

**ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE MEETING
HYBRID/TEAMS**

**March 15, 2023
9:00 a.m.**

**Originating at:
State Office Building
Department of Administration
Large Conference Room, 10th Floor
333 Willoughby Avenue
Juneau, Alaska 99801**

Trustees Present:

Bob Williams, Chair
Allen Hippler

Donald Krohn
Lorne Bretz

Other Trustees Present:

Commissioner Adam Crum
Sandra Ryan

Dennis Moen

Department of Revenue Staff Present:

Zach Hanna, Chief Investment Officer
Scott Jones, Head of Investment Operations,
Performance & Analytics
Stephanie Pham, State Investment Officer
Rose Sanchez, Assistant Compliance Officer
Benjamin Garrett, State Investment Officer
Robyn Mesdag, State Investment Officer
Grant Ficck, Business Analyst
Division of Retirement & Benefits
Kevin Worley, Chief Financial Officer
Eugenia Golofeeva, Internal Auditor
Brandon Roomsburg, Retirement & Benefits
Specialist
Roberto Aceveda, Counseling & Education
Manager

Pamela Leary, Director, Treasury Division
Ryan Kauzlarich, Assistant Comptroller
Hunter Romberg, Senior Compliance
Officer
Mark Moon, State Investment Officer
Kevin Elliott, State Investment Officer
Leighan Gonzales, Executive Assistant
Alysia Jones, Board Liaison
Ajay Desai, Director, DRB
Mindy Voigt, Assistant Chief Pension
Officer
Betsy Wood, Chief Health Administrator
Nimeri Denis, Audit & Review Analyst

Department of Law Staff Present:

Ben Hofmeister, Assistant Attorney General

Investment Advisory Council Present:

Dr. William W. Jennings

Ruth Traylor

Public Testimony:

Elaine Schroeder, 350 Juneau

Public:

Randall Burns, RPEA

PROCEEDINGS

CALL TO ORDER

CHAIR BOB WILLIAMS called the Audit Committee of the Alaska Retirement Management Board to order and asked for a roll call.

MS. JONES called the roll. She stated that Chair Michael Williams was absent, and Chair Bob Williams would be serving in his place.

PUBLIC MEETING NOTICE

CHAIR BOB WILLIAMS asked to confirm that the public meeting notice was met.

MS. JONES replied, yes, it had.

APPROVE THE AGENDA

CHAIR BOB WILLIAMS asked Ms. Jones for a comment on a bookmark.

MS. JONES stated that Item 6D was accidentally bookmarked as 6C, Employer Audits in the PDF packet. She continued that the actual document was 6D, Report of Delinquent Late Filing Employers.

CHAIR BOB WILLIAMS stated that the agenda was before them, and he asked for a motion to approve the agenda.

MOTION: A motion to approve the agenda was made by TRUSTEE HIPPLER; seconded by TRUSTEE KROHN.

There being no objection, the MOTION was APPROVED.

APPROVAL OF MINUTES

CHAIR BOB WILLIAMS moved to the committee minutes of the November 30, 2022, meeting. He entertained a motion.

MOTION: A motion to accept the minutes of November 30, 2022, was made by TRUSTEE KROHN; seconded by TRUSTEE BRETZ.

There being no objection, the MOTION was APPROVED.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

CHAIR BOB WILLIAMS stated that they were at the point in the agenda for public member presentation, communications, and appearances. He continued that there was a three-minute time limit. He recognized Mr. Worley.

MR. WORLEY introduced three new-to-the-meeting members from the Division. First, Mindy Voigt, who was filling in for former Chief Pension Officer Jim Puckett, who retired in January. Next, Brandon Roomsburg, one of the counselors who had been with the Division for many years. He continued to Eugenia Golofeeva who filled the compliance officer position and will also work with the Social Security administrator. He also introduced Roberto Aceveda and Nimeri Denis.

CHAIR BOB WILLIAMS welcomed all and closed public/member participation, communications. He moved on to Reports and recognized Kevin Worley, Chief Financial Officer.

REPORTS

GASB 68/ 75 FINAL REPORTS

MR. WORLEY stated that they were in the final stages of releasing those reports and had hoped to have them for this meeting. He continued that they were wrapping up a couple footnote disclosures related to the most recent experience study. KPMG was working with their New York office, their GASB specialist, to make sure all are done, at which point final reports will be issued. They will be provided to Ms. Jones to send out to the Audit Committee, no later than mid-April. There were no questions or comments from the Audit Committee in December regarding those.

CHAIR BOB WILLIAMS asked, because they were alerted of technical issues, if there was anyone online or in the room that would like to speak under public/member participation, communications, and appearances.

MS. SCHROEDER stated that she would.

CHAIR BOB WILLIAMS recognized Elaine Schroeder.

MS. SCHROEDER stated that she lived in Juneau, and is co-chair of 350Juneau. She continued that, over the past 10 years, the international fossil fuel divestment movement had grown and became a major global influence on energy policies. There were now over 1,500 institutions publicly committed to some form of fossil fuel divestment, representing an enormous \$40.5 trillion of assets under management. She added that Tobias Read, Oregon State Treasurer, urged the Oregon Public Employees Retirement Fund to stop investing in companies that emit greenhouse gases by 2050. Mr. Read emphasized that the Treasury's primary responsibility to the fund of maximizing financial returns would remain intact. She stated that there was a strong movement among investors in government and beyond to shift away from polluting companies to curb climate change and maximize returns. She gave a few examples of funds and their fossil fuel divesting and stated they all wanted the same thing: a healthy climate and a healthy pension. There is no contradiction between those two goals. She asked the board to conduct a transparent climate risk assessment and to act on those findings. She thanked all for attending her testimony.

CHAIR BOB WILLIAMS asked for anyone else online that wanted to speak. There being none, he closed public testimony.

FY2022 ANNUAL COMPREHENSIVE FINANCIAL REPORTS (ACFRs) – PERS/TRS

MR. WORLEY identified the PERS and TRS annual comprehensive financial reports that were completed and issued online by the end of December last year. Hard-copy reports should be going out in the mail soon. He added that there is a very limited supply, and they were provided to those folks that requested them. He continued that the rest of the report was a reminder of the name change from the Comprehensive Annual Financial Report to the Annual Comprehensive Financial Report, which has been implemented.

EMPLOYER AUDITS

CHAIR BOB WILLIAMS recognized Kevin Worley to present the employer audits.

MR. WORLEY stated that they recently hired a new compliance officer who works with the internal audit group. Currently, there is a hire for the vacant audit and review analyst position, and we are working through some of the paperwork. Also recruited was Eugenia Golofeeva for the Accountant 5 position, who will be working with both internal auditors on the scheduling of the audits. She is currently working on training with Social Security and all the PERS stuff. She will be sharing the audit schedule with the committee in June.

REPORT OF DELINQUENT/LATE FILING EMPLOYERS

CHAIR BOB WILLIAMS recognized Mr. Kevin Worley, Chief Financial Officer.

MR. WORLEY stated that the listing of delinquent employers was broken down by PERS, TRS, and then salary for billings were also noted. He explained that the report was a couple of weeks old because of the due date for the packet materials. He continued that the delinquent employers are being worked with and could give an email update of where they were to date, if necessary. He added that the large and mid-size employers tend to be a day or two late, and the smaller employers generally continue to be late.

MR. HIPPLER asked about the harm on the employers or was the risk disbursed to us, and he asked how it was dealt with.

MR. WORLEY replied that was on the community which has the data and the money to send to us. He explained that, in statute, they were allowed to bill for delinquent payrolls and charge 1.5 times the actuarial rate of return. It cannot be calculated until they submit the payroll to us. When that payroll is received, and the money deposited, then they can be billed for that late contribution or late contributions, if there were more than one. He added that there was a statute about the fees that can be charged to the employer, as well. It is both late reporting and late receiving the money. A payroll cannot be processed without the money. He explained some of the reasons they are delinquent, and they work to get things corrected because they know it has a very big impact on a large number of employees.

He continued that the June report he could provide a listing of what years a particular employer was outstanding.

COMPLIANCE REPORT AND UPDATE

CHAIR BOB WILLIAMS moved to the finance report update and recognized Senior Compliance Officer Hunter Romberg.

MS. ROMBERG stated she took over for James McKnight when he retired in September, 2022. She gave a brief background on her career and her education, as it was her first time presenting to the ARMB Audit Committee. She moved to the annual investment compliance update that the compliance section gave annually to this committee. She covered calendar year 2022. She talked about the compliance program structure. She stated that the mission statement of the compliance section was to help protect invested assets entrusted to the ARMB and the Commissioner of Revenue by monitoring adherence to existing laws, rules, regulations, contracts, policies, and guidelines. To meet that mission statement, there were four defined goals: First was ensuring that specific investments comply with the requirements established in Treasury Division policy and ARMB guidelines. Second was ensuring that investment managers and the custodial bank comply with contract provisions and industry best practices. Third was

ensuring that Treasury Division investment activities conform to State and Federal investment laws, regulations, ethical standards, and industry best practices. The last goal was to provide timely, relevant, and accurate compliance monitoring results to Treasury management, the ARMB, and the Commissioner of Revenue. She then moved to the compliance program results which related to the upcoming projects. The first was related to data modernization; the second grouping was enhanced reporting; and the last was risk management. She talked about the compliance program results for calendar year 2022 in great detail. She explained the difference between an alert versus a finding, and added that monitoring alerts will find trends. She continued to the overdraft charges and then talked about the commission recapture program, which allows pension plans and mutual funds to recapture an agreed upon percentage of the broker costs with participating brokers.

CHAIR BOB WILLIAMS thanked Ms. Romberg for her introduction and welcomed her enthusiasm and commitment to her position. He moved to the calendar review.

FUTURE MEETINGS

CHAIR BOB WILLIAMS asked for any comments, questions, any future agenda items, any other matters to come before the committee, and any public or member comments.

COMMISSIONER CRUM stated that he was online and had no comment.

CHAIR BOB WILLIAMS recognized and welcomed Commissioner Crum. He entertained a motion to adjourn.

MOTION: A motion was made to adjourn the Audit Committee meeting by TRUSTEE KROHN; seconded by TRUSTEE BRETZ.

There being no objection, the MOTION was APPROVED.

(Audit Committee meeting adjourned at 9:45 a.m.)