

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

**September 13, 2023
8:30 a.m.**

**Originating at:
Robert B. Atwood Building
550 West 7th Avenue, Rooms 102/104
Anchorage, Alaska 99501**

Trustees Present:

Michael Williams, Chair
Donald Krohn

Bob Williams
Lorne Bretz

Other Trustees Present:

Adam Crum
Dennis Moen

Sandra Ryan
Spencer Moore

Department of Revenue Staff Present:

Zach Hanna, Chief Investment Officer
Scott Jones, Head of Investment Operations,
Performance & Analytics
Ryan Kauzlarich, Assistant Comptroller
Grant Ficek, Business Analyst
Robert Vicario, Administrative Assistant
Jesyca Ellenbecker, Accountant 5

Pamela Leary, Director, Treasury Division
Hunter Romberg, Senior Compliance
Officer
Stephanie Pham, State Investment Officer
Alysia Jones, Board Liaison
Chris Madsen, Administrative
Operations Manager

Division of Retirement & Benefits

Ajay Desai, Director, DRB
Mindy Voigt, Assistant Chief Pension Officer
Roberto Aceveda, Counseling & Education Manager
Christopher Novell, Accountant V
Nimeri Denis, Audit & Review Analyst

Kevin Worley, Chief Financial Officer
Brandon Roomsburg, Retirement &
Benefits Specialist
Traci Walther, Accountant V

Department of Law Staff Present:

Ben Hofmeister, Assistant Attorney General

Investment Advisory Council Present:

Ruth Traylor

Josh Rabuck

KPMG:

Beth Stuart, Audit Partner

Melissa Beedle, Audit Manager

Public:

Wendy Woolf, RPEA

PROCEEDINGS

CALL TO ORDER

CHAIR MICHAEL WILLIAMS called the Audit Committee to order and asked for a roll call.

MS. JONES called the roll, and noted that the members of the committee were present.

CHAIR MICHAEL WILLIAMS also recognized the presence of other board trustees in the room.

PUBLIC MEETING NOTICE

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

MS. JONES replied, yes, it had been met.

APPROVE THE AGENDA

CHAIR MICHAEL WILLIAMS asked for any additions or changes to the agenda that was presented. He asked for any objections to moving forward with the agenda. There being no objections, he moved to the approval of the minutes.

APPROVAL OF MINUTES

CHAIR MICHAEL WILLIAMS moved to the committee minutes of the June 14, 2023, meeting. He asked for any corrections or questions. There being none, he entertained a motion.

MOTION: A motion to accept the minutes of June 14, 2023, was made by TRUSTEE BOB WILLIAMS; seconded by TRUSTEE KROHN.

There being no objection, the MOTION was APPROVED.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

CHAIR MICHAEL WILLIAMS moved to the public comment period and asked if there was anyone online who wished to address the Audit Committee of the ARM Board. Hearing none, he moved to anyone in the room. There being no one wishing to make public comments, he continued on to the reports.

REPORTS

FY23 ARMB AUDITED FINANCIAL STATEMENT

CHAIR MICHAEL WILLIAMS stated that staff from KPMG were online and in the room. He recognized Beth Stuart.

MS. STUART stated that she was glad to be in front of the trustees to give the report on the status of the audit. She continued that it was a very brief presentation because they were mid-audit. They were moving along in the audit of the assets of the plans. The audit will be completed sometime in the next month, so that they will be able to issue the audits of the assets of the plans. She added that they were also moving along on the audits of the plans themselves. The data analysis over contributions, distributions, benefit payments for each of the plans were done, and a limited amount of testing will come from that data. The data analysis really reduced

the amount of transactional support that was requested from the DRB staff, while still giving audit evidence over the entire population of transactions. She continued that they were also in the process of testing health claims out of those systems to ensure that those claims were supported and in line with the plan provisions. They were also in the process of testing census data, which were all on track. She stated appreciation for the assistance of Mr. Worley and his team at the Division of Retirement and Benefits and are on track to issue the audits by the middle of October. She continued that there have been no findings, any new internal control deficiencies, or concerns about the ability to complete the audit. She added that the support from Treasury was delayed because of the vacancy in the comptroller position which had some negative impact on audit timing. The Treasury team did their very best to make up for that vacancy and deliver the necessary support. She asked for any questions.

TRUSTEE BOB WILLIAMS stated that you expect to have one uncorrected misstatement/delay of the ARM Board invested assets lag reporting. Is there a reason that it could not be corrected.

MS. STUART replied that there would be a timing difference; the alternative investments always report their June 30 values on a lag. The Treasury reopens their books and posts a late adjustment about mid-August. Not all of the June 30 values would have been received by that point.

TRUSTEE BOB WILLIAMS stated that they were giving the best number at the moment, and then would be updating that number and were sticking with the process. He asked if this would be an issue the next time because it is the process used.

MS. STUART replied yes.

MS. LEARY commented on the lag process in terms of all of the documentation. Her understanding was that everything is now in the hands of staff, and she did not think there was much of a lag. They worked really hard to get all of the documents to the auditors. They were also able to close their books for the alternative assets twice. She continued that at the end of the audit process, the auditors would look at the differences between last year and this year and comment on them. Last year everything worked out smoothly. She did not think that rearranging the staffing for the Treasury, for accounting specifically, had any impact on getting the information to KPMG. She wanted to articulate that, so it was on the record.

MS. STUART agreed, the team did a good job of filling that hole that exists and worked very hard.

CHAIR MICHAEL WILLIAMS asked for any other questions for KPMG. There being none, he stated appreciation for the wonderful work they do, and he looked forward to the final audit. He recognized Kevin Worley with his report on his part of the audit update.

DRB AUDIT REPORT

MR. WORLEY stated that this is a verbal update to Item 6B, the DRB audit update. KPMG has been working with the accounting staff and providing sample selections. Those were getting out to the appropriate team members within the Division to get all the backup. They had provided a timeline for the June 30, 2023, audits of all the financial statements. Eight are prepared, with six being presented to the Audit Committee. Six all under the authority of the ARM Board: PERS,

TRS, JRS, National Guard, SBS, and deferred comp. Those will be discussed at the October 9th meeting. There are a number of deadlines to hit internally, and then work with Buck, the consulting actuary, because there are governmental accounting standard board statements that have to be followed: GASB67, which is a reporting of the plan net pension liability; and GASB 74, which is the net OPEB liability or asset. Currently there is an asset in that case. All the information was given to them so they could start the preliminary work on those GASB disclosures. He hoped to have the information to the committee a week before that starts so they have an opportunity to do a good review and ask good questions at the meeting. He concluded his update on the DRB portion of the audit update.

CHAIR MICHAEL WILLIAMS asked for any questions. There being none, he asked Mr. Worley to continue with the Internal Audit Report.

INTERNAL AUDIT REPORT

MR. WORLEY stated that Item 6C was the internal audit report, and he made one announcement regarding the filling of one of their vacant internal audit positions, by Brandon Roomsburg. Mr. Roomsburg has been with the Division for a very long time, but only recently in the audit section. In March, the new compliance officer, Evgenia, was hired and then left in June for a better paying private sector job. Christopher Novell was hired; he is an accountant 5 and a compliance officer. He asked Chris for a brief announcement.

MR. NOVELL stated that he took over as the compliance officer and the audit lead as of July 31st. He has been in State service since 2014, and also did some private sector work. He looked forward to meeting with them when he gets done with his work.

CHAIR MICHAEL WILLIAMS welcomed Christopher Novell aboard.

MR. WORLEY added that both Mr. Roomsburg and Mr. Novell would be representing the State of Alaska at the State Social Security Administrators conference. They will be getting a lot of education and information. He then directed the committee to report provided in the packet.

CHAIR MICHAEL WILLIAMS asked for any questions and then moved to the Report on Delinquent/Late Filing Employers.

REPORT ON DELINQUENT/LATE FILING EMPLOYERS

MR. WORLEY identified PERS and TRS employers that were delinquent in reporting as of August 25th. At the last update, they were still outstanding. The biggest outstanding that was reported last June was the Hydaburg City School District. Staff was able to talk with them over the phone on Monday about catching up their filings that had not been filed as of June 30, 2022. They have a contracted finance officer that has been submitting payrolls right now. TRS was the biggest one that they were working on, and it looks like that will be caught up within the next couple of months. He moved on to the comment from the June meeting when they were asked to provide PERS employers that were delayed or delinquent in salary floor billings. Currently, there are five listed and there are actually six employers that have salary floor billings that were delinquents at one point. Galena was one of the bigger employers, which was an Air Force base. They lost a number of positions after that Air Force based closed down. Legislation was passed a few years back through House Bill 47, which allowed a change in the salary floor for five PERS participating employers. Galena was one of them. Under the provisions of the House bill,

they were able to negotiate a payment with them at a rate different than the 1.5 times actuarial rate of return. Galena was making those payments. He added they still owe over \$1 million. He continued that Allakaket currently owes about \$14,000; Nenana has been a delinquent employer primarily due to the funding within the city and we are working with their new finance officer and City administrator. They were also looking at terminating from PERS. They currently show an estimated amount due of \$295,000. The City of Noorvik has an estimated balance due of a little over \$800,000. They have not paid since 2009. The City of St. George is under a similar situation at about \$570,000. The City of Tanana is currently at about \$200,000. He clarified that those amounts are principal interest calculations and are estimates. He added that he will be working with the Department of Law this year on terminating employers like the ones late in payments, not making salary floor payments. The committee will get an update when the Division has gone through the process with the Department of Law.

CHAIR MICHAEL WILLIAMS asked for any questions on the status of delinquent employers.

TRUSTEE BOB WILLIAMS stated that it would be nice for the next report to have the numbers for the floor next to it to give an idea of the scope. He added that he was glad to hear that Hydaburg PERS and TRS seems to be on a pathway. He was surprised that there were 13 that were behind.

MR. WORLEY replied that some of those that were delayed are reached out to at least monthly. He added that if an employer has missed by a day they still show up on the report because there was a 15-day reporting requirement, they show up on the list. Part of the issue faced by Hydaburg was some really big capital project issues at the school, and they choose to keep the school running. He stated that there were provisions within statute that do allow the retirement systems to work with other State agencies that provide money to their employers. As long as they are unobligated funds, they are secured. We try not to do that and had done it once and it was really frowned upon. He continued that they work really hard with every employer to try and get the funding and the payroll reports as best we can.

FUTURE MEETINGS

CHAIR MICHAEL WILLIAMS stated there will be a committee meeting on October 9th to have an update from KPMG. He asked for any other agenda items the trustees would like to see in the future. He asked if there were any other requests of follow-up items. He took a moment to welcome Trustee Moore to the Audit Committee meeting. He asked for any other comments from members of the public at this time. Hearing none, with the completion of business, he asked for a motion to adjourn.

MOTION: A motion to adjourn was made by TRUSTEE KROHN; seconded by TRUSTEE BOB WILLIAMS.

There being no objection, the MOTION was APPROVED.

(The ARM Board Audit Committee Meeting adjourned at 8:58 a.m.)