

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE MEETING

Location:
Teleconferenced Meeting
Alaska

November 13, 2018

ATTENDANCE

Committee Present: Robert Johnson, *chair*
Gayle Harbo
Norm West

Committee Absent: Kris Erchinger

Department of Revenue Staff Present:
Scott Jones (state comptroller)
Pamela Leary (director, Treasury Division)
Stephanie Alexander (board liaison)

Department of Administration Staff Present:
Christina Maiquis (CFO, Division of Retirement & Benefits)

Others Present:
Melissa Beedle (KPMG)
Robert Lawson (KPMG)
Beth Stuart (KPMG)

I. CALL TO ORDER

CHAIR ROBERT JOHNSON called the meeting to order at 2:05 p.m.

II. ROLL CALL

CHAIR JOHNSON, MS. HARBO and MR. WEST were present at roll call.

III. PUBLIC MEETING NOTICE

Board liaison STEPHANIE ALEXANDER confirmed public meeting notice had been met.

IV. A. Approval of Agenda

MS. HARBO moved to approve the agenda. MR. WEST seconded the motion. The agenda was approved without objection.

**V. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS,
AND APPEARANCES - None**

VI. A. Review of Draft Financial Statements:

- 1. Public Employees' Retirement System**
- 2. Teachers' Retirement System**
- 3. Judicial Retirement System**
- 4. Supplemental Benefits System**
- 5. Deferred Compensation Plan**
- 6. UNAUDITED - National Guard and Naval Militia Retirement System**

CHAIR JOHNSON requested CHRISTINA MAIQUIS, CFO, Division of Retirement & Benefits (DRB), and MELISSA BEEDLE, KPMG, to present the draft financial statements. MS. MAIQUIS informed the statements underwent KPMG's editorial review and partner review. The written comments from MS. HARBO have been received by DRB.

CHAIR JOHNSON proposed a correction on page 15 of the PERS statement. He believes the statement; "The System is governed by the Alaska Retirement Management Board," is incorrect. He suggested the description should effectively read; "The assets of the System are managed by the ARM Board and the employer contributions are set by the ARM Board. The System is administered by Department of Administration." The remaining section of the paragraph can continue with the description of the ARM Board, as written.

CHAIR JOHNSON noted a comparison between 2017 and 2018 was outlined on page nine. He inquired as to the reason a comparison of the net position as a percentage of the 2017 and 2018 other post-employment benefits (OPEB) was not presented on page 10, but is presented on page 37. CHAIR JOHNSON requested explanation for the variance on page 37 of the net OPEB liability as a percentage of covered-employee payroll of 88.50% in 2018, and 67.70% in 2017. MS. MAIQUIS noted the information is from the actuarial report and she will seek an answer.

CHAIR JOHNSON asked for clarification from KPMG regarding the parameters of the independent auditor's report regarding its verbiage and text. He gave the example the report indicates on page five; "Over the long-term, plan member, employer, and nonemployer contributions, and State of Alaska appropriations, as well as investment income earned, are anticipated to sufficiently fund the pension benefit and postemployment healthcare costs of the System." CHAIR JOHNSON requested KPMG confirm they endorse the statement.

BETH STUART, KPMG, responded KPMG's opinion does not cover any portions within the section of the report entitled "Management's Discussion and Analysis." MS. STUART noted KPMG does read the section and will communicate any inconsistencies of understanding with management and request changes. CHAIR JOHNSON noted the statement on page five was not questioned. MS. STUART agreed the statement is outside the scope of the audit, but is not inconsistent with KPMG's understanding and beliefs. MS. STUART informed KPMG has made note of CHAIR JOHNSON's other comments and edits, and will incorporate them into the next version of the report.

MR. WEST acknowledged KPMG's extensive review of the financials. He asked if there are any opportunities KPMG would highlight that are worth exploring for the System and/or if

there are any suggestions KPMG would make to expand the Trustee's education. MS. BEEDLE expressed there are no concerns with the assumptions the ARMB is currently utilizing. She noted the assumptions used for the actuarial evaluation are based on historical experience and may be used for four to five years before they are updated. Many of the economic assumptions presently seen by actuaries, particularly relative to inflation, rate of return, and healthcare cost trend rates, are being reviewed on an annual basis. MS. STUART responded KPMG will continue to contemplate MR. WEST's question and be prepared to share any additional observations at the next meeting.

MS. MAIQUIS informed the National Guard and Naval Militia Retirement System (NGNMRS) remains unaudited this year because of the issues with the testing of the census data. Evidently, the NGNMRS branches do not maintain sufficient documentation to allow for census data testing. The current NGNMRS policy is to provide all documents to an individual when the individual leaves service with a branch. The branch no longer retains any documentation and therefore, cannot provide information for the census data. Until there are policy changes at the Department of Military and Veterans Affairs (DMVA), that issue will be unresolved and NGNMRS will remain unaudited going forward. This circumstance was revealed because of the GASB census data requirements. MS. MAIQUIS informed she will request staff to provide a report of the specific findings. MR. WEST and CHAIR JOHNSON agreed the findings are necessary and the discussion is critical.

CHAIR JOHNSON asked if a formal letter of notification has been sent to the DMVA regarding these problems. MS. MAIQUIS is unaware of any correspondence at this time and will follow-up. CHAIR JOHNSON requested such a letter be sent. There was no objection from the Committee. MS. MAIQUIS agreed, and advised she will provide a status update to the Committee at the December meeting.

B. Further Meeting Schedule

2018 and 2019 Schedule Attached

There were no changes to the provided annual meeting schedule.

VII. OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE

None

VIII. PUBLIC / MEMBER COMMENTS

MS. BEEDLE expressed appreciation to the Division for their diligent work during the audit process.

IX. ADJOURNMENT

MS. HARBO moved to adjourn the meeting. MR. WEST seconded the motion. The motion passed without objection.

The meeting was adjourned at 2:26 p.m.

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