

How...

ASRS Employees Deliver Service With PRIDE!

PROFESSIONALISM

We promote, strive for and expect individuals, teams, and divisions to possess professional qualities and skills to lead the organization.

- Displays a friendly, respectful and courteous demeanor even when confronted by adversity
- Has proactive and responsive approach to internal and external customer needs
- Possesses good communication and active listening skills
- Is a trusted contributor (manager, leader, SME, analyst, teammate)
- Takes personal accountability • Has subject matter expertise
- Has critical thinking skills • Has an honest, fair, non-judgmental mind-set
- Is adaptable to beneficial change • Adheres to the ASRS Code of Conduct

RESULTS

We treasure the achievements of individuals, teams, divisions and the agency that energize the organization.

- Meets goals and objectives
- Completes projects
- Produces quality work products
- Satisfies customers
- Attains individual accomplishments
- Manages risks successfully

IMPROVEMENT

We appreciate individuals, teams or divisions who drive the agency forward with new, innovative ideas and solutions.

- Promotes new ideas
- Enhances outcomes and performance
- Solves problems
- Enhances morale
- Improves relationships
- Increases efficiency, effectiveness or reduces costs

DIVERSITY

We recognize that utilizing different talents, strengths and points of view, strengthens the agency and helps propel outcomes greater than the sum of individual contributors.

- Encourages an attitude of openness and a free flow of ideas and opinions
- Treats others with dignity and respect
- Works effectively to accomplish goals with teams comprised of dissimilar individuals
- Recognizes and promotes skills in others attained on and off the job

EXCELLENCE

We celebrate individuals, teams and divisions who exceed expectations and deliver service with a PRIDE that permeates the organization.

- Surpasses member, stakeholder and associate expectations
- Demonstrates a willingness to go the extra mile to engender a positive public image
- Embraces change in a manner that inspires others
- Accepts responsibility and challenges with enthusiasm
- Takes a personal interest in promoting teamwork through effective use of communication (verbal, non-verbal, written and technological techniques)
- Creates a motivated, healthy and productive work environment that celebrates and rewards the accomplishments of others



**ARIZONA STATE
RETIREMENT SYSTEM**



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

AGENDA

NOTICE OF A COMBINED PUBLIC MEETING AND POSSIBLE EXECUTIVE SESSION OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS AND AUDIT COMMITTEE

3300 North Central Avenue, 14th Floor Conference Room
Phoenix, AZ 85012

May 27, 2016

Meeting to Commence at 11:00 a.m., or immediately following the 8:30 a.m. ASRS Board Meeting.

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the Trustees of the Arizona State Retirement System (ASRS) Operations and Audit Committee (OAC) and to the general public that the ASRS OAC will hold a meeting open to the public on Friday, May 27, 2016, beginning at 11:00 a.m. Arizona Time, or immediately following the 8:30 a.m. ASRS Board Meeting, in the 14th Floor Conference Room of the ASRS office, 3300 North Central Avenue, Phoenix, AZ 85012. Trustees of the Committee may attend either in person or by telephone conference call.

This is a regularly scheduled meeting of the OAC; however, due to possible attendance by other ASRS Board Trustees, this meeting may technically become a meeting of the Board or one of its committees. Actions taken will be consistent with OAC governance procedures. Actions requiring Board authority will be presented to the full Board for final decision.

The Chair may take public comment during any agenda item. If any member of the public wishes to speak to a particular agenda item, they should complete a Request to Speak form indicating the item and provide it to the Committee Administrator.

Pursuant to A.R.S. § 38-431.03(A)(3), the ASRS OAC may vote to go into executive session, which will not be open to the public, for the purpose of obtaining legal advice on any item on the Agenda.

This meeting will be teleconferenced to the ASRS Tucson office conference room at 4400 E. Broadway Boulevard, Suite 200, Tucson, Arizona 85711. The conference call to Tucson will be disconnected after 15 minutes if there are no attendees in the Tucson audience.

The Agenda for the meeting is as follows:

1. Call to Order; Roll Call; Opening Remarks..... Mr. Jeff Tyne
OAC Chair
2. Approval of the Minutes of the April 12, 2016, and April 19, 2016, Public Meetings and Executive Sessions of the OAC Mr. Jeff Tyne

3. Presentation, Discussion, and Appropriate Action Regarding the Results of the 2016 ASRS Retiree Survey Mr. Anthony Guarino
.....Ms. Sara Orozco
Manager, Strategic Planning and Analysis
..... Mr. Jeremiah Scott
Sr. Strategic Planning Analyst

4. Presentation, Discussion, and Appropriate Action Regarding the ASRS Retiree Health Insurance Contract Renewal Mr. Anthony Guarino
Deputy Director and Chief Operations Officer
.....Mr. Dave King
Assistant Director, Member Services Division
..... Ms. Julie Lockwood
Program Manager
..... Mr. Frank Perri
Benefits Program Administrator

5. Presentation, Discussion, and Appropriate Action Regarding the Analysis of ASRS Benefit Estimates Compared to Actual Annuities Mr. Anthony Guarino
.....Mr. Brian Crockett
Sr. Strategic Planning Analyst

6. Review of Recently Conducted Audits
 - City of Eloy – Employer Audit
 - McNary Elementary School District – Employer Audit
 - Superior Unified School District – Employer Audit
 - ASRS New Retiree and Survivor Benefits – Internal Processes
 - 2015 Agency Compliance Follow-up..... Mr. Anthony Guarino
.....Mr. Bernard Glick
Chief Internal Auditor

7. Requests for Future Agenda Items Mr. Jeff Tyne
..... Mr. Anthony Guarino

8. Call to the Public..... Mr. Jeff Tyne

Those wishing to address the ASRS Committee are required to complete a Request to Speak form before the meeting indicating their desire to speak. Request to Speak forms are available at the sign-in desk and should be given to the Committee Administrator. Trustees of the Committee are prohibited by A.R.S. § 38-431.01(G) from discussing or taking legal action on matters raised during an open call to the public unless the matters are properly noticed for discussion and legal action. As a result of public comment, the Committee Chair may direct staff to study and/or reschedule the matter for discussion and decision at a later date.

9. Adjournment of the OAC

A copy of the agenda background material provided to the OAC Trustees (with the exception of material relating to possible executive sessions) is available for public inspection at the ASRS offices located at 3300 North Central Avenue, 14th Floor, Phoenix, Arizona and 4400 East Broadway Boulevard, Suite 200, Tucson, Arizona. The agenda is subject to revision up to 24 hours prior to meeting. These materials are also available on the ASRS website (<https://www.azasrs.gov/web/BoardCommittees.do>) approximately 48 hours prior to the meeting.

Persons(s) with disabilities may request a reasonable accommodation such as a sign language interpreter or alternate formats of this document by contacting Tracy Darmer, ADA Coordinator at (602) 240-5378 in Phoenix, at (520) 239-3100, ext. 5378 in Tucson or 1-800-621-3778, ext. 5378 outside metro Phoenix or Tucson. Requests should be made as early as possible to allow time to arrange the accommodations.

Dated May 20, 2016

ARIZONA STATE RETIREMENT SYSTEM

Signed Copy on File

Melanie Alexander
Committee Administrator

Signed Copy on File

Anthony Guarino
Deputy Director and Chief Operations Officer

Agenda Item #2



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS AND AUDIT COMMITTEE

HELD ON
Tuesday, April 12, 2016
10:30 a.m., Arizona Time

The Operations and Audit Committee (OAC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Jeff Tyne, Chair, called the meeting to order at 10:30 a.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. Jeff Tyne, Chair
Mr. Clark Partridge, Vice Chair (joined the meeting @ 10:36 a.m.)
Dr. Richard Jacob

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

2. Approval of the Minutes of the February 9, 2016 Public Meeting of the OAC

Motion: Dr. Richard Jacob moved to approve the minutes of the February 9, 2016 public meeting of the OAC. Mr. Jeff Tyne seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

3. Review of Recently Conducted Audits

Mr. Bernard Glick reviewed the following audits conducted by the Internal Audit Division (IAD).

- **City of Flagstaff – Employer Audit**

The IAD had one finding from the City of Flagstaff audit. The employer agreed with the findings and IAD's recommendations.

- **Eduprize Schools – Employer Audit**

The IAD had no findings from the Eduprize Schools audit.

- **Miami USD – Employer Audit**

The IAD had five findings from the Miami USD audit. The employer agreed with the findings and IAD's recommendations.

- **North County Fire Medical District – Employer Audit**

The IAD had no findings from the North County Fire Medical District audit.

- **Quartzsite Elementary School District – Employer Audit**

The IAD had no findings from the Quartzsite Elementary School District audit.

- **Ray USD – Employer Audit**

The IAD had two findings from the Ray USD audit. The employer agreed with the findings and IAD's recommendations.

- **Saddle Mountain USD – Employer Audit**

The IAD had five findings from the Saddle Mountain USD audit. The employer agreed with the findings and IAD's recommendations.

- **Santa Cruz Valley UHSD – Employer Audit**

The IAD had four findings from the Santa Cruz Valley UHSD audit. The employer agreed with the findings and IAD's recommendations.

- **St. David USD – Employer Audit**

The IAD had two findings from the St. David USD audit. The employer agreed with the findings and IAD's recommendations.

- **Town of Oro Valley – Employer Audit**

The IAD had one finding from the Town of Oro Valley audit. The employer agreed with the findings and IAD's recommendations.

- **Tucson Airport Authority – Employer Audit**

The IAD had one finding from the Tucson Airport Authority audit. The employer agreed with the findings and IAD's recommendations.

Mr. Clark Partridge joined the meeting at 10:36 a.m.

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

Mr. Bernard Glick provided a summary of the Internal Audit Quarterly Report. Mr. Glick indicated a need for a change to the Biennial Audit Plan. One of the internal auditors will be leaving soon; therefore, Mr. Glick is requesting that the Committee approve the removal of the ASRS Web Services Post Implementation and the ASRS Management Fees-Agency audits from the 2016/2017 Internal Audit Biennial Work Plan. Mr. Glick believes the two audits can be completed in 2018 if he is able to hire a replacement auditor.

Motion: Dr. Richard Jacob moved to accept the requested change to the Biennial Audit Plan by removing the ASRS Web Services Post Implementation and the ASRS Management Fees-Agency audits from the 2016/2017 Biennial Audit Plan. Mr. Clark Partridge seconded the motion.

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

5. Presentation, Discussion and Appropriate Action Regarding Issues Related to ASRS Information Technology (IT) Security Including:

- A. Presentation of the ASRS Internal IT Risk Assessment**
- B. Presentation of the ASRS External IT Security Audit**

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced the topic and turned the presentation of the internal risk assessment over to Mr. Kent Smith, Assistant Director, Technology Services Division. Mr. Smith provided a brief explanation of the rankings used in the assessment and selected several potential risk/threats to highlight. Throughout the presentation, Mr. Smith responded to questions from the Committee.

Mr. Smith introduced Mr. Srinivas Mukkamala, Chief Technology Officer, RiskSense (formerly CAaNES) who will present the external agency risk assessment to the Committee. Discussion of the external agency risk assessment results required discussion in Executive Session.

Motion: Mr. Clark Partridge moved to go into Executive Session for the purpose of considering or discussing records exempt by law from public inspection. Dr. Richard Jacob seconded the motion.

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

The Committee convened to Executive Session at 10:59 a.m.

Dr. Richard Jacob left the meeting at 11:41 a.m.

The Committee reconvened to Public Session at 12:23 p.m.

6. Request for Future Agenda Items

Mr. Guarino announced the need to schedule an Ad Hoc OAC meeting within the next week to discuss and approve an LTD contract award in order to move to the full Board for final approval at the April 29 Board meeting. The Committee provided some possible dates to consider.

7. Call to the Public

There were no members of the public in Phoenix or Tucson.

8. Adjournment of the OAC

Motion: Mr. Clark Partridge moved to adjourn the meeting at 12:26 p.m. Mr. Jeff Tyne seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

Respectfully Submitted,

ARIZONA STATE RETIREMENT SYSTEM

Melanie Alexander
Committee Administrator

Anthony Guarino
Deputy Director and Chief Operations Officer



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS AND AUDIT COMMITTEE

HELD ON
Tuesday, April 19, 2016
1:30 p.m., Arizona Time

The Operations and Audit Committee (OAC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Clark Partridge, Vice-Chair, called the meeting to order at 1:30 p.m.

The meeting was not teleconferenced to the ASRS office at 4400 E. Broadway, Tucson, Arizona 85711.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Clark Partridge, Vice-Chair
Dr. Richard Jacob

Absent: Mr. Jeff Tyne, Chair

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

2. Presentation, Discussion and Appropriate Action Regarding the ASRS Long Term Disability Program Administration Contract Award

Discussion of the ASRS Long Term Disability (LTD) Program Administration Contract Award solicitation led by Ms. Martha Rozen, Chief Procurement Officer and Chief of Administrative Services, required discussion in Executive Session.

Motion: Dr. Richard Jacob moved to go into Executive Session for the purpose of considering or discussing records exempt by law from public inspection. Mr. Clark Partridge seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

The Committee convened to Executive Session at 1:31 p.m.

The Committee reconvened to Public Session at 1:58 p.m.

Motion: Dr. Richard Jacob moved to accept the recommendation of the Evaluation Committee on the ASRS Long Term Disability Program Administration contract award and to move this recommendation to the Board for approval. Mr. Clark Partridge seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

3. Request for Future Agenda Items

Provide the OAC with periodic survey results of member satisfaction regarding LTD provider.

4. Call to the Public

There were no members of the public in Phoenix.

5. Adjournment of the OAC

Motion: Dr. Richard Jacob moved to adjourn the meeting at 2:00 p.m. Mr. Clark Partridge seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

Respectfully Submitted,

ARIZONA STATE RETIREMENT SYSTEM

Melanie Alexander
Committee Administrator

Anthony Guarino
Deputy Director and Chief Operations Officer

**Confidential Materials
were provided to the
Trustees and not
included in this book.**

Agenda Item #3



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MEMORANDUM

TO: Mr. Jeff Tyne, Chair, Operations and Audit Committee

FROM: Mr. Anthony Guarino, Deputy Director and Chief Operations Officer
Ms. Sara Orozco, Manager, Strategic Planning and Analysis
Mr. Jeremiah Scott, Sr. Strategic Planning Analyst, Strategic Planning and Analysis

DATE: May 18, 2016

RE: **Agenda Item #3:** Presentation, Discussion, and Appropriate Action Regarding the Results of the 2016 ASRS Retiree Survey

Purpose

To discuss the results of the 2016 ASRS Retiree Survey.

Recommendation

Information item only; no action required.

Background

In the early 1990s, the ASRS began to conduct member satisfaction surveys. The surveys primarily focused on the level of satisfaction that members had with a recent service transaction or group counseling session. Over the past five years the agency has expanded its level of surveying to cover call center interactions and one-on-one counseling sessions. Because most of the surveys conducted were based on service transactions, which tend to occur prior to retirement, retirees have historically been unintentionally excluded.

In 2015, staff moved to convert the member transaction surveys, where possible, from paper to electronic. Staff also expanded the program by conducting a survey of ASRS employers to better understand their perceptions of the ASRS as a benefit and service provider.

Although the health insurance vendor conducts its own satisfaction survey of ASRS retirees, staff recognized that it didn't really have a mechanism in place to gather feedback from retirees. In January of 2016, management decided to conduct a survey of current retirees to capture their opinions about the ASRS as a benefit and service provider, and also their opinions on various health insurance matters.

The survey was initially planned to be sent:

- Via email, to all retirees who had an email address on file; and
- By mail, to a sampling of retirees who did not have an email address on file.

Historically, surveys have been executed without incident. However, shortly after the retiree survey was distributed by email, the ASRS began to receive reports of members having difficulty entering or completing the survey. The Director's Office and Technology Services Division staff researched the issue, and although the performance slightly improved over the course of a few days, members continued to experience difficulty entering or taking the survey. As a result, after three days, management decided to close the email survey.

Research was conducted over the next several weeks to determine the cause of the issue. Although staff was not fully able to replicate the issue, they determined that the likely cause of the performance issues was the high number of retirees attempting to take the survey simultaneously. Due to the amount of time that had lapsed, combined with the result of the performance issues experienced, staff canceled the issuance of the paper survey.

To confirm the usability of the data received, the ASRS reached out to the Behavior Research Center (BRC) to perform a methodological review. BRC found that the characteristics of the population of retirees who had email was different enough than those who didn't that we could not consider this survey to be representative of the *entire* ASRS retiree population. However, according to BRC "It did, however, receive a response large enough (6,671 useable records) to represent the entire ASRS retiree population *with a valid email address* (+/- 1.2% at a 95% confidence level)."

We also asked BRC if, in their professional opinion, the ASRS should have any reason to think that the change in the time the survey was left open would have an impact on the validity of the data received. BRC answered, "No, since we generally find that the vast majority of respondents to a web based survey respond within the first 24 to 48 hours of receipt. Again the survey is a statistically valid representation of ASRS retirees who have a valid email address."

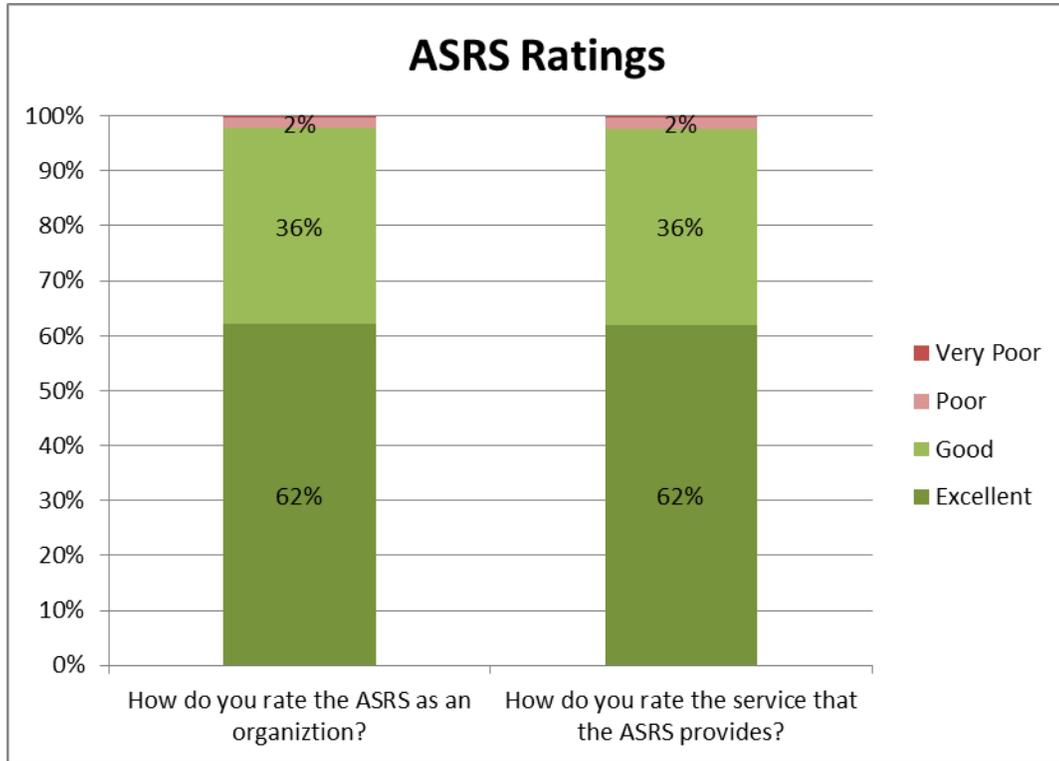
While the survey is now closed we did learn a lesson about our bandwidth limitations for administering surveys to our membership and we still had results that were a statistically valid representation of a large portion of retirees. These results can still provide us with some insight as to the temperature of a segment of the ASRS retiree population.

On the following pages is a summary of the results we received from the sample of retirees with a valid email address.

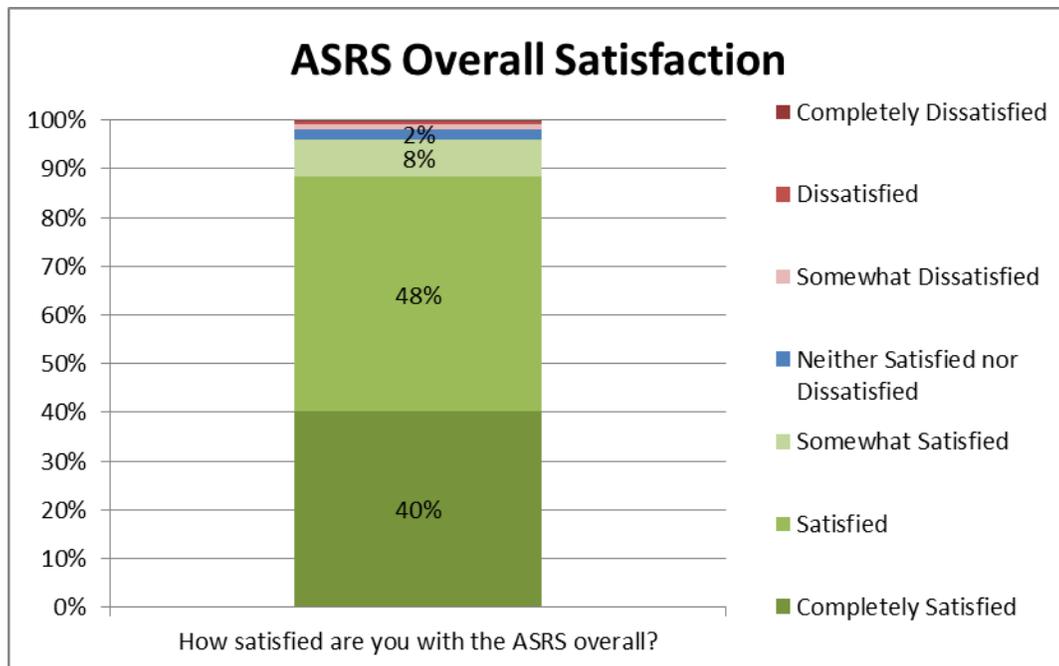
Survey Results: ASRS retirees with a valid email address:

ASRS Overall

Overall, the response was very positive, with more than 95 percent rating the ASRS positively as an organization and a service provider.

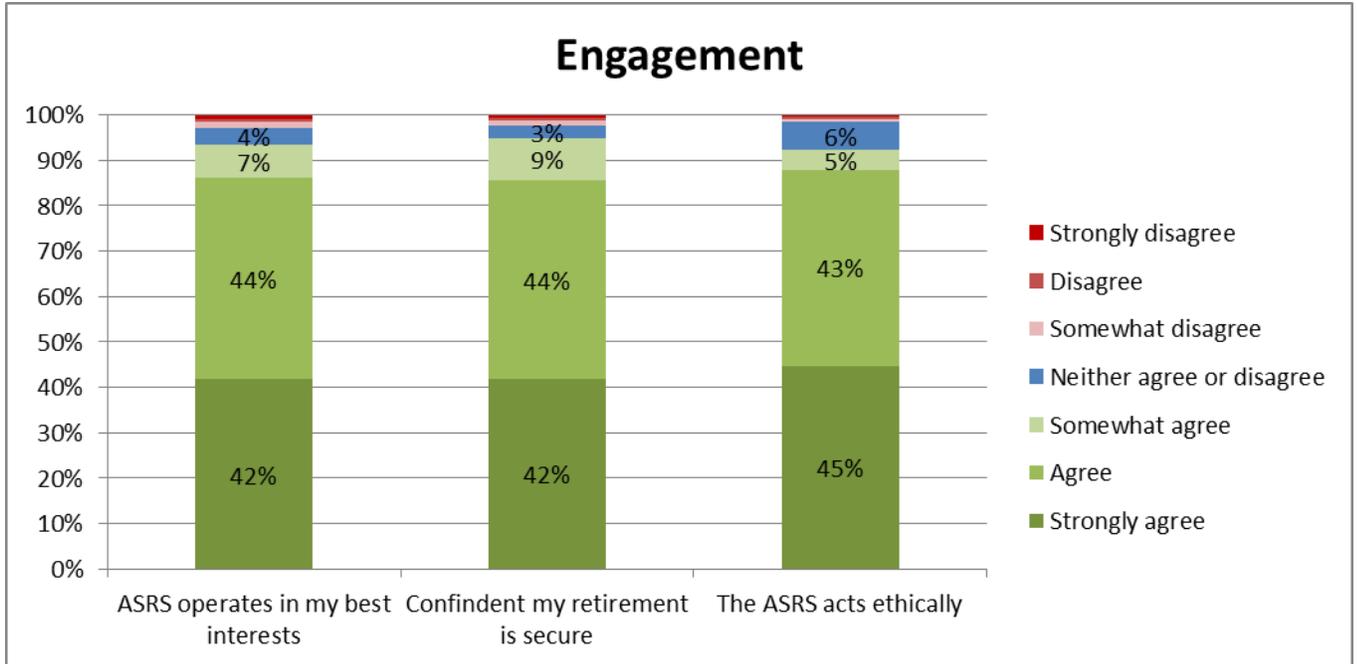


In addition, 96.1% are satisfied with the ASRS overall. This is consistent with results received on the process surveys of non-retired members.



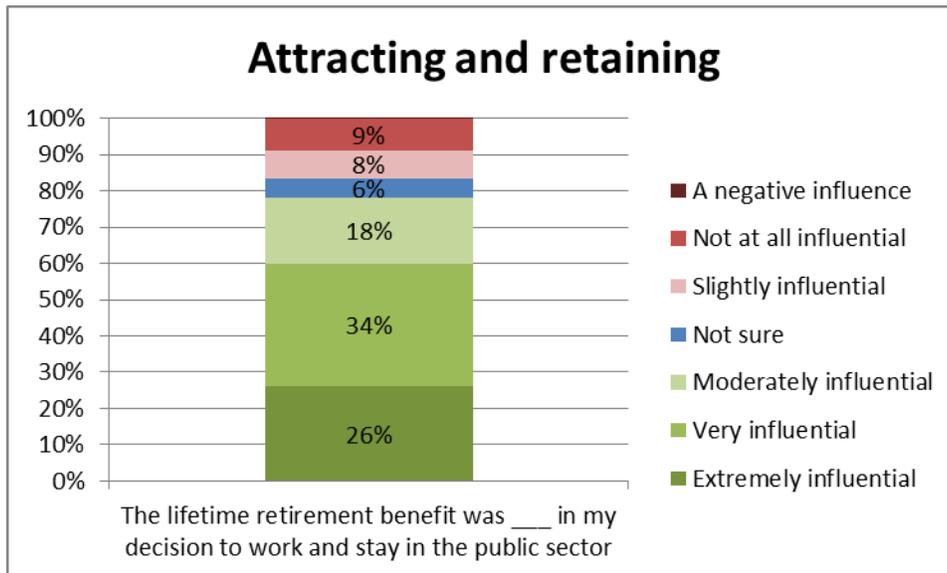
ASRS Engagement

94% of retirees responded that the ASRS operates in their best interest; while 95% responded positively that they feel some level of confidence that their retirement is secure. 93% of retirees responded that the ASRS acts ethically.

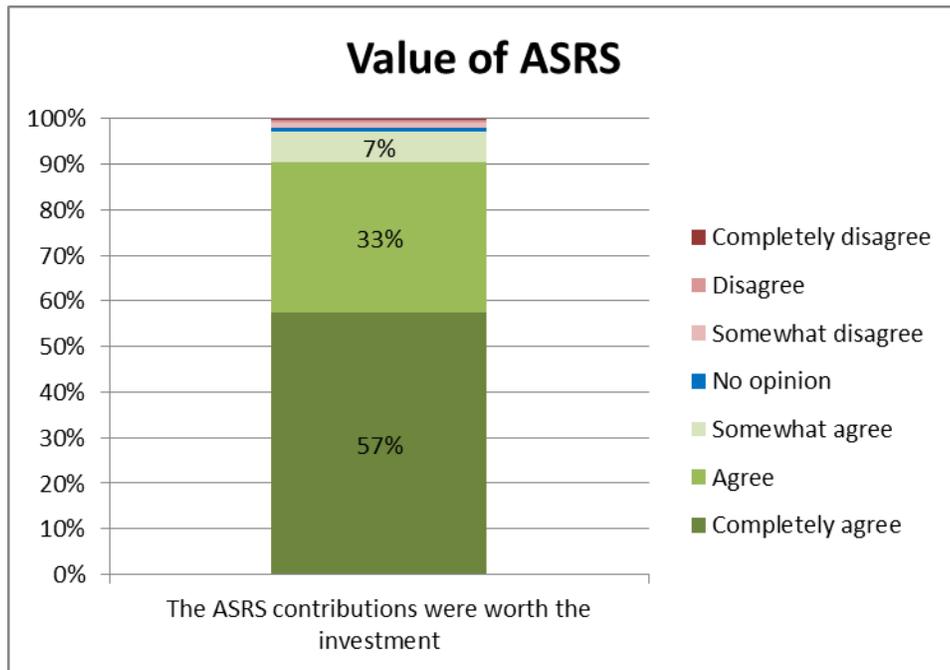


ASRS Value

80% of retirees responded that the retirement benefit was influential in their decision to work in the public sector.

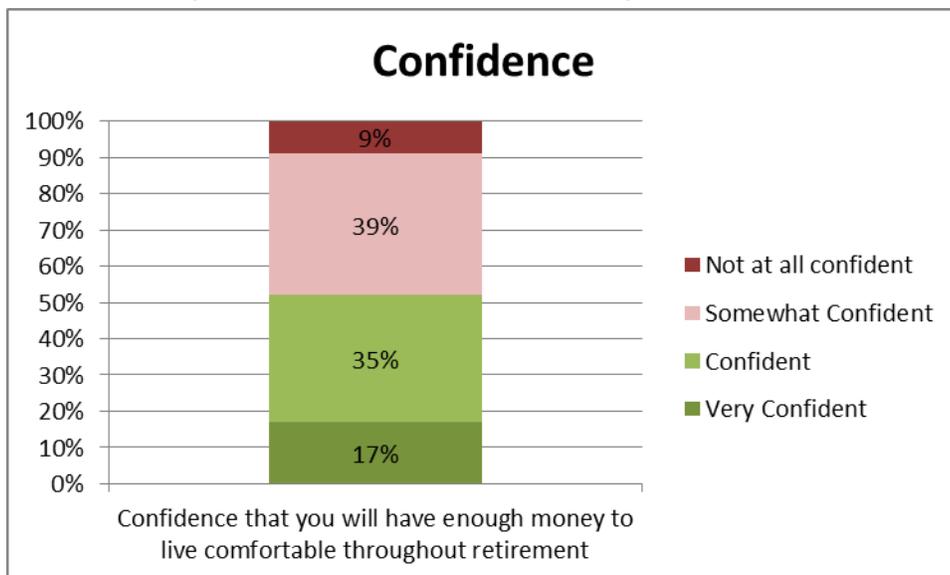


97% of retirees agree that the contributions that they remitted during their employment were worth the retirement benefit received.



Security

52% of retirees felt confident to very confident that they will have enough money to live comfortably throughout their retirement. This shows an area of concern and an opportunity to look at education prior to retirement about planning and savings. 91% of retirees have some level of confidence that they will have enough to live comfortably, while 9% have no confidence at all that they will be able to live comfortably.



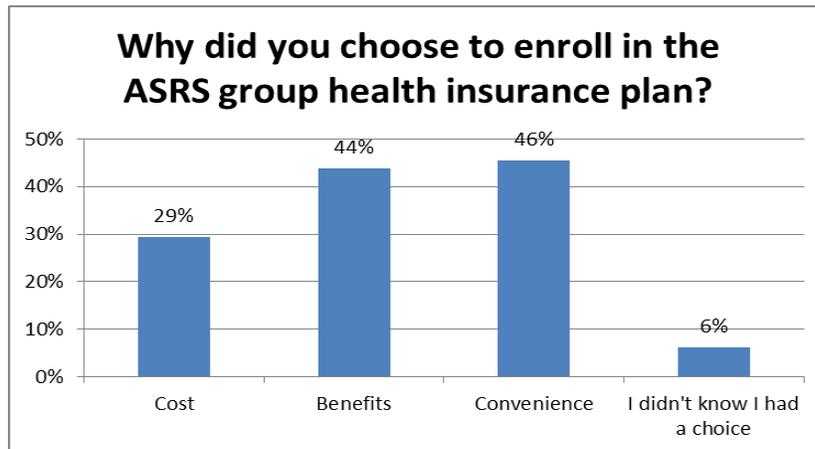
Website Satisfaction

The ASRS is above 90% in website satisfaction for both “Navigating the site” and “Logging in,” while “Performing tasks” is just below the 90% mark.

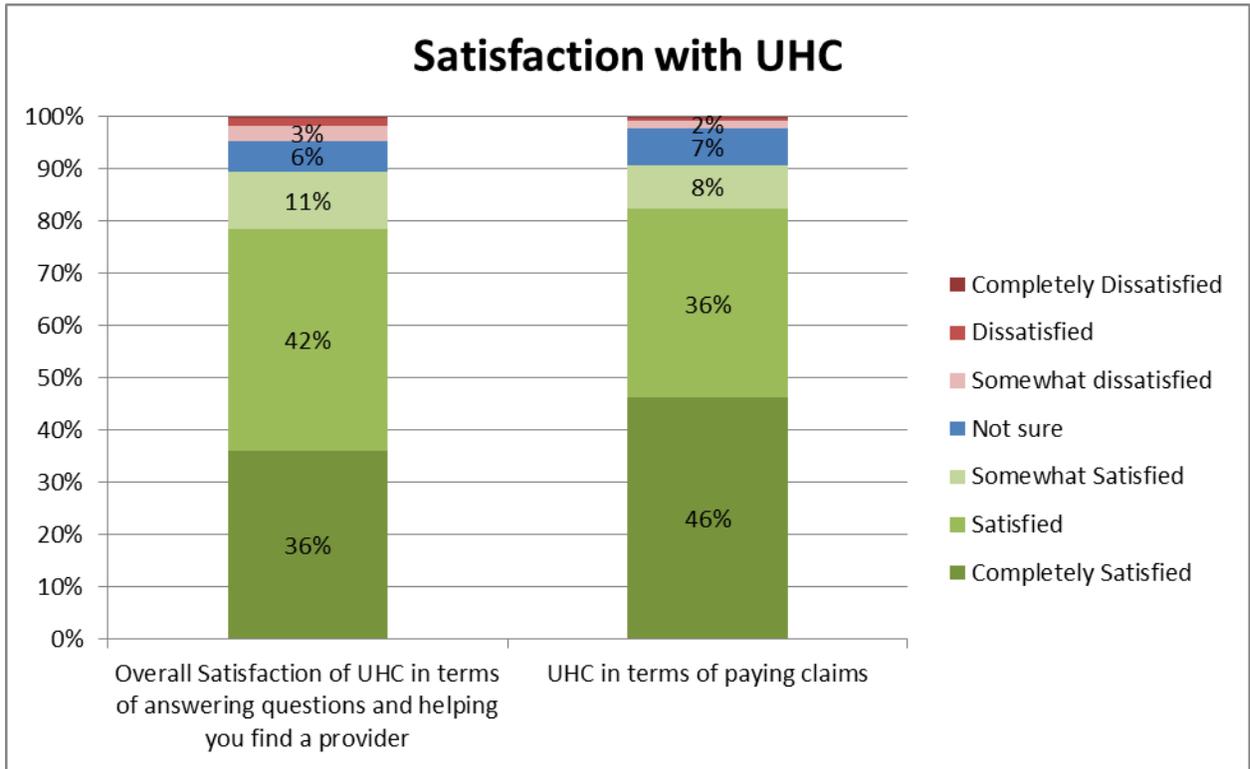


Health Insurance

One surprising result to some was that the most popular response for why retirees chose the ASRS group health insurance plan was out of convenience of registering at the time of retirement.

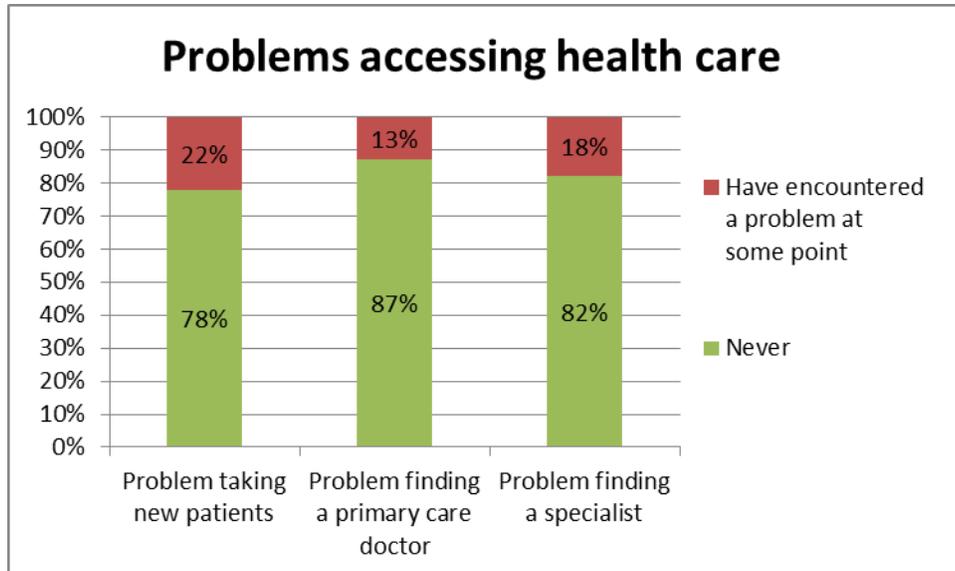


Satisfaction with United HealthCare in terms of service (90%) and paying claims (91%) were relatively strong compared to some expectations.

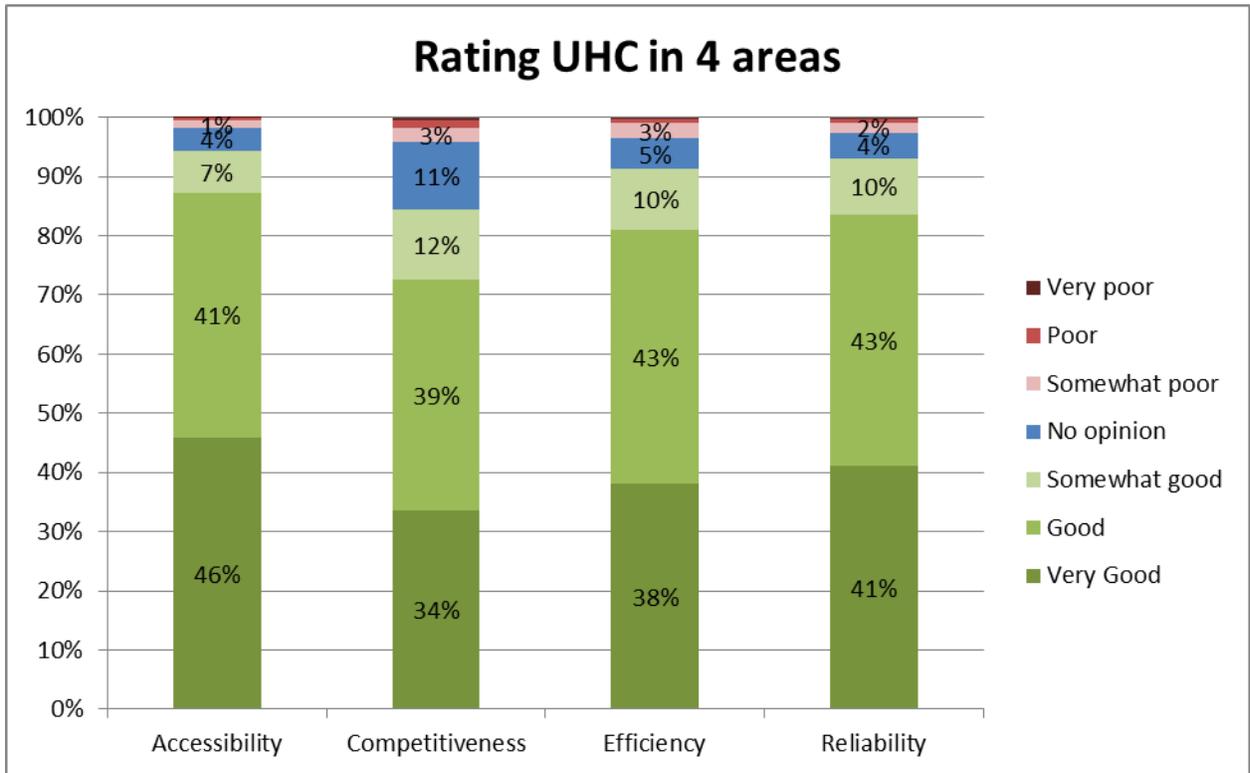


Have you experienced problems getting access to the health care that you need?

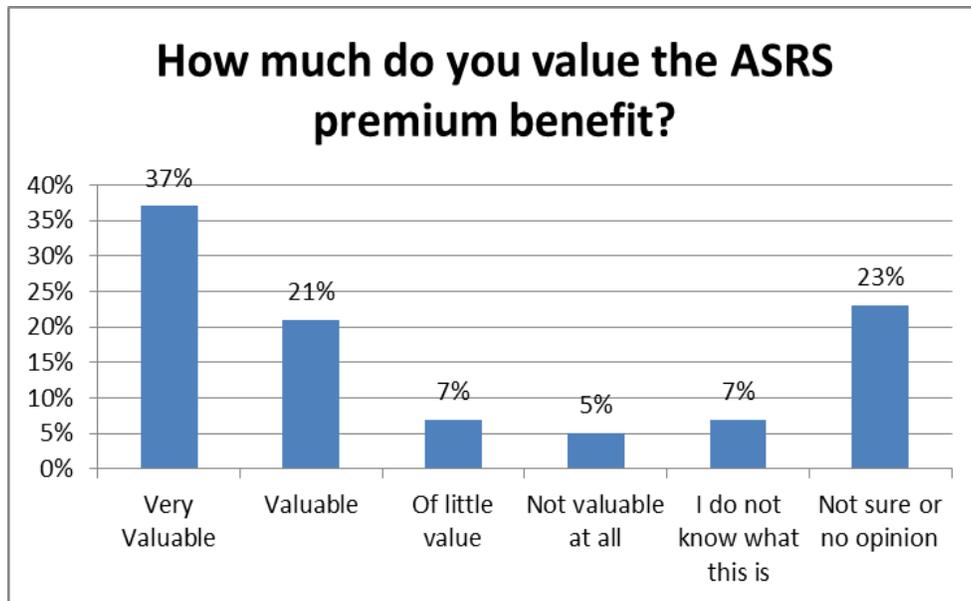
The majority of the responses to this question were “never.” The remaining possible responses were roughly at or below 10%, with the great majority of them being below.



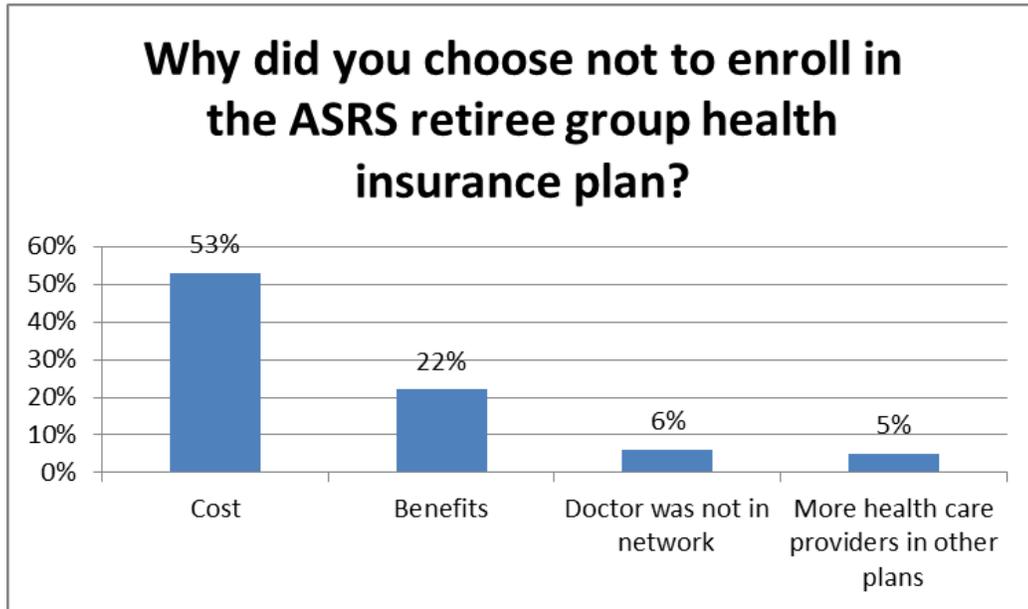
Retirees were then asked to rate UHC according to Accessibility, Competitiveness, Efficiency and Reliability. All but competitiveness scored above 90% at some level of a positive response.



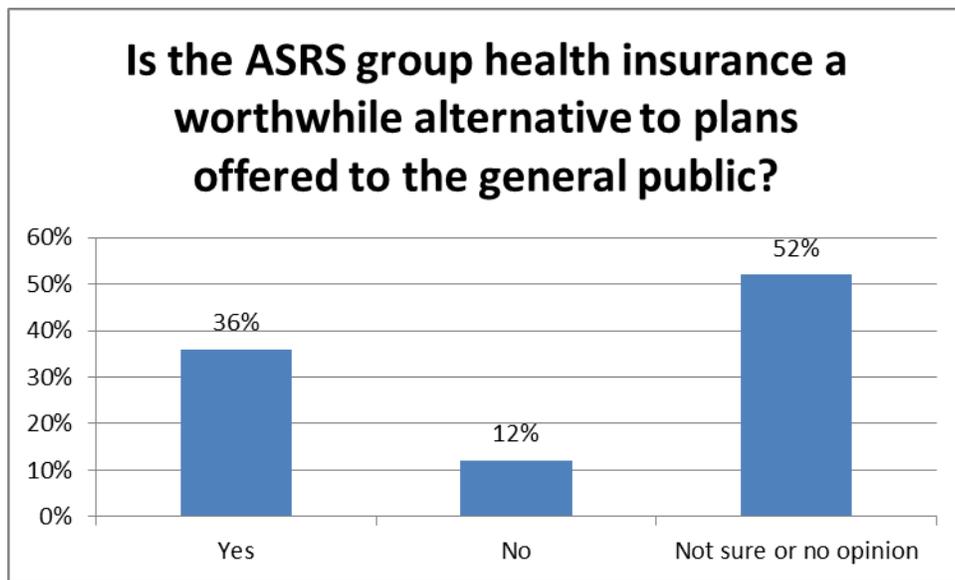
One area of concern is that when retirees were asked about the ASRS premium benefit 42% of respondents answered that it was of little value, not at all valuable, didn't know what it was or were not sure. This will be looked at further as an opportunity to increase education.



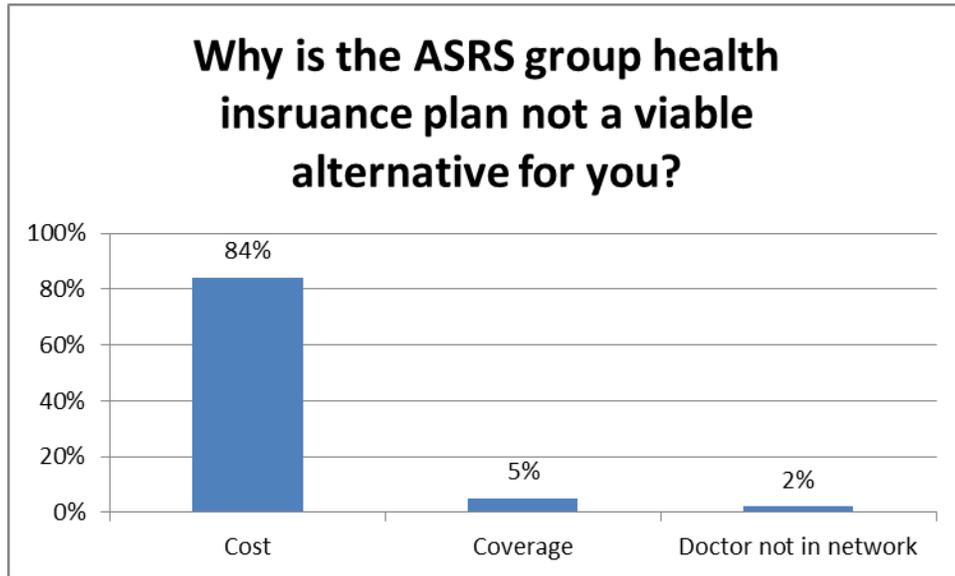
The majority of those who did not enroll responded that cost was the primary reason, which is a common theme across the health care discussion.



When retirees were asked if the health insurance is a worthwhile alternative, the majority answered “not sure or no opinion.” This group included all retirees, so a large portion who are not enrolled in the ASRS group health insurance plan chose “not sure or no opinion.” This may be an indication of a retiree saying I do not have it, but it may be important to a fellow retiree.



Of the 12% who responded “No,” cost was the overwhelming factor as to why it was not a viable alternative for the respondent.



What is important to you?

When asked what are the two most important factors when selecting health insurance, retirees answered: being able to pick any doctor of my choice, getting the lowest price for coverage possible and low deductibles/co-pays were the most popular answers.

What is the most important factor in selecting health insurance?

Being able to pick any doctor of my choice	31%
Getting the lowest price for coverage possible	29%
Having my current doctor in my network	17%
Low deductibles/Co-pays	15%
Other	8%

What is the second most important factor in selecting health insurance?

Being able to pick any doctor of my choice	18%
Getting the lowest price for coverage possible	26%
Having my current doctor in my network	16%
Low deductibles/Co-pays	32%
Other	8%

What do you wish you knew more about at the time of retirement? (% of those who commented)

The following list is representative of the sample of the several hundred comments submitted. These same comments are repeated throughout the survey comments in various forms.

- 1) 40% ask for more information prior to retirement that the PBI increases are not guaranteed, information about funding status and the policies that control the increases.
- 2) 18% want information on how to transition from employer insurance to private or ASRS health insurance, the cost of insurance and the options they have.
- 3) 9% want the potential tax liabilities and implications from retirement income explained to them prior to retirement. They don't know retirement income is taxable.
- 4) 8% ask for more information prior to retirement about leaving money to beneficiaries and other options available at the time of retirement like PLS and service purchase.
- 5) 7% want more information about saving for retirement while still employed and financial planning informational resources for retirement.
- 6) 6% commented that the ASRS appropriately educated them prior to retirement and that the ASRS answered all of their questions.
- 7) 4% want to know about how their pension affects their social security checks.
- 8) 4% provide more information about life after retirement, well-being components, life insurance and senior living.
- 9) 1% would like information about not retiring and what continuing to work would do for their pension payments.
- 10) Less than 1% had various complaints about the ASRS in general with no central discernable theme.

Next Steps

Next year, the ASRS will conduct the survey again, adjusting its methodology to ensure that we do not experience the same performance issues that occurred this year and will also include a sampling of retirees who did not have email.

Even though the data received is not considered a representative sample of the *entire* retiree population, there were a lot of suggestions on educational topics that staff feel were worthwhile and will work with communications and member education staff on ideas to provide more information to retirees about PBI and health insurance.

Agenda Item #4



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MEMORANDUM

TO: Mr. Jeff Tyne, Chair, ASRS Operations and Audit Committee (OAC)

FROM: Mr. Anthony Guarino, Deputy Director and Chief Operations Officer
Mr. Dave King, Assistant Director, Member Services
Ms. Julie Lockwood, Program Manager
Mr. Frank Perri, Benefits Program Administrator

DATE: May 20, 2016

RE: **Agenda Item #4:** Presentation, Discussion, and Appropriate Action Regarding the ASRS Retiree Health Insurance Program Contract Renewal

Purpose

To review UnitedHealthCare's (UHC) renewal for the 2017 plan year for Medicare and non-Medicare eligible ASRS, Public Safety Personnel Retirement System, Corrections Officer Retirement Plan, Elected Officials Retirement Plan and University Optional Retirement Plan retirees, eligible disabled members, and eligible dependents.

Recommendation

Informational only, no action required.

Background

The ASRS staff and consultants from Mercer negotiated with UHC regarding UHC's 2017 health insurance plans renewal. The current contract was awarded January 1, 2015, for one year with four annual renewals through December 31, 2019. 2017 will be the third year of the contract (2nd renewal).

Each medical plan's cost, trend, revenue, and other critical data were reviewed, verified and discussed. Our efforts this year primarily focused on affordability for pre-65 retirees. The monthly single premium for the existing non-Medicare plan (Choice, for in-state members) equates to more than 50% of the average retiree plan benefit, net of taxes. The family pre-65 premium often exceeds the average retiree benefit. New membership in the pre-65 Choice plan has been trending down each year.

Last fall, the ASRS researched the Affordable Care Act (ACA) marketplace offerings to consider other lower-cost alternatives to the existing UHC Choice plan for pre-65 retirees. In addition, staff surveyed our retirees and met with representatives from several retiree associations for their feedback and preference on plan offerings.

Staff engaged UHC very early in the year to offer more choices to pre-65 retirees at a lower premium and have devised a host of new plans for these retirees with varying benefit levels and premium costs. See the attached for more details.

New pre-65 plans will offer slightly reduced benefit provisions and/or a narrow provider network (Navigate) in exchange for a lower monthly premium. The most expensive plan this year is the current Choice plan at a 4% increase from 2016, which will experience no changes in benefit provisions from 2016. The least expensive plan represents a nearly 20% discount on premiums from 2016 and a 24% savings over the most expensive plan in 2017. In most utilization scenarios, the new plans offer substantial total out-of-pocket savings to our retirees versus the original Choice plan.

Our negotiations also resulted in a \$5 premium reduction for the Senior Supplement Plan. In addition, a one-year federal moratorium on certain fees enabled UHC to offer a \$20 reduction on the Medicare HMO plan. This reduction will be reversed when the federal moratorium is lifted in 2018 or beyond. Plan provisions for both Medicare plans will remain unchanged for the 2017 plan year.

In addition, the ASRS continues to utilize a one-way Retrospective Rate Adjustment Agreement (RRAA) with UHC that provides a reimbursement to the ASRS if total claims expenses do not exceed 93% of revenues (i.e., the negotiated medical loss ratio). Revenues include premiums enrolled members pay, other funds and reimbursements from The Centers for Medicare and Medicaid Services for administering Medicare plans, and prescription drug rebates.

The 2014 medical loss ratio (claims expenses to revenues) across all plans was 85.8% and this resulted in a \$31,507,222 reimbursement from UHC. The preliminary 2015 medical loss ratio across all plans is currently expected to be 91.6%, and will be finalized late August 2016.

**Arizona State Retirement System
 Current and 2017 Plan Premiums**

ASRS Medical Plan	Approx. Subscribers	Current Plan Year Premiums - Single	2017 Plan Year Premiums - Single
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Non-Medicare Plan

UHC Choice Plan (in state, in-network)	7,700	\$793	\$824.72 (+4.0%)
UHC Navigate	<i>New</i>	-	\$745.33 (-6.0% from 2016 Choice)
UHC Choice with 2K Deductible	<i>New</i>	-	\$767.26 (-3.2%)
UHC Navigate with 2K Deductible	<i>New</i>	-	\$693.41 (-12.6%)
UHC Choice with 4K Deductible	<i>New</i>	-	\$702.81 (-11.4%)
UHC Navigate with 4K Deductible	<i>New</i>	-	\$635.16 (-19.9%)
UHC Choice Plus (out of state)	130	\$1,112	\$1,156 (+4.0%)

Medicare Plan

Senior Supplement + PDP	12,200	\$337	\$332 (-1.5%)
Medicare Advantage HMO	24,000	\$194	\$174 (-10.3%)

Your Guide to Health Care Benefits



Consider Your Choices

1

**Enroll for
medical
coverage?**

Consider your
likely health care
needs, other
available
coverage, cost

2

**Which
medical
plan?**

Consider your
estimated total cost

Medical Options: Compare and Contrast

	Choice 1 – Current No Deduct	Choice 2 PPO \$2,000/\$4,000	Choice 3 PPO \$4,000/\$8,000
Routine and preventive care?	100% covered	100% covered	100% covered
Are there copays?	PCP \$20, SPC \$50, IP \$100 POD, UC \$50, ER \$150, Maj Diag \$150 RX: \$10 / \$50 / \$100	PCP \$30 , SPC \$60 , IP \$100 POD, UC \$75 , ER \$300 , Maj Diag \$150 RX: \$10 / \$50 / \$100	PCP \$40 , SPC \$80 , IP N/A , UC \$75 , ER \$300 , Maj Diag \$250 RX: \$10 / \$50 / \$100
What is the deductible?*	N/A	\$2,000 Individual \$4,000 Family	\$4,000 Individual \$8,000 Family
Coinsurance?	70%	70%	70%
The most you'll pay out-of-pocket in a year if you stay in the network?	\$3,500 Individual \$7,000 Family	\$4,000 Individual \$8,000 Family	\$6,000 Individual \$12,000 Family
Monthly Individual Premium - Choice	\$824.72	\$767.26	\$702.81
Monthly Individual Premium - Navigate	\$745.33	\$693.40	\$635.15

**Deductible applies only to services not otherwise noted with a copay, such as out-patient procedures.*



Example #1

Teresa – Minimal utilization.

Service	UHC Average Approved Amount*	Choice 1 - Current No Deduct	Choice 2 PPO \$2,000/\$4,000	Choice 3 PPO \$4,000/\$8,000
Routine Preventive Care (1 visit)	\$120	\$0	\$0	\$0
Primary Care Office Visit (2 visits)	\$160	\$40	\$60	\$80
Specialist Office Visit (1 visit)	\$120	\$50	\$60	\$80
Tier 1 Prescription Monthly for Preventative (\$10 x 12 scripts)	\$204	\$120	\$120	\$120
Tier 2 Prescription (\$50 x 1 script)	<u>\$140</u>	<u>\$50</u>	<u>\$50</u>	<u>\$50</u>
Subtotal	\$744	\$260	\$290	\$330
Retiree Annual Premium		\$9,897	\$9,207	\$8,434
TOTAL ANNUAL COST		\$10,157	\$9,497	\$8,764
Difference from Current			(\$660)	(\$1,393)
Difference from Current with Navigate		(\$953)	(\$1,546)	(\$2,205)



Example #2

Teresa – Low medical / high prescription utilization.

Service	UHC Average Approved Amount*	Choice 1 - Current No Deduct	Choice 2 PPO \$2,000/\$4,000	Choice 3 PPO \$4,000/\$8,000
Routine Preventive Care (1 visit)	\$120	\$0	\$0	\$0
Primary Care Office Visit (2 visits)	\$160	\$40	\$60	\$80
Specialist Office Visit (1 visit)	\$120	\$50	\$60	\$80
Tier 1 Prescription Monthly for Preventative (\$10 x 12 scripts)	\$204	\$120	\$120	\$120
Tier 2 Prescription, 3 per Month - (\$50 x 36 scripts)	<u>\$4,800</u>	<u>\$1,800</u>	<u>\$1,800</u>	<u>\$1,800</u>
Subtotal	\$5,404	\$2,010	\$2,040	\$2,080
Retiree Annual Premium		\$9,897	\$9,207	\$8,434
TOTAL ANNUAL COST		\$11,907	\$11,247	\$10,514
Difference from Current			(\$660)	(\$1,393)
Difference from Current with Navigate		(\$953)	(\$1,546)	(\$2,205)



Example #3

Teresa – Moderate member utilization.

Service	UHC Average Approved Amount*	Choice 1 - Current No Deduct	Choice 2 PPO \$2,000/\$4,000	Choice 3 PPO \$4,000/\$8,000
Routine Preventive Care (1 visit)	\$120	\$0	\$0	\$0
Emergency Room (1 visit)	\$3,500	\$150	\$300	\$300
Physical Therapy - (20 visits)	\$1,100	\$800	\$600	\$800
Primary Care Office Visit (6 visits)	\$480	\$120	\$180	\$240
Specialist Office Visit (3 visits)	\$360	\$150	\$180	\$240
Tier 1 Prescription (\$10 x 24 scripts)	\$396	\$240	\$240	\$240
Tier 2 Prescription (\$50 x 3 scripts)	\$420	\$150	\$150	\$150
Subtotal	\$6,376	\$1,610	\$1,650	\$1,970
Retiree Annual Premium		\$9,897	\$9,207	\$8,434
TOTAL ANNUAL COST		\$11,507	\$10,857	\$10,404
Difference from Current			(\$650)	(\$1,103)
Difference from Current with Navigate		(\$953)	(\$1,536)	(\$1,915)

*Illustration only; actual costs may vary by geography, provider type and/or services provided.



Example #4

Teresa – Higher member utilization.

Service	UHC Average Approved Amount*	Choice 1 - Current No Deduct	Choice 2 PPO \$2,000/\$4,000	Choice 3 PPO \$4,000/\$8,000
Routine Preventive Care (1 visit)	\$120	\$0	\$0	\$0
Inpatient Hospital Stay (1 visit)	\$40,000	\$3,500 <i>\$100 POD + 30% up to max OOP</i>	\$4,000 <i>\$100 POD + 30% up to max OOP</i>	\$6,000 <i>\$4,000 deductible + 30% up to max OOP</i>
Outpatient Surgery (1 visit)	\$15,000			
Primary Care Office Visit (6 visits)	\$640			
Specialist Office Visit (6 visits)	\$720	<u>\$0 - max OOP met</u>	<u>\$0 - max OOP met</u>	<u>\$0 - max OOP met</u>
Tier 1 Prescription (12 scripts)	\$204			
Tier 2 Prescription (4 scripts)	<u>\$240</u>			
Subtotal	\$56,924	\$3,500	\$4,000	\$6,000
Retiree Annual Premium		\$9,897	\$9,207	\$8,434
TOTAL ANNUAL COST		\$13,397	\$13,207	\$14,434
Difference from Current			(\$190)	\$1,037
Difference from Current with Navigate		(\$953)	(\$1,076)	\$225

*Illustration only; actual costs may vary by geography, provider type and/or services provided.

About This Guide

Coverage Examples are not cost estimators. You can't use the examples to estimate costs for an actual condition. They are for comparative purposes only. Your own costs will be different depending on the care you receive, the prices your providers charge, and the reimbursement your health plan allows.

This guide describes the benefit plans and policies available to you. The details of these plans and policies are contained in the official plan and policy documents, including some insurance contracts. This guide is meant only to cover the major points of each plan or policy. It doesn't contain all of the details that are included in your *Summary Plan Descriptions* (as required by ERISA) found in your other employee benefit materials. If there's ever a question about one of these plans and policies, or if there's a conflict between the information in this guide and the formal language of the plan or policy documents, the formal wording in the plan or policy documents will govern. **Note:** The benefits described in this guide may be changed at any time and don't represent a contractual obligation – either implied or expressed – on the part of ASRS.

Agenda Item #5



ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson
Director*

MEMORANDUM

TO: Mr. Jeff Tyne, Chair, Operations and Audit Committee

FROM: Mr. Anthony Guarino, Deputy Director and Chief Operations Officer
Mr. Brian Crockett, Sr. Strategic Planning Analyst, Strategic Planning and Analysis

DATE: May 24, 2016

RE: **Agenda Item #5:** Presentation, Discussion, and Appropriate Action Regarding the Analysis of ASRS Benefit Estimates Compared to Actual Annuities

Purpose

Discuss the analysis performed by staff comparing estimated pension benefit amounts to actual pension amounts.

Recommendation

Informational only, no action required.

Background

At its April 29, 2016, meeting the Board requested that staff perform an analysis of actual pension amounts compared to estimated pension amounts provided to members prior to retirement. Attached is a summary of the analysis performed by staff.

By way of background, the ASRS offers members the ability to estimate their retirement benefits at any point prior to retirement via their secure only myASRS account.

The system projects relevant retirement dates (early retirement, normal retirement, Age 65, Next Multiplier) and estimated pension benefits based on un-audited contributions reported by employers. Contributions may not be audited until the member files for retirement, at which time any unusual contributions and ending-payroll contributions are reconciled.

The system makes a series of assumptions that generally estimate a member's retirement benefit very close to their final, audited benefit. But differences can arise for various reasons, including but not limited to:

- 1) Balance of contract payments;
- 2) A pay period with an outsized contribution amount (might have been an adjustment to cover multiple pay periods);
- 3) Missing contributions;
- 4) More than 2 contributions in a month;
- 5) Contributions reported in the wrong pay period;
- 6) Election changes to Optional Forms of Retirement and Partial Lump Sum; or

7) Service Purchase.

In most cases, the closer a member is to their projected retirement date the more accurate the estimate.

The ASRS does not save the calculation data/assumptions on benefit estimates at any point prior to the member filing online for retirement. Attached is an analysis of estimates saved at the time of filing for retirement versus the finalized calculation after the pension audit was complete.

Estimate Amount less than Actual Pension

<u>Variance</u>	<u>Count (Percentage⁴)</u>	<u>Average Monthly Annuity</u>	<u>Average Difference Between Estimate and Actual</u>
Less Than 1%	1,628 (58.7%)	\$1,744	\$7
Between 1% and 2%	567 (20.4%)	\$1,883	\$25
Between 2% and 3%	211 (7.6%)	\$1,798	\$43
Between 3% and 4%	110 (4.0%)	\$1,908	\$63
Between 4% and 5%	61 (2.2%)	\$2,148	\$90
Between 5% and 10%	108 (3.9%)	\$2,271	\$147
Greater Than 10%	<u>89 (3.2%)</u>	<u>\$1,498</u>	<u>\$236</u>
Total/Overall Average:	2,744	\$1,804.69	\$30.42 (1.7%)

Estimate Amount greater than Actual Pension

<u>Variance</u>	<u>Count (Percentage⁴)</u>	<u>Average Monthly Annuity</u>	<u>Average Difference Between Estimate and Actual</u>
Less Than 1%	1,134 (49.5%)	\$1,595	\$6
Between 1% and 2%	454 (19.8%)	\$1,927	\$29
Between 2% and 3%	291 (12.7%)	\$1,980	\$51
Between 3% and 4%	156 (6.8%)	\$2,179	\$78
Between 4% and 5%	69 (3.0%)	\$2,079	\$96
Between 5% and 10%	119 (5.2%)	\$1,484	\$110
Greater Than 10%	<u>66 (2.9%)</u>	<u>\$1,330</u>	<u>\$295</u>
Total/Overall Average:	2,289	\$1,750.67	\$37.44 (2.1%)

Aggregate Differences

<u>Variance</u>	<u>Count (Percentage⁴)</u>	<u>Average Monthly Annuity</u>	<u>Average Difference Between Estimate and Actual</u>
Less Than 1%	2,762 (54.6%)	\$1,683	\$7
Between 1% and 2%	1,021 (20.2%)	\$1,903	\$27
Between 2% and 3%	502 (9.9%)	\$1,903	\$49
Between 3% and 4%	266 (5.3%)	\$2,067	\$72
Between 4% and 5%	130 (2.6%)	\$2,111	\$93
Between 5% and 10%	227 (4.5%)	\$1,858	\$128
Greater Than 10%	<u>155 (3.1%)</u>	<u>\$1,426</u>	<u>\$261</u>
Total/Overall Average:	5,063	\$1,780.27	\$33.60 (1.9%)

Notes:

1. Includes online retirement inceptions from January 1, 2015 through December 31, 2015.
2. Excludes Lump Sum retirees.
3. Excludes six retirement inceptions where the estimate amount was exactly equal to the actual pension.
4. Percentages may not add to 100% due to rounding.

Agenda Item #6

City of Eloy Audit

**A REPORT TO THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS AND AUDIT COMMITTEE**

**ARIZONA STATE RETIREMENT SYSTEM
EMPLOYER AUDITS**

CITY OF ELOY

APRIL 26, 2016

The audit of the City of Eloy was completed on April 26, 2016 for the period July 1, 2014 through June 30, 2015.

The preliminary audit objectives were to determine whether the City of Eloy is in compliance with Arizona State Retirement System (ASRS) statutes governing the following:

- Eligible compensation and required contributions reported to the ASRS.
- Accurate and timely enrollment of all eligible employees.
- Reporting and remitting of the employees' and employer's share of contributions.
- Medical and dental insurance premium benefits payable to retired employees.
- Retirees' return to work.

SUMMARY OF FINDINGS:

Based on the results of the work performed to meet the above audit objectives, the following statements summarize the findings presented to the City of Eloy:

- 1. City of Eloy did not remit ASRS contributions on all eligible compensation for two employees.**
- 2. City of Eloy did not remit the Alternate Contribution Rate (ACR) for one retiree who had returned to work.**
- 3. City of Eloy remitted contributions on ineligible compensation for one employee.**
- 4. City of Eloy did not ensure that all retirees returning to direct employment complied with the requirement that they acknowledge in writing the conditions under which they were returning to work.**
- 5. City of Eloy did not report all demographic information for its members.**

BACKGROUND

The City of Eloy joined the ASRS on July 1, 1968 by executing an Application and Social Security 218 Agreement. City of Eloy currently has approximately 100 employees contributing to the ASRS.

DESCRIPTION OF AUDIT WORK PERFORMED

The audit work completed consisted of an examination of the employer's payroll and personnel records for the time period July 1, 2014 to June 30, 2015. The auditor reviewed pertinent documentation and interviewed City of Eloy personnel from the Human Resources and Payroll departments. The auditor performed substantive tests of the employees' employment and payroll records to provide sufficient assurance that the employer is accurately reporting and remitting ASRS retirement and Long Term Disability (LTD) contributions. The following audit tests were performed:

ARIZONA STATE RETIREMENT SYSTEM
CITY OF ELOY
APRIL 26, 2016

- Review of the employer payroll records and related ASRS reports.
- Review of employees' time and payroll records and, if needed, personnel records to determine compliance with the 20 hour, 20 week eligibility criteria.
- Review of the retired employees' medical and dental insurance premium benefit.
- Review of the hours and weeks worked and other criteria of retired employees who returned to work to determine compliance with A.R.S. § 38-766.01.
- Review of ACR payments made on behalf of all retirees who have returned to work in any capacity in a position ordinarily filled by an employee to determine compliance with A.R.S. § 38-766.02.
- Other detailed testing as required to meet the audit objectives.

AUDITOR COMMENTS:

The City of Eloy personnel were cooperative, informative and helpful in promptly providing fiscal year 2015 time reports, payroll records, and other information necessary to effectively complete the ASRS audit. Audit findings and recommendations were discussed and issues resolved in a timely manner.

**A REPORT TO THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS AND AUDIT COMMITTEE**

**ARIZONA STATE RETIREMENT SYSTEM
EMPLOYER AUDITS**

CITY OF ELOY

FINDINGS AND RECOMMENDATIONS

APRIL 26, 2016

ARIZONA STATE RETIREMENT SYSTEM
CITY OF ELOY
RECOMMENDATIONS

FINDING 1:

The City of Eloy (City) did not remit ASRS contributions on all eligible compensation for two employees.

A.R.S. § 38-711(23) defines an employee eligible to be a member in part as an employee who is “engaged to work at least twenty weeks in each fiscal year and at least twenty hours each week.” This is the basis for what is called the 20/20 eligibility criteria. A.R.S. § 38-736 states that member “contributions are required as a condition of employment and shall be made by payroll deductions. Member contributions shall begin simultaneously with membership in ASRS.”

The City reported contributions for 101 members in fiscal year 2015. The City remitted \$430,882 in contributions on \$3,753,321 of eligible compensation.

Two employees did not have contributions withheld and remitted on all eligible compensation. Contributions were not started when they first became eligible, but were delayed by several months.

Retirement and LTD contributions will be due to the ASRS on the eligible compensation as calculated from time and pay records of the noncontributing or under-contributing employees. The ASRS Financial Services Division will generate invoices for the employees for their portion after payment is made by the City.

The gross unreported earnings, employer and employee contributions and accrued interest due as determined by this audit are as follows:

Total Unreported Eligible Gross Earnings	<u>\$10,719</u>
Member Contributions	1,243
Employer Contributions	1,243
Estimated Interest Due	164
Total Estimated Due ASRS	\$ <u>2,650</u>

Recommendations:

1. The employer should notify each eligible employee when there is a change in eligibility status. ASRS contributions should be withheld from an employee’s earnings when the employee is engaged to work at least 20 weeks in each fiscal year and at least 20 hours per week (20/20 eligibility criteria) or when his or her status changes and he or she is reasonably expected to do so. For those employees who work irregularly from one week to the next, contributions should be withheld no later than the beginning of the twentieth week of working 20 or more hours.
2. The employer should remit the employer retirement contributions, LTD contributions and interest, as calculated and billed.
3. The employer should distribute to the employees the invoices that will be generated for the employees’ retirement and LTD contributions.

ARIZONA STATE RETIREMENT SYSTEM
CITY OF ELOY
RECOMMENDATIONS

Employer Response:

The City of Eloy agrees with the finding that the City of Eloy did not remit ASRS contributions on all eligible compensation for two employees. The City will also notify each eligible employee when there is a change in eligibility status.

FINDING 2:

The City did not remit the Alternate Contribution Rate (ACR) for one retiree who had returned to work.

A.R.S. § 38-766.02 requires that an employer “shall pay contributions at an alternate contribution rate on behalf of a retired member who returns to work in any capacity in a position ordinarily filled by an employee of the employer.” The City had no reported compensation and no paid ACR for any retirees. However, one retiree was found who had earnings in fiscal year 2015 that should have been reported.

The ACR should be paid through the ASRS web site so that the exact accrued interest can be determined with the payment when it is made.

The gross eligible earnings and estimated employer ACR payments as determined by this audit are as follows:

Total Retiree’s Unreported Gross Earnings	\$24,079
Employer ACR Contributions	2,304
Estimated Interest Due	90
Total Estimated Due ASRS	\$2,394

Recommendations:

1. The City should pay the back ACR payments through the online system that will calculate interest owed up to the date of payment.
2. The City should pay all current and future ACR amounts owed in a timely manner.

Employer Response:

The City of Eloy agrees with the finding that the City of Eloy did not remit the Alternate Contribution Rate (ACR) for one retiree who had returned to work. If the City does hire retirees the City will use the return to work rate.

FINDING 3:

The City remitted contributions on ineligible compensation for one employee.

A.R.S. § 38-711(23) defines an employee eligible to be a member in part as an employee who is “engaged to work at least twenty weeks in each fiscal year and at least twenty hours each week.” This is the basis for what is called the 20/20 eligibility criteria. The employee identified in the audit did not meet the 20/20 eligibility criteria and therefore was not eligible to participate in ASRS.

ARIZONA STATE RETIREMENT SYSTEM
CITY OF ELOY
RECOMMENDATIONS

A.R.S. § 38-738(A) provides for a refund of ineligible earnings, “If more than the correct amount of employer or member contributions is paid into ASRS by an employer through a mistake of fact, ASRS shall return those contributions to the employer if the employer requests return of the contributions within one year after the date of overpayments.”

The employer had 101 active members in fiscal year 2015. The City reported \$3,753,321 in eligible wages and remitted \$430,882 in contributions on those wages.

The gross ineligible earnings, employer and employee pension and LTD contributions as determined by this audit are as follows:

Total Ineligible Gross Earnings	<u>\$ 3,740</u>
Ineligible Member Pension Contributions	408
Ineligible Member LTD Contributions	9
Ineligible Employer Pension Contributions	408
Ineligible Employer LTD Contributions	9
Total Estimated to be Credited to Employer	<u>\$ 834</u>

Recommendations:

1. The employer should verify the correct amounts with ASRS contribution accounting when requesting a credit for these ineligible payments.
2. The employer should return the employee’s contributions to the individual employee.
3. The employer should review its records to see if any employees contributed on ineligible compensation in other years not covered by the audit, such as the current year, and verify whether other ineligible amounts are available for credit.

Employer Response:

The City of Eloy agrees with the finding that the City of Eloy remitted contributions on ineligible compensation for one of its members. The City will be contacting ASRS to request a refund and will contact the member for the refund of ASRS. The City will also review records regularly to avoid this issue in the future.

FINDING 4:

The City did not ensure that all retirees returning to direct employment complied with the requirement that they acknowledge in writing the conditions under which they were returning to work.

A.R.S. § 38-766.01 provides the guidelines for retirees who wish to return to 20/20 employment without suspension of benefits. A.R.S. § 38-766.01(C) states “the retired member shall acknowledge this section in writing and file the acknowledgement with the employer within thirty days of returning to work.”

ASRS requires that retirees and employers provide a written acknowledgement to the ASRS. A.R.S. § 38-766.02(E) states, “an employer of a retired member shall submit any reports, data,

ARIZONA STATE RETIREMENT SYSTEM
CITY OF ELOY
RECOMMENDATIONS

paperwork or materials that are requested by ASRS.” The ASRS requires that retirees returning to direct employment in a position ordinarily filled by an employee of the employer complete an online return to work form that states the retiree’s intended weekly hours and number of weeks of expected employment. The employer is required to review this form and accept it provided that the employer agrees with the retiree’s expected hours and weeks of work. This form may not be accessible when the retiree begins employment if the retiree’s retirement has not been finalized, so the retiree may have to monitor his or her account until the form becomes available.

At the beginning of field work, the City had no written documentation for the single retiree who had returned to work. The City ensured that this retired member completed the proper form before the end of field work.

Recommendation:

The City should ensure that all retirees working in direct employment complete the online return to work form, within 30 days of returning to work or within 30 days of having access to the form, whichever is later, to acknowledge in writing the conditions under which they are returning to work.

Employer Response:

The City of Eloy agrees with the finding that the City of Eloy did not ensure that all retirees returning to direct employment complied with the requirement that they acknowledge in writing the conditions under which they were returning to work. The City will ensure that all forms are filled out correctly when a retiree is returning to work with the City within 30 days of returning to work.

FINDING 5:

The City did not report all demographic information for its members.

A.R.S. § 38-715 establishes the requirements to maintain the books and processing records of the ASRS. A.R.S. § 38-737 says that employer contributions will be determined by the ASRS actuary every year. The actuary requires full demographic information in order to make an accurate calculation of the contribution rate.

The City reported contributions for 101 members in fiscal year 2015, most of whom had all required demographic information. At the beginning of the audit the City was informed that it had two employees who were missing one or more of the following items of demographic information: date of birth, marital code, gender or address. The error rate was under 2%. The City supplied the missing information by the end of the business day.

Recommendation:

The City should continue to ensure that all eligible members complete online enrollment prior to submitting contributions so that this information will be collected for all new employees.

ARIZONA STATE RETIREMENT SYSTEM
CITY OF ELOY
RECOMMENDATIONS

Employer Response:

The City of Eloy agrees with the finding that the City of Eloy did not report all demographic information for its members. The City will make sure that all eligible members complete the online enrollment prior to submitting contributions.

McNary Elementary School District Audit

**A REPORT TO THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS AND AUDIT COMMITTEE**

**ARIZONA STATE RETIREMENT SYSTEM
EMPLOYER AUDITS**

McNARY ELEMENTARY SCHOOL DISTRICT

APRIL 5, 2016

The audit of McNary Elementary School District (District) was completed on April 5, 2016 for the period July 1, 2014 through June 30, 2015.

The preliminary audit objectives were to determine whether the District is in compliance with Arizona Revised Statutes (A.R.S.) governing the following:

- Eligible compensation and required contributions reported to the ASRS.
- Accurate and timely enrollment of all eligible employees.
- Reporting and remitting of the employees' and employer's share of contributions.
- Medical and dental insurance premium benefits payable to retired employees.
- Retirees' return to work.

SUMMARY OF FINDINGS:

Based on the results of the work performed to meet the above audit objectives, there were no findings presented to the District.

BACKGROUND

The District joined the ASRS on July 1, 1962 by executing an Application and Social Security 218 Agreement. The District currently has approximately 30 employees contributing to the ASRS.

DESCRIPTION OF AUDIT WORK PERFORMED

The audit work completed consisted of an examination of the employer's payroll and personnel records for the time period July 1, 2014 to June 30, 2015. The auditor reviewed pertinent documentation and interviewed District personnel from the Human Resources and Payroll departments. The auditor performed substantive tests of the employees' employment and payroll records to provide sufficient assurance that the employer is accurately reporting and remitting ASRS retirement and Long Term Disability (LTD) contributions. The following audit tests were performed:

- Review of the employer payroll records and related ASRS reports.
- Review of employees' time and payroll records to determine eligibility.
- Review of the noncontributing employees' personnel and payroll records to determine compliance with the 20 hour, 20 week eligibility criteria.
- Review of the retired employees' medical and dental insurance premium benefit.
- Determine compliance with A.R.S. § 38-766.01 by reviewing the hours and weeks worked and other criteria of retired employees who returned to work.
- Determine compliance with A.R.S. § 38-766.02 requirement to pay an ACR on all retirees who have returned to work in any capacity in a position ordinarily filled by an employee.
- Other detailed testing as required to meet the audit objectives.

AUDITOR COMMENTS:

The District personnel were cooperative, informative and helpful in providing FY 2015 time reports, payroll records, and other information necessary to effectively complete the ASRS audit.

Superior USD Audit

**A REPORT TO THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS AND AUDIT COMMITTEE**

**ARIZONA STATE RETIREMENT SYSTEM
EMPLOYER AUDITS**

SUPERIOR UNIFIED SCHOOL DISTRICT

MARCH 29, 2016

The audit of Superior Unified School District was completed on March 29, 2016 for the period July 1, 2014 through June 30, 2015.

The preliminary audit objectives were to determine whether the Superior Unified School District is in compliance with Arizona State Retirement System (ASRS) statutes governing the following:

- Eligible compensation and required contributions reported to the ASRS.
- Accurate and timely enrollment of all eligible employees.
- Reporting and remitting of the employees' and employer's share of contributions.
- Medical and dental insurance premium benefits payable for retired employees.
- Retirees' return to work.

SUMMARY OF FINDINGS:

Based on the results of the work performed to meet the above audit objectives, the following statements summarize the findings presented to Superior Unified School District:

- 1. Superior Unified School District did not:**
 - **Remit ASRS contributions for two employees who were engaged to work at least 20 hours per week for at least 20 weeks in one or more fiscal years.**
 - **Remit ASRS contributions on all eligible compensation for two employees.**
- 2. Superior Unified School District did not remit all of the Alternate Contribution Rate (ACR) for all its retirees who have returned to work.**
- 3. Superior Unified School District continued to remit contributions for one member who was no longer eligible.**
- 4. Superior Unified School District did not ensure that all its members working after retirement complied with the requirement that they acknowledge in writing the conditions under which they were returning to work.**
- 5. Superior Unified School District did not comply with all statutes regarding ASRS health insurance supplements.**
- 6. Superior Unified School District did not report all demographic information for its members.**

BACKGROUND

Superior Unified School District joined the ASRS on July 1, 1966 by executing an Application and Social Security 218 Agreement. Superior Unified School District currently has approximately 50 employees contributing to the ASRS.

DESCRIPTION OF AUDIT WORK PERFORMED

The audit work completed consisted of an examination of the employer's payroll and personnel records for the time period July 1, 2014 through June 30, 2015. The auditor reviewed pertinent documentation and interviewed Superior Unified School District personnel from the Human Resources and Payroll departments. The auditor performed substantive tests of the employees' employment and payroll records to provide sufficient assurance that the employer is accurately reporting and remitting ASRS retirement and Long Term Disability (LTD) contributions. The following audit tests were performed:

- Review of the employer payroll records and related ASRS reports.
- Review of employees' time records and payroll records to determine eligibility.
- Review of the noncontributing employees' personnel and payroll records to determine compliance with the 20 hour, 20 week eligibility criteria.
- Review of the retired employees' medical and dental insurance premium benefit.
- Review of the hours and weeks worked and other criteria of retired employees who returned to work to determine compliance with A.R.S. § 38-766.01.
- Review of ACR payments made on behalf of all retirees who have returned to work in any capacity in a position ordinarily filled by an employee to determine compliance with A.R.S. § 38-766.02.
- Other detailed testing as required to meet the audit objectives.

AUDITOR COMMENTS:

Superior Unified School District personnel were cooperative, informative and helpful in providing FY 2015 time reports, payroll records, and other information necessary to effectively complete the ASRS audit. Audit findings and recommendations were discussed and issues resolved in a timely manner.

**A REPORT TO THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS AND AUDIT COMMITTEE**

**ARIZONA STATE RETIREMENT SYSTEM
EMPLOYER AUDITS**

SUPERIOR UNIFIED SCHOOL DISTRICT

FINDINGS AND RECOMMENDATIONS

MARCH 29, 2016

ARIZONA STATE RETIREMENT SYSTEM
SUPERIOR UNIFIED SCHOOL DISTRICT
RECOMMENDATIONS

FINDING 1:

Superior Unified School District did not:

- **Remit ASRS contributions for two employees who were engaged to work at least 20 hours per week for at least 20 weeks in one or more fiscal years.**
- **Remit ASRS contributions on all eligible compensation for two employees.**

A.R.S. § 38-711(23) defines an employee eligible to be a member in part as an employee who is “engaged to work at least twenty weeks in each fiscal year and at least twenty hours each week.” This is the basis for what is called the 20/20 eligibility criteria. A.R.S. § 38-736 states that member “contributions are required as a condition of employment and shall be made by payroll deductions. Member contributions shall begin simultaneously with membership in ASRS.”

The District had 60 contributing members in the fiscal year 2015. The District reported \$1,712,691 in eligible wages and paid \$196,617 in contributions on those wages. One member was engaged to work 20/20 without being enrolled in the ASRS. Another employee was hired as a substitute, but reached 20/20 without being enrolled when eligibility was reached. Two other member employees of the District contributed on some eligible compensation, but did not start contributions when the employees were first engaged to work 20/20.

Retirement and LTD contributions will be due to the ASRS on the eligible compensation as calculated from time and pay records of the noncontributing or under-contributing employees. The ASRS Financial Services Department will generate invoices for the members for their portion after payment is made by the District.

The gross unreported earnings, employer and employee contributions and accrued interest due as determined by this audit are as follows:

Total Unreported Eligible Gross Earnings	\$33,354
Member Contributions	3,869
Employer Contributions	3,869
Estimated Interest Due	463
Total Estimated Due ASRS	<u>\$ 8,201</u>

Recommendations:

1. The employer should notify each eligible employee(s) when there is a change in eligibility status. ASRS contributions should be withheld from an employee’s earnings when the employee is engaged to work at least 20 weeks in each fiscal year and at least 20 hours per week (20/20 eligibility criteria) or when his or her status changes and he or she is reasonably expected to do so. For those employees who work irregularly from one week to the next, contributions should be withheld no later than the beginning of the twentieth week of working 20 or more hours.
2. The employer should not change employees from eligible to ineligible until the end of the fiscal year. An eligible employee generally does not become ineligible during a fiscal year.

ARIZONA STATE RETIREMENT SYSTEM
SUPERIOR UNIFIED SCHOOL DISTRICT
RECOMMENDATIONS

3. The employer should remit the employer retirement contributions, LTD contributions and interest, as calculated and billed.
4. The employer should distribute to the employees the invoices that will be generated for the employees' retirement and LTD contributions.

Employer Response:

District staff understand the 20/20 rule and will comply. The District will remit the employer part of the retirement contributions, LTD contributions and interest, as calculated and billed. The employer will not change an employee from eligible to ineligible until the end of the fiscal year. District will comply with the distribution of employee invoices.

FINDING 2:

Superior Unified School District did not remit all of the Alternate Contribution Rate (ACR) for all its retirees who have returned to work.

A.R.S. § 38-766.02 requires that an employer "shall pay contributions at an alternate contribution rate on behalf of a retired member who returns to work in any capacity in a position ordinarily filled by an employee of the employer." The District reported compensation and paid ACR for 11 retirees. However, one of the retirees had one pay period in fiscal year 2015 omitted. Three other eligible retirees were not reported.

The employer should have paid \$34,325 for 14 retirees, but paid \$33,759 for 11 retirees, for a payment compliance rate of 98%.

The ACR owed should be paid through the ASRS web site so that the exact accrued interest can be determined with the payment when it is made.

The gross eligible earnings and estimated employer ACR payments as determined by this audit are as follows:

Total Retirees' Unreported Gross Earnings	<u>\$5,915</u>
Employer ACR Contributions	566
Estimated Interest Due	45
Total Estimated Due ASRS	<u>\$ 611</u>

Recommendations:

1. The District should pay the back ACR payments through the online system which will calculate interest owed up to the date of payment.
2. The District should pay all current and future ACR amounts owed in a timely manner.

ARIZONA STATE RETIREMENT SYSTEM
SUPERIOR UNIFIED SCHOOL DISTRICT
RECOMMENDATIONS

Employer Response:

District staff is now aware that ACR needs to be paid for ALL retired members that come back to work in any capacity for the district. The District will pay back the ACR payments through the online system which will calculate interest owed up to the date of payment.

FINDING 3:

Superior Unified School District continued to remit contributions for one member who was no longer eligible.

A.R.S. § 38-738(A) provides for a refund of ineligible earnings. “If more than the correct amount of employer or member contributions is paid into ASRS by an employer through a mistake of fact, ASRS shall return those contributions to the employer if the employer requests return of the contributions within one year after the date of overpayments.”

The employer had 60 active members in fiscal year 2015. The District reported \$1,712,691 in eligible wages and paid \$196,617 in contributions on those wages. This member had changed from an eligible position in prior years to working as a part-time substitute in the year under audit, and was no longer eligible to participate.

According to an employer representative, the member had requested that contributions continue to be made. However, eligibility for ASRS membership is determined by statute. A.R.S. § 38-711(23) defines an employee eligible to be a member in part as an employee who is “engaged to work at least twenty weeks in each fiscal year and at least twenty hours each week.” No one can choose to participate if not meeting membership, even if the member was eligible in one or more prior years. This member incorrectly received four additional months of service credit after no longer being eligible.

The gross ineligible earnings, employer and employee pension and LTD contributions as determined by this audit are as follows:

Total Ineligible Gross Earnings	<u>\$375</u>
Ineligible Member Pension Contributions	43
Ineligible Member LTD Contributions	1
Ineligible Employer Pension Contributions	43
Ineligible Employer LTD Contributions	1
Total Estimated to be Credited to Employer	<u>\$ 88</u>

Recommendations:

1. The employer should request a credit for these ineligible payments.
2. The employer should return the employee’s contributions to the employee.
3. The employer should review its records to see if any other employees contributed on ineligible compensation in other years not covered by the audit, such as the current year, and request a credit for those ineligible amounts.

ARIZONA STATE RETIREMENT SYSTEM
SUPERIOR UNIFIED SCHOOL DISTRICT
RECOMMENDATIONS

Employer Response:

The District is aware that even though the member had not yet retired, contributions should not have been deducted from the member due to a new fiscal year and not being employed full time so she did not meet the 20/20 rule. The District will request a credit for the ineligible amount.

FINDING 4:

Superior Unified School District did not ensure that all its members working after retirement complied with the requirement that they acknowledge in writing the conditions under which they were returning to work.

A.R.S. § 38-766.01 provides the guidelines for retirees who wish to return to work without suspension of benefits. The A.R.S. § 38-766.01(C) states “the retired member shall acknowledge this section in writing and file the acknowledgement with the employer within thirty days of returning to work.”

The ASRS requires employers provide a copy of this acknowledgement to the ASRS. A.R.S. § 38-766.02(E) states, “an employer of a retired member shall submit any reports, data, paperwork or materials that are requested by ASRS.”

At the beginning of field work, the District had written documentation for some, but not all, of its retirees who had returned to work. Ten retirees were working after retirement in direct employment. Eight of these did not have proper written documentation at the beginning of field work, and the District did not have any of these retired members complete proper forms before the end of field work.

Recommendation:

The District should ensure all retirees working in direct employment acknowledge in writing the conditions under which they are returning to work within 30 days of reemployment, or within 30 days of gaining access to the retiree form, whichever is later.

Employer Response:

The District has added a new question to the District Information Sheet that is completed prior to the employee beginning work. The question asks if the employee is retired from ASRS. If the employee states they are retired from ASRS they are asked to complete the return to work form on the ASRS website.

FINDING 5:

Superior Unified School District did not comply with all statutes regarding ASRS health insurance supplements.

A.R.S. § 38-783, states, in part, “the board shall pay from ASRS assets part of the coverage of any health and accident insurance for each retired contingent annuitant or disabled member of ASRS if the member elects to participate in a health and accident insurance program provided or administered by an employer or paid for, in whole in part, by an employer to an insurer.”

ARIZONA STATE RETIREMENT SYSTEM
SUPERIOR UNIFIED SCHOOL DISTRICT
RECOMMENDATIONS

The employer had 10 retirees working during the period under audit, none of whom were participating in the employer's health insurance. During our testing we noted that one retiree who is no longer working at this employer was receiving health insurance supplements. The retiree was not participating in the employer's health insurance coverage, and had not been covered for about four and a half years. The estimated amount to be returned to ASRS for these excess payments is \$14,210.

Recommendations:

1. The District should report to the ASRS when retirees start and stop participating in employer provided health insurance so that eligible health insurance supplements can be properly paid.
2. The District should return the overpaid amounts.

Employer Response:

The District has worked with an ASRS representative and concurs with the findings. We have completed the Delete form to delete the member from the health insurance supplements.

FINDING 6:

Superior Unified School District did not report all demographic information for its members.

A.R.S. § 38-715 establishes the requirements to maintain the books and processing records of the ASRS. A.R.S. § 38-737 says that employer contributions will be determined by the ASRS actuary every year. The actuary requires full demographic information in order to make an accurate calculation of the contribution rate.

The District reported contributions for 60 members in fiscal year 2015, most of whom had all required demographic information. At the beginning of the audit the District was informed that it had nine employees who were missing one or more of the following items of demographic information: date of birth, marital code, gender or address. The error rate was around 15%. The District supplied the missing information within one business day of the request for updated information.

Recommendations:

The District should continue to ensure that all newly hired eligible members complete online enrollment prior to submitting contributions so that this information will be collected for all new employees.

Employer Response:

This item has been corrected for those that were missing information during the time period listed. The District will continue to require each eligible employee to complete the ASRS enrollment form online.

ASRS New Retiree & Survivor Benefits Audit

**A REPORT TO THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS AND AUDIT COMMITTEE**

**ARIZONA STATE RETIREMENT SYSTEM
INTERNAL AUDIT**

NEW RETIREE and SURVIVOR BENEFITS

(SCOPE: FYTD 2016)

APRIL 8, 2016

ARIZONA STATE RETIREMENT SYSTEM
NEW RETIREE and SURVIVOR BENEFITS AUDIT
APRIL 8, 2016

We completed our audit of the New Retiree and Survivor Benefits processes in the Member Services (MSD) and Financial Services Divisions (FSD) on April 8, 2016.

The audit objectives were:

1. Compliance with policies, procedures, and laws.
2. The accuracy of benefit calculations.
3. The safeguarding of assets.

The scope of our audit encompassed the examination and evaluation of the internal control structure and the quality of performance in carrying out assigned responsibilities for the audited area. The tests were designed to obtain sufficient, competent, and relevant evidence in order to provide a reasonable basis for our conclusions.

The Arizona State Retirement System administration is responsible for establishing and maintaining the internal control structure. Because of the inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

Based on the results of work performed to meet the audit objectives, the following statements summarize the results of our testing and the internal recommendations presented to the Arizona State Retirement System administration with the Internal Recommendations Supplement.

Both the New Retiree and Survivor Benefits processes have adequate controls and monitoring over accuracy of the benefit calculations. No errors were found that were in excess of the Strategic Plan margin of error of plus or minus 2% for either process.

BACKGROUND

The ASRS has the fiduciary responsibility of providing a source of monthly income to its retired members and their survivors. In this capacity the ASRS is tasked with ensuring its member retirees receive timely and accurate payment of their retirement benefits, and that survivors' benefits are paid timely and appropriately. As a result of controls in place, and confirmed by annual IAD testing, the accuracy of these calculations has been shown to be very good over time.

DESCRIPTION OF AUDIT WORK PERFORMED

The audit work performed during this engagement was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. IA reviewed the internal control structure, interviewed personnel, obtained and reviewed documentation, and performed analytic reviews when appropriate. IA performed tests of the existing systems to provide sufficient evidence that controls were in place and being monitored, or were needed.

Some of the tests performed were:

- A review of existing policies and procedures, including desk procedures.
- A review of the reported counts of new retirees and survivor beneficiaries processed for FYTD 2016 .
- Random sample testing of the new retiree and survivor benefits populations for FY 2014 to determine accuracy of calculations.

**A REPORT TO THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS AND AUDIT COMMITTEE**

**ARIZONA STATE RETIREMENT SYSTEM
INTERNAL AUDIT**

NEW RETIREE and SURVIVOR BENEFITS

(SCOPE: FYTD 2016)

INTERNAL RECOMMENDATION SUPPLEMENT

APRIL 8, 2016

INTERNAL FINDINGS AND RECOMMENDATIONS:

Both the New Retiree and Survivor Benefits processes have adequate controls and monitoring over accuracy of the benefit calculations. No errors were found that were in excess of the Strategic Plan margin of error of plus or minus 2% for either process.

Sample testing was conducted on both the new retiree population for FYTD 2016 and the survivor benefit population for the same period. Calculations were independently arrived at and compared to the pension and survivor benefit amounts paid. There were no errors in the calculations greater than the accepted threshold indicated in the agency's current Strategic Plan.

RECOMMENDATION:

None.

ADMINISTRATIVE RESPONSE:

None necessary.

**2015 Agency
Compliance Follow-
Up**

**A REPORT TO THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS AND AUDIT COMMITTEE**

**ARIZONA STATE RETIREMENT SYSTEM
REVIEW OF RECENTLY CONDUCTED AUDITS**

2015 AGENCY COMPLIANCE FOLLOW UP

May, 2016

ARIZONA STATE RETIREMENT SYSTEM
AGENCY COMPLIANCE FOLLOW UP
MAY 2016

The Internal Audit Division (IAD) has completed follow-up reviews on all responses to audits completed in Fiscal Year (FY) 2015 or prior years.

The audit work performed during this engagement was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

The audits included within the scope of this report are:

- A. Long Term Disability (LTD) – Reported to the OAC August 2014;
- B. Investment Management Trading System – Reported to the OAC August 2014;
- C. Spreadsheet Review – Reported to the OAC October 2014;
- D. QDROs – Reported to the OAC September 2015.

The objective for this follow-up report is to ensure all findings made during the audits and agreed to by management have been addressed and corrected by the promised due dates.

The audit findings and the follow-up findings for each report include:

A. LTD

1. The automated salary estimation method used in POL to determine LTD salary is not consistently reliable for accurate salary determinations when variable contribution streams are involved.
2. An LTD over-payment (OP) collection control was circumvented when the member was able to refund in June 2013, without the OP being deducted in full from the refund amount. Also, the Turn-Around-Time is slow for resolving potential Return to Work over-payment offsets provided to Sedgwick by ASRS staff.
3. Until the agency completes development of the system to identify hours worked, the ASRS should determine membership eligibility prior to approving new LTD claims.
4. A variety of data integrity, reporting errors, and information technology issues related to LTD need to be addressed by management.
5. The existing SOPs for LTD are outdated and incomplete. The Strategic Plan and Risk Assessment are missing areas that should be included or clarified.
 1. **Resolved-** Management has reviewed its processes in cases where the standard LTD benefit calculation has a high degree of variance from the prior year.
 2. **Resolved-** Management has developed a right of reimbursement form that will be signed by all LTD applicants.
 3. **Resolved-** Management believes the controls are currently adequate
 4. **Resolved-** Management has developed improvements for its active reconciliation report that addresses these issues.
 5. **Resolved-** Management has strengthened its written procedures regarding LTD benefit calculations.

B. INVESTMENT MANAGEMENT TRADING SYSTEM

1. Bloomberg's AIM Order Management System has reduced errors, expedited trade processing and compliance review, and portfolio holdings are electronically linked to market data as well as the custodial bank. However, there are potential segregation of duties (SOD) conflicts with regard to AIM system administration and equity trades being approved by equity staff rather than fixed income staff.
 1. **Resolved** – The duties of approval of trades are now being done by non-equity staff.

C. SPREADSHEET REVIEW

1. A variety of organizational and miscellaneous issues that did not impact calculation results were identified during the review. These issues were determined to potentially impact the key spreadsheets in minor ways. Correction of them would improve spreadsheet updates and performance.
2. The spreadsheets that access the PERIS database use connection strings that display user IDs and passwords in clear text that any user can view in the properties definition. Also, the passwords are seldom changed.
 1. **Resolved** – Spreadsheets are locked down so that formulas cannot be overwritten. Reviewers have been trained on how to verify that the spreadsheet answers are correct. A Committee has been formed which meets weekly to go over all spreadsheets currently being used by the agency.
 2. **Resolved** - A macro has been created that prevents viewing the connection strings.

D. QDROS

1. The SOPs covering all areas involving QDROs are incomplete and in need of updating.
 1. **Partially resolved** – Benefits Accounting decided to incorporate a QDRO section into each of our SOPs instead of making a separate SOP for QDROs. To date the QDRO section has been added to our two major area SOPs, New Retirees and Survivor Benefits, both can be found on IQ. We are in the process of creating a QDRO Confirmation SOP, which outlines our QDRO Confirmation process and touches on each service area. We are also in the process of updating our Audit and Adjustment SOP with a QDRO section. We anticipate both being completed by the end of the calendar year, as we are just getting into our busy season.