



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

Friday, May 29, 2015
8:30 A.M., MST

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. Kevin McCarthy, Chair of the ASRS Board, called the meeting to order at 8:34 A.M., Arizona Time.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Kevin McCarthy, Chair
Dr. Richard Jacob
Mr. Tom Connelly
Professor Dennis Hoffman
Mr. Tom Manos

Absent: Mr. Jeff Tyne

A quorum was present for the purpose of conducting business.

2. Presentation Regarding PRIDE Award for Results

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, recognized the following nominees for the PRIDE Award for Results: Non-Call Center Phone Upgrade Team – Sean Stevens, Thomas Neith, John Davis, Nick Dalmolin, Brandon Wilson, Michael Zych, Donna McNally, Aaron Chandler, Jean Langston, Brian Thompson, Harold Greene, Courtney Micheau, and Gary Rodriguez; ASRS Tucson Team – Gary Rodriguez, Dennis Balkema, Dennis Griggs, Jane Hennessy, Jose Palmer, Kim Beck, Lupita Higuera, and Mona Gibson; Clifton Vere; FSD Mailroom Staff – John Mathine and Cincy Gould; Gayle Williams. They were nominated by staff who feel they exemplify the following PRIDE qualities of results:

- Meet goals and objectives
- Satisfy customers
- Complete projects
- Attain individual accomplishments
- Produce quality work products
- Successfully manage risks

Mr. Guarino presented the PRIDE Award for Results to the award winners, Non-Call Center Phone Upgrade Team – Sean Stevens, Thomas Neith, John Davis, Nick Dalmolin, Brandon Wilson, Michael Zych, Donna McNally, Aaron Chandler, Jean Langston, Brian Thompson, Harold Greene, Courtney Micheau, and Gary Rodriguez.

3. Approval of the Minutes of the March 27, 2015 Public Meeting of the ASRS Board

Motion: Prof. Dennis Hoffman moved to approve the Minutes of the April 24, 2015 Public Meetings and Executive Session of the ASRS Board. Dr. Richard Jacob seconded the motion.

By a vote of 5 in favor, 0 opposed, 0 abstentions, 1 excused, and 3 vacancies, the motion was approved.

4. Approval, Modification, or Rejection of Recommended Administrative Law Judge's Decision Regarding Ms. Melissa Berner's Appeal to Reinstate her ASRS Account

Mr. Chris Munns, Assistant Attorney General, Solicitor General Section, was present to provide legal advice to the Board, if requested.

Ms. Jothi Beljan, Assistant Attorney General, provided a summary of Ms. Berner's appeal to the Board. Ms. Berner previously contributed to the ASRS and in August, 2009, the ASRS received a refund application from Ms. Berner and processed it. When the refund was processed, multiple forms of notifications were sent to Ms. Berner, such as, a direct deposit summary sent to her address and a 1099-R sent the following January. In addition, the bank the funds were rolled over into would have sent her a statement that showed documentation of the funds transfer. Upon returning to active ASRS contributing status in 2014, Ms. Berner notified the ASRS that it was not she who submitted the 2009 refund application, it was her husband. Ms. Berner raised this issue during her divorce proceedings with the family court judge who ruled this was community property when it was received and there was no evidence to suggest that the community property assets weren't utilized by the community. Based on this, the Administrative Law Judge denied Ms. Berner's appeal.

Ms. Melissa Berner was not present. There was no representative present on Ms. Berner's behalf either.

Motion: Dr. Richard Jacob moved to accept the Administrative Law Judge's Decision. Prof. Dennis Hoffman seconded the motion.

By a vote of 5 in favor, 0 opposed, 0 abstentions, 1 excused, and 3 vacancies, the motion was approved.

5. Presentation and Discussion Regarding the ASRS Investment Policy Statement

Mr. Gary Dokes, Chief Investment Officer, presented modifications of the ASRS Investment Policy Statement to the Board and provided background supporting the modifications.

The ASRS has developed numerous investment documents which individually address specific

aspects of its investment management program. These include the ASRS Investment Goals & Objectives, Investment Beliefs, Strategic Asset Allocation Policy (SAAP), Strategic Investment Policies (SIP), and the Board Governance Policy Handbook. The Investment Policy Statement aggregates the aforementioned documents into a single macro-level investment document which capture key components of the ASRS investment program.

As the result of review and discussions between the Director and CIO, revisions to the IPS were made. Revisions are marked in red in Exhibit 1 and reflect the development and implementation of the ASRS Cash Management Program, and provide greater clarity of verbiage in the investment cash considerations section.

Motion: Mr. Tom Connelly moved to approve the Investment Committee's recommended proposed changes to the ASRS Investment Policy Statement as denoted in Exhibit 1. Dr. Richard Jacob seconded the motion.

By a vote of 5 in favor, 0 opposed, 0 abstentions, 1 excused, and 3 vacancies, the motion was approved.

6. Presentation, Discussion, and Appropriate Action Regarding the ASRS Biennial Audit Plan for Fiscal Year 2016/21017

Mr. Bernard Glick, Chief Internal Auditor, presented the ASRS Biennial Audit Plan for Fiscal Year 2016/2017 to the Board and responded to questions.

Motion: Prof. Dennis Hoffman moved to approve the ASRS Biennial Audit Plan for Fiscal Year 2016/2017 as presented. Dr. Richard Jacob seconded the motion.

By a vote of 5 in favor, 0 opposed, 0 abstentions, 1 excused, and 3 vacancies, the motion was approved.

7. Presentation, Discussion, and Appropriate Action Regarding Strategic Topics to be Discussed by the Board During Fiscal Year 2016

Mr. Anthony Guarino advised the Board it was time to start considering strategic topics they would like to discuss during Fiscal Year 2016, and asked that they provide input to staff to be discussed further at the June 26, 2015 Board meeting.

Mr. Tom Connelly suggested that it would be beneficial for the Board to receive external education regarding what makes an effective Board given the structure changes and new organization ideals that have been put in place.

Mr. Kevin McCarthy stated that due to recent media coverage of other retirement plans and the recommendations that have surfaced which could significantly impact the ASRS; this should be a topic of discussion as well.

8. Notification of Upcoming Board Elections to Occur at the June 26, 2015 Board Meeting

Mr. Kevin McCarthy announced the upcoming Board elections to occur at the June 26, 2015 Board Meeting.

9. Presentation, Discussion, and Appropriate Action Regarding the Director's Report as well as Current Events

Mr. Anthony Guarino stated that he had nothing further to add but was available to answer any questions the Board may have regarding the Director's Report.

10. Presentation and Discussion with Respect to Informational Updates from Prior and Upcoming Committee Meetings

This agenda item was taken out of order and was formerly listed as agenda item #13.

a. Operations and Audit Committee (OAC)

Mr. Anthony Guarino announced the next OAC meeting will be held on June 9, 2015 at 11:00 a.m. in the 14th floor conference room to continue its discussion regarding the future of retiree health insurance.

b. External Affairs Committee (EAC)

Dr. Richard Jacob announced the next EAC meeting will be held on September 11, 2015 at 10:30 a.m. in the 14th floor conference room and will focus on the upcoming legislative agenda.

c. Investment Committee (IC)

Mr. Tom Connelly announced the next IC meeting will be held on June 22, 2015 at 2:30 p.m. in the 14th floor conference room and will focus on the ASRS Investment Program Update with the independent program oversight report from NEPC, the Total Fund Performance for the first quarter of 2015, Total Fixed Income for both, public and private and conducting a risk assessment.

The following agenda items were taken out of order and were formerly listed as agenda items #10, #11 & #12.

11. Presentation, Discussion, and Appropriate Action with Regard to the court of Appeals Decision in the *Arizona State University vs. Arizona State Retirement System Case*

12. Presentation, Discussion, and Appropriate Action Regarding the ASRS Retiree Dental Benefits Program Request For Proposals

13. Presentation, Discussion, and Appropriate Action Regarding the Review of the Director and Employment Contract for the Director

Motion: Prof. Dennis Hoffman moved to go into executive session for the purpose of discussion or consideration of records exempt by law from public inspection; for discussion and consultation for legal advice with the attorney of the public law; and for the purpose of the Director's annual review. Dr. Richard Jacob seconded the motion.

By a vote of 5 in favor, 0 opposed, 0 abstentions, 1 excused, and 3 vacancies, the motion was approved.

The Board convened to executive session at 9:09 a.m.

The Board reconvened to public session at 10:16 a.m.

14. Presentation, Discussion, and Appropriate Action Regarding the ASRS Retiree Dental Benefits Program Request For Proposals

This agenda item was formerly listed as agenda item #11.

Motion: Mr. Tom Connelly moved to accept the recommendation of the Evaluation Committee and the Operations & Audit Committee on the ASRS Retiree Dental Benefits Program Request for Proposals. Prof. Dennis Hoffman seconded the motion.

By a vote of 5 in favor, 0 opposed, 0 abstentions, 1 excused, and 3 vacancies, the motion was approved.

15. Board Requests for Agenda Items

This agenda item was formerly listed as agenda item #14.

- Strategic Topics for Fiscal Year 2016
- Protection of non-member spouses/beneficiaries

16. Call to the Public

This agenda item was formerly listed as agenda item #15

No one from the public requested to speak.

17. The next regular ASRS Board meeting is scheduled for Friday, June 26, 2015, at 8:30 A.M., at 3300 N. Central Avenue, 10th Floor Board room, Phoenix, Arizona.

This agenda item was formerly listed as agenda item #16.

The public meeting was adjourned from the 10th floor Board Room at 10:19 a.m. to conclude the final agenda item in executive session.

18. Presentation, Discussion, and Appropriate Action Regarding the Office of the Auditor General's Sunset Review of the Arizona State Retirement System, including the Arthur J. Gallagher & Company Investment Management Audit

This agenda item was formerly listed as agenda item #17.

Motion: Dr. Richard Jacob moved to go into executive session for the purpose of discussion or consideration of records exempt by law from public inspection. Prof. Dennis Hoffman seconded the motion.

By a vote of 5 in favor, 0 opposed, 0 abstentions, 1 excused, and 3 vacancies, the motion was approved.

After taking a short break, the Board convened to executive session at 10:26 a.m.

19. Adjournment of the ASRS Board

This agenda item was formerly listed as agenda item #18.

Mr. McCarthy adjourned the Board meeting at 10:56 a.m.

ARIZONA STATE RETIREMENT SYSTEM

Melanie A. Alexander
Board Administrator

Paul Matson
Director