

**ALASKA RETIREMENT MANAGEMENT BOARD
DEFINED CONTRIBUTION PLAN COMMITTEE MEETING
HYBRID/TEAMS**

**June 14, 2023
10:00 a.m.**

**Originating at:
Robert B. Atwood Building
550 West 7th Avenue, Rooms 102/104
Anchorage, Alaska 99501**

Trustees Present:

Bob Williams, Chair	Sandra Ryan
Donald Krohn	Dennis Moen
Lorne Bretz	Michael Williams

Additional Trustees Present:

Adam Crum

Department of Revenue Staff Present:

Zachary Hanna, Chief Investment Officer	Pamela Leary, Director, Treasury Division
Stephanie Pham, State Investment Officer	Shane Carson, State Investment Officer
Ryan Kauzlarich, Assistant Comptroller	Scott Jones, Head of Investment Operations, Performance & Analytics
Hunter Romberg, Senior Compliance Officer	Benjamin Garrett, State Investment Officer
Mark Moon, State Investment Officer	Grant Ficek, Business Analyst
Kevin Elliot, State Investment Officer	Robert Vicario, Administrative Assistant II
Chris Madsen, Administrative Operations Manager	
Alysia Jones, Board Liaison	

Department of Administration, Division of Retirement & Benefits Staff Present:

Ajay Desai, Director, DRB	Kevin Worley, Chief Financial Officer
Mindy Voigt, Assistant Chief Pension Officer	Larry Davis, Appeals & Risk Mitigation Manager
Traci Walther, Accountant V	
Roberto Aceveda, Counseling & Education Manager	

Department of Administration Staff Present:

Dave Donley, Deputy Commissioner

Department of Law Staff Present:

Ben Hofmeister, Assistant Attorney General

Investment Advisory Council Present:

Dr. William W. Jennings	Ruth Traylor
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Guests/Presenters:

Marybeth Daubenspeck, Vice President, Government Markets, Empower
Jon Hess, Vice President, Participant Engagement, Empower
Liz Davidsen, State Director, Empower

Ashleigh Kester, Senior Segment Manager, Empower
Robyn Loftin, AVP Advisory Services Strategic Director, Empower
Rajneesh Motay, Senior Vice President, Head of Automated Advisory Products, Morningstar
Michael Sawula, Senior Director, Automated Portfolio Solutions, Morningstar

Public:

Randall Burns, RPEA

PROCEEDINGS

CALL TO ORDER

CHAIR BOB WILLIAMS called the Defined Contribution Plan Committee meeting to order and asked for a roll call.

MS. JONES called the roll.

PUBLIC METING NOTICE

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

MS. JONES replied, yes, it had.

APPROVAL OF AGENDA

CHAIR BOB WILLIAMS asked for any changes to the agenda. Hearing none, the agenda was approved.

APPROVAL OF MINUTES

CHAIR BOB WILLIAMS moved to the minutes from March 15, 2023, and asked for any changes or corrections.

MOTION: A motion to accept the minutes of March 15, 2023, was made by TRUSTEE MIKE WILLIAMS; seconded by TRUSTEE KROHN.

There being no objection, the MOTION was APPROVED.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

CHAIR BOB WILLIAMS moved to the portion of the meeting for public/member participation and asked if there was anyone in the room or online that would like to speak. Seeing and hearing none, he closed public/member participation, communications, and appearances.

TREASURY DC UPDATE

CHAIR BOB WILLIAMS moved to a presentation on the Treasury DC update by CIO Hanna and Stephanie Pham, the public equity and defined contribution investment officer.

CIO HANNA stated that last March Callan presented a DC investment structure review.

Ms. Pham will take us through the staff analysis and the staff recommendation that came out of that review.

MS. PHAM began with a review of the investment lineup considerations performed by Callan. She went through a couple of the very important considerations. She stated that Callan did their investment structure evaluation and provided their considerations. First was removing the money market option; second was adding a core plus fixed income option; third was removing the passive U.S. small-cap equity option and adding a passive U.S. small-cap equity option. The last two were removing the balance fund option and revisiting the offering of the JP Morgan Smart Retirement Fund. She continued that one of the recommendations was to remove the money market fund because that and the stable value fund had overlapping roles as capital preservation options. Staff recommendation was to not remove the money market fund at this time. It remains an attractive and lowest-risk option for participants. She stated that Callan recommended adding an active core-plus fixed income. Staff looked at this strategy and considered Fidelity. Fidelity is one of the managers that Callan had approved and had gone through for the tactical bond fund that we have already. The strategy seeks a consistent, competitive, risk-adjusted total return and is aimed to mitigate unexpected downside risk. Historically, this strategy has provided and delivered the expectations for the strategy. Staff believe it is a good addition to the plan and agrees with Callan's recommendation.

TRUSTEE MICHAEL WILLIAMS asked what would be gained by adding this strategy.

CIO HANNA replied that this was Callan's recommendation and noted that there is an aggregate bond passive fund currently in the lineup. Callan believes that adding a core-plus active strategy is accretive to the plan. Generally, core-plus bond managers had outperformed over a long period of time and would benefit from a really strong institutional pricing.

CHAIR BOB WILLIAMS stated that the fees for those things were very important, and getting institutional pricing is fantastic.

MS. PHAM addressed the removal of the passive U.S. small-cap equity fund. She stated that they did not believe that should be done and stated some of the reasons. She added that additional research was needed and talked about some of the options available. Callan also recommended moving the balance funds because of a lot of overlapping aspects between the balance fund and the target date fund. She stated that removing the balance had a lot of complexity around it beyond logistics, and staff would not recommend removing it. She continued on to the JP Morgan Smart Retirement and looked at it from the point of view that the JP Morgan Smart Retirement 2015 fund was closing in October. The 2020 fund would not close and would merge into the JP Morgan's target date funds and is no longer a discrete retirement income solution. She added that the recommendation was that all the proceeds from both be moved over to the T. Rowe target date funds. She stated that there were action memos for both 2015 and 2020 JP Morgan Smart Retirement funds.

CHAIR BOB WILLIAMS stated that the recommendation was in the packet.

MOTION: The Defined Contribution Committee recommends the Alaska Retirement Management Board direct staff to discontinue the JP Morgan Smart Retirement Blend 2015 and the JP Morgan Smart Retirement Blend 2020 in the Alaska Supplemental Annuity Plan, the Defined Contribution Retirement Plans, and the Deferred Compensation Plan and request that the recordkeeper notify participants of the intent to remap them into an age-appropriate target date fund, if they do not select a different

option prior to the date the 2015 fund will be discontinued. The motion was made by TRUSTEE RYAN; seconded by TRUSTEE KROHN.

After the roll-call vote, the MOTION was APPROVED. (Trustee Michael Williams, yes; Trustee Krohn, yes; Trustee Moen, no response; Trustee Ryan, yes; Chair Bob Williams, yes.)

MOTION: The Defined Contribution Committee recommends the Alaska Retirement Management Board direct staff to contract with Fidelity to offer the Core-Plus Strategy in the Alaska Supplemental Annuity Plan, the Defined Contribution Retirement Plans, and the Deferred Compensation Plan. The motion was made by TRUSTEE MICHAEL WILLIAMS; seconded by TRUSTEE RYAN.

CHAIR BOB WILLIAMS commented that he was very excited about institutional quality and institutional pricing for this option. The work on this was great.

After the roll-call vote, the MOTION was APPROVED. (Trustee Krohn, yes; Trustee Moen, no response; Trustee Ryan, yes; Trustee Michael Williams, yes; Chair Bob Williams, yes.)

CHAIR BOB WILLIAMS thank all for the work in looking at those recommendations, having the thoughtful response to each of them, and taking action on two of them. He moved to the Division of Retirement & Benefits (DRB) update with Director Desai and Chief Financial Officer Worley.

DIVISION OF RETIREMENT & BENEFITS UPDATE CHIEF PENSION OFFICER REPORT

DIRECTOR DESAI began with the legislative updates for 2023 and pointed out bills related to the DC committee. HB 22, introduced by Josephson, would allow future peace officers and firefighters under the PERS system and current ones under PERS Tier IV plan to join the defined benefit plan. SB 11 would open a new defined benefit tiers for both PERS and TRS systems and offer all current PERS and TRS defined contribution retirement plan members the choice between the two. SB 35 would open a new PERS defined benefits tier allowing current peace offices and firefighters to elect new tiers or remain under PERS DCR, introduced by Senator Kawasaki. That was the companion bill for HB 22. SB 88, introduced by Senator Giessel, covers PERS and TRS systems that allows choosing between DB versus DCR plan. He added that these were the important bills that specifically mentioned DRB.

CFO WORLEY stated that, in March, there was a verbal update regarding the recordkeeping fee reduction. Empower Retirement reduced their recordkeeping fee from the 5.5 basis points (bps) to 5.25 bps. The impact on members is beginning July 1st, the total fees charged to PERS & TRS members, as well as SBS and Deferred Compensation members would be a reduction from 11 bps to 10.75 bps.

CHAIR BOB WILLIAMS thanked them for having the fee reduction go through. It is nice to see that the reduction was impacting members directly.

PERS & TRS SOCIAL SECURITY REPORT

CFO WORLEY explained that this was an ever-growing spreadsheet and added information at the request of Chair Williams related to Social Security and Section 218 agreements, either effective dates and/or dissolution dates. He reminded the group that Section 218 was a voluntary joining of Social Security and if you joined through a 218 agreement, terminating it was no longer allowed. The Chair wanted to see who signed up through a 218 agreement and who had dissolved their 218 agreement. He explained the State of Alaska, which had been in Social Security on December 31, 1979, opted out in order to create the SBS Plan. He walked through several examples and reminded folks that those not covered under a participation plan for PERS, were covered by Social Security.

CHAIR BOB WILLIAMS stated that this was a beautiful document, and he deeply appreciated it. This map provided clarity and laid out how, if they did not have SBS, they had Social Security. He acknowledged that a lot of work went into this document.

CFO WORLEY added that this did not take into consideration other plans offered by an employer. These were just the State plans being covered.

METCALFE CONVERSION UPDATE

MR. DAVIS reported on the Metcalfe special conversion period which lists statistics through May 26th. He gave an update of the numbers as of close of business yesterday. He continued that the special conversion survey response period ended on May 31st, which resulted in a total of 126 online survey responses; a total of 122 conversion calculation emails sent to those survey respondents telling them the detail, what they should plan for, and the amount of that conversion should they choose for it to occur. 24 members requested and received counseling from the counseling staff on the Metcalfe conversion. He added that, to date, they received a total of 50 actual conversion forms from eligible members. He noted that this particular conversion period was only offered to current DC members who were employed in a position on or after July 1, 2010, who had prior refunded DB service. It did not include the larger population of former members who refunded DB service and had not yet returned to any type of PERS or TRS membership services. He added that those particular members would be offered the chance to enroll in either the DC plan or retain the original DB tier within 30 days of when they were first rehired into the system. This particular population was a fixed population, and the special conversion period would take care of that particular portion of the population.

EMPOWER UPDATE

CFO WORLEY introduced the two colleagues from Empower Retirement: Marybeth Daubenspeck, vice president of government markets; and Jon Hess, vice president of participant engagement.

MR. HESS stated appreciation for the opportunity to be there. He was responsible for the field team nationally and works closely with the broader service team. He continued that he had been with Empower for eight years; in government markets for five.

CFO WORLEY stated that there were a couple of updates before getting to the quarterly call center and field reports.

MS. DAUBENSPECK stated that at the previous meeting they shared adding to the three boxes going into selecting the investments that managed accounts was a professionally managed fee-based service. That update had been implemented and was in place. A couple of enhancements to the next page had also been made, which added a link to the fee schedule. There was some verbiage that was scheduled to change and were in programming. They would be completed during the third quarter. She moved to a complaint made during the last quarter. It came in through the teacher's union with regard to Social Security being visible on the website when someone was in their Anchorage School District plan. The takeaway from this was the need to go back to the Anchorage School District, which they did, and both she and Mr. Worley had conversations with them. She stated that they felt firm in their decision to leave Social Security rather than default both the upfront area where the paycheck comparison was made and then in their managed account solution. She added that there was a monthly new employee presentation, and four times a year a benefit summit where they partner with the Social Security Administration, the Alaska Division of Retirement & Benefits, and Empower, which talked about Social Security and the impacts of that and the various DC plans.

CFO WORLEY stated that he had a discussion after the meeting in March. He had contacted Anchorage School District about Social Security on their 403 (b). They were adamant that, because of education and training with the membership and because of the number of PERS folks that had Social Security, because Anchorage School District was one of the employers that have PERS Social Security folks and TRS folks, they would want to educate the teachers to have that portion turned off. That was their position, and they were aware that it was occurring.

CHAIR BOB WILLIAMS stated that he felt they did their due diligences and were giving people the most accurate information possible. Anchorage had all their teachers toggled on, and then the complaints came. He asked if there was a way to separate those two to stop the complaints.

MS. DAUBENSPECK replied that there was a fundamental methodology within the participant experience, and it was called One ID, One Password. She explained how that worked. The secondary thing was from a security perspective. They have one password and secure it with one password. That was the methodology employed on the website. She stated that it was not easy to just separate them, but that they did separate them in the experience and information regarding which experience they are in, and which plan they are in is included at the top of the webpage.

CFO WORLEY stated that in the discussions with Anchorage School District it was brought up that they had teachers that come up from down South that do have Social Security. That was part of the talking process in the education piece.

MS. DAUBENSPECK felt strongly that the key was making sure that every person was as personalized as possible through their experience. First, everyone that enters gets a welcome postcard, and the language for that would be enhancing the information about Social Security. Second, on the pre-login landing page, there was a notification for all new enrollees. That page would be enhanced to put more language around the Social Security pre-login and post-login, and that bulletins specific to Social Security would be posted. She added that once the strategy was finalized, they would go to the Anchorage School District and employ the same type of bulletins on their website.

TRUSTEE RYAN stated that she would like to get a report, if possible, on the number of incoming DC plans that actually go through the process and customize, to see if the measures were working.

CHAIR BOB WILLIAMS encouraged continuing to pursue a way of grouping teachers and toggling them off. He also wanted to ensure the recordkeeper was communicating as accurate information as possible.

MS. DAUBENSPECK stated that at the last meeting Trustee Bretz had asked about call center reporting. She explained they did call center reporting and field reporting on a quarterly basis. That information will be included in the committee packet every quarter, going forward.

CHAIR BOB WILLIAMS asked for a brief overview.

MS. DAUBENSPECK replied that the first package was the call center and the basic call volumes. That could be provided on a quarterly basis and could do trending on how many calls and the average talk time. She stated that it might be meaningful to include the top 10 call reasons. She moved to the reporting on the survey and stated that it could also be provided every quarter. She explained that after every single call, participants are offered the opportunity to take a survey on their experience. She gave the results of the survey. She continued that there were five reports on the next deck. The first was a summary of the four plans rolled into an executive summary. Everything from where the contributions were going, the distributions, the assets, et cetera. Then it was done individually for each one of the four plans. She added that if a deeper dive is desired for the next quarter, they would be happy to do that.

CFO WORLEY stated that it was a quarterly report and would be available at the meeting right after the quarter ends.

MS. TRAYLOR asked about the fees and how each one of them seems to jump around. She assumed they would be relatively consistent quarter to quarter. She talked about the inconsistency.

MS. DAUBENSPECK stated they would look at that and thanked Ms. Traylor for pointing that out.

CFO WORLEY also stated that could be a follow up items for another meeting. He stated that there was a secondary member concern that Trustee Krohn brought forward that was resolved. An item was brought to the board meeting in March regarding a member having some concerns with a minimum required distribution. It was a husband and wife. The wife had two plans within the State of Alaska, and the husband worked for the Municipality of Anchorage. It was required minimum distribution which they were able to resolve. Trustee Krohn had heard from them that they were satisfied with the results of the work done with Empower to get that fixed. In the course of that discussion, it was discovered that there were a couple other members that were impacted with a very similar situation. Some of them were okay with what they got, so there were no changes required. A few folks did want to reissue the minimum required distributions. He believed that any of the outstanding questions were resolved. He added that the Division would look at a clearer way for membership to reach out to the Division for any concerns via Empower or Aetna or wherever the Division worked with a vendor. He stated that

they got final approval on what could be put out there, and the communications team was working on getting that available on the website. There would be a direct contact to the Division, and they would be able to parse out to whatever impacted sections within the Division needed to work on that problem. He stated that the problem should not occur again.

CHAIR BOB WILLIAMS stated appreciation for adding on another place where people can place their concerns with the Division of Retirement & Benefits.

TRUSTEE BRETZ stated a concern about those required minimum distributions. The retiree had written their instructions, what they wanted to happen, and that did not happen. He asked how or why instructions were not followed.

CFO WORLEY replied that he did not dive into that and was more concerned about getting it resolved with the end result that they wanted, which was the certain percent withheld for federal income tax. It was noticed that it was a conversion issue and should have been a one-time problem. That piece was fixed.

MS. DAUBENSPECK did not have the documentation but could get it. The component that occurred was in order to make sure that everyone did not have to resubmit the new tax form that had to come in. A conversion of what they paid in taxes last year was done. She stated that it happened to a few people. They went back and spoke with all of them and fixed it.

CHAIR BOB WILLIAMS asked for any other comments or questions. There being none, he moved to the committee performance and self-assessment per the charter. The committee charter could also be reviewed. He asked for any comments or thoughts on any of those items. He moved to the calendar review, which included the proposed 2024 Defined Contribution Plan committee meeting calendar. He asked for any other agenda items or requests follow-ups. He asked for any other matters to properly come before the committee. He asked for any public or member comments. He asked if there was anyone online or in the room who would like to speak. Seeing none, he closed that section. He stated that this was the portion of the meeting to go into executive session to have an analysis of managed accounts. He asked for a motion.

MOTION: A motion to go into executive session per Alaska Statute 44.62.310(c)(2) and (c)(3) to discuss Phase 1 of Callan's review of managed accounts for the Alaska defined contribution DC plans. The discussion would include subjects that tend to prejudice the reputation and character of a person. Further, the discussions may include advice from counsel for the ARM Board related to the issues set out in a presentation that is confidential by law under the attorney-client privilege. The following staff, consultants, and legal counsel are asked to join trustees in executive session for Callan's presentation: From Department of Revenue, CIO Hanna; Director Pam Leary; Shane Carson; Stephanie Pham; Alysia Jones; from Retirement & Benefits, Deputy Commissioner Dave Donley; Director Desai; CFO Worley; from Callan, Ben Taylor; Patrick Wisdom, Butch Cliff, and Steve Center; IAC members Ruth Traylor; Dr. Jerry Mitchell, and Dr. Bill Jennings; Assistant Attorney General Ben Hofmeister, counsel for the ARM Board. Representatives of Empower and Morningstar are invited to observe Callan's presentation but will be excused from the discussion of the presentation with the trustees. Consultants will be excused from executive session for the presentation of any

legal advice. The motion was made by TRUSTEE RYAN; seconded by TRUSTEE KROHN.

There being no objection, the MOTION was APPROVED.

(Executive session from 11:20 a.m. until 1:21 p.m.)

(The Defined Contribution Plan Committee adjourned at 1:21 p.m.)