

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

December 6, 2023
1:30 p.m.

Originating at:
Alaska Housing Finance Corporation Meeting Room
4300 Boniface Parkway
Anchorage, Alaska 99504

Trustees Present:

Sandra Ryan, Chair
Donald Krohn
Spencer Moore
Lorne Bretz

Bob Williams
Dennis Moen
Michael Williams
Commissioner Vrana

Department of Revenue Staff Present:

Zachary Hanna, Chief Investment Officer
Shane Carson, State Investment Officer
Jesyca Ellenbecker, Accountant 5
Scott Jones, Head of Investment Operations,
Performance & Analytics
Chris Madsen, Administrative Operations Manager

Pamela Leary, Director, Treasury Division
Ryan Kauzlarich, Assistant Comptroller
Hunter Romberg, Senior Compliance Officer
Grant Ficek, Business Analyst
Alysia Jones, Board Liaison
Robert Vicario, Administrative Assistant II

Department of Law Staff Present:

Ben Hofmeister, Assistant Attorney General

Investment Advisory Council Present:

Ruth Ryerson
Dr. William Jennings

Josh Rabuck

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

Ajay Desai, Director, DRB
Brandon Roomsburg, Retirement & Benefits
Specialist
Christopher Novell, Accountant 5

Kevin Worley, Chief Financial Officer
Roberto Aceveda, Counseling & Education
Manager

Department of Administration Staff Present:

Deputy Commissioner Dave Donley

Amanda Pillifant, Executive Assistant

Buck:

David Kershner, Principal, Consulting Actuary
Douglas Wilson

Bob Besenhofer, Principal, Health Actuary

GRS:

Paul Wood, Actuary, Senior Consultant
& Team Leader

Bill Detweiler, Consultant

Callan:

Steve Center, Senior Vice President

Public:

Wendy Woolf, RPEA

Aurora Hauke

Randall Burns, RPEA

Alexie Painter, Legislative Finance

PROCEEDINGS

CALL TO ORDER

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

MS. JONES called the roll.

PUBLIC MEETING NOTICE

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

MS. JONES replied, yes, it had.

APPROVAL OF THE AGENDA

CHAIR RYAN called attention to the agenda and asked for any corrections or additions. There being no additions or objections, the agenda was approved.

APPROVAL OF MINUTES

CHAIR RYAN moved to the minutes of September 13, 2023, and entertained a motion.

MOTION: A motion to accept the minutes of September 13, 2023, was made by TRUSTEE MIKE WILLIAMS; seconded by TRUSTEE KROHN.

There being no objection, the MOTION was APPROVED.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

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

MS. JONES replied that she was waiting to confirm there was audio.

(Break taken.)

CHAIR RYAN apologized for the technical difficulty, and asked if there was anyone in the room or online that wished to make an appearance at this time. Hearing and seeing none, she moved to the Inflation Outlook, and asked CFO Worley to introduce the guests.

INFLATION OUTLOOK/PROJECTIONS DISCUSSION

CFO WORLEY stated that David Kershner from Buck, and Paul Wood from GRS, would be speaking. He recognized David Kershner

MR. KERSHNER greeted all and began with the updated inflation projections. There were three different projections using the GEMs model, which is the model used going through the experience study for setting the inflation assumption and expected return on assets. It is an economic simulator, and projects different future outcomes. He showed the median returns and inflation expectations at various intervals. He explained that the current assumption is 2.5 percent.

MR. WOOD agreed that there probably is not a need to think about changing the assumption,

and to wait for the regularly scheduled experience study that will come up in a couple of years. He reminded all that this is a longer-term assumption, and that the funding policy is built to handle and adjust the contribution to make up for the gains and the losses. He pointed out that this is the time of year when they start collecting the capital-market expectations from investment consulting firms across the country. Each of those investment consultant firms have an expectation of inflation. The data will be collected, and then a model will be built around the term period of inflation. The hope is to have that data compiled and presented in March, which will give a better sense of where inflation is going.

VALUATIONS AND ACTUARY REVIEW

PERS/TRS PRELIMINARY 2023 VALUATION RESULTS

MR. KERSHNER began the presentation of the preliminary results of the June 30, 2023, valuation for PERS and TRS. He stated that the purpose of these valuations is a snapshot measurement of a particular point in time of the funded status, or the measured funded ratios, of the assets and liabilities. He continued that the calculations are based on a series of assumptions compared with expected values and the actual values. The difference between expected and actual is always compared. He shared some of the statistics relating to the Metcalfe decision, noting that the specific totals into the pension trust and the healthcare trust are not known. The only known is the impact on the combined unfunded liability, which he discussed. He added that the window for the election was closed, and this may have been the bulk of the participants that come over from DCR to DB.

CFO WORLEY stated that the folks shifting over from the DCR plan still needed to be processed, and they are working on the logistics of that. He added that the numbers are relatively finalized.

MR. KERSHNER moved to the healthcare side and stated that this was the first year in several where the healthcare liabilities were higher than expected. He continued that there were unfavorable healthcare liabilities, but the healthcare plans are still significantly overfunded. He went through the liabilities and assets in graphical form, and explained how the assets exceeded the liabilities. He stated that there was no unfunded liability; there was a surplus.

TRUSTEE BOB WILLIAMS stated that the overfunding is not alarming, but it is a pretty big change. He continued that it is something to look at.

MR. KERSHNER moved to the contribution rates which were expressions of a percentage of total payroll. He explained that the past service cost, which was the payment toward unfunded liability, was higher than last year because that loss had to be funded in FY23. He stated that the valuation reports will provide more detail, but for this meeting they tried to capture the big-ticket items, which he discussed. He then moved to some of the details on the healthcare claims experience losses.

MR. BESENHOFER stated that he is working with a lot of other actuaries and pharmacists at Buck to put together what they want to use in a valuation to present in March. Claims seem to be up, and they seem to correlate with some of the reports from Aetna for Alaska Care Plan. There may be some increase in utilization of the plan. He added that the larger cost was the overall cost basis. The cost by service increased dramatically, looking at the first half of 2023 compared to the first half of 2022. He added that the final numbers will be given in March,

which will include a much longer-term projection for the EGWP subsidies based on the Inflation Reduction Act changes. He stated that the rest of the slides were historical figures that were provided last year, with the 2023 results added. The PERS and TRS DCR valuations will be completed, and we will do a roll-forward valuation for the judges and National Guard plan. There will not be any changes reflected on the data that will impact liabilities.

ACTUARY REVIEW

CHAIR RYAN recognized Paul Wood.

MR. WOOD gave an update on how the audit was coming along. He stated that the process just started, and they received most of the information from Buck, which is the test life information. The process of working through those test lives began, and they requested a file of the present value of benefits by individual and are still waiting for the DCR information. He added that they were on schedule to present their results and had nothing really exciting to report. He noted that in the preliminary results there were some gains due to the removal of some duplicate records, and he wants to get an understanding of what process was followed to remove those particular records.

TRUSTEE BOB WILLIAMS stated that he was interested in a description of the duplicate spousal gains. There was a long discussion between proxy data and real data, and we saw some pretty remarkable changes in assets and liabilities based on that. It was a gain for one plan, a loss for another plan, and they canceled each other out. He was very interested in the duplicate data, and if there are issues with that.

MR. WOOD replied that, a lot of times it is difficult with the massive data sets, and it is not uncommon for corrections to be made. He stated that they wanted to make sure that the nature of the corrections was understood.

PERIODIC SELF-ASSESSMENT

CHAIR RYAN stated that it was time to look at the committee self-assessment and asked for any input on the four questions. She then moved to the review of the committee charter and asked for anything to add. She reviewed the schedule of the 2024 meetings and reminded all that they would be in Fairbanks in September. She asked for any agenda items to be added, or any requests for follow-ups at upcoming meetings. She asked for any other matters to come before the committee, and for any public or member comments. Hearing none, she asked for a motion to adjourn.

MOTION: A motion to adjourn the meeting was made by TRUSTEE KROHN.

There being no objection, the MOTION was APPROVED.

(The ARMB Actuarial Committee meeting adjourned at 2:52 p.m.)