State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
ACTUARIAL COMMITTEE MEETING

Hotel Captain Cook - Club Room II
939 West 5th Avenue
Anchorage, Alaska

April 19, 2017

ATTENDANCE

Committee Present:	Kristin Erchinger, *chair* Tom Brice Commissioner Sheldon Fisher (arrived 10:15 a.m.) Gayle Harbo Rob Johnson Norman West (arrived 9:30 a.m.) Bob Williams
Committee Absent:	--

Department of Revenue Staff Present:
Bob Mitchell (acting chief investment officer)
Pamela Leary (Treasury Division director)
Judy Hall (board liaison officer)

Department of Administration Staff Present:
Ryan Colgan (deputy commissioner)
Ajay Desai (director, Division of Retirement & Benefits)
Kevin Worley (chief financial officer, Department of Retirement & Benefits)

Others Present:
Larry Langer (Conduent, actuary)
Melissa Bissett (Conduent, actuary)
David Kershner (Conduent, actuary)
Leslie Thompson (Gabriel Roeder Smith & Company, review actuary)
Paul Wood (Gabriel Roeder Smith & Company)

I. CALL TO ORDER

CHAIR KRIS ERCHINGER called the meeting to order at 9:01 a.m.

II. ROLL CALL

Five committee members were present at roll call to form a quorum. Norman West and Commissioner Fisher joined the meeting in progress.

III. PUBLIC MEETING NOTICE

MS. HALL confirmed that public meeting notice had been met.

IV. APPROVAL OF AGENDA

MR. BRICE moved to approve the agenda. MR. WILLIAMS seconded. The motion passed without objection.

V. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

There were no members of the public, in person or on line, who wished to speak before the committee. MS. HALL reported that she had received no communications for the committee.

VI. APPROVAL OF MINUTES – March 1, 2017

MS. HARBO moved to approve the minutes of the March 1, 2017 meeting. MR. BRICE seconded.
MS. HARBO asked that the spelling of her first name on page 1 be corrected to "Gail."
The minutes were approved with that one correction.

VII.

A. Review FY2016 Audit Reports
Public Employees' Retirement System & Teachers' Retirement System
Defined Contribution Plan Retirement Systems – PERS & TRS

LESLIE THOMPSON and Paul Wood of Gabriel Roeder Smith & Company, the review actuary, presented two draft audit reports – one for the PERS and TRS legacy defined benefit plans and retiree medical plan, and the other report for the defined contribution plan (DCR) death and disability plan and retiree medical plan. *[A copy of the GRS slide presentation dated April 5, 2017 is on file at the ARMB office.]*

MS. THOMPSON first offered her reflections on where things have moved over the last ten years that GRS has been working with the Alaska Retirement Management Board (ARMB). She said the review actuary process has landed everyone in a very good place. In particular, the formation of the Actuarial Committee led to the final successes of the audit process, because the committee instituted the formalization of reviewing audit findings, which included the steps of reconciliation and resolution with the primary actuary. The committee also requested monthly calls between GRS and Conduent, and those have been incredibly successful in reconciling the little actuarial nits that the actuaries get spinning on around some of the technical issues.

MS. THOMPSON stated that GRS would report on some of those small issues in the defined benefit legacy plans that have been reviewed by both actuaries and successfully resolved. Looking forward in the defined benefit plans, she thought the actuaries would be working on coming to agreements on actuarial assumptions and valuing the liabilities so that the Board and all stakeholders know the true cost of the plans. That will come about through the upcoming experience study.

MS. THOMPSON recalled that a few years ago she told the Board that she could not validate healthcare assumptions because she was unable to validate the health plan, because there was no health plan document. There is now a health plan document. Also, there is now actual retiree health plan enrollment data, instead of having to use proxy data. It is a well-concluded process that took some time, but the committee is well positioned to continue to value the retiree medical plan. The committee can now work with Conduent to value the assumptions against the actual data, which is another good success that the committee has driven.

MR. WOOD remarked that the test life information revealed very small, unique situations that he hesitated to call “issues” because they did not have a huge impact on the overall costs. He started with the 2016 GRS recommendations for the PERS and TRS defined benefit pension plans (*slide 7*). In PERS, the ages for the deferred vested death eligibility and the deferred vested Alaska COLA eligibility were slightly inconsistent. GRS discussed this with Conduent, and they agreed with the recommendation and will reflect that the two ages should be the same in next year’s valuation. GRS will check for this next year. Further in PERS pension, GRS found some valuation differences for disabled life, where they had not looked at disabled life in much detail as part of their review in the past. They had some discussions back and forth with Conduent about the way disabled life benefits were being valued, and they reached agreement to match their present value of benefits.

On the TRS defined benefit plan side, MR. WOOD stated that GRS saw the same issue as in PERS regarding the use of different eligibility ages for the deferred vested death benefit and the deferred vested Alaska COLA benefit. Again, next year’s valuation will reflect Conduent correcting that inconsistency. Lastly, there was a small double counting of a withdrawal assumption in non-occupational married death benefits. These are very small decrements in ancillary benefits so are not large movers of cost.

MS. THOMPSON thanked Trustee Harbo, who found a column in the report added wrongly – it will be fixed in the final report.

MR. WOOD drew attention to slide 25, a summary of all the test lives for the defined benefit plans that GRS looked at, to illustrate how close the matches were in their test lives review of Conduent’s work.

MR. WOOD next reviewed historical pension gains/losses by source for PERS and TRS defined contribution plans over the last six years *(slide 4)*. He pointed out the history of retirement losses in PERS, which he characterized as not large, but they are occurring every year. As part of the experience study, GRS expects to see some change to the retirement assumption that *may* increase the cost. The PERS rehire assumption shows consistent losses, but Conduent has addressed that in the most recent valuation.

There have been some consistent losses on the TRS pension from the termination assumption. GRS expects to see some changes in the experience study that could increase the cost due to termination.

MR. WOOD noted there are consistent gains from COLA and the PRPA (post retirement pension adjustment) for both PERS and TRS defined benefit plans. That gain is driven by a low inflation environment, where the COLA has been much lower than what was assumed. The current CPI assumption is 3.12%, and inflation has been much less than that recently. If Conduent's experience analysis results in moving the CPI assumption down a bit, it could result in a cost decrease overall.

At MR. JOHNSON's request, MR. WOOD explained the "Other" assumption category. He said GRS provided extra clarification in a prior audit about what goes into the "Other" category. MR. KERSHNER of Conduent stated that it is usually a combination of their programming refinements and changes in the data that do not fall into one of the regular categories that the actuary typically measures. At GRS's suggestion, Conduent started describing the key components of the "Other" amount in a footnote in the valuation reports.

MR. WOOD reported on the review audit of the PERS and TRS defined contribution valuations. In the initial part of GRS's review of test lives they identified that death and disability had a double counting of the marriage assumption. It was early enough in the valuation process that Conduent was able to incorporate an adjustment into the valuations.

MR. WOOD stated that in the past there was no codified plan document for the defined contribution healthcare side, and GRS was basing their review work more on the structure of the healthcare plan. With the implementation of the new healthcare plan design this year, the way the spousal benefits were calculated changed. Now, a non-Medicare eligible spouse receives the subsidy if the member is Medicare eligible. That was incorporated into the 2016 valuation, and GRS verified that Conduent is valuing that properly.

MS. HARBO asked if the EGWP (Employer Group Waiver Program) implementation in the defined contribution plan in 2018 is assumed to save 60% more than the current Medicare Retiree Drug Subsidy savings.

MR. WOOD confirmed that that is Conduent's best estimate at this time.

Returning to the test life piece, MR. WOOD stated that GRS believed the COLA during death and disability should have been valued as 50% of the CPI, instead of 75%. Conduent had some discussion with the State and it turned out it is supposed to be 50%. That change will be implemented in the next valuation. While important, the magnitude of that change is not a big driver of cost.

MR. WOOD said there was a new assumption on Medicare coordination, and Conduent was going to add some disclosure on that in the DCR valuation reports. That helped to contribute to some of the significant savings on the healthcare side. Also, one of GRS's suggestions is to provide some additional education on why the EGWP (Employer Group Waiver Program) will be saving 60% more than the Medicare Retiree Drug Subsidy. It would also be helpful for Conduent to provide some rationale for assuming that savings will be around forever. GRS has seen it go both ways. Because the plan is in place right now, it is okay to assume that those savings will exist in perpetuity. But they have also seen that those savings will sunset at some point. For example, the State of California's large OPEB (other post-employment benefits) valuation has savings that are assumed to end around 2020-2022, when many of the subsidies are no longer included in the federal budget. GRS wants the committee to be aware of this.

MS. THOMPSON stated that, in the spirit of retired CIO Gary Bader, "you don't know what you don't know." Even when Sam Trivette was on the Board, GRS was asking how much margin the ARMB wanted in the retiree medical plan, if any. The discussion the committee wants to have with Conduent is whether to continue the EGWP as a credit at this level for a long period of time or only take the credit when it truly materializes. Taking the credit now could mean higher contributions later versus changing that assumption.

Regarding the DCR gain/loss by source, MS. THOMPSON pointed out the gains on medical claims since the 2011 valuation and then the loss in 2016 ($11.5 million in PERS and $3.6 million in TRS). The EGWP impact is positive and is dwarfing the loss on the medical claims. She said that is why GRS is bringing up that the committee discuss this more fully with Conduent. The EGWP is sort of masking what is going on with the medical claims. It is not a bad thing, but the committee should know if that will change or if the ARMB should dial back the EGWP influence on the gain/loss for the defined contribution plans. EGWP is not being valued for the defined benefit plans.

MS. BISSETT of Conduent explained that the Employer Group Waiver Program is actually written into the plan document for the newly adopted defined contribution plan, so Conduent is committed to go with EGWP on that side. She understood that it was under consideration for the defined benefit plans, but it has not been adopted yet.

MR. WOOD commented that if a lot of these subsidies have not been reestablished by 2020, then the committee could expect to see a swing back to a higher cost.

MR. JOHNSON asked why the Employer Group Waiver Program was not built into the defined benefit plan documents, even if it included a note that the EGWP was good for four years or whatever the current time limitation is.

MS. BISSETT said that it was because nothing has been formally announced. Her discussions with the Alaska Department of Administration staff indicated they were still going back and forth on what the impact might be for the defined benefit plans.

MR. JOHNSON asked if the federal subsidies that relate to the defined benefit plans were being delivered to the pension plans.

MS. BISSETT replied that they would if the defined benefit plans had switched over to the Employer Group Waiver Program option, but they have not done that yet.

MS. HARBO said it would be nice to have the historical background on the Medicare Retiree Drug Subsidy and the Employer Group Waiver Program.

B. FY2016 Valuation Review
Public Employees' Retirement System & Teachers' Retirement System

LARRY LANGER, DAVID KERSHNER and MELISSA BISSETT of Conduent Human Resources Services made a re-presentation of the FY2016 actuarial valuation results for the PERS and TRS defined benefit plans and defined contribution plans, as well as valuation information for the Judicial Retirement System (JRS) and the National Guard Naval Militia Retirement System (NGNMRS). *[A copy of the Conduent slide presentation dated April 19, 2017 is on file at the ARMB office.]*

MR. LANGER commented that it is worthwhile to have a second actuary audit the valuation results when the pension funds are billions and billions of dollars, and the continuity in the second auditor is helpful for the knowledge base. He thought the actuarial review was more peaceful this year, there was a lot more collaboration, and the differences were small.

MR. LANGER stated that his team reviewed much of the presentation information in draft at the March 1 committee meeting. He touched briefly on the purpose of an actuarial valuation, the inputs that go into a valuation, and what the outputs are.

He indicated that the key observations from the FY2016 valuations were unchanged from the March 1 presentation. These things impacted the results of the valuations:

- Investment return for the year came in at a little below zero percent, which was typical of the return that Conduent saw for similar funds in that year.
- Post-retirement pension adjustment came in a bit better than zero, as opposed to the assumption of 3.12%. Paying out a lower adjustment means that liabilities are lower than anticipated.
- Retiree medical claims were less than expected, which has been the trend over the last several years. With a new third-party administrator a few years ago, the claims experience has been flat. They expect claims will increase 7%-8% in the future, which is about the industry standard.
- Conduent received real retiree health plan enrollment data to perform the retiree medical valuation this year. This created a one-time redirection of the results.
- The DCR retiree medical plan design was adopted in July 2016, which resulted in lower projected costs than previous valuations.
- Salary increases were less than expected.
- There were more deaths than anticipated.

MR. LANGER stated that people put a lot of trust into what Conduent develops in the valuation. Included in the report are numerous data schedules to summarize the information upon which the valuation is based. He thought this was the area where trustees would want to direct much of their attention to see if the data the actuary is using makes sense: does it makes sense that salary increases are flat or not much? Are the benefit provisions okay? Is the amount of assets in the fund what it should be?

MR. KERSHNER reviewed the valuation inputs for PERS and TRS, starting with plan membership data.

MR. KERSHNER responded to CHAIR ERCHINGER's question about how salary increases are calculated by saying they looked at the continuing actives and whether the average salaries for that group went up more or less than expected from last year to this year's valuation. They recognize that some people who were in the FY2015 valuation are gone, and some of the people in the FY2016 valuation are rehires (in these closed defined benefit plans).

MS. HARBO commented that most of the teachers in the TRS defined benefit plan are at the top of their salary scale, and many times they get a negotiated bonus instead of an automatic salary increase.

MR. KERSHNER said that is the type of information that Conduent would probably want to consider when setting the assumptions going forward, whether they should refine the assumed salary increases for longer-service teachers.

MR. LANGER added that they should be able to observe that kind of phenomenon in the experience study data, where a person late in their career has a flat salary. They do not necessarily get into bargaining unit contracts so much, because it is more of a data-driven process. But it is nice to have comments around that, because many times contracts or rules will drive people's behavior and lend support to what the actuary is seeing in the data. Sometimes they find out that something happened during a couple of years because of a certain circumstance, but it is not going to continue on in the future.

MS. HARBO said she thought that people on the defined contribution plan side are never going to get to the top of the salary scale because most of them are leaving before five years of service. The valuation data shows that only about 40% of the DCR teachers are in the plan for five years or more. For PERS, only about 18% of the DCR plan members are in the plan for five or more years.

MS. THOMPSON asked where those DCR people go when they leave. MR. WILLIAMS said they go to a state that has a defined benefit retirement plan.

MR. BRICE clarified that Ms. Harbo's information applies to TRS but not to PERS defined contribution plan employees because there are much different dynamics in the pay schedules and bargaining amongst the PERS employers.

MR. WILLIAMS said he agreed with Ms. Harbo that there is very little movement in salary for long-term defined benefit plan teachers. Further, those long-term teachers may hold off longer to retire than in the past. The defined contribution plan teachers are experiencing a large attrition rate, and he believes the number of DCR teachers who will be teaching for 20 years will be a small fraction of what it used to be.

MR. KERSHNER continued with the inputs to the valuations, addressing the changes to the market value of fund assets for PERS and TRS from 6/30/15 to 6/30/16. The next element of the inputs was the benefit provisions. Typically, these do not change from year to year, however, there was bit of a change in the defined contribution plan this year because of the retiree health plan document that was finalized in 2016. Another input is the actuarial assumptions. Because Conduent does a four-year experience review, the actuarial assumptions are long term and typically not set every year.

The funding methodology (payment plan) is another input to the valuations. The three components to the funding methodology are the actuarial cost methods, the asset valuation methods, and the amortization methods. There were no changes in the funding methodology from the prior year's valuations.

MR. WILLIAMS brought up a recent Commonwealth North report that said the State has its actuarial values of what the pension liabilities are, but they think the values are off by $250 million a year. He asked if the actuary knew the background for Commonwealth North's report that the State is undervaluing the cost of pensions.

MR. KERSHNER said that within the actuarial community there is a lot of debate about the term "financial economics." Some people believe that pension plans should be valued on a more short-term, mark-to-market basis, which is probably giving rise to the report that Alaska pension liabilities are $250 million higher. That is not assuming that plan assets are going to earn 8.0% or even 7.5% a year, but maybe something closer to 3% or 4%, because that is what short-term assumptions are. He said that if the State decided to terminate the plans within five years, Conduent would be using different assumptions that they are using today, which are more long-term assumptions. While it could be the use of different methods, it is more than likely the use of different assumptions that is giving rise to that $250 million difference that Mr. Williams mentioned.

MR. JOHNSON offered that the difference in the Commonwealth North report is a disparity between the required GASB-compliant reports that were used for some of the municipal bond issues and so on, which is a process distinct from the actuarial valuation process. However, it does bring to bear the earnings rate assumption that the ARMB is using. He said he understood that a reduction in the earnings assumption from 8.0% to 7.5% would have a dramatic effect on what the contributions rates would be. He invited all concerned administration people and others to give the ARMB good solid reasons to continue at an 8.0% earnings assumption rather than a lower figure. He mentioned the Callan Associates report and Larry Sommers saying that 8.0% is ludicrous. He said he would like to build a record to support the proposition of that earnings assumption declaration that the ARMB has.

MS. HARBO mentioned the list of all the state earnings assumptions that is on the NASRA (National Association of State Retirement Administrators) web site. She recalled that five or six states have earnings assumptions 8.0% or higher, but most of them are below 8.0%.

MR. KERSHNER noted that the other distinction between the actuarial valuation results and the GASB is that the GASB standards require actuaries to value assets at market value rather than a smoothed value. So, to the extent that the actuarial value (smoothed value) is higher, because they are not recognizing all the losses yet, the GASB results will look worse, in terms of plan funded status, because it is on a market value basis.

CHAIR ERCHINGER, following up on Mr. Williams' initial question, stated that she thought that was what Commonwealth North was talking about, that the ARMB had not yet baked in all the investment losses because the smoothing has only recognized 20% of those significant losses. If those losses were totally recognized today, the pension liability would be higher. She noted also that the new GASB reporting for governments means reporting on the liabilities based on the assumptions, and then also showing what the results would be for a 1% increase in the assumption or a 1% decrease in the assumption. The reader of the financial statements gets a sense of what happens if things are off by 1% either way. The disclosure of that information makes it easier for people to reach conclusions about whether a retirement system is underfunded or overfunded, based on their own personal feeling about what is an appropriate discount rate. It makes it important for this committee and the Board to continue to talk about the investment return assumption. The earnings assumption and the asset allocation are the main drivers of the contribution rates. There has been pressure on the Board to reduce the earnings assumption, but the Board does not make that decision based on political pressure but bases it on advice from people with that expertise. At the last major discussion about the investment return assumption there was very strong support for maintaining the 8.0%. She thought that support has eroded since that time. People like to focus on the short term because the returns are bad right now, and they are not looking at a 30-year return horizon.

MS. HARBO said that a point that has to be made often when talking to the public is that almost 75% of the money to fund pension plans comes from employee contributions and investment earnings, not taxpayer dollars. The public just looks at the unfunded liability and is impressed by the big number.

MS. THOMPSON spoke in support of Conduent's explanation, stating that there is no right or wrong on this issue – that should not be the discussion. It is either consistent with the purpose or inconsistent with the purpose. The ARMB is not doing anything wrong.

MR. WILLIAMS expressed a need for someone to write a one or two-page description of the different valuations and the reasons why the ARMB is doing what it is doing. He said it raises concerns for him when two different actuarial firms go through a lot of valuation work, and the ARMB has assumptions that are consistent and make sense, and then to see all that work characterized as being really off and that the Board needs to throw in another $250 million fudge factor. That is what the public reads. The ARMB needs to have a message, whether it is an editorial by someone from Revenue or the administration or the ARMB, that competes with and defeats the other message. He said he thinks of everything through capacity, trust and quality. He loves the quality on the Board, and there is an incredible amount of capacity. When he sees attacks on the trust of what the Board does, he feels it needs to be defended.

MR. WEST said he wondered what would be gained. The consistency allows for using an 8.0% investment return assumption from period to period, even though nobody has ever been able to predict investment returns over any period of time, no matter what their occupation was. Nevertheless, using consistency does force out the other errors. The ARMB could use a 2.0% return assumption and say that the retirement plans are underfunded by $20 billion. It would mean nothing, because the State is going to only give the funding it thinks it has to give. The Alaska plans do not live under federal ERISA rules, where people are going to jail for underfunding the plans. So, the discussion is about things that would minimize the pension liability and other things that would maximize the pension liability. Changing the return assumption for the valuations would be an easy thing to do, while changing other assumptions takes a detailed look at a census and what is happening. His question is what the committee/Board is worried about. A couple of weeks ago, a TV news outlet reported that Alaska had the eighth or sixth worst unfunded liability of state pension plans in the nation, percentage-wise. All that is meaningless to plan participants, who pay what they pay. After that, the State has to make up for all the gains and losses, for all the errors in actuarial assumptions: whatever it takes to provide those benefits, the State has to make it up. The state constitution says that participants get their benefits, no matter what. So, it comes down to what the committee is trying to accomplish – to show its best guess of what the unfunded liability is at the current second (which will be a scary amount)?

MR. BRICE commented that there is an element within the state that is laying the groundwork in certain forums to change the language of the constitution so benefits can be diminished. That is the purpose for the consistent, justified response of what the assumptions are and what reality is, despite certain groups making an effort to undermine the public trust in the retirement systems to further diminish and cut benefits.

MS. HARBO agreed with the direction of Mr. Williams' comments, saying that the ARMB needs to publicize more the positive impact that pension payments have in the communities. Colorado and California, for example, have published papers that show the money coming into communities from public pension payments to retirees, and the positive impact is greater on smaller communities than larger communities. A study was done in Fairbanks three or four years ago that showed that retiree dollars coming into the community had the same impact as mining and tourism.

MR. WILLIAMS said that any time there is information in the public that questions the accuracy or the trust in the work that the ARMB is doing, the default response should not automatically be silence. There needs to be thoughtful discussion of what that response should be.

MR. LANGER mentioned that often information is attached to a retirement system website to respond to everything. He agreed with the response idea and not just sitting back. Many other retirement systems have blazed that trail, and the ARMB can make use of the good efforts of others. Often these sites encourage that type of sharing.

MR. KERSHNER returned to Conduent's presentation, specifically the valuation results for PERS and TRS, and mentioned the development of the smoothed assets, or actuarial value of assets. The investment loss for PERS for the year ended 6/30/16 was $1.3 billion. That means the actuary expected 8.0% investment return and the actual was negative 0.7%. The actual return was $1.3 billion less than expected. If there was no asset smoothing, the assets would be $1.3 billion lower, hence the unfunded liability would be $1.3 billion higher, which would then cause a huge spike in the state assistance contribution. To mitigate that volatility, the actuary applies smoothing and recognizes 20% of the investment return loss this year and will recognize another 20% of the $1.3 billion loss next year, etcetera.

MR. KERSHNER reminded everyone that last year the assets were reset to market value as of 6/30/14. In FY2015 they started the smoothing again, and there was a gain/loss from that year that is being recognized 20% per year over five years. As of 6/30/16, the total amount of PERS losses that are being deferred to the future is $1.5 billion, so the actuarial value of assets is $1.5 billion higher than the market value. The investment return on the *actuarial value of assets* was 5.0% for PERS and 5.1% for TRS. That is still less than the 8.0% investment return assumption, but not quite as bad as the negative 0.7%. That is the point of smoothing: when market returns are really high, the actuarial return will not be quite as high, and when the market returns are really unfavorable, the actuarial return will not be quite as bad. The asset smoothing is done primarily to avoid employer contribution volatility.

MR. KERSHNER reviewed the results of the funded status calculation – comparing the actuarial value of assets to the actuarially accrued liability. This was done for PERS and TRS, separately for pension and healthcare, and shown for FY2015 and FY2016. The funded status for the PERS defined benefit plan went down from 78.3% to 77.1%. There was a 0.5% decrease in the funded status for TRS defined benefit, from 83.3% to 82.8%. Conduent had expected the 78.3% funded status for PERS in FY2015 to increase because the purpose of the extra State contributions is to pay off the unfunded liability. Had the plan earned 8.0% return, and all the other assumptions had been met, Conduent would have expected the 78.3% funded status for PERS to have increased to 79.2%. Now the funded status is only 77.1%. The difference between the 79.2% expected and 77.1% actual is mostly asset losses.

CHAIR ERCHINGER referred to Mr. West's earlier comment about smoothing and whether the Board's real goal is to say what the real unfunded liability is. She felt that the goal has always been to assist the State and the employers in having budgeting stability to some degree. Now more than ever, the smoothing allows for that. Had smoothing not been used for the recent investment return losses, the contribution requirement would have been an enormous swing upward, and the legislature would be facing how to fund that annual contribution. The circumstances of the past year have shown the value of smoothing. Anyone looking at the actuarial report will see what the contribution rates would be if there had not been any smoothing, and they will see what the unfunded liability is based on assuming the full impact of the investment losses. Perhaps those two bits of information have to be called out, in order to provide better transparency and better information for people who think that the ARMB is trying to hide something.

MR. KERSHNER referred to a new graph *(slide 19)* that depicts how the funded status for PERS and TRS has changed over the years since 1979, and what Conduent expects the funded status to look like out to 2039, based on the State assistance contributions. The outlook from 2017 to 2039 is a very smooth path, gradually rising to 100% funded status by 2039, which is the current funding policy. In reality, every projected year going forward will change into what the actual funded status is for that year, because not all the assumptions will be realized.

MS. BISSETT presented the results of the medical claims experience. There was $199 million total health experience loss on PERS and a $24 million health experience gain on TRS for FY2016. A chief factor behind those numbers was the claims costs coming in lower than the actuary expected. For the last two years, the rolling four-year weighted average of claims costs has seen old years of higher costs dropping out of the calculation and new years coming in that were lower than expected. The new years also get more weight in the calculation than the older years. A second factor is that Conduent was able to get more credible information about the network discounts under the new third-party administrator (TPA), and those discounts were better than Conduent had expected. This was all done before Conduent knew anything about getting more detailed healthcare enrollment data available from the TPA. So, the combination of getting new information every year and being able to refine the per capita cost assumption will help Conduent reach its goal. Using actual healthcare enrollment data meant that Conduent could identify the dual-coverage people that had been counted twice and adjust their process. That brings down the number of people that the claims costs are spread over, resulting in a higher per capita cost. Finally, by having the more detailed healthcare enrollment data, Conduent learned that the pre-65 people were actually closer to 60 years old versus 61 years. The post-65s were actually a year and a half to two years younger than what Conduent had been assuming in the past. So, there needs to be an aging adjustment to make sure there is enough money to cover those people for the long term.

CHAIR ERCHINGER commented that this was a great follow-up to last year's discussion about the persistent significant gains on the healthcare side and trying to identify and understand the cause. She said she appreciated both actuaries trying to get to the bottom of those issues. It is an example of where extra work paid off in being able to answer some questions that were previously unanswered.

MS. HARBO said she knows that many of the TRS Tier II defined benefit participants are working longer and not retiring at 55 or even closer to 60. If they retire before age 60, they have to pay their healthcare premiums, and they cannot afford to do it. These people are deferring retirement, whereas Tier I TRS participants were retiring at age 55 or even younger.

MS. BISSETT stated that some of this gives rise to seeing a medical claims loss on the defined contribution side. That is because there is no retiree health plan experience yet for the defined contribution plan side, as people are just becoming eligible for retiree health coverage now. Conduent based its assumption on the experience of the defined benefit plan and adjusted it for the relative benefit plan values. The basis of the claims for DCR increased, but then the DCR had the offsetting impact of the new retiree medical plan implementation, which included the EGWP (Employer Group Waiver Program).

MR. KERSHNER next presented the contribution rates in the 6/30/16 PERS and TRS valuation reports: the FY18 actual contribution rates and the FY19 preliminary contribution rates (the FY19 rates are preliminary because they assume that assets will earn 8.0% in both FY17 and FY18). All the numbers in slide 22 are expressed as a percentage of a combined DB/DCR payroll.

Defined Contribution Plan Retirement Systems – PERS & TRS

MR. KERSHNER briefly reviewed the valuation results for the PERS and TRS defined contribution plans *(slide 23)*. The Occupational Death & Disability plan and the Retiree Medical Plan are the two components of the DCR plans.

MR. KERSHNER mentioned the two projections spreadsheets at the end of the PERS and TRS valuations presentation *(slides 24 & 25)*. MR. LANGER pointed out that Conduent is anticipating a dip on the funded ratio over the next few years as the valuations reflect the asset losses in the actuarial value of assets. The funded ratio is projected to rise to 100% by year 2039. The rise to 100% and how fast the funded ratio rises is a direct result of the funding policy underlying the retirement plans.

Judicial Retirement System & National Guard Naval Militia Retirement System

MR. KERSHNER moved on to the valuation results for the Judicial Retirement System (JRS) and the National Guard Naval Militia Retirement System (NGNMRS). He noted that Conduent only does valuations of these two plans every two years (the 6/30/15 valuation is an actuarial roll-forward of the 6/30/14 valuation). The total contributions for JRS went down from $11.2 million in FY15 to $10.7 million in FY16. Most of that is because the liability gains on the JRS plan offset the losses on the asset side. Earlier the committee saw the opposite effect on PERS and TRS. The National Guard System saw a significant increase in the funded ratio from 98.8% last year to 123% for FY16 because there was a big liability gain due to a data cleanup. There were some people included in the valuation data who had been previously cashed out. That meant in FY16 fewer people were being valued in the liabilities than in the past, so liabilities decreased.

CHAIR ERCHINGER called a 10-minute break at this point.

Follow-up Items – There were no follow-up items.

C. Review of Audit Findings List – Plan of Action

MS. THOMPSON referred to the Audit Findings List dated April 2017, included in the meeting packet. She said the open item that GRS believes still exists is the discussion on what to do on the assumption regarding EGWP – the costs on the DCR plan, and ultimately how to handle the costs on the defined benefit plan when EGWP is implemented there.

MS. THOMPSON stated that GRS recognized that data continues to be an issue on the National Guard plan. No action is required, but GRS recommends keeping that on the audit list, particularly around eligibility service and capturing as much data as possible for the valuation of the benefits there. She remarked that this is the cleanest the list of outstanding audit items has ever been in her ten years as the review actuary. She offered kudos to the committee for instituting the process of resolution, and kudos to Conduent for being so responsive with monthly meetings in the past year.

MS. HALL mentioned that the April 20, 2017 four-page list of resolved audit items is separate from the April 19, 2017 one-page list of three open audit items that is the going-forward list. She said she made note to add a few items that Ms. Thompson referenced from her earlier report, bringing the total to six items on the list going forward that will be monitored through the FY17 valuations.

CHAIR ERCHINGER asked Ms. Hall to refresh everyone's memory about the items that would be added to the April 19 open-items list.

MS. HALL suggested that the committee could reference the April 20 four-page list and recommend that the Board ratify that everything is covered on the four-page list.

CHAIR ERCHINGER said it was only item #4 and item #10 from the four-page list that remained open. MS. HALL added that the EGWP disclosure is the third item.

Responding to a request from MS. BISSETT for clarification on the EGWP item, MS. THOMPSON said she recommended that Conduent discuss the EGWP method for the DCR plan now and not delay it. If the committee were to say it did not want to build in a subsidy that could sunset, then the results of the valuation would change.

CHAIR ERCHINGER said she did not think the committee had had enough time to get good information on the pros and cons of the EGWP to make a quick decision that would impact this valuation. She understood Ms. Thompson to say that the committee could possibly decide to remove the impact of EGWP that is already baked into the valuation, which would then change the numbers.

MR. LANGER suggested adding the EGWP to the list of assumptions to look at for the next valuation. The assumptions Conduent will be looking at in the 2018 experience study will be implemented for the FY18 valuations.

COMMISSIONER FISHER explained that the Department of Administration is in the process of implementing the EGWP in the defined benefit plans and expects to have that early next year.

CHAIR ERCHINGER thanked the actuaries for working together to give the committee good information to be able to say it had fully vetted and resolved what started out as a long list of audit issues a year ago.

<u>MS. HARBO moved that the Actuarial Committee recommend to the Alaska Retirement Management Board that the resolutions and findings as indicated on the Audit Findings List dated April 20, 2017 be accepted as resolved with no further action needed</u>. <u>MR. WILLIAMS seconded</u>.

The roll call vote was unanimous in favor of the motion, 7-0.

D. Experience Analysis Planning Session – Discussion Topics

MR. LANGER said the experience review is where the assumptions are set that will be used for the valuation reports. For many boards, it is the most important actuarial responsibility they have because it sets the course for contributions to the retirement funds for the next four years. He reminded everyone that besides member data, asset data, and benefit provisions, two very important inputs to the valuation process are actuarial assumptions and actuarial methods (sometimes referred to as the funding policy).

Actuarial assumptions are used to set the amount of obligation that the retirement system needs to pay off over time. The actuarial assumptions should be set in such a way that they are realistically expected to happen, however, boards can determine the level of conservativism they want to bake into the assumptions.

MR. LANGER stated that the funding policy (actuarial methods) is about how to systemically pay off the amount of projected benefits, and the timing of the contributions to be paid to the retirement system. The three primary components of the funding policy are:

- The actual cost method (how the costs are allocated over time);
- The asset valuation method (using the smoothed value of assets to try to make the contributions less variable than they would otherwise be if the market value of assets was used); and
- The amortization method (how the unfunded liability is paid down over the course of time).

MR. LANGER presented showed a slide that depicted the amount of relative impact that each assumption has on the actuarial valuation results *(slide 8)*. He said Conduent set up the continuum of assumptions from high impact to low impact, in terms of how much impact they see if there is a change in the assumptions. For example, when Conduent goes through all the data to develop an assumption, it is rather rare that there is a huge change in the retirement assumption or the termination assumption: the changes in an experience review tend to be somewhat modest. But, going from plan to plan, the difference in the retirement rates can actually have very meaningful impact on the results from one plan to the next. What Conduent sees is that changes in the investment return assumption have a very profound impact on the liabilities and the calculation of the contribution amounts. The health trend is another assumption that has a big impact with respect to the retiree medical valuation – and salary increases and mortality as well.

COMMISSIONER FISHER commented that he was surprised to see mortality sort of in the middle of the impact continuum. He asked if the middle-of-the-road was true for the Alaska funds if they went to generational mortality tables.

MR. LANGER replied that he was inclined to move the impact of the mortality up the continuum a little bit more because Alaska has not adopted generational mortality yet. When Conduent reviewed mortality in the past, they took the viewpoint of setting a mortality assumption based upon what they had seen recently, and put a little bit of conservativism in there to anticipate that people live a little longer than what the data has been showing. But, without fail, every four or five years when they do an experience review they have noticed that they have underestimated lifetimes for people. They have always had to add a 2% or 3% increase in the liability to accommodate that. The concept of generational mortality is an automatic update to the mortality table to reflect the thinking that people are going to be living longer. After that one-time update, future impact on mortality would hopefully be more middle-of-the road or less. For the current go-round, mortality will have a bit more impact for the Alaska retirement funds.

MR. JOHNSON mentioned that the issue of investment return and mortality was a real trigger around 2003 when the perfect storm occurred. The mortality issue was the advancement of a new study by the then-actuary, and it was a surprise to the Alaska State Pension Investment Board and the PERS and TRS boards at that time. There was no warning about a new study that had a radical change. The study was described as being a standard issue of something that comes out periodically. He asked if there was a mortality study pending from which this committee and the ARMB should expect dramatic change, and how the committee should deal with it in the context of smoothing or otherwise.

MR. LANGER stated that in 2003 the Society of Actuaries released a series of tables. Every handful of years the society collects information from corporations with rather consistent data, and they determine mortality rates to be used for pensioners. The last big study was 2014, and the study before that was 2000. The change from RP2000 to RP2014 was not nearly as much as what the Alaska plans experienced in 2003.

MR. LANGER said that Conduent has an estimate for the Alaska plans to implement the generational mortality tables, which the committee would be looking at later.

MR. LANGER mentioned that while the Society of Actuaries collects information on mortality from corporations, there are different types of occupations, and the occupations have a definitive impact upon life expectancies. Many retirement systems requested that data be submitted so the Society of Actuaries could incorporate those results into their study, and the society is developing mortality tables based upon public sector lives. The society is also developing those tables based upon geographic regions, which could be issued in late 2018 or early 2019. But for the moment, Conduent has to make use of the corporate tables and make adjustments to it to fit the population within reason.

MS. BISSETT commented that another consideration is that many mortality tables are based on retirement benefit amounts, but there is also a head-count-weighted table that people are considering for the retiree medical type valuations.

Regarding the development of mortality tables based on regions, MR. BRICE wondered if it would be by state or region. He noted that lumping Alaska in with Seattle, for example, would create skewed data. Alaskans tend to kill themselves fishing, hunting, hiking, and in other ways unique to the lifestyle. He suggested other avenues to get more accurate mortality information, such as the Alaska Department of Health & Social Services, Division of Vital Statistics.

MR. LANGER said the mortality tables based upon regions would not be until late 2018 or early 2019.

MS. HARBO noted that the 2002-2003 timeframe that Mr. Johnson mentioned was around the time that the TRS and PERS boards had an audit by Milliman that revealed the actuary was underestimating the cost of healthcare. That had a big impact when healthcare costs started to rise. Also, there was an impact at that time from three retirement incentive programs in the late eighties and early nineties that allowed teachers and public employees to retire and get three additional years of retirement credit. People were retiring in their forties and early fifties, and they got healthcare benefits for life.

MR. LANGER stated that the ARMB does not have direct control over the funding policy because there are constraints on the policy. It is not necessarily uncommon to have those types of constraints: many times, the funding policy is developed by the payer. He thought it was worthwhile for boards to kick the tires on funding policies being used and, if necessary, to promote their own funding policies. Boards may develop something that is a little bit different than what is currently being used and find a thoughtful way to suggest that to policymakers.

1. **Method and Approach for Economic Assumption Analysis**
   Discussion on GEMS and traditional approach; related pros and cons between each model [combined discussion with 2. below]

2. Method and Approach for Investment Return Assumption

MR. LANGER said the investment return assumption works in the opposite way of many of the other assumptions in that Conduent makes use of the investment return assumption to determine how much *less* money has to be put into the retirement fund. Investment return, combined with contributions, needs to be sufficient to pay off the benefits of the retirement fund. The lower the investment return assumption, the higher the short-term costs are, everything else being equal.

In terms of reviewing the investment return assumption, MR. LANGER said the typical approach is the building block approach, or what he called “the no-cherry-picking rule.” The first thing to pick is the long-term inflation assumption that underlies some of the other assumptions – salary increases, investment return, and medical trends. Real return is added to the inflation assumption to get the total return assumption. When developing the investment return assumption, Conduent tries to make use of forward-looking models. They base the return upon how the ARMB’s portfolio is constructed and where it is invested. While they give consideration to a long-term view, it is hard to ignore the short term. Many people think that 8% is a reasonable return assumption, but he doubted that anyone expected that return in the shorter term – and much of what he hears is more like the 6% to 6.5% range. The question is whether people think the actuary should go right to the short-term expectation and that will be the new norm forever and ever. Or does the actuary take a measured approach and go part way toward a lower return assumption in anticipation that things may revert?

MR. LANGER stated that Conduent makes use of GEMS, an economic modeling tool to project investment returns into the future. One of the elements that is odd compared to a lot of other return scenarios is that the model does not anticipate that the current interest rate environment continues forever and ever. The model anticipates that different interest rate environments will exist into the future, so there will be variations in inflation over the long term. Right now, inflation may be something like 2.25% over the next ten years, but over the longer period of time inflation pushes 2.75% to 3.0%. When they first started using the GEMS model, people tended to look at the 30-year number, because of the long-term operation of a retirement fund, and not look at the earlier years in the progression. Conduent’s use of GEMS is that people cannot ignore what the model shows over the next ten years. The lower return expectation needs to be baked in somehow, whether it is immediately dropping the return expectation to what is going to happen over the next ten years, or taking a partial nudge towards it and then doing some modeling that shows stakeholders what happens when the retirement funds do not get the assumed rate of return.

MR. LANGER said that where many times people get only one expectation from folks developing investment returns, it is important to get information from the investment advisors, etc. but not rely on just one input for determining this assumption. Five or six years ago the only assumption that he would get was a 10-year return from the investment folks, and it tended to be lower than the assumed rate of return. In the reconciliation, it would be that that was the investment consultant’s 10-year outlook, and the actuary's 10-year numbers would be sort of consistent, and then attention would be directed to the 30-year outlook. Looking at some of the survey information being collected now, there are not only 10-year horizons, but more and more investment consulting firms are putting together 30-year returns that are higher. It is nice information to have and interesting that it has changed that much over the past five years. When looking at the NASRA survey, there has been a gradual reduction in the median returns used by funds over the past five years. The 8.0% return was probably still a little bit on the high end when looking at that survey, and now it is certainly on the high end. He said he does not like to use surveys as a "following the herd" type of tool. He believes that a lot of what is underlying the lowering of the investment return assumption is the fact that investment professionals' expectations of return in the future are reducing.

MR. JOHNSON stated that the ARMB needs to have a reasonable paper trail to support how it approves a particular investment return as the actuarial assumption it would use. He understood the mathematics that if the Board were to reduce the return assumption to 7.5% it would increase the contribution rates and that sort of thing. It struck him that that was not the way the ARMB needs to get information as to what the effect will be on the contribution rate. In light of the 8.0% investment return assumption being criticized more and more, he thought there should be a strong paper record suggesting that 8.0% is still a good assumption – if that is what the ARMB wants to do. He asked at what point the committee and the Board get that data where they then make a determination of what the return assumption should be.

MS. HARBO mentioned that the Department of Revenue has a spreadsheet of the investment returns going back a long period of time, and perhaps the committee should have that to look at first. She likes to look at returns starting in 1929, and, over the long term, the annual return has been about 9.0%. She recalled that Paul Erlendson of Callan Associates had cautioned the Board at the last meeting to keep the time horizon about 30 years and not think about ten years, because that is the timeframe the ARMB is investing over.

MR. JOHNSON said he would like to see the historical investment returns that Ms. Harbo was talking about, along with all the other reasons for sticking with an 8.0% investment return assumption, if the Board chooses to do that. It is a critical determination, and if the ARMB is going to be criticized in the press about anything, it will be about decision-making on that assumption.

MR. WEST commented that people can justify a great range of things, but probably the justification will be fairly weak. As people involved in investments can state, the world of investing today is not what it was ten years ago and is not what it was 30 years ago. It has to do mostly with the computer and what is known as market efficiencies. There used to be market inefficiencies and economy inefficiencies between the United States and Europe. Now everyone is coming into the same system, and the markets have really changed. Even in 2008, when the bottom fell out of the stock markets, nobody thought this is where we would be in 2016. It is really hard to justify anything, especially looking at past history. It is hard to draw an economic bubble and say this is where it is moving, because people can make any arguments to support it or any arguments to shoot it down.

COMMISSIONER FISHER spoke in support of Mr. Johnson's suggestion (to have a paper trail to support how the ARMB approves an investment return assumption). He felt there should even be a conversation about how the Board makes that determination. It should not be a Conduent recommendation that the Board kind of adopts. Callan Associates should be part of this, and the Treasury Division should be part of this. It should be a very carefully constructed analysis and well documented.

CHAIR ERCHINGER stated that two years ago, when the ARMB did the asset allocations for the retirement fund portfolios, Callan was saying that the asset allocation selected would still get the ARMB to its long-range return target. Last year was the first time she heard Callan say that it was unlikely, even given the asset allocation that was selected, that the ARMB would achieve that long-range target. To her, that was the point in time where the Board has historically had that conversation. If it looks like the asset allocation policy will not successfully get the retirement funds there, that is when to have the broader conversation about the investment return assumption and what it takes to get to the long-range target.

BOB MITCHELL, acting chief investment officer, said the Board would be delving deeper into the Callan capital market assumptions at the June meeting, when it looks at the FY18 asset allocation. What will be clear is that the return assumptions over the ten-year horizon are lower than they were last year. If pressed, Callan will also provide 30-year return assumptions, which are 1% to 2% higher than what the ARMB is likely to face over the next ten years.

COMMISSIONER FISHER said it would be helpful to do a Monte Carlo simulation, even if 8% is right over 30 years. Even 8% is different than periods of low returns followed by periods of high returns.

MR. MITCHELL stated that whether the ARMB succeeds in having enough assets over time to pay the liabilities is really path dependent. If there is a period of low returns over the next ten years, it will materially impact the probability of success over the next 20 to 30 years.

MR. WEST spoke in favor of both Mr. Johnson's and the commissioner's suggestions, adding that the advisors and internal managers each could give a proposal with reasons to support it. Then the ARMB could make a collective decision and document it.

MS. THOMPSON reminded the actuary that administrative expenses would need to be discussed as part of the investment return assumption, if the committee wished to keep an explicit administrative expense as part of this assumption.

MR. KERSHNER said this had been discussed previously, and he thought there was an agreement that the actuary should include administrative expenses, as is done in the National Guard system.

3. Method and Approach for Assumptions on Salary Increases
How recommendations are developed and what alternatives exist

MR. LANGER explained that Conduent reviews the data for each individual, determines what the salary increases are, compares the actual increases in salary to the expected increases in salary, and then makes a recommendation as to what type of increases to anticipate in the future.

MR. WEST asked if Conduent compares the Alaska plan salaries to other states. He said that people seem to make more money in Alaska when the budgets have a lot of money, and the converse happens when budgets are cut back.

MR. LANGER said they do not.

MS. THOMPSON recalled a discussion from several years ago on salary increase rates possibly being different between Tier I and Tier II because of the different retirement plan structures. She wondered if the salaries needed to be reviewed separately, if that was happening.

CHAIR ERCHINGER stated that the defined benefit plan, which was eliminated, was a major incentive for people to stay. In order to get new hires in the defined contribution plan to stay now, they have to be paid higher salaries. That affects the pay scale, which also affects the pay of the existing defined benefit plan employees (because new employees will not be paid higher on the pay scale without raising the scale for employees on the old retirement plan). She did not know if that meant different salary increase assumptions for the different categories of employees.

MS. HARBO mentioned again that not many of the defined contribution plan employees are getting to the top of the salary scale. In the defined benefit plan, many of the employees are topped out on the salary scale.

CHAIR ERCHINGER responded that even when people are topped out, employers can move the whole salary scale up with a cost-of-living increase, in order to attract new people. That provides a pay increase even for the employees who are topped out.

MR. LANGER clarified that this assumption was salary increases for individuals over the course of their careers. That is a little different than talking about funding policy and the overall payroll increases.

4. Method and Approach on Mortality Assumptions

Previous experience analysis liability-weighted; alternative is head-count weighted; fully generational vs. static projection to a future date; pros and cons of each

The committee agreed with Mr. Langer that the mortality assumptions had been adequately covered earlier in the meeting.

5. Method and Approach on Rehire Assumptions and Demographics

Discussion of approach to study this assumption; data needed and how to draw conclusions; how to measure new assumption credibility

MR. LANGER explained that when former employees return to active employment it results in unexpected increases in liabilities, or actuarial losses. For purposes of the last valuation, Conduent implemented an assumption to try to capture the cost of the rehires more immediately (than amortizing the increase in liabilities over the remaining 22 years of the amortization period). It is always better to accumulate costs now, as opposed to deferring them over the course of many years. Conduent may choose to recommend that the simplified approach to capturing rehire liabilities be maintained, or they may explore other ways to model the career path of these people who get rehired.

COMMISSIONER FISHER reported that the Internal Revenue Service is changing the rules around rehires. The retirement plan policy used to allow a person to retire and then return to employment after 60 days. That waiting period is moving to 12 months. He did not know how that would play into the rehire assumption: this being a low-impact assumption may mean it is not worth spending a lot of time on it.

MR. LANGER stated that the news that the rules for rehires could change over the next few years makes him want to lean toward keeping the simple rehire assumption approach for now.

CHAIR ERCHINGER called a lunch recess around 12:00 p.m. The meeting reconvened at 1:15 p.m., and the committee resumed its planning session with the actuaries about the upcoming experience review.

6. Method and Approach on Key Retiree Healthcare Assumptions

Discussion based on real data used: participation rate assumption, cost differential between PERS/TRS and DCR plans; cost sharing between member and employer in DCR; assessing validity

MR. LANGER stated that Conduent is always refining the healthcare assumptions to make the estimates of what they think will happen in the future better. By getting the new member data this past year, they were able to improve the processes and fine-tune the projections of healthcare claims.

MS. BISSETT said the process and the annual claims are two items that Conduent looks at every year. But there are some underlying pieces that are longer term and generally more stable, so they do not change quite so much every year. One of those pieces is aging, which is how much healthcare claims costs increase as members get older. For the experience study, Conduent will gather new information from the third-party administrator and compare that experience to the tables on hand to see if that piece needs refined at all. Right now, the table is fairly comparable to what she sees in the industry, so she did not expect a huge shift on the aging piece.

MS. BISSETT stated that Conduent looks at the healthcare trend every year to see if there is something that needs tweaked. The Society of Actuaries model has a nice long-term model that they look at. The healthcare assumption has a few building block components to consider, one being the underlying inflation, and is it reasonable to think that healthcare costs are not going to keep eating up the entire spending of the United States.

MS. HARBO asked how many retirement systems that Conduent works with have healthcare assumptions tied to their plans.

MS. BISSETT replied that many systems that she works on allow the retirees to participate in the active plan, so they just get an implicit subsidy and not necessarily a full healthcare benefit. Generally, when those folks reach Medicare age, they are off the active plan and can find their own individual Medicare supplement plan.

COMMISSIONER FISHER mentioned a brief conversation at the last meeting that Conduent's healthcare trend assumption is above inflation long term. He asked if that was what the Society of Actuaries recommends.

MS. BISSETT stated the Society will not come out with an actual recommendation but gives guidance to consider X, Y and Z.

Responding to the commissioner, MS. THOMPSON said long-term GDP growth is what the trend assumption is supposed to converge to, under the Getzen model.

MS. BISSETT noted that there is a provision to consider that there will always be a little bit more for healthcare because of the new and shiny and the higher intensity services.

COMMISSIONER FISHER said that is not sustainable.

MS. BISSETT said the model allows for a point where it does stop eating up the entire budget.

COMMISSIONER FISHER asked if that model was used in the healthcare trend assumption today.

MS. BISSETT said she would have to check the timing in there.

COMMISSIONER FISHER said he wanted to dig into that as an overarching assumption. He asked how much above inflation the healthcare trend assumption is currently.

MS. BISSETT said it was around 1.2%.

MS. BISSETT said another underlying piece of the healthcare assumption is the participation rate. This comes in more for the DCR plans because those retirees contribute more than retirees in the defined benefit plans. The defined benefit plans have to consider some participation for Tier II and III members who are under age 60 who have to pay their own premiums, and maybe for the different vesting that might elect into the future.

MS. THOMPSON remarked that Conduent's long-term post-65 is 4.0%. If their long-term GDP expectation is 2.0%, then there is a 2.0% delta between the two. She said that GRS pressed on this issue last time, and Ms. Bissett feels very strongly that there is always a delta above GDP in the healthcare trend.

COMMISSIONER FISHER noted that, looking back, it is hard to argue with Conduent's position. Looking forward, it is hard to sustain it.

MS. THOMPSON said it is part of the national dialogue with the Affordable Care Act (ACA) right now.

MS. THOMPSON added that for the EGWP (Employer Group Waiver Program) she was interested in hearing Ms. Bissett's view on President Trump and the budget, in terms of the probability that the subsidy would not go away. She thought the law sunset the program in 2020, and it would have to be reauthorized to continue.

MS. THOMPSON asked if Conduent would be setting an assumption for how many plan members would marry another member and have dual health coverage.

MS. BISSETT said she would have to do more digging in the data, and that is part of the whole future participation and married/spousal assumption.

MS. HARBO inquired of the commissioner if there has been any impact on the retirement systems because of people abusing opioids and then going into drug rehab treatment.

COMMISSIONER FISHER confirmed that the department receives a list of the top diseases that impact the retirement systems the most, and opioid abuse is not in the top five. It is a topic the administration talks about a lot, but it has not risen to be a major driver of cost in the health plans. He offered to get more information on that for the committee.

7. **Method and Approach re Annual Administrative Expenses**
   Discussion: whether assumption is an explicit annual administrative expense or administrative expenses are netted out of investment returns

MR. LANGER stated that when Conduent sets the investment return assumption, it is typically developed net of whatever investment expenses will occur. There are a couple of ways to handle administrative expenses. One is to assume they come out of the investment return assumption, meaning the amount of administrative expenses has to be factored in explicitly. A preferred practice is to explicitly have an administrative expense line item as part of the contribution. Conduent could either use an inflation number for a few years from the latest information available, or they could receive a budgeted amount for administrative expenses for that year from staff or others.

MS. HARBO inquired if the committee could get a chart of the administration expenses from 2006 to 2016 to see what the increase has been. She preferred to see that information on a per-member basis for comparison purposes.

COMMISSIONER FISHER indicated that he had seen her request, and staff had started working on that, but it was not done yet.

CHAIR ERCHINGER asked Conduent what the best practice was for the option of explicitly reporting the administrative expenses.

MR. KERSHNER replied that it is common to take an average of the actual administrative expenses over the last two or three years. It can then be included as a line item as part of the contribution, or the normal cost can be increased by that amount. When Conduent is doing a projection for contribution rates two years out, they would probably increase the actual administrative expenses number with some inflation component. That is a relatively simple way to do it.

MR. LANGER said he has seen other approaches, such as a flat one-tenth of a percent of payroll, for example. The challenge is that payroll might go in a different direction and it might not be a good tracker, which is a reason to take the prior year administrative expenses number and run with that.

8. **Method and Approach to Incorporate Oher Demographic Assumptions & Local Conditions**
   Discussion: how Alaska-specific trends can be incorporated into assumptions, e.g., furlough days, decreasing payroll, specific and known compensation policies

MR. LANGER stated that Conduent lumps the termination from employment, disability, and retirement assumptions together under "other demographic assumptions," primarily because they develop them in a very similar manner. Those assumptions vary greatly from plan to plan, and sometimes even in groups within a plan. For the experience analysis, Conduent looks at what happened over the past four-year period – how many people did they expect to terminate, become disabled, or retire, and how many actually were in those categories for various age groups and employment classes – and then makes a recommendation for an assumption in the future. Conduent takes out instances that they do not anticipate will occur again, such as an early retirement incentive.

MR. LANGER said that while the best information that Conduent has tends to be in the past, input on what the committee thinks might happen in the future is welcome.

MS. THOMPSON mentioned Ms. Harbo's earlier comment that Tier II (defined benefit) teachers are putting off retirement and Tier III (defined contribution) teachers are not staying in the system. She asked if Conduent's experience analysis will study retirement differently between the tiers of employees in the Teachers' Retirement System.

MR. LANGER replied that it makes sense because the tiers are very different benefit programs, and the benefits a member receives will definitely drive when they retire.

Prompted by Ms. Harbo's question about options for retirees to be rehired, AJAY DESAI, director of the Division of Retirement & Benefits, informed the committee of a bill introduced in the legislature last week for teachers to come back as rehires, but they would not accrue any additional benefits. The teachers would still be required to pay the contributions towards the retirement plan, and they would continue to receive their pension benefit. The recommendation was also for these rehired teachers to continue receiving the retiree health benefits, rather than being an active.

Regarding local conditions, MR. KERSHNER stated that inflation and salary increases were two local factors Conduent would be looking at.

MR. LANGER said one element is the growth of overall payroll, which is a little more in the funding policy piece. Conduent does projections that are based upon new people coming on board who are not hired yet in the DCR plan. They look at more recent hires and make adjustments as to what they think the salary will be when those people actually come on board, and fold them into the projected valuation results. From that comes a projection of salary for that DCR group.

MR. LANGER said there is currently an assumption that payroll is going to grow at 3.62% per year, when talking about amortizing the unfunded liability. What that really means is that the payment to the unfunded liability is going to increase year over year at 3.62%. The "local condition" question is whether the budgets are growing at 3.62%, or is this payment to the unfunded liability going to be taking up a larger and larger portion of the budget in the future.

MS. HARBO stated that if funding for education is cut, school districts will hire fewer teachers. She thought that the number of active teachers now was about the same as when she retired 23 years ago – and would decrease in the coming year. People have also told her that they just see empty desks in some of the departments of government agencies.

CHAIR ERCHINGER commented that as people retire out of the defined benefit plan at the top of the pay scale, they are replaced by defined contribution plan people at an entry level position. She expected salary growth would be significantly lower over time.

MR. LANGER stated that Conduent does bring in the new members of the DCR plan at a lower level of pay. Actuaries routinely anticipate flat active head counts into the future. He wondered, regarding the local conditions piece, if there are better projections of what might happen that Conduent could use.

MS. HARBO noted that the TRS defined contribution plan began in 2006, and there are very few members who have been in the DCR plan for ten years. She thought it was worse under PERS.

MR. LANGER said there are people who project what employment levels will be in these plans, and Conduent could try to model that into the valuation. If Conduent is going to project that the liabilities will grow slower because there will be lower active head counts, that is great. But when it comes to paying things off, they should make sure that the lower revenues (that drive the lower active head counts) get factored into how the unfunded liability is paid off.

MR. BRICE said he assumed that if the actuary is off on the assumption, they want to be off on the high side, because that means more money coming into the program.

COMMISSIONER FISHER said his own bias is to be neither conservative nor optimistic. The ARMB should not be trying to build conservatism into each assumption, because that results in real impact on employers and on the State.

MR. BRICE agreed with that, but said that if there *is* an error, it is best to be on one side rather than the other.

MR. LANGER next delved deeper into the funding policy and payments to the unfunded liability. He explained that if a retirement plan does not think it will have the increases in revenue in the future, that means making higher payments in the earlier years of the amortization period, in order to pay off the unfunded liability, and not relying on future revenues growing as much. He said he did not know where the breaks were, in terms of having control over that lever.

MS. THOMPSON stated that the statute is level percent, so it has to be fixed through the percent assumption.

MR. LANGER said the percent could be set at zero. He added that Conduent had looked at the funding policy and payments to the unfunded liability as a consideration for "local conditions."

MR. LANGER drew attention to a list of anticipated recommendations for policymakers *(slide 18).* He cautioned that the end result should not be the primary driver of the decisions about assumptions. When making these recommendations, Conduent is in search of what they think will happen in the future. The first recommendation they anticipate making is to lower the inflation assumption. Under the building-block approach, changing the inflation assumption will likely impact the investment return, the salary increases, and the healthcare trend assumptions.

The second actuarial assumption where Conduent expects to recommend a change would be to reflect the latest mortality improvement recommendation from the Society of Actuaries. Conduent did not change the table but simply implemented the latest mortality improvement scale. This is folding in anticipated future increases in life expectancy for future members.

Conduent plans to refine the rehire assumption but is not sure what that will look like. They may decide to continue what they are doing right now. The final recommendation would be to add an explicit administrative expense assumption to the contribution results.

Using the PERS defined benefit plan 6/30/16 valuation results as the baseline, MR. LANGER next demonstrated what the impact of the possible assumption changes would be on the funded status of the plan and the contribution rate. [The three assumption changes were inflation decreased by 50 basis points, using the generational mortality table, and adding an administrative expense load.]

MR. WILLIAMS inquired if the impacts of the possible assumption changes would be similar for the TRS plan. He added that sometimes the committee sees an adjustment that results in a change in one direction for PERS but goes in the opposite direction for the TRS plan.

MR. LANGER acknowledged that there will be different impacts for the two retirement systems. Conduent kept the example to the PERS plan to give a sense of the size of the impacts of adjusting the assumptions, but they could certainly provide a similar impact slide for the TRS plan.

MR. WILLIAMS expressed interest in seeing a table showing the impact of different investment return assumptions on the funded status of the plans. For example, if lowering the inflation assumption by 50 basis points (7.5% investment return assumption) decreased the funded status of the PERS plan by 4.0%, what would a 7.0% investment assumption do.

MR. LANGER said a 7.0% investment return would decrease the funded status of the PERS plan by around 8.0%, because the math is somewhat linear (and the rounding is liberal).

MR. KERSHNER added that for a 100-basis-point change in the investment return (going from 8.0% to 7.0%) liabilities themselves would increase somewhere in the 12% range. So, to go from 8.0% to 7.5% might be a 6.0% increase in the liabilities.

MR. LANGER said they could develop a table with the real numbers, as Mr. Williams requested.

CHAIR ERCHINGER asked if the anticipated assumption changes were Conduent's recommendations to the committee and the Board, or if they were not at that stage yet.

MR. LANGER replied that, before making any recommendations, they want to wait for the experience review results in about a year. Any changes would not get baked in until the FY2018 valuations. This exercise was primarily to give everyone a heads-up of what the impacts would be.

CHAIR ERCHINGER said it was great to start the conversation today, because the conversation about the investment return assumption will start at the broader board level before everyone knows what the inflation assumption will be.

MR. JOHNSON pointed out that the impacts of anticipated assumption changes on the plan liabilities and so on that Conduent just described are a result of a decision that is made. That should not be the basis for the decision. That goes to the conversation held earlier about giving the committee and board the paper trail and record of the basis for coming up with that valuation decision.

MR. LANGER and MR. KERSHNER both expressed agreement. MR. LANGER added that earlier they had made the distinction between the assumptions and the funding policy. They try to make the assumptions realistic. Once the Board has a realistic projection of benefits, and there is a realistic investment return assumption, then Conduent goes back and works through the funding and tries to develop a funding policy to accomplish that. He thinks of them as separate things. Sometimes people get trapped into getting worked up about the impact of implementing mortality improvements or implementing a lower discount rate and just do not do them. His advice is to get a realistic anticipation of what is going to happen and then figure out how to fund for it.

9. Experience Analysis Timeline

MR. KERSHNER reviewed the preliminary experience review schedule *(slide 21)*. He reminded everyone that the 6/30/17 valuation data will be the last year of the four years of experience that Conduent will be collecting for the analysis. Typically, Conduent gets that valuation data at the beginning of September. At the December meeting, they will present some recommendations on the economic assumptions (investment return, inflation, salary, trend rates) for the committee to consider and approve. At the March 2018 meeting, they will have some initial discussions of the last four years of demographic experience (retirement behavior, turnover, mortality, etc.). At the June

2018 meeting, they will present the economic recommendations and also have a set of demographic assumption recommendations for the committee to consider and approve. Allowing for some time to revise or refine some of the projections and analysis, Conduent would finalize the assumptions at the October 2018 meeting. Once the assumptions are finalized and adopted, Conduent would finalize the experience review report in December 2018. The new assumptions would start being used in the 6/30/18 valuation process.

MR. JOHNSON remarked that he was troubled that the decisions for the 6/30/17 valuations will be based upon existing assumptions, in particular the current investment return assumption of 8.0%, given the input from various sources that was discussed today. He wanted a track record built for why that should be so.

MR. LANGER responded that the experience review process that the ARMB has for reviewing and setting assumptions is a prudent policy. The Government Finance Officers Association's Committee on Retirement and Benefits Administration puts forth a lot of nice work in terms of what are best practices. The policies are right to the point and can be read in a short sitting. With respect to the setting of assumptions, their recommendation is to have a policy for reviewing the assumptions on a periodic basis. The practical point of having a policy for reviewing the assumptions is so that boards do not re-open the discussions about, for example, investment return and mortality every board meeting. Everyone knows when the periodic review is going to happen, and the actuary and staff can collect the appropriate information to formulate the recommendations with respect to these assumptions. When the experience review was done three years ago, it was with the anticipation that those assumptions would be in place for the next four years.

CHAIR ERCHINGER agreed that that is generally what the ARMB has seen, but it has also been tweaking assumptions along the way and not waiting necessarily for an experience analysis. She also agreed that when the ARMB is contemplating changing something as big as the investment return assumption or the mortality assumption, it is not something to do on the fly. The timeline has been discussed for waiting until after the experience analysis to get the full complement of data to make those decisions.

MS. THOMPSON sought clarification about Mr. Johnson's question – did he mean that Conduent was going to do the 6/30/2017 valuations based upon the current investment return assumption of 8.0%, while also sitting on top of what already looks like a recommendation to go to something like 7.5%, and wouldn't the ARMB be vulnerable because the valuation will be done at 8.0%?

MR. JOHNSON said in a sense, yes. It was not that there was an implicit recommendation from the actuaries, but there is other information flying around. The ARMB's statutory mandate is to set a contribution rate based on assumptions every year, not every four years.

MS. THOMPSON expressed support for Chair Erchinger's comments, because the committee and the Board have not completed the experience study and so cannot really change the investment return assumption yet.

MR. JOHNSON said he did not quite accept that, but he heard what she was saying.

Referring to the preliminary schedule that Mr. Kershner went through, COMMISSIONER FISHER asked if it has taken 18 months for an experience review process in the past.

MR. KERSHNER pointed out that part of the timing is being built into the committee's meeting schedule. At the last experience study, there was no Actuarial Committee. The last experience study may have been done and then just presented to the Board.

COMMISSIONER FISHER said he had not anticipated talking about the experience study for 18 months.

MR. LANGER stated that the process itself, once Conduent gets the 2017 data, would take four to six months. But in terms of getting the committee up to speed on some of the decisions to be made, it is helpful to have discussion points along the way.

COMMISSIONER FISHER suggested some phone calls or videoconferencing with the committee to accelerate the schedule and get to "done" in a timelier way.

Responding to CHAIR ERCHINGER, MR. KERSHNER said Conduent could do an analysis that focused just on the investment return assumption and get that done fairly quickly and have a decision made to perhaps reflect it in the 6/30/17 valuations. The 6/30/17 participant data they get in early September is used more to analyze the demographic assumptions, although salary increases would be part of that as well. The investment return assumption is really independent of collecting the 6/30/17 data. Conduent could start that process now to accelerate it and reflect it in the FY2017 valuation or the FY2018 valuation.

MS. HALL recalled that when the 2014 experience analysis was done, it was a more accelerated process. There was not time for GRS to review that study. The new assumption recommendations were presented to the Board and got swept into an approval process. The review and explanation of those assumptions came after the Board had adopted them. She thought that nobody was happy with that process, and the committee has come a long way in making sure that does not happen again. Conduent has built review time into the 2018 experience study schedule.

COMMISSIONER FISHER said he was a little uncomfortable with the idea of taking up the investment return assumption independent of the experience analysis. Doing it within the framework provides a certain amount of credibility and transparency, and fits the expectancy of larger stakeholders. His understanding when trustees say the return assumption is too high is that the inflation assumption is what is too high. Most trustees feel that the real return is probably accurate. Conduent's sensitivity analysis (slide 19) showed that dropping the return assumption by half a percent had an impact on the PERS funded status and contribution rate, but it was not a huge impact. He preferred to do everything at once.

MR. JOHNSON said he agreed that the deliberative process on the experience study was the way to go. For the June meeting, however, he would like to have a robust discussion about the return assumption so the Board can make a decision. It may be that the Board stays with the investment return assumption it has currently, but he wanted a paper trail on why the Board agrees that 8.0% should continue while waiting for the full experience study on it.

CHAIR ERCHINGER said her concern was that the last time the Board adopted an asset allocation was the first hint she heard from Callan Associates that the ARMB ran the risk of not being able to achieve that investment return target. If Callan is going to tell the Board an even stronger message in June that there is no way to achieve an 8.0% return over a 30-year period, then she would not be comfortable adopting that asset allocation with that knowledge. Her feelings were mixed, because she agreed with the commissioner that the process in place is a good one. She also has been comfortable with the decisions in the past to adopt the asset allocation without a thorough revisit of the investment return assumption because the consultants the ARMB relies on were telling the trustees that it would be able to achieve that 8.0% return over the 30-year horizon. But if the message is that the retirement funds are not going to be able to achieve that return over 30 years, then that goes to the Board's credibility if there is not at least a deeper discussion before adopting that asset allocation. Saying that adhering to an experience study schedule means pushing the discussion out a year is also problematic.

COMMISSIONER FISHER stated that Conduent's presentation today highlighted for him just how interconnected the assumptions are for investment return, healthcare trends, and salaries. His question would be if the committee and Board were then going to take a look in advance at all the assumptions that are impacted by the inflation assumption, and not just the investment return assumption. He thought that the healthcare trend was a bigger driver on the overall unfunded liability than investment return. It is easy to look at the return assumptions because they are easy to compare and are talked about in the press, but there is a lot of opportunity for embarrassment if the committee and the ARMB do not do this in a studied way.

MR. WILLIAMS supported not rushing into anything. If Alaska has one of the few pension funds in the country with an 8.0% return assumption, and people can see that the funds are not making an 8.0% return, the ARMB will have a harder time justifying why it is at an 8.0% return. These types of changes generally are not made super fast. California's long-term return target is going to step down to 7.0% over the next few years.

MR. LANGER commented on looking at the actuarial assumptions holistically, because there might be some offsetting gains out there. He also mentioned the impact of pension plans that are not using generational mortality, which is a shrinking group as well.

Responding to the commissioner, MS. THOMPSON said she was generally opposed to separating out one assumption, because the assumptions do act holistically together. She would not recommend it and had not heard a compelling reason to do so. She has seen over and over that the paper trail argument is really valid. The ARMB has a good paper trail for where it is today – it is the last experience study. That will serve the ARMB through 2017. She does have clients that will study economic assumptions separately and make changes more frequently, because of pressures, but that leaves behind salary – and retirement patterns change when economic conditions change. Termination patterns change when economic conditions change. So, these clients miss and create more contribution rate volatility, which can put the plan at greater risk for changes. She preferred that her clients do everything at one time.

MR. KERSHNER directed attention back to the preliminary schedule. He said the demographic assumption recommendations slated for the June 2018 committee meeting could also be when the assumptions are finalized, so there would be no need to wait until the October meeting. Further, one meeting could handle economic and demographic assumptions, if that was the committee's preference.

MR. MITCHELL pointed out that Conduent is using an 8.0% nominal target and a 3.12% inflation target, which would be a 4.88% real return. The 10-year geometric return that resulted from last year's asset allocation exercise has a 7.10% nominal return and an underlying inflation rate of 2.25%, so that would be a 4.85% real return. That is a three-basis-point difference. Last year he thought the ARMB was still in the ballpark of roughly 8.0% when one converts for the difference in inflation rates. That will probably decline this year, although he could not say by how much, since the ARMB has not gone through the asset allocation process yet.

CHAIR ERCHINGER recalled a graph from a few years ago that showed the real return versus inflation and showed historically where the retirement funds fell. It was a strong defense in terms of the ARMB's position on actuarial assumptions. She suggested giving that type of graph to trustees so they have the information when people ask about the investment return target.

MR. LANGER drew attention to an appendix in the Conduent slides entitled "Public Sector Funding Policy Landscape." He said he looked at the proposed Actuarial Committee Manual and liked what was in it. What struck him was that the ARMB does not have a lot of control over the funding policy of the retirement plans. The decision has been made for the ARMB for a 25-year amortization period for the unfunded liability, and things of that nature. That is not uncommon. Many times, the funding policy is in the hands of the folks that have to pay the bill, and that is probably a realistic thing to do.

MR. LANGER said he has seen boards, where the funding policy could be improved over how the plan is currently being funded, make a formal resolution in terms of how they think the retirement plan should be funded, and post it somewhere so it is on record. This is something the ARMB could consider doing, and the beginning of the manual would be a beautiful place to do it. The manual talks about adding administrative expenses, lowering the payment increases on the unfunded, shortening the amortization period, etc. The committee could make it more definitive, put it out there, and say this is where the ARMB would love to see the funding policy go and would be delighted to discuss it. In his experience, many times these efforts are not received and nothing happens. But, if a formal policy is not posted and you do not talk about it, it will *never* get received.

MR. LANGER mentioned that the appendix contained a list of papers and resources that talk about different funding policy topics.

CHAIR ERCHINGER said she personally would like to see the committee spend time on a funding policy at a later date when it can do a good job of preparing for it. It is also important to do it tactfully and with the right motives, and this requires a person with the right disposition to take the lead. A funding policy needs to reflect the trustees' role as fiduciaries to make sure they are making decisions about what the ultimate aim is, which is to make sure the monies are there to pay the beneficiaries of the plans. The challenge is to do that in a way that may not ever be received, but if it is received, that it is not poorly received. She welcomed from the actuaries examples of other funding policies that do that.

CHAIR ERCHINGER referred to Conduent's slide 27 – four broad considerations when establishing a funding policy for a pension plan. These were (1) sufficiency – the funding target should be the value of benefits accrued to date; (2) intergenerational equity – taxpayers should pay for workers' pensions while those workers are providing their services (not letting the children and grandchildren pay them); (3) stability of contributions – while stable contributions are easy to budget for, stability should not be achieved at the expense of the first two; and (4) accountability and transparency – each component of the funding policy should be clear on the intent and effect. She said that list struck her because the conversations up to now have been largely around the stability of contributions, especially in light of the State budget issues. The challenge will be to develop a funding policy that does not appear to have the wrong motive. If the ARMB does not know what it is aiming for and does not know what it will take to get there, then it cannot be part of the solution on alternative ways to get there. There is a broader dialogue and value that the ARMB could add that it shies away from because the conversation is just hard to have. The Board does not want people thinking it is continuing to beat up the legislature because it is not putting more money in, after the legislature has already put in $3 billion at one time. With regard to the Actuarial Committee Manual, if the committee could figure out how to describe it generically, it is important to at least memorialize the conversations that have been held so that is part of the deliberative process and is stated somewhere. She thanked Conduent for providing the summary of funding policy considerations in the appendix.

VIII. FUTURE MEETINGS

A. Calendar Review

A copy of the agenda outline for the June 21, 2017 committee meeting and the October 4 meeting was included in the packet. A follow-up discussion on the committee charter was penciled in for the October 4 meeting.

CHAIR ERCHINGER asked Ms. Hall to provide her successor with the history of the committee's work on the charter and to notify legal counsel Stuart Goering early that his help will be needed on the charter.

MS. THOMPSON noted that GRS had not completed their audit of the Judicial Retirement System and National Guard valuations, so item #3 on the June 21 agenda will not include those two retirement systems.

B. Agenda Items

MS. HARBO requested a review of the forfeiture accounts of people in the defined contribution plan who terminate and are not fully vested on the employer contributions.

An update on the Department of Administration's implementation of the Employer Group Waiver Program (EGWP) was added as a future agenda item.

C. Requests/Follow-Up

There were none.

IX. Adjournment

The meeting adjourned at 2:55 p.m., on a motion by Ms. Harbo and seconded by Mr. Brice.

Note: An outside contractor prepared the summary minutes from staff's recording of the meeting. For in-depth discussion and presentation details, please refer to the recording, staff reports, and written presentation materials on file at the ARMB office.

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