

**MINUTES  
PUBLIC MEETING  
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**HELD  
Wednesday, September 7, 2022  
2:30 p.m.**

The Arizona State Retirement System (ASRS) Board of Trustees met in person, with some attending virtually, in the First Floor Board Room of the ASRS Office, 3300 N. Central Avenue, Phoenix, Arizona 85012.

Mr. René Guillen, Chair of the ASRS Board, called the meeting to order at 2:30 p.m.

**1. Call to Order; Roll Call; Opening Remarks**

Present: Mr. René Guillen, Chair  
Ms. Diane Landis (Virtual)  
Mr. Kevin McCarthy (Virtual)  
Mr. Jim Mueller (Virtual) – joined the meeting at 2:41 p.m.  
Mr. Jay Petkunas (Virtual)  
Ms. Sarah Webber (Virtual)

Excused: Mr. Mike Miller, Vice-Chair  
Mr. Michael Lofton  
Ms. Ashley Ruiz

A quorum was present for the purpose of conducting business.

Ms. Melanie Alexander, ASRS Board Administrator, provided all attendees with virtual attendance meeting guidelines.

**2. Presentation, Discussion, and Appropriate Action Regarding an ASRS Contribution Prepayment Program and Policy**

Mr. Paul Matson opened the discussion by providing the Trustees with the program's background. He stated this plan has been primarily demand-driven by ASRS Employers and appears to be one of the first of its kind in the United States. The approach is for the pre-payments to offset future employer contributions rather than immediately increasing the funded status for the individual employer.

Mr. Matson discussed the changes to the policy with the Trustees since the last time it was presented to the Board. The first change was removing the guaranteed rate of return option for the Employer as it appeared to be contentious as it moved through the legislative process. The second change was enhancing the program with regard to providing greater flexibility to the employer with respect to the amortization process and periods.

Mr. Matson continued to review key aspects of the program with the Board, which include the actuarial considerations, board governance, communication, legal documentation, accounting, tracking, and investment management.

Mr. Matson noted the ASRS also received legislative authority to transfer money into an ASRS-managed 115 Trusts if needed; however, he doesn't believe the 115 trusts will be utilized much if at all. Mr. Guillen asked how the prepayment money would be handled if not placed in a 115 Trust. Mr. Matson advised that the funds would be deposited into the trust fund and would be accounted for separately. Mr. Matson further stated that if a 115 Trust were utilized, there would likely be one general trust for all Employers rather than an individual trust for each requesting Employer.

Mr. Matson further noted this prepayment plan only applies to Employer contributions, not employee contributions. Additionally, it only applies to pension contributions, not health insurance or long-term disability. The reasons for this are they are either already overfunded or nearly fully funded and small compared to the pension.

Mr. Matson concluded his presentation and opened it up to questions or comments from the Board.

Mr. Guillen and Mr. Matson discussed the potential of revisiting the guaranteed rate of return, whether there should be a limit on the net pension liability, and early payments (one year in advance), which is not currently in the program.

Mr. Jim Mueller expressed the need for tracking and the Board to receive regular reports to know how the program is doing and asked what the ASRS plans were with regard to this. Mr. Matson responded by stating the plan was to require a report to the Board at least once each fiscal year, or at the request of the Board or the Director, or if there is a significant change. Mr. Mueller stated he would like to see a report at least quarterly in this first year.

Mr. Jay Petkunas commended Mr. Matson on the presentation and materials.

Mr. Guillen commended Mr. Matson and Ms. Jessica Thomas for their work in getting the legislation passed with an emergency clause. This is a great opportunity for the ASRS Employers.

Mr. Matson took a moment to recognize the Actuaries from Gabriel, Roeder, Smith, and Company, who have put in a lot of work on this program, partnering with the ASRS staff, thinking through all the technical details, and engaging GASB.

Hearing no further questions or comments, Mr. Guillen called for a vote.

**Motion:** Mr. Jay Petkunas moved to approve the Contribution Prepayment Program Policy as presented, and delegate to the Director the authority to implement, administer, and manage the program, including:

1. Development and finalization of any legal documentation
2. Development and finalization of any administrative documentation
3. Investment of the deposited funds;

and require the Director to have the Board updated at least once per fiscal year, beginning with the current fiscal year of 2022 / 2023, on the status of the program, including the participation level, prepayment amounts, and other material information with respect to the participation and management of the Program;

and require the Director to have the Contribution Prepayment Program Policy and Program reviewed and presented to the Board, with any recommended modifications, whenever a significant event impacts the Policy and/or Program; or whenever the Director or a Board member recommends a modification or presentation.

Mr. Jim Mueller seconded the motion.

By a roll call vote of 6 in favor, 0 opposed, 0 opposed, 0 abstentions, and 3 excused, the motion was approved. The Trustee votes were as follows:

Mr. René Guillen – approved  
Ms. Diane Landis – approved  
Mr. Michael Lofton – excused  
Mr. Kevin McCarthy – approved  
Mr. Mike Miller – excused  
Mr. Jim Mueller – approved  
Mr. Jay Petkunas – approved  
Ms. Ashley Ruiz – excused  
Ms. Sarah Webber – approved

### **3. Board Requests for Future Agenda Items**

No requests were made.

### **4. Call to the Public**

No one from the public requested to address the Board.

Ms. Alexander confirmed there were no requests to speak.

### **5. Adjournment of the ASRS Board**

Mr. René Guillen adjourned the September 7, 2022, ASRS Board meeting at 2:56 p.m.

Respectfully Submitted by:

Melanie Alexander  
Board Administrator  
ARIZONA STATE RETIREMENT SYSTEM