



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS AND AUDIT COMMITTEE

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

The Operations and Audit Committee (OAC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Jeff Tyne, Chair, called the meeting to order at 10:34 a.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jeff Tyne, Chair
Mr. Mike Smarik, Vice-chair
Dr. Richard Jacob
Mr. Brian McNeil

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of the February 11, 2014 Minutes of the Operations and Audit Committee (OAC) Meeting

Motion: Dr. Richard Jacob moved the Committee accept the minutes of the February 11, 2014 OAC meeting. Mr. Michael Smarik seconded the motion.

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

3. Call to the Public

The Call to the Public was moved from the end of the meeting to the beginning due to the Information Technology Security agenda item.

No members of the public addressed the Committee.

4. Review of Recently Conducted Audits

- Prescott Valley Charter School

Mr. Bernard Glick, Chief Internal Auditor, introduced Ms. Rosie Tomforde, Audit Officer. Ms. Tomforde presented the Committee with an audit of the Prescott Valley Charter School (school). There were four findings listed on the audit report. First, the school did not remit contributions on all eligible compensation for two employees. Second, the school remitted contributions for one ineligible individual. Next, the school did not refund to some employees the excess contributions that were retroactively reversed. Finally, the school did not pay the alternative contribution rate for its retirees who have returned to work.

Ms. Rosie Tomforde explained that while Prescott Valley Charter School is an ASRS employer, their employees are now leased, not Full Time Equivalent (FTE) employees, and therefore, the school is paying the Alternative Contribution Rate (ACR) for the leased employees. Ms. Tomforde also confirmed the non-compliant findings for the Prescott Valley Charter School have been appropriately addressed.

5. Presentation, Discussion and Appropriate Action Regarding the Internal Audit Quarterly Update

Mr. Glick presented a spreadsheet containing the summary of internal audits through the period ending March 2014. The spreadsheet listed the audits, the hours budgeted, and estimates of how many hours were used to perform the audits.

Mr. Glick explained the Foreign Annuitant Confirmation Audit by stating that every three (3) years a confirmation audit is run confirming notarized signatures for those members living outside of the United States.

6. Presentation, Discussion and Appropriate Action Regarding the ASRS Return to Work Program

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, explained that changes being made to the Return to Work (RTW) program are to improve the overall experience for members and employers; he then introduced the presenters who would be discussing plans to simplify the return to work process.

Ms. Sarah Korish, Program Manager Member Services Division, presented a summary of recent RTW trends demonstrating the increase in phone calls and emails regarding RTW. Ms. Korish explained the purpose of the changes is to eliminate confusion for both the member and the employer.

Ms. Erica Dunphy, Benefits Accounting Supervisor, explained the existing RTW program is a reactive process which starts with the member completing a hard-copy RTW form. Ms. Dunphy explained the improved program replaces the paper form with an online "Smart Form" which evaluates the member's RTW eligibility as the member enters information.

Mr. Patrick Klein, External Affairs Assistant Director, clarified and answered questions raised regarding the Alternative Contribution Rate (ACR). Mr. Klein explained the ACR is an employers' expense and the employer is meant to remit the ACR for retirees who have returned to work.

Mr. Klein also clarified the ACR for substitute school teachers is remitted based on the RTW retiree filling an employee position of the employer and not the contributing eligibility of the RTW retiree. Trustees asked numerous questions and requested clarifying detail which was provided during the meeting.

7. Presentation, Discussion and Appropriate Action Regarding ASRS Information Technology Security

Motion: Dr. Richard Jacob moved to go into Executive Session for a presentation regarding the ASRS information technology security. Mr. Michael Smarik seconded the motion.

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

The Committee convened to Executive Session at 11:38 a.m.

The Committee reconvened to Public Session at 12:44 p.m.

8. Future Agenda Items

No items were requested by Committee members.

9. Adjournment of the OAC

Mr. Tyne adjourned the meeting at 12:45 p.m.

Respectfully Submitted,

ARIZONA STATE RETIREMENT SYSTEM

Courtney Micheau
Committee Administrator

Date

Anthony Guarino
Deputy Director and Chief Operations Officer

Date