State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE MEETING

Downtown Marriott Hotel – Prudhoe Bay Room
820 West 7th Avenue
Anchorage, Alaska

December 7, 2016

ATTENDANCE

Committee Present: Rob Johnson *(chair)*
Kris Erchinger
Gayle Harbo

Committee Absent: None

Department of Revenue Staff Present:
Pamela Leary (Treasury Division director)
Gary Bader (chief investment officer)
Scott Jones (state comptroller)
Judy Hall (board liaison)

Department of Administration Staff Present:
Ryan Colgan (deputy commissioner)
Jim Puckett (chief operations officer, Retirement & Benefits Division) *on-line*
Kevin Worley (chief financial officer, Retirement & Benefits Division)
Melanie Helmick (senior audit and review analyst, Retirement & Benefits Division) *on-line*

Others Present:
Daniel Mitchell (KPMG)
Melissa Beedle (KPMG)
Tom Brice (ARMB trustee)
Bob Williams (ARMB trustee)

CALL TO ORDER
CHAIR ROB JOHNSON called the meeting to order at 9:03 a.m.

ROLL CALL
All three committee members were present at roll call.

PUBLIC MEETING NOTICE
MS. HALL confirmed that public meeting notice had been properly posted.

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

APPROVAL OF MINUTES – September 28, 2016 & November 14, 2016
MS. HARBO moved to approve the minutes of the September 28, 2016 meeting. MS. ERCHINGER seconded. The minutes were approved as presented.

MS. HARBO moved to approve the minutes of the November 14, 2016 meeting. MS. ERCHINGER seconded.

CHAIR JOHNSON referred to a sentence in the middle of page 8 of the minutes: "There is another fee, which is called the picory fee, but the general fund has been paying that one…," and asked for the correct spelling of the questioned word. MR. WORLEY said it was PCORI, an acronym related to a feature of the Affordable Care Act.

The November 14, 2016 minutes were approved with that one amendment.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES
When queried by the Chair, no one listening by telephone or present at the meeting location indicated they wished to address the committee.

RYAN COLGAN, the new deputy commissioner in the Department of Administration, introduced himself. He said he replaced John Boucher and had responsibility for the Division of Retirement and Benefits.

REPORTS

A. Review of Financial Statements/Letter to Audit Committee/GASB Update
[A copy of the KPMG slide presentation is on file at the ARMB office.]
DANIEL MITCHELL, KPMG lead engagement partner on the Division of Retirement & Benefits (DRB) June 30, 2016 audit, presented the audit results up to this point. At this time, KPMG expects to issue unmodified opinions on the financial statements and supplemental schedules for the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), Judicial Retirement System (JRS), National Guard and Naval Militia Retirement System (NGNMRS), Supplemental Benefits System (SBS), and Deferred Compensation Plan.

MR. MITCHELL stated that there have not been any significant changes to the audit plan dated June 22nd that KPMG presented to the committee. There are a series of pending matters as of November 30, and some of those have changed between last week and today. He reported meeting with the chief financial officer of DRB last night to walk through the current status and expectation on getting through the remaining items over the next five to seven days.

On the first pending matter, they have made a significant dent, collectively, in the outstanding health claims test work. As mentioned at the last meeting, KPMG has had challenges with getting information from Aetna, the state's third party administrator of the healthcare plans. KPMG and DRB have pushed for information. MR. MITCHELL estimated that they have accomplished about 85% and are pushing to get the remaining 15% over the next few days. There have been no exceptions in any of the claims test work that KPMG has looked at so far. Hence, they expect to issue an unmodified opinion.

MR. MITCHELL said that when KPMG was going through the test work of the National Guard Naval Militia Retirement System (NGNMRS) lump-sum distributions they noted disconfirming evidence, or inconsistencies with what discount rate they expected to be used in the distribution calculations. There is a lump-sum distribution request form and a FAQ document that goes to the participants that references the actuarial discount rate that is used in the actuarial valuation (basically the investment return). There was a slight difference between that rate and the rate that was being used for the actual calculations themselves, although the actual calculations were being consistently applied. KPMG asked management to quantify what that difference would be so they could get some context, and to go back to the Alaska Department of Law to see if this was truly an error in the first place. Yesterday, Mr. Worley furnished a letter from Kathy Lea in the Department of Administration that also had input from assistant attorney general John Wilkinson, stating that they do not believe this is an error. The statute talks about using an actuarially determined rate, but it does not specify exactly what that rate should be, so it is open for interpretation. MR. MITCHELL said he felt comfortable that the issue is concluded. He shared the letter with Mike Hayhurst, the previous engagement partner, to get his perspective, and Mr. Hayhurst believes the letter from Kathy Lea addresses the issue. So, it is not a finding, and KPMG is not proposing an adjustment to the financial statements. However, KPMG will recommend that the documentation become consistent, in order to avoid any challenges to the distribution calculation in the future.

MS. ERCHINGER asked what the appropriate place is to specify the discount rate, or if talking about "an actuarially determined rate" means it could be one rate today and tomorrow be a different rate.

MR. MITCHELL replied that a little clarity is given in the Department of Administration letter.

MR. WORLEY said the text of the letter proposed having a policy paper written that explains the situation. It would be brought to the committee to have an action memo that adopts a rate for the NGNMRS lump-sum payouts.

MS. ERCHINGER said she was curious whether the return that was used for the lump-sum distribution calculations for the particular folks that were identified was the same rate that was used in the past, or did the rate change at some point. She wondered, for $1.5 million dollars, if it was really worth not going back and making the adjustment, and then doing the policy paper and fixing it going forward. It would close the opportunity for any challenge that could come down the road, and be in the interest of fairness if it was identified that this discount rate was different than what was paid to others in the past.

MR. MITCHELL clarified that KPMG was not proposing an adjustment: the $1.5 million was a starting point for quantifying the difference while management looked at whether it was truly an error. He added that he would have written the first line of management's letter slightly differently – KPMG did not say this was an error; they just found something that was not consistent. Going forward, clarity as to what the discount rate should be, in conjunction with the investment rate of return that is actually being used and determined by the actuary, will keep things clear.

CHAIR JOHNSON observed that it would help if the letter's first paragraph had a clause at the beginning of the last sentence that said, "If an error were to be found, the pension section has estimated cost…"

MS. ERCHINGER said that it appears there is no requirement to pay a specific amount in a lump-sum payment, and there was no error made. Beyond that, the question is whether these people are being treated differently than people in any other plan, and what the rate of return expected in the other plans has been based on. It is a fairness issue, and not just about dodging a legal problem.

MR. MITCHELL said the lump-sum payments are sort of unique to the NGNMRS plan, so there is not an equivalent distribution stream in other plans to compare it to. Then, within that group, everybody is being treated exactly the same, based on KPMG's historical test work.

MR. MITCHELL continued his report, stating that he had reviewed all the financial statements and gone through a series of edits. KPMG's second partner has reviewed all the financial statements and is checking his final comments from his last round. They will then go through the completion process next week. There are some actuary specialist sign-offs expected by the end of this week. One item for the actuary sign-offs that was challenged was the investment return. KPMG had a number of calls with Buck Consultants and with Division of Retirement & Benefits management to make sure that KPMG understood that the rate of return of 8% that was being used was reasonable (which seemed a tad high compared with other retirement systems in the country). Management was able to demonstrate through reports, returns, and a lot of data that that is indeed the long-term return that the portfolio is expecting. KPMG is making sure they are documenting their challenge of that for their files.

CHAIR JOHNSON asked if KPMG had conducted audits of other pension funds and come out with similar conclusions regarding the long-term expected return in the 8% range.

MR. MITCHELL responded that a lot of the plans are closer to 7.5% or 7.25%. However, one plan's return is not indicative of another plan's return. The Alaska Retirement Management Board (ARMB) has a completely different investment strategy. As that clarity was given to KPMG's actuarial team, they could see how that 8% was being supported. That could come down, going forward, but the appropriate level of challenge was there, and management did what they needed to do to get KPMG comfortable with that number. Having read minutes and attended meetings, KPMG realizes the investment return assumption is something the ARMB is watching closely and thinking about with its actuaries as it goes forward.

MS. ERCHINGER stated that not only does the asset mix lead to the long-term comfort with an 8% target, a key component is an inflation assumption of 3.12% imbedded in that return number. She believes the inflation assumption has been over-inflated for a long time. What the ARMB is really shooting at is a target of 4.88% real return. She suspected that most people would not consider a 4.88% real return as an unrealistic target.

MR. MITCHELL said that was a consideration in KPMG's analysis as well.

Chief investment officer GARY BADER added that Buck was on the same call and presented some of their GEMs work, too. Management, the actuary, KPMG, and DRB all participated in the call.

MR. MITCHELL stated that IBNR variances is another pending issue, but he thought KPMG had their arms around it. Management books to Siegel's estimates for IBNR (incurred but not reported). Management's independent estimate for IBNR is quite a bit lower across the plans, and KPMG's independent estimate is lower also. KPMG is in the process of documenting the difference between those. It looks like over the past three or four years Siegel's estimate has been consistently higher than management's estimate, and Siegel certainly uses a lot more actuarial science in their analysis. KPMG has done some significant test work over the data that goes into their analysis, and they are comfortable with the accuracy of the data. KPMG has moved this forward quite a bit since November 30, so he did not expect any outstanding items on this by the end of this week.

MR. MITCHELL reported that the audit team gave Mr. Worley a punch list of miscellaneous items across various processes, and he met with Mr. Worley about it yesterday. KPMG will start cleaning those up over the next few days, with the hope that they will be able to sign off and get everything issued by the end of next week.

Referring back to the NGNMRS lump-sum distribution calculation discussion, MR. COLGAN mentioned that, as a result of the preliminary finding, a chain of events was set in motion within DRB that resulted in notification letters going out to affected plan members, and also a payment to some of those members. He said he brought this up to the Audit Committee for operational integrity. DRB will be sending letters to those who received notification letters but were not paid, and a different letter to those who received payment, asking for repayment. Also as a result of this chain of events, management is working on policies/procedures and process improvements within the division to ensure that this type of thing does not happen in the future.

MR. WORLEY added that the notification letters were sent out by an ambitious new employee. The letters were off-script and contrary to normal policies. That necessitated the secondary letter to about 60 members asking for repayment.

CHAIR JOHNSON asked Mr. Mitchell if the disclosure of this letter controversy was likely to change KPMG's opinion.

MR. MITCHELL said he did not think so, but it did not help. He asked how much money was distributed.

MR. WORLEY said he had not seen the list. MR. COLGAN said it was something less than $100,000 total, but he did not have the exact number.

MR. MITCHELL responded that the amount was not material. He considered it more of a one-time, out-of-the-normal-process payment. He asked to be kept posted on that, because it affects next year.

MR. MITCHELL drew attention to slide 6, areas of significant interest in the audit. First was accuracy of contributions. KPMG is still in the process of testing a few more contributions, but they are substantially done with the test work. There were no issues identified with the accuracy of employee data, including eligibility and the recalculation of those contributions.

Verification of the valuation of alternative investments is complete, with a lot of help from Scott Jones in the Treasury Division. It is a significant part of the audit because there is significant risk associated with the valuation of alternative investments. There were no issues identified with the valuation, accuracy, or completeness of the alternative investments portfolio.

Addressing the valuation of plan benefit obligations, including IBNR, MR. MITCHELL said the audit team was wrapping up the test work over the benefit obligations and was receiving their specialist memos. They are substantially complete with IBNR, and there are no adjustments coming out of those estimates.

MR. MITCHELL stated that, at the request of Ms. Erchinger at a previous meeting with respect to employee census data, he wanted to provide clarity to some of the issues KPMG found during their test work. The audit team tested 20 PERS employers, for a total of 490 employees, and tested 15 TRS employers, for a total of 360 employees. The errors they found, which they believe to be inconsequential to the overall actuarial valuation, relate to marital status. These are consistent with what they have had in prior years. There were a couple of original date-of-hire exceptions, and one employee sex exception. There were no pensionable wage differences, which is where KPMG would have the most concern. The valuation of benefit obligations is very important, and they spend a lot of time going into the completeness and accuracy of the data.

MELISSA BEEDLE of KPMG added that in the prior years they have had more issues with dates of hire and more issues of pensionable wage differences. In the employers they are testing every year, KPMG can definitely see that the data is being cleaned up.

MR. JOHNSON commented that DRB provides the committee with a report about completed employer audits. He asked if KPMG utilizes that information.

MR. MITCHELL replied that they include that in their work papers, and they consider those findings as part of their audit procedures.

He moved on to slide 7, a summary of misstatements, saying he was pleased to report that there were no corrected misstatements with respect to any of the retirement plans. The uncorrected misstatement comes through the apportionment of the difference in valuation dates for alternative investments between year-end and the lag period. This uncorrected misstatement occurs every year.

The net effect on the Division of Retirement & Benefits invested assets report is $13 million, when looking at the difference between the two year-ends. That is certainly not material to DRB invested assets as a whole, and when portioned out across the plans it is not material either. The committee will see clarity to those numbers in a schedule when KPMG issues its final letters.

MR. MITCHELL stated that at this point KPMG has found no significant deficiencies or material weaknesses in internal controls. The caveat is that they still have to go through the remaining test work over the next few days. Based on what they have performed so far, he could say they do not have any significant deficiencies or material weaknesses. That is also considering the NGNMRS lump-sum distribution issue.

MR. MITCHELL said he wanted to close out with Lee Imlay, the concurring review partner on this audit, because of the letter they just received yesterday. However, he saw this more as a cleaning up documentation going forward. He did not think the issue that was just discussed needs to be considered for this audit, but it would be considered next year as DRB goes through resolution and KPMG sees how that is handled with the refunds and the rest of it. Given the dollar size, and that notification did not go out to all the participants but only to 60 people, it sounds like somebody got wind of this and there was a control in place that stopped it from getting any further, before $1.5 million was disbursed.

MR. MITCHELL said there were no other matters to report, other than KPMG will look at the draft CAFR (comprehensive annual financial report), when it is available, for consistency with what they have seen through the reports that they have issued. The most significant difficulty encountered during the audit was working with Aetna. He and Mr. Worley are already thinking about next year and having a team out of KPMG's office that is close to the Aetna offices to do the health claims work. They also discussed how to push the work forward and do some of it during the interim and in July, so this does not become a recurring issue in holding up issuance of their audit opinion.

MS. ERCHINGER remarked that the ability to get information timely from the current third party administrator (TPA) is an issue that has been raised in the Audit Committee and Actuarial Committee. In certain cases, depending on who the TPA is, the data is not maintained in a way that is necessary. Because there has been a deeper dive on those particular issues and the attempt to smooth the exchange of data, she encouraged the administration, when it goes back out for an RFP (request for proposal) for a TPA, to make sure to have specific criteria in the RFP about how it wants the claims data and when it wants the data. The administration can hold the TPA's feet to the fire, if the requirements are specified in the RFP and in the contract. It might be a good way to avoid a problem in the future.

MR. WORLEY said he appreciated that comment. He added that the State was getting push-back primarily on the size of the claims sample; Aetna wanted it limited to 50 health claims.

MR. MITCHELL stated that for the size of Alaska's retirement plans, KPMG's sample size is two to three times that many. He would not feel comfortable only looking at 50 claims.

CHAIR JOHNSON asked if Aetna had requested compensation for supplying the number of sample claims that KPMG needed for the audit. He assumed any extra charge would come out of the retirement trusts.

MR. WORLEY responded that they attempted to do that this year. DRB told them the State would not be paying extra money to get the audit information that it typically requests.

CHAIR JOHNSON told Mr. Worley to ask for any assistance from the committee or the board in this matter, if he needed it.

MS. BEEDLE briefly reviewed the information about KPMG's Audit Committee Institute *(slide 11)*. She also covered the information included in the appendices. Lastly, she drew attention to a list of new accounting pronouncements *(slide 18)*. She noted there have been new standards issued as follow-ups to GASB 67 and GASB 68, related to issues that have surfaced with the plans and employers. Primarily, those are disclosure-related, but nothing major that will affect Alaska's presentation.

CHAIR JOHNSON asked if GASB 75 coming into play would increase KPMG's audit work effort significantly.

MR. MITCHELL replied that usually in the year a new standard is implemented they have an incremental effort in that year. Then it drops down going forward, because the processes are in place and management has developed the controls. KPMG has a great team of specialists in their GASB office that they work with. The audit team that works on Alaska's plans likes to run a new standard by the GASB team, especially since Alaska's financial statements are some of the first to hit the street. There are other entities out there that look to Alaska's financial statements for disclosure guidance, so KPMG feels it is important to make sure that the financials get the appropriate attention the first year a new standard is implemented.

MS. ERCHINGER thanked the auditors and the Department of Administration for all the extra work that had gone into understanding the GASB 67 and 68 issues. The department managed some very difficult communications with people. She thanked them for the employer letter that went out. The letter was very helpful in her particular case, and she suspected in the case of many other small municipalities that had similar issues in delaying their financials. She expected that the staff and auditor efforts on GASB 67 and 68 would set the stage for a smoother implementation of the upcoming pronouncements.

<u>Follow-up to November 14 Meeting</u>:
MR. WORLEY stated that he had presented a calendar of events for the upcoming release of the GASB 68 employer pension liability allocations. Buck is currently working on the report, and the division will issue that probably within a week. KPMG will then start auditing the report. They are still looking at presenting a draft report to the Audit Committee at the March 1, 2017 meeting, and issuing shortly thereafter.

CHAIR JOHNSON remarked that he and Ms. Harbo had a number of emailed questions on the financial statements at the November 14 meeting. One was regarding the differences in discount rates used on the one hand for health benefits and on the other hand for healthcare medical.

MR. WORLEY said that information actually comes from the actuarial valuation reports. The disclosure that Buck does for GASB 67 reporting, as well as the board-approved valuation reports, are what DRB pulls directly from. He noted that he was not quite done working on the financial statements, so he did not want to give a preliminary response to the questioned items before staff was done all the items on the checklist. He said KPMG has given him all the draft financials, and he is going through them to ensure that all the editing is in there and that all the comments are incorporated. His responses to the committee's outstanding email questions will follow.

MS. ERCHINGER recalled the discussion raised by Chair Johnson at the last committee meeting about financial statement disclosure footnotes about certain risks, such as interest rate risk. She said that discussion had also taken place at the board meeting that followed, where some specific questions were answered and others were not fully answered. She recommended that Mr. Worley look at the board meeting minutes as a first place to find some of those answers.

B. Information Update: Employer Audit Report

Reporting by telephone, JIM PUCKETT, DRB chief operations officer, said he had provided the committee with the latest DRB Audit Unit report *(included in the meeting packet and on file at the ARMB office).* He said that so far this fiscal year 16 employer audits have been completed, 4,987 employees were reviewed, and of that number, 2,859 employees were in PERS and TRS combined.

MR. PUCKETT said he had notified the committee at a previous meeting about the revised audit regulations that have already been through a public notice and that the Department of Law was reviewing. Management is hoping that those regulations will become effective within the next couple of weeks.

He reported that, since the written report date of November 16, the desk audit for the Yupiit School District, in the Village of Akiachak, that was in process has now been completed. The report also showed that the City of Wrangell, the Wrangell City School District, and the Kake City School District had been sent letters of intent to audit: an auditor has visited those employers, and those audits are in the preliminary stage.

MR. PUCKETT said the audit unit's goal in providing the quarterly progress reports was to give the committee information that is fresh. The format is designed to make it easy to review and get the needed information. The report provides a list of employers scheduled for a visit in FY2017. He apologized for not highlighting the employers on the list that have already been visited, but the next report at the March meeting would make that distinction.

MR. PUCKETT noted that the most common employer audit issues have not changed much from what the auditors have seen in the past. "Temporary employees" seems to be a perennial issue, but the auditors have seen a bit more of it this fiscal year.

Over 40 employers were represented at the October DRB employer conference, which is held every other year. Melanie Helmick provided Social Security and Medicare training to those employers on the last day, and it was very well received. She has been busy since then responding to inquiries for information and updates.

MS. ERCHINGER commended Mr. Puckett and his staff for doing such a great job. She said this is an area of significant improvement in the last few years. It is reassuring that, with such a small audit staff, they can cover so much ground. She thanked him for the department's work on the employer conference, and said two of her staff attended and learned a lot.

MR. PUCKETT stated that he would pass on those comments to Kathy Lea, chief pension officer, and her team, who were responsible for the employer conference.

MS. HARBO asked what happened to the employees that were affected by the University's Social Security withholding issue.

MELANIE HELMICK replied that Social Security taxes were incorrectly withheld from certain employees. They were able to go back, within the three-year statute of limitations, and seek a refund from the IRS for the employee and employer portions that were mistakenly withheld and paid to Social Security through the IRS. She talked to her Social Security and IRS contacts recently. The Social Security part of it, which corrects the W-2s, and the Social Security credits have been taken care of. The IRS has issued a $2 million-plus check to the University of Alaska. Half of that is the University's percentage of mistakenly paid Social Security taxes. The University is in the process of refunding all the incorrectly withheld money to the Social Security annuitants, and that should be done by Christmas.

CHAIR JOHNSON inquired if the some of the audits resulted in a claim to the employer for money by the pension funds.

MR. PUCKETT said it occurs from time to time. Once the auditors have finalized the audit, then the regional counselors that are responsible for the employers do the follow-up to resolve any audit findings that need to be dealt with. The follow-up was not what it should have been in past years, and the division has taken steps to improve that. They will continue to refine it. If a counselor has any trouble with an employer's response in dealing with an audit finding, then the matter gets escalated up to division leadership to follow up accordingly.

CHAIR JOHNSON asked if there was any litigation in process as a consequence of claims for reimbursement.

MR. PUCKETT responded that he was unaware of any litigation right now.

MS. HELMICK added that most of the audits are about bringing the employers into compliance. Issues for which they seek money, such as rehired retirees collecting both a pension and a paycheck, are turned over to Kathy Lea's team to seek the money that was paid incorrectly. There is nothing right now.

MR. WORLEY stated that he works with the regional counselors if there is money that either needs to be returned by the employer, or if they lost money, then the division would work with their payroll contacts to get adjustment payroll records submitted to DRB for funds. He was not aware of any litigation.

MS. ERCHINGER mentioned that this committee has expressed concern about too few employees in the audit unit. The situation at the University of Alaska is exactly the reason for that concern. She commended Ms. Helmick and Mr. Puckett for identifying the errors and correcting them. However, there are up to three years' worth of Social Security contributions reversed for people who could be at the end of their careers. They may have counted on those years to qualify for Social Security benefits, and now they have to go back to work because they no longer qualify. It is an employer problem. If folks at the University of Alaska, one of the largest employers in the retirement plan other than the State of Alaska itself, can be ignorant of the rules, how much more ignorant are small communities with perhaps only one person who knows anything, and where staff turnover can mean even less knowledge about the rules. What employers do not know has serious implications for people's lives. When the committee makes a plea for more staffing in the audit unit, this is the reason. It is because the employers need the help, and they often don't know what they don't know and are just ignorant. She commended the division for its work, but she did not think this was the last the committee would hear about these kinds of problems. It is why the work that Ms. Lea and her staff are doing on educating employers is so critical and valuable to the individual participants in the retirement systems. She said if there is anything that the committee can do to support increasing staffing in the employer audit unit so that problems are resolved and employers are better educated, she supported that.

MS. HARBO expressed her agreement with those comments.

MR. PUCKETT stated that Ms. Helmick has worked hard at expanding the Social Security information that is available to the employers that participate in the retirement systems. That is found in a page on the DRB website, and there is still more work that needs to be done in that. Ms. Helmick has been working with the communications team to continue expanding the information that is available online. That resource would not have solved the University situation, but it certainly could have helped. As the employers learn what is available and they avail themselves of that, he thinks it will help employers to find out what they don't know in these situations in the future.

C. Future Audit Committee Topics

CHAIR JOHNSON noted that the committee charter has a provision for the committee to meet with KPMG separately from staff. He thought the committee should do that in order to meet the charter obligations, although he presently did not have anything specific to talk about with KPMG. He asked that it be put on the next meeting agenda when KPMG people would be present.

CHAIR JOHNSON said he had a conversation with the state's comptroller, Scott Jones, on the issue of cybersecurity, and he planned to follow up offline with him on some of those topics. He felt either this committee or the Board itself should have an on-record discussion about cybersecurity so there is a record that the ARMB is looking into this particular issue.

D. Future Meeting Schedule

MS. HALL said there had been no changes to the 2017 calendar.

OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE

MR. WORLEY said he wanted to thank a multitude of people who assisted with the annual financial audits. The KPMG people were great to work with and brought up many thought-provoking questions in reviewing the processes. DRB plans to look at its work papers over the coming year, before starting the next audit, to see what staff can do more efficiently, such as trying to get health claims data a little earlier. They realize that GASB 74 will come onto the financial statements and be extra work next year as well. He said that Mr. Jones and Ms. Leary were very helpful to the division, and Mr. Jones is always there to answer questions about investments. Mr. Bader's investment group was instrumental this year in the work needed to support the 8% return assumption. He thanked all the division groups, because the audit is on everything the division does, not just the accounting. The accounting staff spent a lot of extra hours, coming in early and staying late, to get the financial statements issued.

MS. ERCHINGER commented that whatever changes were made to put people in charge of different areas have allowed for a significant focus on areas of improvement in the last few years. Every area is doing a great job – from audit to the employers to the health piece. The format seems to have gotten rid of what used to be bottlenecks in information, and that has been great for the committee.

MR. WORLEY stated that when the division went to the chiefs structure one of the concerns was that it might silo things. Mr. Puckett was instrumental in setting up meetings so the chiefs were together and talking about topics that were important to each section and the impacts on each of the groups.

PUBLIC OR COMMITTEE MEMBER COMMENTS

There were no other comments.

ADJOURNMENT

MS. HARBO moved to adjourn the meeting. MS. ERCHINGER seconded. The committee concluded its business at 10:22 a.m.

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