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

Teleconference/Videoconference

MINUTES OF
April 30, 2020

Thursday, April 30, 2020

ATTENDANCE

Committee Present: Bob Williams, *chair*
Tom Brice
Allen Hippler
Rob Johnson
Norman West

Committee Absent: None

Investment Advisory Council Members Present: Dr. William Jennings

Department of Revenue Staff Present:
Bob Mitchell, Chief Investment Officer
Kayla Wisner, State Comptroller
Pamela Leary, Director, Treasury Division
Zachary Hanna, Deputy Chief Investment Officer
Scott Jones, Chief Investment Officer
Stephanie Alexander, Board Liaison
Mike Barnhill, Deputy Commissioner
Michelle Prebula
Anna MacKinnon
Grant Ficek

Department of Administration Staff Present:
Kevin Worley, CFO, Division of Retirement and Benefits
Ajay Desai, Director, Division of Retirement and Benefits
James Puckett, Manager, Division of Retirement and Benefits
Kathy Lea, Chief Pension Officer, DRB
Emily Ricci, Chief Health Administrator, DRB
Betsy Wood, Deputy Health Official, DRB
Roberto Aceveda, Counseling and Education Manager, DRB

Nimeri Denis, DRB
Melanie Helmick, DRB

Others Present:
Stuart Goering, Assistant Attorney General, Department of Law
Paul Erlendson, Callan LLC
Steve Center, Callan LLC
Liz Davidsen, Empower
Marybeth Daubespeck, Empower
Andrew Corwin, Empower
Richard Ward, Segal Consulting
Susan Urig, Public

I. CALL TO ORDER

CHAIR BOB WILLIAMS called the meeting of the ARM Board Defined Contribution Plan Committee to order at 9:00 a.m.

II. ROLL CALL

CHAIR WILLIAMS, MR. BRICE, MR. JOHNSON, and MR. WEST were present at roll call. MR. HIPPLER was also present but was not heard.

III. PUBLIC MEETING NOTICE

STEPHANIE ALEXANDER confirmed that public meeting notice requirements had been met.

IV. A. APPROVAL OF AGENDA

MR. BRICE moved to approve the agenda. MR. WEST seconded the motion. The agenda was approved without objection.

B. APPROVAL OF MINUTES: December 11, 2019

MR. BRICE moved to approve the minutes of the December 11, 2019 meeting. MR. WEST seconded the motion. The minutes were approved without objection.

V. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS & APPEARANCES

SUSAN URIG, a State of Alaska retiree from a career as an Assistant Attorney General, explained to the committee a difficulty she's had making withdrawals from retirement accounts, specifically of making a withdrawal from one investment only, as opposed to a withdrawal that takes a percentage from all the types of investments in the retiree's plan. MS. URIG said that to do that requires filling out a nine-page hard-copy request and physically submitting it or mailing or faxing it, but now with the state and Empower offices closed, she can't submit it in person or by e-mail. There is an Empower app that can be downloaded to smartphones, but it took her multiple attempts to photograph and upload all nine pages. She said that Empower and the state are aware of how cumbersome this process is, and they tell her they have been working on a fix for two years. She requested that the state and Empower finalize and implement the plan soon to make the more fine-tuned approach available so as to draw from a single investment.

MR. HIPPLER asked if she were to withdraw funds which came equally from each fund, could she then immediately take the step of rebalancing the account at least in the approximate amount she would have liked; MS. URIG replied that no one had ever suggested that, and she has no complaint about the people who answer the phones at the state and Empower, but those processes are not shown anywhere on either the state's website materials or Empower's, so it's been an iterative learning-by-mistake process for her. She said that seems like another step in the strategies she would have to think about, but she thanked him for the suggestion.

CHAIR WILLIAMS thanked MS. URIG for her testimony, and said he would follow up.

VI. DRB UPDATES

A. Chief Pension Officer Report

KATHY LEA said they have been busy, with about 75 percent of the pension section working from home, but continuing to book appointments and meet telephonically with members and participants.

MS. LEA introduced JIM PUCKETT, the retirement operations manager who would replace her as the acting deputy director and chief pension officer the following day.

MS. LEA said they have been working on implementing the CARES Act in-service distribution, which isn't as easy as it sounds because of vagueness in the federal legislation, but they intend to allow a member to have an in-service distribution from either their SBS account or their deferred compensation account up to 25 percent of the account or $25,000 maximum. To qualify for this COVID in-service distribution, a member must certify that they or an immediate family member has the virus or that they have suffered a financial loss because of COVID.

MS. LEA said they had been nominated for a national award for Plan Sponsor of the Year in the government sector, an honor which recognizes plan sponsors that show a commitment to their participants' financial health and retirement success. Judges consider factors such as richness of program offerings, commitment to the program, leadership and innovation, and dedication to participants and helping them reach a secure retirement. Alaska DRB was one of three nominees in the government sector as a result of the work they've done with Empower creating a two-year plan to engage participants, called the Better Together campaign, which was rolled out at the beginning of 2019. A dinner planned in New York City in March at which they would find out their status was postponed to September. MS. LEA said they will also be resurrecting the campaign to Stay in the Plan for those terminating their employment.

ROBERTO ACEVEDA explained that, following mandates from the Governor's Office, they are no longer offering face-to-face services, they've been handling appointments with members and employers telephonically or via internet, and have been doing outreach to let people know about those alternatives. He said they had been using WebEx, but they are looking for other solutions, and may end up using Teams. MR. ACEVEDA added that LIZ DAVIDSEN would address the question on enrollment participation.

CHAIR WILLIAMS thanked KATHY LEA for her public service, commenting that he has appreciated her quick responses to inquiries, and it has been a pleasure to work with her. He wished her well in her next adventure, and welcomed JIM PUCKETT, saying he has some big shoes to fill.

1. Trustee Question Response: Employer Enrollment/Participant Information

LIZ DAVIDSEN addressed the issue of enrollment and participation in her Empower update below.

B. Legislation Update

MS. LEA said that no pension legislation passed, and four bills that they were monitoring will have to be reintroduced next year.

C. Empower Update

MARYBETH DAUBESPECK with Empower Retirement congratulated the State of Alaska for their nomination as Plan Sponsor of the Year. She said Empower is very proud of the campaign that they partnered on with DRB.

MS. DAUBESPECK explained that Empower had moved 99 percent of their associates from working in brick-and-mortar offices to working from home between March 13 and March 20. They were able to do that because they have a very strong business continuity program that is tested and updated multiple times each year, and there was no slowing of service. She described their security protocols to keep data safe, and discussed how they are handling meetings virtually and phone calls immediately, and said they are now developing a return-to-work strategy with the utmost of caution.

LIZ DAVIDSEN discussed feedback from participants, and said people have been very understanding and most have kept their scheduled meetings as they shifted to virtual. Surveys have resulted in 174 responses with a rating of 9.1 on a scale of 1 to 10 for effectiveness, and 98 percent of the people gained value.

MS. DAVIDSEN explained that in 2019, one-on-one meetings increased 48 percent over 2018, and they saw a 23 percent increase in enrollments in the 457. Contribution rates increased, and target date fund usage in managed accounts increased; also, eight new employers were added in 2019. For 2020, they already have a participation campaign lined up, as well as the Stay in the Plan campaign, and the fourth quarter is always busy with National Retirement Security Week, when Empower and DRB hold events in Fairbanks, Juneau, and Anchorage to get people more retirement-ready.

MS. DAVIDSEN said that in the first quarter of 2020, plan assets are down about $950 million due to the market, but overall contributions still outpace distributions. She said SBS and the 457 could still do better, and the Stay in the Plan campaign will be helpful. Enrollments are still on the rise, outpacing 2019 for the first three months of the year, and they have done 970 meetings for 2020. They've noted an increase in participants moving to the stable value option, and distribution counts were down from Quarter 4 to Quarter 1.

CHAIR WILLIAMS asked if MS. DAVIDSEN had any idea why they've had more success signing up cities and boroughs than school districts; she replied that school districts have so many 403(b) providers, and employees make the decisions. She said that during National Retirement Security Week last year, she and ROBERTO ACEVEDA focused their presentations to school districts, and she and KATHY LEA did a presentation for superintendents, trying to partner with them to get teachers more retirement-ready, but some places view them as a vendor. She asked that someone from the committee write a letter encouraging school districts to participate, to show that they aren't trying to sell something; they are trying to provide a benefit. MS. DAVIDSEN said she had asked counterparts in the State of Wisconsin and the State of Tennessee what works to increase participation, and DRB staff are always trying to figure out what else they can do.

MS. DAVIDSEN described the process for an employer to join the state plan, and reviewed some of their efforts to get more to join, reiterating her request for a letter of support from the committee explaining that it is a state effort. She said they planned to mail out fliers and make calls during the summer, and would report on that project at the September meeting.

D. Defined Contribution Examples and HRA Update

KEVIN WORLEY said he had been asked to show a deduction in funds flow chart for both PERS peace officer/firefighter members and all other members, and for a TRS Defined Contribution member. He said he would review the example for the peace officer/firefighter, but the others are all similar, and for TRS the only real difference is the percentages.

The example had a PERS Defined Contribution peace officer/firefighter member receiving $2500 of gross pay semimonthly, within which there are two types of deductions or contributions. The first is an employee contribution of 8 percent of the gross pay, amounting to $200 that goes to Empower. Also, there is an employer match of 22 percent of the gross pay, in this case $550, divided into five parts: an employer match contribution to Empower for the Defined Contribution Plan of 5 percent, or $125; plus smaller amounts of $33 to retiree major medical insurance, $18 to occupational death and disability, $88.40 to the PERS health reimbursement arrangement fund; and the remainder, $285.60, to the PERS DB fund, pension or healthcare, depending on the unfunded liability calculation.
He showed other examples for all other members for PERS and for TRS, which has an employer contribution rate of 12.56 percent instead of 22 percent and an employer match of 7 percent. CHAIR WILLIAMS thanked MR. WORLEY for showing the information graphically and for breaking it down for the different groups.

MR. WORLEY then discussed the PERS and TRS health reimbursement arrangement, in response to a request from the committee, particularly about the interest posting that is required by Alaska Statute. His presentation covered background, eligibility, contributions, interest, consumer price index adjustments, two examples, and the location of the information.

MR. WORLEY said the PERS and TRS retiree health reimbursement arrangement plan was established on July 1, 2006, and its purpose is to allow medical care expenses to be reimbursed from this individual savings account for TRS and PERS Defined Contribution members. The HRA is funded only by employer contributions, and the value is minus administrative expenses and plus investment gains or minus investment losses. The ARM Board is a fiduciary of the HRA fund with the powers and duties defined in AS 37.10.220. For each member of the plan, an employer contributes an amount equal to 3 percent of the average annual compensation of all employees of the employers in TRS and PERS. Annually, the Division notifies the ARM Board, including the Actuarial Committee and the DC Plan Committee, of what the upcoming HRA contribution amounts are going to be. MR. WORLEY said that at first, each employer had a different HRA rate, but in compliance with IRS code, since 2008 everybody within PERS and TRS has received the same annual amount, no matter what their salary level is, and the amount for FY 2021 is estimated at $2,159.04.

MR. WORLEY discussed eligibility for HRA employer contributions, then went over how interest is applied to members' accounts. The Board establishes the rate of interest, and it is applied to accounts based on their balance as of June 30 of each fiscal year. The interest must be credited to members' accounts no later than January 15 of the next year, though DRB does it within 30 days after audited plan financial statements are issued, which would be in November. CHAIR WILLIAMS said he had received calls asking how people can find out what the amount of interest is on their accounts; MR. WORLEY explained that quarterly statements and myRnB show the total balance, but not the breakdown of contributions and interest. He said people could call the call center and get that information, but DRB is still working on how to show them separately, and they will soon have a link on the website explaining how to get the interest information.

CHAIR WILLIAMS raised a concern that there isn't a way for people to shield this fund from a down market or reduce their risk as they get closer to retirement; MR. WORLEY said that's the way the regulation was written, but they could discuss it with the Department of Revenue.

MR. WORLEY explained that if a person terminates their employment before reaching eligibility, but then returns to employment before they turn 65, their funds in the HRA trust will be restored and adjusted using the CPI adjustment provided by the U.S. Department of Labor for the CPI index of Anchorage. DRB will also credit the eligibility for medical benefits for the earlier period of time that they worked. MR. WORLEY reviewed two examples, and said that for retirees using their HRA, PayFlex will have the most current balance.

CHAIR WILLIAMS recessed the meeting from 10:41 a.m. until 10:48 a.m.

E. Defined Contribution Health Plan

EMILY RICCI, the chief health administrator with DRB, said this is the first time they've given a presentation on the DCR Plan, or Defined Contribution Retiree Health Plan, because it is still new. She said she would compare it to the Defined Benefit Health Plan, which is more familiar to the ARM Board because they talk about it more. MS. RICCI was joined by RICHARD WARD with Segal Consulting, the benefit consultants and actuaries, and BETSY WOOD, DRB's deputy health official.

MS. RICCI said that the DCR Plan was established in 2006 to provide retiree health benefits to employees hired after July 1, 2006. She described the plan as still in its infancy, with only 84 members currently enrolled, compared to about 70,000 in the Defined Benefit Retiree Health Plan. One big difference is the cost share provision, including things like deductibles, out-of-pocket maximum, and copayments, which are indexed periodically to reflect healthcare trends. MS. RICCI said that's an important differentiator between the Defined Contribution Health Plan and the Defined Benefit Plan, and a challenge, because retirees in the Defined Contribution Health Plan are responsible for paying a portion of the premium, so it's important to ensure that it is affordable and usable. She said employer contribution rates are 1.32 percent for PERS and 1.09 for TRS.

MS. RICCI defined the terms for eligibility, and pointed out that it had only been 14 years since the plan was created, so they are just starting to see members who meet the criteria of having 10 years of service and being Medicare age eligible. There hasn't been enough time to see people with 25 or 30 years of service yet. She noted that the DCR health plan covers dependents similarly to the Defined Benefit Health Plan, spouses and children under age 19 or up to 23 for students, which is a statutory requirement for the retiree health plans, different than what people are used to with the Affordable Care Act which covers dependent children up to age 26. There is also coverage for permanently and totally disabled children. MS. RICCI noted that there are some differences in the language on this between the DCR Plan and the DB Health Plan. Also, in the DCR Plan, a member cannot be "double-covered", which refers to spouses claiming each other as dependents.

MS. RICCI reviewed the past two years of enrollment and claims, then reviewed the features of the plan. She pointed out that one of the differences between the DC plan and the DB plan is an emphasis on providing higher levels of coverage for services considered more valuable or beneficial, such as immunizations, and a higher level of coverage for services from providers who have a contracted agreement with the plan. The idea is to incentivize members to use services that are available, high quality, and at the lowest cost, features which are not built into the DB Plan, but are more common in the active employee plan. She reviewed pharmacy coverage, as well as travel coverage for when treatment is not available locally or when the cost including travel is less than it would be locally, and for second opinions. She explained the EGWP program, which allows a group plan to set up a group Medicare Part D plan and benefit from the enhanced federal subsidies, and allows for covered vaccines to be administered at the pharmacy. She noted that in the DC Plan there are different financial coverage levels for those who are eligible to participate in an EGWP but choose not to.

MS. RICCI noted that people who retire and are not Medicare age eligible are responsible for 100 percent of the premium cost for the DCR Health Plan, and those fees can be pretty hefty. When they are Medicare age eligible, they are still responsible for a portion of the premium cost, with varying percentages depending on years of service, but there is no case in which they are not responsible for at least some portion of the premium. These premiums may go up over time, and that's why it's very important to manage the cost for this plan.

MS. RICCI said that the premiums were established by Buck, and they are reviewed annually with Segal. The group is still too small to have a good sense of that the costs will be, so they use national tables to establish those costs, which MR. WARD explained.

MR. WARD said the rates were initially developed by Buck using national data and benefit valuation models, and the rates are reviewed annually, but they haven't yet seen a reason to update them. With a group of less than 100 people using the plan, there are big variations from year to year, so until the group becomes larger and there is enough experience to be credible, they will continue to review it year by year. He said they anticipate the group to grow to several hundred in four or five years.

MS. RICCI reminded the committee that the health team in the division is small, about 12 people, and they don't manage the claims themselves. They use third party administrators, Aetna for medical, Optum for pharmacy, and Delta Dental.

VII. PARTICIPANT DIRECTED OPTION RECOMMENDATIONS

A. Empower SecureFoundation Option

MS. LEA explained that in September 2017, the divisions of Retirement and Benefits and Treasury began working together to identify criteria for retirement income solutions to improve participants' expected retirement experience. Desirable attributes include reliable and forecasted monthly distribution, survivor benefits, cost-effective participant withdrawal flexibility, meeting participant-specific needs, and an option of a guaranteed lifetime benefit. She said they've presented material to the Board over the past two years, and Empower has presented several times on the guaranteed lifetime withdrawal option. MS. LEA presented a short summary of what the guaranteed lifetime withdrawal benefit, or GLWB, does, and items of due diligence that need to be considered when selecting a vendor.

MS. LEA explained that a GLWB was developed by the defined contribution industry to mitigate the negative effects for defined contribution participants that were experienced in the 2008 financial crisis. A GLWB allows DC members to move some or all of their assets into a product that ensures their balance for future payment. Participants may enroll any time within the ten-year period before their estimated retirement date, and the benefit is paid for their lifetime. During enrollment in this plan, participants have the advantage of the upside market, but are protected from the downside. To obtain this protection, the participant pays a premium of 90 basis points on their balance. The participant may opt out at any time, including withdrawing their balance after annuity payments have begun or leaving the balance to their survivor in the event of their death. She emphasized that this is not intended to be a replacement for defined benefit, but only to address security issues for interested members. She said they hear regularly in counseling sessions that DCR participants have anxiety about their future, and some people terminate and seek options with other vendors that provide more of a guarantee, so this is an important retention factor. Many participants don't want to choose the lifetime annuity product because they have to forfeit their balance to get it, but this option allows them to ensure their balance and receive the benefit they planned on for their lifetime.

MS. LEA then addressed the various GLWB offerings and why Empower's SecureFoundation product is recommended. Empower has a proven track record of conservative operations, which is reflected in their rating. If an outside vendor were selected, a build-out would be required to report data to that vendor, essentially duplicate record-keeping, and it would introduce a third entity for participants to interact with. Empower is the second-largest retirement plan record-keeper in the nation, and is number one in government markets. MS. LEA commented that at the National Association of Defined Contribution Administrators conference each year, there is a sponsored dinner at which Empower welcomes new entities and lists plans that have returned to them for record-keeping. She said she had noted who those were over the past 10 or 15 years, and made a point to contact them and ask them why they returned to Empower and who they were leaving. Their responses were consistently that Empower is a partnership, it is not sales. Other record-keepers were pressuring them to buy services, but making money is not the driving focus of Empower. Another comment she heard a lot was that Empower has more accurate record-keeping, and provides exceptional services with evolving products that meet participants' needs.

MS. LEA noted that DRB's experience with Empower goes back nearly 30 years, and when they issue RFPs and have no idea who they are reviewing, consistently Empower has come back with the best service and the best costs. She reviewed Empower's ratings from various rating agencies, all of which indicate a high quality, financially strong and stable company.

CHAIR WILLIAMS pointed out that on her last day of employment with the State of Alaska, KATHY LEA is going out on a high note with two presentations to the DC Committee, and he thanked her.

MS. LEA continued, saying that as additional due diligence, they looked at Empower's payout rate competitiveness. The standard payout for a GLWB is about 4 or 5 percent, and the cost of 90 basis points buys the retiree the predictability of the benefit, the protection from market volatility, and the lifetime guarantee. Participants make this choice realizing that they are giving up some accumulation, but they are getting a considerable guarantee, and if they live long enough to receive benefits for which they no longer have an account balance to pay, that is a return on the premiums they have paid.

Another question was portability options, an issue which is currently being addressed by the IRS and Congress, but there are current options if record-keepers are changed, and there will probably be better options in the future. The options are not one-size-fits-all, but MS. LEA said they think this option should be available to participants so they can decide if the cost is worth the benefit. She said people differ in their behavior while accumulating income for retirement, and the goal is to have a robust set of options to meet the needs of all participants, so in the future there will be recommendations for other options.

BOB MITCHELL added that he thinks this option is relatively expensive compared to annuities and to other investment products, but it has the potential to serve a niche in the population.

MR. JOHNSON asked how much it would cost an individual if they decided to get out of this option and whether they could get out of it five years after retiring. Also, he asked whether any additional cost would be incurred by a beneficiary if it came to pass that Empower was no longer the state's record-keeper. MR. MITCHELL responded that this option would be available to participants starting at age 55, so presumably they would be active and paying into it until they were 65. If the participant decided later to withdraw their assets from this investment option, the annuity payments they'd been making for all that time would effectively be forfeited. He said he would call that a degree of liquidity that may impact them adversely, and it increases the burden of communication from the plan administrator.

DREW CORWIN with Empower's investment subsidiary commented that in thinking about SecureFoundation compared to relative annuities, he thinks it becomes a comparison of relative features between products as much as of cost and benefits. As opposed to a deferred annuity, which locks up the money for a fixed payout, SecureFoundation guarantees a certain payout, but if markets appreciate, it has the potential to generate higher amounts of guaranteed income. He agrees that a person wouldn't want to pay into it and then not receive the benefit, but if a person encounters a situation where they need access to that money, they have flexibility.

STEVE CENTER from Callan added that the whole retirement income solution and guaranteed withdrawal benefit space is still evolving, and these guaranteed withdrawal benefit products are fairly expensive, but they do offer stability and greater liquidity than annuities, and could serve a purpose for a niche portion of retirees. He said there may be other options that should also be considered, but this fee is not outlandish and any sort of guaranteed product will look comparatively expensive because of the low interest rate environment.

<u>MR. BRICE moved that the Defined Contribution Committee recommends the Alaska Retirement Management Board direct staff to contract with Empower Retirement Services to offer one or more SecureFoundation funds in the Alaska Supplemental Annuity Plan, the Defined Contribution Retirement Plans, and the Deferred Compensation Plans, subject to successful contract negotiations. MR. WEST seconded the motion.</u>

After some discussion about expense, other options, and how the money management market may evolve, a roll call vote was taken. With two yes votes and three no votes, <u>the motion failed.</u>

VIII. TREASURY UPDATE

A. Callan's Review on Adding a Stand-Alone REIT Option

STEVE CENTER reminded Trustees that Callan's defined contribution consulting group conducted an investment structure review of the DC Plan in 2016, and recommended replacing the existing stand-alone REIT option with a strategy that includes a diversified basket of investments designed to better hedge against inflation. He said that when REITs are included in the investment options within a DC menu, it is usually as a way to offer an investment that hedges against inflation, although REITs also generate income, which they are required to kick out as dividends. Therefore, REITs often serve as a bond substitute within an equity portfolio because they have high dividend yields. However, being equity securities, REITs have a high correlation with the overall equity market.

MR. CENTER reminded Trustees that the ARM Board elected to replace a State Street U.S. REIT index fund with the BlackRock Strategic Completion Fund, which is a blend of REITs, Treasury, inflation, protected securities or TIPS, and commodities; so a basket of underlying investment that are designed to hedge against inflation over time. He said Callan remains supportive of that structure, which does not include a stand-alone REIT option. He said that in their opinion, defined contribution menus should offer options that include broad beta exposures rather than single sectors of equity or bond market, and adding REITs back to the current menu would be duplicative of the BlackRock Strategic Completion Fund, which include REITs as a component of its inflation-hedging strategy. However, from a fiduciary oversight standpoint, Callan believes it would be a defensible choice to add REITs back as an option within the current DC menu; but they would recommend doing so with a passive investment option, much as was used with the State Street REIT index fund. Such passive investment options within REITs are far more affordable, with low management fees, and they are a space where active management has shown the ability to add value over time, though typically with a higher level of volatility and without any sort of increased dividend yield or increased sensitivity to inflation.

MR. WEST asked how REITs have done comparable to the BlackRock funds in the current market situation of 2020; MR. CENTER replied that he didn't have the performance data, but he could say that based upon the allocation in that fund of about 35 percent REITs, 40 percent TIPS, and 25 percent commodities, just that allocation to TIPS would result in a stronger performance than a stand-alone REIT investment because the equity market was down so much the first quarter. He said TIPS and any sort of Treasury-based security tended to perform pretty well during the first quarter of 2020.

MR. WEST commented that BlackRock doesn't always match the market. DR. JENNINGS added that commodities dominated by energy may have offset any advantage that TIPS had.

B. Brokerage Window Question

MR. CENTER said that rather than adding REITs as a stand-alone option, Callan would recommend the addition of a self-directed brokerage window to the platform. He reminded Trustees that this was recommended as part of the structure analysis they did in 2016, and GREG UNGERMAN had talked about it in September 2019. Brokerage windows can offer participants further access to the markets by allowing investment in mutual funds or exchange-traded funds or even any publicly listed security, including equities or bonds. He acknowledged that statistics show that plans that offer self-directed brokerage windows usually see fairly low usage, and it can be a somewhat cumbersome process, but it would allow people who want more specialized funds to buy them without the Board adding more options. He said that if desired, the committee could limit the sorts of securities that could be purchased within the window, for example, only mutual funds or ETFs and not individual securities. The Board could also limit the maximum percentage of participant balance that could be allocated to the brokerage window.

MR. CENTER noted that Empower has arrangements with three brokerage firms that offer this service, but before making this decision, there are other considerations, as discussed by MR. UNGERMAN. There are additional fees such as annual fees, trading expenses, brokerage fees, and possibly low balance fees.

CHAIR WILLIAMS asked what kind of criteria for financial knowledge would have to be met for people to use a brokerage window; MR. CENTER said that the participant has to sign papers acknowledging that they are taking on their own fiduciary duty and cannot claim poor fiduciary oversight by the Board if they do this.

CHAIR WILLIAMS asked the other Trustees whether there was an interest in bringing a brokerage window to deferred compensation for DC members. MR. WEST commented that the fact that 70 percent of other government plans offer one, even if they aren't highly used, is probably a reason to go ahead.

<u>MR. WEST moved to recommend to the Board that the Board approves staff to come up with a brokerage window option for deferred compensation at a future meeting. MR. BRICE seconded the motion.</u>

MR. MITCHELL questioned why only do this for one of the participant-directed plans; MR. BRICE suggested making it for all the participant-directed plans: SBS, deferred compensation, and defined contribution. MR. WEST agreed to that amendment.

A roll call vote was taken, and the motion passed unanimously.

IX. CALENDAR REVIEW

MS. ALEXANDER said that the calendar follows the standard cycle, but they are still not sure whether the meetings will be face-to-face in Juneau or another videoconference, so everyone should check the agendas for those details.

X. OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE

CIO BOB MITCHELL congratulated KATHY LEA on her next chapter and conveyed his gratitude for the opportunity to work with her. He said he wished her the best. CHAIR WILLIAMS added that he has really enjoyed working with MS. LEA and found her incredibly professional and competent. He said she would be missed, and he thanked her for all her years of service.

XI. PUBLIC/MEMBER COMMENTS – None.

XII. ADJOURNMENT

MR. BRICE moved to adjourn the meeting. MR. WEST seconded the motion. The motion passed without objection.

The meeting was adjourned at 12:35 p.m.

Note: An outside contractor recorded the meeting and prepared the summary minutes. For in-depth discussion and more presentation details, please refer to the recording of the meeting and presentation materials on file at the ARMB office.