

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

**June 14, 2023  
1:30 p.m.**

**Originating at:  
Robert B. Atwood Building  
550 West 7<sup>th</sup> Avenue, Rooms 102/104  
Anchorage, Alaska 99501**

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**Trustees Present:**

Sandra Ryan, Chair  
Donald Krohn  
Lorne Bretz  
Adam Crum

Bob Williams  
Dennis Moen  
Michael Williams  
Commissioner Paula Vrana

**Department of Revenue Staff Present:**

Zachary Hanna, Chief Investment Officer  
Shane Carson, State Investment Officer  
Hunter Romberg, Senior Compliance Officer  
Grant Ficek, Business Analyst  
Alysia Jones, Board Liaison  
Robert Vicario, Administrative Assistant II  
Ryan Williams, Debt Manager/AMBBA Executive Director

Pamela Leary, Director, Treasury Division  
Ryan Kauzlarich, Assistant Comptroller  
Scott Jones, Head of Investment Operation  
Performance & Analytics  
Chris Madsen, Administrative Operations  
Manager

**Department of Law Staff Present:**

Ben Hofmeister, Assistant Attorney General

**Investment Advisory Council Present:**

Ruth Traylor

Dr. William Jennings

**Department of Administration – Division of Retirement & Benefits Staff Present:**

Ajay Desai, Director, DRB  
Mindy Voigt, Assistant Chief Pension Officer  
Roberto Aceveda, Counseling & Education Manager

Kevin Worley, Chief Financial Officer  
Brandon Roomsburg, Retirement & Benefits  
Specialist

**Department of Administration Staff Present:**

Deputy Commissioner Dave Donley

**Guests/Presenters:**

David Kershner, Principal, Consulting Actuary, Buck  
Paul Wood, Actuary, Senior Consultant & Team Leader, GRS  
Bill Detweiler, Consultant, GRS

**Public:**

Randall Bruns, RPEA

## PROCEEDINGS

### CALL TO ORDER

CHAIR BOB WILLIAMS called the Actuarial Committee meeting to order and asked for a roll call.

MS. JONES called the roll.

### PUBLIC METING NOTICE

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

MS. JONES replied, yes, it had.

CHAIR BOB WILLIAMS stated that he would read a letter of appreciation into the record at the board meeting thanking Trustee Hippler for chairing the Actuarial Committee for a good length of time. He continued that there was an opening for actuarial chair, and formally designated Trustee Ryan. With that, she could take over chairing the meeting.

### APPROVE THE AGENDA

CHAIR RYAN thanked Chair Williams, and asked for a motion to approve the agenda.

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

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

### APPROVAL OF MINUTES

CHAIR RYAN moved to the minutes of March 15, 2023, and entertained a motion.

**MOTION:** A motion to accept the minutes of March 15, 2023, was made by TRUSTEE MIKE WILLIAMS; seconded by TRUSTEE BOB WILLIAMS.

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

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

### PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

CHAIR RYAN asked if there was any public member participation at this time, if anyone wished to speak. She asked Ms. Jones if anyone indicated a desire to present.

MS. JONES replied, no.

### ACTUARIAL REVIEW & CERTIFICATION AND ACCEPTANCE OF FY2022 VALUATIONS AND REPORTS

CHAIR RYAN stated that annually in June there is the opportunity to look at the actuarial review and certification acceptance of the year's valuations and reports. She asked for a Buck representative to present.

CFO WORLEY introduced David Kershner, the principal and lead on the actuarial reports for Alaska Retirement Management Board      2      Actuarial Committee Meeting Minutes  
June 14, 2023

PERS, TRS, defined benefit, as well as the defined contribution retirement systems. He stated that Mr. Kershner would go over a summary of changes that were requested by the committee in March regarding the summary totals, as well as the PERS and TRS projection additions that were included at this time. He welcomed David Kershner.

### **EXPLANATION OF PERS & TRS PROJECTIONS**

MR. KERSHNER stated that they had prepared and provided the draft reports for PERS and TRS in March, for the defined benefit, DB, and the defined contribution, DCR, plans. At that meeting, they were asked to make several changes to those reports; primarily removing all of the totals. In the DB reports, they calculated separately, per statutes, the contributions for pension and contributions for healthcare. Then, for illustration purposes, everything was added together. He explained that those totals appeared throughout the report, and there were a lot of changes. He continued that most of the changes for PERS and TRS DB were similar, and also for the two DCR plans. He added that most of the changes were related to elimination of all the totals from exhibits, tables, charts, and graphs. DRB staff also requested the addition of a section at the end for historical information. That came from the GFOA (Government Finance Officers Association) recommended changes which related more to financial statement information and accounting information, as opposed to funding. He continued that the old GASB statements were amended back in 2014, 2015 to the current GASB statements for the pension. When those changes came out, a lot of that historical information was eliminated, around 2017, 2018. GFOA suggested continuing to show those even though they were in those old statements. He stated that the historical information section was added at the end. The last change was the PERS and TRS projections found in Section 3 of the DB reports. A second set of projections were added to the one from March. He stated that the statutes were rewritten in 2014, and they required that the unfunded liability be amortized over a fixed 25-year period, using level of percentage of pay amortization. The \ 2018 experience study, which was finalized in 2019, had layered amortization instead of amortizing the entire unfunded liability over that closed period, which decreased by one every year. They kept the period for each layer at 25 years, to be consistent with the statutes. He noted that there were some pending legislative bills to reopen DB plans. The DB plans were closed to new entrants in 2006, and all new entrants after 2006 go into the DCR plans. In looking beyond FY39, the path toward the ending of the plans would be a lot closer to the ending horizon, and it may be desirable to shorten the amortization period to recognize that fact, if the DB plans were not reopened. A second set of projections were provided, which he explained. He continued that the impact was bigger for PERS than for TRS: One reason was because the additional State contributions were generally paid at the beginning of the year, and they get a full year of interest credited to them. The additional State contributions were a bigger percentage of the total in TRS than for PERS because the employer contribution limit was much lower in TRS. He stated that alternative amortization period was strictly for projection purposes. It did not impact the calculation of contribution rates in the near term because the statutes require 25 years. He added that this was strictly for projection illustration purposes that were included in the valuation reports. He added to keep in mind the proposed bills to reopen the defined benefit plans. If passed, this would be a moot issue.

### **ACTUARIAL REVIEW**

CHAIR RYAN asked for an introduction for GRS.

DIRECTOR LEARY stated that Paul Wood and Bill Detweiler from Gabriel, Roeder, Smith would present some of the actuarial review findings that they had.

MR. WOOD thanked all and stated that it was great to be back in Anchorage. He continued that there were two presentations: the first was a quick review of what was talked about in March, the result of the review for PERS and TRS and the second was test life results for the JRS plan.

MR. DETWEILER stated that a few items were identified when looking at the PERS and TRS test lives, and they did match all of the test lives closely. The overall result was that the findings were immaterial, according to their standards of practice. The belief is that these findings could be implemented in the June 30<sup>th</sup>, 2023, valuations. He explained the five findings. He added that the recommendation was to implement the findings, as well as a few other small comments for their report to improve communications and disclosures. He believed that they were implemented in the final reports that Buck would be presenting. He moved on to the summary of their matching on the test lives that were sent for JRS about a month ago. The numbers all matched very closely, well under 1 percent. He stated that they had no findings. They were comfortable with all the calculations and how closely they were matched on the JRS plan. When this presentation was sent, the National Guard test lives and any information had not been received. He noted that the information had been received and the review of the National Guard test lives had started. He continued that they would issue the combined JRS, National Guard review report that GRS puts together every other year when these valuations are done for the committee to review at their September meeting.

MR. WOOD was asked to opine on the 15-year versus 25-year amortization. In looking at the results, when the layered amortization period was changed, there was a slight, small technical loss generated a long time out. He stated that there would be more contribution volatility if there was a shorter amortization period. Longer amortization period takes a bit of that out. He explained more fully, and encouraged looking at some additional analysis and really considering what the population looks like at that time. He continued that an actual big gain or loss could be generated. If there was a big loss generated over a 10-year period, it would make you pay it off faster and therefore increase the contribution quicker. A longer period would be the opposite of that. He added that the shorter the period, the more volatility. At that point, there may be the need to take on that type of volatility because a lot of the liabilities were being paid out in a very short period of time. There is a real need to get an idea of the actual difference in that contribution volatility between those two.

CIO HANNA stated that they had talked about asset allocation from a timeframe perspective for the investment of the assets. The weighted average life of the benefit stream was calculated. That was done on a nominal and a real basis. On a nominal basis it was 25 years. Fast-forward about 20 years into the future and it would be down to about 15 years. He explained that unifying the thinking for both the assets and the liabilities could be done, if desired. He continued that changing statute is always a challenge. It is easier on the asset side than on the liability side.

#### **UPDATE ON NATIONAL GUARD AND JRS VALUATIONS**

CFO WORLEY stated that David Kershner would give an update on the National Guard and valuation. He continued that they had talked about some of the data collection issues with the National Guard, and they were also experiencing that with the Air Guard this year. He explained that someone new came in who was not able to pull the data. He reached out monthly for a few months; and then every other week for another few months. The '21 data was received, and

gladly accepted. He rolled it forward an additional year to make it '22. Those results would be presented with his update for the National Guard. JRS was presented in March, and this would be the final update.

MR. KERSHNER stated that the valuation results for JRS were provided in March, but we did not have the draft report. That report is in the packet for this meeting. He continued that all the totals were removed, the same as was done for PERS and TRS; and the National Guard valuation results are being presented for the first time. He added that there had been some historical issues collecting data for the National Guard. In 2018, it was discovered that people were still being valued that had already been paid out in a lump sum. There was a significant number of people that were still being reported as active or deferred vested that, in fact, had been paid out. When those were removed in 2018, there was a significant drop in the liability, which is why the National Guard plan is now overfunded. The liability, after 2018 had over a \$10 million decrease. He continued that the data received for the Air Guard group is about half of the National Guard group, not a small group. The data that was reported to DRB and passed along was actually as of 6/30/21, not 6/30/22. There were three options, and we had to make a decision. They could have gone back to the Air Guard and asked for the data as of 6/30/22, which was a bad option because we had waited so long, which is why the results did not happen in March. Option 2 was to do another roll-forward valuation, which would have been less than ideal because a roll-forward valuation had just been done. That would have been ignoring the 6/30/22 data received for the other groups. Option 3, which was what was settled on, was to accept the data provided as of 6/30/21 and just assume that data was as of 6/30/22. The assumption that everyone who was active for the Air Guard group as of 6/30/21 was active as of 6/30/22; and everyone retired as of 6/30/21 were assumed to be retired as of 6/30/22. He added that because of the overfunded status of the National Guard plan, there was no way that the simplification would cause a material impact of the overall results. The actuarially determined contribution, with or without the simplification, would still result in a zero contribution. He explained that if they waited and received all the actual data, it would still be overfunded with a contribution of zero. That is why it was concluded that there would not have been a material impact. He went through the National Guard results.

TRUSTEE BOB WILLIAMS stated that he was uncomfortable with this situation. He asked if there was anything changing to ensure getting the data next year or the year after. The second question was if they had the exact data, how confident that it will be within a range.

MR. KERSHNER went through the numbers and noted that he had a range to work with. Even if it were on the high side of that range, there would still be a contribution of zero, and will still be well overfunded. That was why they concluded the simplifications for some data points. To make an oversimplification for too large of a group could materially impact the valuation results if the assumption was off the reality. Judgment is always used when the data is less than perfect. The final column was the effect on liabilities for the assumption changes and were the valuation results for National Guard.

CHAIR RYAN asked how many members were they talking about, and what was changed annually between the members, approximately.

MR. KERSHNER replied that in the Air Guard they only had the split on the active side and did not have the inactives. There were a total 3900 actives; and 2300, a little over half, are Air

Guard. In 2020, Air Guard was a little over 2200; and the total was a little over 3900. It was relatively stable.

## **ACTION ITEMS**

CHAIR RYAN stated that there were a couple of action items next on the agenda. The first one was the committee recommendation to the Board for acceptance of GRS.

**MOTION:** The Actuarial Committee recommends that the Alaska Retirement Management Board accepts the review and the certification of Fiscal Year 2022 Actuarial Report by GRS. The motion was made by TRUSTEE KROHN; seconded by TRUSTEE WILLIAMS.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Bretz, yes; Trustee Krohn, yes; Commissioner Crum, yes; Trustee Moen, yes; Trustee Bob Williams, yes; Trustee Michael Williams, yes; Commissioner Vrana, no response; Chair Ryan, yes.)*

CHAIR RYAN stated that the second one was the Actuarial Committee's acceptance of actuarial valuation reports for PERS, TRS, DB, and DCR.

**MOTION:** The Actuarial Committee recommends that the Alaska Retirement Management Board accepts the actuarial valuation reports prepared by Buck for the public employees, teachers, public employees defined contribution, for occupational death and disability, and retired medical benefits, and the teachers' defined contribution for occupational death and disability and retired medical benefits, the retirement system as of June 30<sup>th</sup>, 2022. The motion was made by TRUSTEE MICHAEL WILLIAMS; seconded by TRUSTEE BOB WILLIAMS.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Michael Williams, yes; Trustee Moen, yes; Trustee Krohn, yes; Trustee Bretz, yes; Commissioner Vrana, no response; Commissioner Crum, yes; Trustee Bob Williams, yes; Chair Ryan, yes.)*

## **REPLICATION AUDIT**

CHAIR RYAN stated next on the agenda was the replication audit, and she recognized Mr. Wood and company.

MR. WOOD recalled that last year they did the full replication audit of the June 30, 2021, valuation, which was based on the old assumptions. Part of the work they committed to as far as scope, was to redo that full replication audit on the new assumptions. He stated that this was done for a couple of reasons: First, they did not want to wait another four years to see if those assumptions were implemented properly and wanted to get that out of the way early. It would also help them choose test lives going forward. He continued that Buck provided a list of every single individual that they value, and now we have a set of individuals that they valued. They could also see what the differences were and narrow in on exactly what was being valued. He asked Mr. Detweiler to continue.

MR. DETWEILER stated that the plans that they did a full replication for were PERS and TRS DB and DCR plans, as well as the JRS DB plan. The National Guard would be completed after

looking at the test lives over the next month or so. He reminded all that the review that is done every year only looked at a sample of test lives. It handpicked a few individuals and also looked at people with different characteristics to try and reach different aspects of the plan. The full replication looked at everyone, and we were valuing liability for every single person and then aggregating all those liabilities, just like Buck does every year. He continued that they looked at the present value, future benefits, which were all projected cash flows discounted back to today, as well as the actual or accrued liability, which was the portion of the PVB (present value of benefits) that had been accrued so far. They also looked at the normal costs. The most important number was the actuarially determined employer contribution that was recommended to be put into the plan. He reminded all that actuarial science was not necessarily black and white. What is important is that the results that any actuarial firm came up with was considered reasonable according to the actuarial standards of practice that actuaries were required to follow. He added that, overall, the bottom-line number, which is what was cared about most, had gotten a valuation with all the same inputs. They would have said \$539 million was the recommended contribution, where Buck had \$537 million. That would be considered to be very close for such a large plan as this.

MR. WOOD stated that they had different valuation systems, as well, and this particular replication was done with the same system called ProVal. They also had a proprietary system that was used for other clients that would calculate normal costs differently. He continued that there were a lot of nuances, and there may be some differences on an individual basis; but in the aggregate, it may round up sometimes and round down other times. It will all work itself out in the end.

MR. DETWEILER continued through his presentation and compared the liability numbers on the different slides. He stated that this was considered to be a highly successful replication, and it gave GRS confidence and comfort that the calculations and the methodologies Buck was using were good, which should also give the Board that same comfort and confidence. He added that in their review next year, when they decide which test lives to pull, they would look at the people in the far ranges out there. He stated that, in conclusion, they had completed the test life review this year for every plan except the National Guard. This full replication was done to give more confidence and to help pick better test lives in future years going forward. He added that they were comfortable with all of Buck's results this year, and they were accurately portraying the actuarial status of the systems included in those contribution rates.

CHAIR RYAN thanked them and asked for any questions. She moved to the committee self-assessment.

#### **COMMITTEE PERFORMANCE – SELF ASSESSMENT**

CHAIR RYAN looked at the questions and reviewed the charter. She asked that they look at the calendar and if there was something that needed to be moved around for various reasons, to let her know. She asked for any requests for follow-up. She asked for anything else to look at in a future meeting, and then asked for any other matters to come before this committee. She asked for any public comments and any member comments. There being nothing further, she adjourned the meeting.

(The Actuarial Committee meeting adjourned at 2:38 p.m.)