

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE MEETING

Videoconference

MINUTES OF
October 15, 2021

Friday, October 15, 2021

ATTENDANCE

Committee Present: Gayle Harbo, *Chair*
Lorne Bretz
Rob Johnson
Donald Krohn

Committee Absent:
Allen Hippler

ARM Board Trustees Present:
Commissioner Lucinda Mahoney

IAC Members Present:
None

Department of Revenue Staff Present:
Ryan Kauzlarich, Accountant V
Alysia Jones, Board Liaison

Department of Administration Staff Present:
Ajay Desai, Director, Division of Retirement and Benefits
Kevin Worley, Chief Financial Officer, Division of Retirement and Benefits
James Puckett, Chief Pension Officer, Division of Retirement and Benefits
Christina Maiquis, Accountant V, Division of Retirement and Benefits

ARMB Legal Counsel Present:
Benjamin Hofmeister, AAG, Department of Law

Consultants, Invited Participants, and Others Present:
Melissa Beedle, KPMG
David Kershner, Buck
Jan Carolyn Hardy, Public

I. CALL TO ORDER

CHAIR GAYLE HARBO called the meeting of the ARM Board Audit Committee to order at 1:00 p.m.

II. ROLL CALL

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

III. PUBLIC MEETING NOTICE

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

IV. A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES: September 22, 2021

MR. KROHN moved to approve the minutes of the September 22, 2021 meeting. MR. JOHNSON seconded the motion. The minutes were approved without objection.

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

VI. REVIEW OF DRAFT FINANCIAL STATEMENTS

A. Public Employees' Retirement System

MR. WORLEY said that before they begin the review of the draft financial statements, he wanted to go over information regarding the PERS, TRS, Judicial Retirement System and the National Guard financial statements. He explained that each contained a management's discussion and analysis section provided by the Division of Retirement and Benefits, with some additional discussion provided by the Treasury Division. He noted that Buck Consulting also provided information, showing the GASB requirements for net pension liability, net pension assets, and net OPEB liability or net OPEB assets. Also contained within were the actual financial statements, a statement of financial position, a statement of changes in financial position, notes to the financial statements, and a lot of information about the pension and OPEB liabilities. He noted that there was also the required supplementary information of fair market comparison of projected liabilities through June 30, 2021, and lastly a couple of supplemental schedules.

MR. WORLEY started the discussion with the Public Employees' Retirement System Financial statements noting that CHAIR HARBO had submitted different grammatical items for correction and that those would be corrected.

MR. JOHNSON asked if there were any material changes between the draft that they were reviewing; MR WORLEY said there were none in terms of disclosures. He said that there had not been any updated GASB disclosure requirements for pension systems and the OPEB system.

MR. JOHNSON asked what material changes occurred that had not been discussed since the last

Audit Committee meeting from last year's presentation; MR. WORLEY said that in the audit committee meeting in September, they did not present any information, it was the Treasury Division audits of the invested assets that they administered. He noted that the reports they were presenting were issued on Monday and no changes were made to them, other than CHAIR HARBO's minor corrections. He also noted that there were no changes from last year for PERS.

MR. WORLEY said the issue from last year to the present year was the amount of money that the Treasury Division had made investing the assets of the retirement and healthcare systems which had already been discussed.

MR JOHNSON asked if there was anything that was needed to be included to reflect the decision by the ARM Board at the special meeting to eliminate the normal costs; MR. WORLEY said that he would have to see what BETH STUART's thoughts were on that; MR. JOHNSON continued by stating that the impact of the decision with respect to the normal cost elimination was \$88 million.

MS BEEDLE noted that MS. STUART had a conflicting meeting. She said that it was not a required disclosure to put in. She said that if it were ultimately decided that it was a meaningful disclosure, then it would have been added as a subsequent event in the financial statements.

CHAIR HARBO said the difference in all the statements from the previous drafts was the information about the CARES Act and the implications on employee withdrawals from different funds.

MR. WORLEY said the CARES Act referred to the Supplemental Benefit System and Deferred Comp Plans which were the only two affected on the state side. He said it was not allowed in the PERS and TRS Defined Contribution Plans. He said the one thing they did disclose was the Metcalfe case disclosed in the PERS and TRS financial statements.

MR. WORLEY said that if any substantive changes were made to any of the financial statements after the discussion with the Audit Committee, they would be presented to MS. HARBO and MS. JONES for distribution to everyone, so they would be made aware of any significant or major changes.

MR. WORLEY then reviewed the corrections by MS. HARBO. He said there were minor corrections of the use of words on page 6, nothing to do with numbers.

B. Teachers' Retirement System

MR. WORLEY said the same comments regarding the comment made by MR. JOHNSON about normal cost on the postemployment healthcare. He said they were again disclosing the Metcalfe case in the notes to the financial statements.

C. Judicial Retirement System

MR. WORLEY noted no impact on the issue of the normal cost rate with the Judicial Retirement System and the Metcalfe case did not affect the Judicial Retirement System.

D. Supplemental Benefits System

MR. WORLEY said that the SBS information was located at page 178 in the meeting packet. He

said that SBS statements were different in that they did not have actuarial disclosures as required by the Governmental Accounting Standards Board, (GASB). He said there was CARES Act information related to SBS and Deferred Comp. He said the federal legislation that was passed allowed membership to access their Defined Contribution accounts. He said there had been discussions with the ARM Board that they would be making access available to SBS and Deferred Comp, not allowing members to access their PERS or TRS Defined Contribution accounts. He noted that the disclosure was within the financial statements. He said that there was a discussion about the amount of money that was disbursed through the CARES Act in SBS on page 186 of the packet. He said the amount was over \$28 million per June 30th, 2021. He noted that investments went up from \$4.2 billion to \$5.1 billion.

E. Deferred Compensation Plan

MR. WORLEY said the Deferred Comp Plan's financial statements were very similar to the SBS financial statements and began on page 201 of the packet. He said the information regarding the CARES Act disbursements were located on page 209 and noted the Deferred Comp plan issued over \$3.7 million in CARES Act distributions. He noted that the net position increased by under \$220 million and also said there were new employers that had been added into the plan. The participating employers increased from 14 to 19 in FY2021.

F. National Guard and Naval Militia Retirement System

MR. WORLEY said that the National Guard and Naval Militia Plan was located on page 224. He said that the National Guard Plan was overfunded. He said it was similar to the PERS and TRS disclosures, he noted a management's discussion and analysis with actuarial data reflected in it. He said they were only showing one year because they had qualified opinion related to the data that was received from the National Guard as part of the Department of Military and Veterans Affairs.

MR. WORLEY said that there was not a lot of information available once a National Guard member leaves the state of Alaska. He said the Guard does not have access to that information, so it's hard to track people that have service within Alaska once they leave Alaska.

MR. JOHNSON asked when the dollar figure in the basis for qualified opinion section would get filled in. MS. BEEDLE said that would be filled in early in the next week, that last year it was approximately \$2.5 to \$3 million and expected it would be similar this year.

MS. HARBO asked if most of the National Guard people take their money as a lump sum when they leave service; MR. WORLEY said that he believed the valuation report showed that 100 percent of them would take the lump sum; MR. KERSHNER said that he thought it was more like 70/30 percent; MS. BEEDLE said that it the information was located on page 249 of the packet and that the assumption was 70 percent would elect a lump sum.

MR. WORLEY noted that during the December meeting they would be giving the reports in final and identify major changes, if any. He also said that they had eight additional allocation schedules of the PERS and TRS net pension liabilities and net OPEB assets or liabilities that were required for all the participating employers that participate in PERS and TRS and would be going over those schedules during the December meeting. He said when the PERS and TRS financial statements were issued as

final, they would be working on the PERS and TRS annual comprehensive financial report that they issue to the Board as well as to the Legislature and the Governor's office for review of all the activities within PER and TRS required by statute.

VII. FUTURE MEETINGS

A. Calendar Review

MS. JONES noted that the December 1st meeting, per the Board's decision would be in Juneau/videoconference.

B. Agenda Items - None.

C. Requests/Follow-Ups - None.

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

IX. PUBLIC/MEMBER COMMENTS - None.

X. ADJOURNMENT

MR. KROHN moved to adjourn the meeting. MR. BRETZ seconded the motion. The motion passed without objection.

The meeting was adjourned at 1:35 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.