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Paul Matson
Director

**MINUTES OF A PUBLIC MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS, AUDIT & LEGISLATIVE COMMITTEE**

**Wednesday, April 4, 2018
2:30 p.m., Arizona Time**

A quorum of the Operations, Audit & Legislative Committee (OALC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 N. Central Avenue, Phoenix, Arizona 85012.

Mr. Clark Partridge, Chair of the OALC, called the meeting to order at 2:30 p.m.

The meeting was teleconferenced to the ASRS office at 4400 E. Broadway, Tucson, Arizona 85711.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Clark Partridge, Chair
Mr. Jim Hillyard, Vice-chair
Mr. Rene Guillen

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of the Minutes of the January 3, 2018 Public Meeting and Executive Session of the OALC

Motion: Mr. Jim Hillyard moved to approve the Minutes of the January 3, 2018, Public Meeting and Executive Session of the OALC. Mr. Rene Guillen seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

3. Presentation, Discussion, and Appropriate Action Regarding Notice of Rulemaking

Ms. Jessica Thomas, Government Relations Officer and Rules Writer, presented to the Committee the current rulemakings in process and provided a brief summary of the following:

- Notice of Rulemaking to update all rules that reference the interest rate due to the rate change which was approved at the December 2, 2017 ASRS Board meeting.
- Notice of Emergency Rulemaking - R2-8-902: Compensation for remitting Contributions. In January 2018, new rules related to compensation became effective. However, the ASRS needs to clarify that employers need to continue making contributions on two types of payments for employees who became ASRS members prior to January 1, 2018.

Motion: Mr. Rene Guillen moved to approve proceeding with both rulemakings as proposed. Mr. Jim Hillyard seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

4. Presentation, Discussion, and Appropriate Action Regarding the ASRS Strategic Planning Model

Mr. Anthony Guarino introduced the topic stating this is an opportunity to share with the Committee the thoughts and preparations for moving into the next plan cycle as the strategic plan will be coming to an end June 30, 2018. He briefly highlighted future plans for improving performance and operational cost effectiveness such as, establishing better tracking and performance methods and incorporating Lean Six Sigma principles to enhance productivity and streamline operations. Mr. Guarino introduced the Strategic Planning and Analysis team and turned the presentation over to them.

Ms. Sara Orozco, Strategic Planning and Analysis Manager, reviewed the strategic planning model used at the ASRS, providing information regarding how it has helped the ASRS achieve results, and what changes will be implemented in the future. After responding to questions from the Committee, Ms. Orozco turned the presentation over to Mr. Jeremiah Scott, Senior Management Analyst, and Ms. Lisa King, Policy Analyst, to provide an overview of the new software tool the ASRS will be using agency-wide to report on agency performance.

Mr. Scott introduced OnStrategy, the software tool to be utilized by ASRS staff which will assist the agency in meeting its goals. The purpose of the tool is to:

- Provide clarity of purpose; clearly define what is expected
- Establish standardization and uniformity
- Provide centralized, accessible performance data
- Automate notifications
- Ensure improved communication, visibility and transparency
- Provide real-time performance data on customizable dashboards
- Provide links on a variety of tools

Ms. King provided additional input during the presentation and staff responded to questions from the Committee.

5. Presentation, Discussion, and Appropriate Action Regarding Updates to the Internal Audit Quarterly Report and the FY 2018 Audit Plan, Including the Transition of Compliance Reviews to the ASRS Member Services Division Employer Relations Unit

Mr. Harold Mackey, Interim Chief Internal Auditor, reviewed the current status of the FY 2018 Audit Plan, including highlights regarding ongoing and restructuring activities with the transition of compliance reviews to the Member Services Division Employer Relations Unit. Mr. Mackey advised the Committee the Internal Audit Division (IAD) still has two employer audits to complete and one activity that needs to be discussed with and transferred to the Employer Relations Unit. Mr. Mackey commented on calls received by the ASRS' fraud hotline. He also advised the IADs upcoming focus will be on training for the IAD team to assist with fulfilling the expectations of the restructure and additional responsibilities.

Also discussed briefly was the process moving forward for reporting employer compliance review findings to the Committee should there be significant findings or an indication of a trend setting. Mr. Matson responded by noting his thoughts for this process which would be for Mr. Dave King, Assistant Director, Member Services Division, to report to the Committee regarding service updates, possibly

annually and with delta updates being presented by IAD as needed; however, this will be discussed further with Mr. King and Mr. Mackey to finalize the process going forward.

6. Recently Conducted Employer Audits

Mr. Adel Korish and Ms. Rosie Tomforde, ASRS Audit Officers, and Mr. Harold Mackey reviewed the following audits conducted by the IAD.

- **Carpe Diem & Juniper Tree Charter Schools – Employer Audit**

The IAD had one finding from the Carpe Diem & Juniper Tree Charter Schools audit. The employer agreed with the findings and IAD's recommendations.

- **ASRS Pension Benefit Calculation – Internal Processes**

The IAD had no findings from the ASRS Pension Benefit Calculation review of internal processes.

- **2017 Employer Compliance Follow-up**

The IAD presented the Committee with an employer compliance follow-up for 2017. The IAD reviewed two previously conducted audits as follows:

- City of Bisbee – Ms. Tomforde reported of the three findings, three were partially resolved.
- City of Eloy – Mr. Mackey reported of the five findings, all were resolved.

7. Call to the Public *(formerly agenda item #9)*

Due to the possibility of the Committee moving into executive session for agenda item #7, Mr. Partridge adjusted the order of the agenda and made a call to the public. There were no members of the public in Phoenix or Tucson requesting to speak.

8. Presentation, Discussion, and Appropriate Action Regarding the ASRS Retiree Health Insurance and Long Term Disability (LTD) Performance Guarantees *(formerly agenda item #7)*

Mr. Guarino introduced the topic and asked the Committee if they had any questions regarding the materials that have been provided, indicating that if they did, depending on the nature of the questions, there may be the need to move into executive session.

Mr. Matson provided a brief summary regarding changes in the ASRS' oversight with regard to its vendors and enforcing the expectations set forth in the contracts. The ASRS will continue its efforts in this area and manage the expectations more closely.

The Committee had no further questions.

9. Request for Future Agenda Items *(formerly agenda item #8)*

None were requested.

10. The next regular public OALC meeting is scheduled for Wednesday, July 11, 2018, at 2:30 p.m., at 3300 N. Central Avenue, in the 14th Floor Conference room, Phoenix, Arizona.

Mr. Partridge noted the next OALC meeting is scheduled for Wednesday, July 11, 2018 at 2:30 p.m.

11. Adjournment of the OALC

Motion: Mr. Jim Hillyard moved to adjourn the meeting at 4:03 p.m. Mr. Rene Guillen seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

Respectfully Submitted,

Melanie A. Alexander
Committee Administrator
ARIZONA STATE RETIREMENT SYSTEM