdom and hoped, from what was said at the meal last night and today, that he realized the depth and appreciation of what he had accomplished and what he shared and what has been learned from him. He stated that he had a resolution and asked for a motion to approve it.

MOTION: A motion was made to approve Resolution 2023-004, Alaska Retirement Management Board, related to the retirement and investment of Advisory Council member Dr. Jerrold Mitchell. "WHEREAS, the Alaska Retirement Management Board was established by law to serve as trustee of the assets in the State's retirement systems; and, WHEREAS, Dr. Jerrold Mitchell managed domestic and international equity portfolios for institutions and mutual funds for over 25 years at Wellington Management Company, served as Chief Investment Officer of the Massachusetts State Pension Fund and the Boston Foundation, a partner at Saltonstall & Company, and adjunct professor of

finance at Brandeis University; and, WHEREAS, Dr. Mitchell has served as advisor to the Board and its predecessor the Alaska State Pension Investment Board since October 14, 1995; and, WHEREAS, Dr. Mitchell took his three-year appointment so seriously he tried to add a zero to it; and, WHEREAS, Dr. Mitchell has imparted nearly 60 years of observations in the financial investment world with trustees, staff, consultants; and, WHEREAS, the ARM Board has been blessed with the decades of Dr. Mitchell's sage advice such as 'Economic forecasting is notoriously inaccurate' and 'remember, investment management is a business, and all investment managers are salespeople.' NOW, therefore, be it resolved that the Alaska Retirement Management Board, on behalf of trustees and staff, express their sincerest appreciation for Dr. Mitchell's years of dedicated service and invaluable contributions to the Board and the beneficiaries of Alaska's public pension systems and the state and local governments, bearing the obligations of the systems. Be it further resolved, the Board wishes Dr. Mitchell a joyful, fulfilling retirement. Dated at Anchorage, Alaska, this 16th day of June, 2023." The motion was made by TRUSTEE MOEN; seconded by TRUSTEE RYAN.

After the roll-call vote, the MOTION was APPROVED. (Trustee Bretz, yes; Commissioner Crum, no response; Trustee Krohn, yes; Trustee Moen, yes; Trustee Ryan, yes; Commissioner Vrana, no response; Trustee Mike Williams, yes; Chair Bob Williams, yes.)

CHAIR BOB WILLIAMS stated on behalf of the Alaska Retirement Management Board, thank you very much to Dr. Jerry Mitchell.

DR. MITCHELL thanked all very much.

(Applause.)

MULTI-ASSET CLASS

CHAIR BOB WILLIAMS moved on with State Investment Officer Shane Carson, Multi-Asset Class.

MR. CARSON stated that he oversees the ARM Board's Multi-Asset class. He noted some of the highlights of the past year. The Board witnessed the biggest achievement in the asset class, and that was the private debt search, and the hiring of the two managers. The name of the asset class was changed from Opportunistic to Multi-Asset and Alternative Fixed Income, another name for private debt. It transitioned from the Fixed Income Asset class to the Multi-Asset. One of the contracts with Crestline was moved from the class structure talked about to an evergreen fund, and will have E going forward. He stated that Multi-Asset provides an allocation for the more specialized investments and investment strategies and are not constrained at the asset class level. The asset class is currently targeted for a weight of 8 percent in the total ARM Board portfolio, with its benchmark to the MSCI ACWI. He went through alternatives and touched on alternative equity and the definition of target asset allocation. He moved to the current structure of Multi-Asset and talked about how it looked right now and the weight of all things. He took a few minutes and talked about the one manager in the alternative beta bucket, which was the Man Group. They will work through their strategy later. Performance for that strategy was expected to suffer significantly when equity markets rise and trend upward. It would shine in a market environment when equity was down or trending flat. He continued, explaining the alternative fixed income as he went along. He talked about the considerations for the upcoming year and

stated that he would evaluate the usage and structure of the tactical allocation strategies. He noted that there were two action memos for the Board. During the private debt search, he explained that Callan identified five very good managers, and we hired two of them. He stated that there were two potential additional managers in that search that he may bring back in front of the Board for a hire at some point later in the year.

CHAIR BOB WILLIAMS thanked Mr. Carson and moved to a presentation by the Man Group on Alternative Risk Premia and asked Mr. Carson for introductions.

MAN GROUP – MAN ALTERNATIVE RISK PREMIA

MR. CARSON stated that Man Group is the only investment manager in the alternative beta bucket. The strategy was funded in 2017. Focus is on capturing the risk premia with the expectation of positive reversed prior returns in the risk-managed portfolio. He introduced Trey Heiskell, managing director.

MR. HEISKELL stated that he represented Man Group, an investment management firm based in London. They run \$145 billion in assets under management, and this particular strategy represents \$6.6 billion. He introduced Richard Barclay, the lead portfolio manager for the Alternative Risk Premia Fund. He had the distinction of being a point owner for the strategy, having been there since Day One in 2015. The present objective is to make sure that they are very clear with regard to what they are trying to achieve in the strategy; how managing risk at the portfolio level is thought about, which is one of the biggest aspects of how the multi-asset portfolios are run; and specifically addressing performance concerns with regard to how things have been going. He asked Mr. Barclay to continue.

MR. BARCLAY stated that they are aiming to offer access to a diversifying return stream that is transparent, liquid, and cost-effective. The initial drivers when the portfolio was set up in 2015 were to create a return stream that was not dependent on equities and bonds; something that could generate returns when equities and bonds were not going up in value, and actually were going down. He defined liquidity as getting assets back from the portfolio very quickly. Only the most liquid instruments across asset classes are traded. Cost-effective pricing means that all was available to investors at one flat fee for everything. He then talked about transparency and compliance. He reiterated that the guiding principles of the portfolio were: Diversifying liquid, cost-effective, transparent, positive returns. He went through all in more complete detail and stated that the point was to emphasize the diversification within the portfolio. Both the macro strategies and the equity strategies have delivered positive returns for the portfolio and that has been true since inception in 2015, and since the start of this investment. He continued that the goal of this strategy is diversification and liquid diversification. Delivering liquid diversification uses well-understood systematic return sources, and uses all of Man's capabilities to do that in the best way possible.

CHAIR BOB WILLIAMS thanked them and called a break.

(Break.)

CHAIR BOB WILLIAMS moved to the presentation by PineBridge Global Dynamic Asset Allocation. He asked Mr. Carson to do the introductions.

PINEBRIDGE – GLOBAL DYNAMIC ASSET ALLOCATION

MR. CARSON stated that PineBridge would present their Global Dynamic Asset Allocation strategy, which was spun up in 2018. This was the first of the two tactical allocation managers presenting. PineBridge was hired by the Board to invest wholly across liquid assets, to take advantage of market opportunities, and provide the ARM Board and staff with forecasting. He encouraged the trustees to ask questions about the performance and expectations in the market.

MR. FAGUE stated that he has been with the firm since 2014. He worked with institutional clients in the Western United States. He introduced Mike Kelly, who joined the firm in 1999, and launched this strategy in 2005. He built the process and the team. He gave a brief background of the firm, noting that they manage a little under \$150 billion. They are based in New York, and manage money in public and private markets, and manage stocks and bonds, as well. They manage U.S., international, and the emerging markets, and have dedicated teams in all of those areas. He continued that Mr. Kelly can go to each of those individual teams, get input, and build that into what is being done in the strategy itself. He talked about return objective and looked at a CPI+5 return. They are aligned based on what is being done from a total return standpoint. From a risk standpoint, they use a risk budget of a global 70/30; 70 percent global equities, 30 percent global bonds. That is not a static risk across a market cycle. The other big difference is the time horizon. They focus on two time horizons; one is the five-year time horizon at the beginning of the process; the next horizon one uses nine to 18 months. He continued to performance and how the strategy is supposed to perform. Last year they pretty significantly outperformed versus the risk budget with significantly less risk; about two-thirds of what the market did. The process is driven by fundamentals. He asked Mr. Kelly to continue.

MR. KELLY stated that they try to get the better, bigger things about right about a lot of things, and they don't stay too fundamentally wrong too long. The portfolio does not change on a dime. He talked about the views of the cash flows of every asset class over the next five years and the likely capitalization rates. Liquidity is one of the two things that drives markets, cash flows, and liquidity. He continued that 2022 was terrible for every asset class because most of that had to be corrected all in one year.

CHAIR BOB WILLIAMS thanked them for their presentation, and continued to the presentation by Fidelity Signals.

FIDELITY SIGNALS

MR. CARSON stated that the next presentation was from Fidelity talking about the Signals strategy. He continued that Fidelity is the second of the general tactical asset allocation management. He noted that there would be an action item, and the recommendation is that the Board direct staff to expand the investment universe as Fidelity invests, and their standing in the universe of investable funds that Fidelity invests in. They would be touching on that request a bit during the presentation. He turned it over to Kristen Shofner for the introductions.

MS. SHOFNER stated that it was great last night to celebrate Jerry, and they really appreciated all of the "Jerryisms." It was a lot of fun. She continued that they were Fidelity representing the Signals portfolio. They are privately owned and stick pretty close together; and things do not change dramatically. She stated that she has had the pleasure of working with Alaska for 20-plus years. When she joined Fidelity ten years ago, she was lucky to find a way to work with the ARM Board again. Her role is to work with your staff, your Board and your consultant, and to

make sure that all were properly resourced and they had everything needed from us. She continued that she was joined by Melissa Moesman who services the account. She also stated that she was joined by one of the four PMs that represent the Signals portfolio, Jordan Alexiev, who had never been to Alaska, but it was on his bucket list; he likes cold. She thought that he was the perfect PM for them. She continued that he is the most conscientious and client-oriented PM with which she has ever worked. It is nice to have a partner with the same client focus. He is very good at what he does, investments. She asked him to continue.

MR. ALEXIEV stated that he is part of a four-person team. His colleague, Ed Heilbron, has his son in Fairbanks and would be happy to visit there if this meeting is ever held there. There is also Ryan Mishina, one of the research analysts on the manager research side. Ryan was born and raised in Anchorage, and would be happy to talk with the Board. On the portfolio side, in terms of how it is run, has always been a team-managed approach. They try to harvest insights around asset location across Fidelity and put it in the portfolio in a structured way. He quickly went through performance where they are seeing positive numbers, and then continued to the approach. He moved to the investment process, explaining that the way they think about the world is in terms of different time frames. There were three systematic signals focused on the business cycle, valuations, and momentum. They all operate over different timeframes. Valuations take years, sometimes decades, to correct; and the business cycles zig and zag over anywhere from three to five to seven years. Momentum is a shorter-term signal which tries to take into account how things are different this time around. These signals were combined into a systematic portfolio. He moved to talking about markets and what was called the Fidelity Dot Plot. People are fascinated with what the Fed is doing and moving their incremental forecast. They try distilling all the insights about where different economies are in their business cycles into just one single dot. There were four cycles: early cycle when the economy is recovering from a recession; growth is picking up at a very fast pace; the mid cycle expansion is the longest part of the cycle where things moved in a positive direction, but the growth was starting to moderate; the late cycle is when they started dealing with inflation and were close to capacity, close to full employment, and then the Fed turns against them. He continued that it is not a recession yet, which is important in balancing when observing the signals. It is a more desynchronized global cycle. He talked about the major themes in positioning.

MS. SHOFNER thanked the Board again for having them and for the business. This is a huge account for the firm, and all eyes are on it. Fidelity seems like a large place, but in the institutional world it is a much smaller subset. She stated appreciation for the opportunity.

CHAIR BOB WILLIAMS thanked them for their presentation and related that the September 2024 ARM Board meeting would be in Fairbanks. He continued to the action memos and recognized Shane Carson.

INVESTMENT ACTIONS

MR. CARSON stated that the second action item listed on the agenda is regarding Fidelity. Since they were just heard from, he addressed that one first. He continued that part of the portfolio improvement process was staff asking managers continuously if there was a better way to do things. He noted that the addition of these funds will cause no change to the net-of-fee structure.

CHAIR BOB WILLIAMS asked for a motion.

MOTION: The Board directs staff to make the necessary changes to the Fidelity Signaling investment guidelines and contract to add the underlying funds listed in Appendix A, which is in the action memo, to the Arm Board portfolio's investable opportunity set. The motion was made by TRUSTEE BRETZ; seconded by TRUSTEE KROHN.

CIO HANNA stated that these were much higher expense options being added to the strategy. He thought that they had already kind of keyed in on this, but Fidelity did not mention it very directly. He continued that these are tools typically used in their full-blown strategy. This went in with a very cost-conscious approach, and they were re-adding tools that would generally cost quite a bit more. He thought that this was a really good value proposition.

CHAIR BOB WILLIAMS liked the same price, first-class upgrade. He asked for a roll-call vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Moen, yes; Trustee Ryan, yes; Commissioner Vrana, no response; Trustee Mike Williams, yes; Trustee Bretz, yes; Commissioner Crum, no response; Trustee Krohn, yes; Chair Bob Williams, yes.)

MR. CARSON talked about Crestline Investors and the performance of their direct specialty lending funds. The ARM Board had been invested with the SLFs. SLF-3 was approaching the end of its investment period. Crestline was calling the Direct Lender IV, which was a renamed SLF. DLF IV would be seeking investors.

CHAIR BOB WILLIAMS asked for a motion.

MOTION: The Alaska Retirement Management Board directs staff to negotiate with the Crestline investors for a commitment of up to \$100 million to Crestline Direct Lending Fund for LGP, subject to the size of the contract and fee negotiations. The motion was made by TRUSTEE RYAN; seconded by TRUSTEE KROHN.

After the roll-call vote, the MOTION was APPROVED. (Trustee Mike Williams, yes; Trustee Bretz, yes; Commissioner Crum, no response; Trustee Krohn, yes; Trustee Moen, yes; Commissioner Vrana, no response; Trustee Ryan, yes; Chair Bob Williams, yes.)

CHAIR BOB WILLIAMS called a lunch break.

(Lunch break.)

CHAIR BOB WILLIAMS stated that they were back in session and moved to the 2023 Asset Allocation strategy. He asked CIO Hanna for an introduction.

ARMB 2023 ASSET ALLOCATION STRATEGY

CIO HANNA stated that Jay Kloepfer was present to take the Board through a summary of Callan's CMA processes and the mixes that were worked on for the Board to consider.

MR. KLOEPFER congratulated Dr. Mitchell on his retirement and commented that Dr. Mitchell had been here the whole time he had been coming to Alaska, since 2007. He stated that he had presented the capital market expectations and spoke about where they would end up with the given target, which was where they now are. He gave a brief refresher and went through the biggest changes. He continued that cash was the other one that had a big change, which underlies several of the asset classes that they operate. He added that correlation is a key element of risk, and it is how asset classes interact with one another. The other element that got lost in some of the discussion was that the equity risk premium was narrowed a lot this year. He continued through his presentation, discussing as he went through it. He focused on the 20-year in going through the asset allocation process. He added that the duration in the cash flows suggested 20 years as a good proxy for the investing time horizon. He stated that it had been a changing composition over time and the current setup, with the primary focus in real estate with allocations to timber, farmlands, private infrastructure, and REITS. He moved on to the optimization model that gets at this with a caveat that they held multi-asset, real assets, and private equity constant across all the portfolios. He explained how that changed the allocation to stocks and bonds. He moved to the second portfolio, which was for the military. He stated that it has less risk in the portfolio than what is in PERS and TRS.

CHAIR BOB WILLIAMS moved to the asset allocation discussion with action items, and recognized CIO Hanna.

ASSET ALLOCATION DISCUSSION & ACTION ITEMS

CIO HANNA stated that in thinking about asset allocation it is good to keep in mind the main objective, which was to guide the systems in such a way that the likelihood of paying all the benefits when they are due would be maximized. He continued that the benefits come from a combination of three sources of payments: There were current assets, \$31 billion in total; contributions, forward contributions from the stated employers; and investment earnings. The ARM Board, through a collection of actions, directs the balance between earnings and contributions. Setting rate assumptions, asset allocation, and contribution rates will set the balance between what was expected in terms of forward earnings and what is expected from state employers in terms of forward contributions. He added that it is a dynamic that is very important to the plans and to the State. He continued that they were concluding the annual asset allocation process which was designed to balance the investment objectives with the risk tolerance. He stated that the staff recommendation was Mix 2. He thinks it is a reasonably moderate reduction in risk: Reduces equities by 200 basis points; increases fixed income by 100 basis points. He moved to the National Guard and Naval Militia plan, which is a small \$44 million plan with relatively defined fixed benefits. It was overfunded by 160 percent as of 2022. The State is currently not contributing the normal cost, which is expected to continue until funding levels come down further. He noted that there were asset allocation resolutions for the Board's consideration.

CHAIR BOB WILLIAMS commented that one of the things discussed over and over, and is one of the biggest decisions and most important things the Board does, is to set asset allocation. He asked to hear thoughts on the recommendations from the IAC members and Callan.

DR. JENNINGS stated that he thought they heard the answer to the things he was hoping to hear about. He envisioned CIO Hanna having six different levers and moving three of them in a direction that felt appropriate, reducing the risk. Then there were three that were stiffer and

harder to move around; the ones that were less likely. He continued that, given the ease of moving two public equities and fixed income, he felt like the movement was in the direction that made the most sense.

MS. RYERSON stated that given the idea of looking at 20 years it would be good to move gradually and not make a huge jump all at once. She thought that just going part of the way there made sense.

CHAIR BOB WILLIAMS stated that for this meeting the most important thing was to express appropriate levels of gratitude for Dr. Mitchell's service. He hoped that bar was met.

DR. MITCHELL stated that he was happy to endorse the staff recommendation with the note mentioned. He added that the movement was from 7.6 to 7.6, and 5.1 to 5.0. Anything right of the decimal did not count, and he thought it was the right direction.

MR. CLIFF agreed with the gradual, partial de-risking. There is the headwind to be able to do that after years of being forced to add risk. He did not see a reason to be more risky than the peers.

MR. KLOEPFER stated that during the period from 2014 through 2017 everyone was taking on too much risk. He thought that the relief given by a return to normal in the fixed income market was a gift that allowed a deeper breath, and this was the amount of risk to take.

CHAIR BOB WILLIAMS entertained a motion before the trustee discussion.

MOTION: The Alaska Retirement Management Board adopt Resolution 2023-02 with Mix 2 and 2023-03 with Mix 2, approving the asset allocation for fiscal year 2024. The motion was made by TRUSTEE MOEN; seconded by TRUSTEE MIKE WILLIAMS.

After the roll-call vote, the MOTION was APPROVED. (Trustee Bretz, yes; Commissioner Crum, no response; Trustee Krohn, yes; Trustee Moen, yes; Trustee Ryan, yes; Commissioner Vrana, no response; Trustee Mike Williams, yes; Chair Bob Williams, yes.)

CHAIR BOB WILLIAMS stated that next on the agenda was an Executive Session and asked for a motion.

MOTION: A motion to go into Executive Session under Alaska Statute 36.30.2030 was made. 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, this motion was to go into Executive Session per AS 44.62.310(c)(3) to discuss responses to the RFP investment advisory council member and evaluation committee's recommendation. ARM Board legal Counsel Ben Hofmeister and Board Liaison Alysia Jones are asked to join the trustees in Executive Session. The motion was made by TRUSTEE KROHN; seconded by TRUSTEE RYAN.

There being no objection, the MOTION was APPROVED.

(Executive Session from 2:36 p.m. until 2:42 p.m.)

CHAIR BOB WILLIAMS stated that they were out of Executive Session, and as the chair of the PEC Committee, he brought a recommendation forward.

MOTION: The recommendation is that the Alaska Retirement Management Board appoint Joshua Rabuck to a three-year term on the Investment Advisory Council, commencing after the acceptance of the position by contract, and based on the terms and conditions set forth in RFS 2023-0400-0016.

After the roll-call vote, the MOTION was APPROVED. (Trustee Moen, yes; Trustee Krohn, yes; Commissioner Crum, yes; Trustee Ryan, yes; Trustee Bretz, yes; Commissioner Vrana, no response; Trustee Mike Williams, yes; Chair Bob Williams, yes.)

CHAIR BOB WILLIAMS moved forward with the agenda and asked for any unfinished business or new business that needed to come before the Board. He asked if there were any other matters to properly come before the Board. This was the second time in the meeting for public comments and appearances, and he asked for anyone online or in the room who would like to speak. Hearing none, he closed that portion of public/member comments. He moved to the comments from the IAC members.

MS. RYERSON stated that what Dr. Mitchell said about history got her thinking that she did not have 60 years of investment history. When talking about delegation yesterday, you all need to know that you have an amazing setup. In the '80s, when the Colorado Fire and Police was first set up, her Board had almost nobody with delegation authority, even to the point of an investment manager wanting to make a trade. They had to call staff, and staff had to get Board approval to buy or sell anything. It took two years to get legislation through to do the Prudent Man Act so that the Board did not have to approve every single trade. The ability to front-run something like that would be just amazing. Having a capable staff that you trust, that you can delegate to, that gives great follow-up -- the process here is great. The only other thing she had to say was a wish for more time on the IAC with Dr. Mitchell. She was there for 3.5 years, with the first two being remote. It had been 1.5 years of interaction, and there is so much that everyone could and did learn from him. She was glad that he was there now.

DR. JENNINGS linked to one particular slide out of all that were seen; from someone that teaches at a military academy, that Roman phalanx or cohort, the advantage of fighting in a phalanx or cohort versus fighting individually would make its way into his class. The stories of individual combat fit in the imagination a bit better or firmer. David and Goliath stick in the memory. The investment analogy was that may be enjoyed from an eloquent manager/dualist or hearing colorful stories, but it was wiser to look at the larger battles and campaigns which is what was just done. Focus on asset allocation mixes or focus on asset class reviews, and it was safer to focus on the formations rather than the analyticals. He continued that a lot was said about Jerry and his retirement. One thing that the committee that just made the selection would know was that each of the three seats have very specific requirements or specifications, and Dr. Mitchell's been a money manager for that seat. He was also a professor and had also been a public fund CIO. The new IAC member just named will have big, big shoes to fill. One thing that is in almost every military citation, which he hoped the minutes would precisely reflect:

Dr. Jennings praised Dr. Mitchell's singularly distinctive contributions.

DR. MITCHELL thanked him and reiterated what a pleasure and honor it had been for him to work with this group, the present group, the past Board members and staff members over the years. Just top-ranked in every way. So, thank you.

CHAIR BOB WILLIAMS moved to trustee comments.


TRUSTEE RYAN stated that she did not think she would ever quite get out of her head the image of Jerry sitting at the front of the boat yelling at men to row faster. Now she would remember this forever and ever when thinking of Dr. Mitchell. She thanked her fellow trustees for having faith in her, knowing that she was going to retire, and for helping her see that was not possible; and allowing her to move on as vice chair.

CHAIR BOB WILLIAMS thanked Trustee Krohn. They both went to the same conference, listened to the same presentations, and took more actions. He bought the book and knew the top three things to improve his health and addressed all three of them. He will probably live 15 years longer because he went to that Callan conference. He noted that he was going to make some additional improvements. It showed that being open to educational opportunities they could make a remarkable difference in the actions taken as a Board and in personal lives. He thanked Trustee Krohn for that example. He also thanked the cooperation of all the trustees. He also sang the high praises to Alysia and Pam. The decorations were phenomenal. When something is done with heart and love and gratitude, it shows through, and it is appreciated. One of Dr. Mitchell's pearls was valuing and appreciating the experiences of staff. He thanked CIO Hanna for all the work done in putting this together and all the communication. He also thanked Ben Hofmeister for his graciousness and listening, and for the good counsel and advice. The wisdom of the IAC is very valuable, and, to the remaining members, they will continue to be leaned on, listened to, and valued. Dr. Mitchell will always be welcome where any of the trustees live to come visit. We are deeply grateful for what he has done.

DR. MITCHELL thanked the Chair.

CHAIR BOB WILLIAMS asked for any future agenda items. He asked for any opposition to adjournment. He adjourned the meeting.

(Alaska Retirement Management Board Trustees meeting adjourned at 2:53 p.m.)



Chair

ATTEST:



Secretary