

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

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

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

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 Ryerson

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 stated that the Proposal Evaluation Committee (PEC) scored, narrowed down, interviewed, 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, for review and approval. He stated that he felt the trips were a 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. With the exception of Sam Hobbs, an accountant, who had been with the Treasury for seven-and-a-half years and did a lot of great work moving up in the Treasury. He took a position in the private sector, and they were currently recruiting for his position. 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, and mean organization, and tackle many things with the hope that 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.

MR. HANNA 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. He added that he 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, it was still low even 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 1st. 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 McLaughlin 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.)