

**ALASKA RETIREMENT MANAGEMENT BOARD  
ACTUARIAL COMMITTEE MEETING  
HYBRID/TEAMS**

**March 15, 2023  
1:30 p.m.**

**Originating at:  
State Office Building  
Department of Administration  
Large Conference Room, 10<sup>th</sup> Floor  
333 Willoughby Avenue  
Juneau, Alaska 99801**

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**Trustees Present:**

Allen Hippler, Chair	Dennis Moen
Donald Krohn	Bob Williams
Lorne Bretz	Sandra Ryan
Commissioner Adam Crum	Commissioner Paula Vrana

**Department of Revenue Staff Present:**

Zachary Hanna, Chief Investment Officer	Pamela Leary, Director, Treasury Division
Ryan Kauzlarich, Assistant Comptroller	Hunter Romberg, Senior Compliance Officer
Grant Ficek, Business Analyst	Alysia Jones, Board Liaison

**Department of Law Staff Present:**

Ben Hofmeister, Assistant Attorney General

**Investment Advisory Council Present:**

Ruth Traylor	Dr. William Jennings
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**Department of Administration – Division of Retirement & Benefits Staff Present:**

Ajay Desai, Director, DRB	Kevin Worley, Chief Financial Officer
Eugenia Golofeeva, Internal Auditor	

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Steve Center, Senior Vice President	Ivan “Butch” Cliff, Executive Vice President
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**Guests/Presenters:**

Tonya Manning, Chief Actuary, Buck	Bill Detweiler, Consultant, GRS
David Kershner, Principal, Consulting Actuary, Buck	
Stephen Oates, Principal, Health Actuary, Buck	
Paul Wood, Actuary, Senior Consultant & Team Leader, GRS	

## PROCEEDINGS

### CALL TO ORDER

CHAIR HIPPLER called the Actuarial Committee of the ARM Board to order and asked if they were online so people could hear them.

MS. JONES replied they were.

CHAIR HIPPLER asked for a roll call.

MS. JONES called the roll.

### PUBLIC METING NOTICE

CHAIR HIPPLER asked to confirm that the public meeting notice was met.

MS. JONES replied, yes, it had.

### AGENDA APPROVAL

CHAIR HIPPLER asked for a motion to approve the agenda.

**MOTION:** A motion to approve the agenda was made by TRUSTEE BOB WILLIAMS; seconded by TRUSTEE KROHN.

*There being no objection, the MOTION was APPROVED.*

### APPROVAL OF MINUTES

CHAIR HIPPLER moved to the minutes of November 30, 2022, and entertained a motion.

**MOTION:** A motion to accept the minutes of November 30, 2022, was made by TRUSTEE RYAN; seconded by TRUSTEE BOB WILLIAMS.

CHAIR HIPPLER asked for any corrections or amendments to the minutes, as presented.

*There being no objection, the MOTION was APPROVED.*

### PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

CHAIR HIPPLER asked if there was any public member participation at this time and anyone who wished to speak. He asked Ms. Jones if anyone indicated a desire to present.

MS. JONES replied, no.

### ACTUARIAL UPDATE

#### BUCK/GALLAGHER ANNOUNCEMENT

CHAIR HIPPLER moved to the actuarial update and stated that Buck was ready to present.

MR. WORLEY welcomed the colleagues from Buck Global and introduced Stephen Oates, health actuary; David Kershner, lead actuary; Tonya Manning, lead actuary.

MS. MANNING gave an update on the ownership of Buck, who is the assigned actuary for this plan. She stated that Buck was going through a change of ownership and had been acquired by Arthur J. Gallagher & Company. The main part of their business is a global insurance brokerage firm. They also have a sizable division that does employee benefits consulting, which includes retirement consulting. She continued that she was excited about this change, which will be very good for what Buck was doing and how Buck would be operating with the ARMB. It was an important milestone. She explained that they had been under ownership by a private equity firm which acquires, invests, and then sells the company. She added that there was a very good amount paid to acquire Buck, which is a sign of the increase in value over the ownership with the private equity firm. Part of the increase in value was the growth in technology. Gallagher is looking to increase their portfolio in the retirement area with actuaries, and they mentioned that in their announcement of the sale. There are over 200 actuaries at Gallagher, which is a Fortune 500 company. She stated that they were committed to supporting Buck and their clients; understand the business; and that is core to what they do in their employee benefits and consulting firm. She continued that it was important for the ARMB to know that there would be no change to their team, and that we are slow walking this transition. We will be operating as we are now through the end of the year, without any changes in reporting. Everything will be the same, and there will be no systems changes. She added that she would be leading the integration of the two firms, and she was excited about it.

MR. KERSHNER moved to the main presentation. At this meeting they present a complete set of valuation results for every plan, except the National Guard plan. He added that there was still trouble collecting the data. He stated that there were valuation results for all the plans. He continued that every March they run State contribution projections, and we have those to compare with the most recent set of projections that will be talked about. Also, they were asked to do some sensitivity analysis to show how funded ratios and State contributions might change, depending on plan experience. He talked about the effects of the new assumptions that the ARMB adopted in June of '22, based on the four-year experience study.

MR. OATES stated that there were some significant savings coming through from the EGWP, and we are getting more subsidies from that program than projected. He added, that helped to mitigate some of the loss on the prescription drug increase. He continued that, this current year, the EGWP subsidies increased significantly. He explained that the impact of the IRA will be felt slowly, at least as far as the changes get implemented. He added that the changes are not that meaningful in the first couple years of the act. 2025 is when the Federal Government will cut in half the catastrophic reinsurance, which is a big driver of the savings for the program.

CHAIR HIPPLER asked Mr. Kershner to continue.

MR. KERSHNER moved to the next section which showed the valuation results, and he walked through a road map of what all the numbers represented. He explained how the gains and losses were calculated.

CHAIR HIPPLER asked staff if there was a benefit derived that he was not familiar with for aggregating the funding status of the healthcare plan and the pension plan; because, otherwise, that practice needed to be discontinued. He asked if there was a reason why that was done.

MR. WORLEY stated that the funded status for pension was shown, and the funded status for

healthcare was shown. There should not be a total because they were separately funded plans; separate trusts with no need to show a total.

CHAIR HIPPLER stated that he found that confusing and misleading. He did not want to see that in the Actuary Committee in the future.

MR. KERSHNER stated that the total funded ratios were informational only. He explained that the former Board Chair asked to see the combined results, but that they certainly can be removed.

MR. WORLEY stated that if the funded ratio and totals were not shown, then the aggregate should also not be shown.

MR. KERSHNER asked about the actual valuation reports which show pension, healthcare and total as well. Perhaps the totals from the actual reports should be removed.

CHAIR HIPPLER replied yes, and we will continue the conversation later to give people time to think about it and see if things were being missed. He asked for an email on that.

MR. WORLEY asked that the timeline be considered because June is when valuation reports are adopted. He continued, that needed consideration to get taken care of.

CHAIR HIPPLER suggested collaborating on that within the next week.

MR. KERSHNER moved to the projections and stated that this was new information that was not shared at the last meeting. He continued that there were two sets of projections; the first set assumed all future experience matches the assumptions. He showed a comparison between the 2021 valuation projects, the most recent, reflecting the contribution rates for FY24 that the ARM Board adopted in September. All the projections assume zero percent goes into the healthcare trust. The increasing pattern was because, per statute, the amortization of the unfunded liability was on a level percentage of pay basis. He explained this in more detail and added that the percentage of payroll was constant, which explained the pattern. He then talked about asset returns, healthcare cost increases, and inflation increases.

CHAIR HIPPLER thanked Mr. Kershner and stated that this had been requested to assist this body in evaluating normal cost contributions. He continued that a sensitivity analysis helped with guidelines and giving some signals as to when to start contributing to normal cost again. Sensitivity analysis was crucial.

TRUSTEE BOB WILLIAMS stated that he had been shocked at how much the next five years could impact the overall.

MS. MANNING stated that this was a scenario with five really bad years, and then everything going back to normal. Markets could be really bad, then really good, and then really bad again. Not illustrated were all the different scenarios of recovery. That would be a more extensive asset liability modeling type of exercise that would look more at contributions. She added that it was a good message and a good thing to model out.

CHAIR HIPPLER directed a question to Buck on the Occupational Death and Disability Fund. He stated that the normal cost appeared to be .24 percent, and it looked like it was funded at 1600 percent. He asked if that was correct.

MR. KERSHNER replied that the ratio of the assets to liabilities was 1600 percent. He stated that the past service contribution was zero, but we are still contributing the normal cost, which is the .24 percent to the DCR plans.

CHAIR HIPPLER asked for any other questions. There being none, he moved to Gabriel, Roeder, Smith (GRS).

## **REVIEW OF VALUATION RESULTS AND RECOMMENDATIONS**

MR. WOOD stated that it was great to be back in Juneau and added that Bill Detweiler was available online. He continued that he was there to fulfill the main duty of the review actuary, which is to provide the review of the most recent valuation report. He began with the claims and enrollment review, then moved to the assumptions, and then the test life review. He stated that Buck provided a nice PowerPoint that detailed the development of the per capita claims cost, which was the underlying benefit that was valued as part of the valuation. There was a favorable experience on the medical side, which meant that the medical claims did not grow as quickly as expected. The drug claims grew faster than expected, with an unfavorable experience on the prescription drug side. The development of the per capita claims cost was found to be reasonable. He made the recommendation to continue monitoring to see if it was appropriate to put a load on at some point in the future. He wanted to avoid a whipsaw back to super high claims and having extreme volatility in the healthcare results. He then discussed the new assumptions. He stated that the information on how well the new assumptions were working is not available until the following year. He talked about the test life review, which is the main piece of work performed as part of this review. A sample of test lives was grabbed, and the data input was reviewed. Received was the raw data and the data used in the valuation system; the data inputs and benefit amounts were looked at to make sure that the liabilities were calculated properly. This was important this year because of the new assumptions, and to see if the plan provisions were being valued correctly. He moved to the five findings and the resolutions to those five findings. The first finding was a date-of-birth issue. There were two people in the entire population. The valuation system will be refined so this data default will have the entry age of 15 so the liability does not disappear. The second finding was the salary increase rate, and that was also a small figure. Finding No. 3 was the marriage assumption for TRS-DB. This was an occupational death benefit for married members that the marriage assumption was not applied to. Finding No. 4 was the occupational death lump sum benefit. That piece of the lump sum benefit was only available for nonoccupational death benefits. The final finding tied back to a finding that was in last year's valuation: The disabled retirees in the model were not being treated exactly the same as the healthy retirees in the model. He continued that it was recommended that those five findings be addressed in the next valuation. He also went through some small modifications to the valuation reports that surrounded the topic of early retirement factors and the basis of those factors.

## **FUTURE MEETINGS**

CHAIR HIPPLER asked for any questions. He thanked Mr. Wood and moved to the calendar review. He noted that a meeting in Fairbanks in 2024 is being contemplated. Next on the

agenda was future agenda items. He stated that one future agenda item he would be discussing with Mr. Worley was the normal cost funding; not just for healthcare, but also for ODD. Hearing no other requests or follow-ups for future agenda items, he asked for any comments from members of the public that wished to be heard. He recognized Mr. Worley.

MR. WORLEY wanted to inform the committee that the Division was moving forward with the first amendment to the Buck contract. That would make it a three-year extension with the next contract from July 1 of this year to June 30 of 2026. That is the next amendment period that falls within the original contract.

CHAIR HIPPLER clarified that the Division of Revenue had jurisdiction over the primary actuary contract and the ARMB had jurisdiction over the review actuary contract.

MR. WORLEY replied affirmatively.

CHAIR HIPPLER asked for any member comments. His comment was that if anyone had comments about funding ratios and how they should be aggregated and presented in the materials, particularly those that could be disseminated to the public, to please send him a note. He added that he was open to suggestions about how to do that better. He asked for a motion to adjourn.

**MOTION:** A motion to adjourn the meeting was made by TRUSTEE KROHN; seconded by TRUSTEE RYAN.

*There being no objection, the MOTION was APPROVED.*

(The Actuarial Committee meeting adjourned at 2:58 p.m.)