

ALASKA  
RETIREMENT  
MANAGEMENT  
BOARD

SEPT  
13, 2023

OPERATIONS COMMITTEE

**State of Alaska**  
**ALASKA RETIREMENT MANAGEMENT BOARD**

**OPERATIONS COMMITTEE MEETING**

**September 13, 2023 – 10:45 a.m.**

<b>Location:</b> Atwood Conference Center Rooms 102/104 550 West 7 <sup>th</sup> Ave., Juneau, AK	<b>Teleconference:</b> <b>Call-In #:</b> 1-907-202-7104  <b>Code:</b> 236 295 83#
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- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. A. Approval of Agenda  
B. Approval of Minutes – June 14, 2023**
- V. Public / Member Participation, Communications and Appearances**  
*(Three Minute Limit. Callers may need to select \*6 to unmute.)*
- VI. Treasury Operations Update**
  - A. Trustee Travel and Honorarium**
  - B. Meeting Costs**
  - C. Staff Recruitment and Retention**  
*Action: Resolution 2017-18 – Staff Compensation*  
*Pamela Leary, Director, Treasury Division*  
*Zachary Hanna, Chief Investment Officer*
- VII. Middle Office Update**  
*Scott Jones, Head of Investment Operations, Performance and Analytics, Treasury Division*
- VIII. Action Items**
  - A. Request for Proposals (RFP) for General Consultant**
  - B. RFP for Real Assets Consultant**  
*Alysia Jones, Board Liaison, Treasury Division*
- IX. Future Meetings**
  - A. Calendar Review**
  - B. Agenda Items**
  - C. Requests / Follow-Ups**
- X. Other Matters to Properly Come Before the Committee**
- XI. Public / Members Comments**
- XII. Adjournment**

**ALASKA RETIREMENT MANAGEMENT BOARD  
OPERATIONS COMMITTEE MEETING  
HYBRID/TEAMS**

**June 14, 2023  
3:00 p.m.**

**Originating at:  
Robert B. Atwood Building  
550 West 7<sup>th</sup> Avenue, Rooms 102/104**

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**Trustees Present:**

Bob Williams, Acting Chair  
Sandra Ryan

Donald Krohn  
Lorne Bretz

**Trustees Also Present:**

Commissioner Adam Crum

**Department of Revenue Staff Present:**

Zachary Hanna, Chief Investment Officer  
Ryan Kauzlarich, Assistant Comptroller  
Hunter Romberg, Senior Compliance Officer  
Grant Ficek, Business Analyst  
Chris Madsen, Administrative Operations Manager

Pamela Leary, Director, Treasury Division  
Scott Jones, Head of Investment  
Operations, Performance & Analytics  
Alysia Jones, Board Liaison  
Robert Vicario, Administrative Assistant II

**Department of Law Staff Present:**

Ben Hofmeister, Assistant Attorney General

**Investment Advisory Council Present:**

Dr. William W. Jennings  
Ruth Traylor

**Division of Retirement & Benefits:**

Mindy Voigt, Assistant Chief Pension Officer  
Roberto Aceveda, Counseling & Education Manager

**Department of Administration Staff Present:**

Deputy Commissioner Dave Donley

**Public:**

Randall Burns, RPEA

## PROCEEDINGS

### CALL TO ORDER

CHAIR BOB WILLIAMS called the Operational Committee Meeting to order. He explained that Trustee Dennis Moen, the chair of this committee, had high winds, and his flight was delayed, so he was unable to chair today's meeting. He asked for a roll call.

MS. JONES called the roll.

### PUBLIC MEETING NOTICE

CHAIR BOB WILLIAMS asked if the public meeting notice requirements had been met.

MS. JONES replied, yes.

### APPROVAL OF THE AGENDA

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

### APPROVAL OF MINUTES

CHAIR BOB WILLIAMS moved to the minutes from March 15, 2023, and asked for a motion to approve the minutes.

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

*There being no objections, the MOTION was APPROVED.*

### PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

CHAIR BOB WILLIAMS moved to the public/member participation, communications, and appearances portion of the meeting. He asked if there was anyone online or present in the room that would like to speak. Hearing and seeing no one, he closed the public/member participation, communications, and appearances portion of the agenda.

### STATUS UPDATE:

#### RFS #2023-0400-0016 INVESTMENT ADVISORY COUNCIL MEMBER

CHAIR BOB WILLIAMS moved to the status update of the RFS and stated that they had a really strong response for this position. He said the Proposal Evaluation Committee (PEC) scored, narrowed down, interviewed candidates, and in executive session during the board meeting, will have a recommendation to bring to the board. He added that if anyone wanted to look at all of the applications the PEC examined, to get a request to Ms. Jones.

### TREASURY OPERATIONS UPDATE

#### FY24 BUDGET

CHAIR BOB WILLIAMS recognized Director Pamela Leary, Treasury Division.

DIRECTOR LEARY reported that, for the fiscal year '24 budget, the bill was transmitted to the Governor on June 13 and is currently in front of him. Items would get vetoed and signed in the next 20 days or so. She stated that they were looking at the travel plans, and all of the expenses, line item by line item. They looked at what was there last year and what the plan was to spend

this year, including any new items. She continued that they were basically getting set up for projections for the entire fiscal year '24, assuming that it would go forward. She asked for any questions about the budget at this point.

CHAIR BOB WILLIAMS stated that at the height of the pandemic the due diligence trips were scaled way back, and he was pleased to see that those had resumed. He asked if they were being resumed at the pace that was needed or would that be increasing even further.

CIO HANNA stated that the request sent in was an expansion from last year, and it was a material increase. He continued that a lot of things had changed, and a lot more could be done virtually. He added that the process of determining the right size for travel was still in process. He expected that next year would be a decent step up in terms of getting back closer to where they were pre-pandemic.

CHAIR BOB WILLIAMS commented on when due diligence trips occur, they usually had to do with the ARM Board. The travel requests go through him, and he has to look through it. He stated that he felt the trips were really good standard operating procedure and thanked them for it.

DIRECTOR LEARY stated that they were trying to do more training with staff and with the trustees. She continued that the trustees were also part of the travel plan and were budgeted for a certain number of trips. She asked trustees to determine which educational trips they were interested in and noted that Ms. Jones' later presentation would list some options.

#### **STAFF RECRUITMENT AND RETENTION**

DIRECTOR LEARY stated that the organization chart for the Treasury Division had the same number of vacancies this time last year as it does this year, until Sam Hobbs, an accountant who had been with the Treasury for seven-and-a-half years, took a position in the private sector. She added that the recruitment had been put out there. She continued that, in terms of recruitment and retention, they constantly reinvent themselves in terms of what people do to address all the work needed to get done for the ARM Board, the other funds they manage, and the other areas that Treasury services. They had grown into a very efficient, lean organization, and tackle many things and hope that this was one of the contributing factors in being able to retain staff. She stated that the middle office was a fantastic addition in terms of being able to use technology to support everything they do.

TRUSTEE BRETZ asked if the salaries and benefits were comparable with the market.

DIRECTOR LEARY replied that some were, and some were not within Treasury. She stated that salary studies had been done pretty much every year, and they keep trying to move along the spectrum to be as competitive as possible.

DIRECTOR LEARY echoed Director Desai's comments from the Audit Committee meeting, stating that it is very common to have issues with attracting and retaining people in government sector. She added that she recently attended the State Treasurers' Managers meeting and heard that a lot of people are using technology more and more and feels we are a little bit ahead of the curve with the work the middle office is doing.

COMMISSIONER CRUM stated appreciation for being able to weigh in as a non-committee member. He continued that progress had been made over the last two years, but the limitation of being a primarily State-function organization charged with responsibilities of very large sums of money was difficult to address because of the current State structure. He shared that while progress had been made, the management fees are still exceptionally low for industry standards. He added that it was worthwhile to put on the record that the returns on these large sums of money are being managed successfully at a low maintenance cost. He encouraged the Board to get a further report on and possibly a resolution that could be used during budget discussions. He clarified that they are not trying to be competitive with Wall Street but are trying to make it applicable towards a level of responsibility while still being responsible public employees. It is important to make sure there is a continuity of team, effort, and expertise throughout.

CHAIR BOB WILLIAMS stated that there might be something to look at in terms of having some compensation work done to ensure the quality was maintained. He thanked Director Leary, and moved to the middle office update by Scott Jones, head of investment operations, performance, and analytics.

### **MIDDLE OFFICE UPDATE**

MR. JONES stated that Treasury's production environment migrated in OIT's lift and shift to Microsoft Azure earlier this month. They were currently engaging with OIT for cost monitoring put in place on the current cloud environment. This would give the ability to compare the actual cost of the lift and shift environment to the estimated cost from a couple of years ago from Planet Technology for what a Native Azure environment would be. The hope was to have enough information to accurately assess a move to that environment. He introduced Keith Moniz, their newest hire, who was studying for Microsoft Azure Fundamental Certifications which were offered through OIT. He passed the Microsoft Azure Environment Certification and would be taking the data certification soon. Both of those will be valuable to Treasury moving forward. He moved to an update on the annual Swift control work which will begin on July 1<sup>st</sup>. This is required by Swift and due by December every year.

CHAIR BOB WILLIAMS asked if the Swift piece was complicated.

MR. JONES replied that it was documenting the design and implementation of IT controls around devices and people that touch the Swift environment. It tends to be a bit time-consuming and requires a full assessment periodically. This year the data center on the fifth floor of the SOB and in Anchorage was not being used anymore, and some of the things needed to be redocumented from scratch.

CHAIR BOB WILLIAMS asked for any other questions. There being none, he moved to the 2024 ARM Board meeting calendar and future training opportunities.

### **2024 ARMB MEETING CALENDAR & FUTURE TRAINING OPPORTUNITIES COST COMPARISION OF MEETING LOCATIONS**

MS. JONES stated there were two versions of the calendar for 2024. Typically, the Board approves the calendar for the upcoming year at the June meeting. The September meeting was listed as "to be determined." There was a request to consider having one of the quarterly meetings in Fairbanks. Estimates indicated that it would cost \$6000 more to have the meeting in

Fairbanks, which would include travel for trustees and five staff members, honorarium costs, and the meeting space.

CHAIR BOB WILLIAMS stated that the calendar is to come from this committee to the Board for this upcoming Board meeting. He noted the change in committee meetings to Tuesdays and board meetings to Wednesday/Thursday. He asked for a motion.

MS. JONES requested that a statement regarding the location for the September meeting be included in the motion.

**MOTION: A motion to adopt the calendar and location of Fairbanks for the September meeting was made by TRUSTEE RYAN; seconded by TRUSTEE KROHN.**

TRUSTEE RYAN supported the move to return to Fairbanks in September. It was historic and important to try to be present in different parts of the state. She believes that moving one of the meetings to the Interior is valuable and opens up the Board's transparency and accessibility. She stated appreciation for the time spent on developing the calendar, taking into account potential conferences for continuing education requirements, and the consideration for a Fairbanks meeting.

TRUSTEE BRETZ stated that Juneau and Anchorage were also listed as locations. He asked if there was a particular reason for Juneau in March.

MS. LEARY replied that the Legislature meets then, and the Commissioner and staff are often presenting. Holding the March meetings in Juneau seemed the best way to accommodate schedules.

CHAIR BOB WILLIAMS stated that the \$6000 traveling number was less than what he expected, and he felt comfortable with that difference. He added that there was value in having this meeting in different locations. He continued that there was a motion on the floor and asked for a roll-call vote.

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

#### **FUTURE TRUSTEE EDUCATION OPPORTUNITIES**

MS. JONES stated that the next item was the future education opportunities. She asked what conferences and trainings they were interested in so that it could be planned as early as possible. She continued that knowing the travel interests in advance would be appreciated for the travel plan, which is being worked on. The travel administrator would like the information sooner than later, ideally no less than eight weeks out.

TRUSTEE RYAN stated that the Callan Institute needs the information 12 weeks in advance because the hotel fills up quickly.

CHAIR BOB WILLIAMS moved to the new item with ARM Board Liaison Alysia Jones, review of travel policies, taxable per diem.

## **REVIEW OF TRAVEL POLICIES – TAXABLE PER DIEM**

MS. JONES stated that she and Chair Moen thought this was important to be included as an informational memo. She continued that under the Alaska Administrative Manual there was a section on travel and two instances where per diem for board and commissioner members are taxable: if the traveler did not go more than 50 miles from their residence, within their duty station, and did not stay overnight. A few trustees at various meetings make this applicable. She explained some clarification from the shared services staff that handled the travel reconciliation. Prorated meals and incidentals or lunch allowances were still allowable and are typically requested when she submits the travel requests. But going forward, the per diem that meets that criteria would be taxed.

## **COMMITTEE PERFORMANCE – SELF ASSESSMENT**

CHAIR BOB WILLIAMS moved to the self-assessment per charter on the committee and the review of the committee charter. He asked for any comments or questions.

TRUSTEE BRETZ wondered if the committee should consider clarifying how often the committee actually would review the salaries.

DIRECTOR LEARY stated that 2018 was the last time a lot of detail on salaries, comparisons and analysis was provided. She continued that it was a touchy subject throwing everyone's information out there. She suggested that this could be work with Chair Moen going forward on how to provide that information. She wanted to make sure that everyone was aware of this involving people's salaries, and they may want to be protective of it to some extent. She added that the McLagan survey, which was a public fund survey of pension plans and other similar plans, was participated in yearly. They get specialized reports, as well as canned reports that provide information. That information helped support the request made in the last couple of years in terms of making some progress on the scale of the salaries for the exempt staff.

CHAIR BOB WILLIAMS suggested looking at the most recent one at the September meeting. He asked for any future agenda items. He asked for any other matters to come before the committee. He asked for any public/member comments at this time. There being no opposition to adjournment, he adjourned the meeting.

(The Operations Committee meeting adjourned at 3:49 p.m.)



FY	Description	Event Dates	Location	Name	Start Date	End Date	Flight Itinerary	Airfare	Destination Lodging Cost	Layover Location	Layover Lodging Cost	Surface/ Car (incl gas refill)	Mileage	M&IE (Per Diem)	Misc	Total Travel	Total Days	Honorarium (\$400/day)
2023	ARMB Cmte/ BOT Mtgs	9/14 -16/2022	Anchorage, AK	Lorne Bretz	9/14/2022	9/16/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$122.50	\$32.00	\$0.00	\$154.50	3.00	\$0.00
2023	ARMB Cmte/ BOT Mtgs	9/14 -16/2022	Anchorage, AK	Allen Hippler	9/14/2022	9/16/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$44.63	\$48.00	\$0.00	\$91.33	3.00	\$1,200
2023	ARMB Cmte/ BOT Mtgs	9/14 -16/2022	Anchorage, AK	Donald Krohn	9/14/2022	9/16/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$46.50	\$48.00	\$0.00	\$94.50	3.00	\$1,200
2023	ARMB Cmte/ BOT Mtgs	9/14 -16/2022	Anchorage, AK	Dennis Moen	9/13/2021	9/17/2021	KLW - ANC	\$812.54	\$836.00	N/A	\$0.00	\$233.49	\$39.50	\$238.00	\$0.00	\$2,159.53	5.00	\$2,000
2023	ARMB Cmte/ BOT Mtgs	9/14 -16/2022	Anchorage, AK	Sandra Ryan	9/13/2021	9/16/2021	FAI - ANC	\$243.36	\$687.00	N/A	\$0.00	\$183.60	\$14.25	\$178.00	\$17.01	\$1,323.22	4.00	\$0.00
2023	ARMB Cmte/ BOT Mtgs	9/14 -16/2022	Anchorage, AK	Bob Williams	9/13/2021	9/16/2021	JNU - ANC	\$349.41	\$585.00	N/A	\$0.00	\$250.47	\$11.38	\$178.00	\$15.75	\$1,390.01	4.00	\$1,600
2023	ARMB Cmte/ BOT Mtgs	9/14 -16/2022	Anchorage, AK	Michael Williams	9/14/2022	9/16/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$0.00	\$48.00	\$0.00	\$48.00	3.00	\$0.00
																<b>\$5,261.09</b>		<b>\$6,000.00</b>
2023	NCTR Conference	10/8-11/2022	Tucson, AZ	Sandra Ryan	10/7/2022	10/12/2022	FAI - TUS	\$765.95	1,226.95	ANC	\$144.48	\$84.65	\$14.25	\$250.00	\$1,340.00	\$3,826.28	7.00	\$0.00
2023	NCTR Conference	10/8-11/2022	Tucson, AZ	Bob Williams	10/7/2022	10/12/2022	JNU - TUS	\$653.88	\$1,226.95	N/A	\$0.00	\$49.51	\$11.38	\$186.00	\$1,340.00	\$3,467.72	6.00	\$2,400.00
																<b>\$7,294.00</b>		<b>\$2,400.00</b>
2023	ARMB Audit Committee	10/10/2022	Virtual/ Anchorage, AK	Lorne Bretz	10/10/2022	10/10/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$61.25	\$0.00	\$0.00	\$61.25	1.00	\$0.00
2023	ARMB Audit Committee	10/10/2022	Virtual	Allen Hippler	10/10/2022	10/10/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	1.00	\$400.00
2023	ARMB Audit Committee	10/10/2022	Virtual/ Anchorage, AK	Donald Krohn	10/10/2022	10/10/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$15.50	\$0.00	\$0.00	\$15.50	1.00	\$400.00
2023	ARMB Audit Committee	10/10/2022	Virtual	Sandra Ryan	10/10/2022	10/10/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	1.00	\$0.00
2023	ARMB Audit Committee	10/10/2022	Virtual	Bob Williams	10/10/2022	10/10/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	1.00	<i>Incl. w/ NCTR</i>
2023	ARMB Audit Committee	10/10/2022	Virtual	Michael Williams	10/10/2022	10/10/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	1.00	\$0.00
																<b>\$76.75</b>		<b>\$800.00</b>
2023	ARMB Cmte/ BOT Mtgs	11/30-12/02/2022	Anchorage, AK	Lorne Bretz	11/30/2022	12/2/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$122.50	\$32.00	\$0.00	\$154.50	3.00	\$0.00
2023	ARMB Cmte/ BOT Mtgs	11/30-12/02/2022	Anchorage, AK	Allen Hippler	11/30/2022	12/2/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$43.13	\$48.00	\$0.00	\$91.13	3.00	\$1,200.00
2023	ARMB Cmte/ BOT Mtgs	11/30-12/02/2022	Anchorage, AK	Donald Krohn	11/30/2022	12/2/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$46.50	\$48.00	\$0.00	\$94.50	3.00	\$1,200.00
2023	ARMB Cmte/ BOT Mtgs	11/30-12/02/2022	Anchorage, AK	Dennis Moen	11/28/2022	12/4/2022	SAFQ KLW - ANC	\$960.02	\$596.00	N/A	\$0.00	\$245.75	\$0.00	\$238.00	\$0.00	\$2,039.77	5.00	\$2,000.00
2023	ARMB Cmte/ BOT Mtgs	11/30-12/02/2022	Anchorage, AK	Sandra Ryan	11/30/2022	12/2/2022	Virtual	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	2.00	\$0.00
2023	ARMB Cmte/ BOT Mtgs	11/30-12/02/2022	Anchorage, AK	Bob Williams	11/29/2022	12/2/2022	SAFQ JNU - ANC	\$348.42	\$294.30	N/A	\$0.00	\$201.06	\$15.00	\$178.00	\$21.00	\$1,057.78	4.00	\$1,600.00
2023	ARMB Cmte/ BOT Mtgs	11/30-12/02/2022	Anchorage, AK	Michael Williams	11/30/2022	12/2/2022	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$0.00	\$48.00	\$0.00	\$48.00	3.00	\$0.00
																<b>\$3,485.68</b>		<b>\$6,000.00</b>
2023	ARMB - Senate FIN	2/14/2023	Juneau, AK	Bob Williams	2/14/2023	2/14/2023	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	1.00	\$400.00
2023	ARMB - House FIN	2/15/2023	Juneau, AK	Bob Williams	2/15/2023	2/15/2023	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	1.00	\$400.00
																<b>\$0.00</b>	<b>\$2.00</b>	<b>\$800.00</b>
2023	ARMB Cmte/BOT Mtgs	3/14-17/2023	Juneau, AK	Lorne Bretz	3/14/2023	3/17/2023	ANC - JNU	\$346.91	\$498.96	N/A	\$0.00	\$13.95	\$67.07	\$210.00	\$0.60	\$1,137.49	4.00	\$0.00
2023	ARMB Cmte/BOT Mtgs	3/14-17/2023	Juneau, AK	Allen Hippler	3/14/2023	3/17/2023	ANC - JNU	\$346.91	\$726.30	N/A	\$0.00	\$60.00	\$14.54	\$210.00	\$0.00	\$1,357.75	4.00	\$1,600.00
2023	ARMB Cmte/BOT Mtgs	3/14-17/2023	Juneau, AK	Donald Krohn	3/13/2023	3/17/2023	ANC - JNU	\$346.91	\$665.28	N/A	\$0.00	\$69.00	\$16.90	\$270.00	\$72.96	\$1,441.05	5.00	\$2,000.00
2023	ARMB Cmte/BOT Mtgs	3/14-17/2023	Juneau, AK	Dennis Moen	3/13/2023	3/18/2023	KLW - JNU	\$766.31	\$968.40	N/A	\$0.00	\$66.95	\$41.40	\$330.00	\$0.00	\$2,173.06	6.00	\$2,400.00
2023	ARMB Cmte/BOT Mtgs	3/14-17/2023	Juneau, AK	Sandra Ryan	3/14/2023	3/18/2023	FAI - ANC	\$505.05	\$498.96	ANC	\$149.00	\$9.00	\$7.47	\$270.00	\$85.00	\$1,524.48	5.00	\$0.00
2023	ARMB Cmte/BOT Mtgs	3/14-17/2023	Juneau, AK	Bob Williams	3/13/2023	3/17/2023	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$11.53	\$64.00	\$4.85	\$80.38	4.00	\$1,600.00
2023	ARMB Cmte/BOT Mtgs	3/14-17/2023	Juneau, AK	Michael Williams	3/13/2023	3/17/2023	N/A	N/A	N/A	N/A	\$0.00	N/A	N/A	N/A	N/A	N/A	N/A	\$0.00
																<b>\$7,714.21</b>		<b>\$7,600.00</b>
2023	Callan Conference	4/2-4/2023	Scottsdale, AZ	Lorne Bretz	4/1/2023	4/4/2023	ANC - PHX	\$425.50	\$857.84	N/A	\$0.00	\$28.28	\$69.17	\$182.50	\$44.00	\$1,607.29	4.00	\$0.00
2023	Callan Conference	4/2-4/2023	Scottsdale, AZ	Donald Krohn	4/1/2023	4/4/2023	ANC - PHX	\$425.50	\$857.84	N/A	\$0.00	\$0.00	\$15.09	\$146.50	\$49.97	\$1,494.90	4.00	\$1,600.00
2023	Callan Conference	4/2-4/2023	Scottsdale, AZ	Dennis Moen	4/1/2023	4/5/2023	SAFQ KLW - PHX	\$1,165.68	\$1,715.68	N/A	\$0.00	\$0.00	\$41.40	\$182.50	\$0.00	\$3,105.26	5.00	\$2,000.00
2023	Callan Conference	4/2-4/2023	Scottsdale, AZ	Sandra Ryan	4/1/2023	4/5/2023	FAI - PHX	\$846.58	\$1,715.68	N/A	\$0.00	\$0.00	\$7.47	\$182.50	\$85.00	\$2,837.23	5.00	\$0.00
2023	Callan Conference	4/2-4/2023	Scottsdale, AZ	Bob Williams	4/1/2023	4/5/2023	JNU - PHX	\$806.46	\$1,715.68	N/A	\$0.00	\$47.11	\$23.84	\$182.50	\$0.00	\$2,775.59	5.00	\$2,000.00
2023	Callan Conference	4/2-4/2023	Scottsdale, AZ	Michael Williams	4/1/2023	4/5/2023	ANC - PHX	\$517.55	\$1,286.76	N/A	\$0.00	\$82.61	\$11.79	\$182.50	\$0.00	\$2,081.21	5.00	\$0.00
																<b>\$13,901.48</b>		<b>\$5,600.00</b>

FY	Description	Event Dates	Location	Name	Start Date	End Date	Flight Itinerary	Airfare	Destination Lodging Cost	Layover Location	Layover Lodging Cost	Surface/ Car (incl gas refill)	Mileage	M&IE (Per Diem)	Misc	Total Travel	Total Days	Honorarium (\$400/day)
2023	PEC Cmte Mtg 1 of 3 (RFS 2023-0400-0016)	4/13/2023	Virtual	Lorne Bretz	4/13/2023	4/13/2023	N/A	N/A	N/A	N/A	\$0.00	N/A	N/A	N/A	N/A	N/A	1.00	\$0.00
2023	PEC Cmte Mtg 1 of 3 (RFS 2023-0400-0016)	4/13/2023	Virtual	Dennis Moen	4/13/2023	4/13/2023	N/A	N/A	N/A	N/A	\$0.00	N/A	N/A	N/A	N/A	N/A	1.00	\$400.00
2023	PEC Cmte Mtg 1 of 3 (RFS 2023-0400-0016)	4/13/2023	Virtual	Bob Williams	4/13/2023	4/13/2023	N/A	N/A	N/A	N/A	\$0.00	N/A	N/A	N/A	N/A	N/A	1.00	\$400.00
2023	PEC Cmte Mtg 1 of 3 (RFS 2023-0400-0016)	4/13/2023	Virtual	Michael Williams	4/13/2023	4/13/2023	N/A	N/A	N/A	N/A	\$0.00	N/A	N/A	N/A	N/A	N/A	1.00	\$0.00
<b>\$800.00</b>																		
2023	PEC Cmte Mtg 2 of 3 (RFS 2023-0400-0016)	5/1/2023	Virtual	Lorne Bretz	5/1/2023	5/1/2023	N/A	N/A	N/A	N/A	\$0.00	N/A	N/A	N/A	N/A	N/A	1.00	\$0.00
2023	PEC Cmte Mtg 2 of 3 (RFS 2023-0400-0016)	5/1/2023	Virtual	Dennis Moen	5/1/2023	5/1/2023	N/A	N/A	N/A	N/A	\$0.00	N/A	N/A	N/A	N/A	N/A	1.00	\$400.00
2023	PEC Cmte Mtg 2 of 3 (RFS 2023-0400-0016)	5/1/2023	Virtual	Bob Williams	5/1/2023	5/1/2023	N/A	N/A	N/A	N/A	\$0.00	N/A	N/A	N/A	N/A	N/A	1.00	\$400.00
2023	PEC Cmte Mtg 2 of 3 (RFS 2023-0400-0016)	5/1/2023	Virtual	Michael Williams	5/1/2023	5/1/2023	N/A	N/A	N/A	N/A	\$0.00	N/A	N/A	N/A	N/A	N/A	1.00	\$0.00
<b>\$800.00</b>																		
2023	PEC Cmte Mtg 3 of 3 (RFS 2023-0400-0016)	5/8/2023	Virtual	Lorne Bretz	5/8/2023	5/8/2023	N/A	N/A	N/A	N/A	\$0.00	N/A	N/A	N/A	N/A	N/A	1.00	\$0.00
2023	PEC Cmte Mtg 3 of 3 (RFS 2023-0400-0016)	5/8/2023	Virtual	Dennis Moen	5/8/2023	5/8/2023	N/A	N/A	N/A	N/A	\$0.00	N/A	N/A	N/A	N/A	N/A	1.00	\$400.00
2023	PEC Cmte Mtg 3 of 3 (RFS 2023-0400-0016)	5/8/2023	Virtual	Bob Williams	5/8/2023	5/8/2023	N/A	N/A	N/A	N/A	\$0.00	N/A	N/A	N/A	N/A	N/A	1.00	\$400.00
2023	PEC Cmte Mtg 3 of 3 (RFS 2023-0400-0016)	5/8/2023	Virtual	Michael Williams	5/8/2023	5/8/2023	N/A	N/A	N/A	N/A	\$0.00	N/A	N/A	N/A	N/A	N/A	1.00	\$0.00
<b>\$800.00</b>																		
2023	ARMB Cmte/BOT Mtgs	6/14-16/2023	Anchorage, AK	Lorne Bretz	6/14/2023	6/16/2023	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$192.57	\$32.00	\$0.00	\$224.57	3.00	\$0.00
2023	ARMB Cmte/BOT Mtgs	6/14-16/2023	Anchorage, AK	Donald Krohn	6/14/2023	6/16/2023	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$48.73	\$32.00	\$0.00	\$80.73	3.00	\$1,200.00
2023	ARMB Cmte/BOT Mtgs	6/14-16/2023	Anchorage, AK	Dennis Moen	6/13/2023	6/16/2023	KLW-ANC	\$962.05	\$252.00	N/A	\$0.00	\$9.91	\$41.40	\$178.00	\$0.00	\$1,443.36	5.00	\$2,000.00
2023	ARMB Cmte/BOT Mtgs	6/14-16/2023	Anchorage, AK	Sandra Ryan	6/13/2023	6/16/2023	FAI-ANC	\$209.86	\$252.00	N/A	\$0.00	\$189.89	\$15.46	\$162.00	\$0.00	\$829.21	4.00	\$1,600.00
2023	ARMB Cmte/BOT Mtgs	6/14-16/2023	Anchorage, AK	Bob Williams	6/13/2023	6/16/2023	JNU-ANC	\$347.51	\$513.00	N/A	\$0.00	\$266.45	\$23.84	\$162.00	\$0.00	\$1,312.80	5.00	\$2,000.00
2023	ARMB Cmte/BOT Mtgs	6/14-16/2023	Anchorage, AK	Michael Williams	6/14/2023	6/16/2023	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	\$0.00	\$32.00	\$0.00	\$32.00	3.00	\$0.00
<b>\$3,922.67</b>																	<b>\$6,800.00</b>	

FISCAL YEAR TOTALS		
FY	Total Travel	Total Honorarium
2018	\$41,047.85	\$59,600.00
2019	\$52,415.76	\$64,400.00
2020	\$11,875.23	\$19,600.00
2021	\$3,850.19	\$30,800.00
2022	\$28,947.29	\$46,400.00
2023 Estimate	\$40,400.00	\$44,700.00
<b>2023 Actuals</b>	<b>\$41,655.88</b>	<b>\$38,400.00</b>
2024 Estimate	\$41,500.00	\$52,000.00

Airfare	Destination Lodging	Layover Lodging	Surface/ Car	Mileage	M&IE	Misc	Travel Total	Honorarium Total
\$12,152.36	\$17,976.58	\$293.48	\$2,091.68	\$3,076.14	\$4,809.00	\$3,076.14	<b>\$41,655.88</b>	<b>\$38,400.00</b>

FY2023 ARMB Meeting Costs

1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Other Meeting Costs	
<b>Committee &amp; BOT Meetings (Sept)</b>		<b>Audit Meeting (Oct)</b>		<b>Trustee Orientation</b>		<b>Proposal Eval Committee Mtg (April 14)</b>		<b>General Expenses</b>	
Space Rental	\$0.00	Space Rental	\$0.00	Space Rental	\$0.00	Space Rental	\$0.00	Equipment	\$26.43
Transcription	\$7,953.25	Transcription	\$315.00	Transcription	N/A	Transcription	N/A	Meeting Supplies	
Minutes	\$1,815.00	Minutes	\$278.00	Minutes	N/A	Minutes ( <i>in house</i> )	<i>in house</i>	(Non-Food Supplies)	\$938.94
Printed Materials/ Mailing	\$73.69	Printed Materials/ Mailing	\$0.00	Printed Materials/ Mailing	\$0.00	Printed Materials/ Mailing	\$0.00	Tech/Software	\$96.00
Food & Beverage	\$217.90	Food & Beverage	\$0.00	Food & Beverage	\$18.00	Food & Beverage	\$0.00		
MEETING TOTAL: \$10,059.84		MEETING TOTAL: \$593.00		MEETING TOTAL: \$18.00		MEETING TOTAL: \$0.00			
		<b>Committee &amp; BOT Meetings (Nov/Dec)</b>		<b>Q3 Total: \$18.00</b>		<b>Proposal Eval Committee Mtg (May 1)</b>			
		Space Rental	\$0.00	<b>Committee &amp; BOT Meetings (Mar)</b>		Space Rental	\$0.00		
		Transcription	\$7,852.00	Space Rental	\$0.00	Transcription	N/A		
		Minutes	\$1,815.00	Transcription	\$9,333.25	Minutes	<i>in house</i>		
		Printed Materials/Mailing	\$84.56	Minutes	\$1,899.00	Printed Materials/ Mailing	\$0.00		
		Food & Beverage	\$232.29	Transcriptionist Travel	\$1,851.22	Food & Beverage	\$0.00		
		MEETING TOTAL: \$9,983.85		Printed Materials/ Mailing	\$0.00	MEETING TOTAL: \$0.00			
				Food & Beverage	\$166.78	<b>Proposal Eval Committee Mtg (May 8)</b>			
				MEETING TOTAL: \$13,250.25		Space Rental	\$0.00		
				<b>Q3 Total: \$13,268.25</b>		Transcription	N/A		
						Minutes	<i>in house</i>		
						Printed Materials/ Mailing	\$0.00		
						Food & Beverage	\$0.00		
						MEETING TOTAL: \$0.00			
						<b>Committee &amp; BOT Meetings (Jun)</b>			
						Space Rental	\$0.00		
						Transcription	\$8,063.50		
						Minutes	\$1,892.00		
						Printed Materials/ Mailing	\$187.24		
						Food & Beverage	\$420.19		
						MEETING TOTAL: \$10,562.93			
						<b>Q4 Total: \$10,562.93</b>			
								<b>Additional Total: \$1,061.37</b>	

FY TOTALS	
2018	\$48,130.80
2019	\$36,141.51
2020	\$26,581.55
2021	\$43,589.94
2022	\$43,943.69
2023	<b>\$45,529.24</b>
2024 Estimate	<i>\$50,000.00</i>





THE STATE  
of **ALASKA**  
GOVERNOR MIKE DUNLEAVY

# Treasury Investment Management and Exempt Compensation Discussion



September 2023

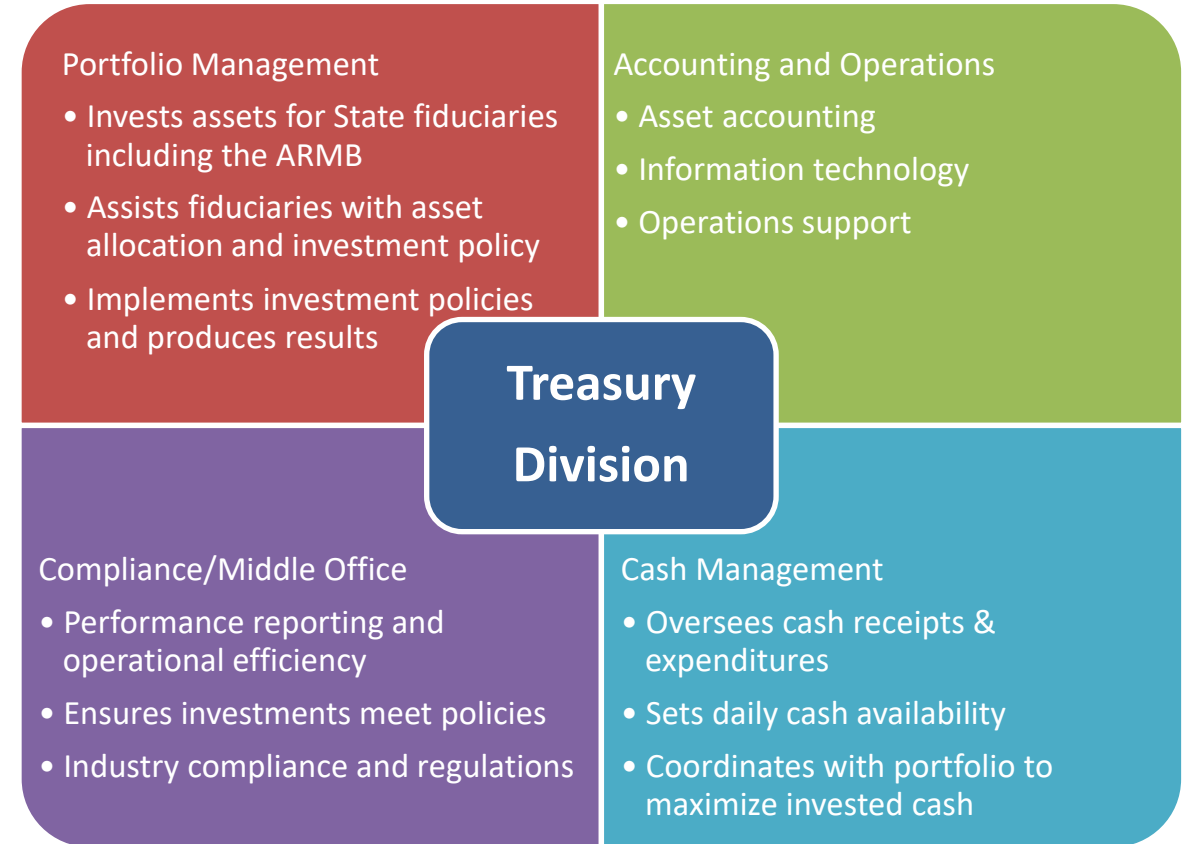
**Pamela Leary, CPA**  
Director, Treasury Division

**Zachary Hanna, CFA**  
Chief Investment Officer, Treasury Division

# Department of Revenue: Treasury Division


## Treasury Division:

- Treasury helps state fiduciaries achieve investment objectives and manage risks by providing multi-asset investment advisory services and individual asset class investment management.
- The Treasury Division is managed by 40 experienced professionals in portfolio management, accounting, operations, compliance, and cash management. Treasury staff average tenure is over 10 years and includes 9 CFA's, 4 CPA's, and other advanced degrees and designations.
- Treasury manages \$50 billion in assets for hundreds of state entities on behalf of five fiduciaries:
  - Alaska Retirement Management Board
  - Department of Revenue Commissioner
  - Exxon Valdez Oil Spill Trusts
  - Alaska Student Loan Corporation
  - Alaska Mental Health Trust
- Treasury staff are trusted advisors to these fiduciaries and staff reports to them regularly in over a dozen annual board meetings. Many fiduciaries have engaged staff in important asset allocation and advisory work over the past several years.



# Treasury Manages Complex Funds for Multiple Fiduciaries

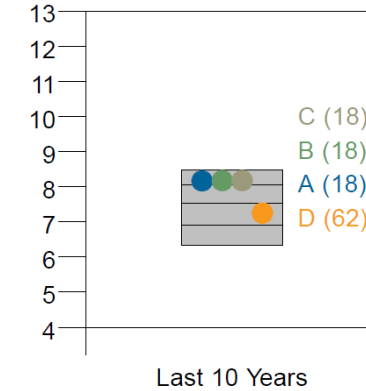
- Treasury invests over 40 funds across the risk spectrum from lower risk cash-equivalent investments through higher risk endowment and retirement funds.
- Managing these funds is complex and highly integrated into the State finance and accounting systems and it takes a unique set of skills to manage these complex systems with strong results:
  - ARMB returns over most longer time periods have been in the top-quartile of peer performance and have exceeded benchmarks materially net of all fees.
  - Treasury continues to have material costs savings through increased internal/decreased external investment management, fee negotiation, and portfolio restructuring.
  - In addition to cost savings, internal management provides strong excess returns to SOA and the ARMB.
  - Treasury also invests billions of dollars of cashflows annually with no material errors. Even small errors can be very costly.
- The Treasury Division’s work is mission critical, and the benefits provided in the form of excess returns, external cost savings, and error prevention are significant.

<b>Fund - Account</b>	<b>Assets (6/30/2023)</b>	<b>Risk Tolerance</b>	
Short-Term Funds	\$153,744,000	Lowest	
CBRF	\$2,619,931,000		
GeFONSI	\$2,163,144,000		
International Airport	\$184,817,000		
GeFONSI II	\$1,573,945,000		
EVOS	\$116,698,000		
ASLC Investment Fund	\$106,590,000		
Retiree LTC	\$762,323,000		
PCE Endowment	\$946,862,000		
Public School Trust Fund	\$761,420,000		
AK Higher Education	\$380,395,000		
Illinois Creek Mine	\$1,375,000		
Education Endowment	\$1,026,000		
Alaska Mental Health Trust	\$53,963,000		
ARMB	\$40,416,090,000		Highest
<b>Total</b>	<b>\$50,242,323,000</b>		

# Results – Alaska Retirement Management Board

- The Alaska Retirement Management Board comprises 80% of Treasury assets under management - \$40.4 billion as of 6/30/22.
- ARMB returns over most time periods have been in the top quartile of peer performance and have strongly exceeded benchmarks net of fees.
- The ARMB’s investment outperformance has resulted in well over \$2 billion in additional assets compared to the benchmark:
  - The ARMB has outperformed its policy benchmark by 91 bps.
  - The ARMB has outperformed the median public fund by 63 bps, ahead of 160 of 196 public fund peers.
- Management of the State’s closed and maturing defined benefit systems require unique expertise and a blend of investment and actuarial insight.

Returns vs Callan Public Fund Sponsor Database through 6/30/23



10th Percentile	8.47
25th Percentile	8.05
Median	7.54
75th Percentile	6.93
90th Percentile	6.34

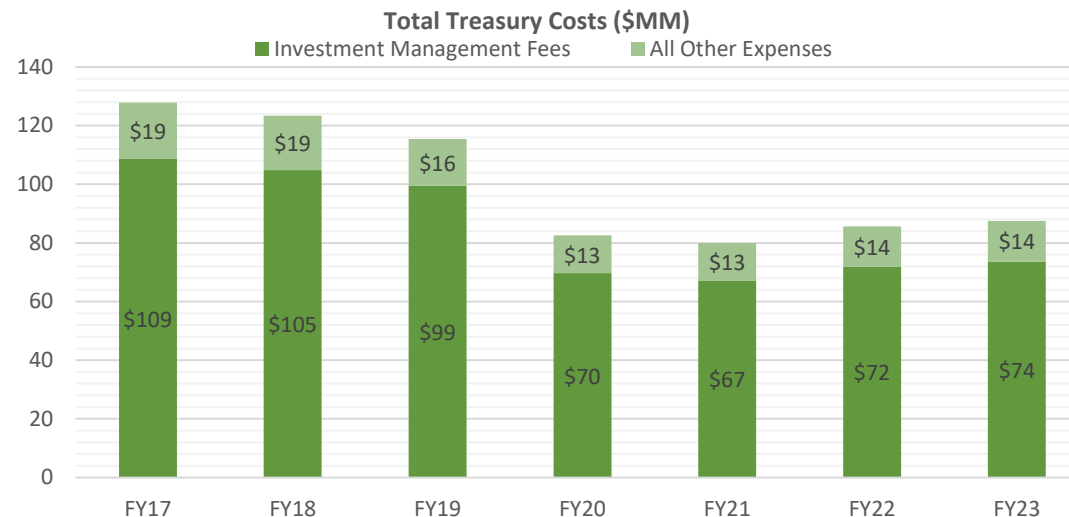
Member Count 196

Employees' Total Plan	● A	8.17
Teachers' Total Plan	● B	8.18
Judicial Total Plan	● C	8.18
Policy Target	● D	7.26

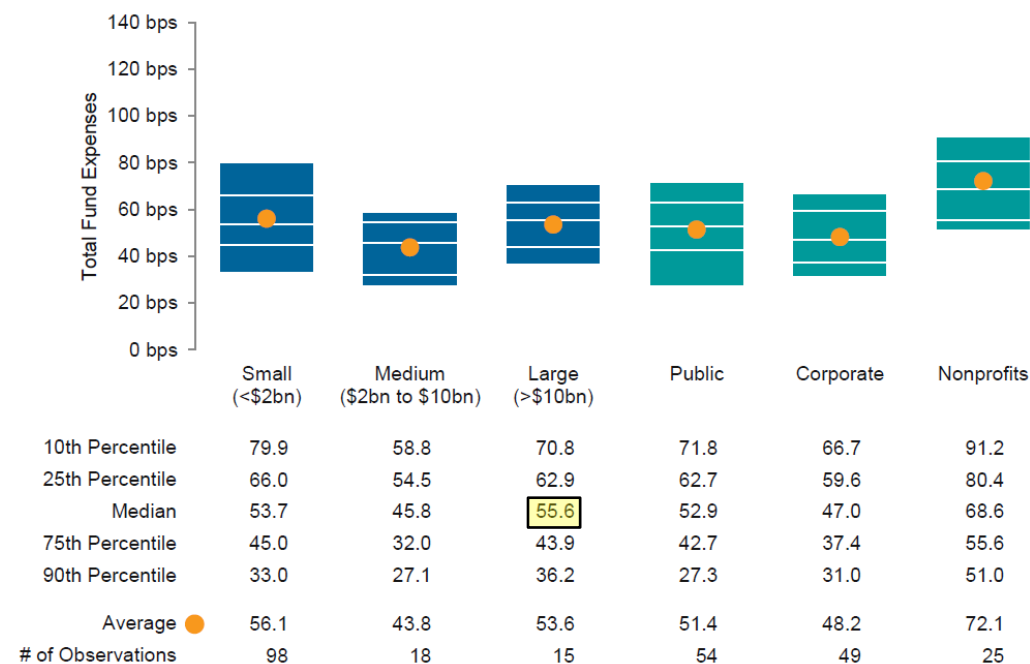


# Results – Cost Reduction and Internal Management

- In 2019, the ARMB restructured the portfolio and terminated over 25 investment managers while increased the level of internal management.
- The ARMB continues to save over \$30 million per year as a result of this restructuring and move to more internal management.
- Overall, when compared to large fund peers, ARMB fees for FY2023 were 38 bps compared with a median of 56 bps for large plans – a difference of over \$50 million per year.
- In addition to fee savings, internal management provided \$93 million in excess returns over benchmarks for both the ARMB and State accounts in FY2023.
- Treasury needs to retain and recruit quality staff members to maintain these cost savings and investment results into the future.



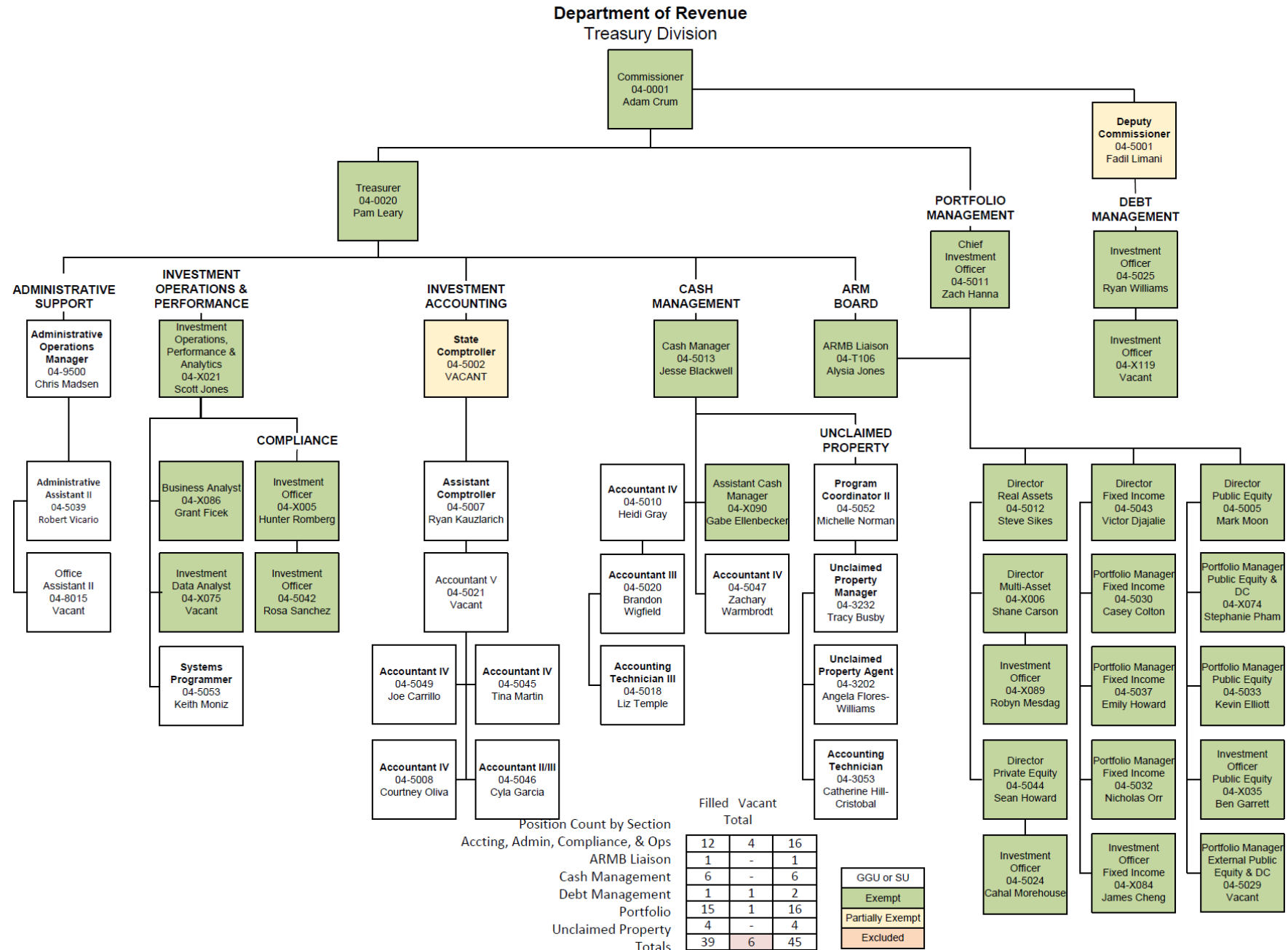
**Total Fund Expenses by Fund Size and Type- Callan 2021 “Cost of Doing Business” Survey**





# Treasury Staff

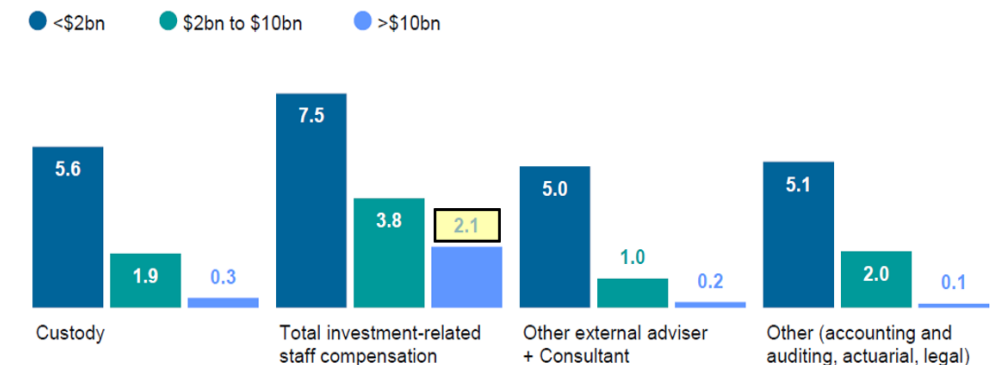
- Treasury is composed of 26 exempt investment officers – 16 in portfolio management and 10 focused on management, analytics, debt, cash management, and compliance.
- Treasury has been successful building an experienced staff with a high level of institutional knowledge:
  - Most staff members have CFA, CPA, or other advanced designations.
  - Average staff tenure of 10 years.
  - One-third of exempt staff have been with Treasury greater than 15 years.
- Preserving institutional knowledge is critical since the investment and retirement systems are complex.
- Treasury will continue to have turnover in key positions due to retirement and competitive opportunities.
- Treasury has underinvested in succession planning and recruitment and retention is challenging.



# Treasury Compensation Challenge

- Treasury provides mission critical services to the State with a high level of added value.
- Compensation has always been a challenge since Treasury needs to attract and retain skilled investment professionals in a public sector environment.
- Staff salaries are high compared to many positions in state government, but well below both median public fund peers and those of the Alaska Permanent Fund Corporation (APFC).
- Historically, Treasury made progress toward offering compensation competitive with peers and APFC. This progress was largely halted for 3-4 years due to a tough fiscal environment and exempt staff have no natural step-or-other annual increase in compensation.
- Treasury made compensation progress over the past two years but needs to continue to keep pace with peers in a competitive environment.
- Exempt salaries are ~\$5 million per year, ~1 basis point of current managed assets. Investment staff compensation for large funds/public funds is double this level at 2.1 bps in Callan survey data.
- Succession planning and addressing the compensation needs of the next generation of leaders is important since Treasury will continue to have retirements and new leaders are unlikely to be part of the defined benefit system.
- To address recruitment and retention issues, staff developed a compensation plan several years ago. Important elements of this plan are a market-based approach with predictable annual compensation increases tied to professional skill development and increased responsibility.

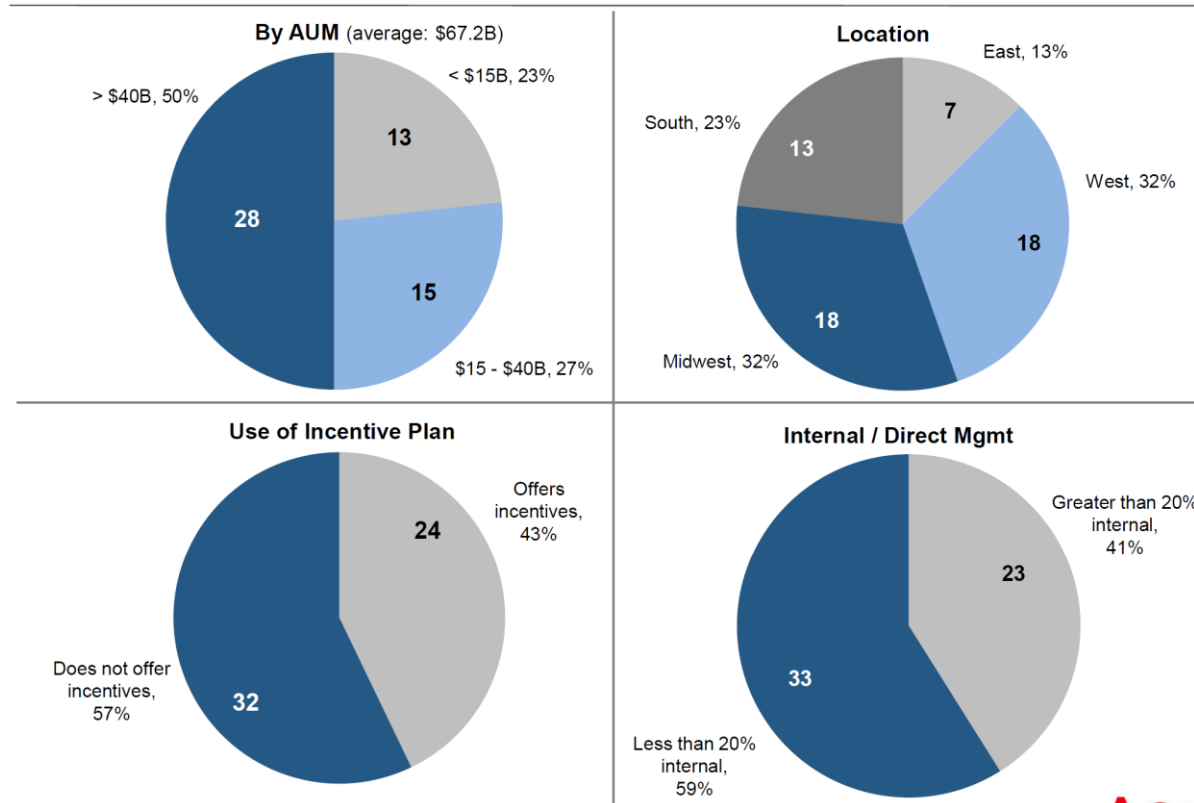
Average Fund Expenses by Fund Size (bps) - Callan 2021 "Cost of Doing Business" Survey



# Peer Compensation Comparison

- McLagan, a division of AON, provides industry-standard compensation data for public fund investment management. Treasury participates in the compensation study and evaluates the data annually.
- Treasury uses a public-fund-only peer set with a relevant set of 56 competitors for talent that provides a meaningful comparison for most positions.
- Each year, Treasury compares total staff cash compensation to this group of public funds peers and to APFC.

## 2022 PFDE Survey: 56 Participating Funds



- Alaska Permanent Fund Corporation
- Alaska Retirement Management Board
- Arizona State Retirement Sys
- CA Public Employees' Retirement Sys
- CA State Teachers' Retirement Sys
- CO Public Employees' Retirement Assoc.
- Contra Costa County Employees' Retirement Sys
- Employees Retirement Sys of Texas
- Fire & Police Pension Assoc. of CO
- Florida State Board of Administration
- Hawaii Employees Retirement Sys
- Idaho Endowment Investment Board
- Indiana Public Employees Retirement Fund
- Iowa Public Employees' Retirement Sys
- Louisiana Teachers' Retirement Sys
- Maine Public Employees Retirement System
- Maryland State Retirement Agency
- Massachusetts PRIM
- Michigan State Retirement Systems
- Minnesota State Board of Investments
- Missouri Highway and Trans. Retirement S
- Missouri Public School Retirement Sys
- Missouri State Employees' Retirement Sys
- MO Local Gov't Employees Retirement Sys
- Montana Board of Investments
- Municip. Employees' Retirement Sys of MI
- Municip. Fire & Police Retire. Sys of IA
- Nebraska Investment Council
- Nevada Public Employees' Retirement Sys
- New Jersey Division of Investment
- New Mexico Educational Retirement Board
- New Mexico Public Employees Retirement A
- New York State & Local Retirement Sys
- New York State Teachers' Retirement Sys
- Ohio Public Employees Retirement Sys
- Ohio School Employees Retirement Board
- Oklahoma Public Employees Retirement Sys
- Orange County Employees Retirement Syste
- Oregon Public Employees' Retirement Fund
- PA State Employees' Retirement Sys
- South Carolina Retirement System
- South Dakota Investment Council
- State of Wisconsin Investment Board
- State Teachers Retirement Sys of Ohio
- State Univ. Retirement Sys of Illinois
- Teacher Retirement Sys of Texas
- Tennessee Consolidated Retirement Sys
- Texas County and District Retirement Sys
- Texas Municipal Retirement Sys
- Texas Treasury Safekeeping Trust Company
- Utah School & Institutional Trust Funds
- Utah State Retirement Systems
- Virginia Retirement Sys
- Washington State Investment Board
- West Virginia Investment Mgmt Board
- Wyoming Retirement Sys

# Treasury Compensation Comparison to Peers and APFC

- Treasury 2022 compensation was at the 27<sup>th</sup> percentile compared to public fund peers in the 2022 McLagan compensation survey – 73% of public fund peers had higher compensation.
- Comparing current 2023 salaries to lagged 2022 peer data is always challenging.
- Wage inflation through June 2023 was 6.5% for finance and business services according to the Bureau of Labor Statistics. Treasury increased McLagan data 5% in order to compare current 2023 compensation to the survey data.
- Treasury current compensation is estimated to be at the 31<sup>st</sup> percentile when compared with peers.
- With respect to APFC, current Treasury compensation is 27% below their base compensation and 58% below their total cash compensation for comparable positions. Comparable compensation was closer to parity in the past.
- Almost all Treasury investment officers have below median compensation when compared to peer public funds.
- Competitive annual compensation adjustments will significantly aid in the retention and recruitment of high-quality staff.

2022 Comparison	Percentile	Compensation	Difference\$	Difference%
<b>Treasury Salaries - 2022</b>	<b>27</b>	<b>3,923,356</b>	<b>0</b>	<b>0%</b>
25th Percentile Public Fund Peers		3,825,983	(97,373)	-2%
<b>Median Public Fund Peers</b>		<b>4,762,214</b>	<b>838,858</b>	<b>21%</b>
75th Percentile Public Fund Peers		6,666,642	2,743,286	70%

2023 Comparison	Percentile	Compensation	Difference\$	Difference%
<b>Treasury Salaries - 2023</b>	<b>31</b>	<b>4,673,525</b>	<b>0</b>	<b>0%</b>
25th Percentile Peers +5% wage inflation		4,391,712	(281,813)	-6%
<b>Median Peers +5% wage inflation</b>		<b>5,429,249</b>	<b>755,724</b>	<b>16%</b>
75th Percentile Peers +5% wage inflation		7,509,225	2,835,699	61%

2023 APFC Comparison	Percentile	Compensation	Difference\$	Difference%
APFC Base Compensation		5,917,016	1,243,490	27%
APFC Base +Bonus		7,363,962	2,690,436	58%

# Summary

- Treasury's work is mission critical and provides direct benefits in the form of excess returns, external cost savings, and error prevention:
  - ARMB returns over most longer time periods have been in the top-quartile of peer performance and have exceeded benchmarks materially net of all fees resulting in over \$2 billion dollars of additional assets compared with investing passively in the ARMB's benchmark.
  - Treasury continues to save over \$30 million per year with increased internal/decreased external investment management, fee negotiation, and portfolio restructuring.
  - Internal fixed income and equity management provided \$93 million in excess returns to SOA and the ARMB in FY2023.
  - Treasury also invests billions of dollars of cashflows annually with no material errors. Even small errors can be very costly.
- Compared to the median peer, Treasury has lower compensation despite producing better investment results while managing more assets, in more portfolios, for more fiduciaries.
- Treasury faces a difficult recruiting and retention environment and is working to ensure a thoughtful succession plan that will continue to serve the State with high quality investment results into the future.
- Treasury needs on-going budgetary support to attract and retain the caliber of professionals needed to continue to manage complex funds with strong results.

- ❖ **\$2+ billion in ARMB fund value**
- ❖ **\$90+ million in FY23 outperformance**
- ❖ **\$30+ million annual savings**
- ❖ **No costly errors**

# ALASKA RETIREMENT MANAGEMENT BOARD

## Operations Committee

SUBJECT: Treasury Exempt Compensation

ACTION: X

DATE: September 13, 2023

INFORMATION: \_\_\_\_\_

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### BACKGROUND:

The Alaska Retirement Management Board (ARMB) adopted standing resolution 2010-18 over 10 years ago in support of competitive professional/exempt staff compensation. Treasury made progress towards more competitive compensation, but lost ground more recently due to a challenging fiscal environment.

### STATUS:

Professional staff compensation is a challenge since Treasury needs to attract and retain skilled investment professionals in a public sector environment. However, Treasury's work is mission critical and provides direct benefits in the form of excess returns, external cost savings, and error prevention:

- ARMB returns over most longer time periods have been in the top-quartile of peer performance and have exceeded benchmarks materially net of all fees resulting in over \$2 billion dollars of additional assets compared with investing passively in the ARMB's benchmark.
- Treasury continues to save over \$30 million per year through increased internal/decreased external investment management, fee negotiation, and portfolio restructuring.
- Internal fixed income and equity management provided \$93 million in excess returns to SOA and the ARMB in FY2023.
- Treasury also invests billions of dollars of cashflows annually with no material errors. Even small errors can be very costly.

Treasury participates in an investment compensation survey conducted annually by McLagan, a division of AON. This survey provides industry-standard compensation information and compares Treasury directly to 56 public pension fund peers. These peers are directly comparable since they are all public sector employers engaged in similar investment management activities.

Compared to these public fund peers, Treasury compensation is well below median, at the 31<sup>st</sup> percentile. Compared to investment professionals at the Alaska Permanent Corporation, Treasury compensation is even further behind.

Like many state agencies and other employers, Treasury faces a difficult recruiting and retention environment. However, Treasury has demonstrated that a high quality investment staff pays for itself quickly in direct cost savings and excess returns. Additionally, Treasury is likely to undergo a succession transition over the next 5-10 years and it is particularly important to support and retain the next generation of leaders.

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Treasury needs on-going budgetary support to offer competitive compensation necessary to attract and retain the caliber of professionals needed to continue to manage complex funds with strong results.

RECOMMENDATION:

The Operations Committee recommend that the Alaska Retirement Management Board adopt Resolution 2023-17 supporting competitive Treasury exempt staff compensation.



State of Alaska  
ALASKA RETIREMENT MANAGEMENT BOARD

Relating to Staff Compensation

Resolution 2010-18

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, pursuant to AS 37.10.260, the Department of Revenue provides staff to the Board; and

WHEREAS, pursuant to the policies and procedures of the Board in coordination with the Department of Revenue, the Board is acknowledged to have a participatory role in recommending compensation and appointment of professional level staff providing services to the Board; and

WHEREAS, the Board acknowledges application of the state personnel rules and other provisions that apply to employees of the State of Alaska, and the distinctions that exist between those appointed as classified employees; and

WHEREAS, the Board has appointed a salary review committee to assist the Department of Revenue with respect to the attraction and retention of employees; and

WHEREAS, the Board recognizes that fellow agencies of the Board such as the Alaska Permanent Fund Corporation have adopted compensation scales, salary ranges, and bonus payments in order to be more competitive with respect to the attraction and retention of its employees, and

WHEREAS, the Board is concerned that existing pay scales for professional staff assisting the Board be elevated to and kept competitive with comparable compensation packages offered by private entities and the Alaska Permanent Fund Corporation. The Board believes that a lack of competitiveness with respect to the ability to attract or retain key employees would be to the detriment of the funds for which the Board is responsible.

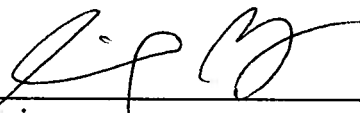


NOW THEREFORE BE IT RESOLVED that the Alaska Retirement Management Board makes the following continuing recommendations to the Commissioner of Revenue:

1. That the pay scale for all professional staff of the Department of Revenue providing key services to the Alaska Retirement Management Board be elevated to and kept equitable with comparable salaries, including bonuses, at the Alaska Permanent Fund Corporation;
2. That pay scales based on the above be implemented to recognize the contributions of other staff positions serving the Board;
3. That the Board will work with the Commissioner of Revenue and State Legislature to ensure that funding is available to implement the foregoing pay scale;
4. That the Board continues to recommend that the Treasury Division Comptroller be made an exempt position at a more appropriate compensation level;
5. That the Commissioner of Revenue actively work with the appropriate state agencies to implement the foregoing.

BE IT FURTHER RESOLVED that this resolution updates and replaces Resolution 2009-26 relating to staff compensation, and the Alaska Retirement Management Board expresses its appreciation to the Commissioner of the Department of Revenue for recent progress with respect to these resolutions.

DATED at Fairbanks, Alaska this 23<sup>rd</sup> day of September, 2010.

  
\_\_\_\_\_  
Chair

ATTEST:



Secretary

State of Alaska  
ALASKA RETIREMENT MANAGEMENT BOARD  
Relating to Staff Compensation

Resolution ~~2010-18~~2023-17

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, pursuant to AS 37.10.260, the Department of Revenue provides staff to the Board; and

WHEREAS, pursuant to the policies and procedures of the Board in coordination with the Department of Revenue, the Board is acknowledged to have a participatory role in recommending compensation and appointment of professional level staff providing services to the Board; and

WHEREAS, the Board acknowledges application of the state personnel rules and other provisions that apply to employees of the State of Alaska, and the distinctions that exist between those appointed as classified employees; and

WHEREAS, the Board has appointed an salary review operations committee to assist the Department of Revenue with respect to the attraction and retention of employees and other matters; and

WHEREAS, the Board recognizes that fellow agencies of the Board such as the Alaska Permanent Fund Corporation have adopted compensation scales, salary ranges, and bonus payments in order to be more competitive with respect to the attraction and retention of its employees, and

WHEREAS, the Board is concerned that existing pay seales-levels for professional-exempt staff assisting the Board are not be elevated to and kept competitive with comparable compensation packages offered by private-entitlespeers and the Alaska Permanent Fund Corporation. The Board believes that a lack of competitiveness with respect to the ability to attract or retain key employees would be to the detriment of the funds for which the Board is responsible.

NOW THEREFORE BE IT RESOLVED that the Alaska Retirement Management Board makes the following continuing recommendations to the Commissioner of Revenue:

1. That the pay seale-levels for all professional-exempt staff of the Department of Revenue providing key services to the Alaska Retirement Management Board be elevated over time to and kept equitable with comparable salaries, including bonuses, at peer public funds;
- ~~1-2.~~ That compensation policies and levels of the Alaska Permanent Fund Corporation also be taken into consideration when setting exempt staff compensation;
2. ~~That pay scales based on the above be implemented to recognize the contributions of other staff positions serving the Board;~~
3. That the Board will work with the Commissioner of Revenue and State Legislature to ensure that funding is available to implement annual pay increases that make progress toward offering compensation competitive with peers~~the foregoing pay seale~~;

4. ~~That the Board continues to recommend that the Treasury Division Comptroller be made an exempt position at a more appropriate compensation level;~~  
5.4. That the Commissioner of Revenue actively work with the appropriate state agencies to implement the foregoing.

BE IT FURTHER RESOLVED that this resolution updates and replaces Resolution ~~20092010-26-18~~ relating to staff compensation, and the Alaska Retirement Management Board expresses its appreciation to the Commissioner of the Department of Revenue for recent progress with respect to these resolutions.

DATED at ~~Fairbanks~~Anchorage, Alaska this \_\_\_\_ day of September, ~~2010~~2023.

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary

State of Alaska  
ALASKA RETIREMENT MANAGEMENT BOARD  
Relating to Staff Compensation

Resolution 2023-17

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, pursuant to AS 37.10.260, the Department of Revenue provides staff to the Board; and

WHEREAS, pursuant to the policies and procedures of the Board in coordination with the Department of Revenue, the Board is acknowledged to have a participatory role in recommending compensation and appointment of professional level staff providing services to the Board; and

WHEREAS, the Board acknowledges application of the state personnel rules and other provisions that apply to employees of the State of Alaska, and the distinctions that exist between those appointed as classified employees; and

WHEREAS, the Board has appointed an operations committee to assist the Department of Revenue with respect to the attraction and retention of employees and other matters; and

WHEREAS, the Board recognizes that fellow agencies of the Board such as the Alaska Permanent Fund Corporation have adopted compensation scales, salary ranges, and bonus payments in order to be more competitive with respect to the attraction and retention of its employees, and

WHEREAS, the Board is concerned that existing pay levels for exempt staff assisting the Board are not competitive with comparable compensation packages offered by peers. The Board believes that a lack of competitiveness with respect to the ability to attract or retain key employees would be to the detriment of the funds for which the Board is responsible.

NOW THEREFORE BE IT RESOLVED that the Alaska Retirement Management Board makes the following continuing recommendations to the Commissioner of Revenue:

1. That the pay levels for all exempt staff of the Department of Revenue providing key services to the Alaska Retirement Management Board be elevated over time and kept equitable with comparable salaries, including bonuses, at peer public funds;
2. That compensation policies and levels of the Alaska Permanent Fund Corporation also be taken into consideration when setting exempt staff compensation;
3. That the Board will work with the Commissioner of Revenue and State Legislature to ensure that funding is available to implement annual pay increases that make progress toward offering compensation competitive with peers;
4. That the Commissioner of Revenue actively work with the appropriate state agencies to implement the foregoing.

BE IT FURTHER RESOLVED that this resolution updates and replaces Resolution 2010-18 relating to staff compensation, and the Alaska Retirement Management Board expresses its appreciation to the Commissioner of the Department of Revenue for recent progress with respect to these resolutions.

DATED at Anchorage, Alaska this \_\_\_\_\_ day of September, 2023.

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Chair

ATTEST:

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Secretary

**ALASKA RETIREMENT MANAGEMENT BOARD**  
**Operations Committee**

SUBJECT: General Consulting Contract

ACTION:   X  

DATE: September 13, 2023

INFORMATION:           

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**BACKGROUND:**

The Alaska Retirement Management Board (ARMB) has a contract with Callan LLC (Callan) for general investment consulting services.

**STATUS:**

The current consulting contract with Callan is effective through June 30, 2024. No extension options remain on the current contract. Given the timeframe necessary for preparing and issuing a request for proposals (RFP), evaluating responses, and negotiating a contract with a successful respondent, staff is recommending starting the RFP process at this time.

**RECOMMENDATION:**

The Operations Committee recommend that the Alaska Retirement Management Board direct staff to issue an RFP for a general consultant in a timeframe that will result in a general consultant contract being in place by July 1, 2024. The performance period of the contract will be for seven years in total – an initial period of three years followed by two optional two-year extensions.

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# ALASKA RETIREMENT MANAGEMENT BOARD

## Operations Committee

SUBJECT: Real Assets Consulting Contract

ACTION: X

DATE: September 13, 2023

INFORMATION:                     

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### BACKGROUND:

The Alaska Retirement Management Board (ARMB) has a contract with Callan LLC (Callan) for real assets investment consulting services that is separate from the general consulting contract since it is a specialized asset class, and the universe of general consultants and real assets consultants differs.

### STATUS:

The Real Assets consulting contract with Callan LLC expires June 30, 2024. No extension options remain on the current contract. Given the timeframe necessary for preparing and issuing a request for proposals (RFP), evaluating responses, and negotiating a contract with a successful respondent, staff is recommending starting the RFP process at this time.

### RECOMMENDATION:

The Operations Committee recommend that the Alaska Retirement Management Board direct staff to prepare and issue an RFP for a Real Assets consultant for the Board in a timeframe that will result in a Real Assets consultant contract being in place by July 1, 2024. The performance period of the contract will be for seven years in total – an initial period of three years followed by two optional two-year extensions.

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**Alaska Retirement Management Board**  
Operations Committee  
Schedule of 2023 Meetings

**March 15, 2023 (Juneau/ Videoconference)**

1. Legislative Actions/Impacts
2. Treasury Operations Update
3. Middle Office Update
4. (Topics To Be Determined)

**June 14, 2023 (Anchorage/ Videoconference)**

1. Treasury Operations Update
2. Middle Office Update
3. (Topics To Be Determined)

**September 13, 2023 (Anchorage/ Videoconference)**

1. Treasury Operations Update - FY25 Budget Proposal, ARMB FY24 Working Budget, Management Fees
2. Middle Office Update
3. (Topics To Be Determined)

**December 6, 2023 (Anchorage/ Videoconference)**

1. Treasury Operations Update
2. Middle Office Update
3. Policies Procedures Manual Review
4. Manager Review Annual Report
5. (Topics To Be Determined)

**Periodic and As Needed Meeting Topics**

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# Alaska Retirement Management Board

## Operations Committee

### Schedule of 2024 Meetings

#### **March 5, 2024 (Juneau/ Videoconference)**

1. Legislative Actions/Impacts
2. Treasury Operations Update
3. Middle Office Update
4. (Topics To Be Determined)

#### **June 11, 2024 (Anchorage/ Videoconference)**

1. Treasury Operations Update
2. Middle Office Update
3. (Topics To Be Determined)

#### **September 17, 2024 (Fairbanks/ Videoconference)**

1. Treasury Operations Update - FY26 Budget Proposal, ARMB FY25 Working Budget, Management Fees
2. Middle Office Update
3. (Topics To Be Determined)

#### **December 3, 2024 (Anchorage/ Videoconference)**

1. Treasury Operations Update
2. Middle Office Update
3. Policies Procedures Manual Review
4. Manager Review Annual Report
5. (Topics To Be Determined)

#### **Periodic and As Needed Meeting Topics**

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# **Charter of the Operations Committee**

## **Alaska Retirement Management Board**

### **I. Committee Purpose.**

1. The purpose of the Operations Committee (the “Committee”) is to hold meetings and to consider input from outside sources as well as the Department of Revenue for the purpose of making recommendations to the board on the following matters: (a) an annual operating budget for the board; (b) salary considerations for staff of the Department of Revenue who work on matters relating to the board and the funds administered by the board; and (c) policies and procedures relating to the functioning of the board.

2. Authority for the Committee exists under precedent. The board has previously established budget and salary committees. The Committee shall assume the responsibilities of those committees.

3. Authority for the Committee exists under law.

(a) AS 37.10.220(a)(15) provides that the board shall develop an annual operating budget. The Committee shall make recommendations as appropriate to the board to assist the board in fulfilling that responsibility.

(b) AS 37.10.260(a) states that the Department of Revenue shall provide staff to the board. It is in the best interest of the board and the plan beneficiaries that qualified, competent staff is recruited, hired and retained to invest and maintain the plan assets. The Committee shall provide oversight and review of staff salaries to ensure stability in the management of the funds. The committee shall make recommendations as appropriate to the board to assist the board in making recommendations respecting salary to the Commissioner of the Department of Revenue.

(c) AS 37.10.210 and AS 37.10.220(a)(4) provide the board with authority to take necessary steps to meet its responsibilities under law and appointment of the Committee relating to operating policies and procedures is a logical and reasonable step in that process.

### **II. Committee Members.**

The Committee consists of at least three Trustees, who have expressed a willingness to serve on the Committee and have been duly appointed by the Chair of the board.

### **III. Committee Meetings.**

The Committee shall meet as frequently as circumstances dictate. The Committee Chair with the assistance of the Department of Revenue shall prepare

and/or approve an agenda in advance of each meeting. The Committee shall maintain minutes of Committee meetings and periodically report to the board on significant results of the Committee's activities or, as appropriate, make specific recommendations to the board.

IV. Committee Responsibilities and Duties (Budget).

The Committee shall meet at least once annually to carry out the following responsibilities:

1. Review the actual expenditures in the immediately preceding fiscal year budget;
2. Consider and review the current fiscal year budget as approved by the legislature;
3. Develop a proposed budget for the next fiscal year and make appropriate recommendations for action to the board.

V. Committee Responsibilities and Duties (Salary)

In consultation with staff and any consultants or other experts, the Committee shall consider staff salary ranges, surveys and comparable salary information and make appropriate recommendations for action to the Board prior to the development of the budget for the next fiscal year.

VI. Committee Responsibilities (Policies and Procedures)

The Committee, as directed from time to time by the board or the chair of the board, may assess matters which will enhance the effectiveness and efficient operations of the board, with examples of such matters including but not limited to (a) board chair responsibilities between board meetings, (b) permissible travel and allowances therefore, (c) policies and procedures manuals relating to the board and the Department of Revenue, and (d) duties and elections of officers of the board.

VII. Self-Assessment

1. Assess the adequacy of this Charter at least annually and submit recommended changes to it to the Board for approval.
2. Periodically perform self-assessment of the Committee's performance.