

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

December 6, 2023
9:00 a.m.

Originating at:
Alaska Housing Finance Corporation Meeting Room
4300 Boniface Parkway
Anchorage, Alaska 99504

Trustees Present:

Michael Williams, Chair
Donald Krohn

Bob Williams
Lorne Bretz

Other Trustees Present:

Sandra Ryan
Spencer Moore

Dennis Moen
Commissioner Paula Vrana

Department of Revenue Staff Present:

Zach Hanna, Chief Investment Officer
Scott Jones, Head of Investment Operations,
Performance & Analytics
Jesyca Ellenbecker, Accountant 5
Benjamin Garrett, State Investment Officer
Emily Bowman, Administrative Assistant 2
Grant Ficek, Business Analyst

Pamela Leary, Director, Treasury Division
Ryan Kauzlarich, Assistant Comptroller
Robyn Mesdag, State Investment Officer
Hunter Romberg, Senior Compliance Officer
Chris Madsen, Administrative Operations
Manager
Alysia Jones, Board Liaison

Department of Law Staff Present:

Ben Hofmeister, Assistant Attorney General

Department of Administration:

Amanda Pillifant, Executive Assistant

Division of Retirement & Benefits

Ajay Desai, Director, DRB
Kathy Lea, Chief Pension Officer
Traci Walther, Accountant 5
Nimeri Denis, Audit & Review Analyst

Kevin Worley, Chief Financial Officer
Roberto Aceveda, Counseling
& Education Manager
Brandon Roomsburg, Retirement
& Benefits Specialist

Investment Advisory Council Present:

Ruth Traylor
Dr. Williams Jennings

Josh Rabuck

KPMG:

Beth Stuart, Audit Partner

Melissa Beedle, Audit Managing Director

Callan:

Steve Center, Senior Vice President

Ivan “Butch” Cliff, Executive

Vice President

Public:

Wendy Woolf, RPEA

Randall Burns, RPEA

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 stated that 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, it had.

APPROVAL OF THE AGENDA

CHAIR MIKE WILLIAMS asked for any additions, changes or objections to the agenda as presented. There being no objections, he continued to the approval of the minutes.

APPROVAL OF MINUTES

CHAIR MIKE WILLIAMS moved to the committee minutes of the September 13 and October 9, 2023, meetings. He asked for any corrections or adjustments. Hearing none, he stated that those minutes were 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 of the Retirement Board. Hearing none, he moved to the room. Hearing no one wishing to make public comments, he continued on to the reports.

REPORTS

FY23 ARMB AUDITED FINANCIAL STATEMENTS

CHAIR MIKE WILLIAMS recognized Beth Stuart and Melissa Beedle from KPMG.

MS. STUART stated that she is an audit partner with KPMG based in Anchorage. She is also the Managing Partner of the Anchorage office.

MS. BEEDLE stated that she is a managing director in the Audit Department. She continued that she is based out of Juneau, and has worked on this audit for 10 to 12 years now. She added that they were there to present their results. She stated that the first section of the presentation was an overview of the audit results. It notes how the reports that were issued were unmodified opinions for the systems except for the National Guard system, which has not yet been completed. She explained that they were still working through some of the census data issues that were talked about over the last several years and expect to be able to issue a qualified opinion on that. She talked about the unmodified opinion issued back in October, and, consistent with years past, there is one uncorrected audit misstatement related to the lag of the timing for alternative investment reporting. She added that there were no corrected audit misstatements, and they had no other audit matters that need to be brought to the committee's attention at this time. She stated that there were no illegal acts or fraud that came to their attention during the course of the audit, and there is no suspected fraud.

MS. STUART went into detail on the uncorrected audit misstatement that had been the case in most years of the audit. It is a misstatement associated with the timing of information related to the private equity funds, related to the invested assets of the ARMB. This audit misstatement reflects the difference in the information that was available when the Treasury Division closed their books and the information that was available at the time that the audit report was completed in October. That difference was about \$28 million of increased value in private equities; about .5 percent of the value of those assets. She added that that was not something that gave concern or in any way impacted or prevented the issuing of an unmodified statement on the financial statements. It is there just for the information of the trustees. She stated that the auditor's reports were unmodified on the invested assets, as well as all of the systems, except for the National Guard system. It was expected that a qualified opinion on the National Guard system would be issued, and they were waiting for information to allow that to be issued.

MS. BEEDLE then provided some of the insights that were seen as part of the data analysis that was performed during the audit. She stated that they get 100 percent of the data, the distributions and contributions made, and they run those through some data analysis tools to see if anything unusual pops out that may need a bit more explanation. She concluded their prepared presentation and asked for any questions.

CFO WORLEY then talked about the continued work with the National Guard on data collection for getting the necessary forms through testing. An email contact was recently received from the Commissioner wanting to work with the Division on how to resolve these items, because they eventually show up in the State's annual comprehensive financial report. He continued that one of the problems for one of the units is that they only perform National Guard services once a month on a weekend on a voluntary basis. He thanked all the staff for getting the data provided for the audits, and stated his appreciation for all that staff does.

INTERNAL AUDIT REPORT

CFO WORLEY continued to the internal audit report and introduced Christopher Novell, the compliance officer in charge of the internal audit section on a day-to-day basis, and the audit section reports when they were issued.

MR. NOVELL stated that the audit and compliance unit consists of a team of three under the overall supervision of CFO Kevin Worley. The daily activities and priorities of the unit are overseen by himself. Brandon Roomsburg and Nimeri Denis both serve as the Division's audit and review analysts. He continued that the team completed four audits that were commenced during the Fiscal Year 2023, all of which were school districts. Currently, there are two audits in process: one school district and one municipality. During the reviews, five recurring issues that required attention on behalf of the employers were identified. First were noncompliance issues with SB185 relating to the firing of retired teachers; second, employees not reporting PERS or TRS on their first day of employment; three, incorrect Social Security numbers; four, temporary employment that exceeds two years; and, the erroneous reporting of bonuses or other noneligible payments. He added that this team is also involved in other duties such as being Social Security Administrators for Alaska. He stated that Section 218 of the Social Security Act is an agreement that provides for public employees within eligible entities to participate in Social Security, as long as certain due diligence has been performed, which could include membership referendums. As State Social Security Administrators, we have a very central role in administering any events

where a political subdivision or retirement system sought to change their participation status in Social Security. The conference provided all the tools needed to do that.

CFO WORLEY stated that KPMG talked about the annual comprehensive financial reports for PERS and TRS, which are required by Alaska statute to be issued by the end of the calendar year; and we have until 12/31 to issue those. He continued that a final draft of those were at the Commissioner's office for approval and were sent off to KPMG for their review. There is a modification to the audit opinion that is required so that the report could be issued.

The Division of Retirement and Benefits was recently notified by the Government Finance Officers' Association that they received a certificate of achievement for excellence in financial reporting for the June 30, 2022, PERS and TRS ACFRs, or annual comprehensive financial reports. CFO WORLEY added that they applied for and received the 2023 Public Pension Standard Award for funding and administration of public pension plans. We are very proud to receive those, which means that we are meeting a lot of criteria established by both of these groups.

CFO WORLEY stated that the GASB 68 and GASB 75 allocation schedules need to be issued. Those are reports used by employers and the State of Alaska, but not by the Division. He added that those were given to KPMG, and he noted the need for a one-hour meeting to go over the final drafts on December 20th.

CHAIR MIKE WILLIAMS asked the committee members to pencil that date in.

REPORT ON DELINQUENT/LATE FILING EMPLOYERS

CFO WORLEY moved on to the report of delinquent and late-filing reporters and stated that the item talked about most frequently over the last couple meetings has been the Hydaburg City School District. In discussions with the staff that works with Hydaburg, they are pretty much caught up on the teacher side. They did get the funding to pay off through last fiscal year, and are working to stay current on this report. They have made significant progress since this report was prepared. He added that the Audit Committee will be updated on that process as it is worked through.

CHAIR MIKE WILLIAMS stated that the next item on the agenda was an optional Executive Session. He continued that would be necessary if there were any confidential issues believed to be brought to the attention of the committee. Since no confidential issues have come up, he skipped the Executive Session. He moved on to the self-assessment and charter sections of the agenda. He also asked for any requests for updates or changes on the charter. Hearing none, he moved to future committee meetings and the dates. He asked for anything else from trustees for future agenda items. There being none, he asked for a motion to adjourn.

MOTION: A motion to adjourn the Audit Committee Meeting was made by TRUSTEE BOB WILLIAMS.

There being no objection, the MOTION was APPROVED.

(The ARMB Audit Committee Meeting was adjourned at 9:47 a.m.)