ARIZONA STATE
RETIREMENT SYSTEM
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OALC

Operations, Audit, & Legislative Committee

July 12, 2023

An agency of the State of Arizona

ARIZONA STATE RETIREMENT SYSTEM

MAILING ADDRESS: PO Box 33910, Phoenix, AZ 85067-3910 | DIRECTOR: Paul Matson
STREET ADDRESS: 3300 North Central Avenue, Phoenix, AZ 85012
PHONE: 602.240.2000 | TOLL FREE: 1.800.621.3778 | ONLINE: AzASRS.gov

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

July 12, 2023
9:30 a.m.

Pursuant to A.R.S. § 38-431.02(F), notice is hereby given to the Trustees of the Arizona State Retirement System (ASRS) Operations, Audit & Legislative Committee (OALC) and the general public that the ASRS OALC will hold a meeting open to the public on Wednesday, July 12, 2023, beginning at 9:30 a.m., in the First Floor Board Room of the ASRS offices at 3300 N. Central Avenue, Phoenix, Arizona 85012. Physical access to the meeting place will be fifteen minutes before the start of the meeting.

This is a regularly scheduled meeting of the OALC; 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 OALC governance procedures. Actions requiring Board authority will be presented to the full Board for final decision.

Pursuant to A.R.S. § 38-431.03(A)(3), the ASRS OALC 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.

The Chair may take public comment during any agenda item.

The following agenda topics are proposed action items: 2, 3, and 9

The Agenda for the meeting is as follows:

1. Call to Order; Roll Call; Opening Remarks (Estimated time: 2 minutes)…. Ms. Sarah Webber
OALC Chair

2. Approval of the Minutes of the April 12, 2023, Public Meeting and Executive Session of the OALC *(Action item; estimated time: 1 minute)* ..... Ms. Sarah Webber

Proposed Action Item: The Committee may decide whether to approve the minutes as written, amend and approve the minutes, or not approve the minutes at this time.

3. Presentation, Discussion, and Appropriate Action Regarding ASRS Budget-Related Topics Including: *(Action item; estimated time: 20 minutes)*

   a. The ASRS Appropriated and Continuously Appropriated Spending Plans for Fiscal Year (FY) 2024.
   b. The ASRS Appropriated and Continuously Appropriated Budget Request and Spending Plans for FY 2025.

   .....Mr. Anthony Guarino
   Deputy Director and Chief Operations Officer
   .....Ms. Martha Rozen
   Chief of Administrative Services
   ..... Ms. Athena Elliston
   Procurement and Budget Manager
   .....Mr. Jeremy Gunderson
   Budget Manager
   ..... Ms. Lupita Breland
   Investment Operations Manager

Proposed Action Item: The Committee may consider staff's recommendation; provide an alternate motion; or make no motion.

4. Presentation, Discussion, and Appropriate Action Regarding the 2023 Annual Retiree Survey *(Informational and discussion item; estimated time: 10 minutes)*

   ……..Mr. Anthony Guarino
   ……..Ms. Katie Daigneault
   Strategic Planning and Communications Manager
   ……Ms. Zofia Deibler
   Senior Strategic Planner

5. Presentation, Discussion, and Appropriate Action Regarding the 2023 Legislative Summary *(Informational and discussion item; estimated time: 10 minutes)*……..Mr. Anthony Guarino
   ……..Ms. Jessica Thomas
   Government Relations Officer/Rule Writer

6. Call to the Public ..... Ms. Sarah Webber

   If any member of the public wishes to speak, they should complete a Request to Speak Form and provide it to the Committee Administrator, if attending in person. If not attending in person, public comments must be submitted any time prior to the meeting to ASRSPublicMeetings@azasrs.gov. Commenters should submit by email their full name, affiliation (if none, indicate "member of the public"), address, phone number, email address, the specific agenda item they wish to comment on, and their comments. A summary of emailed comments will be read and kept to under three minutes. The Chair reserves the right to impose other constraints in the interest of maintaining an orderly meeting. Trustees are prohibited by A.R.S. § 38-431.01(H) 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 Trustees may respond to criticism made by

those who have addressed the Committee, may direct staff to review a matter, or may ask that a matter be put on a future agenda.

Regarding the following agenda item, pursuant to A.R.S. § 38-431.03(A)(9), notice is hereby given to Trustees of the ASRS OALC and the general public that the ASRS OALC may vote to go into executive session, which will not be open to the public, for the purpose of discussions or consultations with designated representatives of the public body in order to discuss security plans, procedures, assessments, measures or systems relating to, or having an impact on, the security or safety of buildings, facilities, operations, critical infrastructure information, and information technology maintained by the public body. Records, documentation, notes, or other materials made by, or provided to, the representatives pursuant to this paragraph are confidential and exempt from public disclosure under this chapter and title 39, chapter 1.

7. Presentation, Discussion, and Appropriate Action Regarding the ASRS Information Security Program *(Informational and discussion item; estimated time: 45 minutes)* ..... ……..Mr. Anthony Guarino
   .....Mr. Jeff Hickman
   Information Security Officer
   .....Mr. Aaron Sandeen
   CEO & Founder, Securin
   .....Ms. Melissa Wooten
   Director of Global Penetration Testing, Securin

8. Presentation, Discussion, and Appropriate Action Regarding Internal Audit-Related Topics, including:

   a. Internal Audit Quarterly Report (4Q2023)
   b. Recently Conducted Assessments and Audits
      i. Customer Service Level Agreements for the Call Center Assessment
      ii. Customer Service Skills & Training Processes: Call Center Internal Audit

   (Informational and discussion item; estimated time: 45 minutes)……Mr. Harold Mackey
   Chief Internal Auditor

9. Presentation, Discussion, and Appropriate Action Regarding the ASRS Audit Plan for the Two Fiscal Years (FY) of 2024-2025 *(Action item; estimated time: 20 minutes)* Mr. Harold Mackey

Proposed Action Item: The Committee may consider staff's recommendation; provide an alternate motion; or make no motion.

10. Requests for Future Agenda Items..... Ms. Sarah Webber
    ….....Mr. Anthony Guarino

11. The next regular public OALC meeting is scheduled for Wednesday, October 25, 2023, at 9:30 a.m.

12. Adjournment of the OALC.

A copy of this Agenda's background materials (with the exception of material relating to possible executive sessions) is also available for public inspection at the ASRS offices located at 3300 North Central Avenue, 14th Floor, Phoenix, Arizona. The Agenda is subject to revision up to 24 hours prior to the meeting. These materials are also available on the ASRS website (https://www.azasrs.gov/content/board-and-committee-meetings) approximately 48 hours prior to the meeting.

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

Dated July 5, 2023

ARIZONA STATE RETIREMENT SYSTEM

Signature on File	Signature on File
Bridget French	Anthony Guarino
Committee Administrator	Deputy Director and Chief Operations Officer

Agenda Item #2

ARIZONA STATE RETIREMENT SYSTEM

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

Wednesday, April 12, 2023
9:30 a.m., Arizona Time

A quorum of the Operations, Audit, & Legislative Committee (OALC) of the Arizona State Retirement System (ASRS) met in person for a public meeting and executive session 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 9:31 a.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, stated the meeting guidelines.

2. Approval of the Minutes of the January 11, 2023, Public Meeting and Executive Session of the OALC

Motion: Mr. Michael Miller moved to approve the Minutes of the January 11, 2023, meeting of the OALC. 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

3. Presentation, Discussion, and Appropriate Action Regarding the 2022 Employer Survey and the 2023 Active Member Survey

Ms. Katie Daigneault, Strategic Planning and Communications Manager, presented information and materials regarding the employer survey. Employers agree that the ASRS contributes to the

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overall compensation package, helps to attract and retain quality talent, and is affordable and manageable. Employers are highly satisfied with the ASRS services.

Ms. Daigneault continued her presentation with information and materials regarding the active member survey. Active members agree that the contribution rates are affordable and manageable for the future benefits that they receive. Members agree that membership in the ASRS influenced their decision to remain with their employer. They are highly satisfied with the ASRS, including customer service, ethical management, and relevant, understandable communications. Ms. Daigneault and Ms. Webber discussed the tools to examine urban vs. rural member satisfaction.

Mr. Jeremiah Scott, Assistant Director of Member Services Division, explained that employer and early member education is essential to satisfaction rates. The ASRS currently provides employer education and is in discussions to begin member conferences on behalf of employers. Mr. Miller, Mr. Mueller, and Ms. Webber discussed ideas for new member education and the benefits of the ASRS.

Discussion Participants: Ms. Katie Daigneault, Ms. Sarah Webber, Mr. Jeremiah Scott, Mr. Michael Miller, Mr. Jim Mueller

4. **Presentation, Discussion, and Appropriate Action Regarding Rulemaking Relating to Termination Incentive Programs**

Ms. Jessica Thomas, Government Relations Officer/Rule Writer, presented information and materials regarding the proposed modifications to the rule about termination incentive programs, including the clarification of baseline salary and the procedure for comparing baseline salary to average monthly compensation.

Mr. Scott, Mr. Miller, and Mr. Mueller discussed the termination incentive programs and severance packages.

Ms. Webber, Mr. Matson, Mr. Miller, Mr. Scott, and Ms. Thomas discussed the procedure and clarification of rule modifications and their relation to member Appeals. Ms. Webber and Ms. Thomas discussed the rule modification procedures and future steps.

Discussion Participants: Ms. Jessica Thomas, Mr. Michael Miller, Mr. Jeremiah Scott, Mr. Jim Mueller, Ms. Sarah Webber, Mr. Paul Matson

Motion: Mr. Michael Miller moved to proceed with regular rulemaking to amend rules relating to Termination Incentive Programs 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

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

Motion: Mr. Jim Mueller moved to go into executive session pursuant to A.R.S. § 38-431.03(A)(9) for the purpose of discussion or consideration of security information and records exempt by law from public inspection. 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

EXECUTIVE SESSION CONVENED: 10:11 a.m.
EXECUTIVE SESSION CONCLUDED: 10:43 a.m.
PUBLIC SESSION RECONVENED: 10:45 a.m.

6. **Presentation, Discussion, and Appropriate Action Regarding the Quarterly Audit Report FY 3Q2023**

Mr. Harold Mackey, Chief Internal Auditor, presented information and materials regarding current and future audits and assessments. Other related audit division activities discussed include strategic planning, internal operations communications plan, review of risk management, planning of the Association of Public Pension Fund Auditors conference, call center review, and foreign annuitants confirmation.

7. **Presentation, Discussion, and Appropriate Action Regarding the 2022 Annual Report of the Non-Medicare Medical and Prescription Drug Program**

Mr. Russ Levine, Health and Disability Plan Administrator, presented information and materials regarding the non-Medicare medical and prescription drug plan. This was the first year of self-insuring this plan. The financial results were as expected, and the ASRS was able to build assets while keeping monthly premiums and plan benefits unchanged. The ASRS has had three consecutive years of flat premiums with unchanged benefits. Mr. Levine presented information on the plan options and details, available benefits, membership engagement, and administration costs.

Mr. Levine and Ms. Webber discussed the return to preventative care in 2022 rather than Covid care.

Discussion Participants: Mr. Russ Levine, Ms. Sarah Webber

8. **Call to the Public**

No members of the public requested to speak.

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9. Requests for Future Agenda Items

No requests for future agenda items were made.

10. The next regular public OALC meeting is scheduled for Wednesday, July 12, 2023, at 9:30 a.m.

Ms. Webber noted the next OALC meeting is scheduled for Wednesday, July 12, 2023, at 9:30 a.m.

11. Adjournment of the OALC

Ms. Webber adjourned the meeting at 11:08 a.m.

Respectfully Submitted,

Bridget French
Committee Administrator
ARIZONA STATE RETIREMENT SYSTEM

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Confidential Materials

Note: Executive Session Minutes have been provided to the Committee

Confidential Materials

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Agenda Item #3

ARIZONA STATE RETIREMENT SYSTEM

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MEMORANDUM

TO: Ms. Sarah Webber, Chairwoman, Arizona State Retirement System (ASRS) Operations, Audit and Legislative Committee (OALC)

FROM: Mr. Paul Matson, Director
Mr. Anthony Guarino, Deputy Director and Chief Operations Officer
Ms. Martha N. Rozen, Chief of Administrative Services
Ms. Athena Elliston, Procurement and Budget Program Manager
Ms. Lupita Breland, Investment Operations Manager
Mr. Jeremy Gunderson, Budget Manager

DATE: June 28, 2023

RE: **Agenda Item No. 3:** Presentation, Discussion, and Appropriate Action Regarding ASRS Budget-Related Topics Including:

a. The ASRS Appropriated and Continuously Appropriated Spending Plans for Fiscal Year (FY) 2024.
b. The ASRS Appropriated and Continuously Appropriated Budget Request and Spending Plans for FY 2025.

Purpose

To review the ASRS appropriated and continuously appropriated budgets and the ASRS administrative and investment spending plans for FY 2024 and FY 2025.

Recommendation

Action item: In order to ensure compliance with open meeting law, staff will provide its recommendation for Committee consideration during the presentation.

ASRS Budget Process

The ASRS vision includes being a leader in the area of operational effectiveness, and our values describe the culture we believe is necessary to achieve that vision. Through a formalized budget process and in partnership with the executive and legislative branches, the ASRS has historically been able to develop and implement fiscally responsible spending plans that are flexible and support key agency strategic objectives and priorities. The ASRS has also used these spending plans to reflect a commitment to achieving efficiencies through maximizing resources and constraining costs.

As the ASRS prepares to implement a new strategic plan, the agency will continue to strive to meet the priorities and goals of the outlined ASRS Strategic Plan, which establishes priorities, goals, and key performance indicators (KPIs) in support of overall purpose and mission. In accordance with Strategic Priority #4 – Optimize Operational Effectiveness, the ASRS continues to look for targeted reductions to achieve budget and staffing goals.

The ASRS is focused on the strategic objective to develop and implement fiscally responsible budgets and spending plans that are flexible and able to meet agency priorities. At this time, the spending plans presented today, requiring no new appropriated spending increases, are in alignment with these objectives and priorities.

FY 2024 Spending Plans

FY 2024 Administrative Spending Plan
In FY 2024, the ASRS will complete the Information Protection and Security (IPS) project and continue work on the Payroll Calculation Re-engineering project. Both projects were presented to and approved by the Information Technology Advisory Council (ITAC) and the OALC. Additionally, the ASRS will work on several other technology development projects, including: forfeiture (refund) process, Member Services communication functionality, updates to automate and streamline manual accounts receivable processes, and security enhancements in the ASRS applications.

The FY 2024 appropriations include increases in support of our request for Cloud Migration costs and data security-related applications as well as additional funds for external resources for our Technology Services Division. (Statewide adjustments information is not available and will be included at a later date.) The FY 2024 administrative spending plan also includes decreases in spending totaling approximately $529,300. This is due to space consolidation as a result of the move toward more staff working from home and the implementation of the hoteling concept in our ASRS space. As of June 30, 2023, we will have vacated the tenth floor at 3300 North Central Avenue, and by July 31, 2023, we will have vacated the thirteenth floor. We have redesigned the twelfth floor to include “hoteling” opportunities for those ASRS team members who are working in the office on any given day. Future plans to consolidate space will look at the fourteenth floor and consider further consolidation.

See Attachment A for a summary and associated detail of the ASRS Administrative Spending Plan for FY 2024.

FY 2024 Investment Spending Plan
In accordance with Strategic Priority #2 – Achieve Investment Goals, the FY 2024 investment management spending plan includes expenditures that will best position the ASRS to continue to design, implement and maintain an investment program that achieves overarching goals and objectives to:

- Maximize rates of return within acceptable levels of risk and considering the actuarially assumed interest rate,
- Achieve performance that is greater than established benchmarks and in the top quartile of public fund peers, and

- Protect the financial strength of ASRS assets while ensuring sufficient monies are available to meet cash flow requirements.

The investment spending plan provides an estimate of the management and performance, transactional, and other incidental fees payable for externally managed assets, including the addition of a new enterprise-wide portfolio management software service in FY 2024. The cost of this new service is estimated at $4,000,000 in the first year (FY 2024) and $3,000,000 in the following years. This service is expected to improve portfolio management, risk analytics, and management compliance.

For public market managers, the management fees are primarily calculated based on the market value of the investments, using the assumption of a 7.0% annual rate of return less estimated net external cash flows of 2.5%. Accordingly, the fees are directly correlated with both investment performance as well as net cash flows.

For private markets - which includes private equity, credit/debt, and real estate - the investment management fees are correlated to and calculated on the percentage of committed capital to the program. To note, the performance incentives and carried interest fees for private markets are not estimated as part of the spending plan. These fees are paid only if earned - upon successful performance of the manager after other return criteria are met – or incurred. Due to the nature of the investments and contingent variables, annual performance incentives and other fees are not projected and are only reported, on a cash basis, when identified and paid. Over the past three fiscal years, the ASRS paid between $150 to $250 million per year in these fees.

See Attachment B for a summary and associated detail of the FY 2024 ASRS Investment Spending Plan.

FY 2025 Appropriated Budget Request and Spending Plans

FY 2025 Appropriated Budget Request and Administrative Spending Plan
The FY 2025 appropriated budget request includes a $154,000 reduction in funding to remove one-time costs. The FY 2024 General Appropriations Act included $200,000 for additional Oracle licensing costs related to the cloud migration, of which $154,000 was for one-time implementation in FY 2024. The FY 2025 budget plan removes the one-time costs associated with the increase and continues $46,000 in ongoing annual licensing costs.

See Attachment C for a summary of the ASRS FY 2025 Appropriated Budget Request, Attachment D for the FY 2025 Administrative Spending Plan, and Attachment E for the FY 2025 Budget Request Detail.

FY 2025 Investment Spending Plan
The ASRS FY 2025 investment spending plan provides the same opportunities as the FY 2024 plan, with a slight increase expected in dollars committed in private market asset classes – mainly due to portfolio growth - which enables a more attractive risk/return profile than pubic markets alone. And a slight decrease is reflected due to the new service added in FY 2024 with a lower cost in FY 2025 and beyond.

See Attachment B for a summary and associated detail of the ASRS Investment Spending Plan.

Attachments
Agenda Item 3a.
A: FY 2024 ASRS Administrative Spending Plan
B: FY 2024 ASRS Investment Spending Plan

Agenda Item 3b.
B: FY 2025 ASRS Investment Spending Plan
C: FY 2025 Appropriated Budget Request
D: FY 2025 ASRS Administrative Spending Plan
E: FY 2025 Budget Request Detail

Attachment A

FY 2024
ASRS Administrative Spending Plan

	Projected Base Operating & One-Time Appropriations	+	Projected Long Term Disability Appropriations	+	Projected Pension Disbursements/Security, Rent, & Actuarial Continuous Appropriations	+	Projected PIJ (IPS, Payroll Calculation) Continuous Appropriations	=	Administrative Budget Total
Personal Services (PS) and Employee Related Expenses (ERE)									
Salaries and wages, employer costs for benefits, taxes, and ADOA Charges	19,236,700		-		2,848,000		765,500		22,850,200
Variable Compensation Strategies Plan payments to employees	234,000		-		42,200		11,000		287,200
Total PS and ERE	**19,470,700**		**-**		**2,890,200**		**776,500**		**23,137,400**
Professional and Outside Services (P&O)									
Program Administration Fees	-		1,800,000		-				1,800,000
Pension payroll disbursement processing	-		-		23,000		498,100		521,100
IT development support and business applications	2,033,300		-		1,687,100				3,720,400
Actuarial services	-		-		275,000				275,000
Health benefits plan design actuarial services	-				110,000				110,000
IT security professional services and consulting	-		-		120,000				120,000
Legal fees for external counsel, attorney general charges	307,400		-		70,000				377,400
Other outside services	346,600		-		81,400				428,000
Total P&O	**2,687,300**		**1,800,000**		**2,366,500**		**498,100**		**7,351,900**
Travel									
In-state travel for member and employer outreach	18,500		-		-		-		18,500
Out-of-state travel to pension industry and educational conferences	30,000		-		-		-		30,000
Total Travel	**48,500**		**-**		**-**		**-**		**48,500**
Other Operating Expenditures (OOE)									
Office rent					1,020,200		-		1,020,200
Software licenses and support	2,349,300				275,800				2,625,100
Cloud Services	943,300				-				943,300
Telecommunications	502,100				-		-		502,100
ADOA Risk Management insurance premiums	113,900				236,500		-		350,400
Newsletter printing and mailing	100,000				-		-		100,000
Professional dues, subscriptions, and publications	199,000				192,000		-		391,000
Postage and delivery	109,000				83,000		-		192,000
Education, training and conferences; employee tuition assistance	75,000				-				75,000
Equipment repair and maintenance	45,200				-		-		45,200
Other operating supplies and expenditures	280,100				59,000		-		339,100
Total OOE	**4,716,900**		**-**		**1,866,500**		**-**		**6,583,400**
Equipment									
Agency furniture purchases/replacement	20,000		-		-		-		20,000
Network, server, PC and related devices replacement and additions	150,000		-		-		-		150,000
Total Equipment	**170,000**		**-**		**-**		**-**		**170,000**
									-
TOTAL	**$ 27,093,400**		**$ 1,800,000**		**$ 7,123,200**		**$ 1,274,600**		**$ 37,291,200**
APPROPRIATED/BUDGETED AMOUNTS	**27,093,400**		**1,800,000**		**7,123,200**		**1,274,600**		**37,291,200**

***Arizona Revised Statute § 38-721(C) lists specific expenditures that are continuously appropriated in the amount deemed necessary by the Board, including rent, actuarial consulting fees, and costs associated with administering retiree pension benefits and disbursements**

Attachment B

ASRS Investment Spending Plan

	FY 2024 PROJECTION	FY 2025 PROJECTION
Investment Management Expenses*		
Internal Investment Management		
Salaries and benefits	$ 2,848,600	$ 2,905,600
Investment Incentive Compensation Plan	$ 629,300	$ 671,200
Travel, education and training, rent, and other operational expenses	$ 112,900	$ 113,500
Public Markets		
External investment management fees	$ 4,890,600	$ 5,139,800
Transactional and other fees	$ 5,000,000	$ 5,000,000
Private Markets[1]		
Private Equity management fees	$ 78,304,600	$ 81,503,600
Real Estate management fees	$ 32,942,000	$ 33,142,000
Private and Opportunistic Debt management fees	$ 37,350,000	$ 38,350,000
Custodial Banking, Security Lending and Master Cash STIF Fees	$ 3,478,000	$ 3,532,500
Investment Management Expenses Subtotal	**$ 165,556,000**	**$ 170,358,200**
Investment Related Consulting, Legal and Information Services Expenses*		
Investment Consulting Services	$ 7,929,400	$ 8,083,900
Investment Related Legal Services	$ 2,100,000	$ 2,100,000
Investment Electronic Information Services	$ 6,910,500	$ 6,084,400
External Financial Consulting Services	$ 120,000	$ 120,000
Services Expenses Subtotal	**$ 17,059,900**	**$ 16,388,300**
Total Continuously Appropriated Investment Expenses	**$ 182,615,900**	**$ 186,746,500**

1-Due to the nature of the investments and contingent variables, estimated annual performance incentive and other certain fees and expenses that are contractually agreed upon are not projected and are only reported, on a cash basis, when identified and paid. Over the past three fiscal years, the ASRS paid between $150 to $250 million per year in these fees.

***Arizona Revised Statute § 38-721(C) specific expenditures are continuously appropriated in the amount necessary to meet the Board's investment objectives , including investment management and related consulting fees**

Attachment C

FY 2025 Appropriated Budget Request

	FY 2023 Appropriations	FY 2024 Appropriations	FY 2025 Request for Appropriations
Appropriated FTEs	240.9	240.9	240.9
Personal Services & Employee Related Expenditures	$ 21,031,400	$ 21,031,400	$ 21,031,400
Professional and Outside Services	$ 1,255,400	$ 1,560,400	$ 1,560,400
Travel - In State	$ 30,000	$ 30,000	$ 30,000
Travel - Out of State	$ 49,000	$ 49,000	$ 49,000
Other Operating Expenditures	$ 3,580,300	$ 4,033,100	$ 3,879,100
Equipment	$ 389,500	$ 389,500	$ 389,500
Base Operating Budget Subtotal	**$ 26,335,600**	**$ 27,093,400**	**$ 26,939,400**
Long Term Disability Program Administration (LTD)	**$ 1,800,000**	**$ 1,800,000**	**$ 1,800,000**
Total Appropriated Operating Budget	**$ 28,135,600**	**$ 28,893,400**	**$ 28,739,400**
Total Appropriated Budget	**$ 28,135,600**	**$ 28,893,400**	**$ 28,739,400**

Changes to Appropriations	FY 2023 Change relative to FY 2022 Total Appropriated Budget		FY 2024 Change relative to FY 2023 Total Appropriated Budget		FY 2025 Change relative to FY 2023 Total Assumed Appropriated Budget	
FTE Resources - FY20 Reallocation	0.0	0.0%	0.0	0.0%	0.0	0.0%
Statewide Adjustments (HI costs/Retirement)	$ 954,200	3.8%	$ -	0.0%	$ -	0.0%
FY22-24 IT Expenses/Cloud Migration	$ 285,000	1.1%	$ 452,800	1.6%	$ (154,000)	-0.5%
Production Support	$ 266,000	1.1%	$ 305,000	1.1%	$ -	0.0%
Salary Adjustments	$ 1,582,000	6.3%	$ -	0.0%	$ -	0.0%
	$ 3,087,200	12.3%	$ 757,800	2.7%	$ (154,000)	-0.5%

Attachment D

FY 2025
ASRS Administrative Spending Plan

	Projected Base Operating Appropriations	+	Projected Long Term Disability Appropriations	+	Projected Pension Disbursements/Security, Rent, & Actuarial Continuous Appropriations	+	Projected PIJ (IPS, Payroll Calculation) Continuous Appropriations	=	Administrative Budget Total
Personal Services (PS) and Employee Related Expenses (ERE)									
Salaries and wages, employer costs for benefits, taxes, and ADOA Charges	19,826,200		-		3,239,000		299,600		23,364,800
Variable Compensation Strategies Plan payments to employees	282,700		-		48,100		4,300		335,100
Total PS and ERE	**20,108,900**		**-**		**3,287,100**		**303,900**		**23,699,900**
Professional and Outside Services (P&O)									
Program Administration Fees			1,800,000						1,800,000
Pension payroll disbursement processing					23,000				23,000
IT development support and business applications	2,086,700				1,391,200		318,300		3,796,200
Actuarial services					375,000				375,000
Health benefits plan design actuarial services					110,000				110,000
IT security professional services and consulting									-
Legal fees for external counsel, attorney general charges/staff, administrative hearing costs	307,400				70,000				377,400
Other outside services	15,000				179,900				194,900
Total P&O	**2,409,100**		**1,800,000**		**2,149,100**		**318,300**		**6,676,500**
Travel									
In-state travel for member and employer outreach	18,500								18,500
Out-of-state travel to pension industry and educational conferences	30,000								30,000
Total Travel	**48,500**		**-**		**-**		**-**		**48,500**
Other Operating Expenditures (OOE)									
Office rent					995,000				995,000
Software licenses and support	1,828,600				597,900				2,426,500
Cloud Services	950,000								950,000
Telecommunications	502,100								502,100
ADOA Risk Management insurance premiums	113,900				236,500				350,400
Newsletter printing and mailing	100,000								100,000
Professional dues, subscriptions, and publications	199,000				192,000				391,000
Postage and delivery	109,000				83,000				192,000
Education, training and conferences; employee tuition assistance	75,000								75,000
Equipment repair and maintenance	45,200								45,200
Other operating supplies and expenditures	280,100				59,000				339,100
Total OOE	**4,202,900**		**-**		**2,163,400**		**-**		**6,366,300**
Equipment									
Agency furniture purchases/replacement	20,000		-		-		-		20,000
Network, server, PC and related devices replacement and additions	150,000		-		-		-		150,000
Total Equipment	**170,000**		**-**		**-**		**-**		**170,000**
									-
TOTAL	**$ 26,939,400**		**$ 1,800,000**		**$ 7,599,600**		**$ 622,200**		**$ 36,961,200**
APPROPRIATED/BUDGETED AMOUNTS	**26,939,400**		**1,800,000**		**7,599,600**		**622,200**		**36,961,200**

***Arizona Revised Statute § 38-721(C) lists specific expenditures that are continuously appropriated in the amount deemed necessary by the Board, including rent, actuarial consulting fees, and costs associated with administering retiree pension benefits and disbursements**

Attachment E

FY 2025
Appropriated Budget Request Detail

	Base Operating and LTD Appropriations	+	Continuous Appropriations	Remove One-Time Oracle Costs	=	Projected Administrative Budget Total
Personal Services (PS) and Employee Related Expenses (ERE)						
Salaries and wages, employer costs for benefits, taxes, andADOA Charges	19,826,200		3,538,600			23,364,800
Variable Compensation Strategies Plan payments to employees	282,700		52,400			335,100
Total PS and ERE	**20,108,900**		**3,591,000**			**23,699,900**
Professional and Outside Services (P&O)						-
LTD Program Administration Fees	1,800,000					1,800,000
Pension payroll disbursement processing	-		23,000			23,000
IT development support and business applications	2,086,700		1,709,500			3,796,200
Actuarial and benefit consulting services	-		375,000			375,000
Health benefits plan design actuarial services			110,000			110,000
IT security professional services and consulting			-			-
Legal fees for external counsel, attorney general charges/staff, administrative hearing costs	307,400		70,000			377,400
Other outside services	15,000		179,900			194,900
Total P&O	**4,209,100**		**2,467,400**			**6,676,500**
Travel						
In-state travel for member and employer outreach	18,500					18,500
Out-of-state travel to pension industry and educational conferences	30,000					30,000
Total Travel	**48,500**		**-**			**48,500**
Other Operating Expenditures (OOE)						
Office rent			995,000			995,000
Software licenses and support	1,982,600		597,900	(154,000)		2,426,500
Cloud Services	950,000		-			950,000
Telecommunications	502,100		-			502,100
ADOA Risk Management insurance premiums	113,900		236,500			350,400
Newsletter printing and mailing	100,000		-			100,000
Professional dues, subscriptions, and publications	199,000		192,000			391,000
Postage and delivery	109,000		83,000			192,000
Education, training and conferences; employee tuition assistance	75,000		-			75,000
Equipment repair and maintenance	45,200		-			45,200
Other operating supplies and expenditures	280,100		59,000			339,100
Total OOE	**4,356,900**		**2,163,400**	**(154,000)**		**6,366,300**
Equipment						
Agency furniture purchases/replacement	20,000					20,000
Network, server, PC and related devices replacement and additions	150,000					150,000
Total Equipment	**170,000**		**-**			**170,000**
TOTAL	**$ 28,893,400**		**$ 8,221,800**	**$ (154,000)**		**$ 36,961,200**

Agenda Item #4

ARIZONA STATE RETIREMENT SYSTEM

MAILING ADDRESS: PO Box 33910, Phoenix, AZ 85067-3910 | DIRECTOR: Paul Matson
STREET ADDRESS: 3300 North Central Avenue, Phoenix, AZ 85012
PHONE: 602.240.2000 | TOLL FREE: 1.800.621.3778 | ONLINE: AzASRS.gov

MEMORANDUM

TO: Ms. Sarah Webber, Chair, Arizona State Retirement System (ASRS) Operations, Audit and Legislative Committee (OALC)

FROM: Mr. Paul Matson, Director
Mr. Anthony Guarino, Deputy Director and Chief Operations Officer
Ms. Kathryn Daigneault, Manager, Strategic Planning and Communications
Ms. Zofia Deibler, Strategic Planner Senior

DATE: June 29, 2023

RE: Agenda Item #4: Presentation, Discussion, and Appropriate Action Regarding the 2023 Annual Retiree Survey.

Purpose

To review the 2023 ASRS Annual Retiree Survey results and discuss proposed follow-up actions.

Recommendation

Information item only; no action recommended.

Background

The ASRS utilizes a robust survey program with a multipronged approach. The data assesses satisfaction, understanding, and agency perception throughout the agency's internal and external business channels; and help inform the agency's vision, mission, priorities, and goals. In general, the ASRS conducts three types of surveys:

- **Perception Surveys:** Large groups are surveyed yearly to gather general member impressions. We currently survey Retirees, Active Members, and Employers.
- **Transaction Surveys:** Small groups of members who recently interacted with ASRS.
- **Ad Hoc surveys:** One-time surveys to gather information on a particular issue of interest.

The survey helps ensures that the ASRS instills confidence and trust in our stakeholders, members, and employer partners.

One of our key surveys measures retiree perception. This survey is sent annually to a representative sample of retirees, attempting to reach a statistically significant response of 95% +/-5% for our Years of Service cohorts. Cohort groups are also created for the length of retirement.

Years of Service Cohort Groups	Length of time Retired Cohort Groups
• 0.00 – 0.99 Years of Service • 1.00 – 4.99 Years of Service • 5.00 – 9.99 Years of Service • 10.00 – 19.99 Years of Service • 20.00 – 29.99 Years of Service • 30.00 + Years of Service	• 0.00 – 2.99 Years Retired • 3.00 – 4.99 Years Retired • 5+ Years Retired

The following documents are attached for the trustees to review:

1. **2023 Retiree Survey Results** **(See Attachment A)**

2. **2023 Health Insurance Results** **(See Attachment B)**

Attachment A

ASRS

2023 Retiree Survey

Date: May of 2023
Responses: 2,079
Confidence: 95%
Margin of Error: +/- 3%

Summary:

Overall, retirees remain highly satisfied with the ASRS. The retiree Net Promoter Score (NPS) for 2023 is 48.7, with 72% of retirees saying they would promote the ASRS as a great organization.

Key Findings:

Retiree feedback continues to indicate there is a positive link between information and education on satisfaction and confidence throughout a retiree's retirement years. Retiree comments and survey results show a need for a complete understanding of key elements of retirement. This includes:

- ASRS Plan Design
- Annuity Options
- Health Insurance

While there was a decrease in overall satisfaction, we believe this decrease may be linked to a lack of a Permanent Benefit Increase (PBI) and increased health insurance premiums.

Next Steps:

We have begun to increase targeted communication and education throughout the member journey and life cycle to foster more educated members by cohort. This approach is consistent with our house view that well-educated members are more satisfied throughout the member journey.

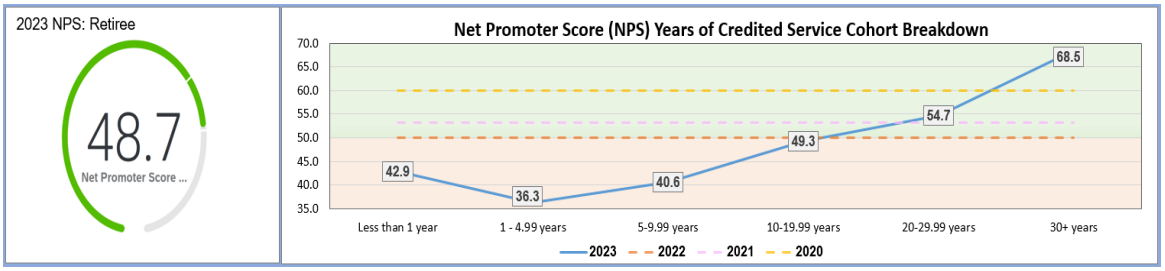
Key topics of focus include:

- Plan Design- Service purchase, plan limitation
- Pension Calculation- Impact of years of service
- Taxes- Lump-Sum Distributions, Distributions before age 59.5
- Health Insurance- Expectations for transitional periods: Cobra, Medicare, loss of coverage for any reason
- Benefits of membership- For early career cohorts

Goal 3: *Foster trust and confidence with members and employers through effective communication of the actions and activities of the ASRS.*

Goal 8: *Members and employers will receive timely and accurate service that results in high customer satisfaction.*

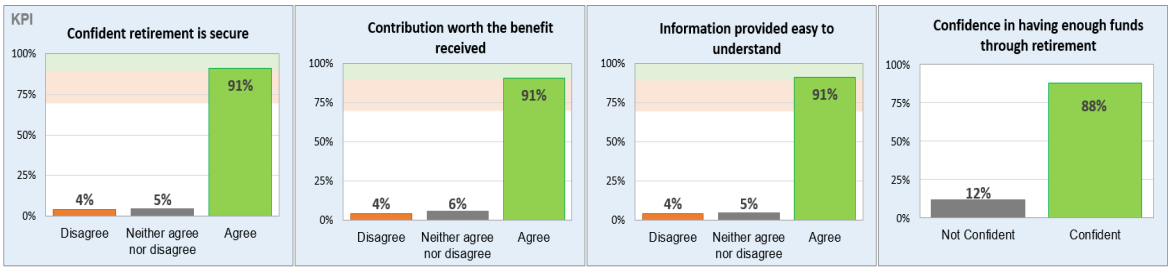
Areas of Strengths:



(Net Promoter Score and breakdown for each cohort. (KPI Target: 50. Risk Tolerance: 0))

Retirees show a likelihood to promote or recommend the ASRS as a great organization, noting they feel:

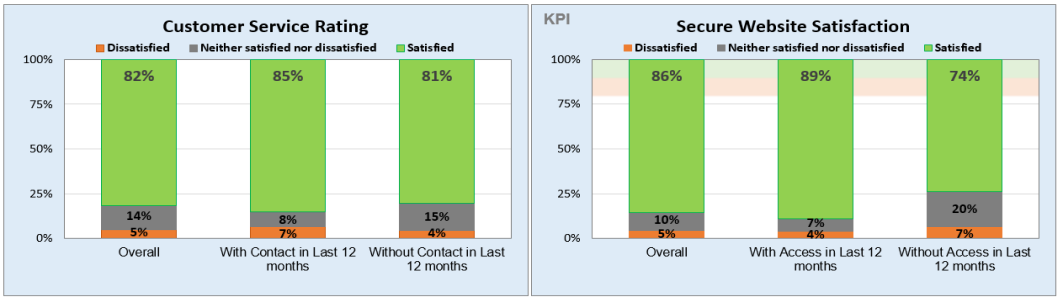
- Their retirement is secure with the ASRS (**91%** positive).
- The ASRS contributions were worth the investment for the future benefit received (**91%** positive).
- The ASRS provided information that was easy to understand (**91%** positive).
- Confidence that they will have enough money to live comfortably throughout retirement (**88%** positive).



Impact of Retiree Interactions

Retirees interacting with the ASRS within the last 12 months have increased satisfaction with our customer service and secure website.

- Customer Service Satisfaction: **82%**, which is up from 77% in 2022 *(Target: 90%, Risk Tolerance: 70%)*
  - **Impact of Contact in the Last 12 Months**
    - One or more contact: **85%** satisfied
    - No contact: **81%** satisfied
- Secure Website: **86%**, which is up from 84% in 2022 *(Target: 90%, Risk Tolerance: 70%)*
  - **Accessing Secure Account within the Last 12 Months**
    - Accessed secure account: **89%** satisfied
    - No access to secure account: **74%** satisfied



Further Examination:

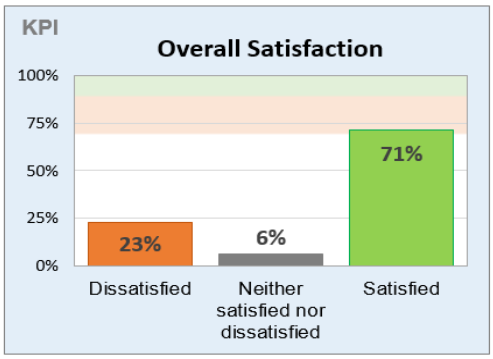
Overall Satisfaction

- ASRS satisfaction has decreased to **71%** from 87% in 2022 *(Target: 90%, Risk Tolerance: 70%)*

This decrease may be an anomaly linked to when the survey was proctored. This year, retirees were informed that a PBI would not be issued. Conversely, when the 2022 survey was proctored, retirees recently learned a PBI would be issued.

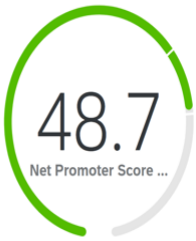
Note: Point of service Retiree surveys with the same "Overall Satisfaction with the ASRS" question remain at an 86% Satisfaction level for FY23, more in-line with previous results.

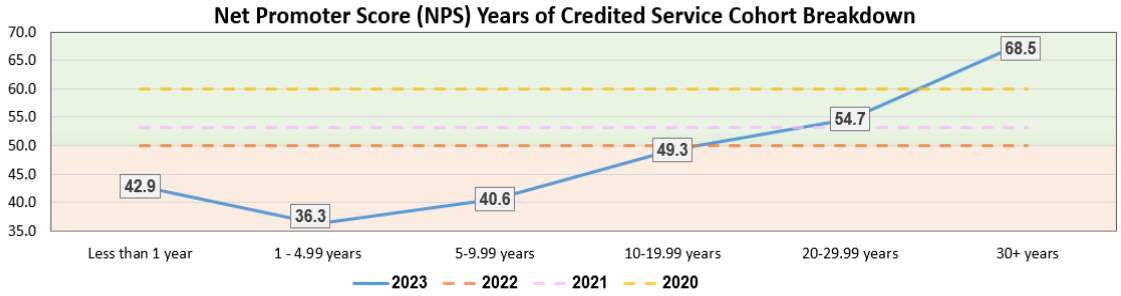
We will continue to monitor this number to see if this is a trend or an outlier due to timing.



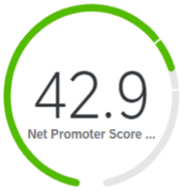
2023 Net Promoter Score Breakdown

2023 NPS: Retiree

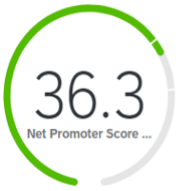




Less Than One Year

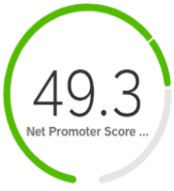


1 - 4.99 Years

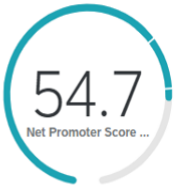


5 - 9.99 Years

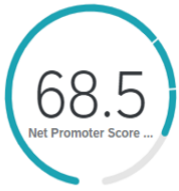
10 - 19.99 Years

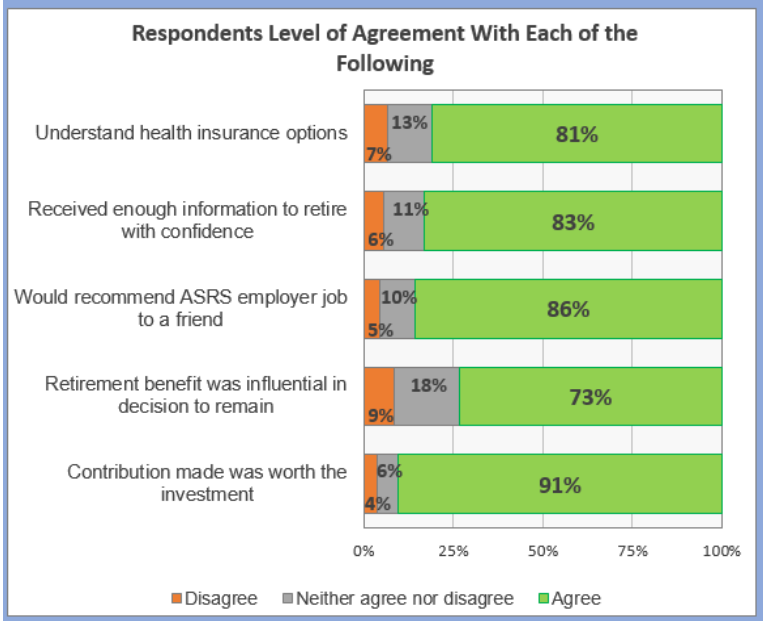


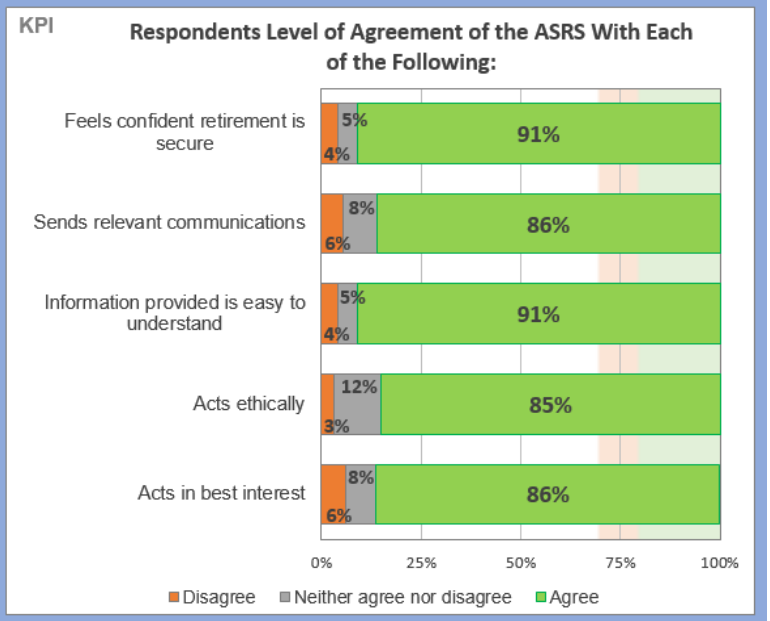
20 - 29.99 Years

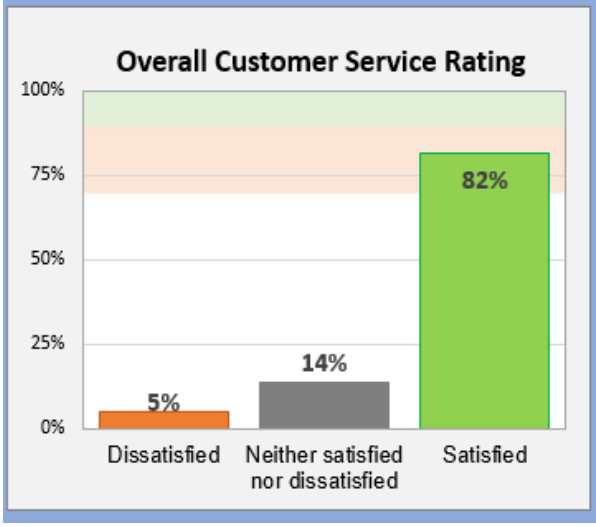


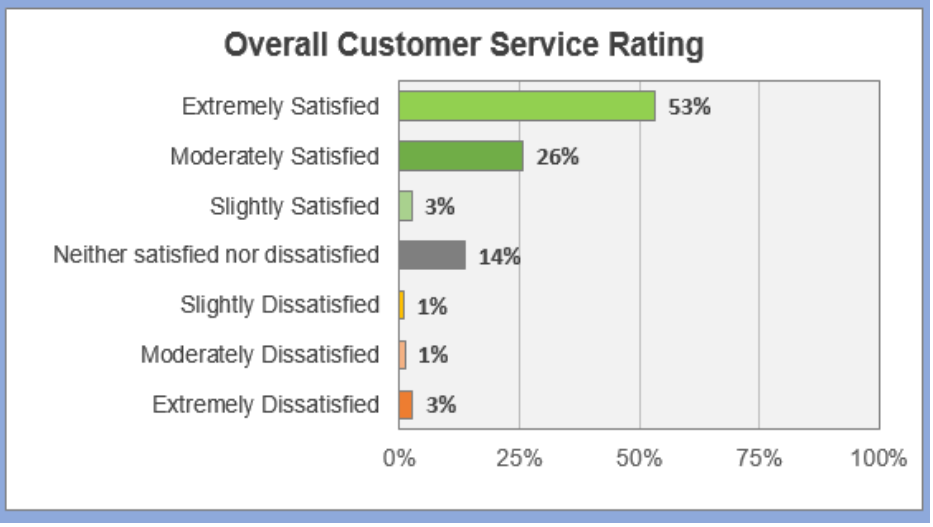
30+ Years











Attachment B

ASRS

2023 Health Insurance Survey

Date: May of 2023

Participation

- Medical: 402
- Dental: 498

Summary:

ASRS retirees overall are satisfied with the ASRS medical (90%) and dental insurance (84%), and those retirees who are enrolled in one or more of the ASRS plans greatly value the Health Insurance Premium Benefit Subsidy (76%).

Key Findings:

Retirees' feedback indicates that health insurance education positively impacts their overall plan satisfaction and confidence in its offerings. Retiree survey results show a desire for ongoing and continuous health insurance education. This includes:

- Health Insurance Eligibility
- Premium Benefit
- Insurance Plan Structure

While satisfaction with the Cigna DHMO plan is below risk tolerance, we believe this may be due to a lack of complete understanding of the plan details.

Recommendation:

Survey results show a need for more tailored communication and enhanced education to help Retirees better understand their health insurance options.
In light of this, as we enter into a new strategic planning period, we recommend ongoing and continuous education **targeted by cohort** to help increase retirees' confidence in their health insurance options.
Key areas of focus:

- Insurance Eligibility and health insurance transitional periods (I.E., Medicare eligibility, loss of coverage)
- Plan Structure
- Premium Benefit (eligibility, how it is calculated, and applicable sources)

Goal 11: *For the sole benefit of all eligible members, the ASRS will offer health insurance plans which have the following characteristics:*

- Cost Competitive, with respect to each marketplace
- Accessible, with respect to provider networks
- Strong Customer Service from Health Insurance vendors and ASRS staff
- Efficient, with respect to enrollment and in-plan navigation

Areas of Strengths:

Retirees are satisfied overall with the ASRS medical and dental insurance plan offerings. Noting they are satisfied with the customer service, ability to schedule appointments, finding primary and specialty care providers near them, and the cost of insurance for the benefit received.

ASRS Retiree Medical Plan Satisfaction			
Target: 90% Risk Tolerance: 80%	**Overall**	**Medicare**	**Non-Medicare**
Plan satisfaction	90%	92%	72%
Carrier customer service	82%	82%	83%
Ability to schedule appointments	74%	74%	67%
Finding a primary care provider within a reasonable distance	80%	79%	83%
Finding a specialist provider within a reasonable distance	75%	75%	74%
Cost of insurance for benefits received	87%	90%	52%

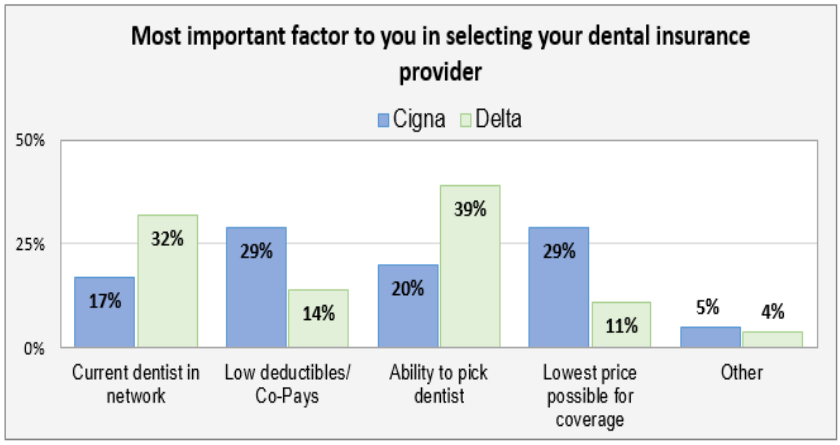
ASRS Retiree Dental Plan Satisfaction			
Target: 90% Risk Tolerance: 80%	**Overall**	**Cigna**	**Delta Dental**
Plan satisfaction	84%	67%	86%
Carrier customer service	74%	64%	75%
Ability to schedule appointments	83%	63%	85%
Finding a general provider within a reasonable distance	90%	73%	92%
Finding a specialist provider within a reasonable distance	89%	76%	90%
Cost of insurance for benefits received	82%	72%	83%

Areas of Opportunity:

Cigna DHMO: Plan Satisfaction 67%, and Customer Service 64%

When selecting a dental plan, this particular group prioritizes factors such as:

- Low premiums (29%)
- Low Copays and deductibles (29%)



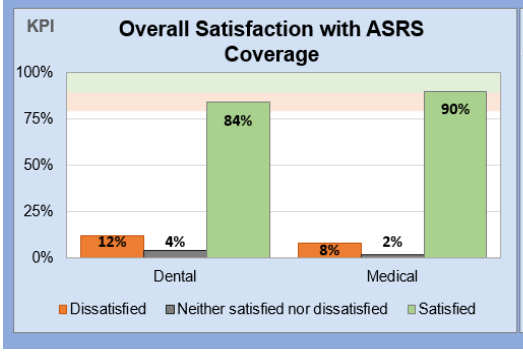
Ensuring retirees understand the plan structure before enrollment empowers them to make well-informed decisions and reduce dissatisfaction that may arise from unexpected plan limitations post-enrollment. While education is very strong during Open Enrollment, we should look at how we can improve the enrollment forms to more clearly identify the benefit-cost decisions the members are making.

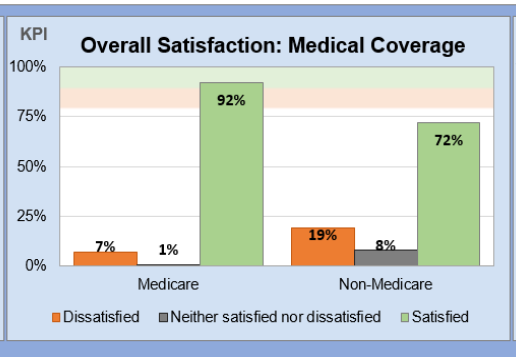
Health Insurance

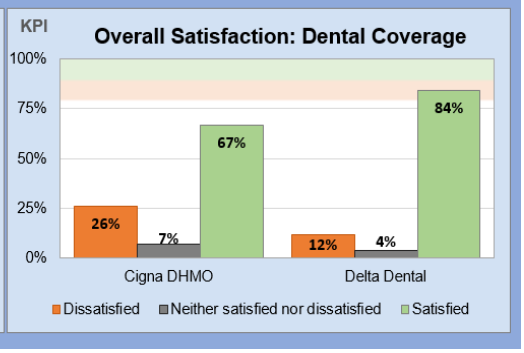
Premium Benefit Subsidy: Satisfaction is 76%

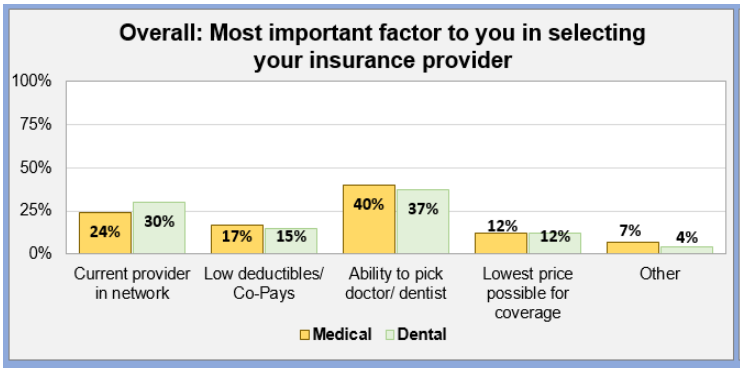
Overall eligible retirees report being satisfied with the Premium Benefit Subsidy. However, eligible retirees not enrolled in an eligible Premium Benefit medical and dental plan report a lower perceived value and are unclear about the nature of the Premium Benefit.

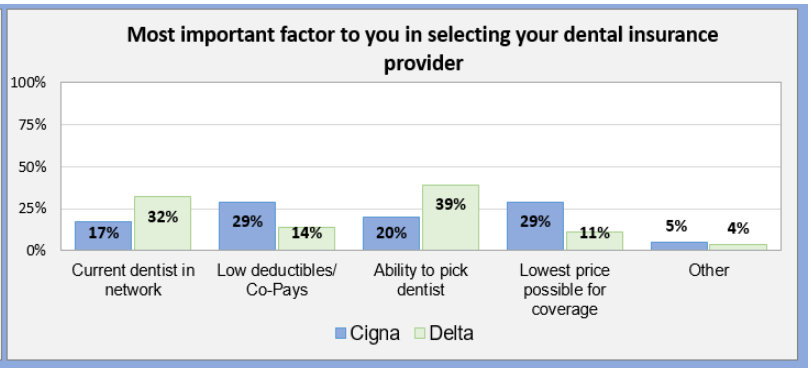
KPI: Overall Satisfaction with ASRS Health Insurance Coverage

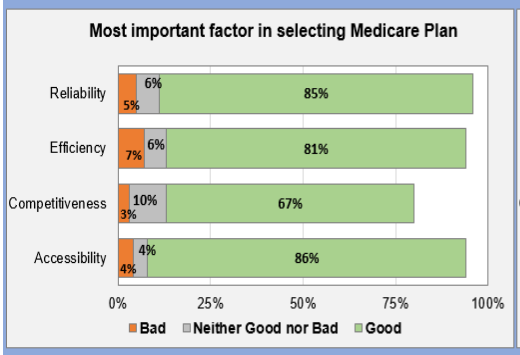


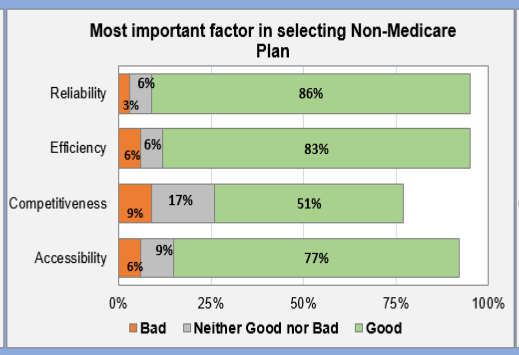


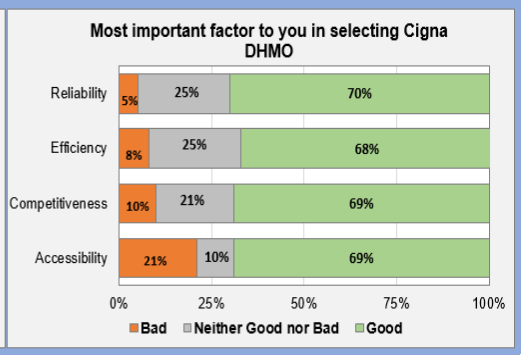


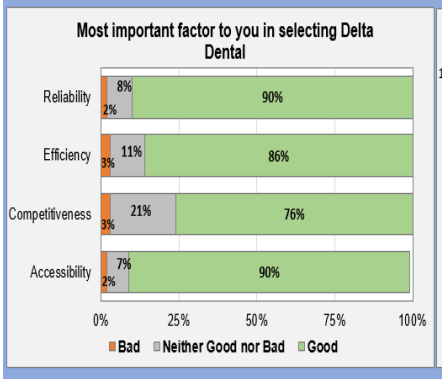


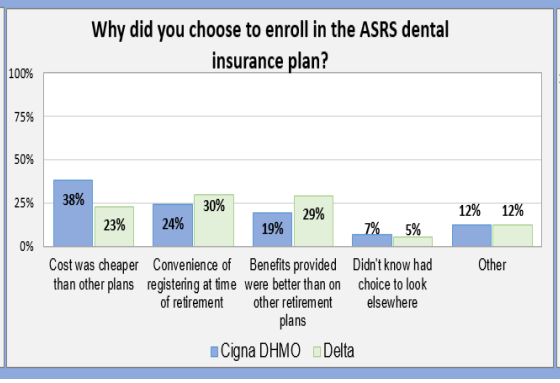


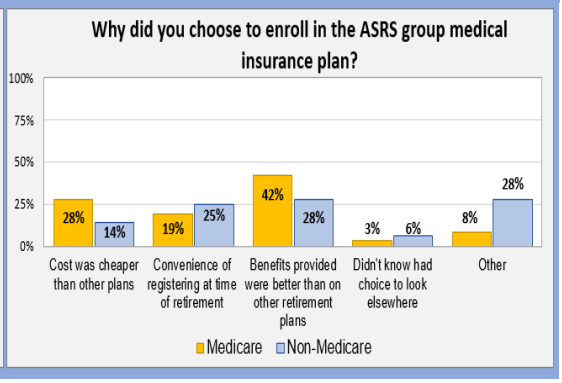












Agenda Item #5

ARIZONA STATE RETIREMENT SYSTEM

MAILING ADDRESS: PO Box 33910, Phoenix, AZ 85067-3910 | DIRECTOR: Paul Matson
STREET ADDRESS: 3300 North Central Avenue, Phoenix, AZ 85012
PHONE: 602.240.2000 | TOLL FREE: 1.800.621.3778 | ONLINE: AzASRS.gov

MEMORANDUM

TO: Ms. Sarah Webber, Chair, Arizona State Retirement System (ASRS) Operations, Audit and Legislative Committee

FROM: Mr. Paul Matson, Director
Ms. Jessica Thomas, Government Relations Officer and Rules Writer

DATE: June 14, 2023

RE: **AGENDA ITEM NO. 5:** Presentation, Discussion, and Appropriate Action Regarding the 2023 Legislative Summary

Purpose:
To provide a summary of the 2023 legislative initiatives that may impact the ASRS.

Recommendation:
Information item only; no action recommended.

Background:
The 2023 Legislative Session began on January 9, 2023. The legislature adjourned on June 14, 2023, with a return date of July 31, 2023. The three 2023 ASRS Board-approved Legislative Agenda items (HB2008, HB2009, and HB2029) were signed by the Governor. They will be effective on the general effective date which is 90 days after the legislature adjourns sine die.

The link to the most up-to-date Bill Tracker can be found any time at on the ASRS website here: https://www.azasrs.gov/content/legislation under the Legislative Updates section.

Attachment(s):
2023 Legislative Summary

Legislative Summary

2023 Legislative Summary*

ASRS INITIATIVES

HB2008 ASRS; Contribution Prepayment (Sponsor: Livingston) – *PASSED & SIGNED*
Removes the requirement for an Employer to begin amortizing its prepaid contributions at a specific time and indicates that the rate of return on prepaid contributions may be the actual rate of return of a short-term investment account.
Effective Date: TBD

HB2009 ASRS; Retirement Application; Changes (Sponsor: Livingston) – *PASSED & SIGNED*
Allows a member to make changes to their retirement application within 60 days after the member's retirement date.
Effective Date: TBD

HB2029 ASRS; Supplemental Deferral Plan; Participation (Sponsor: Livingston) – *PASSED & SIGNED*
Allows a political subdivision or political subdivision entity that is not participating in the ASRS to elect to allow its employees to participate in a supplemental deferred compensation plan that is overseen by ASRS.
Effective Date: TBD

BILLS IMPACTING ASRS

HB2020 ASRS; Contribution Prepayment; Appropriation (Sponsor: Livingston) – *FAILED*
Appropriated monies to the ASRS prepayment program from the State General Fund.

HB2144 Open Meetings; Capacity; Posting; Violation (Sponsor: Dunn)
All public bodies are required to provide for an amount of seating sufficient to accommodate the reasonably anticipated attendance of all persons desiring to attend the deliberations and proceedings, when feasible. The agenda for a public meeting is required to include notice of the time that the public will have physical access to the meeting place.

HB2156 Governmental Entities; Proxy Voting; Prohibitions (Sponsor: Livingston) – *FAILED*
A governmental entity that establishes or maintains a "plan" (defined as any plan, fund, or program established or maintained by the state or a political subdivision to provide retirement income or benefits to employees, defer income by employees, or invest taxpayer monies for any purpose) is required to make all direct investment decisions based solely on pecuniary factors when evaluating an investment and is required to vote all directly held shares, or have the directly held shares voted, based solely on pecuniary factors when voting proxies. Also, all state investments made by the State Treasurer are required to be made in the sole interest of the beneficiary taxpayer.

HB2433 Pensions; Domestic Relations Orders (Sponsor: Livingston) – PASSED & SIGNED
Requires acceptable Domestic Relations Orders to include the value of the member's benefit on the date of service for dissolution or annulment of marriage.
Effective date: TBD

HB2471 Government Investments; Plans; Fiduciaries; Products (Sponsor: Montenegro)
A "fiduciary" (defined) is required to discharge his/her duties with respect to a "plan" (defined as any plan, fund, or program established or maintained by the state or a political subdivision to provide retirement income or benefits to employees, defer income, or invest taxpayer monies for any purpose)

solely in the interest of the participants and beneficiaries of the plan, and is required to take into account only pecuniary factors when evaluating an investment. Only the governmental entity that establishes or maintains a plan may vote the shares held by the plan, and the shares held by a plan must be voted only in the pecuniary interest of the plan. A fiduciary is prohibited from adopting a practice of following the recommendations of a proxy advisory firm unless the firm's guidelines are consistent with these requirements. The State Treasurer is required to post a current list of state investments by name and a current list of investment managers on the State Treasurer's publicly accessible website. All state investments are required to be made in the sole interest of the beneficiary taxpayer.

HB2670 State Agencies; Veterans Status; Inquiry (Sponsor: Travers)
All state agencies, boards, commissions, or other administrative units of the state are required to ask every individual at the initial point of service with that individual and to print on each application form the question, "Have you or a family member ever served in the military?" and to provide a website address and contact information for the Department of Veterans' Services (DVS) and for the Be Connected Program to individuals who answer in the affirmative. The definition of "armed forces of the U.S." is expanded to include the U.S. Space Force. Appropriates $50,000 from the general fund in FY2023-24 to DVS for costs associated with including the U.S. Space Force as an enumerated branch. Effective January 1, 2024.

HB2808 Public Records; Time Frame (Sponsor: Carbone) – FAILED
An entity that is subject to a public records request is required to provide, within five business days after receiving a request for the records, a notification that includes specified information, including the expected date the request will be processed. An entity that willfully or intentionally refuses to comply with public records request laws or otherwise acts in bad faith is subject to a civil penalty of $500 to $5,000 for each occurrence.

SB1020 Open Meetings; Capacity; Posting (Sponsor: Kavanagh) – FAILED
All public bodies are required to provide for an amount of seating sufficient to accommodate the reasonably anticipated attendance of all persons desiring to attend the deliberations and proceedings, when feasible. The agenda for a public meeting is required to include notice of the time that the public will have physical access to the meeting place.

SB1096 Firearms; Contracts; Prohibited Practices (Sponsor: Carroll) – VETOED
A "public entity" (defined) would have been prohibited from entering into a contract with a value of $100,000 or more with a company to acquire or dispose of services, supplies, information technology, or construction unless the contract included a written certification that the company did not, and agreed for the duration of the contract that it would not, "discriminate" against a "firearm entity" or "firearm trade association" (all defined).

SB1139 Government Investments; Products; Fiduciaries; Plans (Sponsor: Hoffman) – *FAILED*
A "fiduciary" (defined) is required to discharge his/her duties with respect to a "plan" (defined as any plan, fund, or program established or maintained by the state or a political subdivision to provide retirement income or benefits to employees, defer income, or invest taxpayer monies for any purpose) solely in the interest of the participants and beneficiaries of the plan, and is required to take into account only pecuniary factors when evaluating an investment. Only the governmental entity that establishes or maintains a plan may vote the shares held by the plan, and the shares held by a plan must be voted only in the pecuniary interest of the plan. A fiduciary is prohibited from adopting a practice of following the recommendations of a proxy advisory firm unless the firm's guidelines are consistent with these requirements. The State Treasurer is required to post a current list of state investments by name and a

current list of investment managers on the State Treasurer's publicly accessible website. All state investments are required to be made in the sole interest of the beneficiary taxpayer.

SB1239 State Agencies; Payments; Cryptocurrency (Sponsor: Rogers) – *FAILED*
State agencies are authorized to accept "cryptocurrency" (defined) as a payment method for taxes, fees, fines, civil penalties, financial obligations, and special assessments by entering into an agreement with a "cryptocurrency service provider" (defined) to provide a method to accept cryptocurrency as a payment for any amount due to that agency or the state. Requirements for the agreement are listed.

SB1258 Public Officers; Announcements; Report (Sponsor: Mesnard) – FAILED
For any publication, resource, or public service announcement that is issued by a public officer, that contains the public officer's name or likeness, and that is distributed free of charge or through the use of taxpayer resources, the public officer is required to publish a quarterly report describing the amount of money that was spent on the publication, resource, or public service announcement.

***SB1270 Open Meetings; Capacity (Sponsor: Kavanagh)* – PASSED & SIGNED**
Schools, school boards, executive boards, and municipalities are required to provide for an amount of seating sufficient to accommodate the reasonably anticipated attendance of all persons desiring to attend the deliberations and proceedings, when feasible. Does not require a public body to relocate a meeting outside of the largest regular meeting room. Except for a meeting through technological devices, the agenda for a public meeting is required to include notice of the time that the public will have physical access to the meeting place.
Effective Date: TBD

SB1500 Government Investments; Fiduciaries; Pecuniary Benefit (Sponsor: Carroll) – *VETOED*
A "fiduciary" (defined) is required to discharge his/her duties with respect to a "plan" (defined as any plan, fund, or program established or maintained by the state or a political subdivision to provide retirement income or benefits to employees, defer income, or invest taxpayer monies for any purpose) solely in the interest of the participants and beneficiaries of the plan, and is required to take into account only pecuniary factors when evaluating an investment. Only the governmental entity that establishes or maintains a plan may vote the shares held by the plan, and the shares held by a plan must be voted only in the pecuniary interest of the plan. A fiduciary is prohibited from adopting a practice of following the recommendations of a proxy advisory firm unless the firm's guidelines are consistent with these requirements. The State Treasurer is required to post a current list of state investments by name and a current list of investment managers on the State Treasurer's publicly accessible website. All state investments are required to be made in the sole interest of the beneficiary taxpayer. Contains legislative findings.

SB1611 Public Entities; Contracts; Prohibition (Sponsor: Kern) – *VETOED*
A public entity is prohibited from requiring a company to implement an "environmental, social or governance standards policy" (defined) as a condition of entering into or renewing a contract with a company to acquire services, supplies, information technology, goods, or construction services.

*Please note that more detailed information about this legislation and more can be found on the ASRS website in the ASRS Bill Tracker. Additional information on legislation is also available on the Legislature website at https://www.azleg.gov/.

Agenda Item #6
Call to the Public

Note: There are no materials for this agenda item

Agenda Item #7

ARIZONA STATE RETIREMENT SYSTEM

MAILING ADDRESS: PO Box 33910, Phoenix, AZ 85067-3910 | DIRECTOR: Paul Matson
STREET ADDRESS: 3300 North Central Avenue, Phoenix, AZ 85012
PHONE: 602.240.2000 | TOLL FREE: 1.800.621.3778 | ONLINE: AzASRS.gov

MEMORANDUM

TO: Ms. Sarah Webber, Chair, Arizona State Retirement System (ASRS) Operations, Audit, and Legislative Committee (OALC)

FROM: Mr. Paul Matson, Director
Mr. Anthony Guarino, Deputy Director and Chief Operations Officer
Mr. Jeffrey Hickman, Information Security Officer
Mr. Aaron Sandeen, CEO & Co-Founder, Securin
Ms. Melissa Wooten, Director of Global Penetration Testing, Securin

DATE: June 28, 2023

RE: Agenda Item #7: Presentation, Discussion, and Appropriate Action Regarding ASRS Information Security Program

Purpose

A review of the 2023 ASRS Information Security Assessment findings.

Recommendation

Information item only; no action recommended.

Background

Earlier this year, the ASRS entered into a contract with Cyber Security Works (now Securin) to conduct an assessment of our information security program. The assessment was conducted in February and March and consisted of four parts, each with its own report:

- External Network Assessment
- Internal Network Assessment
- Application Security Assessment
- Program Maturity and Compliance Assessment

Mr. Aaron Sandeen, CEO & Co-Founder of Securin, will present an overview of the findings and recommendations from the assessment and provide board members an opportunity to have any questions answered.

Attachment(s):
Securin Security Assessment AZSRS - 2023.ppt
AZ_RTA-State_Retirement_System_February_2023_Network_External_Report.pdf
AZ_RTA-State_Retirement_System_February_2023_Network_Internal_Report.pdf
AZ_RTA-State_Retirement_System_February_2023_Application_Security_Report.pdf
ASRS Compliance Assessment Report 2023 Final v1.pdf

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Agenda Item #8

ARIZONA STATE RETIREMENT SYSTEM

MAILING ADDRESS: PO Box 33910, Phoenix, AZ 85067-3910 | DIRECTOR: Paul Matson
STREET ADDRESS: 3300 North Central Avenue, Phoenix, AZ 85012
PHONE: 602.240.2000 | TOLL FREE: 1.800.621.3778 | ONLINE: AzASRS.gov

MEMORANDUM

TO: Ms. Sarah Webber, Chair, Arizona State Retirement System (ASRS) Operations, Audit, and Legislative Committee (OALC)

FROM: Mr. Harold Mackey, Chief Internal Auditor

DATE: June 22, 2023

RE: Agenda Item No. 8a.: Presentation, Discussion, and Appropriate Action Regarding the Internal Audit Quarterly Report Q4 FY2023

Purpose

To present to the OALC the Fourth Quarter Audit Report for the 2023 Fiscal Year.

Recommendation

Information item only; no action recommended.

Summary

This quarterly audit report covers the following activities:

- Noteworthy administrative activities within Internal Audit
  - Development of the FYs 2024/2025 Biennial Audit Plan
  - Realignment of Internal Audit Strategy with the ASRS Strategic Plan
  - Pre-audit planning on ASRS Risk Management Practices
- Important advisory activities during the fourth quarter of the FY2023 plan
  - Consolidation of office space and its impact on future audit planning
- Significant activities related to current audit projects
  - Increase in communication with Foreign Annuitants
  - Completion of the Call Center Audit
  - Memo related to the assessment of Call Center Service Levels
- Adjustments to the allocation of budget and hours for audit and audit-related projects

Quarterly Activities

Q4 FY 2023

ARIZONA STATE
RETIREMENT SYSTEM

Administrative Activities

Administrative:

- Staffing: Three Internal Auditors
- Update to the Audit Reports
  - Internal Audit Assurance Reports [being revised as part of the new ASRS Strategic Plan]
  - Standard Operating Procedure: Audit Communication & Report Workflow process [in-review, additional process steps identified]
- Biennial Audit Plan Report
  - Internal Audit Risks updated
  - Audit Universe updated
  - Employer Audits: potential employers identified by other divisions
- ASRS Strategic Planning
- Pre-Audit Planning Activities
  - Risk Management
  - Employer Audits in consultation with Member Services

Advisory and Other Matters

Advisory/Consultative:

- Senior Management Team Meetings
- Executive Management Team
- Financial Services Division/Internal Audit Weekly updates
- Office space consolidation and future audit priorities

Monitoring:

- Investment-related: Combined Asset Class Committee
- Technology-related: Project reviews and monitoring
- Employer Updates: meeting to highlight, resolve and monitor issues that impact member employers
- Fraud Hotline Monitoring

Other Matters:

- Planning: Association of Public Pension Fund Auditors (APPFA) Fall 2023 Conference

Work Plan Update

- Completed Audits/Assessments
  - Assessment Vendor Service Level Agreements
    - Preliminary Objective: To determine whether the systems used to support call center operations have too many instances of downtime; assess whether the vendor is slow or unresponsive. Systems that manage phones and internet services go down [negotiated vendor SLA]
  - Audit of Customer Service Skills & Training
    - Preliminary Objective: To determine whether ASRS members and employers are receiving timely, accurate, and courteous service, and that the call center is meeting its service level objectives.
  - GASB 68 Testing [Fieldwork only]
    - To determine if membership information obtained from the employers and used in the determination of the valuation of the fund is in agreement with the ASRS records.
- In-Progress Audits/Assessments
  - Foreign Annuitants Confirmations
    - Preliminary Objective: Obtain evidence of proof-of-life for retirees and beneficiaries living outside the US.
    - Number of Recipients: 227; Number of Countries: 39
  - Risk Management Practices
    - Determine the risk maturity of the ASRS and identify gaps to achieve the next level of maturity.

Budget / Hours Summary

Audit/Audit-Related	Priority	HOURS Budgeted	Revised	Actual	Utilized[1]	Target	Status	Estimated End Date
Accuracy of Data - Membership Accounting		200		207	104%		Completed	2Q23
Employer Relations: Assessment		600		566	94%		Completed	3Q22
Pension/LTD Death Reporting		500		550	110%		Completed	3Q22
An Assessment of EIS Staffing Fidelity		500		500	100%		Completed	2Q23
Assessment of the ASRS Appeals Process		300		304	101%		Completed	2Q23
Assessment Vendor Service Level Agreements		200		37	19%		Completed	3Q23
Cloud Migration Assessment		500		500	100%		Completed	2Q23
Audit of Customer Service Skills & Training		240		245	102%		Completed	4Q23
ASRS GASB 68 Testing: Fieldwork		200		8	4%		Completed	4Q23
Assessment of Custody Bank Transition		400		331	83%		Completed	4Q22
SWIFT Assessment CY 2023		100		60	60%		Completed	2Q23
Total Hours		3740		3308				

Advisory/Consultation & Oversight Services								
External Audit Support		16		12	75%		Ad Hoc	
Fraud Hotline/Investigations		80		48	60%		On-Going	
Foreign Annuitants Confirmations FY2020		280		280	100%		Completed	3Q23
Foreign Annuitants Confirmations FY2023		280		120	43%		In-progress	1Q24
IAD Quality Assurance Review		100		0	0%		Not-Started	1Q24
Audit Follow-up		40		20	50%		In-progress	4Q23
Reports and Analysis		500		501	100%		Completed	3Q23
Unspecified Advisory / Oversight Services		100		40	40%		Ad Hoc	
Total Hours		1396		1021				

Notes:

[1] Provide an explanation of actual hours that exceed budget by more than 10%

External assessment; IA gap analysis & followup

Carryover audits

Status	Projects
Not-Started	0
In-progress	0
Completed	11
On-Hold	0

Priority	Projects	%Complete
High	3	100%
Med	8	100%
Low	0	0%
Revised	0	0%

ARIZONA STATE RETIREMENT SYSTEM

MAILING ADDRESS: PO Box 33910, Phoenix, AZ 85067-3910 | DIRECTOR: Paul Matson
STREET ADDRESS: 3300 North Central Avenue, Phoenix, AZ 85012
PHONE: 602.240.2000 | TOLL FREE: 1.800.621.3778 | ONLINE: AzASRS.gov

MEMORANDUM

TO: Ms. Sarah Webber, Chair, Arizona State Retirement System (ASRS) Operations, Audit, and Legislative Committee (OALC)

FROM:
Mr. Harold Mackey, Chief Internal Auditor
Ms. Rosie Tomforde, Audit Officer

DATE: June 22, 2023

RE: Agenda Item No. 8bi.: Customer Service Level Agreements for the Call Center-Assessment

The Call Center, or Member Advisory Center (MAC), was reviewed to ensure that the technology necessary for efficient operation is in place and works consistently.

Several things have to be in place for the ASRS to handle its members' incoming calls.

1. The phones have to be working properly.
2. The internet has to be working properly.
3. The ASRS' members' information system has to be working properly.
4. The ASRS' images FIND system has to be working properly.

The phone system that the ASRS uses is one integrated system for call management, call evaluations, reporting, and call flows. The system was approved to be used by the State of Arizona in 2021.

When a member calls, the first thing that the ASRS representative has to do is to verify the member's identity. The representative has to pull up the ASRS members' information system ("system") so that they can ask the caller to give them verifying information to compare to the information that is already on file. Representatives do not correct any information when a caller misses it; they just make note of any incorrect information that may be given.

After verifying the member's identity, the representative is able to answer other questions that the member may have about their specific account. If the member calls to ask general questions about retirement, the representative may also help with that. General questions can be answered even if the system is down but questions specific to the member require that the internet be available and that the members' information system be available.

The MAC has a number of available job aids for answering members' common questions. Less common questions may be referred to a supervisor. These job aids are available electronically, so they can only be used if the internet is available.

The manager of the MAC said that there were only two instances in the past year when the call center was unable to receive calls. Both were resolved within an hour, one within half an hour.

There are approximately 8,766 hours in a year, and one and a half hours represent less than 0.02% of the available time. The system was functional for more than 99.98% of the time.

The ASRS' Technology Services Division maintains a log of major outages. In fiscal year 2022, several of these areas were listed in the log. There was one outage of all IT that lasted 149 minutes, or about two and a half hours. The phone system had some degraded performance but was never fully out of commission for any time. Imaging had several short outages that added up to 120 minutes, or two hours. These systems were functional more than 99.97% of the time.

According to the AZNet IIII Service Level Requirement document, the MAC has to be available 99.99% of each month. This criterion is very stringent because 0.01% of an average month is only a little over 4 minutes that the system can be down. This also only allows for 53 minutes in a year. The MAC is generally available for more than 99.9% of the time that it is needed, but some periods did not meet the requirement of 99.99%.

The phone lines availability is not reviewed by ASRS personnel. It is the responsibility of the Arizona Department of Administration (ADOA). ADOA administers all phone lines in use by the State of Arizona and whether they meet service level requirements.

Service Level Requirements are specified in a 34-page procurement document. The document provides for penalties if various service levels are not met. Incidents are divided into various levels of severity, and more severe impacts are penalized more heavily if they are not resolved timely. ASRS TSD tracks the time of major outages but is not responsible to notify the provider if service levels have not been met. The ASRS also does not determine whether a penalty should be assessed.

The technology that the MAC relies on to answer calls from ASRS members is working well overall.

A Report to the
Arizona State Retirement System
Operations, Audit, and Legislative Committee

Arizona State Retirement System
Internal Audit

Customer Service Skills and Training Processes: Call Center

Internal Audit Report

Audit Performed By Andrew Burch and Nancy Solheim

May 24, 2023

ARIZONA STATE RETIREMENT SYSTEM
AUDIT REPORT: CUSTOMER SERVICE SKILLS AND TRAINING PROCESSES
MAY 24, 2023

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Executive Summary

We completed our audit of Call Center Customer Service Skills and Training Processes at the Arizona State Retirement System ("ASRS") on May 24, 2023. The audit work completed examined Call Center processes and procedures from April 1, 2022, through January 31, 2023. The Call Center is also referred to as the Member Advisory Center or MAC. The auditors reviewed pertinent documentation and interviewed ASRS personnel from the Member Services Division ("MSD"). We believe the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

The audit focused on MAC which is a function of MSD. Ancillary functions consist of the Analysis and Operations Team and the Outreach Team. The MAC is responsible for providing timely, accurate, and courteous service to members and beneficiaries who call for assistance.

The audit reviewed MAC procedures and processes to verify compliance with the following 2019-2023 Strategic Plan Goals:

Goal 3- **The Communications program will promote and build stakeholder trust and confidence in the ASRS.**

Goal 8- **Members and employers will receive timely and accurate service that results in high levels of customer satisfaction.**

Samples of reports obtained from Genesys, the call center service application, were tested. These reports included details concerning incoming call interactions, Benefit Advisor evaluation results, and Benefit Advisor performance. The Genesys application refers to Benefit Advisors as "Users" or "Agents."

Conclusion

Overall, the audit rated "Good" with no Findings. No findings of risk-related control gaps. Job Aids are used in lieu of Standard Operating Procedures (SOPs). Job aids are updated in real-time as information is learned. Testing evaluated and unevaluated calls revealed 100% compliance of Benefit Advisors correctly verifying account information. There is a low turnover of MAC staff leaving the ASRS, while opportunities for promotion are available.

Some areas for potential improvement were identified. Testing evaluated calls revealed fewer evaluations for calls lasting longer than 9 minutes. Most evaluated calls in the sample lasted from 3-6 minutes, with the longest call lasting 14 minutes. Spanish-speaking calls could be included in the review process to ensure completeness and effectiveness in serving the members. One Benefit Advisor in particular had a higher abandonment rate when placing callers on hold.

Purpose, Objectives, and Scope

The preliminary audit objectives are to determine whether:

1. Written policies and procedures exist for the various functions of the Member Advisory Center [MAC] (i.e., procedures for call handling, scheduling, reporting, monitoring, security issues, etc.).
2. Strategic objectives have been established, with adequate performance measures in place and monitored to ensure progress toward those objectives.
3. Staffing levels, training, and management result in strategic objectives being met.

Scope of Work

The current procedures and Job Aides were reviewed. Calls logged in Genesys, the call center service application, were sampled for testing from April 2022 to November 2022. Data gathering was extended to January 2023 to evaluate subsequent activities. In addition, Management reviews of the calls during the scope were sampled for testing of criteria. Testing included the use of dedicated and ancillary MSD staff to answer incoming calls.

Background

An audit of the (MSD) Member Advisory Center was scheduled in accordance with the Arizona State Retirement System (ASRS) 2022/23 Internal Audit Plan. Dedicated MSD staff are assigned to MAC who are devoted to answering incoming calls. Ancillary staff are assigned to one of the supporting units that provide additional services to MSD. The ancillary staff includes the Analysis and Operations (Ops) and Outreach teams.

Observations

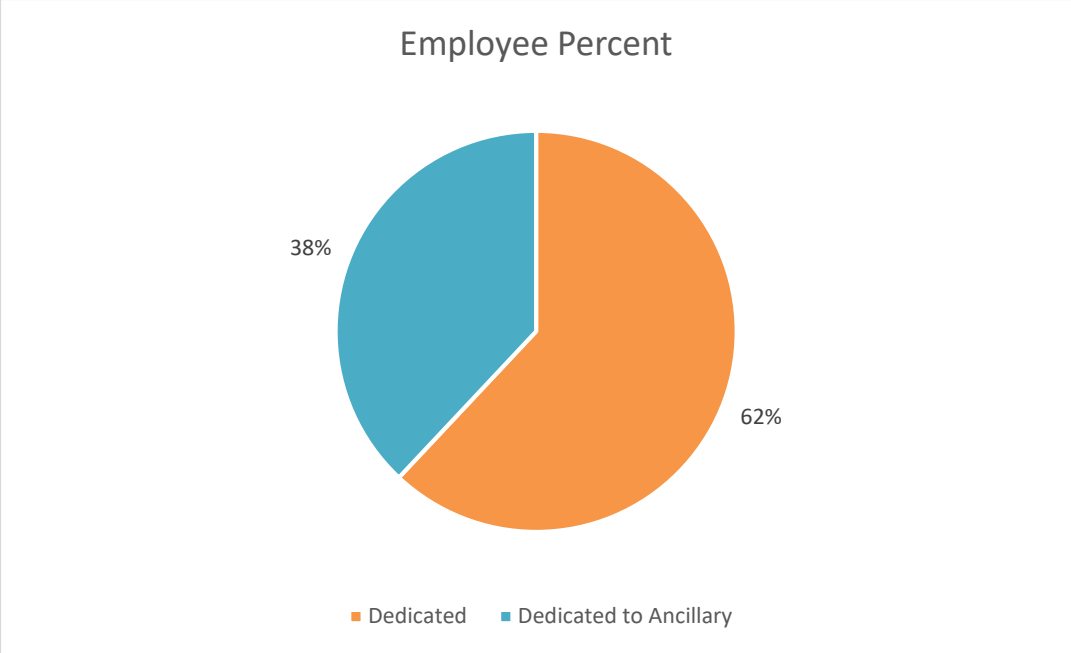
Testing revealed there is a low turnover of MAC staff leaving the ASRS. In addition, there are opportunities for staff to move into ancillary positions and be promoted to higher-level positions. Out of the staff who started as dedicated employees in April 2022, 62% remained dedicated, and 38% moved to ancillary positions. Three Benefit Advisors left the ASRS in June and July 2022 and were replaced in September 2022. Three ancillary staff were promoted to Strategic Planning and Communication, and one ancillary staff moved to the Financial Services Division.

There were no incidents of incomplete verification for any of the calls selected. The verification criteria were taken from the Account Verification job aid found on IQ: References/Job Aids for Benefit Advisors/MSD Procedures.

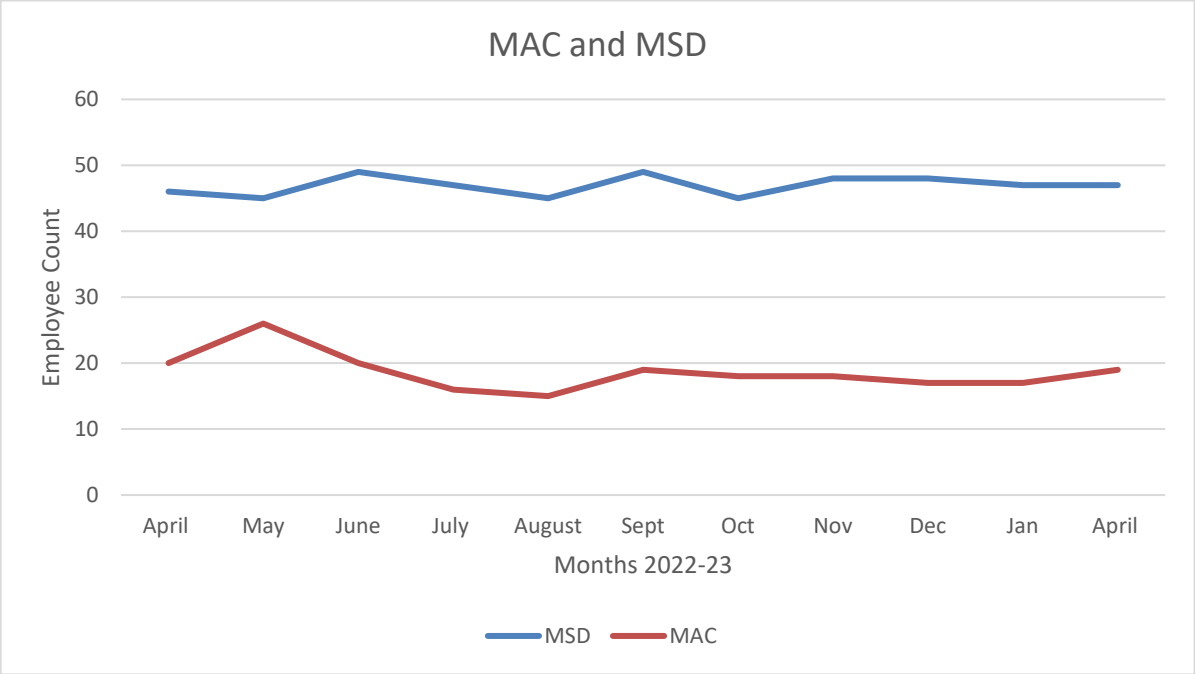
Evaluated calls, documented in Genesys, were sampled. A total of 16 out of 62 evaluated calls were tested. The evaluations were fully documented in Genesys. The criteria utilized compared to the priorities identified in the job aids were matched. No issues were noted. The totals chosen were sufficient.

Testing criteria revealed an outdated Internal Voice Recording (IVR) message (the outgoing message that callers hear before a Benefit Advisor answers). The message stating that 1099Rs will be mailed and available at the end of January remained on the IVR through August 5, 2022. There is no risk involved to the ASRS.

One criterion on the Genesys Evaluation Form is labeled as 5.1 and says, "Asked if there is anything else the member needs." For a sample of evaluated and unevaluated calls, 50% of the Benefit Advisors did not ask this question. The Evaluators marked this criterion as correct on 100% of the evaluations for the evaluated calls. There is no impact on the ASRS.



The following graph shows movement and employee count in MAC and MSD as a whole.



Areas for Potential Improvement

Three areas of potential improvement in the review and training areas concern abandoned calls due to long hold times, call selection, and the review of Spanish-speaking calls.

A review of abandoned calls may be performed to determine a common cause or if a particular representative is responsible for multiple events of this issue. There were only five abandoned calls in total. Four were from a single Benefits Advisor. The issue was addressed per the Member Services Administrator but needed to be documented in Genesys.

MSD reviews abandoned calls for patterns. The reviews were not documented in Genesys. Based on conversations with the Assistant Director (AD) and the Member Services Administrators, future reviews of this nature will be documented in Genesys.

***Management response**: We concur that it is good practice to review abnormalities, and we regularly spot-check any abnormal call behavior, including long hold times, as part of our systematic call review process.*

When abnormalities are identified, a supervisor will review the call. If, upon review, there is a valid reason for the abnormality, such as a system issue, we will not "grade" the call, which documents it in Genesys.

We do specifically target abandoned calls and their reduction. In FY2019 MSD abandoned 17,051 calls; this number is down to 548 through 11 months of Fiscal Year 2023 and is projected to finish under 600 total for the year.

We will continue to investigate, document, and coach as needed as these abnormalities arise.

MSD should review calls of different time lengths to match the percentage of calls received during the review period.

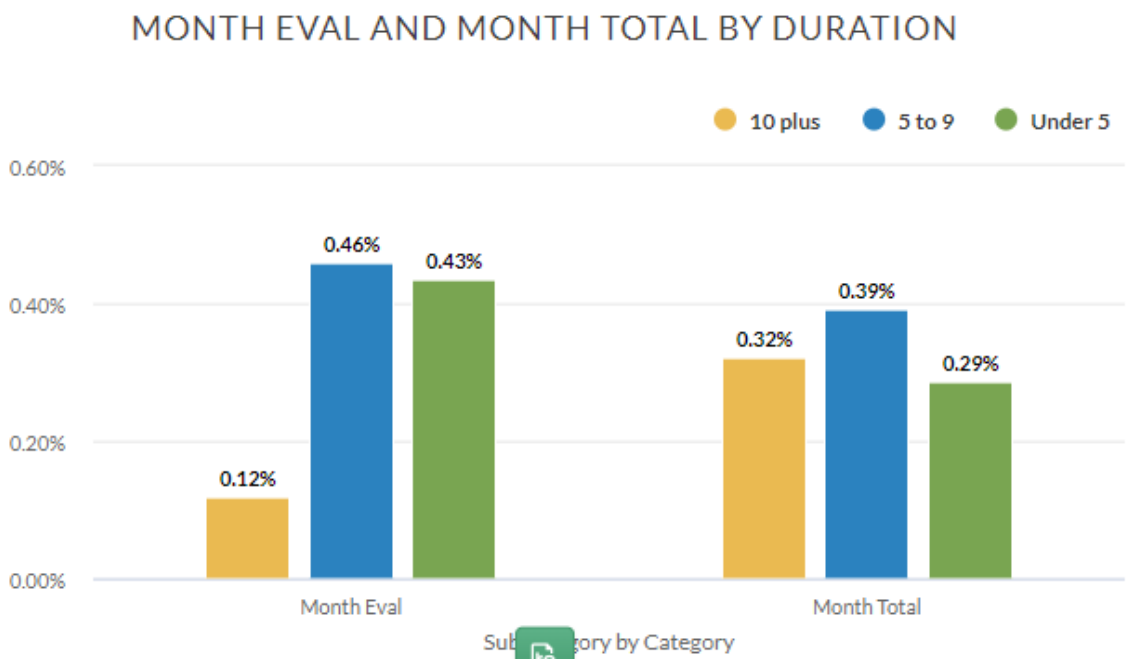
Fewer calls of 10+ minutes were reviewed than received. Calls of 10+ minutes accounted for 32% of all calls received during the sample period, per the Genesys Interaction report. Only 12% of calls reviewed were of 10+ minutes. Suggested separating calls for review by time to ensure an equal sampling.

***Management response**: We concur that it is good practice to have a more representative population sample.*

While we do review of calls lasting 10 minutes or longer (10+) and aim to be as thorough as possible, following this audit note, we have instructed the call reviewers to increase the number of 10+ minute call reviews.

Spanish-speaking calls are mentioned in the first paragraph, and I would just like to take a moment to address that we had one supervisor who would review Spanish calls as needed. Spanish-speaking calls were treated the same as English as they arose within a random sample by the reviewer.

We now have two Spanish-speaking supervisors and are making a small adjustment to the number of Spanish calls to match the correct sample population, which is approximately 0.025% of our total calls.



Sources of Data:

1. IQ/References/Job Aids for Benefit Advisors: used in lieu of Standard Operating Procedures (SOPs) per MSD management. Provides a quick reference to member questions.
2. Genesys:
    a. Interactions: Lists all call interactions per User (Benefit Advisor) monthly.
    b. Admin/Evaluators: Lists calls monitored by various Evaluators monthly.
    c. Admin/Evaluation Forms: Lists evaluation criteria on a numbered basis.
    d. Performance/Workspace/Queue Performance: Report that shows total call volume offered.
    e. Performance/Agent Performance: Lists the number of calls received per User (Benefit Advisor) monthly.
3. IQ/Daily IQ/Org Chart: Shows current and past organization charts.

Audit Standards

The audit work performed during the engagement was conducted in conformance with the International Professional Practice Framework of The Institute of Internal Auditors. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

Acknowledgments

The Internal Audit Division recognizes and thanks the following individuals for their assistance in completing this audit:

Jeremiah Scott-Assistant Director of Member Services

Leah Wagner-Member Services Administrator, MAC

Jenna Golab- Member Services Administrator, Analysis and Operations

M. Rebeca Galaviz-Retirement Specialist Supervisor, Analysis and Operations

Agenda Item #9

ARIZONA STATE RETIREMENT SYSTEM
PHOENIX: 3300 North Central Avenue | PO Box 33910 Phoenix, AZ 85067-3910 | 602.240.2000
TUCSON: 4400 East Broadway Boulevard, Suite 200 Tucson, AZ 85711-3554 | 520.239.3100
TOLL FREE: 1.800.621.3778 | AzASRS.gov
ASRS DIRECTOR: Paul Matson

MEMORANDUM

TO: Ms. Sarah Webber, Chair, Arizona State Retirement System (ASRS) Operations, Audit and Legislative Committee (OALC)

FROM: Mr. Harold Mackey, Chief Internal Auditor

DATE: June 22, 2023

RE: Agenda Item No. 9: Presentation, Discussion, and Appropriate Action Regarding the ASRS Audit Plan for the Two Fiscal Years (FY) of 2024-2025

Purpose

To review the proposed ASRS Internal Audit Division (IAD) Biennial Audit Plan for Fiscal Years 2024 and 2025.

Recommendation

Action item: In order to ensure compliance with open meeting law, staff will provide its recommendation for Committee consideration during the presentation.

Background

During the Fiscal years 2021 and 2022, the ASRS did not escape the impacts of the COVID-19 pandemic. However, because of its resilience and resoluteness, the agency was able to quickly pivot into a new operating model. Changes to the agency are ongoing, and with them, exposures to new risks need to be identified, evaluated, and mitigated as appropriate.

The ASRS is undertaking a new strategic planning cycle. The IAD is adjusting its strategies and services as well. It is our opinion that our realignment efforts will enhance our ability in governance, risk, and compliance services and will bring value to the agency, and contribute to the achievement of its goals and objectives.

The Biennial Plan construction consisted of the Enterprise Risk Management Report 2022. In addition, to the risk-based components, the IAD considered other aspects primarily through the process of discovery and evaluation, assessments of emerging risks identified in leading industry periodicals, journals, white papers, and presentations. The IAD also surveyed the agency to consider near-term risks and exposures. These were identified through discussion with leadership and recent transitional actions which may pose significant risks to the ASRS.

Lastly, the IAD has obligations to perform certain non-risk-based tasks because of our inherent skill set and implied independence. The IAD has included these efforts in the plan. These are identified as advisory services, consultative engagements, monitoring, and non-risk-based assessments.

Plan Observations:

Three areas of change are included in this audit plan:

1) In that respect, Internal will obtain reasonable assurance that the agency has identified and established sufficient control structures to mitigate exposures of its shift to the new normal. Risks to the agency in the post-pandemic era include:
    a. Shift to telecommuting: One of the more important transitions is a significant shift, work outside of the office.
    b. Shift in the office environment: floor space consolidation, the proximity of divisions on the same floor, and shared physical assets.

2) In preparation for the next evolution in risk management Internal Audit believes it is important to assess the agency's overall risk maturity. This will take into consideration the current and future state of risk management and compliance efforts. Strategic realignment includes:
    a. Collaboration with agency staff on risk and compliance
    b. Collaboration on employer contributions reporting
    c. Realignment of risks associated with potential fraud and other improper acts
    d. Risk mitigation surrounding member accounts

3) As part of providing an independent perspective, the Board should receive metrics that are accurate and free from error. The assurance program includes:
    a. Enhanced governance oversight: assurance in board reporting
    b. Collaborate with leadership on evaluating existing and future metrics

Arizona State Retirement System
Internal Audit Division

Audit Plan
Fiscal Years 2024 – 2025

Revised Date: 21 June 2023

Prepared by: Harold Mackey, CISA
Chief Internal Auditor

Disclaimer: The development of the Internal Audit Biennial Audit for the Arizona State Retirement System is a culmination of the guidance set forth in the ASRS IA Operational Model of 2018 and assurance of best standards and practices as proffered by the Institute of Internal Auditors, Antrim and Newtownabbey Borough Council, and other similarly situated entities that use IIA standards and best practices.

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1 Introduction

This document sets out the interim risk assessment and Internal Audit plan for the Arizona State Retirement System (ASRS), Internal Audit Division (IAD). In addition, this document provides ASRS management and the Operations, Audit, and Legislative Committee (OALC) with:

- An understanding of the IAD's risk-based approach to developing this Biennial Audit Plan
- The proposed Biennial Audit Plan, resource allocations, and budgeted hours for Fiscal Years 2024 and 2025.

1.1 Foundation

The Institute of Internal Auditors (IIA), International Professional Practices Framework (IPPF) Performance Standards (PS) requires that:

> "The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach." (PS 2100)
>
> "The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals." (PS 2010)
>
> "The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations." (PS 2020)

1.2 Consultation on and Approval of the Plan

We have consulted with the following: OALC Chair, Director, Deputy Director, Senior Management, key advisors, and subject matter experts.

Approval Criteria: per the Board Governance Policy Handbook:

> 3. Actions Requiring Independent Board Review
> The OALC will use its discretion in reporting or making recommendations to the Board except in cases when Board action is required by governance policy. Specifically, the OALC will forward its recommendations to the Board on the following matters:
> e. Biennial approval of the internal audit plan."

2 Approach

IA's five-step approach to developing the Biennial Audit Plan (2022-2023) is set out below. A more detailed description can be found on the following pages.

Biennial Audit Development Process

Step 1: Information Gathering	Gain an understanding of industry trends and current environmental risks through training, publications, and industry personnel.
Step 2: Risk Analysis	Assess the organization's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organization.
Step 3: Audit Plan Development	Develop a proposed Audit Plan based on interviews, risk assessments, resources, resource availability, budget, and division coverage.
Step 4: Vet Proposed Plan	Align the proposed audit plan with consideration to the current and proposed organizational strategic plans, goals, and objectives.
Step 5: Approval and Execution	Present to the Operation, Audit, and Legislative Committee for a recommendation of plan approval from the Board.

2.1 Risk Assessment Purpose

The ASRS executive and senior managers, under the oversight of the OALC and in collaboration with the Internal Audit Division (IAD), performed a risk assessment to ensure the ASRS is taking appropriate steps to mitigate risks that threaten administrative effectiveness. The risk assessment was used by the IAD to determine what services or service areas should be audited and to facilitate the development of its two-year audit plan.

2.2 Risk Ranking

Risks were developed using material developed by the Association of Public Pension Plan Fund Auditors (APPFA) in a document titled "Operational Risks of Defined Benefit and Related Plans and Controls to Mitigate Those Risks," prepared in 2013. This document was redesigned to meet the current and particular needs of the ASRS.

Under the oversight of the OALC, the ASRS executive and senior managers identified and rated risk factors as follows:

- Inherent Impact[1]: the natural risk level in a process that has not been controlled or mitigated in risk management.
- Risk tolerance: the degree of risk or uncertainty that is acceptable to an organization.
- Controls: methods for neutralizing or reducing identified risks.
- Likelihood: the possibility of a potential risk occurring.
- Residual impact: the final or intended impacts which occur after the proposed mitigation measures have been implemented.

2.3 Risk Assessment

Risk affects the ability of the ASRS to maintain its financial strength and the quality of its services. There is no practical way to reduce risk to zero. Therefore, management must continually make judgments regarding the level of risk it is willing to accept. Risk assessment is a systematic process for accessing and integrating professional judgments about probable adverse conditions or events. The assessment was conducted in accordance with principles espoused in the 2016 Committee of Sponsored Organizations report (COSO) of the Treadway Commission. The OALC has reviewed the results of the current risk assessment prepared by management and added their own suggestions.

Following the assessment, a control strategy of options was prepared on how the agency will respond to each risk and the actions the agency will take to mitigate the risks. In addition to mapping the agency's strategy regarding risks, the risk assessment provided the IAD with a logical method of identifying activities for the Audit Plan. The following areas of risk which require IAD involvement were identified by the agency's current Risk Assessment.

Areas of Potential Risk Not Identified in Risk Assessment

In addition to mapping the agency's strategic priorities regarding risks, the IAD uses a logical method of identifying areas of potential risk not identified managements' risk assessment. The following areas of risk which require IAD involvement were identified as emerging risks not currently assessed in the agency's current Risk Assessment.

In the unlikely event that a risk assessment cannot be derived from one of the ASRS' risk registers, Internal Audit uses material developed by the Association of Public Pension Plan Fund Auditors (APPFA) in a document titled "Operational Risks of Defined Benefit and Related Plans" prepared in 2013.

---

[1] Internal Audit will assign an inherent risk score based on:
- Internal Audit's knowledge of the ASRS and of local government more generally; and
- Discussions with management and other key stakeholders.

2.4 ASRS Strategic Risk Categories

Rank	ERM Category	Strategic	Operational	Compliance	Financial/Fraud	Reputational
1	Cash Flow Security			x	x	x
2	Data Security		x			x
3	Significant Disruption to Operations	x	x			x
4	Investment Returns	x		x	x	x
5	Succession & Workforce Planning	x				
6	Sub-optimal identification of key risks	x		x		
7	Significant Disruption to Customer Service		x			x
8	Software Development		x			
9	Governance Reporting	x		x		x
10	Employer Compliance			x	x	
*	Cloud Migration	x	x	x		

For high-risk audit units, a list of identified risks was developed and evaluated across various risk categories, summarized below. The following risk categories were considered in the development of the risk assessment and internal audit plan.

Risks	Description
Strategic	Impairment to implementation of the strategic mission of the Institution.
Operational	Impairment of the ability to carry out the operations of the Institution.
Compliance	Failure to comply with laws, regulations, and policies of the Institution.
Financial/Fraud	Loss of financial resources, assets, or opportunities.
Reputational	Risk that public image or reputation is damaged by actions of an audit unit or individual connected to the Institution.

** Cloud Migration is a strategic project and as such is identified separately from other strategic risks.*

2.5 Resource Allocation

The level of the IAD activity represents a deployment of the Agency's internal audit resources. As would be consistent for any internal audit service, given the finite IAD resources available, it would not be possible to provide audit coverage of all aspects of the Agency's activities within a given year. Therefore, the plan does not purport to address every risk identified across the auditable areas. It focuses on the most significant risks identified during the risk assessment process.

2.6 Audit Plan Coverage

Auditable areas include functions, processes, systems, or locations. Any processes or systems which cover multiple areas are separated into their own distinct auditable area. The articulation of auditable areas is not intended to convey the ASRS structure or reporting lines of the Agency.

Audit Areas Requiring Annual Review

- Governance Reporting
- IMD Settlement Processing
- Logical access to Information Systems
- ASRS GASB 68 Census Testing: Fieldwork
- IAD Quality Assurance

The Agency has added an in-house investment compliance and risk officer in addition to its outsourced investment compliance services. The IAD reviews the reports submitted as to compliance with statutes, the ASRS Investment policy/procedures, or Letters of Understanding.

Management/Operation, Audit, and Legislative Committee Requested Audits

The activities are captured under the collective category of Director Requests. The range of requests range from simple assessments to complex full engagement audits and assessments. Their impact may directly affect the audit plan schedule and available resources based on time constraints and the urgency of the request.

Fraud Oversight and Fraud Hotline Monitoring

The Fraud Hotline serves as a clearing house for staff, members, stakeholders, and other individuals to contact the ASRS regarding potential inappropriate acts. It is a focal point for collecting such information.

2.7 Auditable Services Matrix

For risk assessment and audit planning purposes, the IAD divided the ASRS operations into the following potential auditable areas:

Current ASRS Risks	Division	Governance	Risk Management	Operational Effectiveness	Customer Service	Operational Continuity
Benefit Programs	Agency	2		1	3	
Investment Management	IMD		4	4		
Enterprise Infrastructure	TSD			7		
Application Development	TSD					
Health Insurance & LTD	MSD				11	
Employer Relations	MSD				11	
Outreach	MSD				3, 8	
Member Advisory Center	MSD				8	
Membership Accounting	FSD				10	
Member Benefits	FSD				9	
General Accounting	FSD	2, 5				
Information Privacy	DO		5			
Information Security	DO		5			
Strategic Communications	DO	3				
Strategic Planning	DO	2	5			
Procurement	ASD			6		
Facilities Management	ASD			6		
Human Resources & Training	ASD					13
Budget	ASD			6		
Management Support Services	DO	2				
Support Services	FSD				9, 10	
Analysis and Operations	MSD				2, 8	
Benefits Administration	MSD				11, 12	
Quality Assurance and Release Management	TSD			7		
Database Management	TSD			7		

3 Audit Project Descriptions

A detailed listing of the audits for the Fiscal Years 2024 and 2025 are as described below. Included for each audit description are the preliminary engagement objectives, the scope, the reason for the audit, and links to the ASRS Strategic Priorities, as well as impacted program areas.

Audit and Audit-related

Governance Reporting Initiative	
Program Areas: Agency-wide	**Estimated Hours**: 400 hours
Strategic Goal(s):	**Frequency**: Periodic
Objectives: Ensure the accuracy and efficacy of the reports presented in the Director's report.	**Scope includes:** Metrics identified in the Director's report to the Board.
Rationale: To provide the Board and other stakeholders with reasonable assurance that the core reporting of metrics is accurate and complete.	

IMD Settlement Process Assessment	
Program Areas: Investment Management	**Estimated Hours**: 120 hours
Strategic Goal(s):	**Frequency**: Annual
Objectives: The purpose of this assessment is to provide for a streamlined Independent Assessment (IA) process. The process steps that are documented ensure that an assessment covers the requirements to verify the controls without over-simplifying or over-complicating the process.	**Scope includes:** The scope of the assessment covers the investment transaction initiated by ASRS in-house portfolio managers using the ASRS' third-party services provider Bloomberg.
Rationale: Independent assessment has been introduced in the CSP as a prerequisite for attestation to enhance the integrity, consistency, and accuracy of attestations, as requested by SWIFT's Board and Overseers. Before submitting an attestation through the Security Attestation Application, each user must assess against, as a minimum, the mandatory security controls as set out in the CSCF.	

Logical Access – Information Systems	
Program Areas: Agency-wide	**Estimated Hours**: 400 hours
Strategic Goal(s):	**Frequency**: Annual
Objectives: To determine if internal controls are effective to ensure the ASRS' employees' access to PII is restricted to their current roles and responsibilities.	**Scope includes:** Staff that keep roles to systems and data after their jobs change; staff not always removed from old roles (POL, PWEB, network, etc.). Accounts for ex-employees which are not terminated and can be accessed by someone else.
Rationale: Too much access to PII given to staff over time.	

Risk Management Practices	
Program Areas: Director's Office	**Estimated Hours**: 800
Strategic Goal(s):	**Frequency**:
Objectives: Determine the risk maturity of the ASRS and identify gaps to achieve the next level of maturity.	**Scope includes:** 1) Provide a measure of risk maturity of the ASRS using an industry-standard risk maturity model. 2) Review of the risk management components utilization of tools, staff analysis, management decisions, and processes are operating effectively for risk identification and mitigation.
Rationale: To provide the risk and compliance posture of the ASRS and the status of risk management to ensure sufficient ROI during implementation rollout and agency risks are not exposed to unauthorized individuals.	

Member Account Access	
Program Areas: Member Services	**Estimated Hours**: 320
Strategic Goal(s):	**Frequency**:
Objectives: To provide reasonable assurance that access to member and retiree ASRS accounts is restricted to those individuals.	**Scope includes:** Identifying and evaluating methods of unauthorized individual access to member secure information.
Rationale: There is a risk of unauthorized access to member account information.	

Employer Audits	
Program Areas: Member Services	**Estimated Hours**: 1500
Strategic Goal(s):	**Frequency**: As Requested
Objectives: Determine if eligible members are identified and enrolled by employers (contributions remitted); if employers or members manipulate reported data or contributions for fraudulent purposes; if employers adequately perform their administrative duties and responsibilities, including notifying the ASRS of incentives to employees and other fraudulent acts. These risks are addressed in Employer Audits, page 10 of the audit plan.	**Scope includes:** Five employers have been identified for audit. The IAD will review the past 36 months of the payroll records of each employer selected for audit. Additionally, the IAD will review additional employers as requested.
Rationale: Member Services has identified several employers that require a more complete examination of their contributions to the ASRS.	

Enterprise Information System (EIS) Asset Protection Controls	
Program Areas:	**Estimated Hours**: 600
Strategic Goal(s):	**Frequency**:
Objectives: To determine if internal controls are adequate to ensure the ASRS is able to mitigate the loss of IT assets and PII/sensitive data.	**Scope includes:** An examination of IT equipment capable of storing data such as portable/mobile devices (laptops/cell phones for travel with the assigned individual); computers including desktops, laptops, and to a lesser extent, servers, printers, and scanners are easily accessible on all ASRS floors/ offices/cubes. In addition, retired devices are swept clean of agency-related data.
Rationale: Possible loss or damage of equipment, loss of productivity, possible loss of data/PII, reduced job satisfaction, increased staff stress, increased security risk, or damage to the ASRS' reputation. To reasonably assure that retirement plan assets (records, files, and documents) are sufficiently protected from loss, theft, corruption, fraud, and other similar irregularities and identifiable hazards and are adequately safeguarded.	

ASRS GASB 68 Testing: Fieldwork	
Program Areas: FSD, IAD, External Auditor [CLA]	**Estimated Hours**: 320 hours
Strategic Goal(s):	**Frequency**: Annual
Objectives: To determine if membership information obtained from the employers and used in the determination of the valuation of the fund is in agreement with the ASRS records.	**Scope includes:** Conducting fieldwork (staff augmentation to CLA) in support of GASB 68 compliance, reviewing the member date of birth, member eligibility, member reported salary, and member total credited service. CLA will identify a sample of Employer Reporting Units and members for the audit each year.
Rationale: This is an annual requirement for all pension plans by the Governmental Accounting Standards Board. To save the agency money on additional audit fees, the Internal Audit Division, under the guidance of the external auditors, will do the fieldwork for this requirement.	

IAD Quality Assurance Review	
Program Areas: Internal Audit	**Estimated Hours**: 150 hours
Strategic Goal(s):	**Frequency**: Annual
Objectives: Conduct an annual self-assessment of Internal Audit's compliance with professional auditing standards.	**Scope includes:** Performing a self-assessment of Internal Audit's compliance with professional auditing standards.
Rationale: To ensure the ASRS IAD conforms to applicable audit standards, identifies areas for continuous improvement, and supports the requirement for peer review compliance.	

Foreign Annuitants Confirmations	
Program Areas: Internal Audit	**Estimated Hours**: 240
Strategic Goal(s):	**Frequency**: Every Two Years
Objectives: Obtain evidence of proof-of-life for retirees and beneficiaries living outside the US.	**Scope includes:** Receiving confirmations through independent verification from competent authorities in the source country of the annuitant.
Rationale: This is a process to mitigate exposure of paying benefits to annuitants who are no longer living. It also ensures timely payments to survivors and reduces exposure for reclamation of funds.	

Follow-up of Prior Year Audits	
Program Areas: Agency Wide	**Estimated Hours**: 150 hours
Strategic Goal(s):	**Frequency**: Annual
Objectives: To determine if entities audited in the prior year have successfully addressed and corrected the findings noted during the audit as promised in their responses.	**Scope includes:** Reviewing the responses to prior audits and reviewing the evidence that the finding has been addressed and corrected.
Rationale: One of the requirements of the international standards of Internal auditing, as implemented by the Institute of Internal Auditors, requires the determination that corrective action was taken on all findings brought to management's attention.	

Fraud Reporting	
Program Areas: Agency Wide	**Estimated Hours**: 480 hours
Strategic Goal(s):	**Frequency**:
Objectives: Determine if internal control structures are sufficient to ensure adequate controls and mitigate known threats to the Plan and organization.	**Scope includes:** Board Governance and Oversight, Management, Risk Management, and Audit.
Rationale: To satisfy ASRS governance requirements and assess the agency's ability to investigate improprieties from internal or external sources reported to IAD	

4 Workplan Allocations

An explanation of each audit and assessments of the program areas, the objectives and scope of the audit, and the reason for the audit appear in Section 3, Audit Project Descriptions of this report.

Each audit project, with total hours allocated, are as follows:

Project Name	Hours	Days
Audits and Audit-related		
Logical access – Information Systems	400	50.00
EIS Asset Protection Controls	600	75.00
Member Account Access	320	40.00
ASRS Risk Management Practices	800	100.00
IMD Settlement Process Assessment	120	15.00
Governance Reporting	400	50.00
Employer Audits	1,500	187.50
Fraud Reporting	480	60.00
ASRS GASB 68 Census Testing: Fieldwork	320	40.00
Foreign Annuitants Confirmations	240	30.00
IAD Quality Assurance Review	160	20.00
Follow-up of Prior Year Audits	160	20.00
Total	**5,500**	**688**

Appendix

Appendix A – Administration and Ancillary Activities

Other Audit Activity	Hours	Days
Audit-Related		
Ad Hoc Work and Special Reviews	120	15
Director's Requests	100	12.5
Governance		
OALC Meetings	64	8
Board of Trustees Meetings	54	6.75
Management Meetings (SMT/EMT)	80	10
Advice, Guidance, and Training	100	12.5
Risk Management	64	8
Liaison with External Auditors/Assessors	46	5.75
Administration		
Quarterly & Annual Reporting	80	10
Audit Planning	160	20
Professional Organizations	80	10
Staff Continuing Education and Professional Development	480	60
Contingency	280	35
Total Other Audit Activity Days	**1708**	**214**

Appendix B – Estimated Time: Staff Allocation

The ASRS Internal Audit Division has three full-time Internal Auditors and one full-time Chief Internal Auditor. The available 'audit days' for FY 2024/25 period is 682 per Fiscal Year and is calculated as follows:

Per Staff	Days	Hours
Days	365	2,920
Less: Weekends	52	(832)
Subtotal hours		2,088
Less: Vacation		(170)
Holiday		(80)
Sick		(40)
Subtotal VHS		(290)
Available work hours		1,798

Audit Hours	Staff	CIA[2]	Hours	Days
Available working days/hours	5,394	1,798	7,192	899
Less[3]:				
Formal training	(420)	(140)	(560)	(70)
Meetings	(214)	(194)	(408)	(51)
Admin time	(248)	(172)	(420)	(53)
Other/Ad Hoc	(120)	(200)	(320)	(40)
Subtotal	**(1,002)**	**(706)**	**(1,708)**	**(214)**
Available to perform audits[4]	**4,392**	**1,092**	**5,484**	**686**

[2] Fraud-related activities (Hotline monitoring, Administration, and Investigations).
[3] Non-project allocated time (Correspondence, time reports, house-keeping, and computer) delays, other non-chargeable time.
[4] Estimated time available to perform audits per fiscal year.

Appendix C – Reporting Framework

Internal Audit must:

> *"report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. (PS 2060)*
>
> *"communicate the results of engagements" (PS 2400)*

The following reporting framework will be adopted:

Report/deliverable	Nature of report/deliverable	Frequency/Timing	Issued to
Internal Audit Strategy	Plan of engagements over a three-year period based on a risk-based assessment	Refreshed annually (April)	OALC
Biennial Audit Plan	Details of resource requirements and high-level overview of audit engagements	Biennial (April)	OALC
Internal Audit Charter	Defines internal audit's purpose, authority and responsibility	Annually	OALC
Individual Engagement Findings and Recommendations Reports	Results of the engagement - to include engagement's objectives, scope, conclusions, recommendations, and action plans	On conclusion of each engagement	Management (summary provided to OALC through OALC Update papers/Annual Report)
Quarterly Audit Report	Summary of Internal Audit's activity since the last Audit Committee update, including the Summary of individual engagement	Quarterly – concurrent with OALC meetings	OALC
Follow up of Recommendation / Actions Plans	Results of follow-up work undertaken to establish whether and how effectively management has implemented recommendations / actions plans	Quarterly – concurrent with OALC meetings	Management (summary provided to OALC through OALC Update papers/Annual Report)
Annual Internal Audit Report	Summary of Internal Audit's performance relative to its plans, including: • Summary of individual engagement • Follow up engagements • The Quality Assurance and Improvement Program • Overall assurance opinion	Annually after FY close	OALC

Appendix D – Revision History

The Internal Audit Biennial Audit Plan will be reviewed on a regular basis, preferably at least quarterly, from the date of its issuance. Any significant deviation from the Internal Audit Biennial Audit Plan is communicated to Executive Management and the OALC, including any impact of resource limitations.

Description	Name	Revision Date
Initial Draft	Harold Mackey	31 May 2023
Initial Review	IA Staff	21 June 2023
Minor edits	Harold Mackey	22 June 2023
Minor edits	MelanieAlexander	3 July 2023

[End of document]

Agenda Item #10-12

Note: There are no materials for these agenda items

Our Mission

Arizona's Revised Statutes § 38-712 outlines the purpose of the ASRS:

- Provide an incentive in the recruitment and retention of employees of the highest possible quality.
- Contribute toward providing a total compensation package that is generally equivalent to comparable employment in other public and private organizations in this state.
- Provide a retirement system that encourages employees to remain in service for periods of time that will provide public employers with the full benefit of the training and experience gained by the employees.
- Provide an orderly method of promoting and maintaining a high level of service to the public through an equitable separation procedure that is available to employees at retirement or on becoming a person with a disability.
- Provide a base retirement benefit that is less than one hundred per cent of a member's post-retirement income requirements, recognizing that personal savings and social security also contribute toward total post-retirement income requirements.

In general, the statutory mission refers to the following programs managed by the ASRS:

1. The Defined Benefit Plan (The Plan).
2. The System (the plan in place prior to the DB plan which is closed to new participants).
3. A Retiree Health Insurance program and premium benefit supplement.
4. The Long Term Disability (LTD) program for disabled members.
5. Optional, Supplemental Defined Contribution Plans to employers.

Our Vision

For the benefit of our members, the Arizona State Retirement System will be a top performing benefit plan administrator with a solid reputation and sustainable plan design.

The agency will be a leader in the areas of:

Core Member Services • **Operational Effectiveness** • **Investment Performance** • **Funded Status**

This will be accomplished while maintaining actuarial and fiscal integrity and keeping program benefits and associated costs relatively aligned.

Our P.R.I.D.E. Values

Our organizational culture will be based upon the following PRIDE values:

Professionalism: A highly capable workforce will promote a professional and respectful environment and lead the organization.

Results: A results-oriented approach to operations will energize the organization.

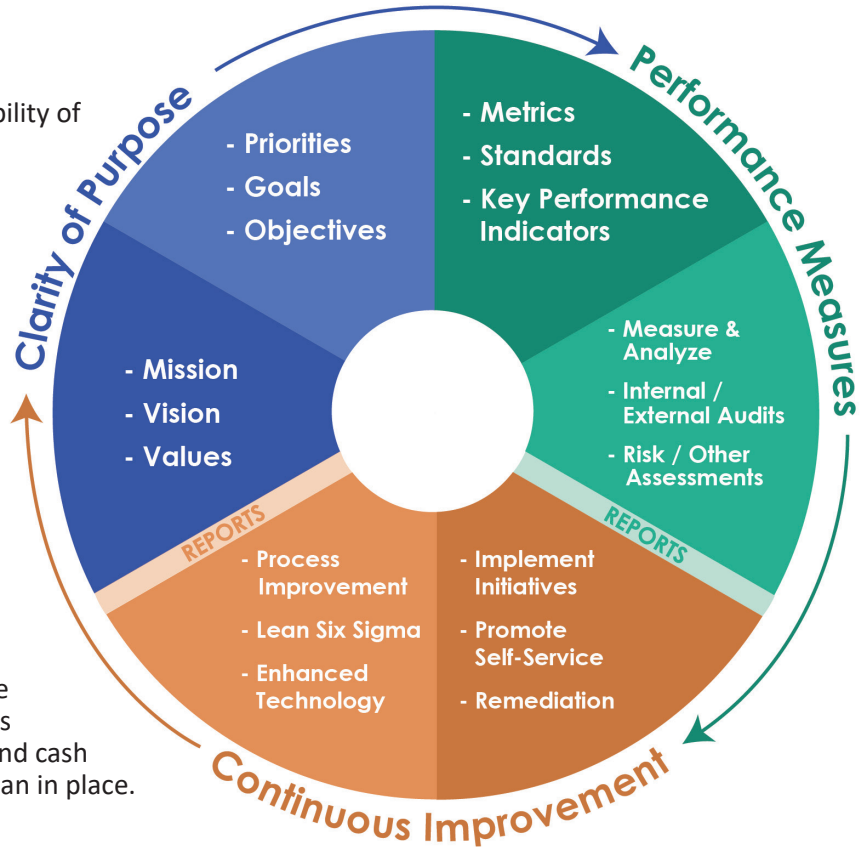
Improvement: A climate of continuous quality improvement and enhanced efficiencies will drive the organization.

Diversity: Engagement of diversity by the appreciation, recognition, and support for all people will propel the organization to even greater achievement.

Excellence: A commitment to service excellence will permeate the organization.

Strategic Priorities and Goals

*The ASRS strategic plan promotes and aligns a dynamic, forward-looking work environment that facilitates clear thinking and action forward ensuring the ASRS is a top-performing benefit provider with a solid reputation and sustainable plan design. Its organizing principles are to define a **Clarity of Purpose, Performance Measurements, and Continuous Improvements** as encapsulated by the following six priorities.*



PRIORITY #1 | Maintain Sustainable Benefit Plans

- **Goal 1:** Ensure the cost-effectiveness and sustainability of ASRS benefit programs.
- **Goal 2:** Ensure responsible governance in the administration of ASRS and its benefit programs.
- **Goal 3:** Foster trust and confidence with members and employers through effective communication of the actions and activities of the ASRS.

PRIORITY #2 | Achieve Investment Goals

- **Goal 4:** Design, implement and maintain an investment program that maximizes rates of return for acceptable levels of risk.

PRIORITY #3 | Enhance Risk Management Capabilities

- **Goal 5:** An enterprise-wide risk management program will provide reasonable assurance that the agency has identified, managed, and mitigated risks associated with data security, privacy protection, and cash controls and has an effective business continuity plan in place.

PRIORITY #4 | Optimize Operational Effectiveness

- **Goal 6:** Manage budgets and implement strategies designed to improve operational effectiveness and make the ASRS more cost-effective.
- **Goal 7:** Provide members and business users with technology that is high-performing and able to support evolving business needs.

PRIORITY #5 | Provide Outstanding Customer Service

- **Goal 8:** Members and employers will receive timely and accurate service that results in high levels of customer satisfaction.
- **Goal 9:** Member disbursements will be processed timely and accurately, resulting in high levels of satisfaction.
- **Goal 10:** Contributions and data received from members and employers will be processed and managed efficiently and effectively.
- **Goal 11:** For the sole benefit of eligible members, the ASRS will offer health insurance plans which have the following characteristics:
    1. Cost competitive, with respect to each marketplace
    2. Accessible, with respect to provider networks
    3. Efficient, with respect to enrollment and in-plan navigation
    4. Strong customer service, from vendors and ASRS staff
- **Goal 12:** The ASRS will administer a Long Term Disability plan that is competitive, efficient, and satisfies members.

PRIORITY #6 | Ensure Operational Continuity

- **Goal 13:** Recruit, retain, and develop a high-performing and engaged workforce capable of achieving agency goals, and implement workforce plans that prepare future leaders and ensure continuity in key positions.