

ALASKA RETIREMENT MANAGEMENT BOARD

AUDIT COMMITTEE

June 15, 2022

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD

AUDIT COMMITTEE MEETING

June 15, 2022 – 9:00 a.m.

Call In (Audio Only): 1-907-202-7104

Code: 877 382 593#

- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. A. Approval of Agenda
B. Approval of Minutes – March 16, 2022**
- V. Public / Member Participation, Communications and Appearances
(Three Minute Limit)**
- VI. Reports**
 - A. Review Independent Auditor’s Audit Plan**
 - Melissa Beedle, KPMG*
 - Elizabeth Stuart, KPMG*
 - Ryan Kauzlarich, Assistant Comptroller, Treasury Division*
 - Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits*
 - B. Discussion of Audit Timeline**
 - Ryan Kauzlarich, Assistant Comptroller, Treasury Division*
 - Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits*
 - C. Audit Section Report**
 - Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits*
 - D. Report on Delinquent/ Late Filing Employers**
 - Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits*
 - E. Committee Requests: Areas of Interest/ Review**
 - F. Review any legal matters that may impact Fund’s financial statements, the ARMB’s compliance with applicable laws and regulations, and any inquiries received from regulators or governmental agencies**
 - Benjamin Hofmeister, Assistant Attorney General, Department of Law*
 - G. DOR – Treasury Division**
 - 1. SOC1 – Reporting on Controls at a Service Organization
 - Ryan Kauzlarich, Assistant Comptroller, Treasury Division*
 - 2. Accounting/ Financial Personnel Structure [Organization Chart]
 - Pamela Leary, Director, Treasury Division*

H. DOA – Division of Retirement & Benefits Personnel Structure [Organization Chart]

Ajay Desai, Director, Division of Retirement & Benefits

VII. Committee Performance - Self Assessment *(per Charter)*

VIII. Review of Committee Charter *(per Charter)*

IX. Future Meetings

A. Calendar Review

1. Date Selection – Review of Audited Financial Statements *(Proposed date: October 10, 2022)*
2. Approval of 2023 Audit Committee meeting calendar

B. Agenda Items

C. Requests / Follow-Ups

X. Other Matters to Properly Come Before the Committee

XI. Public / Members Comments

XII. Adjournment

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE MEETING

Videoconference

MINUTES OF
March 16, 2022

Wednesday, March 16, 2022

ATTENDANCE

Committee Present: Bob Williams, *Acting Chair*
Lorne Bretz
Allen Hippler
Donald Krohn

Committee Absent:
Michael Williams, Chair

ARM Board Trustees Present:
Dennis Moen
Sandra Ryan

IAC Members Present:
Dr. William Jennings

Department of Revenue Staff Present:
Zachary Hanna, Chief Investment Officer
Pamela Leary, Director, Treasury Division
Rosa Sanchez, Compliance Officer
Scott Jones, Head of Investment Operations, Performance & Analytics
Ryan Kauzlarich, Assistant Comptroller
James McKnight, State Investment Officer
Hunter Romberg, Investment Data Analyst
Alysia Jones, Board Liaison
Grant Ficek, Business Analyst

Department of Administration Staff Present:
Ajay Desai, Director, Division of Retirement and Benefits
Jim Puckett, Deputy Director/ Chief Pension Officer, Division of Retirement and Benefits
Kevin Worley, Chief Financial Officer, Division of Retirement and Benefits

Roberto Aceveda, Counseling and Education Manager
Nimeri Denis, Audit & Review Analyst II, Division of Retirement and Benefits
Melanie Helmick, State Social Security Administrator, Division of Retirement and Benefits
Emily Ricci, Health Care Policy Administrator, Division of Retirement and Benefits
Amanda Pillifant, Commissioner's Office

ARMB Legal Counsel Present:

Benjamin Hofmeister, AAG, Department of Law

I. CALL TO ORDER

CHAIR BOB WILLIAMS called the meeting of the ARM Board Audit Committee to order at 9:00 a.m.

II. ROLL CALL

MR. BRETZ, MR. HIPPLER, MR. KROHN, MR. CHAIR WILLIAMS, were present at roll call.

III. PUBLIC MEETING NOTICE

ALYSIA JONES confirmed that public meeting notice requirements had been met.

IV. DESIGNATION OF CHAIR

CHAIR WILLIAMS announced that there was a chair position open. He said that he had spoken with MR. MIKE WILLIAMS, who was willing to chair the audit committee, but unable to attend today's meeting. He said that unless there was opposition to the designation, he would appoint MIKE WILLIAMS as chair and in his stead, chair the meeting.. Hearing no opposition, MR. M. WILLIAMS was appointed as chair.

V. A. APPROVAL OF AGENDA

MR. HIPPLER moved to approve the agenda. MR. KROHN seconded the motion. The agenda was approved without objection.

B. APPROVAL OF MINUTES: December 1, 2021

MR. HIPPLER moved to approve the minutes of the December 1, 2021, meeting. MR. KROHN seconded the motion. The minutes were approved without objection.

C. APPROVAL OF MINUTES: January 13, 2022

MR. MOEN moved to approve the minutes of the January 13, 2021, meeting. MR. KROHN seconded the motion. The minutes were approved without objection.

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

VII. REPORTS

A. Employer Audits

MR. WORLEY invited MS. HELMICK to speak.

MS. HELMICK stated that the report was the third quarter state fiscal year 2022 report. She explained their unit audits for PERS and TRS compliance and that they audit the employers in their political subdivisions which count for over 700 million of PERS and TRS contributions annually. She said she had traveled to Fairbanks in December for an audit trip which had been approved for state fiscal year 2022 and was able to complete three audits.

MS. HELMICK noted that she had been seeing systematic issues with audits for calendar year 2021 and half of fiscal year 2022 which involved police officers and municipal correction officers not being certified in time to qualify for their PERS enrollment. She noted the concern was regarding the time it takes to get through certification and get certified by the Alaska Police Standards Council. She suggested a special audit on that for employers who participate in the PERS peace officer classification.

MS. HELMICK also noted a large issue of ineligible compensation that had been reported with one employer. She said it was related to LWOP (leave without pay) and was discovered by another person in their division, the employer's employer counselor. She noted that they play a large part in the audits as well.

MS. HELMICK commented that she serves as the state Social Security administrator and had certified the vote held for the Housing Authority in Bethel. She said they had six members who chose Social Security enrollment and said that all future members of that retirement system would be enrolled in Social Security.

B. Report on Delinquent/Late Filing Employers

MR. WORLEY said they had less than three employers that were PERS employers as of February 25th. He noted that when they find those situations, their payroll staff works with the payroll contacts for that employer to find out if they are going to file a report. He said the late filings tend to be from smaller size employers and that typically there are staffing issues. He noted that one employer reported their payroll staff all had COVID which led to the late reporting.

MR. WORLEY said they also follow-up by reaching out to the employer and if a couple of months pass, they then reach out to either the business officer or the finance officer of that employer. He reiterated that it happens more with smaller employers than medium to larger employers.

MR. BRETZ asked if reporting included contributions and were there more that were behind on contributions; MR. WORLEY said it was for the regular payroll report. He noted that by statute, reports should be received 15 days after the paychecks were issued; MR. BRETZ asked if there was a greater list for contributions; MR. WORLEY said there was not; MR. BRETZ commented that it was an improvement; MR. WORLEY confirmed it was and added that there was a separate report for salary employees and that information would be added to this report for the June meeting.

CHAIR WILLIAMS noted that MR. WORLEY had said there were three PERS employers that were delinquent in reporting and no TRS, but two of the delinquent PERS employers were school districts which were predominantly TRS and asked if there was a reason behind that; MR. WORLEY said for school districts, that TRS was the bigger pool for employees, but noted one of their questions was

why they were not getting the PERS, but receiving the TRS reports, and checks were being issued.

C. Material Weakness on Forward-Looking Actuarial Assumptions

MR. WORLEY noted that this report was related to the 2021 audit report provided to the Audit Committee by KPMG regarding the forward-looking assumptions – GASB 67 and 74. He said that in a discussion with KPMG’s internal actuary who was going through reports for GASB reporting for net pension liability for the National Guard, they determined that the rate of return used was much higher than what the asset allocation for the National Guard provided, resulting in a revision to the financial reporting of that pension.

MR. WORLEY said that in his discussion with KPMG, he was informed that he should discuss the forward-looking assumptions to make sure they were still pertinent going forward. He said they had set in place with Buck for the next time they work on the GASB 67 and 74 reports, they have a discussion and note when they meet with KPMG’s internal actuary.

CHAIR WILLIAMS asked for confirmation that it wasn’t that the assumptions were off but that there was not a check in place to see if those assumptions needed adjusting; MR. WORLEY said that was correct.

D. Compliance Report and Update

MS. SANCHEZ introduced herself as the Investment Compliance Officer for the ARMB and that she would be providing the annual update of the investment compliance program for 2021. She explained their daily process. She said they download position reports at State Street which is the custodian for every security held in the ARM Board and then upload those reports to Bloomberg. Once in Bloomberg, they run a series of compliance tests which correspond to the adopted ARM Board resolutions in place. She said they also have a series of photometric stationary reports they download each morning into Excel to form a list for compliance checks. She noted that the process allows them to check every ARM Board rule twice to ensure that the rules work properly and that they are not missing any potential issues.

MS. SANCHEZ said they also complete a series of daily check to ensure all daily trades, repos, internal transfers are completed correctly. She noted that they perform a position reconciliation between the custodian and Bloomberg to capture all positions on a monthly basis. They then run true-up journal entries in Bloomberg to make both portfolios match when necessary. She said that if they find anomalies, they inform the internal portfolio staff so they could make necessary journals on their side. She noted that since implementation of the tests, the numbers of errors have decreased.

MS. SANCHEZ explained the yearly breakdown of the commission recapture. She said the program was designed to give managers a rebate on trade commissions, but due to the emphasis to keep commissions at execution-only levels, only one manager, PineBridge is actively participating. She noted that the slight increase in 2021 was likely a function of increased trade volume from 2020.

MS. SANCHEZ said that annually they collect the proxy votes for every ARM Board manager with a statement included that all votes are in the best interest of the ARM Board.

CHAIR WILLIAMS asked if she would give a description of what a Bloomberg violation was. MR. McKNIGHT explained that it was MacKay Shields which had been off books for a while, but there were still a few securities in it, and it shows up as an error every month. CHAIR WILLIAMS, noting the commission rebates dropping from 600,000 in 2008 to 16,400, said that there had been changes made to the organizations they were investing with and asked if it was accurate to say that would be the reason behind the difference in numbers, MR. McKNIGHT said they had concentrated on lowering the commission as a conscious decision.

E. Cost Allocation

MS. LEARY explained that in December there was a presentation from Maximus about cost allocation and the work they perform for each of their divisions and at that meeting former trustee, Rob Johnson wanted more information and put together the list of questions and forwarded it to her. She commented that there were many, many layers of complexity to cost allocation and that the responses to Mr. Johnson's questions could be found on pages 30 through 33 of the committee packet.

VIII. REVIEW COMMITTEE CHARTER

CHAIR WILLIAMS stated that it was time to review the committee charter and asked if there were any comments. There were none.

IX. FUTURE MEETINGS

- A. Calendar Review** – MS. JONES stated that it was customary to present the draft calendar of the upcoming year at the March meetings and that the 2023 draft calendar was included in the packet for the committee's review and comment.
- B. Agenda Items** - None
- C. Requests/Follow-Ups** - None

X OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE - None

XI. ADJOURNMENT

MR. HIPPLER moved to adjourn the meeting. MR. KROHN seconded the motion. The motion passed without objection.

The meeting was adjourned at 9:27 a.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.

Alaska Division of Retirement & Benefits and Alaska Treasury Division

Discussion with Those Charged
with Governance

Audit plan and strategy for the year ending June 30, 2022

June 15, 2022



Executive summary



Summary: Audit approach required communications and other matters

	Response
Role and identity of engagement partner	The lead audit engagement partner is Beth Stuart. She can be reached at emstuart@kpmg.com
Significant findings or issues discussed with management	No matters to report.
Scope of audit	<p>Our audit of the financial statements of the following, will be performed in accordance with auditing standards generally accepted in the United States of America.</p> <ul style="list-style-type: none"> — Alaska Retirement Management Board Invested Assets — Public Employees' Retirement System — Teachers' Retirement System — Judicial Retirement System — National Guard and Naval Militia Retirement System — Deferred Compensation Plan — Supplemental Benefits System — Schedule of Employer Allocations prescribed by GASB 68 for each defined benefit pension plan — Schedule of Employer Allocations prescribed by GASB 75 for each defined benefit other postemployment benefit (OPEB) plan <p>Performing an audit of financial statements includes consideration of internal control over financial reporting (ICFR) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ICFR</p>
Risk assessment	See slide 6
Involvement of others	<p>Refer to slide 7 for the extent of planned involvement of others, including:</p> <ul style="list-style-type: none"> — Alternative investment valuation specialist — Firm actuary — GASB specialist
New effective accounting standards	No new accounting pronouncements are applicable to the Systems or the Department of Revenue Invested Assets

Planning & risk assessment

Materiality in the context of an audit

We will apply materiality in the context of the preparation and fair presentation of the financial statements, considering the following factors:

Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.

Judgments about materiality involve both qualitative and quantitative considerations.

Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.

Judgments about the size of misstatements that will be considered material provide a basis for

- a) Determining the nature and extent of risk assessment procedures;
- b) Identifying and assessing the risks of material misstatement; and
- c) Determining the nature, timing, and extent of further audit procedures.

Planned deliverables and timeline

April – June 2022

- Identify key members of the engagement team
- Determine materiality
- Plan audit approach for upcoming year-end audit
- Obtain an understanding of the Divisions and their environment
- Consider information from client acceptance and retention evaluation, audit planning activities, past audits, and other engagements performed for the Divisions
- Perform analytical procedures
- Inquire of the Audit Committee, management, and others within the Divisions about risks of material misstatement
- Conduct a discussion among engagement team members regarding the risks of material misstatement
- Review board minutes
- Identify and understand service organizations
- Determine involvement of specialists
- Evaluate design and implementation of entity-level controls
- Perform process walkthroughs and identification of process risk points for certain processes
- Evaluate design and implementation of process level controls for certain processes
- Identify risks of misstatement for certain processes
- Assess risks of material misstatement and plan audit response for certain processes
- Communicate audit plan
- Identify IT applications and environments
- Perform interim substantive audit procedures

July – September 2022

- Begin performance of year end substantive audit procedures
- Begin census data employer site visits
- Coordinate specialist involvement for all financial statements
- Perform valuation testing over public and private investments
- Evaluate results of audit procedures performed to date, including control deficiencies and valuation lag analyses.
- Obtain written representations from management of the Treasury Division
- Issue audit opinion over the invested assets held by the Alaska Retirement Management Board

Planned deliverables and timeline (continued)

October – December 2022

- Perform remaining substantive audit procedures
- Review financial statement disclosures
- Evaluate results of audit procedures, including control deficiencies and audit misstatement identified
- Obtain written representations from the Division of Retirement & Benefits
- Present audit results to the Audit Committee and perform required communications
- Issue audit reports on System and Plan financial statements
- Perform substantive audit procedures over the Schedule of Allocation reports for GASB 68 and 75.
- Review disclosures to the Schedules of Allocations
- Involve our GASB specialist and actuarial specialist to review the Schedules of Allocations
- Issue audit reports on the Schedule of Allocations

January – March 2023

- Remain available on an as needed basis to the division and begin planning for the FY23 audits.

Risk assessment

Significant risks

Management override of controls

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Susceptibility to:

Error

Fraud

Yes

Other risks identified

Relevant factors affecting our risk assessment and planned response

Valuation of private market investments

Relevant factors affecting our risk assessment include:

- Complexity of private market investment valuations
- Size of the private market investment portfolio
- Timing of the valuation received

Valuation of the net pension and net other postemployment benefit liabilities

Relevant factors affecting our risk assessment include the size of the account and the complexity of the estimation process. The audit team will involve actuarial specialists in our planned audit approach.

Valuation of incurred but not reported (IBNR) claims related to the health plans and the present value of amounts not yet due (PVANYD) related to the long-term care plan.

Relevant factors affecting our risk assessment include the size of the account and the complexity of the estimation process. The audit team will involve actuarial specialists in our planned audit approach.

Involvement of others

Audit of financial statements	Extent of planned involvement
Private market investments valuation specialist	<ul style="list-style-type: none"> - Provide guidance on risks related to alternative investments, including current economic environment
Firm actuaries	<ul style="list-style-type: none"> - Provide guidance on risks related to pension and OPEB liabilities - Review reasonableness of underlying assumptions made by ARMB and management - Review third party valuation reports
GASB specialists	<ul style="list-style-type: none"> - Provide guidance on risks related to State retirement systems and pension and OPEB liabilities - Review allocation schedule reports

Cybersecurity considerations

Factors and forces elevating cybersecurity risks:

- Shifts to remote work, online customer engagement, digital finance – “remote everything”
- Acceleration of digital strategies/transformation
- Surge and sophistication of cyber attacks
- Risks, vulnerabilities posed by third-party vendors

Considerations for robust oversight:

- Focus on internal controls, access, and security protocols
- Increase diligence around third-party vendors
- Insist on a robust data governance framework
- Clarify responsibilities for data governance across the enterprise
- Reassess how the board—through its committee structure—assigns and coordinates oversight responsibility for cybersecurity and data governance frameworks, including data privacy, ethics, and hygiene

Audit considerations:

- Evaluate risks of material misstatement resulting from, among other things, unauthorized access to financial reporting systems (e.g., IT applications, databases, operating systems)
- Determine whether there is a related risk of fraud
- Develop audit approach based on risk assessment
- If a cybersecurity incident occurs, we understand and evaluate its effect on our audit approach, as well as evaluate management’s assessment of the effect on the financial statements and disclosures

New auditor reporting standards

SAS 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, aligns the content of the auditors' report under US GAAS with the equivalent ISAs. The revised auditors report will:

- Present the opinion section first, followed by the basis for opinion section.
- Include a statement that the auditor is required to be independent of the entity and to meet the auditor's other ethical responsibilities relating to the audit.
- Expand the statement of management's responsibility to include assessing the entity's ability to continue as a going concern.
- Expand the description of auditor responsibilities to include exercising and maintaining professional judgment throughout the audit, concluding on whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, and communicating with those charged with governance regarding, among other matters:
 - The planned scope and timing of the audit,
 - Significant audit findings, and
 - Certain internal control-related matters that are identified during the audit
- When engaged by the entity, key audit matters are communicated within the auditors' report.

SAS 137, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*, amends the definition of an annual report and clarifies the auditor's responsibilities for other information included in the annual report, including when auditors reporting is required. The revised auditors report will:

- Include a separate 'Other Information' section when the annual report is available before the date of our auditors' report.

Effective for years ending on or after December 15, 2021.

Shared responsibilities: Independence

Auditor independence is a shared responsibility and most effective when management, those charged with governance and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, those charged with governance, and KPMG each play an important role.

System of independence quality control

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

- New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules)
- New directors, officers, owners of 10% or more of the Company's equity securities or ownership interests, and persons in key positions with respect to the preparation or oversight of the financial statements

Certain relationships with KPMG

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons.
- The Company or its directors, officers, from having certain types of business relationships with KPMG or KPMG professionals.

Responsibilities

Management responsibilities



- Communicating matters of governance interest to those charged with governance.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

KPMG responsibilities – Objectives



- Communicating clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.

KPMG responsibilities – Other



- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
 - Withdraw from the audit engagement when possible under applicable law or regulation,
 - Communicate the circumstances to those charged with governance, and
 - Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.

Inquiries

The following inquiries are in accordance with AU-C 260

Are those charged with governance aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Do those charged with governance have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Systems?
 - If so, have the instances been appropriately addressed and how have they been addressed?

Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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Division of Retirement & Benefits

Timeline for June 30, 2022 Audits - Financial Statements Annual Comprehensive Financial Reports Other Audited Schedules

Item #	Day	June 30, 2022 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
Audits of PERS, TRS, JRS, NGNMRS, SBS, DCP, RHF, and GH&LF as of June 30, 2022						
					KPMG / DRB / DOR	DRB and Treasury meet with Auditors to discuss upcoming audit season.
	Friday	June 10, 2022			DRB	Internal staff meeting to discuss audit timelines.
	Wednesday	June 15, 2022			KPMG	Auditors discuss upcoming audit plan / scope / schedule with ARMB Audit Committee.
	Thursday	June 30, 2022			DRB	Notification to employers of upcoming census data audits and important dates.
	Thursday	June 30, 2022			DRB	Audit process memos to be reviewed / updated by DRB.
	Thursday	June 30, 2022			DRB / DOR	End of fiscal year.
	Friday	July 15, 2022			DRB	Provide all claims detail for fiscal year to Auditors.
	Friday	July 15, 2022			DRB	Provide all distribution, retiree warrant, premium details, and contribution (JRS, SBS and DCP) details through end of fiscal year.
	Friday	July 15, 2022			DRB	Cut-off procedures on revenue collections.
	Monday	July 25, 2022			DRB	Provide preliminary 4th quarter trial balances for all funds through June 30 to Auditors.
		Ongoing - Completed as confirmations and selections are sent to TPAs			DRB	Send out notification to all TPAs and contractors regarding upcoming external audit and notify them of data requests and deadlines.
	Monday	August 1, 2022			KPMG	Auditors to begin communications with employers regarding census data audit requirements.
	Friday	August 5, 2022			KPMG / DRB	Provide health claims testwork list to DRB.
	Monday	August 8, 2022			KPMG / DRB	Auditors begin interim fieldwork.
	Wednesday	August 10, 2022			DRB	Provide health claims testwork list to all third party administrators; all vendors will provide data via file upload.
	Friday	August 12, 2022			DRB	Request from Segal IBNR amounts for all health plans.
	Monday	August 15, 2022			KPMG	Auditors will begin remote audit of employer census details.

Division of Retirement & Benefits

Timeline for June 30, 2022 Audits - Financial Statements Annual Comprehensive Financial Reports Other Audited Schedules

Item #	Day	June 30, 2022 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
	Monday	August 15, 2022			KPMG	Auditors scheduled to make selections and will communicate with employer to setup remote audits.
	Monday	August 22, 2022			DRB	Provide PERS and TRS contribution detail to Auditors.
	Friday	August 26, 2022			Segal	Provide IBNR amounts for all health plans.
	Wednesday	August 31, 2022			KPMG / DRB	Auditors complete interim fieldwork.
	Wednesday	August 31, 2022			DRB / DOR	End of re-appropriation period.
	Thursday	September 1, 2022			DRB	Obtain first version of trial balances for all plans / funds for audit workpapers and prepare audit binders.
	Friday	September 2, 2022			KPMG	Employer census details due to Auditors.
	Friday	September 2, 2022			DRB	Provide Actuarial Valuation data files for all plans to Auditors for audit testwork.
	Tuesday	September 6, 2022			DRB	Complete audit workpapers and review for all plans / funds.
	Tuesday	September 6, 2022			KPMG	Auditors begin audit fieldwork.
	Friday	September 9, 2022			DRB / DOR	Obtain copies of DRAFT pension system invested assets financial statements from Treasury.
	Friday	September 9, 2022			Division of Finance	Provide last of cash wash and due to / due from transactions for all funds.
	Friday	September 9, 2022			DRB	Provide all journal entries to Division of Finance.
	Monday	September 12, 2022			DRB / Buck	Provide all financial statements to Buck for computation of GASB 67 / 74 plans Net Pension & Net OPEB liabilities for footnote disclosure.
	Wednesday	September 14, 2022			KPMG / DOR	Auditors meet with Audit Committee and ARMB to review audit of pension system invested assets (Treasury).
	Monday	September 19, 2022			DRB / DOR	Verify any changes to pension system invested assets financial statements provided earlier. Obtain copies of Treasury's FINAL pension system invested assets audited financial statements (earlier the better).
	Thursday	September 22, 2022			Buck	Provide GASB 67 / 74 plans Net Pension & OPEB liabilities for footnote disclosure to DRB / Auditors.
	Friday	September 23, 2022			DRB	Deliver complete DRAFT financial statements for all plans / funds to Auditors.

Division of Retirement & Benefits Timeline for June 30, 2022 Audits - Financial Statements Annual Comprehensive Financial Reports Other Audited Schedules

Item #	Day	June 30, 2022 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
	Monday	September 26, 2022			DRB	Accounting staff finishes complete DRAFT financial statements for all plans.
	Friday	September 30, 2022			DRB	Apply for the Public Pension Coordinating Council awards for Funding and Administration.
	Friday	September 30, 2022			KPMG	Auditors complete audit fieldwork.
	Friday	September 30, 2022			DRB	Provide DRAFT of audited financial statements to Division of Finance for State ACFR.
	Monday	October 3, 2022			KPMG	DRAFT of audited financial statements received from Auditors for review and final comment.
	Wednesday	October 5, 2022			KPMG / DRB	Provide all financial statements to Audit Committee for review.
	Monday	October 10, 2022			KPMG / DRB / Audit Committee	PROPOSED - Audit Committee teleconference to discuss and obtain approval of DRAFT financial statements.
	Wednesday	October 12, 2022			KPMG / DRB	Finalize Audit Committee comments, Auditors reviewer comments, DRB final review comments, and insert into audited financial statements.
	Friday	October 14, 2022			KPMG / DRB	FINAL audited financial statements provided by Auditors. Copies provided to DOF and Division of Legislative Audit (DLA). Need PDF & Word Version.
	Friday	October 14, 2022			KPMG / DRB	Provide FINAL versions to DOF, DOR, Buck, and Legislative Audit.
	Tuesday	November 1, 2022			DRB	Audited financial statements posted to Division's website.
	Monday	November 7, 2022			KPMG / DRB	All letters for management and ARMB are provided by Auditors. Copies provided to DOF and DLA.
	Wednesday	December 28, 2022			DRB	All financial statements for the plans / funds are prepared and submitted for copying and binding.

Division of Retirement & Benefits Timeline for June 30, 2022 Audits - Financial Statements Annual Comprehensive Financial Reports Other Audited Schedules

Item #	Day	June 30, 2022 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
PERS and TRS ACFRs as of June 30, 2022						
	Thursday	June 30, 2022			Buck / DRB	Obtain from consulting actuary FINAL actuarial valuation reports to prepare "Actuarial Section" information for PERS and TRS ACFRs.
	Wednesday	August 24, 2022			DRB / DOR	Treasury Division provides requested "Investment Section" information for PERS and TRS ACFRs.
	Monday	November 14, 2022			KPMG / DRB	PERS and TRS draft ACFRs are provided to Auditors and Commissioner's Office for review.
	Monday	November 21, 2022			KPMG / DRB	Final comments from Auditors on PERS and TRS ACFRs.
	Monday	December 5, 2022			KPMG / DRB	Auditors provide approval to finalize PERS and TRS ACFRs, provide updated audit opinion letter.
	Wednesday / Thursday	December 7 - 8, 2022			KPMG / DRB	"Report of Audit Results" presentation to the Audit Committee and ARMB.
	Thursday	December 8, 2022			DRB	PERS and TRS ACFRs as well as division financial statement bound book available for distribution to recipients by December 27.
	Monday	December 12, 2022			DRB	PERS and TRS ACFRs finalized and prepared for printing.
	Wednesday	December 28, 2022			DRB	PERS and TRS ACFRs are submitted to GFOA for inclusion in the Certificate of Achievement for Excellence in Financial Report program.
	Wednesday	December 28, 2022			DRB	Distribution of ACFRs and all bound division financial statements based on distribution list. All financial statements should be mailed by December 31.

**Division of Retirement & Benefits
Timeline for June 30, 2022 Audits -
Financial Statements
Annual Comprehensive Financial Reports
Other Audited Schedules**

Item #	Day	June 30, 2022 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
Audits of PERS and TRS GASB 68 / 75 schedules as of June 30, 2022						
A	Friday	October 14, 2022			DRB	GASB 68 / 75 PERS & TRS Pension / OPEB data to Buck
B	Friday	November 4, 2022			Buck	GASB 68 / 75 reports to DRB & Auditors
C	Friday	November 18, 2022			Buck / KPMG / DRB	Complete field work of GASB 68 / 75 PERS & TRS schedules
D	Friday	November 18, 2022			KPMG / DRB	Complete FINAL DRAFT GASB 68 / 75 reports to Audit Committee
E	Wednesday	November 30, 2022			DRB	Discuss FINAL DRAFT GASB 68 / 75 schedules with Audit Committee
F	Friday	December 9, 2022			Buck / KPMG / DRB	Complete any updates from Audit Committee discussion; complete review and sign off for final presentation.
G	Friday	December 30, 2022			KPMG / DRB	FINAL June 30, 2022 GASB 68 / 75 reports issued to participating employers via website

Division of Retirement & Benefits

Alaska Retirement Management Board

Audit Committee

June 15, 2022

Audit Unit Report

This report contains information on work performed through May 31, 2022, by the Division of Retirement and Benefit Audit Unit. The Audit Unit is under the supervision of CFO Kevin Worley. The daily activities of the Audit Unit are overseen by Accountant V, Traci Walther.

A. Audit Unit Overview

The Audit Unit audits all employers in PERS and TRS for compliance with state regulations and federal code. Per the DRB audited financial statements for Fiscal Year (FY) 2021, there were 151 PERS employers and 57 TRS employers with employer contributions totaling \$723.5 million.

Besides PERS and TRS audits, the Audit Unit also audits for SBS and DCP compliance (when applicable) and reviews the employers' social security and Medicare withholding for compliance with mandatory and voluntary rules.

B. Employer Audits Performed to Date

	<u>PERS Employers</u>	<u>TRS Employers</u>
CY 2022	05	02
CY 2021	12	05
CY 2020	17	08
CY 2019	10	04
CY 2018	39	14
CY 2017	25	13
CY 2016	17	07

C. Audit Chart SFY 2022

Twelve SFY 2022 audits have been completed to date. One audit travel trip was approved for SFY 2022. Helmick and Walther (training trip) audited three entities in Fairbanks in December 2021; all other audits will be performed via desk.

Akutan, City of	Iditarod Area School District	North Pacific Fisheries Management Council
Alaska Gateway SD*	Ilisagvik College*	North Pacific Rim Housing Authority
Alaska Housing Finance Corporation	Inter Island Ferry Authority	North Slope Borough*
Bering Straits School District	Juneau, City & Borough	North Slope Borough School District*
Bethel, City of	Ketchikan Borough	Palmer, City of
Chugach School District	Ketchikan Borough SD	Petersburg Borough
Copper River School District*	Ketchikan, City of	Petersburg City Schools
Craig City Schools	Klawock City School District	Petersburg Medical Center
Craig, City of	Klawock, City of	Southeast Island School District
Fairbanks North Star Borough	Kodiak Island Borough	Tagiugmiullu Nunamiullu Housing Authority
Fairbanks North Star Borough School District	Kuspuk School District	Thorne Bay, City of
Fairbanks, City of	Lower Kuskokwim School District	Toksook Bay, City of
Haines Borough	Lower Yukon School District	Utqiagvik (was Barrow), City of *
Haines Borough SD	Matanuska-Susitna Borough	

Highlighted = Completed * = In Process

D. Common Employer Audit Issues to Date (in order of prevalence)

1. Unallowable compensation
2. Temporary Employees enrolled incorrectly
3. Unallowable PERS Peace Officer classification participation

E. Other Duties Performed by Audit Unit (Helmick)

1. Institute Internal Auditors – Alaska Chapter Committee Work
2. National Conference of State Social Security Administrators – Committee Work

Division of Retirement & Benefits Alaska Retirement Management Board

Audit Committee June 15, 2022

Delinquent Employers

As identified below, the following employers were delinquent in filing their required payroll reports per Alaska Statute (AS) 39.35.610 and .770 [PERS] and AS 14.25.065 and .370 [TRS].

PERS employers delinquent reporting as of Wednesday, June 1, 2022:

1. City of Nenana – last reported Pay Period End (PPE) date March 5, 2022
2. Yukon Flats School District – last reported PPE date February 18, 2022
3. City of King Cove – last reported PPE date March 15, 2022

TRS employers are delinquent reporting as of Wednesday, June 1, 2022:

1. Yukon Flats School District – last reported PPE date January 31, 2022

The following PERS employers were delinquent in salary floor annual billings:

1. City of Allakaket
2. City of Elim
3. City of Nenana
4. City of Tanana
5. City of Upper Kalskag



MEMORANDUM

TO: ARMB Audit Committee
FROM: Ryan Kauzlarich, Assistant Comptroller *RLK*
DATE: May 25, 2022
RE: State Street Bank and NRS SOC1 Reporting

The custodial agreement between the ARMB and State Street includes a provision that State Street agrees to submit annually to an audit and to provide to the ARMB an annual report prepared by independent auditors expressing an unmodified opinion on the adequacy of State Street's custodial internal controls. AICPA AT-C Section 320 – *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting* is also referred to as the Service Organization Controls (SOC 1) Report. This standard was developed in response to the globalization of information technology, business process outsourcing and the need for common global standards and comparability.

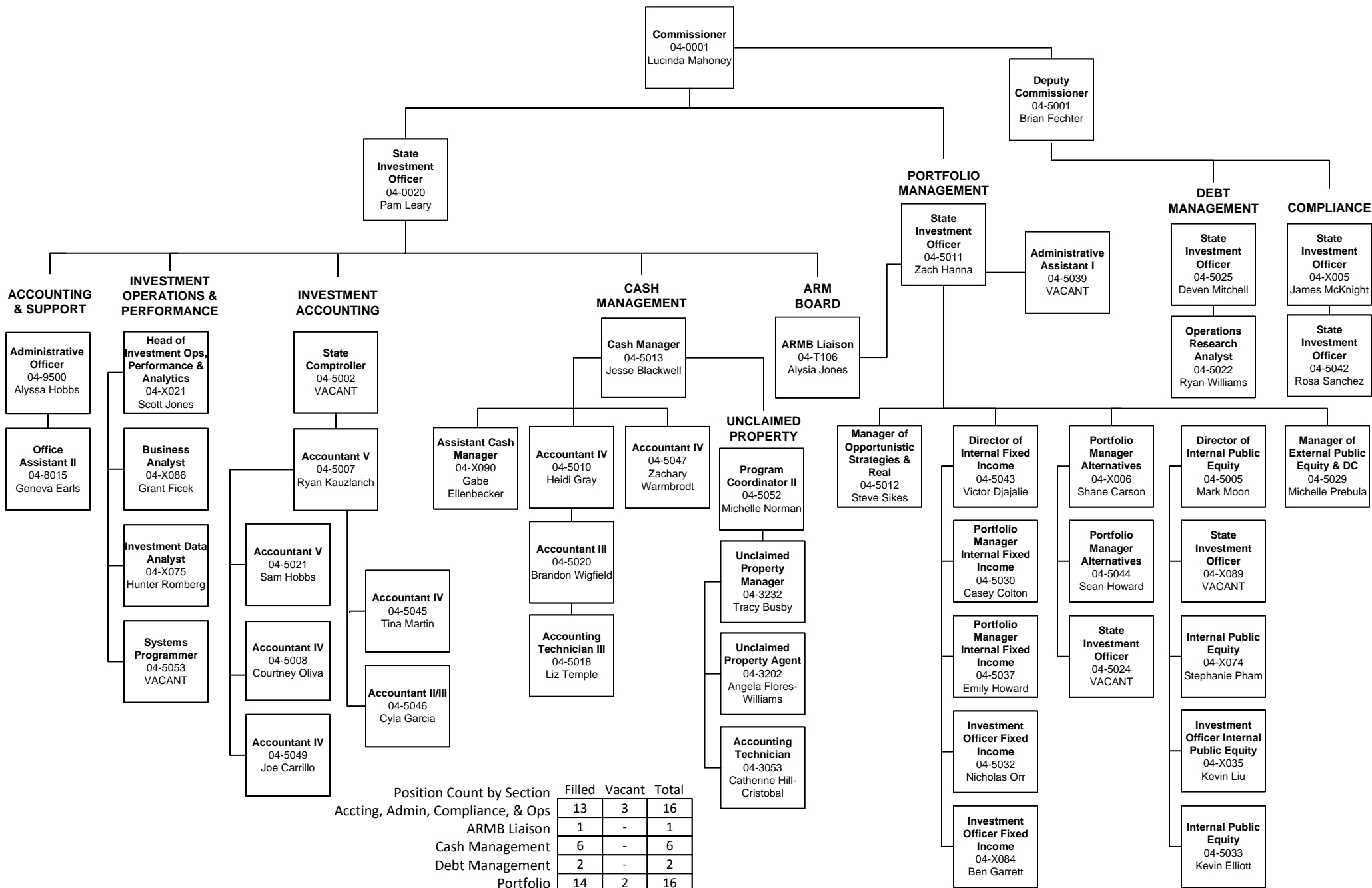
Auditors must perform their examinations in accordance with International Standard on Assurance Engagements 3402, Assurance Reports on Controls at a Service Organization, issued by the International Auditing and Assurance Standards Board. This standard requires that auditors comply with ethical requirements and plan and perform their examination to obtain reasonable assurance of the fairness of State Street's presentation of the description of the operational and IT control systems and the suitability of the design and operating effectiveness of those controls to achieve stated control objectives.

State Street has two SOC 1 reports; one report covers operational control objectives and a second report covers IT control objectives. Each is issued semiannually for the one year ended September 30th and March 31st. We continue to receive and review these as they are issued. The March 31, 2022, reports were reviewed with State Street staff on May 24, 2022. E&Y's unmodified opinions state that State Street's description presents fairly, in all material respects, State Street's control systems, that the controls related to the Control Objectives were suitably designed to provide reasonable assurance that the Control Objectives would be achieved if the controls operated effectively thought the period, and if subservice organizations and user entities applied the complementary controls assumed in the design of State Street's controls throughout the period. None of the exceptions noted by E&Y were material.

ARMB staff also continues to receive and review the annual SOC 1 report of NRS. The most recently received and reviewed report was for the year ended December 31, 2021. Berry Dunn issued an unmodified opinion in the report and noted no relevant deviations in its testing. Both State Street and NRS will confirm the consistency of internal controls through the ARMB fiscal year end of June 30 to staff and its auditors.

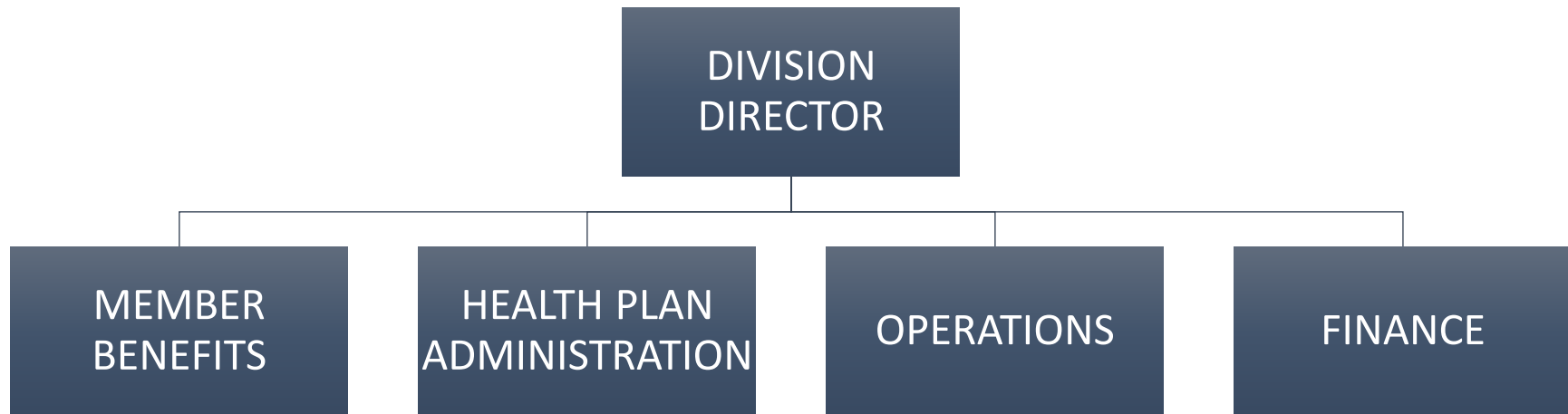
Please contact me if you wish to discuss or receive any part of these reports.

Department of Revenue Treasury Division



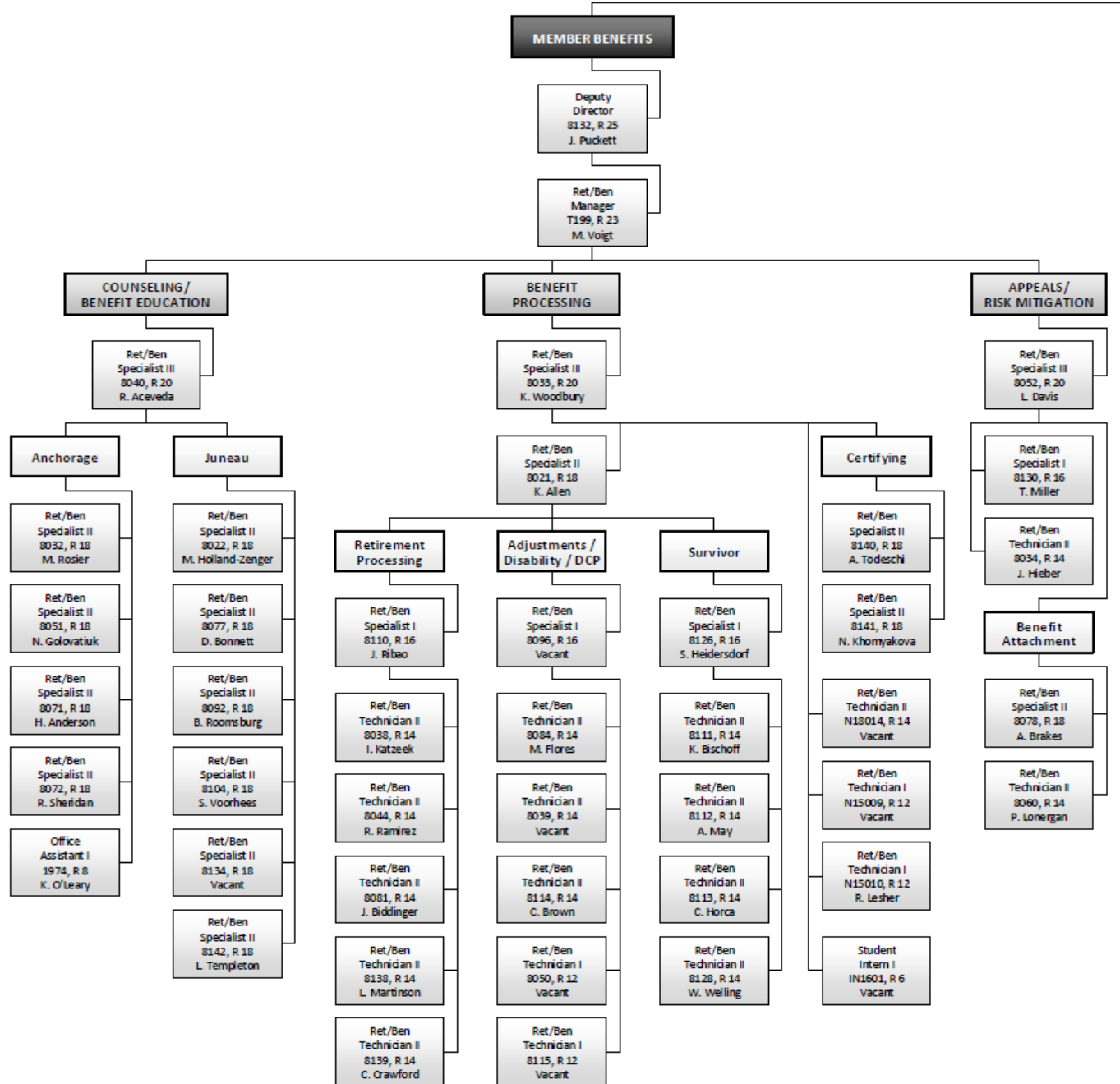
Position Count by Section	Filled	Vacant	Total
Acting, Admin, Compliance, & Ops	13	3	16
ARMB Liaison	1	-	1
Cash Management	6	-	6
Debt Management	2	-	2
Portfolio	14	2	16
Unclaimed Property	4	-	4
Totals	40	5	45

DEPARTMENT OF ADMINISTRATION/ DIVISION OF RETIREMENT AND BENEFITS

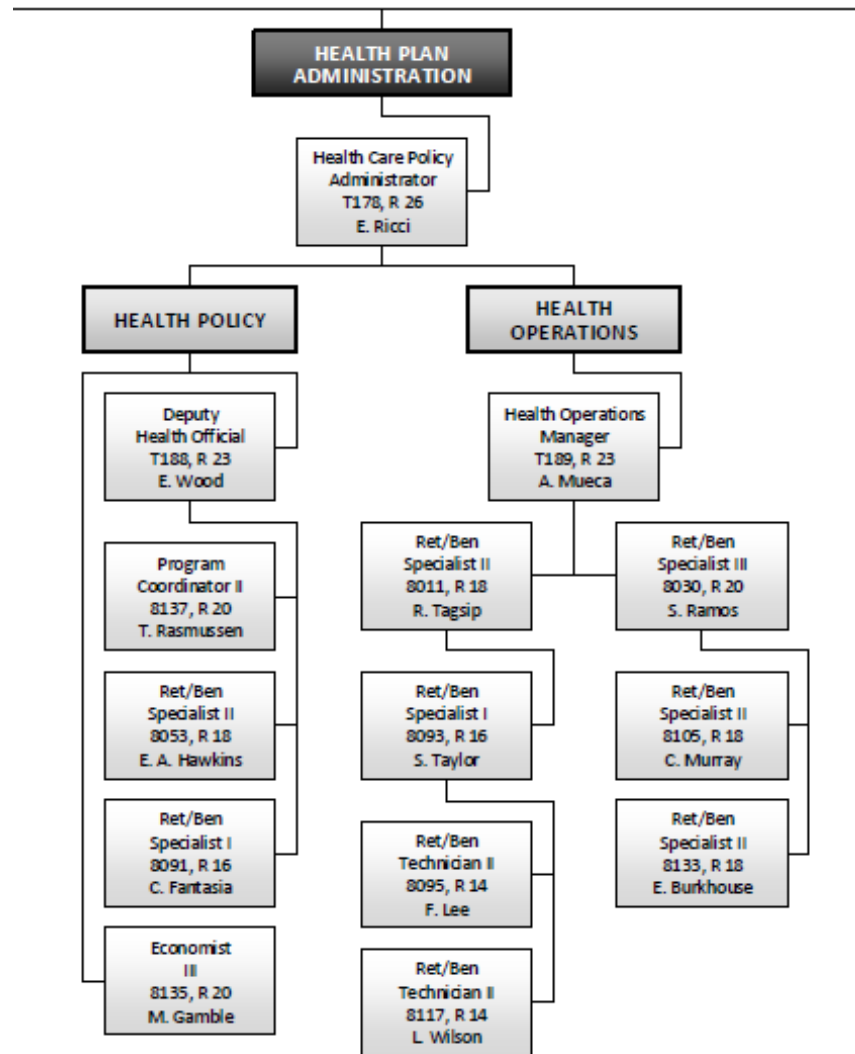


Organizational charts for each of the above listed sections are included on the following pages.

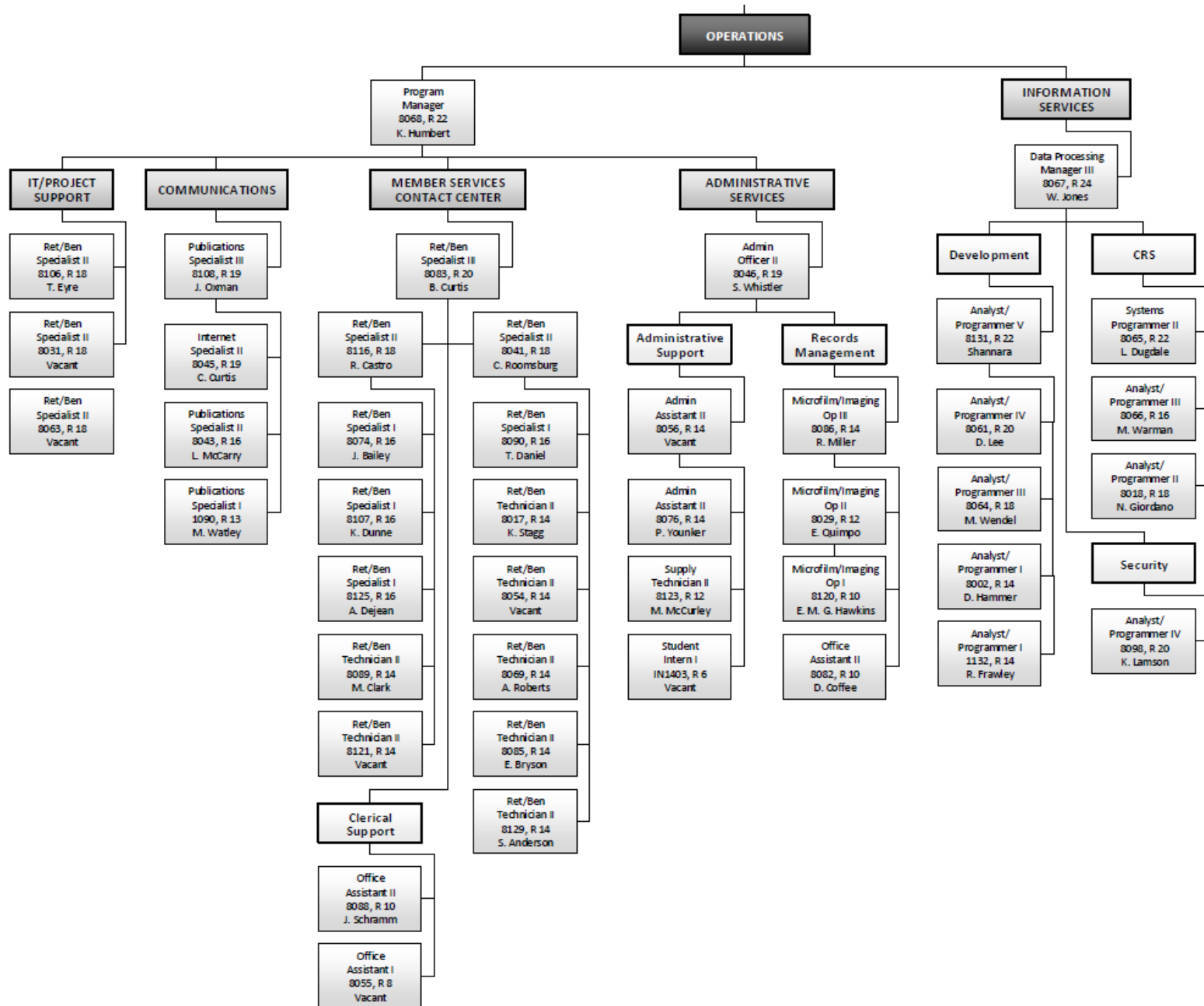
DEPARTMENT OF ADMINISTRATION/ DIVISION OF RETIREMENT AND BENEFITS



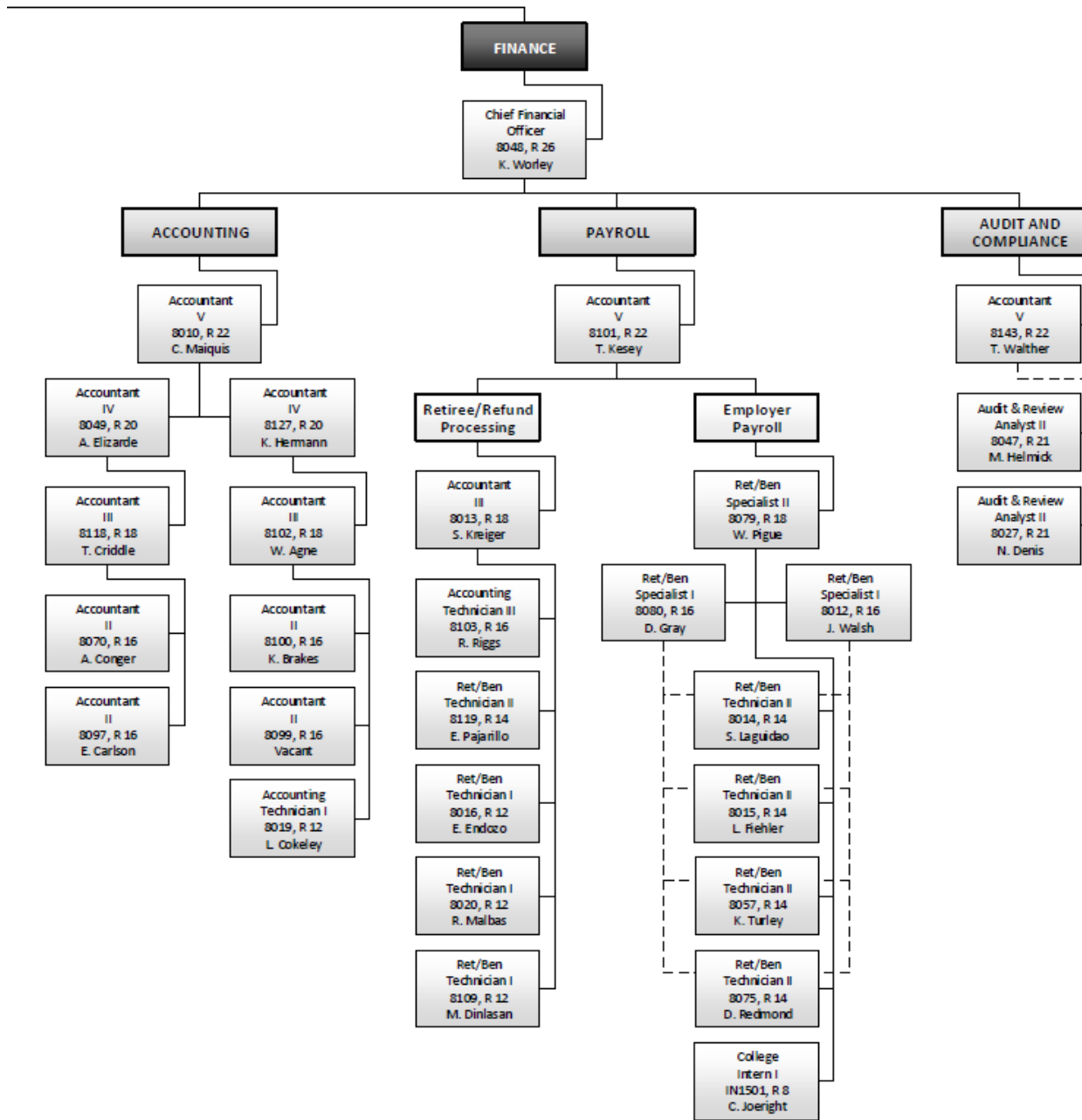
DEPARTMENT OF ADMINISTRATION/ DIVISION OF RETIREMENT AND BENEFITS



DEPARTMENT OF ADMINISTRATION/ DIVISION OF RETIREMENT AND BENEFITS



DEPARTMENT OF ADMINISTRATION/ DIVISION OF RETIREMENT AND BENEFITS



Alaska Retirement Management Board

COMMITTEE SELF-ASSESSMENT

Audit Committee

Self-assessment within the meaning of the committee's charter may be achieved by discussion, at least twice a year, of the following questions:

	YES	NO
1. Are discussions at the committee level meaningful and, if not, what can be done about it?		
2. Is the committee touching on key issues; what key issues are being missed?		
3. Is the committee giving appropriate time to key issues?		
4. Does the work of the Audit Committee appropriately meet the needs of the Board by reducing necessary Board meeting time spent on the matters that come before the Audit Committee?		

Charter of the Audit Committee of the Board of Trustees of the Alaska Retirement Management Board

I. Audit Committee Purpose.

The Audit Committee provides independent oversight of the integrity of the Alaska Retirement Management Board's financial statements and reporting, systems of internal controls, and compliance with legal and regulatory requirements. It also serves as a conduit of communication among the independent auditors, asset, liability and investment management, the chief financial officers, and the Board of Trustees.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors, as well as ARMB management and staff, legal counsel, and asset managers. The Committee may retain, at the expense of the ARMB and consistent with applicable procurement requirements, special legal, accounting, or other consultants or experts it considers necessary in the performance of its duties.

II. Audit Committee Responsibilities and Duties.

A. The Committee shall carry out the following review responsibilities:

1. Review and assess the adequacy of this Charter at least annually and submit recommended changes to it to the Board of Trustees for approval.

2. Review the annual audited financial statements prior to filing or distribution of the final report. This review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices, and judgments.

3. In consultation with management, the independent auditors, and the chief financial officers, consider the integrity of the financial reporting processes and controls; discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures; and review significant findings prepared by the independent auditors and the chief financial officers together with management's responses.

4. Discuss any significant changes to applicable accounting principles and any items required to be communicated by the independent auditors.

5. At least annually, review with the ARMB's counsel any legal matters that could have a significant impact on the Fund's financial statements, the ARMB's compliance with applicable laws and regulations, and any inquiries received from regulators or governmental agencies.

6. Review financial and accounting personnel succession planning within the ARMB.

7. Periodically perform self-assessment of the Committee's performance.

B. The Committee is recognized as a direct avenue for the reporting of any material or significant finding by the Treasury Division Compliance Office. The Chair of the Committee shall be the primary contact with the external auditors between meetings of the Committee if communications between the external auditors and the Committee are deemed necessary or desirable.

C. The Committee shall have the following responsibilities with respect to the ARMB's independent auditors:

1. Review the independence and performance of the auditors and periodically recommend to the Board of Trustees the appointment of the independent auditors or approve any discharge of auditors when circumstances warrant.

2. Review the independent auditors' audit plan - discuss scope, staffing, locations, reliance upon management, and general audit approach.

3. Discuss with management and the independent auditors the accounting principles and underlying estimates used in the preparation of the Fund's financial statements.

4. Review the external auditor's management letter to the ARMB and discuss the contents with the auditors and monitor the follow-up on significant observations, findings and recommendations.

5. Discuss with the independent auditors the clarity of the financial disclosure practices used or proposed by the ARMB.

6. Meet with the auditors, in the absence of management, to review findings, recommendations or other pertinent subjects.

D. In addition to the foregoing, the Committee shall:

1. Perform such other activities consistent with this Charter, and governing law as the Committee considers necessary or appropriate or as the Board of Trustees may otherwise request.

2. Maintain minutes of Committee meetings and periodically report to the Board of Trustees on significant results of the Committee's activities.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE CALENDAR

Remaining Schedule of 2022 Meetings

September 14, 2022 (Anchorage/ Videoconference)

1. Meet with Independent Auditors to receive and review draft audit of pension system invested assets. [Charter A 2-3, B 3-4-5](#)
2. Committee only meeting with auditors without management [Charter B 6](#)
3. Report on Delinquent/ Late Filing Employers

October TBD, 2022 (Videoconference)

1. DRB Financial Statements

November 30, 2022 (Anchorage/ Videoconference)

1. Meet with Independent Auditors to review final audit of pension systems [Charter A 2-3, B 3- 4-5](#))
2. Committee only meeting with Independent Auditors [Charter B 6](#)
3. Report on Delinquent/ Late Filing Employers
4. Committee Performance – Self Assessment [Charter A 7](#)

Periodic and As-Needed Meeting Topics

1. Annual review with DRB on Independent Auditor procurement and contract (including review of independence and performance of auditors). [Charter B 1](#)
2. Updates by DRB on actuary procurement and second review/audits.
3. Custodian report and procedures review – augmented by staff reports. Biannual or as needed.
4. Regular reports by DRB on Employer Audit Program. Review list of completed audits, audit schedule, rotation, and significant findings/results. Identifying any recurring findings.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE CALENDAR

Remaining Schedule of 2022 Meetings

5. Regular reports on compliance:
 - A. “Back Office” compliance review programs.
 - B. Investment staff programs and procedures on real estate and alternative investment valuation monitoring and checks.
 - C. Annual Presentation
6. Audit Committee training on special topics

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE CALENDAR

Proposed Schedule of 2023 Meetings

March 15, 2023 (Juneau/Videoconference)

1. Meet with DRB and Treasury staff.
2. Report from DRB on Employer Audit Program. Review list of completed audits, audit schedule, rotation, and significant findings/results. Identify any recurring findings.
3. Report on Delinquent/ Late Filing Employers
4. Report from Treasury Compliance Officer.

June 14, 2023 (Anchorage/Videoconference)

1. Review Auditor's audit plan of assets (Treasury) and pension systems and liabilities (Division of Retirement and Benefits). [Charter B 2](#)
2. Review with Staff (DOR and DRB) and Independent Auditors scope of audit, sensitive and risk areas, and compliance. [Charter B 2](#)
3. Report on Delinquent/ Late Filing Employers
4. Audit Committee opportunity to ask auditors to focus on areas of interest/review
5. Review Legal Issues and Regulations with Legal Counsel. [Charter A 5](#)
6. Review Organizational Charts, and Financial and accounting personnel succession. [Charter A 6](#)
7. Review Audit Committee Charter. [Charter A 1](#)
8. Committee Performance Self-Assessment. [Charter A 7](#)

September 13, 2023 (Anchorage/ Videoconference)

1. Meet with Independent Auditors to receive and review draft audit of pension system invested assets. [Charter A 2-3, B 3-4-5](#)
2. Committee only meeting with auditors without management [Charter B 6](#)
3. Report on Delinquent/ Late Filing Employers

October 9, 2023 (Videoconference)

1. DRB Financial Statements

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE CALENDAR

Proposed Schedule of 2023 Meetings

December 6, 2023 (Anchorage/ Videoconference)

1. Meet with Independent Auditors to review final audit of pension systems [Charter A 2-3, B 3- 4-5](#))
2. Committee only meeting with Independent Auditors [Charter B 6](#)
3. Report on Delinquent/ Late Filing Employers
4. Committee Performance Self-Assessment. [Charter A 7](#)

Periodic and As-Needed Meeting Topics

1. Annual review with DRB on Independent Auditor procurement and contract (including review of independence and performance of auditors). [Charter B 1](#)
2. Updates by DRB on actuary procurement and second review/audits.
3. Custodian report and procedures review – augmented by staff reports. Biannual or as needed.
4. Regular reports by DRB on Employer Audit Program. Review list of completed audits, audit schedule, rotation, and significant findings/results. Identifying any recurring findings.
5. Regular reports on compliance:
 - A. “Back Office” compliance review programs.
 - B. Investment staff programs and procedures on real estate and alternative investment valuation monitoring and checks.
 - C. Annual Presentation
6. Audit Committee training on special topics