



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM EXTERNAL AFFAIRS COMMITTEE

HELD ON
April 11, 2014
10:30 a.m., Arizona Time

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Mr. Kevin McCarthy, Chair, called the meeting to order at 10:30 a.m., Arizona Time.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona, 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Kevin McCarthy, Chair - Via Teleconference
Mr. Brian McNeil, Vice-chair - Via Teleconference
Mr. Tom Manos – Via Teleconference
Dr. Richard Jacob – Via Teleconference

Absent: None

A quorum was present for the purpose of conducting business.

2. Approval of the Minutes of the February 14, 2014 EAC Meeting

Motion: Mr. Tom Manos moved to approve the regular and executive session minutes of the March 18, 2014 EAC Meeting. Mr. Brian McNeil seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions and 0 excused, the motion was approved.

3. Presentation, Discussion, and Appropriate Action Regarding Legislative initiatives and Legislative Update.

Mr. Patrick Klein, Assistant Director, External Affairs Division, introduced Mr. Nicholas Ponder, ASRS Legislative Liaison, who presented the Committee with an update on the following ASRS 2014 Legislation:

- HB 2050 - (ASRS membership, section 218 requirements): This bill would eliminate the requirement that members must be covered by an employer's Social Security Section 218 Agreement. While the vast majority of ASRS members also participate in and contribute to the federal Social Security program, there are some individuals who are contributing to the ASRS but who are not covered by the employer's 218 Agreement and, as a result, are potentially mis-enrolled. This bill would not allow those already contributing to Social Security to opt out. This bill went through Committee and was approved with the amendment, which articulates how those who were not enrolled in the plan, or enrolled in the plan and then

removed from it, could purchase previous service. This bill was approved by the Senate with an amendment making a technical change. Due to the amendment, it will return back to the House for a vote.

- SB 1082 – (Employee Background Checks): This bill allows the ASRS to perform background checks and credit checks on current and prospective employees once the agency establishes a policy on how credit checks would be performed and how the information is relayed to the employee. This bill was approved by the House Committee of the Whole on April 9, 2014 and is waiting a Third Read vote in the House.
- SB 1083 – (Tech Correction; Applicable Interest Rate): This bill makes technical IRS conforming changes for specified actuarial adjustments for ASRS benefits, regarding the stability period during which the “applicable interest rate” (defined) remains constant in the plan year, and the look-back month that is used to determine the application interest rate in the third full calendar month preceding the first day of the stability period. This has been passed by the Senate and is expected to be Third Read and voted on by the House soon.
- SB 1084 – (Long Term Disability Compensation): This bill clarifies how the ASRS calculates compensation for Long Term Disability (LTD) benefits. Statutes say the calculation used to determine a person’s salary for LTD purposes is both “at the time of disability” and “an average of the previous 12 months’ salary.” The ASRS is proposing to change the language to conform to the current process which is more in line with what one’s salary is at the time of their disability. This bill was approved by the House Committee of the Whole on March 31, 2014 and is waiting a Third Read vote in the House.
- HB 2039 – (Charter Schools; Higher Education Sponsors): This bill allows charter schools who obtain their charter through a university to become members of the ASRS. This was approved by the Senate with an amendment and must return to the House for a vote. Mr. Klein noted that ASU brought in one charter school on July 1, 2011, and the current bill would be retroactive to cover that inclusion.
- SB 2058 – (Public Pension; Limit on Compensation): This bill implements a cap of \$150,000 on earnings eligible for contributions affecting employees hired on or after the effective date. This would have a fiscal impact on the ASRS at present value of 80 million less in contributions over a 30-year period due to the \$150,000 cap not adjusting for inflation. The ASRS takes a neutral position because this is a benefit change. There has been little movement on this bill due to the focus on the state budget. The ASRS has expressed to Senators concern about the \$150,000 limit, and there is a possibility of two floor amendments to the bill. The first would require a review of the law every 3-5 years to adjust the limit as necessary. The second amendment would allow money for implementation of the project at the ASRS. If the amendments are passed, the bill would then return back to the House for another vote.

4. Call to the Public

Mr. Joe Carter, representing the All Arizona Schools Retirees Association, addressed the Committee regarding the presentation at the March 18, 2014 EAC meeting on salary spiking. Mr. Carter said he would encourage the Committee not to create a “glass ceiling” for those individuals who start at a lower-wage job but then move up with commensurate salary increases.

