

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
ACTUARIAL COMMITTEE MEETING

Videoconference

MINUTES OF
September 16, 2020

Wednesday, September 16, 2020

ATTENDANCE

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

Committee Absent: None

Other Trustees Present: Dennis Moen

Investment Advisory Council Members Present: None

Department of Revenue Staff Present:

Zachary Hanna, Chief Investment Officer
Pamela Leary, Director, Treasury Division
Scott Jones, Head of Investment Operations, Performance & Analytics
Stephanie Alexander, Board Liaison
Mike Barnhill, Deputy Commissioner
Grant Ficek

Department of Administration Staff Present:

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

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
Tonya Manning, Buck
Rose Foley, Public

I. CALL TO ORDER

CHAIR 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

MS. 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: June 16, 2020

MS. HARBO moved to approve the minutes of the June 16, 2020 meeting. MR. BRICE seconded the motion. The minutes were approved without objection.

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

VII. FY2022 CONTRIBUTION RATES

CHAIR WEST explained that the purpose of this meeting is to discuss the additional state contributions and the formulas on which they rely upon to calculate the rates.

A. Discussion on FY2022 PERS/TRS/JRS Additional State Contributions

MR. WORLEY gave an update to the committee that the Division went through the process of the request for a proposal for actuarial services. There were four firms that responded to the RFP. Chair WEST, MR. WORLEY, and MR. ACEVEDA, the retirement supervisor representative from the Division, met, and reviewed all the proposals, then met with the procurement officer. Through that process Buck was the selection for the contract. Currently there is a three-year contract which started on July 1, 2020, and ends on June 30, 2023, there are also three optional renewals. The first renewal is a three-year option, and then there are two, two-year options after that.

MR. KERSHNER gave a summary of the letter dated August 20, 2020 showing the methodology of the rates calculations for FY2022 contributions.

MR. WILLIAMS asked for clarification of the flat 3 percent compensation. He said that if one were to take the contributions from PERS in DC and TRS and put them all in one bucket, add up that money and take 3 percent of it, that is the amount that is going to be put into everyone's account, that it's 3

percent of personal income, PERS and TRS combined.

MR. KERSHNER confirmed that it is not done on an individual basis, that 3 percent of total PERS payroll and 3 percent of total TRS payroll goes into each of the accounts as they are separate legal entities.

B. FY2022 Contribution on Rate Review

Information: History of PERS/TRS Employer Contribution Rates

MR. WORLEY stated that on page 14 of 66 of the PDF for the Actuarial Committee packet is a history of the PERS and TRS contribution rates. He said that this is a table that has been provided to the committee and Board showing what rates were adopted prior and what are being proposed, in this case, for fiscal 2022.

Actions: Seven resolutions moved as one.

MR. WORLEY discussed Actuarial Committee FY22 PERS Employer Contribution Rate action memo that says the Actuarial Committee recommends to the ARM Board that the FY 22 PERS actuarially determined contribution rate be set at 30.11%, composed of the contribution rate for defined benefit pension of 20.89 percent, the contribution rate for postemployment healthcare of 3.12 percent, and the contribution rate for defined contribution pension of 6.10.

Following that there were action and information memos regarding contribution rates for other plans. CHAIR WEST explained that they have been talking about how they are computed as a whole, during this time, and asked if anyone had questions about them individually or as a group or does wanted to make a motion to adopt.

MR. WORLEY stated that in Resolution 2020-13, which is the National Guard contribution amount, the actuarial roll-forward valuation included in the packet shows a dollar amount of \$737,551 being requesting for fiscal year 2022, via the resolution. He added for fiscal year 2021, there was no contribution amount established for the National Guard because of overfunding, and that, per OMB we would most likely not have a contribution going forward until such time that we're closer to 100 percent or under 100 percent. He added in talking with the Board's attorney, the fiduciary responsibility would be to adopt the resolution for the dollar amount established by the actuary, even though we may not get funding through the legislature.

MS. HARBO motion that they move the Resolutions 2020-07 through 2020-13 as a group. MR. HIPPLER seconded the motion.

CHAIR WEST asked for a vote on the motion. The motion passed without objection.

Potential Impact of COVID-19 on Medical Costs and Trend Rates

CHAIR WEST introduced MR. YOUNG, a healthcare actuary from Buck to discuss the impact of COVID-19. He stated that the process involves measuring the previous year's claims to get the best measure of what claims were incurred during that year. What they discovered starting in March of this year was a big drop in medical care, due to the COVID-19 pandemic, which means a big drop in actual claims. He said that this volatility is not something that we want to let distort the fact that these retirement plans are long-term and not to take into account any short-term volatility that this event is going to cause. He also said that the medical care that normally would happen in 2020 will come back

in 2021 which will start bringing healthcare costs back into the system and generally cause a higher trend in 2021 than otherwise would have been seen.

D. Discussion on FY2020 Valuation Timeline

MR. KERSHER explained that the calendar keeps track of the information exchanged between Buck, DRB, Segal, and GRS. He said that the data for the National Guard is going to be delayed but the bulk of the results in December will be for PERS and TRS. The National Guard results may not come in until after December. He said, as MR. YOUNG stated, he is waiting for the claims data from Segal that is expected in item 16 next week. He also stated that he is on target to present preliminary results to the committee in Item 21 at the December 2nd meeting, a more detailed review of the results at the March meeting, and final reports for the board to consider for adoption at the June 2021.

MR. WOOD stated that they are pretty happy with this timeline and that it is going to put them on track to have a draft audit report to the committee by the end of February which is getting back to the normal timeline.

VIII. INDEPENDENT AUDIT OF STATE’S ACTUARY PER AS 37.10.220(a)(10)

CHAIR. WEST discussed that state statutes require there is an actuary, and that every four years there is an audit of the actuary. The last time the audit was done it was completed by Segal, who is currently the state healthcare actuary. He also stated that it is supposed to be done every four years, but they are behind. The ARMB Actuarial Committee recommends the board prepare an RFP for an independent audit of the state’s actuary to be conducted during FY 21.

MS. HARBO moves the recommendation. MR. WILLIAMS seconds the motion.

CHAIR WEST asked for a vote on the motion. The motion was PASSED unanimously.

MR. JOHNSON suggested one or two committee members serve on the evaluation team to assist with moving the process along. CHAIR WEST and MS. HARBO intend to participate in the process.

IX. FUTURE MEETINGS

A. Calendar Review

CHAIR WEST asked for comments on the future calendar. No comments.

B. Agenda Items – None.

C. Requests/Follow-Ups – None.

X. PUBLIC/MEMBER COMMENTS – None.

XI. ADJOURNMENT

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

The meeting was adjourned at 2:47 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.

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