

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

Videoconference

MINUTES OF
June 16, 2021

Wednesday, June 16, 2021

ATTENDANCE

Committee Present: Bob Williams, *Chair*
Allen Hippler
Rob Johnson
Dennis Moen

Committee Absent: None

Other Trustees Present: Donald Krohn

Investment Advisory Council Members Present: Ruth Ryerson

Department of Revenue Staff Present:

Zachary Hanna, Chief Investment Officer
Pamela Leary, Director, Treasury Division
Kayla Wisner, State Comptroller
Mike Barnhill, Deputy Commissioner
Scott Jones, Head of Investment Operations, Performance & Analytics
Hunter Romberg, State Investment Officer
Michelle Prebula, Public Equity & DC Investment Officer
Benjamin Garrett, Assistant Investment Officer
Ryan Kauzlarich, Accountant V
Alysia Jones, Board Liaison
Grant Ficek, Business Analyst

Department of Administration Staff Present:

Ajay Desai, Director, Division of Retirement and Benefits
Kevin Worley, CFO, Division of Retirement and Benefits
James Puckett, Chief Pension Officer, Division of Retirement and Benefits
Roberto Aceveda, Counseling and Education Manager, Division of Retirement and Benefits

ARMB Legal Counsel Present:

Benjamin Hofmeister, AAG, Department of Law
Robert Schmidt, AAG, Department of Law

Others Present

Liz Davidsen, Empower
Marybeth Daubenspeck, Empower
Randall Burns, Public, RPEA

I. CALL TO ORDER

CHAIR BOB WILLIAMS called the meeting of the ARM Board Defined Contribution Plan Committee to order at 10:30 a.m.

II. ROLL CALL

MR. HIPPLER, MR. JOHNSON, MR. MOEN, CHAIR WILLIAMS were present at roll call.

III. PUBLIC MEETING NOTICE

MS. JONES confirmed that public meeting notice requirements had been met.

IV. A. APPROVAL OF AGENDA

MR. JOHNSON moved to approve the agenda. MR. MOEN seconded the motion. The agenda was approved without objection.

B. APPROVAL OF MINUTES: March 17, 2021

MR. JOHNSON moved to approve the minutes of the March 17, 2021 meeting. MR. MOEN seconded the motion. The minutes were approved without objection.

V. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS & APPEARANCES – None.

Due to technical difficulties, CHAIR WILLIAMS requested the committee move to VII. Treasury Update and circle back to VI. Division of Retirement and Benefits Update.

VII. TREASURY UPDATE

A. Update SmartSpend Information

MS. PREBULA announced that the implementation of the series 2015 and 2020 SmartSpend funds was scheduled for July 1st and all groups involved were ready.

CHAIR WILLIAMS asked if that would show up as another option or how would members know to sign up for it; MS. PREBULA stated that it would show up as an option; CHAIR WILLIAMS asked if the 2015 and the 2020 SmartSpend were similar to a target date fund that people joined for a set time period; MS. PREBULA stated that they were and the 2020 fund had been set up so that if a person started at the age of 65, it would last until that person turned 100, so it assumes that a person was 65 in the year 2020 and the 2015 assumes that a person is 65 in the year 2015 and expends itself

by the time 35 years has passed; CHAIR WILLIAMS asked if one of the benefits of SmartSpend was the ability to pull money out at different rates; MS. PREBULA confirmed that was the case and further explained that they have a recommended spend-down that is reset every year that tells the recipient how much they can pull out of the fund each year to make the money last until they turn 100.

B. Target Date Funds Update

MR. HANNA explained that a full review of both the target date and balance funds that T. Rowe manages for the plan was in the works. He said they would be focused on cost, the various asset class offerings that go into the target date funds and the balance funds as well as the glide path. They planned to bring a recommendation back to the committee by December at the latest. He said T. Rowe had a preliminary proposal with four options on the target date and the plan was to be fully engage with them by July.

CHAIR WILLIAMS said for new members, the target date funds were the default option when someone signs up for PERS or TRS. He then asked MR. HANNA if the review was a periodic review to look at ways to see if the target date funds are doing well and if there was any room for improvement or to get a better price; MR. HANNA said that was correct, that they had done the review in the past on a five-year cycle and expected to do the review again in the future. He said the review was not limited to T. Rowe, but with target date funds being a more complex offering, there are more elements that go into the review that have an impact on members.

CHAIR WILLIAMS asked if MR. HANNA thought there would be one 2020 target date fund or if there would be more choices for the members; MR. HANNA said that he thought there would need to be a measurable benefit for offering several different options. He said they would need to look into it, particularly the glide paths for each target date. He said that the more complex of a path the more issues they could run into; CHAIR WILLIAMS asked if the options MR. HANNA had seen were encouraging; MR. HANNA said that he had not seen the fees involved with the options, so he was guarded with his evaluation.

VI. DRB UPDATES

A. Chief Pension Officer Report

MR. PUCKETT stated that it was the peak season for retirements and they had more retirement applications than the same time last year. He said June retirements were up by 8 percent with 173 retirements effective June 1. July was up 13 percent with 406 retirements effective July 1. He said they had also seen a lot of membership deaths reported and were running behind about 19 days. He said there were 1,200 reported deaths since December 2020, noting it was an unusually high number of deaths, and they were closely monitoring it to make the necessary adjustments to process them more quickly.

CHAIR WILLIAMS asked if the death totals were higher than previous years, were they following the actuarial projections, or were they still above the actuarial projections; MR. PUCKETT responded that they were a little above the projected number. He said the numbers were high in December and they have not gone down as they typically due January through April. He said they are monitoring it

and would shift personnel over to aggressively tackle the backlog if necessary.

MR. PUCKETT said that they had 1,082 people in the DC Plan affected by the Metcalfe decision that MR. HOFMEISTER had mentioned during the Audit Committee meeting. He explained that they had been a DB member, were refunded out and lost their tier and the Metcalfe decision had put them back into the possibility of getting their tier back. He said the Division was waiting for instructions from the Superior Court to determine how to best mitigate the situation.

CHAIR WILLIAMS asked if there needed to be more court rulings to clearly define the process for getting them back into their original tier; MR. PUCKETT said that there was a process in place, they just have to wait until the case has been fully litigated; he said they were waiting to hear from the Department of Law.

MR. HOFMEISTER confirmed what MR. PUCKETT stated and said he would give a more descriptive discussion about it during Executive Session.

1. Brokerage Window Implementation

MR. PUCKETT reported on the progress of the self-directed brokerage option. He said that the last version of the regulation had been sent to the Department of Law. Once they were done with it, it would go to the Chief of Staff for his review and approval. He said that they were working on the public notice while waiting on the finalization of the regulations and that MR. SCHMIDT would give them more information.

MR. SCHMIDT said the self-directed brokerage regulations were in a close-to-final form and that they had been reviewed by multiple persons within the Department of Law and were about ready to be sent to their legislation and regulations section. He said that public comment would be commencing soon.

CHAIR WILLIAMS asked if the regulations were going through okay; MR. SCHMIDT said that they were and were at or near final draft form and had little editing to be done; CHAIR WILLIAMS then asked what the timeline was where the brokerage window would be up and running; MR. SCHMIDT said that it would be about 45 days.

B. Legislation Updates

MR. PUCKETT said that HB55 would create a new tier and the ARM Board would have the authority to establish a contribution rate for the members. He explained that the tier was for firefighters and police officers and that it had passed the House and was sent to the Senate. He said it would come up in the January session 2022.

MR. PUCKETT said he had one more thing to mention and it was regarding the DC survey from BEN TAYLOR with Callan about leakage. He said that he had information from research he performed and would share that with MS. JONES to distribute.

C. Empower Update

1. Registration Requirements

MS. DAUBENSPECK discussed updates regarding general delivery addresses, annuities offered through Empower and their new participant experience, using several slides in the process. She said they had tackled the issues of people with general delivery addresses being unable to enroll. She said they had made several enhancements, however, members with a general delivery address would have to call customer service for their initial account registration, but once they complete that, they would have access to everything on the website. She said they had also sent out postcards and emails to members who had general delivery addresses, asking them to register if they had not yet done so and gave them the information on how to register their accounts.

CHAIR WILLIAMS asked how many members had they contacted with a general delivery address; MS. DAVIDSEN said that she would get that information; MS. DAUBENSPECK suggested they contact communications to get the numbers prior to the end of their presentation; CHAIR WILLIAMS suggested that if a member typed in “general delivery” that there could be an alternative security question and they would not have to call customer service; MS. DAUBENSPECK said that she would take that back to their security team to see if something could be built; MS. DAVIDSEN said that the number of people with general delivery address was just under 500.

CHAIR WILLIAMS said that sometimes when members call Empower, they are transferred to the Alaska Empower, which suggests that the number provided is to a national call center. He then asked if that was something that could be solved; MS. DAUBENSPECK said the registration would have to go through the national call center.

2. Empower Annuity Option

MS. DAUBENSPECK explained the annuities that were available from Empower were the standard type of annuity offerings that were in the marketplace, such as fixed annuity, joint life, and survivor annuities. She said that if a member wanted to get one of those offerings, they would have to call the call center to request the annuity and that request goes through the underwriting process where the members age would be considered, as well as if they had requested a joint and survivor, then the age of that person and the gender. They also discuss the time frame as well as if they were looking for a fixed annuity. All this information goes into building a quote for the member. She said that less than 1 percent of members request an annuity option.

MS. DAUBENSPECK said that between January 1st, 2011 through June 1st of 2021, there were a total of 45,564 full distributions, 15,102 partial distributions and 239 of them elected to take an annuity which represented ½ percent. She said for those who took a partial distribution, 28 requested an annuity.

MS. DAUBENSPECK explained that they worked with the State of Alaska to initiate a new program called the RISE campaign. She said the campaign provides information to members on what they can do with their money when they retire.

CHAIR WILLIAMS asked how much of a hurdle was it for the members to start one of the options offered; MS. DAUBENSPECK said that the members would need to decide how much money they

wanted to receive on a monthly, quarterly, or annual basis and set it up under that guideline. That would keep their money in the plan and distribute it per their frequency of payment selection. She said that the annuity, however, was an out-of-plan option; CHAIR WILLIAMS asked if it was clear what the fees were when that option was selected; MS. DAUBENSPECK said that the commission was a one-time payment that was built into the payment which was disclosed in the documentation.

MS. DAUBENSPECK explained that the State of Alaska agreed to be part of a pilot for point-in-time advice which was a permanent offering within the plan where Empower could give distribution advice to the members. She said that it was not live but would be at some point next year and presented slides to show how it would work.

MR. MOEN asked how often Empower reaches out to send updated paperwork or reminders to current plan participants; MS. DAVIDSEN said they work every year on a participation campaign, they also have a biannual employer conference, and there was a tile on the website specifically for new members that would take them to the various resources.

VIII. FUTURE MEETINGS

A. Calendar Review

MS. JONES stated that there were no changes and nothing to report.

B. Agenda Items – None.

C. Requests/Follow-Ups – None.

IX. OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE – None.

X. PUBLIC/MEMBER COMMENTS

RANDALL BURNS introduced himself and explained that he had recently been elected to the RPEA Board and was getting up to speed on the activities of the committees. He commented on MR. PUCKETT'S discussion about the backlog in processing as a result of deaths. MR. BURNS stated that families had been struggling getting paperwork processed and encouraged the Division to consider being more diligent with the process as the impacts on the families that were under a great deal of stress having to deal with the process were considerable.

CHAIR WILLIAMS asked if the backlog was taking longer than the 19 days MR. PUCKETT had stated; MR. BURNS said that it was taking months as some of the personal representatives were not direct family members which slowed the process.

XI. ADJOURNMENT

MR. MOEN moved to adjourn the meeting. MR. JOHNSON seconded the motion. The motion passed without objection.

The meeting was adjourned at 11:36 a.m.

ATTEST:

Corporate Secretary

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.