



# ALASKA RETIREMENT MANAGEMENT BOARD

Audit Committee  
Meeting

June 11, 2024

State of Alaska  
**ALASKA RETIREMENT MANAGEMENT BOARD**

AUDIT COMMITTEE MEETING

**June 11, 2024 – 9:00 AM**

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

Videoconference: <a href="#">Join the meeting now</a> Meeting ID: 245 181 744 563 Passcode: dpZy3y	Teleconference: Call-In #: 1-907-202-7104 Code: 216 821 463#
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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 5, 2024**~~ *deferred to 9/17/2024 meeting*
- 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**  
*Kiera Kelly, Accountant V, Treasury Division*  
*Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits*
  - B. Audit Section Report**  
*Christopher Novell, Accountant V, Compliance 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**  
*Kiera Kelly, Accountant V, 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 Managing Director, KPMG*  
*Kiera Kelly, Accountant V, 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. 2024 Audit Committee Meeting Calendar
    - 2. 2025 DRAFT Audit Committee Meeting Calendar
  - B. Agenda Items**
  - C. Requests / Follow-Ups**
- XI. Other Matters to Properly Come Before the Committee**
- XII. Public / Members Comments**  
*(Three Minute Limit. Callers may need to select \*6 to unmute.)*
- XIII. Adjournment**

# Division of Retirement & Benefits

## Timeline for June 30, 2024 Audits - Financial Statements Annual Comprehensive Financial Reports Other Audited Schedules

Item #	Day	June 30, 2024 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, 2024</b>						
					KPMG / DRB / DOR	DRB and Treasury meet with Auditors to discuss upcoming audit season.
	Friday	June 7, 2024			DRB	Internal staff meeting to discuss audit timelines.
	Friday	June 14, 2024			KPMG	Auditors discuss upcoming audit plan / scope / schedule with ARMB Audit Committee.
	Friday	June 28, 2024			DRB	Notification to employers of upcoming census data audits and important dates.
	Friday	June 28, 2024			DRB	Audit process memos to be reviewed / updated by DRB.
	Sunday	June 30, 2024			DRB / DOR	End of fiscal year.
	Monday	July 15, 2024			DRB	Provide all claims detail for fiscal year to Auditors.
	Monday	July 15, 2024			DRB	Provide all distribution, retiree warrant, premium details, and contribution (JRS, SBS and DCP) details through end of fiscal year.
	Monday	July 15, 2024			DRB	Cut-off procedures on revenue collections.
	Monday	July 22, 2024			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.
	Thursday	August 1, 2024			KPMG	Auditors to begin communications with employers regarding census data audit requirements.
	Monday	August 5, 2024			KPMG / DRB	Provide health claims testwork list to DRB.
	Wednesday	August 7, 2024			KPMG / DRB	Auditors begin interim fieldwork.
	Friday	August 9, 2024			DRB	Provide health claims testwork list to all third party administrators; all vendors will provide data via file upload.
	Friday	August 9, 2024			DRB	Request from Segal IBNR amounts for all health plans.

# Division of Retirement & Benefits

## Timeline for June 30, 2024 Audits -

### Financial Statements

### Annual Comprehensive Financial Reports

### Other Audited Schedules

Item #	Day	June 30, 2024 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
	Thursday	August 15, 2024			KPMG	Auditors will begin remote audit of employer census details.
	Thursday	August 15, 2024			KPMG	Auditors scheduled to make selections and will communicate with employer to setup remote audits.
	Tuesday	August 20, 2024			DRB	Provide PERS and TRS contribution detail to Auditors.
	Monday	August 26, 2024			Segal	Provide IBNR amounts for all health plans.
	Saturday	August 31, 2024			KPMG / DRB	Auditors complete interim fieldwork.
	Saturday	August 31, 2024			DRB / DOR	End of re-appropriation period.
	Sunday	September 1, 2024			DRB	Obtain first version of trial balances for all plans / funds for audit workpapers and prepare audit binders.
	Wednesday	September 4, 2024			KPMG	Employer census details due to Auditors.
	Wednesday	September 4, 2024			DRB	Provide Actuarial Valuation data files for all plans to Auditors for audit testwork.
	Friday	September 6, 2024			DRB	Complete audit workpapers and review for all plans / funds.
	Friday	September 6, 2024			KPMG	Auditors begin audit fieldwork.
	Friday	September 6, 2024			DRB / DOR	Obtain copies of DRAFT pension system invested assets financial statements from Treasury.
	Friday	September 6, 2024			Division of Finance	Provide last of cash wash and due to / due from transactions for all funds.
	Tuesday	September 10, 2024			DRB	Provide all journal entries to Division of Finance.
	Friday	September 13, 2024			DRB / Buck	Provide all preliminary financial statements to Buck for computation of GASB 67 / 74 plans Net Pension & Net OPEB liabilities for footnote disclosure.
	Tuesday	September 17, 2024			KPMG / DOR	Auditors meet with Audit Committee and ARMB to review audit of pension system invested assets (Treasury).
	Friday	September 20, 2024			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).

## Division of Retirement & Benefits Timeline for June 30, 2024 Audits - Financial Statements Annual Comprehensive Financial Reports Other Audited Schedules

Item #	Day	June 30, 2024 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
	Friday	September 27, 2024			Buck	Provide GASB 67 / 74 plans Net Pension & OPEB liabilities for footnote disclosure to DRB / Auditors.
	Monday	September 30, 2024			DRB	Deliver complete DRAFT financial statements for all plans / funds to Auditors.
	Monday	September 30, 2024			KPMG	Auditors complete audit fieldwork.
	Monday	September 30, 2024			DRB	Provide DRAFT of audited financial statements to Division of Finance for State ACFR.
	Monday	October 7, 2024			DRB	Apply for the Public Pension Coordinating Council awards for Funding and Administration.
	Wednesday	October 2, 2024			KPMG	DRAFT of audited financial statements received from Auditors for review and final comment.
	Friday	October 4, 2024			KPMG / DRB	Provide all financial statements to Audit Committee for review.
	Friday	October 11, 2024			KPMG / DRB / Audit Committee	<b>PROPOSED</b> - Audit Committee teleconference to discuss and obtain approval of DRAFT financial statements.
	Friday	October 11, 2024			KPMG / DRB	Finalize Audit Committee comments, Auditors reviewer comments, DRB final review comments, and insert into audited financial statements.
	Tuesday	October 15, 2024			KPMG / DRB	FINAL audited financial statements provided by Auditors. Copies provided to DOF and Division of Legislative Audit (DLA). Need PDF & Word Version.
	Tuesday	October 15, 2024			KPMG / DRB	Provide FINAL audited financial statements to DOF, DOR, Buck, and Legislative Audit.
	Tuesday	October 22, 2024			DRB	Audited financial statements posted to Division's website.
	Wednesday	November 6, 2024			KPMG / DRB	All letters for management and ARMB are provided by Auditors. Copies provided to DOF and DLA.

# Division of Retirement & Benefits

## Timeline for June 30, 2024 Audits - Financial Statements Annual Comprehensive Financial Reports Other Audited Schedules

Item #	Day	June 30, 2024 Audit / Schedules			Responsible Parties	Activity
		Target Deadline	Revised Deadline	Date Completed		
<b>PERS and TRS ACFRs as of June 30, 2024</b>						
	Friday	June 28, 2024			Buck / DRB	Obtain from consulting actuary FINAL June 30, 2023 actuarial valuation reports to prepare "Actuarial Section" information for PERS and TRS ACFRs.
	Friday	August 23, 2024			DRB / DOR	Treasury Division provides requested "Investment Section" information for PERS and TRS ACFRs.
	Wednesday	November 13, 2024			KPMG / DRB	PERS and TRS draft ACFRs are provided to Auditors and Commissioner's Office for review.
	Wednesday	November 20, 2024			KPMG / DRB	Final comments from Auditors on PERS and TRS ACFRs.
	Wednesday	November 20, 2024			DOA / DRB	Final comments from Commissioner's office on PERS and TRS ACFRs.
	Wednesday	December 4, 2024			KPMG / DRB	Auditors provide approval to finalize PERS and TRS ACFRs, provide updated audit opinion letter.
	Wednesday / Thursday	December 3 - 4, 2024			KPMG / DRB	"Report of Audit Results" presentation to the Audit Committee and ARMB.
	Monday	December 9, 2024			DRB	PERS and TRS ACFRs available for distribution to recipients by December 27.
	Wednesday	December 11, 2024			DRB	PERS and TRS ACFRs finalized and prepared for printing.
	Monday	December 23, 2024			DRB	PERS and TRS ACFRs are submitted to GFOA for inclusion in the Certificate of Achievement for Excellence in Financial Report program.
	Monday	December 30, 2024			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, 2024 Audits -  
Financial Statements  
Annual Comprehensive Financial Reports  
Other Audited Schedules**

Item #	Day	June 30, 2024 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, 2024</b>						
A	Monday	October 7, 2024			DRB	GASB 68 / 75 PERS & TRS Pension / OPEB data to Buck - FY 2024 employer contributions.
B	Friday	November 1, 2024			Buck	GASB 68 / 75 reports to DRB & Auditors
C	Friday	November 15, 2024			Buck / KPMG / DRB	Complete field work of GASB 68 / 75 PERS & TRS schedules
D	Friday	November 15, 2024			KPMG / DRB	Complete FINAL DRAFT GASB 68 / 75 reports to Audit Committee
E	Tuesday	December 3, 2024			DRB	Discuss FINAL DRAFT GASB 68 / 75 schedules with Audit Committee
F	Friday	December 6, 2024			Buck / KPMG / DRB	Complete any GASB 68 / 75 updates from Audit Committee discussion; complete review and sign off for final presentation.
G	Friday	December 20, 2024			KPMG / DRB	FINAL June 30, 2024 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 11, 2024

#### Audit Unit Report

This report contains information on work performed through May 27, 2024, by the Division of Retirement and Benefit Audit Unit. The Audit Unit is a team of three under the supervision of the Chief Financial Officer. The daily activities of the Audit Unit are overseen by Christopher Novell, Accountant V and Compliance Officer. Brandon Roomsburg and Nimeri Denis serve as Audit and Review Analysts.

#### A. Audit Unit Overview

The Audit Unit audits the employers in PERS and TRS for compliance with state statutes, regulations, and federal code. Per the DRB audited financial statements for State Fiscal Year (SFY) 2023, there were 151 PERS employers and 57 TRS employers with employer contributions totaling \$698.3 million. Employer contributions through the third quarter of SFY 2024 totaled \$503.3 million.

The Audit Unit also audits for Supplemental Benefits System and Deferred Compensation Plan 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 2024	02	02
CY 2023	05	04
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 and SFY 2024**

Six (6) audits have been completed to date. Three (3) commenced in SFY 2023 or earlier, and Three (3) commenced in SFY 2024.

Seven (7) audits commenced in SFY 2023 and SFY2024 are in progress. All audits completed and in progress are via desk.

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

Highlighted (Purple) = Completed

Highlighted (Green) = In Process

**D. Common Employer Audit Issues to Date**

- Enrollment in TRS before obtaining a Teaching Certificate.
- Including travel payments within PERS reportable wages.
- Receiving timely audit information and documentation from employers.

## **E. Process Improvements**

- Partnership with the Department of Education and Early Development (DEED) to ensure teacher certification statutes are understood and applied by the TRS system employers.

DEED has granted the Division's Audit access to the teacher certification database. The Division's Audit and Active Payroll Units have been in contact with DEED's teacher certification specialist and have been developing a solid foundation on certification provisions. DEED and DRB are partnering to develop some teacher certification training materials to present to employers.

- Thirty (30) day contact deadline for audit findings with the final audit report.

In response to audit findings and subsequent recommendations for corrective actions, the audited entity is required to contact the Division's Regional Counselor or the Audit Unit within 30 days of receipt of the final audit report. The Audit Unit will follow up with the entity and/or the counseling team to ensure contact has been made within this timeframe. This will ensure recommendations are not left unattended until they are discovered in the next audit which is likely to be several years in the future.

## **F. Other Duties Performed by Audit Unit**

The Audit Unit is the home of the State Social Security Administrator (SSSA). Christopher Novell and Brandon Roomsburg both serve as SSSA's for Alaska. The SSSA is there for employers to help and answer any questions relating to their participation status in Social Security. The SSSA website is located at [drb.alaska.gov/employer/ssa.html](http://drb.alaska.gov/employer/ssa.html)

Furthermore, both SSSAs participate in committees within the National Conference of State Social Security Administrators (NCSSSA) and will be attending the NCSSSA Conference in September 2024.

# Division of Retirement & Benefits

## Alaska Retirement Management Board

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### Audit Committee

June 11, 2024

#### 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 Thursday, May 23, 2024:

1. Hydaburg City SD – last reported PPE date October 15, 2022
2. City of Thorne Bay – last reported PPE date March 23, 2024
3. Yukon Flats SD – last reported PPE date October 15, 2023
4. Bristol Bay Housing Authority – last reported PPE date December 10, 2023
5. City of Atka – last reported PPE date February 29, 2024
6. City of Toksook Bay – last reported PPE date March 20, 2024
7. City of Aniak – last reported PPE date April 6, 2024

TRS employers are delinquent reporting as of Thursday, May 23, 2024:

1. Yukon / Koyukuk SD – last reported PPE date February 29, 2024

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

1. City of Allakaket – amounts due starting FY 2016 estimate of \$16,250
2. City of Nenana – amounts due starting FY 2014 estimate of \$356,500
3. City of Noorvik – amounts due starting FY 2009 estimate of \$915,000
4. City of St. George – amounts due starting FY 2009 estimate of \$503,500
5. City of Tanana – amounts due starting FY 2015 estimate of \$238,500
6. City of Saxman – amounts due starting FY 2023 estimate of \$11,000
7. Saxman Seaport – amounts due starting FY 2023 estimate of \$6,500



MEMORANDUM

TO: ARMB Audit Committee  
FROM: Keira Kelly, Asset Accounting Manager *kek*  
DATE: May 30, 2024  
RE: State Street Bank and NRS SOC1 Reporting

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

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

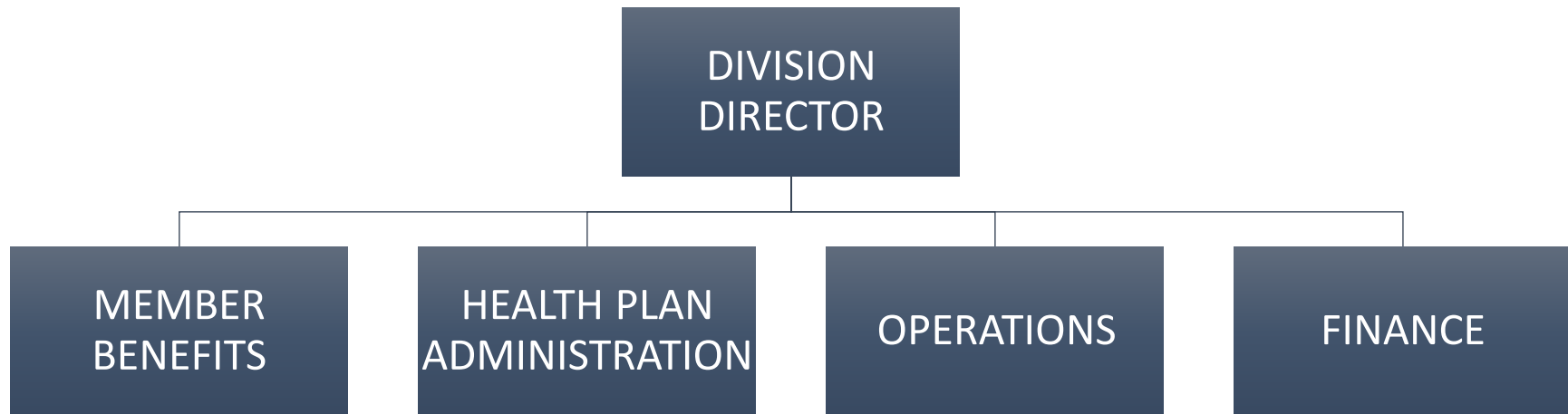
State Street has two SOC 1 reports; one report covers operational control objectives and a second report covers IT control objectives. Each is issued semiannually for the one year ended September 30<sup>th</sup> and March 31<sup>st</sup>. We continue to receive and review these as they are issued. The March 31, 2024, reports were reviewed with State Street staff on May 23, 2024. E&Y's unmodified opinions state that State Street's description presents fairly, in all material respects, State Street's control systems, that the controls related to the Control Objectives were suitably designed to provide reasonable assurance that the Control Objectives would be achieved if the controls operated effectively throughout the period and if sub-service organizations and user entities applied the complementary controls assumed in the design of State Street's controls throughout the period. None of the exceptions noted by E&Y were material.

ARMB staff also continues to receive and review the annual SOC 1 report of NRS. The most recently received and reviewed report was for the year ended December 31, 2023. Berry Dunn issued an unmodified opinion in the report and noted no relevant deviations in its testing. Both State Street and NRS will confirm the consistency of internal controls through the ARMB fiscal year end of June 30 to staff and its auditors.

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

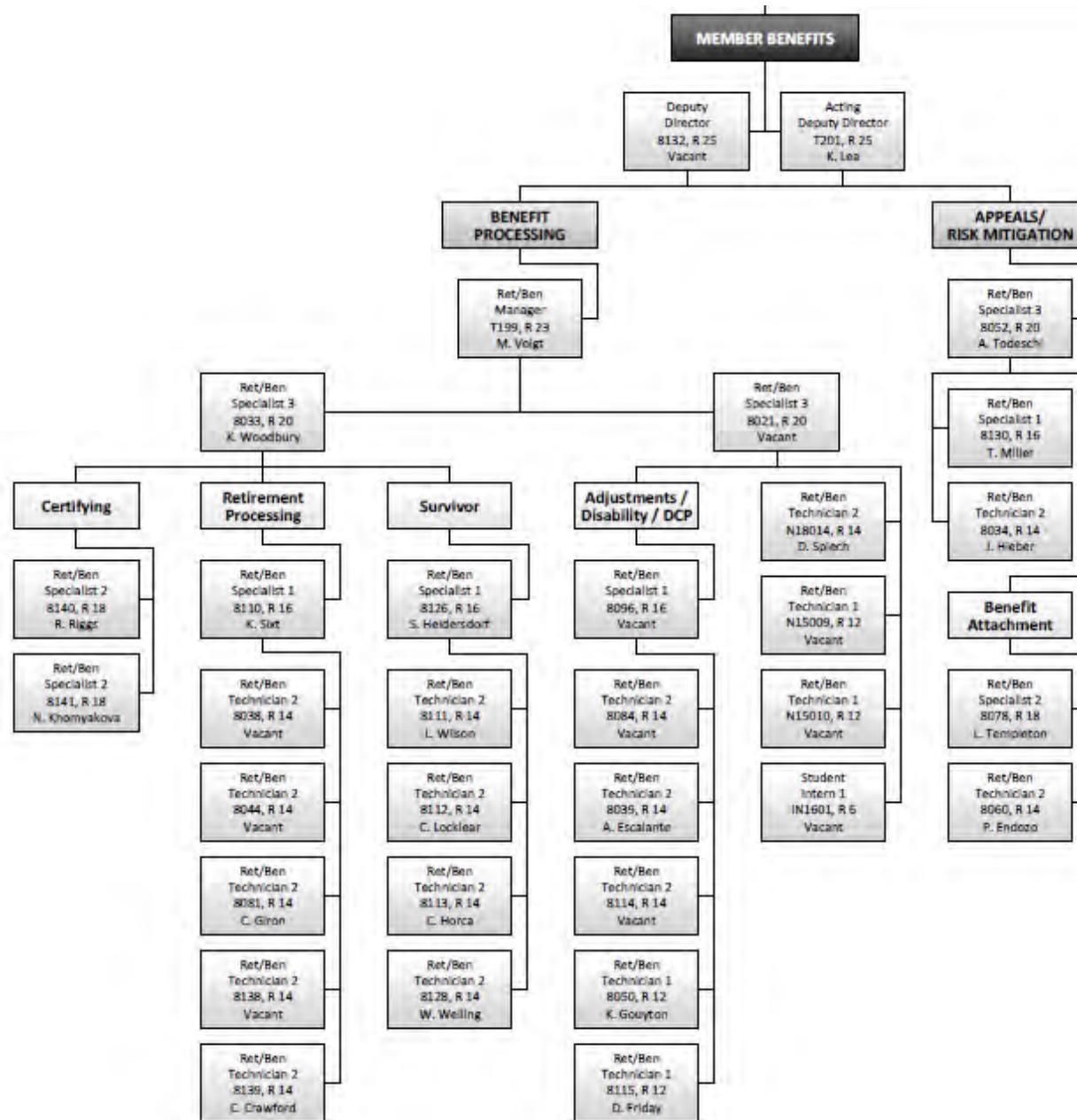


DEPARTMENT OF ADMINISTRATION/ DIVISION OF RETIREMENT AND BENEFITS



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

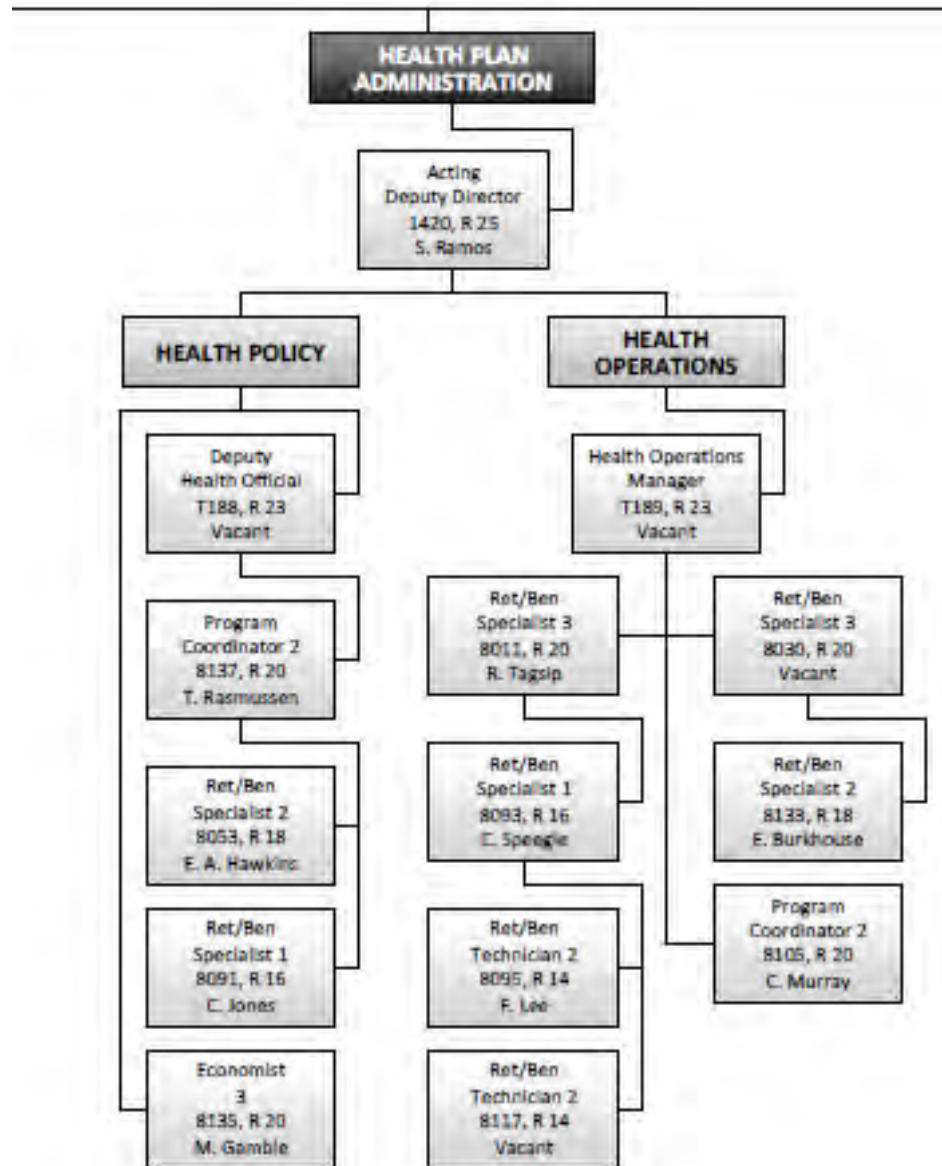
# DEPARTMENT OF ADMINISTRATION / DIVISION OF RETIREMENT AND BENEFITS



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



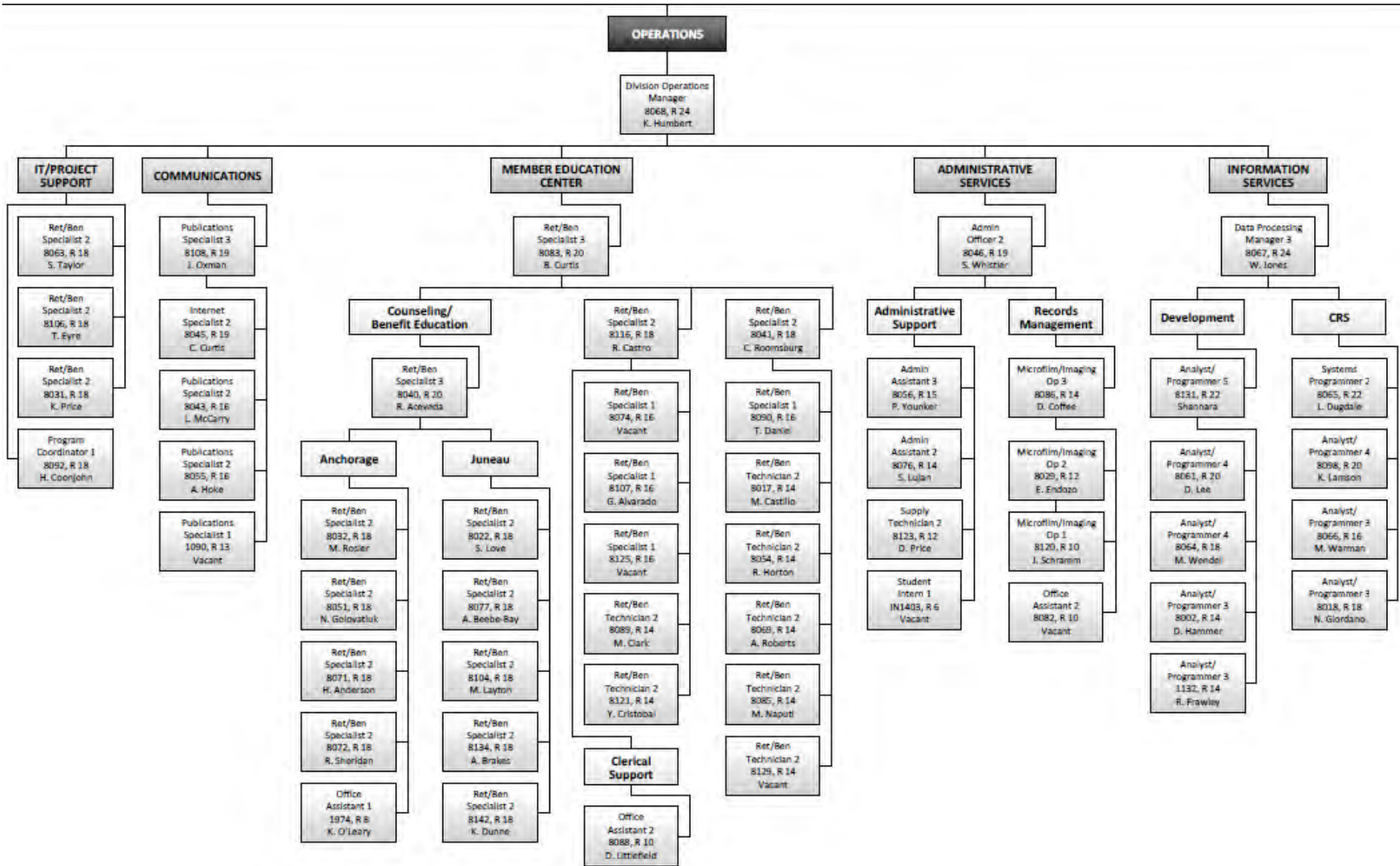
DEPARTMENT OF ADMINISTRATION / DIVISION OF RETIREMENT AND BENEFITS



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

Rev. 4/18/2024

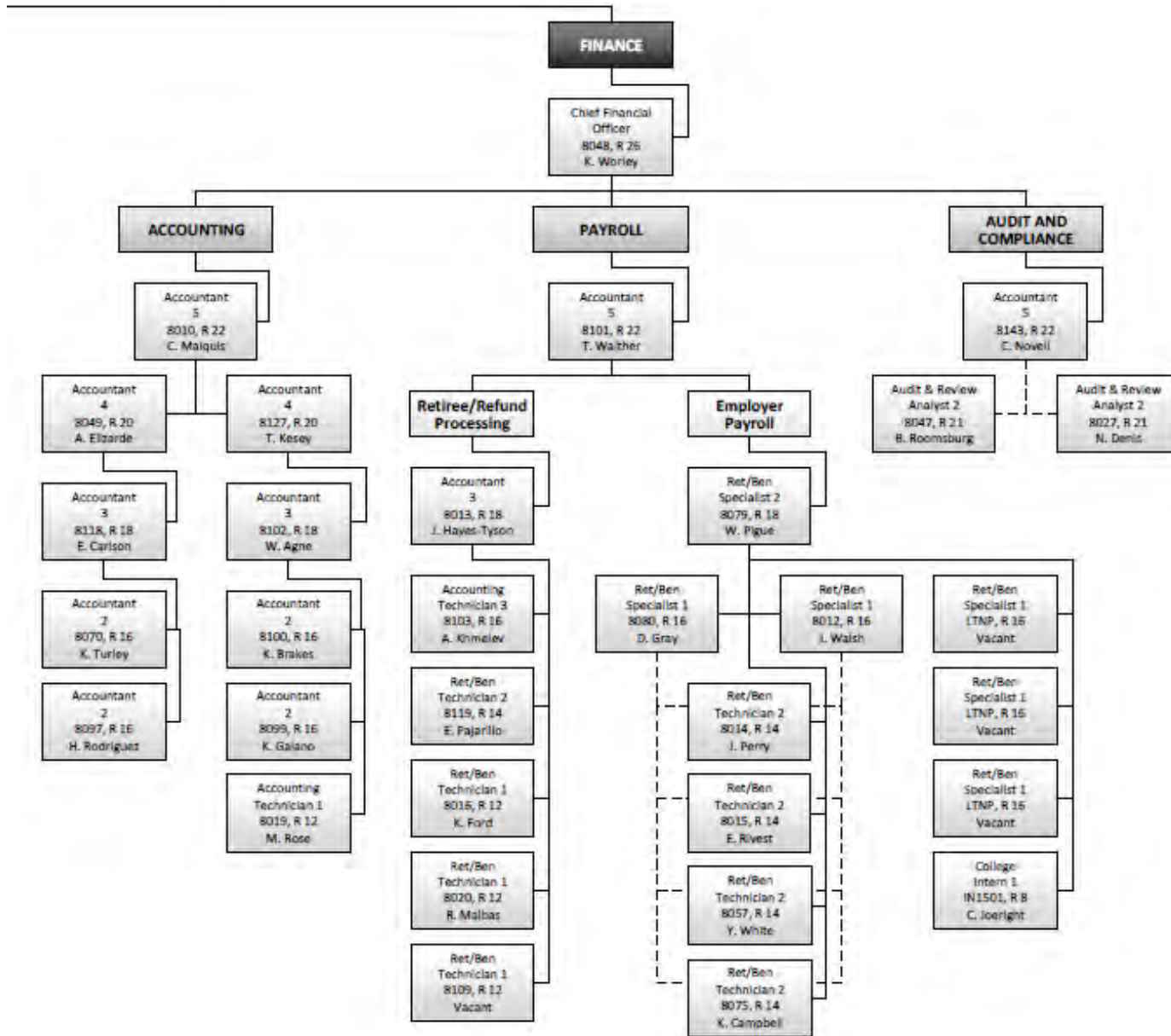
# DEPARTMENT OF ADMINISTRATION / DIVISION OF RETIREMENT AND BENEFITS



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Rev. 4/18/2024

# DEPARTMENT OF ADMINISTRATION / DIVISION OF RETIREMENT AND BENEFITS



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

Rev. 4/18/2024



# 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, 2024

June 11, 2024





# 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

# 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
- Supplement Benefits System
- Schedule of Employer Allocations prescribed by GASB 68 for each defined benefit other postemployment benefit (OPEB) 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 of the effectiveness of ICFR





# Required communications to those charged with governance

**Prepared on: May 8, 2024**

**Presented on: June 11, 2024**



# 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, 2024 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 matter to report.
Materiality in the context of an audit	✓	Page 7
Our timeline	✓	Page 8
Risk assessment: Significant risks	✓	Page 9
Involvement of others	✓	Page 10
Shared responsibilities: Independence	✓	Page 11
Responsibilities	✓	Page 12
Inquiries	✓	Page 13
Positioning audit committees for the future: 10 areas of focus	✓	Page 14
US Audit Quality, Transparency and Impact reports	✓	Page 15

✓ = 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 Company 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 of the Schedules of Allocations
- Involve GASB specialist and actuarial specialist to review the Schedules of Allocations
- Issue audit reports on the Schedule of Allocations

**October 15, 2024: 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 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

# Positioning audit committees for the future: 10 areas of focus

1

**Financial reporting and related expertise:** Stay focused on financial reporting and related internal control risks—job number one.

2

**Risk oversight:** Continue to assess the risk oversight responsibilities assigned to the audit committee.

3

**ESG risk and disclosures:** Clarify the role of the audit committee in overseeing the company's climate and other ESG risks.

4

**Talent in the finance organization:** Focus on whether finance has the talent and skill sets to meet the evolving reporting and IT landscape.

5

**Audit quality:** Reinforce the importance of audit quality and set clear expectations.

6

**Internal audit's value:** Make sure internal audit is focused on the company's key risks.

7

**Transparency:** Insist on transparency among the board/audit committee, management, and auditors.

8

**Compliance and culture:** Closely monitor the tone at the top, culture, and behaviors.

9

**Critical alignments:** Help maintain alignment of culture, purpose, strategy, goals, risks, compliance, controls, incentives, performance metrics, and people.

10

**Audit committee focus and effectiveness:** Make the most of the committee's time together.

See the full report at <https://boardleadership.kpmg.us/>



# US Audit Quality, Transparency and Impact reports



- Interactive dashboard highlights key quality metrics
- Details KPMG's investment in our audit approach, people, technology, quality management system and the future of audit

## Audit Quality Report



- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's System of Quality Control
- Discusses how the firm aligns with the requirements and intent of applicable professional standards including our System of Quality Control Statement of Effectiveness.

## Transparency Report



- Provides annual update on our progress on meeting goals aligned to People, Planet, Prosperity, and Governance
- Our goals reflect a materiality assessment and our aspiration to be an employer of choice

## KPMG Impact Plan

In addition to this report, we are providing you with our Transparency Report Supplement: Assisting audit committees in meeting NYSE rules on auditor communications Reports and supplements available at: [audit.kpmg.us/auditquality](https://audit.kpmg.us/auditquality)



# Questions?

**Melissa Beedle**

**Audit Managing Director**

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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**

**Remaining Meetings - 2024**

**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 (Fairbanks/ 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.
  - 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

## Audit Committee

### PROPOSED SCHEDULE OF 2025 MEETINGS

#### **March 11, 2025 (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 10, 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 16, 2025 (Fairbanks/ 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, 2025 (Videoconference)**

1. DRB Financial Statements

#### **December 2, 2024 (Anchorage/ Videoconference)**

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



6. "Back Office" compliance review programs.
7. Investment staff programs and procedures on real estate and alternative investment valuation monitoring and checks.
8. Annual Presentation
9. Audit Committee training on special topics