



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

Friday, April 24, 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 8:32 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
Mr. Jeff Tyne
Dr. Richard Jacob
Mr. Tom Connelly
Professor Dennis Hoffman

Absent: Mr. Tom Manos

A quorum was present for the purpose of conducting business.

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

Motion: Dr. Richard Jacob moved to approve the Minutes of the March 27, 2015 Public Meeting of the ASRS Board. 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.

3. Presentation, Discussion, and Appropriate Action Regarding 2015 ASRS Legislative Initiatives and Legislative Update

This agenda item was taken out of order and was formerly listed as agenda item #4.

Mr. Patrick Klein, Assistant Director External Affairs and Mr. Nicholas Ponder, Government Relations Officer, provided a summary to the Board regarding the 2015 Legislative Session and the ASRS legislative initiatives. Mr. Ponder advised the Board that the Fifty-second Legislature First Regular Session adjourned at 3:37 a.m. on April 3, 2015, and highlighted the following:

- HB2480, Weights and Measures Department; transfer. This bill consolidates duties of the Department of Weights and Measures into the Arizona Department of Transportation (ADOT)

and Arizona Department of Environmental Quality (ADEQ). This bill minimally affects the ASRS as it will be a consolidation of employers.

- SB1480, agency consolidation; budget reconciliation bill. This bill merges the Department of Racing into the Department of Gaming, the Department of Behavioral Health Services into AHCCCS and establishes the State Board of Appraisals as a division of the Department of Financial Institutions. This bill minimally affects the ASRS as it will be a consolidation of employers.
- HB 2320, firearms; permit holders; public places. Passed in the Senate Appropriations Committee on March 24, 2015; however, failed in the Senate COW roll call vote March 30, 2015. Therefore, there will be no changes as far as the ASRS is concerned with respect to allowing conceal carry weapons in the building.

In summary, Mr. Ponder advised the Board that six out of the seven bills the ASRS proposed to the Legislature passed and were signed by the Governor. Mr. Ponder took a moment to thank staff and the Board for their support during this legislative session. The Board thanked Mr. Ponder for all his efforts and a very quick turnaround in preparing the legislative summary. Mr. McCarthy asked about the future intentions regarding HB2340 that was never assigned to any committee. Mr. Ponder stated that it was still the intention of working with outside counsel to identify case law and address the Legislature's concern. Mr. Ponder is hopeful that this bill will pass in the next Legislative Session should all the concerns be addressed. Mr. Klein added that work will be done over the summer to compile a packet of proposed legislation for the 2016 Legislative Session to be formalized for further discussion at the September 11, 2015 External Affairs Committee meeting.

4. Presentation and Discussion Regarding the Arizona State Retirement System (ASRS) Administrative Appeals Process including Administrative Law Judge (ALJ) Decisions and the Role of Trustees with Regard to Accepting, Rejecting and Modifying an ALJ Decision

This agenda item was taken out of order and was formerly listed as agenda item #3.

Ms. Jothi Beljan, Assistant Attorney General, provided a summary of the appeals process, the role of the Trustees with regard to accepting, rejecting or modifying an Administrative Law Judge (ALJ) Recommended Decision and consideration for rejecting or modifying an ALJ Decision. Ms. Beljan responded to questions from the Board such as, who provides the Board legal advice in an appeal, when is it appropriate to consider new information, how detailed does the basis for a modification have to be, to name a few.

In conclusion, Ms. Beljan offered additional future education regarding this matter to include a Solicitor General representative if the Board felt it would be helpful.

5. Presentation, Discussion, and Appropriate Action Regarding the ASRS Funding Policy

Mr. Paul Matson presented the draft ASRS Funding Policy to the Board. Mr. David Kershner, Ms. Sara Orozco, Mr. Anthony Guarino and Mr. Gary Dokes were present to answer questions from the Board. Mr. Matson explained that the Funding Policy is not intended to be a desk procedure but sets the parameters within which decisions are contemplated, leading to appropriate funding of the liabilities.

The Board commended staff for creating the Funding Policy and believes it is an important document that requires more time to review and discuss prior to adopting. Trustees offered input with regard to including Performance Based Incentives into the policy. Once the policy has been amended, the Board will review at a future meeting to determine whether any additional amendments need to be made before adopting the policy.

6. Presentation, Discussion, and Appropriate Action Regarding the Board Governance Policy Handbook Annual Responsibilities Review

Mr. Paul Matson provided a brief overview of the Board Governance Policy Handbook Annual Responsibilities and noted that the Board, the Committees and the Director have met all of the objectives in the Governance Handbook and completed all required tasks. Mr. Matson identified one deviation from the handbook with regard to the timing of the Board of Trustee's Review and the Director's Review. The handbook indicates the two reviews are to be completed one month apart, but this year they will be completed at the same time. Mr. Matson also highlighted a typographical error contained on page 3, #14 of the report, indicating it should read, "April 2015" not "April 2014."

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

Mr. Paul Matson stated he was available to answer any questions the Board may have regarding the Director's Report. Mr. Matson provided a brief update regarding the fiscal year-to-date Investment Total Fund Rate of Return and indicated that it is approximately 4%.

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

a. Operations and Audit Committee (OAC)

Mr. Jeff Tyne announced the next OAC meeting will be held on May 12, 2015 at 10:30 a.m. in the 14th floor conference room.

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.

9. Board Requests for Agenda Items

Draft Funding Policy Review.

10. Call to the Public

Detective Mark Potts, requested to address the Board and ASRS staff to express his appreciation as this is the last meeting he will attend due to his retirement. Detective Potts stated that the Board and staff have been nothing but professional and respectful toward him during his time and it has been a pleasure working with everyone and a great experience.

11. The next public ASRS Board meeting regarding Board Evaluation is scheduled for Friday, April 24, 2015, at 9:30 a.m., or after the 8:30 a.m. ASRS Board Meeting, in the 14th floor Conference Room of the ASRS office at 3300 N. Central Avenue, Phoenix, Arizona.

The next regular ASRS Board meeting is scheduled for Friday, May 29, 2015, at 8:30 A.M., at 3300 N. Central Avenue, 10th Floor Board room, Phoenix, Arizona.

12. Adjournment of the ASRS Board

Motion: Mr. Tom Connelly moved to adjourn the April 24, 2015 Board meeting at 10:20 A.M. Mr. Jeff Tyne seconded the motion.

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

ARIZONA STATE RETIREMENT SYSTEM

Melanie A. Alexander
Board Administrator

Paul Matson
Director