

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

**Location:**  
**Teleconferenced Meeting**

**July 31, 2019**

**ATTENDANCE**

**Committee Present:** Norm West, *chair*  
Lorne Bretz  
Tom Brice  
Gayle Harbo  
Allen Hippler  
Rob Johnson  
Commissioner Bruce Tangeman  
Commissioner Kelly Tshibaka  
Bob Williams

**Committee Absent:** None

**Department of Revenue Staff Present:**  
Stephanie Alexander (board liaison)

**Department of Administration Staff Present:**  
Kevin Worley (chief financial officer, Division of Retirement & Benefits (DRB))  
Ajay Desai (DRB, DOA)  
Christina Maiquis (DRB, DOA)

**Others Present:**  
David Kershner (Buck)  
Leslie Thompson (GRS)  
Paul Wood (GRS)

**I. CALL TO ORDER**

CHAIR WEST called the meeting to order at 9:00 am.

**II. ROLL CALL**

Nine 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**

KEVIN WORLEY, Chief Financial Officer, Division of Retirement & Benefits, corrected Item VI. title to Rehired Actives Identified from October 1<sup>st</sup> Data Files.

MS. HARBO moved to approve the agenda, including the correction. MR.WILLIAMS seconded the motion. The agenda was approved, including the correction for Item VI. Rehired Actives Identified from October 1<sup>st</sup> Data Files.

**V. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS, AND APPEARANCES**

There was no one present who wished to speak to the committee.

**VI. REHIRED ACTIVES IDENTIFIED FROM OCTOBER 1ST DATA FILES**

CHAIR WEST requested MR. WORLEY provide the presentation. MR. WORLEY reviewed the history of the ARMB decision to include the supplemental data file in the actuarial valuation report capturing the PERS and TRS members that were listed as “terminated” on the June 30<sup>th</sup> files, but whose status had changed to “active” on the October 1<sup>st</sup> data file due to being “rehired.” The DB valuation number was 41 members in 2016, 40 members in 2017, and 33 members in 2018. The relatively small number of affected members is expected to continue to decrease.

The process of reporting the supplemental data file delays the issuance of the actuarial valuation preliminary results and the draft actuarial valuation report by a month-and-a-half, making the data unavailable at the start of each legislative session. The House Finance Committee and the Senate Finance Committee expressed concern to the Division regarding the actuarial data being unavailable at the start of each session. The Division is reviewing ways to provide the actuarial valuation data to the ARMB and to the legislative committees sooner.

MR. WORLEY informed discussions with the actuary noted the effects of not including the reclassified as active members would not be material to the overall results for each plan. Staff proposes to provide the actuary with the fiscal year data file as soon as possible in September and not include the reclassified as active numbers.

CHAIR WEST agreed with the recommendation and requested staff continue to monitor the reclassified as active members to ensure no material effects are incurred. MR. WORLEY noted data and monitoring will still be provided to the actuary, but the process will not delay information to the ARMB or to the legislative committees.

MS. HARBO commented the main impact is on the TRS DCR members. She requested Buck and GRS support the assertion the proposed change will not be material. LESLIE THOMPSON, GRS, explained Buck has implemented a specific assumption regarding rehire liability that more than fully captures the actual rehire data. DAVID KERSHNER, Buck, explained the assumption and noted the accrued liability flows through as a loss and is amortized over 25 years. MS. HARBO recommended the method be suspended, as per the Division’s proposal.

AJAY DESAI, DRB/DOA, believes no data should be inserted beyond the report's cutoff date.

MR. WILLIAMS asked if the supplemental file in question was addressing any other issues. MR. KERSHNER explained the October 1<sup>st</sup> supplemental file was only used to identify the members listed as terminated at June 30<sup>th</sup> and then rehired a few months later at the beginning of the school year. MR. WILLIAMS is comfortable with recommending the method be suspended.

There was no objection to the staff recommendation to suspend the supplemental data file provided in October so that preliminary actuarial information is available for legislative session and the timeline for completing the actuarial valuation reports is shortened.

## **VII. ACTUARIAL REVIEW/AUDIT FINDINGS LIST UPDATE/CERTIFICATION AND ACCEPTANCE OF FY2018 VALUATIONS AND AUDIT REPORTS**

### **A. Introduction**

CHAIR WEST introduced MS. THOMPSON and PAUL WOOD, GRS, to review the GRS valuations. He requested a thorough explanation of each recommendation.

### **B. Gabriel Roeder Smith Review**

#### **1. 2018 Defined Benefit and Defined Contribution Rate System Valuations**

MS. THOMPSON advised GRS believes the reports generated by Buck can move forward with issuance as presented and without changes. GRS is not delaying Buck's deadline. The changes and additional explanations suggested by GRS can be considered for implementation next year.

MR. WOOD gave a detailed review of the GRS recommendations. GRS recommends:

- Buck explain how they calculated the gain/loss due to rehires.
- Buck explicitly track the experience of the new Part B assumption and provide a gain/lose item in the report each year.
- Including a discussion of the change in claims used to develop the per capita claims costs as it relates to the audio and visual amounts.
- Buck review with the Board whether to implement the rehire assumption in the DCR plan.
- Buck continue to disclose the nature and impact of all programming changes included in the valuation.
- Buck include a breakout of the gain/loss associated with the change in Cadillac tax liability.
- Buck generate a new gain/loss item that tracks the experience of the EGWP savings assumption.
- Buck include a discussion on the relative change between the results as of 2017 and the results as of 2018 based on the new assumptions.

- Buck detail the risk associated with assuming the EGWP subsidies will continue in perpetuity.
- Buck include the details behind the FY21 amortization payment calculation because layering was introduced in the calculation of the FY21 rate.
- The retiree health care plan assumption of a member cost-sharing offset of 0.2% be removed.

MR. WOOD indicated a concern was developed last year in review of the test lives due to a process discrepancy, whereas Buck inadvertently provided an interim set of test lives. GRS requested additional data this year and no issues were identified as a result of the process improvement. The present value of benefits matched closely in all test lines submitted. Buck reviewed the GRS finding that the marriage assumption was incorrectly applied and re-ran the valuation and issued updated reports based on the correct application of the marriage assumption. The gain/loss analysis was conducted on the old assumptions. The gain/loss analysis will be conducted on the newly implemented assumptions next year.

## **2. 2018 Judicial Retirement System and National Guard Naval Militia System Valuations**

MR. WOOD explained the recommendation to Buck to improve the cash flow projection for the JRS and NGNMS test lives and reports. GRS is comfortable implementing the recommendation within next year's valuations.

CHAIR WEST inquired if Buck can provide a supplemental information report explaining what changes are intended to be made in response to the GRS report. MR. KERSHNER understood Buck was to revise the draft reports to reflect the comments of GRS and comments by Committee members discussed today. Buck will provide the requested explanations. The final reports will be issued within approximately a week, and ready for adoption by the Board on a later scheduled call. MR. WORLEY agreed to Buck's proposed timeline.

### **C. Action Items:**

- 1. Committee Recommendation for Board Acceptance of GRS Certification for FY18 PERS, TRS, NGNMRS, JRS and DCR Plan Valuations**
- 2. Committee Recommendation for Board Acceptance of Buck Valuations for FY18 PERS, TRS, NGNMRS, JRS and DCR Plan Valuations**

MR. JOHNSON moved the Actuarial Committee recommend the Alaska Retirement Management Board adopt GRS Certification for FY 18 PERS, TRS, NGNMRS, JRS, and DCR Plan Valuations, and adopt Buck Valuations for FY18 PERS, TRS, NGNMRS, JRS and DCR Plan, subject to the inclusion of explanatory changes to be addressed with the full Board. MR.WILLIAMS seconded the motion. The motion was approved without objection.

## **VIII. FUTURE MEETINGS**

**A. Calendar Review**

None

**B. Agenda Items**

MR. HIPPLER suggested one of the education topics for the December meeting consist of a short presentation by Buck regarding the differences between actuarial accounting of liabilities and net present value accounting of liabilities, including how each is calculated. MR. HIPPLER suggested another topic consist of a discussion regarding the acquisition of historical actuarial data. There were no objections to these topics.

**C. Requests / Follow-Ups**

None

**XI. ADJOURNMENT**

MS. HARBO moved to adjourn the meeting. MR. BRICE seconded the motion. The motion passed without objection.

The meeting was adjourned at 9:51 am.

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.