

**State of Alaska**  
**ALASKA RETIREMENT MANAGEMENT BOARD**  
**DEFINED CONTRIBUTION PLAN COMMITTEE MEETING**

**Hammond Room – Centennial Hall**  
**101 Egan Drive**  
**Juneau, Alaska**

**March 1, 2017**

**ATTENDANCE**

**Committee Present:** Bob Williams, *chair* (arrived 9:34)  
Tom Brice  
Commissioner Sheldon Fisher (arrived 9:25)  
Rob Johnson

**Department of Revenue Staff Present:**

Pamela Leary (director, Treasury Division)  
Bob Mitchell (acting chief investment officer)  
Shane Carson (state investment officer)  
Judy Hall (board liaison)

**Department of Administration Staff Present:**

Ajay Desai (director, Retirement & Benefits Division)  
Kevin Worley (chief financial officer, Retirement & Benefits Division)  
Kathy Lea (chief pension officer, Retirement & Benefits Division)

**Others Present:**

Paul Erlendson (Callan Associates Inc.)  
Steve Center (Callan Associates Inc.)  
Gary Bader  
Perry Christie (Empower)  
Liz Davison (Empower)  
Marilyn Collister (Empower)

**CALL TO ORDER**

ACTING CHAIR TOM BRICE called the meeting to order at 9:00 a.m.

**ROLL CALL**

Two committee members were present and the decision made to begin the meeting awaiting the arrival of Chair Williams and Trustee Fisher.

**PUBLIC MEETING NOTICE**

MS. HALL confirmed that the meeting had been properly noticed.

### **APPROVAL OF AGENDA**

MR. JOHNSON moved to approve the agenda. COMMISSIONER FISHER seconded.

### **APPROVAL OF MINUTES – December 7, 2016**

MR. JOHNSON moved to approve the minutes of the December 7, 2016 meeting. COMMISSIONER FISHER seconded. Without objection, the minutes were approved as written.

### **PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES**

MS. HALL reported that the committee had not received any communications. GARY BADER, recently retired Chief Investment Officer for the Department of Revenue, provided commentary on the state of defined contribution plans and offered strategies to improve Alaska's defined contribution retirement plans including: encouraging higher contributions through the deferred compensation plan; manage assets professionally; make all assets portable; and minimize longevity risk using pooling mechanisms. He further recommended continuing the work on guaranteed lifetime fixed income, qualifying life annuity contracts and US Government laddered fixed income accounts. *[The full text of the remarks are available at the ARMB office]*

### **REPORTS**

#### **A. Division of Retirement & Benefits Update – Retirement readiness Review/Discussion:**

#### **B. Fiduciary Rule Update on Federal Regulations**

MARILYN COLLISTER, Senior Director, Legislative and Regulatory Affairs with Empower Retirement, provided a hand-out entitled *DOL Fiduciary Rule – Impact on Governmental Plans [available upon request from the ARMB office]*. MS. COLLISTER provided background information regarding the Department of Labor (DOL) Fiduciary Rule to be implemented April 10, 2017. The rule expands the definition of an investment fiduciary under ERISA Sec 3(21) by defining advice as any recommendation (even a suggestion) that a plan participant or IRA owner take or refrain from taking a particular action. The DOL argues that the rule is needed to protect plan participants from advisor conflicts of interest and excessive advice fees; opponents argue that the rule will limit availability of advice because it will no longer be cost effective for advisors to provide advice.

MS. COLLISTER provided additional information on the impacts of this rule, specifically that governmental plans not covered by ERISA or IRS Code Sec. 4975 are not subject to this rule, but it does apply to advice about rolling over or transferring funds from a governmental plan to an ERISA plan or an IRA. She also reviewed the types of communications and fiduciary standards affected by the proposed rule.

MS. COLLISTER reported that an Executive Order has been issued to examine the rule to determine if it may adversely affect the ability to gain access to retirement information and financial advice. Further, that DOL must prepare updated economic and legal analysis to determine if investors may be harmed due to reduction in access to certain retirement offerings, dislocations

or disruptions may occur within the retirement services industry adversely affecting investors or retirees, and if the rule causes an increase in litigation, and prices investors and retirees pay to gain access to retirement services. If so, DOL is instructed to rescind or revise the rule. She noted that Empower was continuing to prepare for implementation during this review period.

PERRY CHRISTIE, with Empower Retirement, confirmed that personnel have already completed training and testing to become fiduciaries and that Empower looks to continue providing service by these trained professionals – viewing this as best practice for the industry.

### **C. Action: Callan DC Plan Recommendations**

BOB MITCHELL, Acting Chief Investment Officer, and SHANE CARSON, Manager of Public Equity and DC Investments, provided a presentation *Callan Investment Structure Evaluation and Target Date Suitability Study (Staff Recommendations)* [this presentation is available at the ARMB office]. MR. MITCHELL briefly reviewed the defined contribution plan investment structure evaluation undertaken by Callan Associates and presented to the Board at its September 2016 meeting. He noted that the Board referred further study of the report's recommendations to the DC Plan Committee; staff reviewed the recommendations made by Callan on the structure of the investment options and offered their assessment and recommendations in the presentations and associated action memos.

CHAIR WILLIAMS noted that in his review of the presentation and staff recommendations for action, that staff did not recommend following Callan's recommended changes to the DC plans investment option structure. PAUL ERLANDSON, of Callan Associates, provided a perspective stating that it was not a matter of a right or wrong way to provide options for participants, but that the Callan viewpoint, and in general industry practice, is to simplify the options available for participant selection based on behavioral finance studies showing that more selections and options often leads to more confusion and thus inaction by participants.

After additional discussion among trustees, staff and Callan, the committee directed that rather than take any action at this time, there was an agenda item scheduled at the Board meeting on Friday (March 3), and the committee would defer to the wishes of the full Board.

### **OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE**

#### **PUBLIC/COMMITTEE MEMBER COMMENTS**

GARY BADER observed that in his view the impetus for the Callan recommendations to eliminate, consolidate and simplify the investment options for participants stemmed from the recommendation on the final page: providing access to a brokerage window. A brokerage window would give participants access to a great number of options, so a simplified, shorter list of options makes sense. He stated that since staff is not recommending providing a brokerage window due to liability/litigation issues, he thinks that it makes sense to view the Callan recommendations in light of what Alaska participants need and have been accustomed to seeing in the option line-up.

**ADJOURNMENT**

The meeting adjourned at 10:50 a.m., on a motion made by Mr. Brice and seconded by Mr. Johnson.