

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE TELECONFERENCE MEETING

Treasury Conference Room, State Office Building
333 Willoughby Avenue
Juneau, Alaska

November 14, 2016

ATTENDANCE

Committee Present: Rob Johnson, *chair (on-line)*
Kristen Erchinger (*on-line*)
Gayle Harbo (*on-line*)

Committee Absent: None

Department of Revenue Staff Present:

Judy Hall (board liaison)

Department of Administration Staff Present:

Kevin Worley (chief finance officer, Retirement & Benefits Division) (*on-line*)

Others Present:

Daniel Mitchell (KPMG) (*on-line*)

Melissa Beedle (KPMG) (*on-line*)

Allie Gold (KPMG) (*on-line*)

Robert Lawson (KPMG) (*on-line*)

CALL TO ORDER

CHAIR JOHNSON called the teleconference meeting to order at 2:00 p.m.

ROLL CALL

All three committee members were present via telephone to form a quorum.

PUBLIC MEETING NOTICE

MS. HALL confirmed that appropriate public meeting notice had been given.

APPROVAL OF AGENDA

MS. ERCHINGER moved to approve the agenda, and MS. HARBO seconded. The agenda was approved without objection.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

There was no one who wished to address the committee. MS. HALL informed the Chair that there were no members of the public present at the meeting location.

REPORTS

A. Review of Draft Financial Statements:

CHAIR JOHNSON invited KEVIN WORLEY, chief financial officer for the Division of Retirement and Benefits in the Department of Administration, to present the draft financial statements for the following retirement systems:

1. Public Employees' Retirement System (PERS)
2. Teachers' Retirement System (TRS)
3. Judicial Retirement System (JRS)
4. National Guard and Naval Militia Retirement System (NGNMRS)
5. Supplemental Benefits System (SBS)
6. Deferred Compensation Plan

MR. WORLEY said he and the independent auditors present on-line would be addressing the key items in the e-mail comments sent in by Chair Johnson and Trustee Harbo, as well as questions raised at this meeting.

MR. WORLEY then moved on to an update on the GASB 68 net pension liability allocation report.

B. Update on GASB 68

MR. WORLEY said the Division issued the June 30, 2015 GASB 68 report, which is the allocation of the net pension liability. That went out to all participating PERS and TRS employers approximately three weeks ago. Staff has already begun working with KPMG and Buck Consultants on the allocation of the June 30, 2016 net pension liability numbers. Those schedules will not be final until these financial statements are done, and KPMG has audited the schedules. The Division anticipates the final draft of the allocation report will be available for the March 2017 Audit Committee meeting, and will be ready to issue shortly thereafter.

CHAIR JOHNSON asked if the Alaska Retirement Management Board (ARMB) had any participation in the underlying numbers used for developing the June 30, 2015 GASB 68 report, or if the Board *should* have any participation.

MR. WORLEY replied that the one of the questions the Division has had from participating employers is that the GASB 68 allocation of the net pension liability does not follow along an agreement that they say was reached in 2008 when PERS went to a cost-share plan. That is not the intent of this allocation: the allocation is a way to standardize across the United States the cost share plans, in terms of reporting their allocated share of the pension liability. For this go-round, the State is adding in the OPEB (Other Post-Employment Benefits) stuff in a couple of years. The intent was to put everybody on the same type of methodology. He did not think there was a committee recommendation regarding how to allocate the net pension liability. GASB guidance recommends

two types of methods. The method used two years ago was the actual contributions made by employers, where the percentages were developed for each of those actual contributions and then applied to the net pension liability so the Division could develop allocation numbers for each employer. With the \$3 billion infusion that the state legislature appropriated – \$1 billion to PERS and \$2 billion to TRS – the historical contributions methodology did not work. It created too wide a swing in the pension liability that employers had to report on their financial statements. This was discussed at the last committee meeting. Buck Consultants were then asked to develop the contributions for future funding through the year 2039 and then present-value those back. That is called the actuarial methodology, which is the preferred method in the AICPA's white paper series for allocation of net pension liabilities. The 2015 allocation report just issued used the actuarial method, which made the most sense. It required quite a bit of work by Buck Consultants to calculate 22 years' worth of contributions that are present-valued back, and a lot of work on the part of KPMG. The Division will continue to use the actuarial method, and internally they will look at what the actual contribution method would do. The Audit Committee should be aware of the methodology that is being used to develop the allocation schedule, as should the participating employers.

A. Review of Draft Financial Statements (continued):

Reporting on the status of the draft financial statements, MR. WORLEY said there is one major item that affects the National Guard and Naval Militia Retirement System (NGNMRS), and one major item that affects the health plans.

MR. WORLEY said there is a contract with Aetna, HealthSmart, etc. for administering the health plans. In terms of the health claims testing that KPMG needs to do in order to issue an audit opinion on the health plans, the Division requests information from the third-party administrators (TPAs) in order for KPMG to audit them. The response time in getting those health claims has been slow, and the Division is not even getting all the data it has requested. The Division is working internally, and with Aetna, to get that information, but it has set things back about three to four weeks. Staff has talked to KPMG about another way to get the health claims test work done on site at Aetna's processing center next year, as opposed to Aetna transferring the data to the State first. Once that information is available from the TPAs to KPMG, the auditors will get right on it, but currently that is the hold-up on the financial statements for PERS, TRS, JRS (and two health funds that are not presented to the Audit Committee – the group health for the active plan and the retiree health plan).

CHAIR JOHNSON inquired if this delay in providing data had any relationship to Buck's use of proxy data rather than actual data, as they presented their actuarial projections.

MR. WORLEY replied that it was an apples-and-oranges comparison. The data needed for audit purposes is claims for specific members that the TPAs have already paid, and KPMG verifying the medical documentation.

DANIEL MITCHELL, KPMG's lead engagement partner on the independent audit, commented that the bottleneck is on Aetna's ability to accept and process the data requests in a timely fashion. The requests were submitted a couple of months ago.

MR. WORLEY stated that the second item causing delay has to do with the National Guard. During the course of the audit, a question was brought up about lump-sum payments that were made to members during fiscal year 2016. Part of the process involves the auditors looking at samples of lump-sum payments and then recalculating those lump-sum payments. It was brought to DRB's attention that a couple of computations did not look right. DRB, in the process of reviewing the payments, discovered that one of the present value tables that was used to calculate lump-sum payments did not appear to be correct. The table was showing a 9% earnings rate, but the statute says the rate should be actuarially determined. Right now, the National Guard plan in the valuation report is scheduled to earn 7%. So, a 9% present value is under-paying a National Guard member their lump-sum payment. The Division is looking at that right now, in conjunction with the Department of Law and Ice Miller (DRB's tax counsel), because the statutes are real clear as to what that present value should be tied to. They realize there is probably a practice out there that states it should be at the rate of return in the actuarial valuation. But the Division is going to Ice Miller to find out if there is a specific rule or guidance that it has to follow on a rate-of-return assumption or if the Division is not bound by that particular rate of return. In the meantime, DRB is still doing the recalculations to see what the impact is to the plan. If DRB goes forward with what the Division's chief pension officer is calling an error, it could result in payments totaling as high as a million dollars, including interest. It would be going back to 2008, which is when the rate was changed.

CHAIR JOHNSON asked what the source of funds would be, if an error of that order turns out to be accurate.

MR. WORLEY said the money would come out of the trust fund because those are payments that should have been paid out of the trust fund. The interest component would also have to come out of the trust fund.

MR. MITCHELL said the other piece is Buck's consideration of this revised data on their IBNR (incurred but not reported) obligation calculation.

MS. ERCHINGER asked how many members this recalculation affects.

MR. WORLEY replied that the Division does about 100 lump-sum payments a year, so the total number could be about 800.

CHAIR JOHNSON commented that neither of the two points that Mr. Worley raised as being issues that need to be resolved were directly addressed in the independent auditor's report. He asked if they would be exceptions to an otherwise clean bill of health.

MR. MITCHELL responded that he hoped KPMG did not find any exceptions once they receive the Aetna health claims data that has been requested, bearing in mind that these are draft audit opinions for review at this point. He did not expect the unmodified opinion, as it stands, to change, based on KPMG being able to successfully audit the Aetna data once received. With respect to the potential incorrect calculations for the National Guard lump-sum payments, the issue could take a couple of different forms. One is it could be deemed not to be material, and ultimately it would be a correction

of an error that has some language in the footnotes to the financial statements that are processed as part of that correction in this year. Or, if it is determined to be material to any prior periods, it could end up being a restatement of those financial statements for a material correction of an error. At this point in time, KPMG does not have any indication that that is the case, but they will be monitoring DRB's analysis. This matter does trigger KPMG's mandatory consultation in-house with their department of professional practice to ensure that it gets handled the right way.

MR. WORLEY stated that, as discussed at previous committee meetings, the State switched to a new accounting system on July 1, 2015. The Department of Administration and fund accountants have been working with the State's Division of Finance, which is the lead on the accounting system statewide. DRB was informed two to three weeks ago that the Division of Finance had found some items that needed additional time and review on their part to make sure that transactions were properly reported in the accounting system. All in all, things are recorded properly: there is just the issue of cash is cash at June 30. DRB has a cash balance as of June 30th. They run into the re-appropriation period during July and August, where payments are still being processed for fiscal year 2016, but they are in a different accounting year. During this first go-through with the new accounting system, the Division of Finance realized that the process was not the same as the prior accounting system, so they gave DRB about 45 more journal entries last week to re-do to see what the impact is on the fund. The DRB staff has been very diligent about monitoring that activity, and they probably caught about 90% of what has been provided by the Division of Finance. It will change numbers, although for PERS, TRS and JRS they do not impact the numbers since they are rounded to thousands. The financial statements that are presented to the dollar will be impacted, but it is very small dollar amounts.

MR. WORLEY said the waiting on numbers from the Division of Finance also added to pushing out the deadline for the financial statements. The State has already indicated that it will not move its statutory reporting for December 15.

MR. WORLEY stated that Mr. Mitchell is KPMG's new engagement partner on this audit, and there are some new staff. They have been very thorough in financial statement review and audit procedures. It was a great year for having new people on the audit because the State was not busy implementing any new GASB requirements, while next year everyone will have to deal with GASB 74 and GASB 75. The Division has been getting very good questions from the auditors, and has been providing some good answers back to KPMG.

MR. MITCHELL said he appreciated those comments and knew it has been challenging, especially with a new partner on the audit. He thought that fresh look, and sometimes a different perspective, was important for the Audit Committee.

MR. WORLEY next addressed the list of questions and comments that Chair Johnson has submitted by email on November 10. He asked Mr. Mitchell to explain about draft audit opinions.

MR. MITCHELL said these are draft audit opinions, so they are placeholders with what KPMG knows right now. The language is in draft form. With the exception of the lump-sum payment issue,

he did not expect any changes in the other opinions, based on their test work to date. It could very well be that there is nothing on the Military financials either.

The Chair's list of comments suggested defining "fiduciary net position" in the audit opinion. MR. MITCHELL explained that the actual audit opinion itself is pre-defined by the AICPA (American Institute of CPAs), and KPMG is not able to detract from the form of these audit opinions. So defining "fiduciary net position" does make sense in the order in which the financial statements are presented, however, the opinion is really accompanying the financial statements. The responsibility for that definition really lies within either the MD&A (Management Discussion & Analysis) or the notes for the financial statements themselves.

CHAIR JOHNSON remarked that he did not find it helpful, but he understood the auditor's position.

MR. MITCHELL said that these points are driven by the auditing standards that are developed by their regulators. Regarding item #2 in Chair Johnson's list, he said KPMG was engaged to perform an audit of the financial statements, not an audit of internal controls. The language in the opinion letter is really derived from that engagement. If KPMG were engaged to perform an audit of internal controls, the language would be quite different, and they would express an audit opinion on those internal controls over financial reporting. In situations when they have not been engaged to do that, this is the standard language that they end up providing in the internal control paragraph under auditor responsibilities.

CHAIR JOHNSON asked if an audit has been done on the internal controls, or is contemplated.

MR. WORLEY said he believed there was an internal controls audit done of the IT (information technology) a few years ago. He would look back and send the results to the committee.

CHAIR JOHNSON's response was that the language of the paragraph in the audit opinion that he had a question about triggered his follow-up question about whether internal controls were being audited anywhere else, and if it is appropriate that it should be done.

MR. MITCHELL pointed out that KPMG does consider internal control items. Certainly, they dig deeper when they find substantive test work exceptions. If they find a control is not operating effectively, and it rises to a level of what they determine is a significant deficiency or material weakness, they provide a separate letter regarding those items that goes directly to the Audit Committee.

MR. MITCHELL referred to #3 on Chair Johnson's emailed list, saying that there are two elements in the audit opinion under "other matters." There is the required supplementary information in the penultimate paragraph, and then there is supplemental schedules. He said the Chair recognized in his notes that KPMG does actually give an audit opinion over the supplemental schedules, and they are required to do so under the AICPA standards. The level of work under required supplementary information is driven by the AICPA, and there is no requirement to provide an audit opinion over the required supplementary information. That is why the language differs there and is more diluted

in the procedures that KPMG performed. They are driven by the AICPA standards and the expectations of GASB.

CHAIR JOHNSON asked Ms. Erchinger if she was comfortable with the explanations, given her hands-on experience with getting audit opinions and dealing with auditors wanting to limit their opinions.

MS. ERCHINGER said that one thing to keep in mind is that there are prescribed procedures about how the opinions are expressed, as Mr. Mitchell mentioned. Auditors do not go very far afield when they are making those opinions, which she thought was probably for the best. Entities do not want to mislead the readers of their financial statements, because once something is stated, people will immediately assume that it is super important. She was happy with the explanation that was given.

MR. MITCHELL added that if you were to line up the financial statements and look at the language of audit opinions of all the different accounting firms out there for similar type plans, assuming that everybody got an unqualified or unmodified opinion, you should not expect to see any difference in the language across the board.

MR. WORLEY stated that because the committee emails contained a lot of questions, he would respond to the group later by email on how staff is resolving something or to explain why something is the way it is.

One of the questions (item #15, Johnson list) was regarding contributions under PERS, specifically the defined benefit unfunded liability portion of the defined contribution retirement for DCR members. MR. WORLEY said there is a component of the 22%, they subtract out the employer contributions for the employer match, retiree major medical, the health reimbursement account (HRA), and occupational death and disability. For most members, there is going to be a dollar amount that is then deposited into the PERS defined benefit pension or PERS defined benefit health. There is not a separate fund for the DBUL money. When the Division processes the payments, they actually deposit the money into each respective fund. For a DCR member, money goes into their individual account at Empower, into the retiree major medical plan, the occupational death and disability plan, and the HRA plan. Then the leftover money goes in as an employer contribution to the PERS pension or the PERS retiree healthcare trust. The application is the same for the Teachers' Retirement System (TRS).

MS. HARBO asked how the Division determines what is allocated to the pension and healthcare funds.

MR. WORLEY said the Division works with the actuary to develop the percentages for both the employer contribution and the additional state contribution.

MR. WORLEY said another question was the issue of the 8% discount rate (item #21, Johnson list), which was brought forward to the Division and Buck Consultants. They had a meeting on Buck substantiating using 8% in the valuation report. That is a ARMB-adopted rate. At times, the Board and the Actuarial Committee have talked about discussing this earnings assumption further.

Currently, for PERS, TRS and JRS, the discount rate is 8%. For NGNMRS, the discount rate is 7%. The Division spent some time, with the GASB 67 disclosure, substantiating that 8% rate. Buck and the Department of Revenue provided all the necessary documents, analysis and support to support that 8% rate for the time frame of the plan.

CHAIR JOHNSON stated that the starkness of the contrast between the 8% and the 4.55% discount rate used for healthcare benefits was what jumped out at him, at least in the way it was reported. He asked why a 4.55% discount rate is used for healthcare benefit calculations. He also did not understand the distinction between healthcare benefits and medical benefits.

MR. WORLEY said he would have to go back and look at the valuation report, in order to answer that, because that is information that the Division pulls right from the valuation reports.

MR. MITCHELL said he was interested in the outcome of that research, too.

MR. WORLEY said he would respond to everybody later in the week when he returned from out of town.

MR. WORLEY next addressed the question about the payouts for the “Patient Protection and Affordable Care Act Transitional Reinsurance Program.” (items #10 & #27, Johnson list). The State has self-insured healthcare plans for active employees and retirees. Under the Affordable Care Act, self-insured plans are required to pay what is called a transitional fee for three years, based on member lives covered during the calendar year. The rate is prescribed by the U.S. government, and each of the health plans pays that fee to the federal government. This is the third, and last, year for it. There is another fee, which is called the PCORI fee, but the general fund has been paying that one (after the plan health funds paid the first year).

CHAIR JOHNSON said he did not want to be controversial, but he wondered where the decision was made that the payment of the Patient Protection and Affordable Care Act transitional fee needed to come from the pension funds, rather than from the participating employers.

MR. WORLEY replied that because this is for the retiree portion for the retired members, the employers are paying that via the employer contribution rate. This is the cost of running a self-insured health plan.

MR. WORLEY said the last item he had to respond to was item #28 on the Johnson list, which was questions about the cost category for legal. The legal portion relates to claims defense work and advice that DRB gets from the Department of Law. Mr. Goering is the ARMB legal counsel, so his fees are not directly paid by the plans. He guessed that those legal fees are part of the cost allocation plan that the Department of Revenue has with the ARMB.

Regarding the “DHSS medical expertise and counseling,” MR. WORLEY said DRB uses the Department of Health and Social Services for their chief health officer, who advises the Division on some of the claims where members are pursuing the plan for different types of costs or different

claims that go to arbitration. The chief health officer is the Division's reviewer of medical records and such.

CHAIR JOHNSON sought clarification that this item related only to the retiree medical plan and not to the active employees.

MR. WORLEY said that was correct, that they only get billed for the time the chief health officer does work for the retiree healthcare trusts.

MR. WORLEY asked Ms. Harbo if she wanted any particular item addressed on her list, or if he could respond with a group email discussion on all the items that the committee members submitted.

MS. HARBO responded that a group email response was fine, as most of her items were comments.

CHAIR JOHNSON referred to item #20 on his email list, where the plan fiduciary net position is described as 59.55%. He asked if that figure was the same as what people have referred to as the unfunded liability.

MR. WORLEY said the item on page 24 of the PERS financial statement that the Chair was pointing out (the 59.55%) was only the pension piece and not the full plan. The health piece is approximately 100% funded. The numbers in the financials are a little bit different than in the valuation report, since Buck is doing a roll-forward of the pension liability to 2016, even though the 2016 valuation is not scheduled to come out until January of next year, after much more detailed review on their part.

CHAIR JOHNSON commented that to the extent that the Division is dealing with an audience that is even less sophisticated than he is in reviewing this sort of financial report, it is possible for the casual reader to miss the distinctions that are based upon a very narrow description.

MR. WORLEY said the Chair made a valid point, that he also got that same comment from a New York office that was looking at pension obligation bonds earlier this year. He added that if there are items about the draft financial statements that he needed to address further, he would be happy to do so. He will update the committee as the Division gets the health claims data from Aetna, and as they figure out the lump-sum payment issue with the National Guard.

CHAIR JOHNSON said he had submitted a question about synthetic investment contracts and what was being audited. He had the experience of trying to read some of those contracts some time ago and found them very difficult to translate. He wondered how the committee knows if those guys are doing what they are supposed to be doing and if that requires an audit. Secondly, on the Supplemental Benefit System and Deferred Compensation Plan side, when talking about the choices that a beneficiary has for how to get their money back out, he wondered to what extent the capacity of the guarantors of the annuities are reviewed or audited. He did not know if that was within KPMG's mandate in auditing the financial statements or whether they did it in some other context.

MR. MITCHELL responded that he understood that KPMG sends 100% of the investment test work for pricing to their pricing desk.

MELISSA BEEDLE of KPMG said that was correct, aside from the commingled funds, which have different audit procedures performed over those. That includes the derivatives.

MR. MITCHELL said KPMG has an investment team that goes through and compares the fair value of those investments to their own independent fair values that they have derived from a number of sources, to see if there is any indication that those values are not correct at year end. Instead of sampling like they did in the past, they now test the values for 100% of the investments in private companies and government entities. That is part of KPMG's assignment, and it is not a small task. Ultimately, a lot of different entities have these investments, so there are economies of scale, because once they have done the pricing once, they have done it for other retirement plans too. The level of confidence in the investment values is very high, knowing that they have looked at 100% of the portfolio.

CHAIR JOHNSON asked if they were talking about synthetic investment contracts or the annuities.

MR. MITCHELL said all investments, except the collective investment funds, which KPMG looks to audited financial statements for those values.

MR. WORLEY said one thing to keep in mind is that the Division of Retirement & Benefits plans are a subset of the audited ARMB invested assets report that KPMG audits for the Department of Revenue. So what the state comptroller and the director of the Treasury Division present for their audited financials at the Audit Committee in September is broken down into each of the Division's financial statements for individual funds. That is the link between the two sets of audited financial statements.

Returning to the Chair's earlier question about a member of SBS or Deferred Comp buying an annuity, MR. WORLEY explained that by the time they buy an annuity they are no longer in the plan. The money has left the plan and gone someplace else.

CHAIR JOHNSON said the Department of Administration or the ARMB provides plan participants with the choice of post-termination annuities that they can purchase. He wanted to know what auditing, if any, is done to make sure that those annuity contracts are compliant and doing what they are supposed to be doing.

MR. MITCHELL stated that the individual annuity contracts are beyond the scope of KPMG's audit. They do audit the distributions from the plans.

MS. HARBO pointed out that participants are not limited to the list of annuities that the State provides to them.

CHAIR JOHNSON said that if the choices are that the participants can get a lump sum or an annuity contract (which he thought those were the only two options for SBS), were they simply told

to go out and find an annuity, or where they provided with a list of annuities with whom the funds or the Department of Administration have some kind of working interest. He wondered if there was any kind of standard for, or oversight of, the annuity providers.

MR. WORLEY said he thought that was a dual responsibility of the Departments of Administration and Revenue, since, through the ARMB, they work with the investments and the annuity options. He offered to speak with the chief investment officer and the senior investment officer at DOR about this when he returned to the office.

CHAIR JOHNSON sought confirmation that the issue of reviewing the sources is not being assessed for this audit.

MR. MITCHELL said that was correct, that KPMG looks at the actual distributions that ultimately go out and how they are calculated (lump sum, periodic payments, etc.). But the setting up of the annuity, how that is structured, and whether the due diligence is being done to make sure that a particular annuity makes sense under the circumstances, that is out of the scope of KPMG, because those annuities are not on the books of the retirement plans.

Saying he had a broad question about SBS and Deferred Compensation, CHAIR JOHNSON said that where there is discussion about the various investments and so on, the comment is made in multiple places that the Board does not have a policy on such-and-such – for example, does not have a policy on credit risk. He asked if that was simply meant to be a statement of fact or if it was a suggestion that the Board needs to develop a policy on that score.

MR. WORLEY said that comment is also in the ARMB invested assets report that the state comptroller presented in September. It is simply a statement of fact. Whether that is something the Board needs to take up, he thought that was something that DOR staff said the Board could look at if it wanted, but at the time of the audit the Board did not have such a policy.

CHAIR JOHNSON said he was troubled by the implication, because what is the point of making that statement unless it is a hint that there is a flaw there?

MR. MITCHELL explained that the statement is required under GASB 40, which is the statement that drives the depository and investment risk disclosures. In his travels, he has seen many entities that have very similar statements. He would not say that it was a red flag, but he thought it was something that the Board could consider looking at. In that consideration, the Board should weigh materiality, because some of the items do not have a lot of activity or very little exposure for the Board to go to the time and effort to put in a policy that would take that particular statement about not having a policy out of the footnotes.

MR. WORLEY said he appreciated the work that the KPMG audit team has been doing, the items they have pointed out, and the comments they have made. He thanked the Audit Committee for its comments and questions, echoing Mr. Mitchell's observation that a new committee chair provides a new perspective in looking at things. It does not change what the Division staff does, but it opens it up for discussion and providing additional information that it never hurts to have. He also thanked

the Division staff that has spent a lot of extra hours working on the audit of the financial statements. He said the Division also prepares the Comprehensive Annual Financial Report (CAFR) for both the PERS and TRS plans, which is submitted to the Government Finance Officers Association (GFOA), the ARMB, and to the Governor and the legislature. They have started working on that and have a December 31 deadline to submit those to GFOA and to the Governor. He hoped to provide the committee with a copy of the CAFRs by the end of December or the first part of January.

MS. HARBO thanked Mr. Worley and the DRB staff for all their work, noting that the Division has been swamped with work this year. She thanked the KPMG team as well.

MS. ERCHINGER also thanked Mr. Worley, especially regarding all the challenges that have been associated with GASB 68. She said that without his diplomacy in navigating with the employers, things might have been a lot rockier. People have confidence in him and his staff, and it helped ease the way for folks who were having challenges. She added that it is great when auditors look at things with a different set of eyes, even though it creates extra work. At the same time, it helps to understand that there are different ways of looking at things – not necessarily right or wrong, but just better ways that things can be done.

CHAIR JOHNSON thanked the DRB staff and KPMG for their excellent work. He added that if his new set of eyes have created extra work for everyone, it just showed that he was reading what they were doing. He appreciated all the input and looked forward to some more input on his and Ms. Harbo's specific questions that were not addressed today.

C. Further Meeting Schedule

The next regular meeting is Wednesday, December 7, 2016, in Anchorage.

MS. HALL wondered if Mr. Worley's earlier remarks about the delayed schedule on finalizing the financial statements would impact what the committee would be taking up at the December 7 meeting.

MR. WORLEY said KPMG was scheduled to present an audit report to the Board at the December meeting, similar to the way they reported on the Department of Revenue's audit.

MR. MITCHELL stated that he would be at the meeting and fully expected to present that report to the Board.

MR. WORLEY said he expected to be done with most of the audits by the December meeting, but maybe not with the National Guard audit.

OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE

There were no other matters to discuss.

PUBLIC/COMMITTEE MEMBER COMMENTS

There were no public comments. Committee members had made their final comments at the end of the draft financial statements review and discussion.

ADJOURNMENT

The meeting adjourned without objection at 3:20 p.m., on a motion made by Ms. Harbo and seconded by Ms. Erchinger.

Note: An outside contractor prepared the summary minutes from staff's recording of the meeting. For in-depth discussion and presentation details, please refer to the recording and staff reports and written presentation materials on file at the ARMB office.

Confidential Office Services
Karen Pearce Brown