

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
ACTUARIAL COMMITTEE MEETING

Videoconference

MINUTES OF
June 17, 2020

Wednesday, June 17, 2020

ATTENDANCE

Committee Present: Norm West, *Chair*
Lorne Bretz
Tom Brice
Gayle Harbo
Allen Hippler
Rob Johnson
Commissioner Mahoney
Bob Williams

Committee Absent: Commissioner Tshibaka

Other Trustees Present: None

Department of Revenue Staff Present:

Bob Mitchell, Chief Investment Officer
Pamela Leary, Director, Treasury Division
Scott Jones, State Investment Officer
Zachary Hanna, Deputy Chief Investment Officer
Stephanie Alexander, Board Liaison
Mike Barnhill, Deputy Commissioner
Shane Carson
Michelle Prebula
Grant Ficek

Department of Administration Staff Present:

Kevin Worley, CFO, Division of Retirement and Benefits
Ajay Desai, Director, Division of Retirement and Benefits

Others Present:

Stuart Goering, Assistant Attorney General, Department of Law
Paul Wood, Gabriel Roeder Smith
Bill Detweiler, Gabriel Roeder Smith

David Kershner, Buck
Scott Young, Buck

I. CALL TO ORDER

CHAIR NORM WEST called the meeting of the ARM Board Actuarial Committee to order at 1:00 p.m.

II. ROLL CALL

CHAIR WEST, MR. BRETZ, MR. BRICE, MS. HARBO, MR. HIPPLER, MR. JOHNSON, and MR. WILLIAMS were present at roll call. COMMISSIONER MAHONEY joined later.

III. PUBLIC MEETING NOTICE

STEPHANIE ALEXANDER confirmed that public meeting notice requirements had been met.

IV. APPROVAL OF AGENDA

MR. WILLIAMS moved to approve the agenda. MS. HARBO seconded the motion. The agenda was approved without objection.

V. APPROVAL OF MINUTES: April 30, 2020

MS. HARBO moved to approve the minutes of the April 30, 2020 meeting. MR. BRICE seconded the motion. The minutes were approved without objection.

VI. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS & APPEARANCES – None.

VII. ACTUARIAL REVIEW/AUDIT FINDINGS LIST UPDATE/CERTIFICATION AND ACCEPTANCE OF FY 2019 VALUATIONS AND AUDIT REPORTS

A. Introduction

CHAIR WEST explained that the purpose of this meeting is to finish the final review and presentation of the completed actuarial reports.

B. Gabriel Roeder Smith Review

1. 2019 Defined Benefit and Defined Contribution Rate System Valuation

MR. WOOD said they have no changes to the PERS and TRS DB and DCR audit. They are finalizing it by deleting “Draft 1”. The recommendations remain the same as discussed in April, and Buck has addressed all of their concerns. He also said that Buck’s new reports and the updated reports that were issued at the last meeting are good to go.

2. 2019 JRS and NGNM Systems Valuation

MR. WOOD said that GRS had a couple of small recommendations about the roll-forward valuations of the JRS and National Guard that would help them to replicate it and also any stakeholder who was curious as to how the liabilities are rolled forward from one year to the next. He said they go through this process every other year, so instead of collecting actual data, the valuation from the prior year is relied upon, then rolled forward using generally accepted actuarial principles, increased by the interest and normal cost and decreased by benefit payments. MR. WOOD said that to aid in that reconciliation, they recommend that Buck disclose the assumed benefits payments that are used as part of that roll-forward; disclose the total salary that is used for the upcoming year for the contribution

rate calculation; disclose the assumed member rate that is part of that calculation; disclose the timing of any state assistance contribution; and break out any assumption gain or losses between healthcare and pension.

MR. WOOD said one final item in their letter pertains to the decision about whether or not a roll-forward is appropriate. He said GRS wants to bring up the point that maybe they should set a precedent of determining each year or every other year whether that is appropriate, because by doing the roll-forward they don't pick up the big gains in the healthcare side. He said that doesn't present a particular concern because of the funded status of the JRS healthcare plan, and there's been a past practice of contributing a minimum of the normal cost, so the contribution rate wouldn't change dramatically either. MR. WOOD said GRS would recommend that in the future, Buck be asked to bring some information to justify why they think it's still appropriate and get the Board's input for that particular year. He said other than that, it was a very clean audit of the two plans.

MR. WILLIAMS asked if this roll-forward is unique to the National Guard, and if they decided not to roll forward every year, whether that inconsistency could create a problem. MR. WOOD said that the roll-forward is unique to these particular plans, with the data collected every other year. He said it isn't uncommon for smaller plans to have roll-forward valuations instead of having full valuations performed every year. He said it misses updates to data, so if there were a large shift in the data, that would be a signal to do a full valuation instead of a roll-forward that year to recognize the experience change. MR. WILLIAMS asked to verify that since this is a small group and they are confident enough in how it's going, this doesn't raise concerns and they can continue using this strategy; MR. WOOD answered yes, unless there is a material change that would need to be picked up, but GRS would like to make it a point of decision.

CHAIR WEST asked if they are getting better information on the National Guard than they have previously; MR. WORLEY answered that it is better, but still not great. He said they have been working with the National Guard to streamline the process and review their data. CHAIR WEST asked his opinion on doing it annually or biannually; MR. WORLEY answered that he thinks every other year is good, because the amount of time Buck spends reviewing it would be high until they have more confidence in their data. MR. WORLEY said they still like the idea of every other year because they are such small plans, and overfunded, except for JRS pensions, which they need to keep chipping away at.

MR. WILLIAMS asked why they are getting incomplete or inaccurate data from the National Guard. MR. WORLEY explained that the National Guard and Naval Militia Retirement System is actually composed of three guard units: the Army Guard, the Air Guard, and the Naval Militia. The Naval Militia is the smallest, and that's the one they have a hard time getting information from, but each unit uses a different system, and there are still a lot of actual paper folders in use. Also, there may be a different person handling it each year, so it can be frustrating for both DRB and the Guard. He said they had gone on-site last year to assist, and it helped, so they hoped to do so again this year, but COVID-19 prevented that.

CHAIR WEST said it looks like the committee is willing to accept MR. WOOD's recommendation,

and thanked him.

CHAIR WEST asked MR. KERSHNER of Buck if he had any comments on the reports in the packet that they discussed at the last meeting; MR. KERSHNER replied that there had been no changes and they have no further information to share. CHAIR WEST then introduced the single purpose of this meeting, the following:

C. Action Items

- 1. Committee Recommendation for Board Acceptance of GRS Certification for FY19 PERS, TRS, NGNMRS, JRS, and DCR Plan Valuations**
- 2. Committee Recommendation of Board Acceptance of Buck Valuations for FY19 PERS, TRS, NGNMRS, JRS, and DCR Plan Valuations**

COMMISSIONER MAHONEY moved to approve both items. MR. WILLIAMS seconded the motion.

CHAIR WEST read for the record: “The Actuarial Committee recommends the Alaska Retirement Management Board accept the review and certification for Fiscal Year 2019 of the actuarial reports by Gabriel Roeder Smith.”

“The Actuarial Committee recommends that the Alaska Retirement Management Board accept the actuarial valuation reports prepared by Buck for the Public Employees’, Teachers’, Public Employees’ Defined Contribution (for Occupational Death and Disability and Retiree Medical Benefits), and the roll-forward actuarial valuation reports for the Judicial and National Guard and Naval Militia retirement systems as of June 30, 2019.”

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

VIII. FUTURE MEETINGS

A. Calendar Discussion

CHAIR WEST noted that there isn’t much on the Actuarial Committee’s calendar until January, when they will review the drafts; also, at some point the committee should address the roll-forward issue.

B. Agenda Items – None.

C. Requests/Follow-Ups – CHAIR WEST pointed out that they could have their meeting in 30 minutes even with 340-some pages to go through.

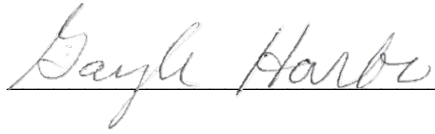
IX. PUBLIC/MEMBER COMMENTS – None.

X. ADJOURNMENT

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

The meeting was adjourned at 1:26 p.m.

ATTEST:



Corporate Secretary

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