

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

**Wednesday, April 13, 2022
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 person, in the First Floor Board Room of the ASRS Office, 3300 N. Central Avenue, Phoenix, Arizona 85012.

Ms. Sarah Webber, Chair of the Operations, Audit, and Legislative Committee, called the meeting to order at 2:33 p.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Ms. Sarah Webber, Chair
Mr. Michael Miller, Vice-chair
Mr. Jim Mueller

A quorum of the Committee was present to conduct business.

Ms. Bridget French, ASRS Committee Administrator, provided all attendees with telephonic meeting guidelines.

2. Approval of the Minutes of the January 12, 2022, Public Meeting and Executive Session of the OALC

Motion: Mr. Jim Mueller moved to approve the Minutes as presented. Mr. Michael Miller seconded the motion.

By a roll call vote of 3 in favor, 0 opposed, 0 abstentions, 0 excused, and 0 vacancies, the motion was approved. The Trustee votes were as follows:

Ms. Sarah Webber – approved
Mr. Michael Miller – approved
Mr. Jim Mueller – approved

3. Approval of the Minutes of the March 1, 2022, Ad Hoc Meeting of the OALC

Motion: Mr. Michael Miller moved to approve the Minutes as presented. Mr. Jim Mueller seconded the motion.

By a roll call vote of 3 in favor, 0 opposed, 0 abstentions, 0 excused, and 0 vacancies, the motion was approved. The Trustee votes were as follows:

Ms. Sarah Webber – approved
Mr. Michael Miller – approved
Mr. Jim Mueller – approved

4. Presentation, Discussion, and Appropriate Action Regarding the Projects, Plans and Activities of the Technology Services Division (TSD)

Mr. Matson introduced Mr. Anthony Guarino, Deputy Director and Chief Operations Officer.

Mr. Guarino introduced Mr. David King, Assistant Director Technology Services Division (TSD). He stated that TSD had been a significant driver in optimizing effectiveness in the agency.

Mr. King opened his presentation by commenting that TSD has met or exceeded expectations for support, heavily invested in system modernization, automated all of its processes, and begun migrating to the cloud.

Mr. King outlined the group structure of TSD staff (Infrastructure and Application Development), all predominantly now teleworking. Mr. King gave more detail to the Infrastructure and Application Development teams. The in-house Application Development team designs, develops, configures, deploys, secures, and supports all built applications. The Infrastructure team, otherwise known as Enterprise Infrastructure Services (EIS), supports the network and data center and maintains the cloud-based disaster recovery system, all devices and equipment, application support, and software and hardware licensing.

Mr. King discussed the cost-effective reasoning behind building pension applications vs. buying the applications. According to CEM BENCHMARKING, the ASRS is still well below its peers in costs per active member and annuitant.

Mr. King outlined TSD's priorities and objectives and provided the internal performance results. Completed 2021 projects include:

- Completed modernization project of the Pension Administration System
- Upgraded all core systems that run the applications
- Integrated TSD units, also known as DevOps
- Developed a cloud migration design

The challenges TSD faced were undesired staff turnover, increasing demand on their time, and an increase in time-sensitive issues, particularly regarding security.

Ms. Webber asked Mr. King about how TSD approaches the challenge of retaining staff. In response to Ms. Webber, Mr. King explained that state salaries for IT staff are not as high as the private sector, which is challenging. The ASRS offers the benefits of regular work hours, not shift work or on-call hours. The ASRS has a 20% turnover rate per year, comparable to other IT departments.

Mr. Miller asked if the turnover rate creates a security risk when they leave with the knowledge they have of the ASRS. In response to Mr. Miller, Mr. King answered that these employees'

institutional knowledge is restricted to the IT group and is very limited. Sensitive information is not accessible and is closed off.

Mr. Mueller commented that from an external user standpoint, does the ASRS measure any satisfaction rates of the website usage by members. In response to Mr. Mueller, Mr. King explained that the ASRS evaluated User Experience Testing from all levels of computer experience and made sure the programs were usable and easy to follow before rolling out to the members.

Mr. Mueller commented that aging populations might be less skillful at using technological services and questioned if there are services catered to the aging population for a simplified process. Mr. King acknowledged that this was a consideration when they developed these programs, and they had over an 80% satisfaction rate from members. Mr. Guarino and Mr. Matson commented on satisfaction surveys and future communication with member caregivers.

Mr. Miller shared a recent positive interaction his colleagues had with the ASRS website. Mr. Miller commended the ASRS on their work.

Mr. King continued with his presentation explaining that TSD is building a DevOps Model called the C.L.A.I.M. model: Culture, Learning, Automation, Integrated Teams, Metrics & Governance, that staff completes. TSD is better than average on their results, with room to grow and get better.

Mr. King outlined future projects/goals with TSD, including:

- 14 infrastructure projects
- 5 development projects
- learning a "new normal" after pandemic restrictions
- strategies to keep TSD's most crucial staff
- continue to develop our culture on the IT side

Mr. King briefly talked about the governance and oversight by the agency, Trustees, and state oversight groups regarding TSD.

Ms. Webber thanked Mr. King for his presentation and asked for clarification on the methodology used in the DevOps model. In response to Ms. Webber, Mr. King explained the AGILE project development methodology details. Expectations are set on a small scale and reassessed bi-weekly instead of estimating three years or more out in the future.

Ms. Webber asked how TSD handles being good stewards of service and the benefits of working from home. In response, Mr. King explained that productivity is high or higher, the less commuting time is a significant benefit, including cost-benefit to staff.

Mr. Miller commented that the TSD highlights and facts should be communicated to members as a benefit to membership.

5. Presentation, Discussion, and Appropriate Action Regarding the Service Purchase Lean Engagement

Mr. Matson introduced Mr. Jeremiah Scott, Assistant Director, Member Services Division (MSD).

Mr. Scott introduced Ms. Leah Wagner, Member Advisory Center Manager, MSD, to discuss the Service Purchase lean Engagement.

Ms. Wagner presented the examples of Service Purchase and reasons why members would use this option. Survey results from members who recently completed a Service Purchase request reflected that the ASRS Retirement Specialists' understanding needed some revision. Member satisfaction with the Service Purchase process declined, and much of the dissatisfaction came from a lack of knowledge about the process and costs involved in completing a Service Purchase. The ASRS Retirement Specialists received focused training on the various aspects of Service Purchase, including cost justification, to provide complete information when discussing these processes with our members. After training and implementation, member satisfaction increased through two quarters to 83% and is currently at 88%, now meeting our risk tolerance.

Mr. Scott commented that bringing an increased human element to calls and being more transparent about the costs and obstacles concerning Service Purchase contributed to increased satisfaction.

Ms. Webber commended Ms. Wagner and her staff and asked for questions and comments.

Mr. Mueller commented on how important this is to members and thanked Ms. Wagner for her work on this engagement.

6. Presentation, Discussion, and Appropriate Action Regarding the After Action Report of UnitedHealthcare Health Insurance Cancellation Letter

Mr. Matson introduced Mr. Russ Levine, ASRS Health Plan Administrator, MSD.

Mr. Levine stated that he was the project manager for the migration to a self-insured model for the non-Medicare population. This cost-saving project took nine months, touched upon every division at the ASRS, and transitioned over 6,000 retirees. Mr. Levine referenced his meeting materials memo, which outlined the unintended mailing of a loss of coverage letter being sent to members and the actions taken by the ASRS and UnitedHealthcare to rectify the situation quickly.

Ms. Webber applauded the ASRS for its quick response to resolve this issue and the agency's transparency in reporting this to the Board.

7. Presentation, Discussion, and Appropriate Action Regarding the Results of the 2022 Active Member Survey

Mr. Matson introduced Ms. Katie Daigneault, Strategic Planner and Survey Administrator.

Ms. Daigneault opened her presentation and explained the Active Member Survey monitors achievements of key agency goals such as "Foster trust and confidence with members and employers through effective communication of the actions and activities of the ASRS." Results show that active members are likely to promote or recommend the ASRS as a great organization, and they are satisfied with the timely and accurate service they receive from the ASRS. Ms. Daigneault detailed the positive Net Promoter Score results, including members' likeliness to promote the ASRS.

Ms. Webber asked if the data received is shared with the employers, specific to their members. In response to Ms. Webber, Ms. Daigneault explained that the results are not stratified, but the information is public and available.

Ms. Webber thanked Ms. Daigneault for surveying members and using that feedback in the ASRS Strategic Planning.

8. Presentation, Discussion, and Appropriate Action Regarding the Internal Audit Quarterly Update

Mr. Matson introduced Mr. Harold Mackey, Chief Internal Auditor.

Mr. Mackey reviewed the current activities identified in the internal quarterly audit report with the Committee, highlighting some of the advisory activities performed, the team monitoring focus, and the “administrative/other matters” his division continues to work on, such as: updating the audit reporting practices to the Board and Committees.

Mr. Matson emphasized that many audit departments identify issues after a problem occurs. The ASRS Audit team works differently from most and fulfills an advisory role enabling potential issues to be addressed early.

Mr. Mackey concluded with updates to the Internal Audit Division work plan.

Ms. Webber expressed thanks to Mr. Mackey and his team for being proactive in their approach.

9. Call to the Public

No members of the public requested to speak.

10. Presentation, Discussion, and Appropriate Action Regarding the ASRS Information Security Program

Motion: Mr. Michael Miller moved to go into executive session pursuant to A.R.S. § 38-431.03(A)(2) for the purpose of discussion or consideration of records exempt by law from public inspection. Mr. Jim Mueller seconded the motion.

By a roll call vote of 3 in favor, 0 opposed, 0 abstentions, 0 excused and 0 vacancies, the motion was approved. The Trustee votes were as follows:

Ms. Sarah Webber – approved

Mr. Michael Miller – approved

Mr. Jim Mueller – approved

The Committee convened for Executive Session at 4:15 p.m.

The Committee reconvened for Public Session at 5:11 p.m.

11. Requests for Future Agenda Items

None were requested.

12. The next regular public OALC meeting is scheduled for Wednesday, July 13, at 2:30 p.m.

Ms. Sarah Webber noted the next OALC meeting is scheduled for Wednesday, July 13, at 2:30 p.m.

13. Adjournment of the OALC

Motion: Mr. Michael Miller moved to adjourn the meeting. Mr. Jim Mueller seconded the motion.

By a roll call vote of 3 in favor, 0 opposed, 0 abstentions, 0 excused and 0 vacancies, the motion was approved. The Trustee votes were as follows:

Ms. Sarah Webber – approved
Mr. Michael Miller – approved
Mr. Jim Mueller – approved

Ms. Webber adjourned the meeting at 5:13 p.m.

Respectfully Submitted,

Bridget French
Committee Administrator
ARIZONA STATE RETIREMENT SYSTEM