

ALASKA RETIREMENT MANAGEMENT BOARD

AUDIT COMMITTEE

September 14, 2022

**STATE OF ALASKA
ALASKA RETIREMENT MANAGEMENT BOARD**

AUDIT COMMITTEE MEETING

September 14, 2022 – 9:00 a.m.

Atwood Conference Center, Rooms 102/104
550 W. 7th Ave., Anchorage, AK

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

Code: 111 618 439#

- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. A. Approval of Agenda
B. Approval of Minutes – June 15, 2022**
- V. Public / Member Participation, Communications and Appearances**
*(Three Minute Limit. Callers may need to press *6 to unmute.)*
- VI. Reports**
 - A. FY22 ARMB Audited Financial Statements**
*Melissa Beedle, KPMG
Elizabeth Stuart, KPMG*
 - B. DRB Audit Update**
Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits
 - C. Internal Audit 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
- VII. Future Meetings**
 - A. Calendar Review**
 - B. Agenda Items**
 - C. Requests / Follow-Ups**
- VIII. Other Matters to Properly Come Before the Committee**
- IX. Public / Members Comments**
- X. Adjournment**

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE MEETING

Videoconference

MINUTES OF
June 15, 2022

Wednesday, June 15, 2022

CALL TO ORDER

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

ROLL CALL

Five trustees were present at roll call to form a quorum.

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

Committee Absent: None

Other Trustees Present: Dennis Moen
Sandra Ryan

IAC Members Present: Dr. William Jennings
Ruth Ryerson

Department of Revenue Staff Present:

Zachary Hanna, Chief Investment Officer
Pamela Leary, Director, Treasury Division
Ryan Kauzlarich, Accountant V
Sam Hobbs, Accountant V
Scott Jones, Head of Investment Operations, Performance & Analytics
Hunter Romberg, Investment Data Analyst
Grant Ficek, Business Analyst
Alysia Jones, Board Liaison

Department of Administration Staff Present:

Ajay Desai, Director, Division of Retirement and Benefits

Kevin Worley, Chief Financial Officer, Division of Retirement and Benefits
Jim Puckett, Chief Pension Officer, Division of Retirement and Benefits
Roberto Aceveda, Counseling and Education Manager
Traci Walther, Accountant V, Division of Retirement and Benefits
Hans Zigmund, Deputy Commissioner, Department of Administration
Amanda Pillifant, Executive Secretary, Commissioner's Office, Department of Administration

ARMB Legal Counsel Present:

Benjamin Hofmeister, Assistant Attorney General, Department of Law

Others Present:

Melissa Beedle, KPMG
Elizabeth Stuart, KPMG

PUBLIC MEETING NOTICE

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

APPROVAL OF AGENDA

The agenda was approved without a vote or objection.

APPROVAL OF MINUTES: March 16, 2022

MR. WILLIAMS moved to approve the minutes of the March 16, 2022, meeting. MR. KROHN seconded the motion.

With no objection, the motion was approved.

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

REPORTS

A. Review Independent Auditor's Audit Plan

MS. STUART and MS. BEEDLE of KPMG presented the planning of this year's audit process, focusing on the preliminary (current) phase.

B. Discussion of Audit Timeline

MR. KAUZLARICH explained that Treasury was going to keep its books open until August 31st to account for as many June 30 alternative asset statements as possible.

MR. WORLEY reported that the deadline for the Division of Retirement & Benefit was October 15th to provide audited financial statements to the Division of Finance, who is responsible for the state ACFR.

C. Audit Section Report

MR. WORLEY announced that MELANIE HELMICK had resigned in May, and they were recruiting to fill the position. He then reported on the audits performed to date.

D. Report on Delinquent/Late Filing Employers

MR. WORLEY reported that there were three delinquent employers for PERS: City of Nenana, Yukon Flats School District, and the City of King Cove. He noted that TRS had one delinquent employer, which was Yukon Flats School District.

E. Committee Requests: Areas of Interest/Review – None

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

MR. HOFMEISTER stated that he had nothing specific to report.

MR. HOFMEISTER noted that the In Re Tribune case had died and he would no longer be reporting on it to external auditors.

G. DOR – Treasury Division

1. SOC1 – Reporting on Controls at a Service Organization

MR. KAUZLARICH reported on State Street which issues two SOC1 reports every six months and NRS, their third-party plan reporting vendor which issued their initial SOC1 for December 2021. Auditors issued unmodified opinions on all reports.

2. Accounting/Financial Personnel Structure

MS. LEARY reported on the four vacancies, two in Portfolio and two in Accounting and Support. She said they are reclassifying the administrative positions due to the size of the caseload. She also explained the reorganization in the asset accounting group.

H. DOA – Division of Retirement & Benefits Personnel Structure

MR. DESAI discussed the organizational structure of the division and noted that no major changes had been made since 2018. He said the division was considering some adjustments to the structure to better assist members.

COMMITTEE PERFORMANCE – SELF ASSESSMENT – None

REVIEW OF COMMITTEE CHARTER – None

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

CHAIR WILLIAMS asked if there were any changes to the proposed calendar; there were none.

B. Agenda Items – None

C. Requests/Follow-ups – None

OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE – None.

PUBLIC/MEMBER COMMENTS – None.

ADJOURNMENT

There being no objection and no further business to come before the board, The meeting was adjourned at 9:52 a.m. on June 15, 2022, on a motion made by MR. HIPPLER, and accepted by CHAIR WILLIAMS.

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 Retirement Management Board

Discussion with Those Charged with Governance

Audit update for the year ending June 30, 2022

September 14, 2022



Audit update: Overview

General overview

Testing in progress for:

- ARMB Invested Assets
- PERS
- TRS
- JRS
- NGNMRS
- DCP
- SBS
- Employer census data

Deficiencies

Expect to continue to have material weakness surrounding census data at the National Guard System

No other deficiencies have been identified as of September 6

Auditors' reports

Required National Office review for FY22 upon implementation of new audit report standards

Uncorrected Misstatements

Expect to have one related to the ARMB Invested Assets lag reporting, amount is not yet known.

No other uncorrected misstatements have been identified as of September 6

Corrected Misstatements

None as of September 6

Other

At this time, no modifications to our audit plan presented in June are expected

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 Company?
 - If so, have the instances been appropriately addressed and how have they been addressed?

Transparency report and Impact plan

2021 Transparency report

- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's structure, governance and approach to audit quality
- Discusses how the firm aligns with the requirements and intent of applicable professional standards

2022 Impact plan

- U.S. Impact Plan spotlights
 - Audit quality
 - Accelerate 2025
 - Reducing our carbon footprint
 - Community impact



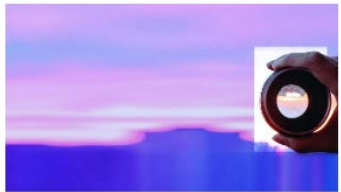
Reports and supplements available at:
audit.kpmg.us/auditquality/transparency

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Recent insights



INSIGHT

Midyear observations on the board agenda


As boards and their committees continue to calibrate their agendas in response to ongoing disruption and uncertainty, we offer midyear observations to On the 2022 board agenda.



INSIGHT

Clarifying committee oversight

Boards may need to reassess whether their delegation of risk oversight responsibilities is clear, properly aligned, and coordinated.



INSIGHT

On growth, macro trends, and the future

Author and luminary Dr. Vaclav Smil shares his views on the dialogue around macro risks and realities shaping the future.

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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ALASKA RETIREMENT MANAGEMENT BOARD

Invested Assets

June 30, 2022

(With Independent Auditors' Report Thereon)

ALASKA RETIREMENT MANAGEMENT BOARD

Invested Assets

June 30, 2022

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DRAFT

Independent Auditors' Report

Alaska Retirement Management Board and
State of Alaska Department of Revenue
Treasury Division:

We have audited the accompanying schedules of the State of Alaska Retirement and Benefit Plans Invested Assets (the Plans) as of June 30, 2022, and of investment income and changes in invested assets of the Plans for the year then ended, and the related notes to the schedules (collectively referred to as "the Schedules").

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedules referred to above present fairly, in all material respects, the invested assets of the Plans as of June 30, 2022, and the results of their investment income and changes in invested assets for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to note 1 to the Schedules, which describes that the accompanying Schedules were prepared to present the invested assets of the Plans and changes therein. The presentation of the Schedules is not intended to be a complete presentation of the financial status of the Plans.

[(signed) KPMG LLP]

ALASKA RETIREMENT MANAGEMENT BOARD
SCHEDULE OF INVESTED ASSETS
June 30, 2022

	Pooled Investments	Participant Directed Investments	Total ARMB Assets
Investments (at Fair Value)			
Cash and Cash Equivalents	\$ 356,409,262	-	356,409,262
Fixed Income Securities	6,549,549,997	-	6,549,549,997
Broad Domestic Equity	7,438,634,459	-	7,438,634,459
Global Equity Ex-U.S.	4,941,425,567	-	4,941,425,567
Opportunistic	1,790,037,397	-	1,790,037,397
Private Equity	5,054,769,160	-	5,054,769,160
Real Assets	4,523,859,529	-	4,523,859,529
Participant Directed	-	7,121,500,928	7,121,500,928
Synthetic Investment Contracts (at contract value)	-	883,122,512	883,122,512
Securities Lending Collateral Invested	58,022,544	-	58,022,544
Securities Lending Collateral Payable	(58,022,544)	-	(58,022,544)
Total Invested Assets	\$ 30,654,685,371	8,004,623,440	38,659,308,811

ALASKA RETIREMENT MANAGEMENT BOARD
SCHEDULE OF INVESTMENT INCOME AND CHANGES IN INVESTED ASSETS
June 30, 2022

	Pooled Investments	Participant Directed Investments	Total ARMB Assets
Investment Income			
Cash and Cash Equivalents	\$ 320,118	-	320,118
Fixed Income Securities	(577,892,264)	-	(577,892,264)
Broad Domestic Equity	(929,148,074)	-	(929,148,074)
Global Equity Ex-U.S.	(1,330,801,763)	-	(1,330,801,763)
Opportunistic	(214,033,532)	-	(214,033,532)
Private Equity	485,896,213	-	485,896,213
Real Assets	576,788,764	-	576,788,764
Participant Directed	-	(1,042,772,035)	(1,042,772,035)
Synthetic Investment Contracts (at contract value)	-	14,578,071	14,578,071
Securities Lending Income	944,322	-	944,322
Less: Securities Lending Expense	(188,915)	-	(188,915)
Net Securities Lending Income	755,407	-	755,407
Total Investment Income	\$ (1,988,115,131)	(1,028,193,964)	(3,016,309,095)
Total Invested Assets, Beginning of Year	33,733,885,647	9,058,387,049	42,792,272,696
Total Contributions	1,093,806,840	507,112,704	1,600,919,544
Total (Withdrawals)	(2,184,891,985)	(532,682,349)	(2,717,574,334)
Total Invested Assets, End of Year	\$ 30,654,685,371	8,004,623,440	38,659,308,811

See accompanying notes to Schedules

Alaska Retirement Management Board

Invested Assets

Notes to Schedules

June 30, 2022

(1) THE ACCOUNTING ENTITY

The Alaska Retirement Management Board (Board) is the investment oversight authority for the State of Alaska's Retirement and Benefits Plans (Plans). These Plans are made up of six systems: the Public Employees' Retirement System (PERS), Teachers Retirement System (TRS), Judicial Retirement System (JRS), National Guard and Naval Militia Retirement Systems (MRS), Supplemental Benefits System (SBS), and Deferred Compensation Plan (DCP). The systems comprise a mix of individual Defined Benefit and Defined Contribution Retirement Plans. These schedules of invested assets and of investment income and changes in invested assets (the Schedules) are those of the six systems' invested assets and not the systems as a whole. Fiduciary responsibility for the Board's Invested Assets is pursuant to Alaska Statutes 37.10.210-390.

Alaska Statute 37.10.071 provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Schedules are prepared using the accrual basis of accounting for investment income. Assets are reported at fair value. Contributions represent contributions from employers and employees. Withdrawals represent benefits paid to plan participants and administrative and investment management expenses. Contributions, benefits paid, and all expenses are recorded on a cash basis.

Investments

Securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers. Fair values of investments that have no readily determinable fair value are generally reported by using the net asset value per share (or its equivalent) of the investment. Pooled participant directed accounts and the collective investment funds are valued based on a unit value determined by the managers or trustees multiplied by the total units held by each Plan. The unit value is determined by the respective managers or trustees based on the fair value of the underlying assets.

The Plan's investments in fully benefit-responsive Synthetic Investment Contracts (SICs) are stated at contract value.

Investment purchases and sales are recorded on a trade-date basis. Investment income includes realized and unrealized gains and losses and interest income on investments and income from securities lending.

(3) FAIR VALUE MEASUREMENTS

Various inputs are used in valuing the investments held by the Board. U.S. generally accepted accounting principles (GAAP) establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These inputs are summarized as follows:

Level 1 – Quoted prices for identical assets in an active market.

Level 2 – Inputs, other than quoted prices, that are observable for an asset, either directly or indirectly.

Level 3 – Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

Alaska Retirement Management Board

Invested Assets

Notes to Schedules

June 30, 2022

(3) FAIR VALUE MEASUREMENTS (Cont.)

The Board categorizes fair value measurements within the fair value hierarchy established by GAAP. The Board has the following fair value measurements at June 30, 2022 (in thousands):

Investment by fair value level	Total	Level 1	Level 2	Level 3
Cash Equivalents				
Deposits	\$ 44,394	44,394		
Money Market	442,572		442,572	
Repurchase Agreement	62,991		62,991	
Total Cash Equivalents	549,957	44,394	505,563	
Debt Securities				
Commingled Debt Funds	2,000,898	1,649,171	351,727	
Corporate Bonds	1,247,042		1,247,042	
Foreign Government Agency	17,607		17,607	
Mortgage Backed	1,570,845		1,570,845	
Other Asset Backed	519,481		519,481	
U.S. Government Agency	204,628		204,628	
U.S. Treasury Bills, Notes, and Bonds	825,065		825,065	
Yankee Corporate Bonds	367,520		367,520	
Yankee Government Bonds	86,637		86,637	
Total Debt Securities	6,839,723	1,649,171	5,190,552	
Equity				
Commingled Equity Funds	4,190,084	4,190,084		
Common and Preferred Equity	10,300,110	10,298,280	5	1,824
Depository Receipts	189,591	189,591		
Futures	1,183	1,183		
Real Estate Inv Trust	879,472	879,472		
Rights	5	5		
Warrants	9	9		
Total Equity	15,560,453	15,558,624	5	1,824
Other				
Balanced Funds	1,970,418		1,970,418	
Target Date Funds	2,524,604		2,524,604	
Securities Lending Collateral Invested	58,023		58,023	
Total Other	\$ 4,553,045		4,553,045	
Total investments by fair value level	27,503,178	17,252,189	10,249,165	1,824
Investment measured at NAV				
Alternative Beta	348,757			
Alternative Fixed Income	835,523			
Energy	63,709			
Farmland	964,479			
Infrastructure	798,285			
Private Equity	5,084,977			
Real Estate	1,771,880			
Timber	\$ 377,302			
Total Investment measured at NAV	10,244,912			
Total Investments measured at fair value	37,748,090			
Synthetic Investment Contracts at Cost				
Synthetic Investment Contracts at Cost	\$ 883,123			
Net Receivables / (Payables)	28,096			
Total Invested Assets	38,659,309			

Alaska Retirement Management Board

Invested Assets

Notes to Schedules

June 30, 2022

(3) FAIR VALUE MEASUREMENTS (Cont.)

Securities classified as level 1 are valued using prices quoted in active markets for those securities. Securities classified as level 2 are valued using matrix pricing using various sources. Each balanced and target date options classified as level 2 are priced daily by the investment managers based on the prevailing market values of the underlying security portfolios. Securities classified as level 3 are valued using the last traded price or a price determined by the investment manager's valuation committee.

Investments in alternative beta, alternative fixed income, energy, farmland, infrastructure, private equity, real estate, and timber are measured at net asset value (NAV) per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. These investments undergo annual independent financial statement audits. Additional information about these investments is listed in the following table (in thousands).

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently available)</u>	<u>Redemption Notice Period</u>
Alternative Beta	348,756,730	-	N/A	N/A
Alternative Fixed Income	835,522,909	87,473,959	Quarterly	2-90 days
Energy	63,709,003	31,213,720	No redemptions	No redemptions
Farmland	964,479,365	106,111,010	N/A	N/A
Infrastructure	798,284,765	-	Quarterly	30-90 days
Private Equity	5,084,977,473	1,227,065,761	No redemptions	No redemptions
Real Estate	1,771,880,221	149,206,098	Varied	Varied
Timber	377,301,787	-	N/A	N/A
Total investments measured at the NAV	<u>10,244,912,253</u>			

Alternative Beta & Alternative Fixed Income: Investment strategies include pooled investment vehicles and securities in a variety of markets.

Energy: This type includes investments in three energy funds which invest in the debt and equity of energy-related companies. These investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be funded for 10 years after the commitment date of the most recent commitment.

Farmland: This type includes investments of a wholly owned agriculture fund. This fund is for the purpose of owning and managing real estate property devoted to agricultural use. Investment properties include row crops, permanent crops, and vegetable crops. This investment is a fund of one, and therefore can be liquidated at any time.

Infrastructure: This type includes investments in two open-ended infrastructure funds. Investments include electricity generation, transmission, toll roads, pipelines, bridges, and other infrastructure-related assets. Funds can be redeemed on a quarterly basis with proper notice.

Alaska Retirement Management Board

Invested Assets

Notes to Schedules

June 30, 2022

(3) FAIR VALUE MEASUREMENTS (CONT.)

Private Equity: This type includes investments in 41 private equity funds including two gatekeeper managers who invest on behalf of the Alaska Retirement Management Board. These funds are diversified in various sectors including but not limited to venture capital, acquisitions, debt, and special situations. These investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be funded for 10 years after the commitment date of the most recent commitment.

Real Estate: This type includes investments in 19 real estate funds that invest primarily in U.S. commercial real estate including value-added, opportunistic and core investments. Four of these funds are open-ended. Two of these open-ended funds are funds of one, and therefore can be liquidated at any time. For the remaining 15 funds, investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These 15 remaining investments are expected to be funded for 10 years after the commitment date of the most recent commitment.

Timber: Investments in two wholly owned funds that invest in timberland property and related opportunities.

Synthetic Investment Contracts: The Board's investment manager entered into investment contracts, on behalf of the Board, with five financial institutions. These institutions provide wrap contracts that cover separately managed SIC portfolios. The accounts are credited with earnings and investment deposits, less administrative expenses charged by the financial institutions and investment withdrawals. The contracts are included in the Board's statements at contract value. They are fully benefit-responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The crediting interest rate is based on the approximate rate of interest that will amortize differences between contract and market value over the portfolio's average duration. Accounts and terms of SICs in effect at June 30, 2022, are as follows:

	As of June 30, 2022	
	Contract Provider	Alaska Retirement Management Board
Contract Value of Investment Contract	Prudential Insurance Company of America	171,271,687
Market Value of Portfolio	Prudential Insurance Company of America	159,474,330
Average Crediting Rate	Prudential Insurance Company of America	1.87%
Contract Value of Investment Contract	New York Life Insurance Co.	170,919,928
Market Value of Portfolio	New York Life Insurance Co.	158,981,681
Average Crediting Rate	New York Life Insurance Co.	1.84%
Contract Value of Investment Contract	Pacific Life Insurance Co.	171,472,664
Market Value of Portfolio	Pacific Life Insurance Co.	159,828,103
Average Crediting Rate	Pacific Life Insurance Co.	1.91%
Contract Value of Investment Contract	State Street Bank & Trust Co.	171,408,856
Market Value of Portfolio	State Street Bank & Trust Co.	159,077,713
Average Crediting Rate	State Street Bank & Trust Co.	1.82%
Contract Value of Investment Contract	Massachusetts Mutual Life Insurance Co.	170,997,578
Market Value of Portfolio	Massachusetts Mutual Life Insurance Co.	158,931,308
Average Crediting Rate	Massachusetts Mutual Life Insurance Co.	1.85%

Alaska Retirement Management Board

Invested Assets

Notes to Schedules

June 30, 2022

(4) DEPOSIT AND INVESTMENT RISK

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The ARMB invests its cash in the State of Alaska, Treasury Division's (Treasury) Short-Term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. At June 30, 2022, all securities within the Short-term Fixed Income Pool met these compliance metrics.

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration is the average fair value weighted duration of each security considering all related cash flows. At June 30, 2022, the effective duration of the Board's fixed income investments by type, was as follows:

	Effective Duration (in years)
Corporate Bonds	7.65
Foreign Government Agency	5.06
Mortgage Backed	5.23
Other Asset Backed	0.88
U.S. Government Agency	3.38
U.S. Treasury Bills, Notes, and Bond:	12.66
Yankee Corporate Bonds	4.34
Yankee Government Bonds	6.04
Total Portfolio	6.34

Synthetic Investment Contracts

The Board contracts with an external investment manager who is given the authority to invest in SICs and a reserve. This external manager also manages the securities underlying the SICs. In the case of the Board's constant duration SICs, duration is the fair value weighted average term to maturity of all fixed income securities underlying the contracts and their related cash flows. Duration of the Plan's structured payout SICs is the weighted average maturity of the contract payments. Through the Board's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on SICs as follows:

Constant duration SICs duration cannot exceed the longer of six years or the duration of the Bloomberg Barclays Aggregate Bond Index plus one-half year. The weighted average duration of the constant duration SICs was 4.62 years at June 30, 2022. The duration of the Bloomberg Barclays Aggregate Bond Index was 6.44 years at June 30, 2022. The account's weighted average effective duration will generally not exceed the effective duration of the Bloomberg Barclays U.S. Intermediate Aggregate Bond Index plus 10%. The weighted average duration of the account was 4.62 years at June 30, 2022. The duration of the Bloomberg Barclays U.S. Intermediate Aggregate Bond Index was 4.62 years at June 30, 2022. The balance of the reserve is invested in the custodian's Institutional Treasury Money Market Fund and the external manager's Cash Reserves Trust Fund.

The account held buy-and-hold SICs and did not hold structured payout SICs investments at June 30, 2022.

Alaska Retirement Management Board
Invested Assets
Notes to Schedules
June 30, 2022

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2022, the Board’s Invested Assets consisted of fixed income securities with credit quality ratings issued by nationally recognized statistical rating organizations. Securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated. Using Standard & Poor’s Corporation rating scale, the values for each rating are as follows (in thousands):

Rating	US Dollar	Foreign
A	\$ 782,972	
A-1	437	
AA	160,325	
AAA	453,019	
B	8,381	
BB	20,362	
BBB	666,692	5,214
Not Rated	3,352,816	12,393
U.S. Government Agency	204,628	
U.S. Treasury Bills, Notes, and Bonds	825,065	
Grand Total	6,474,697	17,607

Synthetic Investment Contracts

The Board’s investment policy has the following credit risk limitations for SICs, investments underlying the synthetic investment contracts and the reserve:

Synthetic investment contract issuers must have an investment grade rating. Supranational Agency and Foreign Government entity investments must have a minimum rating of A- or equivalent. Corporate debt securities must have a minimum rating of BBB- of equivalent. Asset-backed securities must have a minimum rating of AAA or equivalent. The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The Board does not have a policy in relation to custodial credit risk for deposits. At June 30, 2022, the Board’s Invested Assets had uncollateralized and uninsured foreign currency deposits of \$14,255,000.

Alaska Retirement Management Board

Invested Assets

Notes to Schedules

June 30, 2022

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Board's Stable Value Fund policy requires that all investments underlying a synthetic investment contract be denominated in U.S. dollars. For all other funds, through its asset allocation, the Board limits risk by limiting total investments in foreign currencies to the following:

<u>Pension System</u>	<u>Opportunistic</u>	<u>Global Equity Ex-U.S.</u>	<u>Private Equity Pool</u>	<u>Real Assets Pool</u>
PERS	10%	22%	20%	21%
TRS	10%	22%	20%	21%
JRS	10%	22%	20%	21%
MRS	10%	17%	12%	11%

At June 30, 2022, the Board had exposure to foreign currency risk with the following deposits and investments (in thousands):

	Foreign Government				Private Equity	Rights & Warrants
	Agency	Deposits	Equity	Futures		
Australian Dollar	\$ -	105	68,389	-	586	5
Brazilian Real	4,135	575	53,673	-	-	-
Canadian Dollar	-	586	108,491	-	-	-
Chilean Peso	6,138	13	2,812	-	-	-
Colombian Peso	-	-	1,602	-	-	-
Czech Koruna	-	8	994	-	-	-
Danish Krone	-	149	50,335	-	-	-
Euro Currency	-	1,828	727,080	407	357,242	-
Hong Kong Dollar	-	223	208,611	-	-	-
Hungarian Forint	-	7	2,722	-	-	-
Iceland Krona	-	-	1,664	-	-	-
Indian Rupee	-	69	81,467	-	-	-
Indonesian Rupiah	-	33	6,878	-	-	-
Japanese Yen	-	3,294	505,173	-	-	-
Kuwaiti Dinar	-	41	2,288	-	-	-
Malaysian Ringgit	-	-	7,092	-	-	-
Mexican Peso	2,994	12	28,508	-	-	-
New Israeli Sheqel	-	113	9,796	-	-	-
New Taiwan Dollar	-	270	69,723	-	-	-
New Zealand Dollar	-	54	5,140	-	-	-
Norwegian Krone	-	18	21,055	-	-	-
Philippine Peso	-	1	3,474	-	-	-
Polish Zloty	-	9	1,378	-	-	-
Pound Sterling	-	2,260	280,072	-	67,849	-
Qatari Rial	-	10	7,552	-	-	-
Russian Ruble	-	113	-	-	-	-
Saudi Riyal	-	15	9,742	-	-	-
Singapore Dollar	-	28	29,337	-	-	-
Sol	4,340	-	-	-	-	-
South African Rand	-	31	8,539	-	-	-
South Korean Won	-	1	72,555	-	-	-
Swedish Krona	-	289	68,132	-	20,293	-
Swiss Franc	-	573	203,082	-	-	9
Thailand Baht	-	8	7,148	-	-	-
Turkish Lira	-	25	8,564	-	-	-
Uae Dirham	-	10	8,329	-	-	-
Yuan Renminbi	-	3,484	54,890	-	-	-
Grand Total	17,607	14,255	2,726,287	407	445,970	14

Alaska Retirement Management Board

Invested Assets

Notes to Schedules

June 30, 2022

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2022, the Board's Invested Assets did not have exposure to any one issuer greater than 5% of total invested assets.

Synthetic Investment Contracts

The Board's policy regarding concentration of credit risk for, underlying investments, and reserve is as follows:

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed thirty-five percent of the synthetic investment contracts' total value.

No investment will be made if, at the time of the purchase, the investment could cause any single issuer, or all issuers of the securities held as supporting investments under the synthetic investment contracts to exceed the thresholds in the table below. The maximum exposure to securities rated between BBB- and BBB+ is limited to twenty percent of the total value underlying synthetic investment contracts.

Investment Type	Issuer	All Issuers
U.S. Treasury and Agencies	100%	100%
U.S. Agency Securities	100%	100%
Agency Mortgage-Backed Securities	50%	50%
Non-Agency Mortgage-Backed Securities	5%	50%
Asset-backed Securities	5%	50%
Domestic and Foreign Corporate Debt Securities	5%	50%
Supranational Agency and Foreign Government entity securities	5%	50%
Money Market Instruments – Non Gov/Agency	5%	100%
Custodian Short-term Investment Fund	100%	100%

For the reserve, the total investment of any single issuer of money market instruments may not exceed 5% of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

(5) DERIVATIVES, FOREIGN EXCHANGE, AND COUNTERPARTY CREDIT RISK

The Board is exposed to credit risk on investment derivative instruments that are in asset positions. The Board has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Board has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Board have a policy for contingencies. On June 30, 2022, the Board had the following derivative instruments outstanding:

	Changes in Fair Value		Fair Value	
	Classification	Amount	Classification	Notional
Commodity Futures Long	Investment Revenue	\$ 2,258,966	Futures	\$ 221,011
Commodity Futures Short	Investment Revenue	1,703,433	Futures	(3,386)
Fixed Income Futures Long	Investment Revenue	(8,532,205)	Futures	63,400,000
Fixed Income Futures Short	Investment Revenue	1,760,212	Futures	-
Foreign Currency Futures Long	Investment Revenue	14,418	Long Term Instruments	-
FX Forwards	Investment Revenue	4,414,632	Futures	(312,131) 158,682,318
Index Futures Long	Investment Revenue	(16,709,454)	Futures	- 32,861
Index Futures Short	Investment Revenue	(3,865,617)	Common Stock	- -
Rights	Investment Revenue	(75,274)	Common Stock	5,267 11,967
Warrants	Investment Revenue	(4,616,588)	Common Stock	9,235 67,643

Alaska Retirement Management Board

Invested Assets

Notes to Schedules

June 30, 2022

(5) DERIVATIVES, FOREIGN EXCHANGE, AND COUNTERPARTY CREDIT RISK (Cont.)

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of nonperformance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date. At June 30, 2022, the Board had the following Foreign Currency risk related to derivatives:

Currency Name	Rights & Warrants	Receivables	Payables	Total Exposure
Australian Dollar	\$ 5,267	(659,982)	-	(654,715)
Brazilian Real	-	(16,898)	254,469	237,571
Canadian Dollar	-	(185,771)	-	(185,771)
Chilean Peso	-	-	474,092	474,092
Danish Krone	-	-	7,627	7,627
Euro Currency	133	(890,791)	185,296	(705,362)
Japanese Yen	-	-	475,761	475,761
Mexican Peso	-	-	8,271	8,271
Pound Sterling	-	(304,277)	-	(304,277)
Sol	-	-	9,236	9,236
South Korean Won	-	-	63,047	63,047
Swedish Krona	-	-	70,156	70,156
Swiss Franc	9,102	197,634	-	206,736
	\$ 14,502	(1,860,085)	1,547,955	(297,628)

At June 30, 2022, the Board had no counterparty credit and counterparty concentration risk associated with its investment derivative positions.

(6) SECURITIES LENDING

Alaska Statute 37.10.071 authorizes the Board to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. The Board lends marketable debt and equity securities through a contract with State Street Bank and Trust (the Bank). International equity security loans were collateralized at not less than 105 percent of their fair value. All other security loans were collateralized at not less than 102 percent of their fair value. Loaned securities and collateral were marked to market daily and collateral was received or delivered the following day, as necessary, to maintain collateral levels. The Board cannot pledge or sell collateral received until and unless a borrower defaults. At year-end, the Board had no credit risk exposure to the borrowers because the amounts the Board owed to the borrowers exceeded the amounts the borrowers owed the Board.

The fair value of securities on loan at June 30, 2022, was approximately \$55.9 million. At June 30, 2022, cash collateral received totaling \$58.0 million is reported as a securities lending payable and the fair value of the re-invested cash collateral totaling \$58.0 million is reported as security lending collateral invested in the Schedule of Invested Assets.

Cash collateral was invested in a registered 2(a)-7 money market fund. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements were terminable at will. Securities under loan, cash collateral and cash collateral payable are recorded on the financial schedules at fair value. The Bank and the Board received a fee from earnings on invested collateral. The Bank and the Board shared the fee paid by the borrower.

There was limited credit risk associated with the lending transactions since the Board was indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnified the Board against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications were subject to limitation relating to a force majeure event as outlined in the contract.

For the year ended June 30, 2022 there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

Division of Retirement & Benefits
Timeline for June 30, 2022
Financial Statements
GASB 68 / 75 Allocation Schedules
Annual Comprehensive Financial Reports

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						
	Friday	June 10, 2022		6/10/2022	DRB	Internal staff meeting to discuss audit timelines.
	Wednesday	June 15, 2022		6/15/2022	KPMG	Auditors discuss upcoming audit plan / scope / schedule with ARMB Audit Committee.
	Thursday	June 30, 2022		8/4/2022	DRB	Notification to employers of upcoming census data audits and important dates.
	Thursday	June 30, 2022		8/18/2022	DRB	Audit process memos to be reviewed / updated by DRB.
	Thursday	June 30, 2022		6/30/2022	DRB / DOR	End of fiscal year.
	Friday	July 15, 2022	8/24/2022	Provided between 7/8 - 8/24/22	DRB	Provide all claims detail for fiscal year to Auditors.
	Friday	July 15, 2022	8/26/2022	Provided between 7/8 - 8/26/22	DRB	Provide all distribution, retiree warrant, premium details, and contribution (JRS, SBS and DCP) details through end of fiscal year.
	Friday	July 15, 2022		7/15/2022	DRB	Cut-off procedures on revenue collections.
	Monday	July 25, 2022	7/29/2022	7/29/2022	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		8/10-8/11/22	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	8/8/2022	8/8/2022	KPMG	Auditors to begin communications with employers regarding census data audit requirements.
	Friday	August 5, 2022	8/26/2022	8/26/2022	KPMG / DRB	Provide health claims testwork list to DRB.
	Monday	August 8, 2022		6/24/2022	KPMG / DRB	Auditors begin interim fieldwork.
	Wednesday	August 10, 2022	8/26/2022	8/26/2022	DRB	Provide health claims testwork list to all third party administrators; all vendors will provide data via file upload.
	Friday	August 12, 2022		8/12/2022	DRB	Request from Segal IBNR amounts for all health plans.
	Monday	August 15, 2022		8/15/2022	KPMG	Auditors will begin remote audit of employer census details.

Division of Retirement & Benefits
Timeline for June 30, 2022
Financial Statements
GASB 68 / 75 Allocation Schedules
Annual Comprehensive Financial Reports

Item #	Day	June 30, 2022 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
	Monday	August 15, 2022	8/30/2022	8/30/2022	KPMG	Auditors scheduled to make selections and will communicate with employer to setup remote audits.
	Monday	August 22, 2022		8/18/2022 8/24/2022	DRB	Provide PERS and TRS contribution detail to Auditors.
	Friday	August 26, 2022	8/29/2022	8/29/2022	Segal	Provide IBNR amounts for all health plans.
	Wednesday	August 31, 2022		8/31/2022	KPMG / DRB	Auditors complete interim fieldwork.
	Wednesday	August 31, 2022		8/31/2022	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.

Division of Retirement & Benefits
Timeline for June 30, 2022
Financial Statements
GASB 68 / 75 Allocation Schedules
Annual Comprehensive Financial Reports

Item #	Day	June 30, 2022 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
	Friday	September 23, 2022			DRB	Deliver complete DRAFT financial statements for all plans / funds to Auditors.
	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
Financial Statements
GASB 68 / 75 Allocation Schedules
Annual Comprehensive Financial Reports**

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
Timeline for June 30, 2022
Financial Statements
GASB 68 / 75 Allocation Schedules
Annual Comprehensive Financial Reports

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	November 21, 2022			DOA / DRB	Final comments from Commissioner's office 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

Alaska Retirement Management Board

Audit Committee

September 14, 2022

Audit Unit Report

This report contains information on work performed through August 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 were completed.

No SFY 2023 Audits have been completed to date. All SFY 2023 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 (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

State Social Security Administrator Position is currently vacant. Traci Walther acting as State Social Security Administrator to answer employer questions as needed.

Division of Retirement & Benefits

Alaska Retirement Management Board

Audit Committee

September 14, 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 Tuesday, August 30, 2022:

1. City of Nenana – last reported Pay Period End (PPE) date March 5, 2022
2. City of Huslia – last reported PPE date May 30, 2022
3. Haines Borough SD – last reported PPE date June 30, 2022
4. Hydaburg City SD – last reported PPE date June 30, 2022
5. City of Fort Yukon – last reported PPE date July 9, 2022
6. Municipality of Anchorage – last reported PPE date July 10, 2022
7. Yukon Flats School District – last reported PPE date July 15, 2022
8. City of Akutan – last reported PPE date July 15, 2022
9. Saxman Seaport – last reported PPE date July 15, 2022
10. City of Homer – last reported PPE date July 17, 2022
11. University of Alaska – last reported PPE date July 16, 2022

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

1. Haines Borough SD – last reported PPE date June 30, 2022
2. Hydaburg City SD – last reported PPE date June 30, 2022
3. Unalaska City SD – last reported PPE date June 30, 2022
4. Kuspuk SD – last reported PPE date June 30, 2022
5. Tanana SD – last reported PPE date June 30, 2022
6. University of Alaska – last reported PPE date July 16, 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 Noorvik
5. City of St. George
6. City of Tanana
7. City of Upper Kalskag

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE CALENDAR

Remaining Schedule of 2022 Meetings

October 10, 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.
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

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

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.
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 - C. Annual Presentation
6. Audit Committee training on special topics

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.