

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE MEETING

Videoconference

MINUTES OF
September 22, 2021

Wednesday, September 22, 2021

ATTENDANCE

Committee Present: Gayle Harbo, *Chair*
Lorne Bretz
Rob Johnson
Allen Hippler

Committee Absent:
None

ARM Board Trustees Present:
Dennis Moen
Don Krohn
Commissioner Lucinda Mahoney

IAC Members Present:
Dr. William Jennings

Department of Revenue Staff Present:
Zachary Hanna, Chief Investment Officer
Pamela Leary, Director, Treasury Division
Kayla Wisner, State Comptroller
Brian Fechter, Deputy Commissioner
Scott Jones, Head of Investment Operations, Performance & Analytics
Michelle Prebula, State Investment Officer
Ryan Kauzlarich, Accountant V
Mark Moon, State Investment Officer
Alysia Jones, Board Liaison
Grant Ficek, Business Analyst

Department of Administration Staff Present:
Ajay Desai, Director, Division of Retirement and Benefits
Kevin Worley, Chief Financial Officer, Division of Retirement and Benefits
Roberto Aceveda, Counseling and Education Manager, Division of Retirement and Benefits

ARMB Legal Counsel Present:

Benjamin Hofmeister, AAG, Department of Law

Consultants, Invited Participants, and Others Present:

Elizabeth Stuart, KPMG

Melissa Beedle, KPMG

Steve Center, Callan

Paul Miranda, Public

I. CALL TO ORDER

CHAIR GAYLE HARBO called the meeting of the ARM Board Audit Committee to order at 9:00 a.m.

CHAIR HARBO stated that prior to roll call, MS. LEARY had an announcement to make.

MR. LEARY announced that sadly, KAYLA WISNER, the comptroller, was departing the Treasury Division, that she had been with the division for over ten years and had collected a list of credentials as she moved up in the ranks. She thanked MS. WISNER for her service and noted that they would miss her can-do attitude and sense of team.

ROLL CALL

MR. BRETZ, MR. HIPPLER, MR. JOHNSON, and CHAIR HARBO were present at roll call.

II. PUBLIC MEETING NOTICE

MS. JONES confirmed that public meeting notice requirements had been met.

III. A. APPROVAL OF AGENDA

MR. JOHNSON moved to approve the agenda. MR. HIPPLER seconded the motion. The agenda was approved without objection.

B. APPROVAL OF MINUTES: June 16, 2021

MR. JOHNSON moved to approve the minutes of the June 16, 2021 meeting. MR. HIPPLER seconded the motion. The minutes were approved without objection.

IV. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS & APPEARANCES – None.

V. REPORTS

A. FY2021 ARMB Audited Financial Statements

MS. BEEDLE noted that she was presenting the results of the audit of the ARMB invested assets report. She said the audit was nearing completion and the outstanding matters were primarily related to completion of the net contributions and withdrawals testing. She said that they had completed the testing on the asset side and it was going through the final review process with their specialists to ensure nothing had been over-looked. She said aside from that, they were finishing their reviews of

the financial statements and working with MS WISNER on any last-minute edits.

MS. BEEDLE noted that there had not been any corrected audit misstatement and no matters to report. She stated that there had been no significant subsequent events occur, and no noncompliance with laws or regulations were identified.

MS. BEEDLE said that several years prior there had been an issue with lag reporting and an unadjusted audit difference related to the lag reporting. She said that over the past two years the Treasury had implemented procedures to record the adjustment by leaving their books open until August 31st to make the adjustment to the financials. She said that there was a very infinitesimal amount of dollars in the uncorrected bucket that was not posted into the financial statements, that the overall picture was the financial statements were even more accurate then they had been in the past.

MS. BEEDLE noted that the non-GAAP policies were the same as the last several years - if they do not get the capital statement in time, they record on the March 31st value or the May 31st value on a lag. She said that because they leave their books open until August 31st, the population of the non-GAAP was very small - possibly five or six investments that fit within it. She noted that they assess it annually and it has been inconsequential to the financial statements with no material audit adjustments.

MS. BEEDLE stated that they do not audit internal controls, but they do make it part of the process as they need an understanding of the internal controls at the Treasury Division. She said they found nothing through their testing that resulted in any significant deficiency or material weakness.

MS. BEEDLE said that the accounting policies and practices were outlined in the financial statements for the Treasury. She said the ARMB invested assets report was in Note 2 to the financial statements and they had been consistent year after year with no changes to the accounting policies.

MS. BEEDLE stated that the financial statements had accounting estimates inherent to the nature of the investments, that they identified the valuation of the alternative investments so the private equities and real estate hedge funds add a significant accounting estimate based on the fact that they were not publicly traded, which makes them hard to value. She noted that they rely on capital statements from those fund managers and as part of the audit, they did not identify any issues with the estimates of management's process in determining the valuations.

B. Update: DRB Audits

MR. WORLEY stated that the audit was going well. He said they have weekly meetings with KPMG and were currently three days behind schedule on the GASB footnote disclosure. He said they had reconciliation of items that threw some of the numbers off and had to update them and get them back to Buck and Buck was working hard to get the reports back to them quickly. He said they would roll them into their financial statements so KPMG would have a chance to review before a report was issued to the committee. He said they were looking at getting all financial statements to the committee members by the 6th of October so they would have time to review prior to the October 11th meeting.

C. Internal Audit Report

MR. WORLEY noted that he would give the report regarding the internal audit as MS. HELMICK was attending a State Social Security Administrator conference.

MR. WORLEY noted that the overview was on page 36 of the packet. He said for FY2020 they had 165 PERS employers, 58 TRS employers with contributions over \$684 million. He noted on Item B was a number of reports issued and employers that had been audited. He said the majority of the audits were conducted via desk audits, which meant that they mail the information requests to the employers and they provide the information and the work is done in office.

MR. WORLEY reported that they were working on a number of reports and were not finding many compliance issues, which meant the employers had been doing a good job producing their reports. He noted that they were working through the audits and getting them issued.

VII. Review Committee Charter

MR. JOHNSON noted that at the next meeting there possibly would be a discussion about the self-assessment process. He stated that he would not go into it in detail as the Actuarial Committee would discuss the matter at their meeting later today; CHAIR HARBO asked for clarification that it would also be discussed at the Operations Committee meeting; MR. JOHNSON confirmed that it would be.

VIII. Future Meetings

A. Calendar Review

1. Meeting to Review Audited Financial Statements

CHAIR HARBO noted that the next meeting would be on October 11th.

ADDENDUM: Subsequent to the 9/22 Audit Committee Meeting, the October 11th meeting was rescheduled for October 15th.

B. Agenda Items - None.

C. Requests/Follow-Ups - None.

IX. OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE - None.

X. PUBLIC/MEMBER COMMENTS - None.

XI ADJOURNMENT

MR. JOHNSON moved to adjourn the meeting. MR. HIPPLER seconded the motion. The motion passed without objection.

The meeting was adjourned at 9:20 a.m.

ATTEST:

Corporate Secretary

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