

ALASKA  
RETIREMENT  
MANAGEMENT  
BOARD

JUNE  
14, 2023

AUDIT COMMITTEE

**State of Alaska**  
**ALASKA RETIREMENT MANAGEMENT BOARD**

**AUDIT COMMITTEE MEETING**

**June 14, 2023 – 9:00 a.m.**

<b>Location:</b> Atwood Conference Center Rooms 102/104 550 West 7 <sup>th</sup> Ave., Juneau, AK	<b>Teleconference:</b> <b>Call-In #:</b> 1-907-202-7104 <b>Code:</b> 503 112 447#
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- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. A. Approval of Agenda**  
**B. Approval of Minutes – March 15, 2023**
- V. Public / Member Participation, Communications and Appearances**  
*(Three Minute Limit. Callers may need to select \*6 to unmute.)*
- VI. Reports**
  - A. Discussion of Audit Timeline**  
*Ryan Kauzlarich, Assistant Comptroller, Treasury Division*  
*Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits*
  - B. Audit Section Report**  
*Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits*
  - C. Report on Delinquent / Late Filing Employers**  
*Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits*
  - D. Committee Requests: Areas of Interest/Review**
  - E. Review of 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*
  - F. 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*
  - G. DOA – Division of Retirement & Benefits Personnel Structure [Organization Chart]**  
*Ajay Desai, Director, Division of Retirement & Benefits*

**VII. Review Independent Auditor’s Audit Plan**

*Melissa Beedle, Audit Partner*

*Elizabeth Stuart, Audit Manager*

*Ryan Kauzlarich, Assistant Comptroller, Treasury Division*

*Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits*

**VIII. Committee Performance – Self Assessment (per Charter)**

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

**X. Future Meetings**

**A. Calendar Review**

1. Date Selection of Review of Audited Financial Statements (October 9, 2023)

2. 2024 Audit Committee Meeting Calendar

**B. Agenda Items**

**C. Requests / Follow-Ups**

**XI. Other Matters to Properly Come Before the Committee**

**XII. Public / Members Comments**

**XIII. Adjournment**

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

**March 15, 2023  
9:00 a.m.**

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

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**Trustees Present:**

Bob Williams, Chair  
Allen Hippler

Donald Krohn  
Lorne Bretz

**Other Trustees Present:**

Commissioner Adam Crum  
Sandra Ryan

Dennis Moen

**Department of Revenue Staff Present:**

Zach Hanna, Chief Investment Officer  
Scott Jones, Head of Investment Operations,  
Performance & Analytics  
Stephanie Pham, State Investment Officer  
Rose Sanchez, Assistant Compliance Officer  
Benjamin Garrett, State Investment Officer  
Robyn Mesdag, State Investment Officer  
Grant Ficek, Business Analyst  
Division of Retirement & Benefits  
Kevin Worley, Chief Financial Officer  
Eugenia Golofeeva, Internal Auditor  
Brandon Roomsburg, Retirement & Benefits  
Specialist  
Roberto Aceveda, Counseling & Education  
Manager

Pamela Leary, Director, Treasury Division  
Ryan Kauzlarich, Assistant Comptroller  
Hunter Romberg, Senior Compliance  
Officer  
Mark Moon, State Investment Officer  
Kevin Elliott, State Investment Officer  
Leighan Gonzales, Executive Assistant  
Alysia Jones, Board Liaison  
Ajay Desai, Director, DRB  
Mindy Voigt, Assistant Chief Pension  
Officer  
Betsy Wood, Chief Health Administrator  
Nimeri Denis, Audit & Review Analyst

**Department of Law Staff Present:**

Ben Hofmeister, Assistant Attorney General

**Investment Advisory Council Present:**

Dr. William W. Jennings

Ruth Traylor

**Public Testimony:**

Elaine Schroeder, 350 Juneau

**Public:**

Randall Burns, RPEA

## PROCEEDINGS

### CALL TO ORDER

CHAIR BOB WILLIAMS called the Audit Committee of the Alaska Retirement Management Board to order and asked for a roll call.

MS. JONES called the roll. She stated that Chair Michael Williams was absent, and Chair Bob Williams would be serving in his place.

### PUBLIC MEETING NOTICE

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

MS. JONES replied, yes, it had.

### APPROVE THE AGENDA

CHAIR BOB WILLIAMS asked Ms. Jones for a comment on a bookmark.

MS. JONES stated that Item 6D was accidentally bookmarked as 6C, Employer Audits in the PDF packet. She continued that the actual document was 6D, Report of Delinquent Late Filing Employers.

CHAIR BOB WILLIAMS stated that the agenda was before them, and he asked for a motion to approve the agenda.

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

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

### APPROVAL OF MINUTES

CHAIR BOB WILLIAMS moved to the committee minutes of the November 30, 2022, meeting. He entertained a motion.

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

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

### PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

CHAIR BOB WILLIAMS stated that they were at the point in the agenda for public member presentation, communications, and appearances. He continued that there was a three-minute time limit. He recognized Mr. Worley.

MR. WORLEY introduced three new-to-the-meeting members from the Division. First, Mindy Voigt, who was filling in for former Chief Pension Officer Jim Puckett, who retired in January. Next, Brandon Roomsburg, one of the counselors who had been with the Division for many years. He continued to Eugenia Golofeeva who filled the compliance officer position and will

also work with the Social Security administrator. He also introduced Roberto Aceveda and Nimeri Denis.

CHAIR BOB WILLIAMS welcomed all and closed public/member participation, communications. He moved on to Reports and recognized Kevin Worley, Chief Financial Officer.

## **REPORTS**

### **GASB 68/ 75 FINAL REPORTS**

MR. WORLEY stated that they were in the final stages of releasing those reports and had hoped to have them for this meeting. He continued that they were wrapping up a couple footnote disclosures related to the most recent experience study. KPMG was working with their New York office, their GASB specialist, to make sure all are done, at which point final reports will be issued. They will be provided to Ms. Jones to send out to the Audit Committee, no later than mid-April. There were no questions or comments from the Audit Committee in December regarding those.

CHAIR BOB WILLIAMS asked, because they were alerted of technical issues, if there was anyone online or in the room that would like to speak under public/member participation, communications, and appearances.

MS. SCHROEDER stated that she would.

CHAIR BOB WILLIAMS recognized Elaine Schroeder.

MS. SCHROEDER stated that she lived in Juneau, and is co-chair of 350Juneau. She continued that, over the past 10 years, the international fossil fuel divestment movement had grown and became a major global influence on energy policies. There were now over 1,500 institutions publicly committed to some form of fossil fuel divestment, representing an enormous \$40.5 trillion of assets under management. She added that Tobias Read, Oregon State Treasurer, urged the Oregon Public Employees Retirement Fund to stop investing in companies that emit greenhouse gases by 2050. Mr. Read emphasized that the Treasury's primary responsibility to the fund of maximizing financial returns would remain intact. She stated that there was a strong movement among investors in government and beyond to shift away from polluting companies to curb climate change and maximize returns. She gave a few examples of funds and their fossil fuel divesting and stated they all wanted the same thing: a healthy climate and a healthy pension. There is no contradiction between those two goals. She asked the board to conduct a transparent climate risk assessment and to act on those findings. She thanked all for attending her testimony.

CHAIR BOB WILLIAMS asked for anyone else online that wanted to speak. There being none, he closed public testimony.

### **FY2022 ANNUAL COMPREHENSIVE FINANCIAL REPORTS (ACFRs) – PERS/TRS**

MR. WORLEY identified the PERS and TRS annual comprehensive financial reports that were completed and issued online by the end of December last year. Hard-copy reports should be going out in the mail soon. He added that there is a very limited supply, and they were provided to those folks that requested them. He continued that the rest of the report was a reminder of the

name change from the Comprehensive Annual Financial Report to the Annual Comprehensive Financial Report, which has been implemented.

### **EMPLOYER AUDITS**

CHAIR BOB WILLIAMS recognized Kevin Worley to present the employer audits.

MR. WORLEY stated that they recently hired a new compliance officer who works with the internal audit group. Currently, there is a hire for the vacant audit and review analyst position, and we are working through some of the paperwork. Also recruited was Eugenia Golofeeva for the Accountant 5 position, who will be working with both internal auditors on the scheduling of the audits. She is currently working on training with Social Security and all the PERS stuff. She will be sharing the audit schedule with the committee in June.

### **REPORT OF DELINQUENT/LATE FILING EMPLOYERS**

CHAIR BOB WILLIAMS recognized Mr. Kevin Worley, Chief Financial Officer.

MR. WORLEY stated that the listing of delinquent employers was broken down by PERS, TRS, and then salary for billings were also noted. He explained that the report was a couple of weeks old because of the due date for the packet materials. He continued that the delinquent employers are being worked with and could give an email update of where they were to date, if necessary. He added that the large and mid-size employers tend to be a day or two late, and the smaller employers generally continue to be late.

MR. HIPPLER asked about the harm on the employers or was the risk disbursed to us, and he asked how it was dealt with.

MR. WORLEY replied that was on the community which has the data and the money to send to us. He explained that, in statute, they were allowed to bill for delinquent payrolls and charge 1.5 times the actuarial rate of return. It cannot be calculated until they submit the payroll to us. When that payroll is received, and the money deposited, then they can be billed for that late contribution or late contributions, if there were more than one. He added that there was a statute about the fees that can be charged to the employer, as well. It is both late reporting and late receiving the money. A payroll cannot be processed without the money. He explained some of the reasons they are delinquent, and they work to get things corrected because they know it has a very big impact on a large number of employees.

He continued that the June report he could provide a listing of what years a particular employer was outstanding.

### **COMPLIANCE REPORT AND UPDATE**

CHAIR BOB WILLIAMS moved to the finance report update and recognized Senior Compliance Officer Hunter Romberg.

MS. ROMBERG stated she took over for James McKnight when he retired in September, 2022. She gave a brief background on her career and her education, as it was her first time presenting to the ARMB Audit Committee. She moved to the annual investment compliance update that the compliance section gave annually to this committee. She covered calendar year 2022. She talked about the compliance program structure. She stated that the mission statement of the

compliance section was to help protect invested assets entrusted to the ARMB and the Commissioner of Revenue by monitoring adherence to existing laws, rules, regulations, contracts, policies, and guidelines. To meet that mission statement, there were four defined goals: First was ensuring that specific investments comply with the requirements established in Treasury Division policy and ARMB guidelines. Second was ensuring that investment managers and the custodial bank comply with contract provisions and industry best practices. Third was ensuring that Treasury Division investment activities conform to State and Federal investment laws, regulations, ethical standards, and industry best practices. The last goal was to provide timely, relevant, and accurate compliance monitoring results to Treasury management, the ARMB, and the Commissioner of Revenue. She then moved to the compliance program results which related to the upcoming projects. The first was related to data modernization; the second grouping was enhanced reporting; and the last was risk management. She talked about the compliance program results for calendar year 2022 in great detail. She explained the difference between an alert versus a finding, and added that monitoring alerts will find trends. She continued to the overdraft charges and then talked about the commission recapture program, which allows pension plans and mutual funds to recapture an agreed upon percentage of the broker costs with participating brokers.

CHAIR BOB WILLIAMS thanked Ms. Romberg for her introduction and welcomed her enthusiasm and commitment to her position. He moved to the calendar review.

#### **FUTURE MEETINGS**

CHAIR BOB WILLIAMS asked for any comments, questions, any future agenda items, any other matters to come before the committee, and any public or member comments.

COMMISSIONER CRUM stated that he was online and had no comment.

CHAIR BOB WILLIAMS recognized and welcomed Commissioner Crum. He entertained a motion to adjourn.

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

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

(Audit Committee meeting adjourned at 9:45 a.m.)



# Division of Retirement & Benefits

## Timeline for June 30, 2023 Audits - Financial Statements Annual Comprehensive Financial Reports Other Audited Schedules

Item #	Day	June 30, 2023 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
<b>Audits of PERS, TRS, JRS, NGNMRS, SBS, DCP, RHF, and GH&amp;LF as of June 30, 2023</b>						
					KPMG / DRB / DOR	DRB and Treasury meet with Auditors to discuss upcoming audit season.
	Friday	June 9, 2023			DRB	Internal staff meeting to discuss audit timelines.
	Thursday	June 15, 2023			KPMG	Auditors discuss upcoming audit plan / scope / schedule with ARMB Audit Committee.
	Friday	June 30, 2023			DRB	Notification to employers of upcoming census data audits and important dates.
	Friday	June 30, 2023			DRB	Audit process memos to be reviewed / updated by DRB.
	Friday	June 30, 2023			DRB / DOR	End of fiscal year.
	Monday	July 17, 2023			DRB	Provide all claims detail for fiscal year to Auditors.
	Monday	July 17, 2023			DRB	Provide all distribution, retiree warrant, premium details, and contribution (JRS, SBS and DCP) details through end of fiscal year.
	Monday	July 17, 2023			DRB	Cut-off procedures on revenue collections.
	Tuesday	July 25, 2023			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.
	Tuesday	August 1, 2023			KPMG	Auditors to begin communications with employers regarding census data audit requirements.
	Friday	August 4, 2023			KPMG / DRB	Provide health claims testwork list to DRB.
	Monday	August 7, 2023			KPMG / DRB	Auditors begin interim fieldwork.
	Thursday	August 10, 2023			DRB	Provide health claims testwork list to all third party administrators; all vendors will provide data via file upload.
	Friday	August 11, 2023			DRB	Request from Segal IBNR amounts for all health plans.

# Division of Retirement & Benefits

## Timeline for June 30, 2023 Audits - Financial Statements Annual Comprehensive Financial Reports Other Audited Schedules

Item #	Day	June 30, 2023 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
	Tuesday	August 15, 2023			KPMG	Auditors will begin remote audit of employer census details.
	Tuesday	August 15, 2023			KPMG	Auditors scheduled to make selections and will communicate with employer to setup remote audits.
	Monday	August 21, 2023			DRB	Provide PERS and TRS contribution detail to Auditors.
	Friday	August 25, 2023			Segal	Provide IBNR amounts for all health plans.
	Thursday	August 31, 2023			KPMG / DRB	Auditors complete interim fieldwork.
	Thursday	August 31, 2023			DRB / DOR	End of re-appropriation period.
	Friday	September 1, 2023			DRB	Obtain first version of trial balances for all plans / funds for audit workpapers and prepare audit binders.
	Monday	September 4, 2023			KPMG	Employer census details due to Auditors.
	Monday	September 4, 2023			DRB	Provide Actuarial Valuation data files for all plans to Auditors for audit testwork.
	Wednesday	September 6, 2023			DRB	Complete audit workpapers and review for all plans / funds.
	Wednesday	September 6, 2023			KPMG	Auditors begin audit fieldwork.
	Friday	September 8, 2023			DRB / DOR	Obtain copies of DRAFT pension system invested assets financial statements from Treasury.
	Friday	September 8, 2023			Division of Finance	Provide last of cash wash and due to / due from transactions for all funds.
	Friday	September 8, 2023			DRB	Provide all journal entries to Division of Finance.
	Wednesday	September 13, 2023			DRB / Buck	Provide all preliminary financial statements to Buck for computation of GASB 67 / 74 plans Net Pension & Net OPEB liabilities for footnote disclosure.
	Wednesday	September 13, 2023			KPMG / DOR	Auditors meet with Audit Committee and ARMB to review audit of pension system invested assets (Treasury).
	Wednesday	September 20, 2023			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 21, 2023			Buck	Provide GASB 67 / 74 plans Net Pension & OPEB liabilities for footnote disclosure to DRB / Auditors.

## Division of Retirement & Benefits Timeline for June 30, 2023 Audits - Financial Statements Annual Comprehensive Financial Reports Other Audited Schedules

Item #	Day	June 30, 2023 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
	Friday	September 22, 2023			DRB	Deliver complete DRAFT financial statements for all plans / funds to Auditors.
	Wednesday	September 27, 2023			DRB	Accounting staff finishes complete DRAFT financial statements for all plans.
	Friday	September 29, 2023			DRB	Apply for the Public Pension Coordinating Council awards for Funding and Administration.
	Friday	September 29, 2023			KPMG	Auditors complete audit fieldwork.
	Friday	September 29, 2023			DRB	Provide DRAFT of audited financial statements to Division of Finance for State ACFR.
	Monday	October 2, 2023			KPMG	DRAFT of audited financial statements received from Auditors for review and final comment.
	Wednesday	October 4, 2023			KPMG / DRB	Provide all financial statements to Audit Committee for review.
	Monday	October 9, 2023			KPMG / DRB / Audit Committee	<b>PROPOSED</b> - Audit Committee teleconference to discuss and obtain approval of DRAFT financial statements.
	Wednesday	October 11, 2023			KPMG / DRB	Finalize Audit Committee comments, Auditors reviewer comments, DRB final review comments, and insert into audited financial statements.
	Friday	October 13, 2023			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 13, 2023			KPMG / DRB	Provide FINAL audited financial statements to DOF, DOR, Buck, and Legislative Audit.
	Wednesday	November 1, 2023			DRB	Audited financial statements posted to Division's website.
	Monday	November 6, 2023			KPMG / DRB	All letters for management and ARMB are provided by Auditors. Copies provided to DOF and DLA.
	Friday	December 15, 2023			DRB	All financial statements for the plans / funds are prepared and submitted for copying and binding.

## Division of Retirement & Benefits Timeline for June 30, 2023 Audits - Financial Statements Annual Comprehensive Financial Reports Other Audited Schedules

Item #	Day	June 30, 2023 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
<b>PERS and TRS ACFRs as of June 30, 2023</b>						
	Friday	June 30, 2023			Buck / DRB	Obtain from consulting actuary FINAL June 30, 2022 actuarial valuation reports to prepare "Actuarial Section" information for PERS and TRS ACFRs.
	Wednesday	August 23, 2023			DRB / DOR	Treasury Division provides requested "Investment Section" information for PERS and TRS ACFRs.
	Monday	November 13, 2023			KPMG / DRB	PERS and TRS draft ACFRs are provided to Auditors and Commissioner's Office for review.
	Monday	November 20, 2023			KPMG / DRB	Final comments from Auditors on PERS and TRS ACFRs.
	Monday	November 20, 2023			DOA / DRB	Final comments from Commissioner's office on PERS and TRS ACFRs.
	Monday	December 4, 2023			KPMG / DRB	Auditors provide approval to finalize PERS and TRS ACFRs, provide updated audit opinion letter.
	Wednesday / Thursday	December 6 - 7, 2023			KPMG / DRB	"Report of Audit Results" presentation to the Audit Committee and ARMB.
	Thursday	December 7, 2023			DRB	PERS and TRS ACFRs as well as division financial statement bound book available for distribution to recipients by December 27.
	Monday	December 11, 2023			DRB	PERS and TRS ACFRs finalized and prepared for printing.
	Wednesday	December 27, 2023			DRB	PERS and TRS ACFRs are submitted to GFOA for inclusion in the Certificate of Achievement for Excellence in Financial Report program.
	Wednesday	December 27, 2023			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, 2023 Audits -  
Financial Statements  
Annual Comprehensive Financial Reports  
Other Audited Schedules**

Item #	Day	June 30, 2023 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
<b>Audits of PERS and TRS GASB 68 / 75 schedules as of June 30, 2023</b>						
A	Friday	October 13, 2023			DRB	GASB 68 / 75 PERS & TRS Pension / OPEB data to Buck - FY 2023 employer contributions.
B	Friday	November 3, 2023			Buck	GASB 68 / 75 reports to DRB & Auditors
C	Friday	November 17, 2023			Buck / KPMG / DRB	Complete field work of GASB 68 / 75 PERS & TRS schedules
D	Friday	November 17, 2023			KPMG / DRB	Complete FINAL DRAFT GASB 68 / 75 reports to Audit Committee
E	Wednesday	December 6, 2023			DRB	Discuss FINAL DRAFT GASB 68 / 75 schedules with Audit Committee
F	Friday	December 8, 2023			Buck / KPMG / DRB	Complete any GASB 68 / 75 updates from Audit Committee discussion; complete review and sign off for final presentation.
G	Friday	December 29, 2023			KPMG / DRB	FINAL June 30, 2023 GASB 68 / 75 reports issued to participating employers via website

# Division of Retirement & Benefits

## Alaska Retirement Management Board

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### Audit Committee

June 14, 2023

#### Audit Unit Report

This report contains information on work performed through May 26, 2023, 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 the Chief Financial Officer until such time that the Accountant V position is filled.

#### 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) 2022, there were 150 PERS participating employers and 57 TRS participating employers with employer contributions totaling \$729.3 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 2023	02	02
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 2023**

Two (2) SFY 2023 Audit has been completed to date. All SFY 2023 audits will be performed via desk audit.

Alaska Gateway SD	Juneau School District, City & Borough of	Nome Joint Utilities
Alaska Housing Finance Corporation	Ketchikan Borough	North Pacific Fisheries Management Council
Aleutian East Borough	Ketchikan Borough SD	North Pacific Rim Housing Authority
Aleutian East Borough School District	Ketchikan, City of	North Slope Borough*
Aleutian Region School District	Klawock City School District	North Slope Borough School District*
Anchorage, Municipality of	Klawock, City of	Palmer, City of
Bering Straits School District	Kuspuk School District	Petersburg Borough
Bethel, City of	Lower Kuskokwim School District	Petersburg City Schools
Chugach School District	Lower Yukon School District	Petersburg Medical Center
Copper River School District	Matanuska-Susitna Borough	Sand Point, City of
Iliisagvik College*	Mekoryuk, City of	Southeast Island School District
Inter-Island Ferry Authority	Nome, City of	Toksook Bay, City of
Juneau, City & Borough	Nome City Schools	Utqiagvik, City of *

Highlighted (Gray)= Completed    \* = In Process

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

Teacher lacking teaching certificate incorrectly enrolled in TRS.

**E. Other Duties Performed by Audit Unit**

The State Social Security Administrator (SSSA) position is currently vacant. Chief Financial Officer - Kevin Worley acting as SSSA to answer employer questions as needed, until Accountant V position is filled. Additionally, Brandon Roomsburg, new Audit and Review Analyst II, will also serve as the back-up to the SSSA.

# Division of Retirement & Benefits

## Alaska Retirement Management Board

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### Audit Committee

June 14, 2023

#### 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 Monday, May 22, 2023:

1. City of Nenana – last reported Pay Period End (PPE) date January 21, 2023
2. City of Saxman – last reported PPE date March 31, 2023
3. City and Borough of Sitka – last reported PPE date April 2, 2023
4. City of King Cove – last reported PPE date March 31, 2023
5. Hydaburg City SD – last reported PPE date June 30, 2022
6. Wrangell Public Schools – last reported PPE date February 28, 2023
7. City of Fort Yukon – last reported PPE date November 26, 2022
8. City of Toksook Bay – last reported PPE date March 20, 2023
9. Municipality of Anchorage – last reported PPE date April 2, 2023
10. University of Alaska – last reported PPE date April 8, 2023

TRS employers are delinquent reporting as of Wednesday, May 24, 2023:

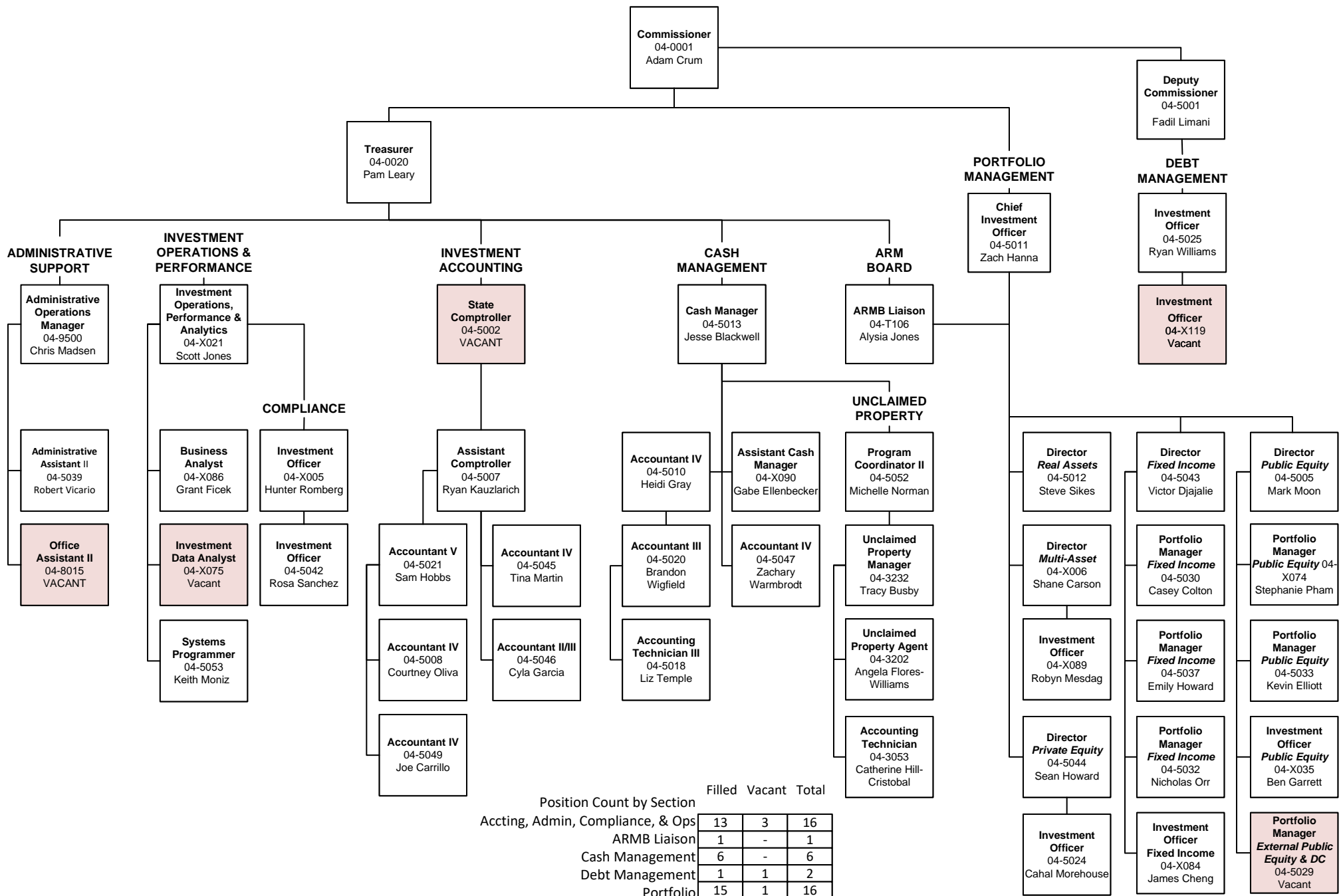
1. Southeast Regional Resource Center – last report PPE date March 20, 2023
2. Hydaburg City SD – last reported PPE date June 30, 2022
3. Wrangell Public Schools – last reported PPE date February 28, 2023
4. University of Alaska – last reported PPE date April 8, 2023

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

1. City of Allakaket – amounts due starting FY 2016
2. City of Nenana – amounts due starting FY 2014
3. City of Noorvik – amounts due starting FY 2009
4. City of St. George – amounts due starting FY 2009
5. City of Tanana – amounts due starting FY 2015



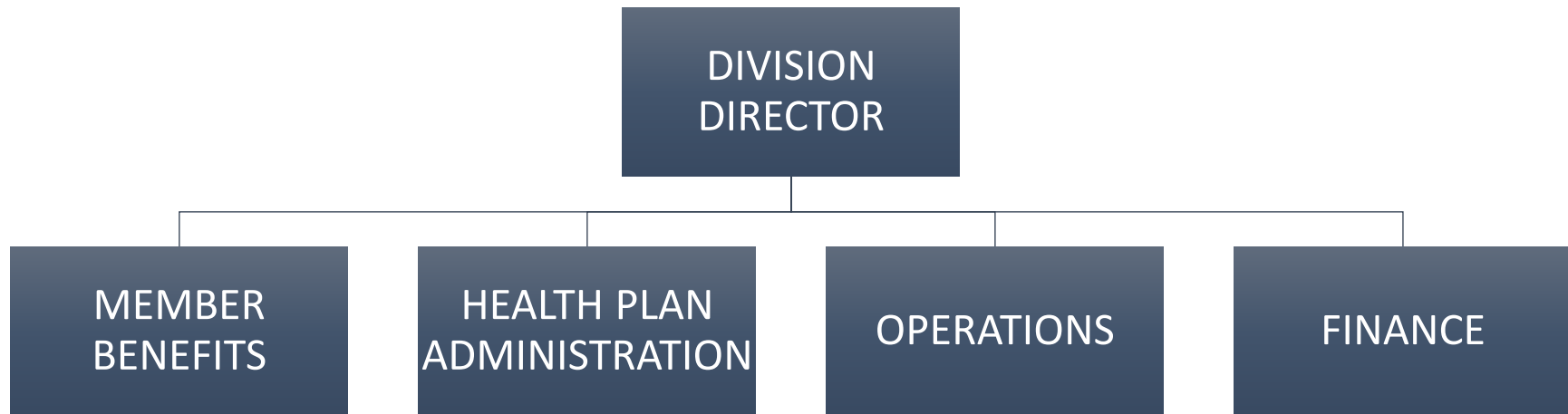
# Department of Revenue Treasury Division



Position Count by Section

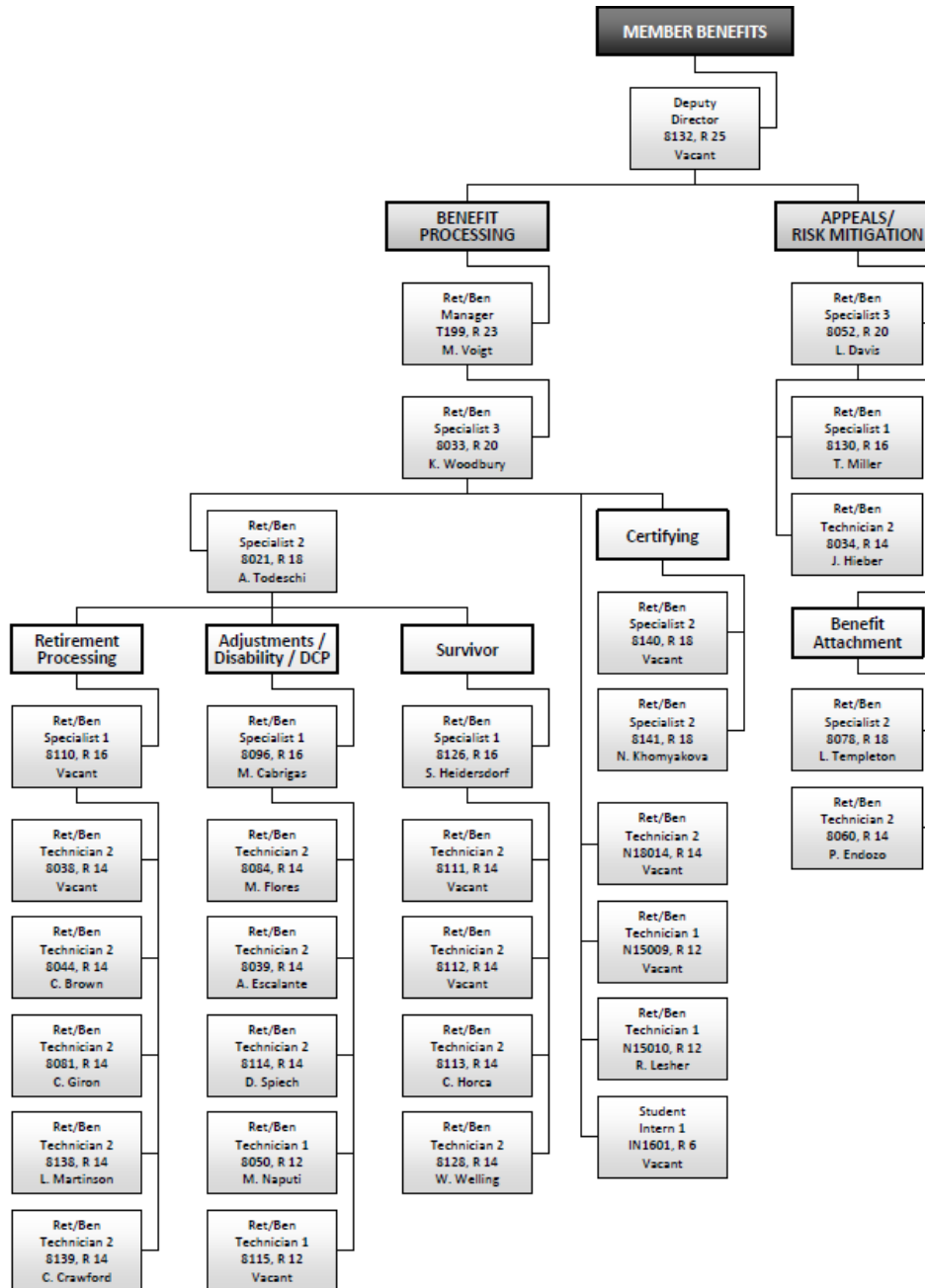
	Filled	Vacant	Total
Accting, Admin, Compliance, & Ops	13	3	16
ARMB Liaison	1	-	1
Cash Management	6	-	6
Debt Management	1	1	2
Portfolio	15	1	16
Unclaimed Property	4	-	4
<b>Totals</b>	<b>40</b>	<b>5</b>	<b>45</b>

DEPARTMENT OF ADMINISTRATION/ DIVISION OF RETIREMENT AND BENEFITS



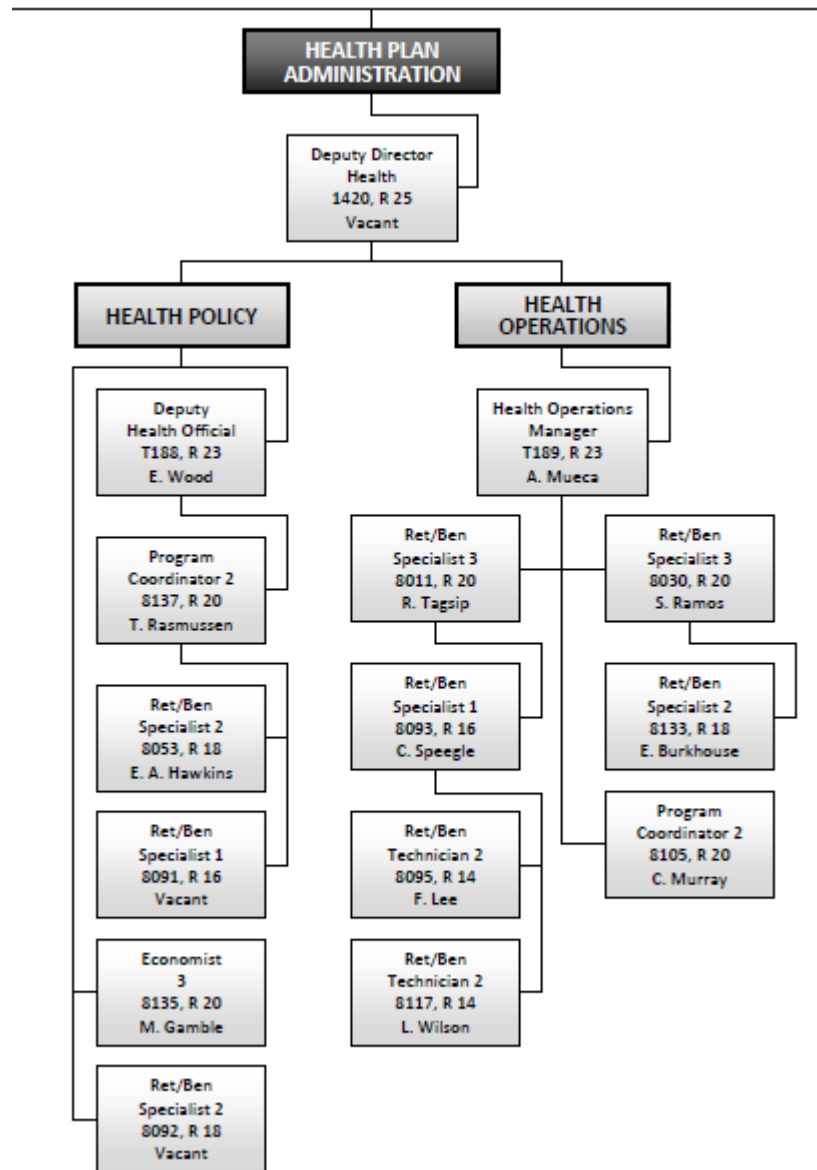
*Organizational charts for each of the above listed sections are included on the following pages.*

DEPARTMENT OF ADMINISTRATION / DIVISION OF RETIREMENT AND BENEFITS



Note: All positions are located in Juneau except the Anchorage Field Office.

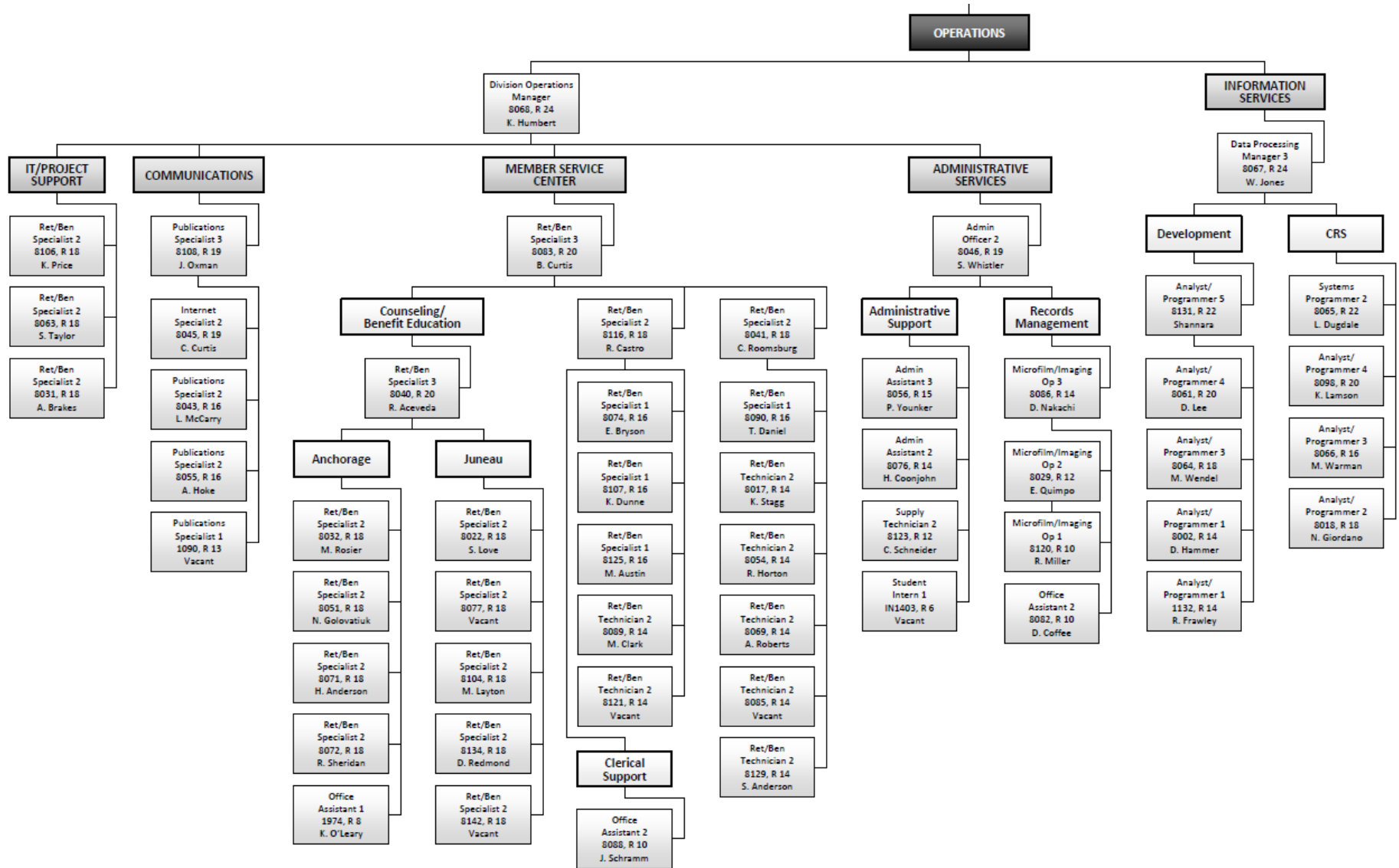
# DEPARTMENT OF ADMINISTRATION / DIVISION OF RETIREMENT AND BENEFITS



Note: All positions are located in Juneau except the Anchorage Field Office.

Rev. 5/11/2023

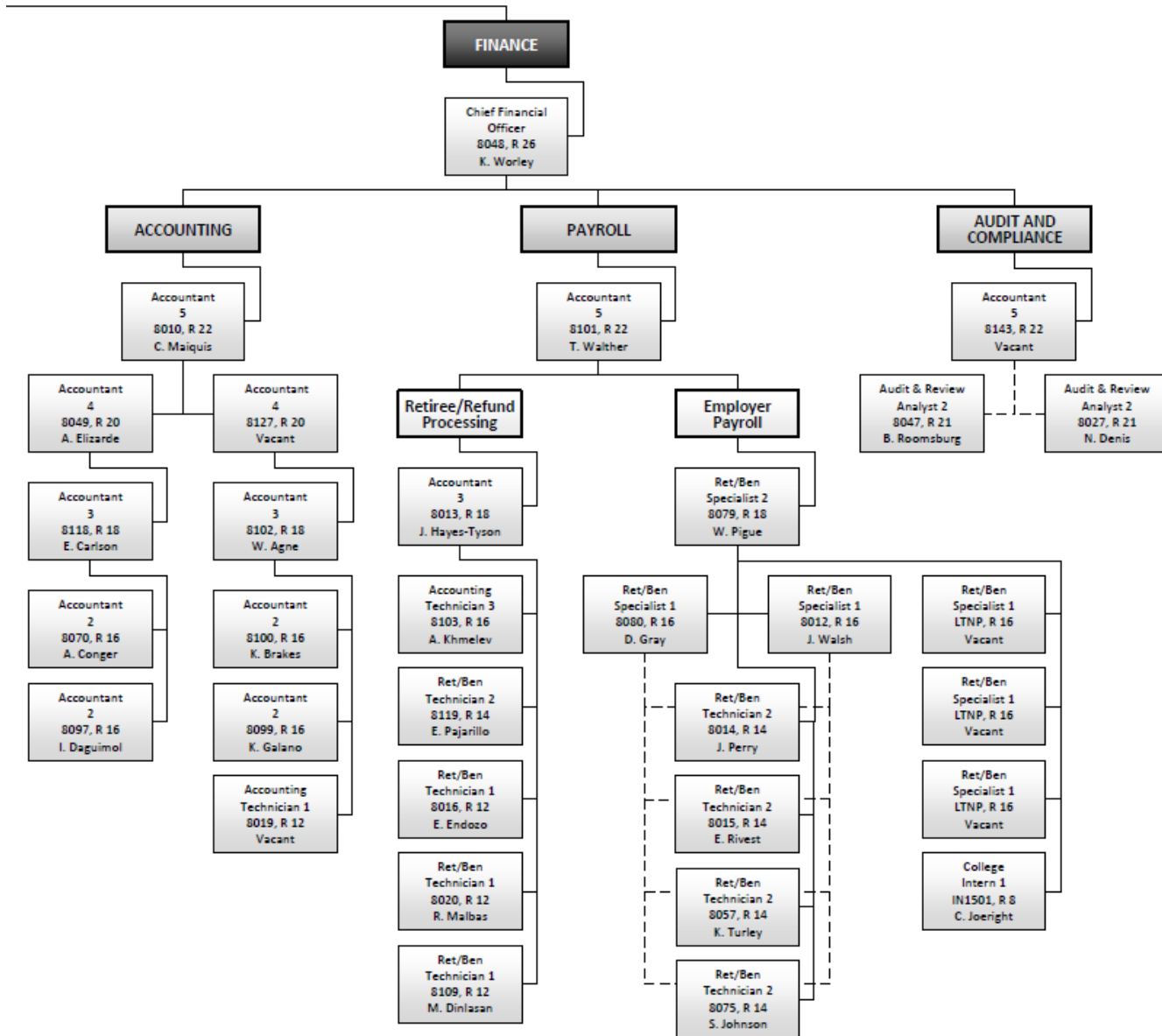
# DEPARTMENT OF ADMINISTRATION / DIVISION OF RETIREMENT AND BENEFITS



Note: All positions are located in Juneau except the Anchorage Field Office.

Rev. 5/11/2023

# DEPARTMENT OF ADMINISTRATION / DIVISION OF RETIREMENT AND BENEFITS



Note: All positions are located in Juneau except the Anchorage Field Office.

Rev. 5/11/2023





# 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, 2023

June 14, 2023





# Delivering a better audit experience drives us

With KPMG, you can expect an experience that's better for your team, your organization, and the capital markets. An experience that's built for a world that demands agility and integrity.

**We aim to deliver an exceptional client experience by focusing on:**



Quality



Experience



Productivity



Insights

**See how.** 



# Scope of the audit

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.

- 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

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



# Engagement management to fit your team

KPMG and the Division of Retirement have a joint interest in driving quality and eliminating peaks in workload, particularly in the post year end period to reduce surprises. That's why we're:



**Accelerating work and aligning on key expectations** to drive quality and an exceptional client experience



**Actively listening to your feedback** to inform our audit strategy and deliver value in the moments that matter



**Proactively communicating and coordinating** with all levels of management and those charged with governance, including updates on key milestones



# Required communications to those charged with governance

Prepared on: 5/30/2023

Presented on: 06/14/2023



# Audit plan required communications and other matters

Our audit of the financial statements of the State of Alaska Division of Retirement & Benefits (the Division) as of and for the year ended June 30, 2023 will be performed in accordance with auditing standards generally accepted in the United States of America.

Matters to communicate		Response
Role and identity of engagement partner	✓	Lead audit engagement partner is: Beth Stuart
Significant findings or issues discussed with management	X	No matters to report.
Materiality in the context of an audit	✓	Page 7
Our timeline	✓	Page 8
Risk assessment	✓	Page 9
Involvement of others	✓	Page 10
Independence	✓	Page 11
Responsibilities	✓	Page 12
Inquiries	✓	Page 13

✓ = Matters to report    X = No matters to report

# 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:

<p>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.</p>	<p>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.</p>	<p>Judgments about materiality involve both qualitative and quantitative considerations.</p>
<p>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.</p>	<p>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.</p>	<p>Judgments about the size of misstatements that will be considered material provide a basis for</p> <ol style="list-style-type: none"><li>Determining the nature and extent of risk assessment procedures;</li><li>Identifying and assessing the risks of material misstatement; and</li><li>Determining the nature, timing, and extent of further audit procedures.</li></ol>



# Our timeline

## April-May

### Planning and risk assessment

- Planning and initial risk assessment procedures, including:
  - Involvement of others
  - Identification and assessment of risks of misstatements and planned audit response for certain processes
- Obtain and update an understanding of the Division and its environment
- Inquire of those charged with governance, management and others within the Division about risks of material misstatement
- Evaluate design and implementation (D&I) of entity level controls and process level controls for certain processes
- Perform process walkthroughs and identification of process risk points for certain processes

## June – August

### Interim

- Ongoing risk assessment procedures, including:
  - Identification and assessment of risks of misstatements and planned audit response for remaining processes
- Communicate audit plan
- Identify IT applications and environments
- Perform process walkthroughs and identification of process risk points for remaining processes
- Evaluate D&I of process level controls for remaining processes
- Perform interim substantive audit procedures

## September - October

### Year-end

- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Present audit results to those charged with governance and perform required communications
- Perform site visits
- Obtain written representations from management of the Treasury Division
- Issue audit opinion over the invested assets held by the Alaska Retirement Management Board
- Coordinate specialist involvement for all financial statements

## November – December

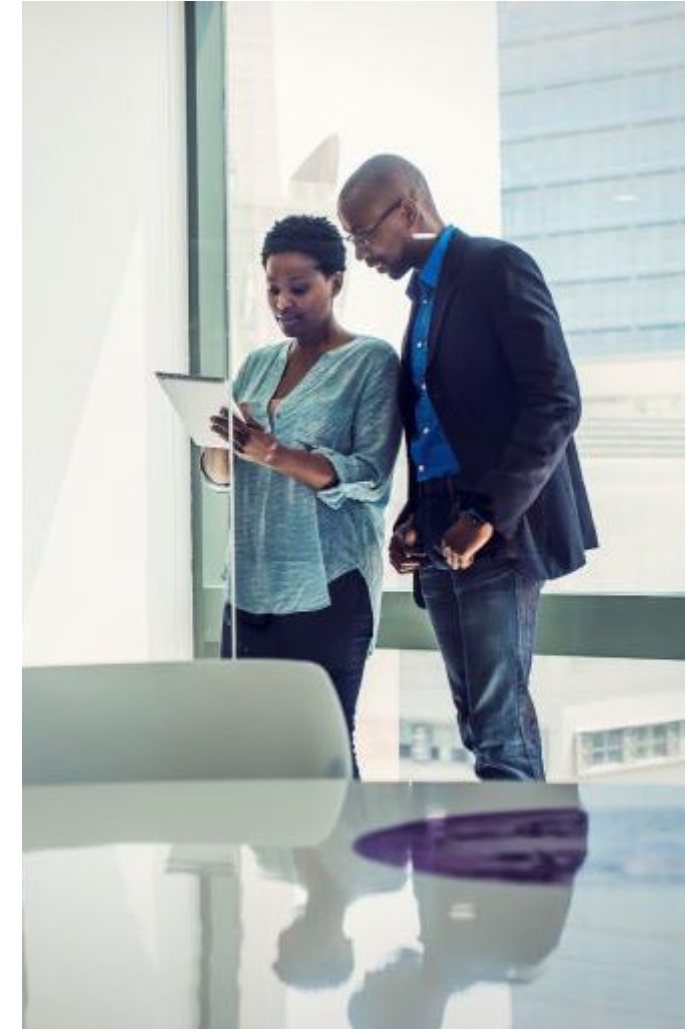
- Present audit results to the Audit Committee and perform required communications
- Perform substantive audit procedures over the Schedule of Allocation reports for GASB 68 and 75.
- Review disclosures to the Schedules of Allocations
- Involve our GASB specialist and actuarial specialist to review the Schedules of Allocations
- Issue audit reports on the Schedule of Allocations

**Filing date: Issue audit reports on financial statements.**

# Risk assessment

Significant risk	Susceptibility to:	
	Error	Fraud
<p><b>Management override of controls</b></p> <p>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.</p>		Yes

Other significant audit matters	Relevant factors affecting our risk assessment
<b>Valuation of private market investments</b>	<ul style="list-style-type: none"> <li>-Complexity of private market investment valuations</li> <li>-Size of the private market investment portfolio</li> <li>-Timing of the valuation received</li> </ul>
<b>Valuation of the net pension and net other postemployment benefit liabilities</b>	<ul style="list-style-type: none"> <li>-Complexity of the estimation process</li> <li>-Size of the account</li> </ul>
<b>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</b>	<ul style="list-style-type: none"> <li>-Complexity of the estimation process</li> <li>-Size of the account</li> </ul>



# Involvement of others

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



# 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 officers or directors with the ability to affect decision-making, individuals who are beneficial owners with significant influence over the Company, 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

## 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



# Questions?

Beth Stuart  
Audit Partner  
emstuart@kpmg.com

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](http://www.kpmg.com/ACI)

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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**

**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 TBD, 2023 (Videoconference)**

1. DRB Financial Statements



**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

**State of Alaska**  
**ALASKA RETIREMENT MANAGEMENT BOARD**  
**AUDIT COMMITTEE CALENDAR**

**Proposed Schedule of 2024 Meetings**

**March 5, 2024 (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 11, 2024 (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 17, 2024 (TBD/ 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, 2024 (Videoconference)**

1. DRB Financial Statements

**December 3, 2024 (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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