



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

Friday, March 27, 2020
8:30 a.m.

The Arizona State Retirement System (ASRS) Board of Trustees met telephonically.

Mr. Jim Hillyard, Chair of the ASRS Board, called the meeting to order at 8:32 a.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jim Hillyard, Chair
Mr. Clark Partridge, Vice-chair
Mr. Rene Guillen
Mr. Michael Lofton
Mr. Tom Manos
Mr. Kevin McCarthy
Mr. Michael Miller

Two vacant positions.

A quorum was present for the purpose of conducting business.

2. Approval of the Minutes of the January 31, 2020 Public Meeting of the ASRS Board

Motion: Mr. Clark Partridge moved to approve the minutes of the January 31, 2020 Public Meeting of the ASRS Board. Mr. Michael Lofton seconded the motion.

By a roll call vote of 7 in favor, 0 opposed, 0 abstentions, 0 excused, and 0 vacancies, the motion was approved. The Trustee votes were as follows:

Mr. Jim Hillyard – approved
Mr. Clark Partridge – approved
Mr. Rene Guillen – approved
Mr. Michael Lofton – approved
Mr. Tom Manos – approved
Mr. Kevin McCarthy – approved
Mr. Michael Miller – approved

3. Presentation, Discussion, and Appropriate Action Regarding the ASRS 2020 Legislative Initiatives and Legislative Update

Ms. Jessica Thomas, Government Relations Officer and Rules Writer, provided an update regarding the status of the ASRS 2020 legislative initiatives. Ms. Thomas reported that although the bills had been moving smoothly in their opposite chambers, they did not complete the legislative process

before the legislature adjourned with the intent to reconvene on April 13, 2020. When the legislature reconvenes, Ms. Thomas believes the ASRS bills will continue smoothly through the legislative process. Ms. Thomas also provided an update on various other bills that may have some impact on the ASRS and will continue to track those pieces of legislation. Finally, Ms. Thomas notified the Board that the Governor's Office has been considering filling the vacant Board positions and reappointing current Board members, but that initiative is likely on pause until more pressing issues related to the current health crisis are resolved. Board members did request Mr. Matson to continue to follow up with the Governor's Office and update the Board regarding new and continuing Trustees.

Mr. Rene Guillen joined the meeting telephonically at 8:45 am.

4. Presentation, Discussion, and Appropriate Action Regarding the ASRS Investment Program Update

Mr. Karl Polen, Chief Investment Officer, reported that total fund year-to-date returns through March 25, 2020 are approximately -6%, and assets are at approximately \$38 billion. Mr. Polen informed the Board that in keeping with the current COVID-19 agency directives to minimize social contact, the staff of the Investment Management Division are all working from home. Regular testing of teleworking systems meant that staff was able to make the transition smoothly with no loss of functionality.

Final results for periods ended December 31, 2019 are summarized as follows:

- Total fund returns of 15.6%, 10.1%, 7.9% and 9.2% exceeded benchmark returns by .9%, 1.7%, 1.6% and 1.1% for the one-, three-, five- and ten-year periods, respectively.
- For the five-year period, the dollar value added was approximately \$1.8 billion, and for the ten-year period, \$4.0 billion was added.
- Compared to the public fund universe, the ASRS ranked in the top quartile for the three-, five- and ten-year periods.

Mr. Polen answered questions and provided background on this discussion item.

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

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced this agenda item, explaining that this was part of the ongoing development of the ASRS cybersecurity program. This document defines how the ASRS will utilize the NIST (National Institute of Standards and Technology) Cybersecurity Framework to organize policy content and ensure all NIST recommended security controls and practices have defined and documented implementations for our operations. Mr. Guarino introduced Mr. Jeff Hickman, Information Security Officer, to answer any questions.

The Trustees had no questions for Mr. Hickman.

Motion: Mr. Clark Partridge moved to approve the ASRS-SEC-100-Cybersecurity Governance Program policy as presented and accepted by the OALC. Mr. Tom Manos seconded the motion.

By a roll call vote of 7 in favor, 0 opposed, 0 abstentions, 0 excused, and 0 vacancies, the motion was approved. The Trustee votes were as follows:

Mr. Jim Hillyard – approved
Mr. Clark Partridge – approved
Mr. Rene Guillen – approved

Mr. Michael Lofton – approved
Mr. Tom Manos – approved
Mr. Kevin McCarthy – approved
Mr. Michael Miller – approved

6. Notification of Upcoming Board Elections to Occur at the May 29, 2020 Board Meeting

Mr. Jim Hillyard announced the upcoming Board elections for Chair and Vice-chair to occur at the May 29, 2020 Board Meeting.

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

Mr. Matson deferred his comments to Agenda Item 12.

8. Presentation and Discussion Regarding Informational Updates from Prior and Upcoming Committee Meetings

Mr. Matson introduced this Agenda Item to explain the modification of the way committee meeting updates would be addressed in this and future Board meetings. The agendas and draft minutes of the most recent committee meetings will be included in the Board materials. Each Board member will have an opportunity to review those items and gain a better understanding of the most recent events facing each committee.

a. Operations, Audit and Legislative Committee (OALC)

Mr. Clark Partridge announced the next OALC meeting is to be held on April 8, 2020.

b. Investment Committee (IC)

Mr. Mike Lofton acknowledged the Investment Management Division staff and leadership for a remarkable job conducting the business of the ASRS on behalf of all stakeholders of the agency, referring to the most recent Investment Committee meeting held Monday, March 23. Mr. Lofton announced the next IC meeting is to be held on June 15, 2020.

c. Appeals Committee (AC)

Mr. Mike Miller noted the cancellation of the previously scheduled April 14, 2020 AC meeting and announced the next AC meeting is to be held on June 9, 2020.

9. Board Requests for Future Agenda Items

Mr. Mike Lofton requested an update from the Governor's Office on the status of trustee selection for the ASRS Board of Trustees.

10. Call to the Public

No members of the public requested to speak.

11. The next regular ASRS Board meeting is scheduled for Friday, May 29, 2020 at 8:30 a.m.

Mr. Jim Hillyard noted the next Board meeting is scheduled for Friday, May 29, 2020 at 8:30 a.m.

12. Presentation, Discussion, and Appropriate Action Regarding any Possible Impact that COVID-19 may have on the ASRS

Mr. Paul Matson reviewed the actions taken by the ASRS and any impact on service or other levels experienced by the agency.

- There have been no substantial customer service issues with respect to services provided by the ASRS.
- The agency is, effectively, fully operational.
- Modifications have been made to one-on-one and group meetings to conduct them using electronic platforms, with the exception of employer educational meetings, which have been cancelled. Webinars and pre-recorded presentations are being considered for employers in case the stay-at-home mandates continue for an extended timeframe.
- Member services' statistics show that performance targets are being met.
- Telecommuting has increased from an average of 17% to over 70% of staff.
- For those continuing to work onsite, social distancing is being practiced.
- Member services is moving to a telecommuting model, and hoping to be fully implemented by April 6.
- Mr. Matson outlined four focus issues:
 - Teleworking capacity: making sure that the workforce of the ASRS is socially distant and/or teleworking. The ASRS has been successful in this area and continually improving, should this become an ongoing issue.
 - Investment Management:
 - Maintain portfolio liquidity
 - Ability to take advantage of market opportunities as they arise
 - Careful rebalancing in a way to minimize downside risk and maximize upside potential
- Currently operating under a COOP with dynamic policies to maintain flexibility and quickly respond to continually changing situations.

Mr. Hillyard commended Mr. Matson and the ASRS for continued hard work and excellence in serving the members, and employers during these difficult times, and all Arizonans by working to slow the spread.

13. Presentation, Discussion, and Appropriate Action Regarding Possible Litigation Related to Service Purchase

Prior to the call for a motion to move into executive session, Mr. Jim Hillyard read the following statement: Pursuant to A.R.S. 38-431.03(A)(3), minutes of and discussions made in executive session are required by law to be confidential and shall not be communicated to any person outside this meeting room. Additionally, Mr. Hillyard noted that the three members of the Board Appeals Committee (AC) have decided not to attend the executive session since the topic under discussion will involve future appeals.

Motion: Mr. Clark Partridge moved to go into executive session pursuant to A.R.S. § 38-431.03(A)(3) for the purpose of discussion or consultation for legal advice with the attorney of the public body, which will not be open to the public. Mr. Kevin McCarthy seconded the motion.

By a roll call vote of 7 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved. The Trustee votes were as follows:

Mr. Jim Hillyard – approved
Mr. Clark Partridge – approved
Mr. Rene Guillen – approved
Mr. Michael Lofton – approved
Mr. Tom Manos – approved
Mr. Kevin McCarthy – approved
Mr. Michael Miller – approved

The three members of the AC, Mr. Michael Miller, Mr. Rene Guillen, and Mr. Tom Manos, all left the meeting at 9:39 a.m.

The Board convened to Executive Session at 9:40 a.m.

The Committee reconvened to Public Session at 10:23 p.m.

14. Adjournment of the ASRS Board

Mr. Jim Hillyard adjourned the March 27, 2020 public meeting of the Board at 10:24 a.m.

Respectfully Submitted by:

Joyce Williams
Board Administrator
ARIZONA STATE RETIREMENT SYSTEM