

**ALASKA RETIREMENT MANAGEMENT BOARD
AUDIT COMMITTEE MEETING
via TEAMS**

**October 9, 2023
10:00 a.m.**

**Originating at:
State of Alaska
Department of Revenue, Treasury Division Office
Juneau, Alaska**

Trustees Present:

Michael Williams, Chair
Bob Williams
Donald Krohn
Lorne Bretz

Other Trustees Present:

Sandra Ryan

Department of Revenue Staff Present:

Pamela Leary, Director, Treasury Division
Ryan Kauzlarich, Assistant Comptroller
Alysia Jones, Board Liaison

Department of Revenue Staff Present:

Kevin Worley, Chief Financial Officer
Christina Maiquis, DRB Accounting Supervisor/Accountant V

KPMG:

Beth Stuart, Audit Partner
Melissa Beedle, Audit Manager

Buck:

David Kershner, Principal, Consulting Actuary
Tonya Manning, Chief Actuary

PROCEEDINGS

CALL TO ORDER

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

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

PUBLIC MEETING NOTICE

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

MS. JONES replied, yes, that it had.

APPROVE THE AGENDA

CHAIR MIKE WILLIAMS moved to the agenda and stated that there was a change. Item VI-A under the financial statement, Ryan Kauzlarich from Treasury would be doing the presentation on invested assets. With that correction, he asked if there was any objection to adopting the agenda, as adjusted. Hearing no objection, the agenda was adopted.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

CHAIR MIKE WILLIAMS moved to the public comment period and asked if there was anyone online who wished to address the Audit Committee. Hearing none, he closed out the public and member participation comment period.

REVIEW OF DRAFT FINANCIAL STATEMENTS

INVESTED ASSETS

MR. KAUZLARICH stated that KPMG discussed the status of the audit at the September meeting and a draft of the finances was included in the packet. He pointed out the schedule of invested assets and added that there are a total of 695 private equity valuations, including 40 direct private equity investments for June 30th. He continued with the financial statement notes which included the accounting entity, summary of significant accounting policies, fair value measurements, and required disclosures of related investment risks. He concluded his presentation, and asked for any questions about the report.

CHAIR MIKE WILLIAMS asked if there were any questions from members of the committee or any others. There being none, he recognized Kevin Worley, CFO, for DRB, and Melissa Beedle and Elizabeth Stuart from KPMG for the remainder of the items under draft financial statements.

DEFERRED COMPENSATION PLAN

MR. WORLEY thanked the Treasury crew for responding to all the requests in a timely manner and getting the information for audits and for the upcoming annual comprehensive financial report (ACRF) that is due by the end of the calendar year. He stated that the first two financial statements they were looking at were the deferred compensation plan, and the supplemental benefits system, SBS. He continued that the deferred compensation plan and SBS financial statements were a bit different than what would be seen in the PERS, TRS, JRS, and National Guard systems because those have actuarial valuations performed every year or every odd year

and thus have additional required disclosures that are not required of the deferred compensation and SBS plans.

In these financial statements were the audit opinion, management discussion and analysis, which highlighted financial changes within fiscal years that were reported for '23, compared to '22 and '21. That would be a management discussion item where different information on changes in income or expenses, changes in plan assets or liabilities are disclosed. He also updated a few blank spots because some information was still missing related to the J.P. Morgan SmartSpend; also, the Mass Mutual Bond and Equity Funds. He moved back to the deferred comp plan and asked if there were any particular items of interest from any of the committee members.

CHAIR MIKE WILLIAMS told the committee members to just jump in with any questions.

TRUSTEE BOB WILLIAMS asked about the employer contribution and if that was because some employers have a certain percentage max for deferred comp.

MR. WORLEY replied that he would get to that and looked at the statement of changes in fiduciary net position. Within the deferred comp plan, there was an option that employers can do a matching contribution, and there is only one employer currently participating in that. He added that, overall, there was a net increase in the fiduciary net position of \$76 million, compared to a loss of \$164.6 million last year. That was all he had for deferred comp.

CHAIR MIKE WILLIAMS asked for any questions. There being none, he moved on in the agenda.

SUPPLEMENTAL BENEFITS SYSTEM

MR. WORLEY continued to the supplemental benefits system and began with the audit opinion, which he believed would be clean, which is a good audit opinion for deferred comp and SBS, the management discussion and analysis again, then the financial statements, and the notes to the financial statement, and then a supplemental schedule that provided additional financial information. He went through the material and asked for any questions. There being none, he continued on.

JUDICIAL RETIREMENT SYSTEM

MR. WORLEY went through the layout of the next four financial statements that were broken into the following sections: The audit opinion, which would be issued by KPMG. He believed that JRS, PERS and TRS would be clean opinions. National Guard still continues having issues with their data. He continued that the audit opinion would be the first section, then there is the management discussion and analysis; then they talked about the changes between fiscal years and the financial statements and then the notes to financial statements. He stated that the GASB established reporting requirements that have to be adhered to the JRS, PERS, TRS, and National Guard plans. For the judicial plan, the pension liability compared to plan net assets have to be reported. He added that the Judicial Retirement System was actually overfunded. He stated that this information was financial in nature and reported for the accounting folks. What was in the valuation report was necessary for the funding of the plan.

TEACHERS RETIREMENT SYSTEM

MR. WORLEY stated that the Teachers' Retirement System was the same layout as discussed in the Judicial Retirement System. They had the employer and plan member contributions, as well as the State of Alaska contribution. Currently, \$90.4 million was all going to the Pension Trust, with none of it going to the Alaska Retiree Healthcare Trust. Since a zero percent contribution rate for the Alaska Retiree Healthcare Trust was adopted, it was assumed all of them would be zero. Overall, every Trust fund, all six of them, have a net increase positive addition to the plan net assets for the net position of each of those Trusts compared to the prior year.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

MR. WORLEY looked at the Alaska Retiree Healthcare Trust with employer contributions into PERS Healthcare Trust which was related to a cutoff issue from FY22. There was a cutoff because the financial statements needed to be done. There were \$555,000 of employer contributions that could have processed in '22, but because of the cutoff procedures it did not occur until '23. He added that sometimes employers submit them late, and those had to be processed with the rates that were in effect at the time of that payroll. They had the same experience in investment income. He continued that all six funds had positive income for the year of \$1.8 billion compared to the loss before of \$1.6 billion. All six funds also had a net increase of \$1.0 billion compared to a loss the prior year of \$2.2 billion. He pointed out that this was the first year that the PERS went over \$1 billion in pension benefit payments.

NATIONAL GUARD AND NAVAL MILITIA RETIREMENT SYSTEM

MR. WORLEY stated that the National Guard plan is the smallest plan, and we have the hardest time getting information for the plan, and we continue working with the National Guard. The Naval Militia and the Army Guard were good about getting their '22 information to the Division. They also had a hard time getting information from the Air Guard, but worked with them, and it was finally submitted about two weeks ago. He continued that they do have turnover and were trying to figure out how to work with the Administrative Services Office to get some canned reports that would work for the Air and Army Guard, because they are the two bigger guards. The Naval Militia is a very small branch with 50 or less folks. They continue using a manual system, using Excel spreadsheets. He moved to the financial statements section and stated that the plan was overfunded. There was no contribution within the State appropriations, and no funds were received from DMVA. The National Guard does not have a health component to it, and it is all in pension. There was a net increase of just over \$400,000 to this particular plan.

MS. STUART stated that on National Guard their opinion was a qualified opinion, which was the qualification limited to the gross pension liability because of the data restrictions and lack of data availability. The qualification was limited to that liability. The remainder of the report had an unqualified opinion over the assets and distributions and such. The opinion qualification was consistent with the last couple of years.

CHAIR MIKE WILLIAMS appreciated the efforts in meeting with the National Guard System and trying to fill those gaps. He asked for any questions from the committee.

MR. WORLEY concluded his report for the draft financial statements. He thanked KPMG for the long days and long hours, and also thanked his staff for all their work. He stated that this was Phase 1 of all the audit reports that will be presented. There are six financials and two

additional ones that were not under the purview of the ARM Board: The Retiree Health Fund and the Group Health and Life, which are the active health plans administered by the Divisions.

CHAIR MIKE WILLIAMS asked for any questions or comments.

FUTURE MEETINGS

CHAIR MIKE WILLIAMS pointed out the future meetings and asked for any questions about the upcoming meetings for the rest of the year and into 2024. He asked for any future agenda items that committee members would like to see in any of the upcoming Audit Committee meetings. He stated that he was not aware of any outstanding requests or follow-up items.

PUBLIC / MEMBER COMMENTS

He asked for any other matters to properly come before the committee. There being none, he reopened the public comment period and asked for any members of the public or plan participants who wished to address the committee. Hearing and seeing none, he closed out the public comment.

With the conclusion of the committee's business, he entertained a motion to adjourn.

MOTION: A motion to adjourn the meeting was made by TRUSTEE BOB WILLIAMS.

There being no objection, the MOTION was APPROVED.

CHAIR MIKE WILLIAMS thanked everyone for their participation.

(The ARM Board Audit Committee meeting adjourned at 10:39 a.m.)