

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
ACTUARIAL COMMITTEE MEETING

Location:

Robert B. Atwood Building
Conference Center, 1st Floor
550 West Seventh Avenue
Anchorage, Alaska

September 19, 2018

ATTENDANCE

Committee Present: Kristin Erchinger, *chair*
Commissioner Sheldon Fisher
Tom Brice
Robert Johnson,
Gayle Harbo
Norm West
Bob Williams - *arrived late*

Committee Absent: None

Department of Revenue Staff Present:

Bob Mitchell (chief investment officer)
Stephanie Alexander (board liaison)

Department of Administration Staff Present:

Ajay Desai (director, Division of Retirement & Benefits)
Christina Maiquis (acting CFO, Division of Retirement & Benefits) *via telephone*

Others Present:

David Kershner (Buck)
Scott Young (Buck)

I. CALL TO ORDER

CHAIR KRISTIN ERCHINGER called the meeting to order at 10:30 a.m.

II. ROLL CALL

Six committee members were present at roll call to form a quorum.

III. PUBLIC MEETING NOTICE

Board liaison STEPHANIE ALEXANDER confirmed public meeting notice had been met.

IV. A. Approval of Agenda

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

B. Approval of Minutes - June 20, 2018

MS. HARBO moved to approve the minutes of the June 20, 2018 meeting. MR. BRICE seconded the motion.

MR. JOHNSON requested the unidentified speaker referenced on page six be identified and the speaker's name be inserted. CHAIR ERCHINGER requested staff to determine who made the statement and include the name at a later time.

The minutes were approved as presented without objection.

V. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS, AND APPEARANCES

There was no one present at the meeting or listening by telephone who wished to speak to the committee. There were no written communications for the committee.

A. Discussion on FY 2020 PERS / TRS / JRS Additional State Contributions

CHAIR ERCHINGER requested CHRISTINA MAIQUIS, acting CFO, to lead the discussion on FY 2020 PERS/TRS/JRS Additional State Contributions. MS. MAIQUIS informed DAVID KERSHNER of Buck will review the memo provided in the members' packet. MR. KERSHNER advised Conduent agreed to a sale of its HR consulting services business, which was the old Buck Consultants group. The transaction was announced at the beginning of the year and closed in August. The sale was to the global private equity firm HIG Capital. The consulting services business name is now Buck.

MR. BRICE asked if the ARMB portfolio contains any interest in HIG Capital. BOB MITCHELL, chief investment officer, responded he does not know the answer.

MR. KERSHNER described the purpose of the provided letter dated September 12, 2018 is to calculate the final FY20 contribution rates for the DB plans, the DCR plan, and the additional State contributions. All of the calculations are based on the 2017 valuations and the existing assumptions. PERS and TRS uses the two-year roll-forward process, from 6/30/17 to 6/30/19, to calculate the FY20 contribution rates. The changes to the actuarial assumptions expected to occur at tomorrow's full Board meeting will not affect the FY20 contribution rates, but they will affect the contribution rates beginning in FY21 and beyond.

MR. KERSHNER explained JRS does not use the roll-forward. The past service cost rate as of 6/30/17 for pension was about 31.96% of pay and for healthcare was 0%, due to the overfunded status. The FY20 contribution amount is approximately \$5 million.

CHAIR ERCHINGER requested further information regarding overfunding of healthcare. She asked if funding healthcare at normal costs would result in additional overfunding. CHAIR ERCHINGER asked MR. KERSHNER to discuss the possibility and any restrictions

of taking the overfunding in healthcare and putting it into pension. MR. KERSHNER informed the Board decided to contribute the entire amount to pension for the last two years in PERS and TRS, rather than allocate the contribution between pension and healthcare. MR. KERSHNER explained there could be legal issues and legislative restrictions to placing the overfunding in healthcare into pension. Those issues have not been explored.

MR. JOHNSON noted the ARMB Board sets a single contribution rate, which is an amalgam of the funding for both the pension trusts and the healthcare trusts. He believes the administrator of the plan decides the specific allocation amount to pension and healthcare. MR. KERSHNER informed separate contribution rates are calculated for the pension funds and for the healthcare funds. COMMISSIONER FISHER believes the ARM Board recommended the specific allocation amounts and the administrator took the Board's recommendation as its ultimate decision. AJAY DESAI, director, and CHAIR ERCHINGER agreed to the characterization.

MR. KERSHNER reviewed the PERS and TRS exhibit showing the projected FY20 DB payroll, projected FY20 DCR payroll, and the total projected FY20 payroll. The total employer contribution rate for PERS is 22%, and for TRS is 12.56%. The allocation is then based on the actuarial rates. The DCR plan contribution rate is composed of occupational death and disability benefits, the retiree medical benefits, the employer contribution rate, and the employer HRA contributions. The rate for PERS DCR is 5.44%, and for TRS DCR is 5.85%. The remainder of the PERS 22% is split between the DB plan pension at 12.6% and DB healthcare at 3.96%. The additional State contribution to the DB plans is at 6.62%. The total contribution rate for the PERS DB plan is 23.18%, and for the TRS DB plan is 24.62%.

CHAIR ERCHINGER commented the normal cost for PERS DB and TRS DB are persistently low at a combined 5.74% and 5.14%, respectively. She noted the normal cost historically is closer to 9%. CHAIR ERCHINGER requested explanation of the difference. MR. KERSHNER explained the normal costs are a percentage of total pay. He directed members' attention to Section 1.3 of the Valuation Report showing the calculations.

MR. WILLIAMS asked for information regarding the dispersion between the PERS employer normal cost of 3.29% related to the past service cost payments of 9.31%, and the TRS employer normal cost of 3.09% related to the past service cost payments of 1.42%. MR. KERSHNER expounded on the leveraging impact of the employer cap of 22% for PERS and the employer cap of 12.56% for TRS. The total past service rate for PERS is 17.44%. The total past service rate for TRS is 19.48%.

COMMISSIONER FISHER requested the forecasted total on-behalf payment amount as compared to the exhibit. MR. KERSHNER noted the forecasted PERS additional State contribution was \$158,815,000, compared to the exhibit of \$159,055,000. The forecasted TRS additional State contribution was \$141,839,000, compared to the exhibit of \$141,129,000. The total is \$470,000 less than the forecasted amount.

B. FY 2020 Contribution Rate Review

Information: History of PERS/TRS Employer Contribution Rates

MS. ERCHINGER informed the Committee will be asking the full ARM Board to approve the proposed FY20 rates at tomorrow's September Board meeting. The history of employer contribution rates is provided in the member packet and shows the ARM Board adopted rates from FY11 through the rates proposed for FY20. MR. KERSHNER clarified the row entitled DB Employer Contribution Rate is the total combined amount of the DB rates and the DCR rates. MR. KERSHNER discussed the employer normal costs for the PERS DB plan and TRS DB plan as a percentage of DB pay only. COMMISSIONER FISHER requested the information be provided on a handout rather than spoken.

Action: Relating to FY20 PERS Contribution Rate
Resolution 2018-07

CHAIR ERCHINGER stated the action memos ask for each resolution to be forwarded to the ARM Board for approval. CHAIR ERCHINGER read into the record the last section of Resolution 2018-07, as follows:

Now therefore, be it resolved by the Alaska Retirement Management Board, that the Fiscal Year 2020 actuarially determined contribution rate attributable to employers participating in the Public Employees' Retirement System is set at 28.62%, composed of the contribution rate for defined benefit pension of 18.29%, the contribution rate for postemployment healthcare of 4.89%, and the contribution rate for defined contribution pension of 5.44%.

MR. WEST moved to approve Resolution 2018-07. MS. HARBO seconded the motion.

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

Action: Relating to FY20 PERS RMMI Contribution Rate
Resolution 2018-08

CHAIR ERCHINGER read into the record the last section of Resolution 2018-08, as follows:

The Fiscal Year 2020 employer contribution rate for the retiree major medical insurance for the Public Employees' Defined Contribution Retirement Plan is set at 1.32%.

MS. HARBO moved to approve Resolution 2018-08. MR. WILLIAMS seconded the motion.

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

Action: Relating to FY20 PERS ODD Contribution Rate
Resolution 2018-09

CHAIR ERCHINGER read into the record the last section of Resolution 2018-09, as follows:

The Fiscal Year 2020 employer contribution rate for the public employee's occupational death and disability benefit rate is set at 0.72% for peace officers / fire fighters, and at 0.26% for all other Public Employees' Defined Contribution Retirement Plan employees.

MR. BRICE moved to approve Resolution 2018-09. MS. HARBO seconded the motion.

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

Action: Relating to FY20 TRS Contribution Rate
Resolution 2018-10

CHAIR ERCHINGER read into the record the last section of Resolution 2018-10, as follows:

The Fiscal Year 2020 actuarially determined contribution rate attributable to employers participating in the Teachers' Retirement System is set at 30.47%, composed of the contribution rate for defined benefit pension of 20.71%, the contribution rate for postemployment healthcare of 3.91%, and the contribution rate for defined contribution pension of 5.85%.

MS. HARBO moved to approve Resolution 2018-10. MR. WILLIAMS seconded the motion.

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

Action: Relating to FY20 TRS RMMI Contribution Rate
Resolution 2018-11

CHAIR ERCHINGER read into the record the last section of Resolution 2018-11, as follows:

The Fiscal Year 2020 employer contribution rate for the retiree major medical insurance for the Teachers' Defined Contribution Retirement Plan is set at 1.09%.

MS. HARBO moved to approve Resolution 2018-11. MR. WILLIAMS seconded the motion.

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

Action: Relating to FY20 TRS ODD Contribution Rate
Resolution 2018-12

CHAIR ERCHINGER read into the record the last section of Resolution 2018-12, as follows:

The Fiscal Year 2020 employer contribution rate for the teachers' occupational death and disability benefit rate is set at 0.08% for all Teachers' Defined Contribution Retirement Plan employees.

MS. HARBO moved to approve Resolution 2018-12. MR. WEST seconded the motion.

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

Action: Relating to FY20 NGNMRS Contribution Amount
Resolution 2018-13

CHAIR ERCHINGER read into the record the last section of Resolution 2018-13, as follows:

The Fiscal Year 2020 contribution amount for the State of Alaska, Department of Military and Veterans' Affairs to the Alaska National Guard and Naval Militia Retirement Systems is set at \$860,686.

MR. BRICE moved to approve Resolution 2018-13. MS. HARBO seconded the motion.

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

Information: JRS Contribution

CHAIR ERCHINGER reported JRS Past Service Contribution amount is \$5,010,000.

C. Experience Study

1. Updated Cost Effects of Proposed Economic/Demographic Assumptions and Funding Method Changes

MR. KERSHNER began the presentation with a recap of the experience study discussions that began in December of 2017 regarding economic assumptions and the cost effects of the economic assumptions. In March 2018, discussion occurred regarding funding method considerations. In May 2018, the demographic assumption changes and cost effects were isolated and reviewed. In June 2018, the economic assumption discussion was revisited and proposed changes were determined. The cost effects shown in today's presentation include all of the proposed changes to the economic assumptions, the demographic assumptions, and the funding method. Any changes that are adopted by the ARM Board at its upcoming meeting will be used starting at the 2018 valuations and will set FY21 contribution rates.

MR. KERSHNER summarized the proposed economic assumptions. The inflation rate lowers from 3.12% to 2.50%. The real rate of return remains the same at 4.88%. The investment return is the addition of the inflation rate plus the real rate of return. It lowers from 8.00% net of all expenses to 7.38% net of investment expenses. CHAIR ERCHINGER requested an explanation of the difference between net of all expenses and net of investment expenses. MR. KERSHNER described the proposed funding method is to add the component for expected administrative expenses to the normal cost every year. If the administrative expenses are paid out of the trust, the return on assets is less than expected and the deficiency falls to the unfunded liability.

MR. KERSHNER showed the payroll growth rate lowers from inflation plus 50 basis points, 3.62%, to inflation plus 25 basis points, 2.75%. The proposed salary increase rates are shown in detail on slide seven. The rates are significantly lower and are based on the four-year experience reviewed and the lowering of the inflation assumption. PERS others is proposed to move from age-based to service-based after four years of service to be more in line with the current peace/fire and TRS.

MR. KERSHNER explained one of the cost effects of the lower projected payroll figures based on salary rates is an increase to the projected additional State contribution, particularly for PERS. The unfunded liability of the plans is affected partially by the salary increase rates only as it relates to active members. The unfunded liability as it relates to the inactive members who are already receiving benefits is not affected by the change in salary

assumption. Another cost effect of the lower projected payroll figures is the lower projected benefits for active members.

MR. WILLIAMS asked if the proposed TRS salary increase rates in years 15, 16, and 17 are based on actual data experience. MR. KERSHNER noted the proposed rate of 2.75% is keeping track with and marginally above the inflation rate of 2.50%. The actual reviewed four-year average experience for TRS for 14 years of service was about 3%, for 16 years was 2.55%, for 18 years was 2.55%, and for 20 years was 2.01%.

MR. KERSHNER introduced SCOTT YOUNG of Buck to continue the presentation regarding proposed changes to trend rates until 2050. The rates remain the same beyond 2050. MR. YOUNG informed the retiree drug subsidy is decreasing based on the 2018 Medicare Trustees Report. He noted Employer Group Waiver Plan (EGWP) is more aligned with the prescription drugs trend rate because of the catastrophic reinsurance component. The proposal is to move EGWP from the combined RDS column to the prescription drugs column. CHAIR ERCHINGER expressed concern and requested more information on the realistic availability of EGWP 20 years into the future. MR. YOUNG noted EGWP has been very popular for a number of years and is growing in prominence for plans with more than 1,000 lives. The catastrophic insurance component is valuable because of the very high cost of certain drugs. He advised there is no current indication of changes or reasons to curtail the subsidy program.

MR. YOUNG conveyed the ultimate proposed trend rate assumption after year 2050 is changing as reflected by the new inflation rate and the real GDP growth determined in the Getzen model. The current assumption has an ultimate trend rate of 4%, comprised of the current inflation rate of 3.12% and the real GDP growth rate at .88%. The proposed ultimate trend rate is 4.50%, comprised of the proposed inflation rate of 2.50% and the proposed real GDP growth at 2%. MR. YOUNG informed the current consulting firms' trend surveys reveal the 4.50% ultimate trend rate is the most common assumption used by plan sponsors.

COMMISSIONER FISHER commented the intermediate trend rate assumptions between the years 2018 and 2050 are more important than the ultimate trend rate for the years beyond 2050. MR. YOUNG agreed. MR. KERSHNER noted there are no proposed changes to the intermediate trend rates besides the Getzen model gradual and proportionate decrease from year 2041 until the ultimate trend rate of 4.50 in year 2050.

COMMISSIONER FISHER requested discussion regarding the high Alaska healthcare costs. The healthcare costs in Alaska may continue to grow higher than the national average or the healthcare costs in Alaska may become more inline with the national average by growing at a slower rate. MR. YOUNG believes there are very few things the plan design can do to restrict and retain the costs in the future. COMMISSIONER FISHER stated the number one driver of cost in Alaska is provider cost. He suggested if the State implemented a set of tactics to create networks to drive down that cost, this could be an opportunity, even though the plan design had not changed. MR. YOUNG agreed.

MR. KERSHNER continued the presentation reviewing the proposed demographic assumptions and advised no updates have been made since the May meeting discussion. He reminded members the proposed demographic assumptions are based on the RP-2014 mortality assumption with MP-2017 generational improvement from the Society of Actuaries' Study of 2014. The study specifically excluded the experience of public retirement systems, particularly because the reported experience was not consistent with other systems and was not consistent with expectations. The Society of Actuaries announced the undertaking of a study of only public retirement experience. The exposure draft of results was issued in late August and the draft base tables were published. The comment period is open and the final tables may reflect changes based on comments received.

MR. KERSHNER explained three separate mortality tables were issued; one for teachers, one for safety employees, and one for all other general employees. The liabilities increased approximately 3% for teachers versus the proposed assumptions. This is more conservative and suggests longer life expectancies. The liabilities increased approximately 1% to 2% for safety employees and increased approximately 3% to 4% for general employees. MR. KERSHNER noted the economic assumptions have a greater impact to the overall liabilities than do the demographic assumptions.

CHAIR ERCHINGER believes it would be premature to adopt the exposure draft base tables and feels the tables do not take into account the Alaska experience.

MR. KERSHNER reviewed the three proposed funding method changes discussed at the March meeting. The first proposal is for determining the normal cost of benefits accruing in the current year and the actuarial accrued liability for the healthcare benefits. The ultimate liability will remain the same. The change is in how to allocate the liability. The current method used is a level dollar cost allocation, which assigns the same dollar amount annually throughout the employee's career. The suggestion is to move to a level percentage of pay method, which increases the dollar amount each year as the employee's pay increases. The reason for the change is to provide consistency of using the same method for funding and reporting. The GASB 74 and 75 requirements related to healthcare require a level percentage of pay. The effect is a bigger impact of the normal cost by moving from the level dollar to the level percentage of pay.

MR. JOHNSON noted this proposed funding method leads to issues regarding the Board's statutory authority to execute the change. MR. JOHNSON stated his decisions will rely upon the comments of STUART GOERING, Department of Law, Assistant Attorney General, during the June meeting as reflected in the minutes on pages 18 through 22. MR. JOHNSON considers the proposal consistent with the Board's authority and within the gray area referenced by MR. GOERING.

MR. KERSHNER believes the statutory gray area MR. GOERING referred to focused on changing the amortization from a closed 25-year period to a layered approach. MR. KERSHNER feels this suggested change from using a level dollar method to using a level percentage of pay method for the allocation of liabilities falls within the same Board authority

as adopting new assumptions. MR. YOUNG walked through a specific illustration of the level percentage of pay method process.

MR. BRICE expressed being anxious with level percentage of pay. The increases in wages will be grossly inadequate compared to the increases in medical costs, primarily because the projections for medical cost increases are unknown. MR. KERSHNER informed the healthcare normal cost is calculated by taking the underlying medical per capita cost in the current year and increasing it by the trend rates. The present value of those expected benefit payments are then calculated. The liability is not a function of the pay. The liability is a function of the healthcare costs and the trend rates. The proposed change regards the allocation methodology.

COMMISSIONER FISHER requested additional information on the impacts of the proposed change to the plans. MR. KERSHNER directed the members' attention to slide 45 in the presentation, which shows the percentage impact of each of the proposed changes on the actuarial accrued liability as of June 30, 2017. The proposed level percent of pay funding method would decrease the actuarial accrued liability by 2.6% for PERS and 2.4% for TRS. The proposed level percent of pay funding method would increase the normal cost as of June 30, 2017 by 40.8% for PERS and by 45.7% for TRS, as shown on slide 46 of the presentation.

MR. KERSHNER reviewed the second proposal is to add an administrative expense load to normal cost. Currently, the investment return is assumed to be net of investment expenses and net of administrative expenses. The proposed change would include the average of the two most recent years of administrative expenses paid from the trust. This method is currently used with the NGNMRS. MR. KERSHNER reviewed the table showing the initial load and noted if this proposed method is adopted, Buck would verify the detailed amounts to ensure double counting was not occurring. The first two proposed changes are being presented for adoption and will be effective for the 6/30/18 valuation.

The third proposed change is the consideration of the amortization period of the unfunded actuarial accrued liability (UAAL) from the current 25-year closed period established June 30, 2014, to a layered approach for future changes. This is not being presented for adoption today because it may require a statutory language change. The change in the amortization would not change any of the current projections.

CHAIR ERCHINGER suggested the discussion regarding a proposed change to a layered amortization method be postponed to a later date because it deserves its own detailed scrutiny and conversation before a decision can be reached. She does not support the approach because the full set of facts has not been analyzed and it pushes liabilities to the future. CHAIR ERCHINGER expressed concern the decisions now are being confused with the policy needs in 50 years at the end of the closed plan. She has confidence the Legislature in 40 years will be able to specifically address the needs for the last 10 years of the plan. The issue also remains unclear as to whether the Board has the authority to make such a change.

COMMISSIONER FISHER believes making decisions about projections of the future is the objective. He noted the best practice layered approach funding method change was originally

introduced about five years ago. The current liability late in the period becomes an unmanageable burden for the State. COMMISSIONER FISEHR requested addressing this proposed change and creating a plan to determine a timely decision.

MR. WEST stated MR. GOERING has provided a verbal opinion. MR. WEST suggested a formal written opinion be received from the Department of Law regarding the application of the proposed change upon which the Committee can rely and be able to show to the Legislature. COMMISSIONER SHELDON agreed.

CHAIR ERCHINGER recollected a request for a written opinion from Department of Law had been sought at the prior ARM Board meeting. CHAIR ERCHINGER will follow-up and determine if she remembers correctly.

COMMISSIONER FISHER expressed his willingness to work with COMMISSIONER RIDLE and Department of Law on this issue. He requested the consideration of adopting a layered approach for the amortization be placed as an agenda item for the next Board meeting and requested the proper information is available and ready for review.

CHAIR ERCHINGER asked Buck to be prepared to have a conversation regarding the layered approach and best practices for closed plans at the next meeting.

MR. KERSHNER reported on the cost effects of all of the proposed assumption changes and proposed funding method changes for PERS pension, PERS healthcare, TRS pension, and TRS healthcare, as shown on slides 41 through 46. The combined effect of all changes is not additive. The majority of the percentage increase in actuarial accrued liability is due to the change in investment return.

COMMISSIONER FISHER asked if his understanding is correct that a substantial portion of the increased liability under healthcare will abate upon the implementation of EGWP. MR. YOUNG agreed. The effect to the starting costs from the implementation of EGWP is not reflected in this presentation.

MR. MITCHELL inquired if the healthcare assumption recalibrated on an annual basis. MR. YOUNG noted the trend rates and underlying costs are updated on an annual basis. MR. MITCHELL asked if Buck would feel comfortable projecting EGWP before it is implemented. MR. YOUNG expressed if EGWP goes into effect as planned on 1/1/19, it is possible to reflect it in the 6/30/18 valuation.

MR. WILLIAMS requested clarification regarding the dispersion between the demographic assumptions for PERS and TRS as shown on slide 45. MR. KERSHNER explained the initial demographic assumptions are different for PERS and TRS. There are different starting points and different experience analysis which results in different ending points. The experience analysis for TRS showed the starting point assumptions were too high, and for PERS, the starting point demographic assumptions overall were too low.

MR. KERSHNER highlighted the cost effects of the proposed changes on projected additional State contributions for FY20 through FY 39, as shown on slide 47. He explained the FY20 contribution will not be affected and the number presented is due to the 6/30/17 calculations. The increase in the PERS additional State contribution is a function of two reasons:

1. The proposed assumptions and method changes increase the normal cost and unfunded liability amortization amounts.
2. The proposed salary increase rates reduce projected payroll figures, thereby increasing the contribution rates when expressed as a percent of total DB and DCR pay.

CHAIR ERCHINGER expressed appreciation for the good discussion.

2. Action: Relating to Acceptance of Experience Study Actuarial Assumptions

Resolution 2018-19

D. Review of Experience Study and Valuation Timelines

CHAIR ERCHINGER informed Resolution 2018-19 recommends to the full Board approval of the actuarial experience analysis, as well as the proposed assumption and method changes recommended therein. CHAIR ERCHINGER does not believe the Committee is prepared to vote on Resolution 2018-19 as it is written. She suggested either postponing the vote on Resolution 2018-19 until the next Committee meeting or amending the resolution to remove approval of the proposed assumption and method changes. CHAIR ERCHINGER believes there should be two actions; one for approving the actuarial experience analysis, and a separate action for adopting the proposed assumptions and method changes. MR. KERSHNER commented the delay will affect the completion date of the 2018 valuation, the formal report, and GRS review.

COMMISSIONER FISHER asked if there will be time to discuss the acceptance of the experience study and actuarial assumptions at the full Board meeting tomorrow. MR. KERSHNER does not believe the experience study analysis is on the agenda for tomorrow's Board meeting. MS. ERCHINGER believes Callan is scheduled to provide an opinion tomorrow to the full Board regarding the inflation assumption. CHAIR ERCHINGER requested the Committee's input.

MR. JOHNSON agreed to postponement of the vote to provide the full Board more opportunity for review and discussion.

MR. WEST noted the resolution language references the Actuarial Experience Analysis of June 30, 2017. MR. WEST requested clarification if the Actuarial Experience Analysis is contained in a documented report form or in previous presentations or in today's presentation. MR. KERSHNER advised the PowerPoint presentation presented today contains the Actuarial Experience Analysis as of June 30, 2018, and the recommended assumption and method changes. MR. WEST stated the PowerPoint presentation also addresses items that are not being recommended, which may be unclear to a third-party tracking the record. He feels the

analysis should reference a specific document that succinctly identifies the recommended assumption and method changes.

MS. HARBO suggested the resolution could be amended only accepting the experience analysis prepared by Buck.

COMMISSIONER FISHER expressed uncertainty the experience analysis has to be accepted by resolution. He would like Buck to update the experience analysis based on any changes the Board makes to the assumptions and funding methods. CHAIR ERCHINGER believes there is a historical precedent of accepting the experience analysis by resolution. COMMISSIONER FISHER discussed ways for the necessary robust conversations to occur over the next couple of days in order to proceed in adopting specific economic and demographic assumptions.

MR. WILLIAMS asked CHAIR ERCHINGER to frame the issues during her report to the full Board and allow the Board to determine the appropriate time for additional discussion.

CHAIR ERCHINGER requested Committee members be prepared tomorrow to discuss any strident concerns regarding assumptions, other than the inflation assumption and investment return assumption. CHAIR ERCHINGER may ask for an item to be added to the agenda to specifically review concerns. She asked MR. MITCHELL to request Callan provide opinion on the inflation assumption.

No action was taken on Resolution 2018-19. The determination was made CHAIR ERCHINGER will provide the Board an outline of the Committee's discussion at the meeting tomorrow. Any action regarding Resolution 2018-19 will be taken up by the full Board.

VI. FUTURE MEETINGS

A. Calendar Review

CHAIR ERCHINGER noted the calendar is in the packet. Changes to the calendar may occur after the full Board meeting.

B. Agenda Items - None.

C. Requests / Follow-Ups

MR. WILLIAMS reiterated COMMISSIONER FISHER's request for the document identifying employer normal costs.

VII. ADJOURNMENT

MS. HARBO moved to adjourn the meeting. COMMISSIONER FISHER seconded the motion. The motion passed without objection.

The meeting was adjourned at 1:35 p.m.

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