

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

**September 13, 2023
1:00 p.m.**

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

Trustees Present:

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

Additional Trustees Present:

Commissioner Adam Crum	Spencer Moore
------------------------	---------------

Department of Revenue Staff Present:

Zachary Hanna, Chief Investment Officer	Pamela Leary, Director, Treasury Division
Ryan Kauzlarich, Assistant Comptroller	Jesyca Ellenbecker, Accountant 5
Scott Jones, Head of Investment Operations, Performance & Analytics	Hunter Romberg, Senior Compliance Officer
Shane Carson, State Investment Officer	Stephanie Pham, State Investment Officer
Mark Moon, State Investment Officer	Benjamin Garrett, State Investment Officer
Kevin Elliot, State Investment Officer	Robert Vicario, Administrative Assistant II
Chris Madsen, Administrative Operations Manager	Grant Ficek, Business Analyst
Alysia Jones, Board Liaison	

Department of Administration, Division of Retirement & Benefits Present:

Ajay Desai, Director, DRB	Kevin Worley, Chief Financial Officer
Mindy Voigt, Assistant Chief Pension Officer	Brandon Roomsburg, Retirement & Benefits Specialist
Roberto Aceveda, Counseling & Education Manager	Traci Walther, Accountant V
Betsy Wood, Chief Health Administrator	Natalia Golovatiuk, Retirement & Benefits Specialist
Christopher Novell Accountant 5	

Department of Law Staff Present:

Ben Hofmeister, Assistant Attorney General	Andrew Bocanumenth, Assistant Attorney General
--	---

Department of Administration Staff:

Dave Donley, Deputy Commissioner

Department of Revenue:

Fedil Limani, Deputy Commissioner	Leighan Gonzales, Executive Assistant
-----------------------------------	---------------------------------------

Investment Advisory Council Present:

Josh Rabuck
Ruth Traylor

Dr. William W. Jennings

Empower:

Marybeth Daubenspeck, Vice President, Government Markets
Liz Davidsen, Managing Director, Government Markets
John Mohan Vice President Government Markets
Jon Hess, Vice President, Participant Engagement, Government Markets

Callan:

Ivan “Butch” Cliff, Executive Vice President
Steve Center, Senior Vice President
Patrick Wisdom, Vice President

Ben Taylor, Senior Vice President, Head of
Tax-Exempt DC Research

T. Rowe Price:

Antonio Luna, Head of Stable Asset Management
Meredith Empie, Vice President, Client Services

Benjamin Gugliotta, Portfolio Manager

Morningstar:

Rajneesh Motay, Senior Vice President, Head of Automated Advisory Products
Michael Sawula, Senior Director, Automated
Thomas Idzorek, Chief Investment Officer, Retirement
Trisha Graham, Vice President, Participant Advisory Services

Empower Advisory Group:

Ashleigh Kester, Senior Segment Manager, Advisory Services
Robin Loftin, AVP Advisory Services Strategic Delivery
Ben Sia, Senior Manager, Plan Sponsor Analytics

Public:

Dan MacLean, TRS
Wendy Woolf, RPEA

Matt Moser, NEA – Alaska

PROCEEDINGS

CALL TO ORDER

CHAIR BOB WILLIAMS called the Defined Contribution Plan Committee meeting to order and asked for a roll call. He acknowledged the other trustees in the room and welcomed all trustees to this meeting.

PUBLIC METING NOTICE

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

MS. JONES replied, yes, that it had.

APPROVAL OF AGENDA

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

APPROVAL OF MINUTES

CHAIR BOB WILLIAMS moved to the minutes from June 14, 2023, and asked for any changes or corrections. Hearing none, the minutes were 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 moved forward and closed public/member participation, communications and appearances. He explained that the meeting had a fairly extensive executive session, and the other parts of the meeting would be somewhat abbreviated. He stated that the Division of Retirement & Benefits update was next, and added that the chief pension officer report would be handled by Director Desai and Chief Financial Officer Worley

DIVISION OF RETIREMENT AND BENEFITS UPDATE CHIEF PENSION OFFICER REPORT

MR. DESAI turned the meeting over to Mr. Worley.

MR. WORLEY stated that there were two items to report under the chief pension officer report. The first item dealt with the closure of the JP Morgan SmartSpend 2015 plan that occurred earlier this year. There was a notification process, which is considered a standard operating procedure, that was not fully engaged. When it discovered that had happened, Empower worked with the vendor to reopen the plan and put folks back into it as if nothing happened. There were losses that occurred that Empower covered. He added that there was no impact to the members that were in that investment at that time. The second item was a letter was sent to RPEA from a judge curious about a program called "Move It." There was a transfer file used by a number of places in the United States, which was hacked. The question was asked if this impacted Empower. They were aware of the vulnerability, but there was no impact. The Division of Retirement and Benefits responded to RPEA and let them know there was no impact. He commented that Chair Williams asked for a Social Security spreadsheet to let folks know if they were in Social Security and what coverages they had. He stated that was in their appendix and, as changes occur, they would be informed.

CHAIR BOB WILLIAMS added that the spreadsheet lays out clearly who has Social Security, who has SBS, who has something else. It was done in a very thorough and professional manner, and he appreciated it.

MR. WORLEY appreciated the staff that worked on it. He moved to the Metcalfe conversion update and recognized Brandon Roomsburg, the new audit and review analyst within the internal audit section.

METCALFE CONVERSION UPDATE

MR. ROOMSBURG began with a brief summary of what the Metcalfe decision was. In 2005, the 24th legislative session passed SB 141 in which the defined contribution retirement plans were created under the PERS and TRS. Changes were made to plan reinstatement affecting the ability for defined benefit members of PERS tiers 1, 2 and 3 and TRS tiers 1 and 2 to reinstate previously re-funded service. The statutes for reinstatement were repealed. There was a class-action lawsuit brought on behalf of all former defined benefit members in which the Alaska Supreme Court held that the State's repeal of Alaska Statute 39.35.350 and AS 14.25.062 violated Alaska Constitution Article 12, Section 7. Due to the Supreme Court's decision on January 25, 2022, which held that the reinstatement right was an accrued benefit protected by the Alaska Constitution, the Division was directed to notify, within four months, all affected members of the right to seek reinstatement. On May 31, 2022, the Division mailed out 82,704 letters to former members notifying them of their right to reinstate their previously re-funded service and former tier status upon returning to a PERS or TRS covered position. The Division also mailed out 1801 letters to former defined benefit members who re-hired after July 1, 2010, and became defined contribution retirement plan members. These members are referred to as "conversion members." Additionally, the Division put out a public notice in the newspapers and posted extensive information on the website. He continued that the letters mailed to affected members provided a summary of the Superior Court's decision and instructed them to visit DRB's website for further information, which provided further details of the Superior Court's decision. He added that this project period was from June 1, 2022, through August 15, 2022. During this time, DRB received 561 surveys, and all members were provided counseling. To date, the Division has processed and appointed 437 members to their former tier. The Division was later contacted by the Attorney General's office and was informed that the attorney for Mr. Metcalfe contacted with concerns over how the process was handled for conversion. The Division decided that it would conduct another open survey period for conversion-eligible members. The final election was from May 1, 2023, through May 31, 2023, and received 131 completed surveys. Since the Superior Court's decision, the PERS DB member base increased by 61 conversion members, and 24 former members in PERS Tier 1. PERS received 139 conversion members, and 27 former members in Tier 2. Then, it received 227 conversion members and 42 former members in PERS Tier 3. The TRS defined benefit member base increased 12 conversion members and two former members in Tier 1, and 77 conversion members and four former members in Tier 2.

MR. WORLEY added that he wanted Mr. Roomsburg to give a thorough count on the impact on the defined benefit plan because that impact will start rolling in onto the valuation reports that will be adopted next June.

CHAIR BOB WILLIAMS thanked Mr. Roomsburg and moved to Item C for the Empower report with Vice President Daubenspeck and State Director Liz Davidsen.

EMPOWER REPORT

UPDATE & QUARTERLY CALL CENTER & FIELD REPORTS

MS. DAUBENSPECK began with a quick overview, focusing on some outstanding items from prior meetings, to tie up some loose ends. The first item was some changes to the participant website specific to the managed account and advisory services offering. The goal was to make sure that there was fee transparency, and that people were aware that they were paying fees. There was some concern with some of the verbiage. They took some recommendations from the DC Committee, updated that verbiage, which was within the deck for review. She continued that the second item was the JP Morgan fund change. The official fund close would be on October 23rd, and that would be removing both the 2015 and the 2020 SmartRetirement funds. Then those would be mapped to the age-appropriate Alaska target date retirement trust. Letters would be mailed to all participants that have assets in those impacted funds, and they would add a bulletin to the website. She noted that the quarterly insights reports, as well as the field statistics and the call center statistics were included in the meeting materials. She stated that, at the last quarterly meeting, IAC member Ruth Traylor mentioned some concerns with the variability of fees within the report. She explained how those fees are actually assessed. She stated that the fees seen within those reports are not necessarily the fees that Empower charges to the State of Alaska. Their fee is 5.25 basis points, and is actually assessed to the State of Alaska; but those are the fees that the State of Alaska assesses to participants. The first one is a \$10-per-account fee for participants in the process of active contribution at the time it is assessed. The variability seen is because the PERS and TRS plans chart is based on the fiscal plan year. For 457 and SBS, they are based on the calendar year. She explained that there is a monthly true-up, which is for someone who joined the plan after the initial assessment was made. Each month they look at the new members and assess them that way. Second is the \$25 per-participant account fee for people with a balance, which everyone receives. For PERS and TRS, it is assessed at the beginning of the fiscal year, and for 457 and SBS is based on a calendar year. Finally, there is an asset base fee of 10.75 basis points annually that is assessed towards participant's accounts. Those are assessed on a monthly basis, and that is consistent throughout. She added that because everything was grouped together in that one report, there will be spikes throughout depending on which plan is being looked at.

TREASURY DC UPDATE

CHAIR BOB WILLIAMS moved to the Treasury DC update with CIO Hanna and Public Equity Defined Contribution Investment Officer Stephanie Pham.

MS. PHAM began with a brief update regarding the last meeting and stated that they were in the process of adding the Fidelity Core Plus Fund to the DC plan. She was working with Empower and with Fidelity, on getting all the paperwork, contracts, and the whole setup on the DC plan. She expected it to be between three and five months, which was a best-case scenario, for paperwork and legal review of the documents. She continued that at the last meeting, removing the Russell 3000 and the S&P 500 was discussed because they were duplicative. They decided, as staff, not to remove them because they think it is a good option to keep both on the DC plan for right now. It allows the participants to choose either an all-cap like the Russell 3000, or a large-cap S&P 500, which are good options. She added that they would recommend adding the S&P 400 and the S&P 600, which allows participants to choose what is best for them. They had looked at several different vendors such as BlackRock, SSGA, Legal and General, and T. Rowe and continue to look at some other options.

CHAIR BOB WILLIAMS thanked Ms. Pham for deciding to bring on the S&P 400 and S&P 600 so people could balance how much small-cap or mid-cap exposure they want. He thought that it was a great improvement and asked when that may occur.

MS. PHAM replied they would likely finalize in the next month and then look towards submitting to the board for formal approval the first or second quarter of next year.

FUTURE MEETINGS

CHAIR BOB WILLIAMS moved to the calendar review and asked for any agenda items to be added; any requests or follow-ups; or any other matters to properly come before the committee. He continued to the Public/Member participation, communications, and appearances on the agenda, and asked for anyone in the room or online that would like to speak to the Defined Contribution Plan Committee. There being no one, he moved to a motion to go into Executive Session.

MOTION: A motion to go into Executive Session per Alaska Statute 44.62.310(c)(2) and (c)(3) to discuss a presentation by T. Rowe Price. The discussion will include subjects that could prejudice the reputation and character of a person. Further discussion may include advice from counsel for the ARM Board related to the issues set out in presentation as confidential by law and attorney-client privilege. The following staff, consultants, and legal counsel are asked to join trustees in Executive Session for the T. Rowe Price presentation: Treasury Division staff Zach Hanna, Mark Moon, Stephanie Pham, Pam Leary, and Alysia Jones; Division of Retirement & Benefits staff, Deputy Commissioner Donley, Ajay Desai, Kevin Worley, Mindy Voigt, and Robert Aceveda; IAC members, Dr. Jennings, Ruth Traylor, and Josh Rabuck; Department of Law, Ben Hofmeister and Andrew Bocanument; T. Rowe Price, Antonio Luna, Benjamin Gugliotta, and Meredith Empie; and Callan, Steve Center, Butch Cliff, Ben Taylor, and Patrick Wisdom. The motion was made by TRUSTEE RYAN; seconded by TRUSTEE KROHN.

There being no objection, the MOTION was APPROVED.

(Executive Session from 1:41 p.m. until 2:26 p.m.)

CHAIR BOB WILLIAMS called the meeting back on the record. He stated that they came out of Executive Session and that no decisions were made in Executive Session. He entertained a motion to go right back into Executive Session.

MOTION: A motion to go into Executive Session per AS 44.62.310 (c)(2) and (c)(3) to discuss Phase 2 of Callan's review of managed accounts for the Alaska Defined Contribution/DC Plans. The discussion will include subjects that tend to prejudice the reputation and character of a person. Further, the discussion may include advice from counsel for the ARM Board related to the issues set out in the 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: Zach Hanna, Mark Moon Stephanie Pham, Pam Leary, Alysia Jones; Division of Retirement & Benefits, Deputy Commissioner Donley, Ajay Desai, Kevin

Worley, Mindy Voigt, and Robert Aceveda; IAC members Dr. Jennings, Ruth Traylor, Josh Rabuck; Department of Law, Ben Hofmeister and Andrew Bocanumenth; Callan, Steve Center, Butch Cliff, Ben Taylor, Patrick Wisdom; Empower, Marybeth Daubenspeck, Liz Davidsen, John Hess, Ashley Kester, Robyn Loftin, Kenneth Verzella, John Mahon; Morningstar, Rajneesh Motay, Michael Sawula, Trisha Graham, Thomas Idzorek. Representatives from Empower and Morningstar will be brought into the Executive Session to observe Callan’s presentation, but were excused from the T. Rowe Price presentation, and will also be excused from 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 MIKE WILLIAMS; seconded by TRUSTEE BRETZ.

There being no objection, the MOTION was APPROVED.

CHAIR BOB WILLIAMS stated that the next item on the Executive Session agenda was for Empower advisory services for a follow-up to the ARM Board special meeting of July 26, 2023.

(Executive Session from 2:28 p.m. until 5:24 p.m.)

CHAIR BOB WILLIAMS stated that they came out of Executive Session, and no decisions were made in Executive Session. He asked for a motion to adjourn.

MOTION: A motion to adjourn the meeting was made by TRUSTEE MOEN; seconded by TRUSTEE RYAN.

There being no objection, the MOTION was APPROVED.

CHAIR BOB WILLIAMS adjourned the meeting.

(The ARM Board Defined Contribution Plan Committee meeting was adjourned at 5:25 p.m.)