



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
Tuesday, October 7, 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 10:31 a.m.

1. Call to Order; Roll Call; Opening Remarks

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

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

2. Approval of the August 12, 2014 Minutes of the OAC Public Meeting and Executive Sessions

Motion: Dr. Richard Jacob moved to approve the minutes of the August 12, 2014 OAC meetings. Mr. Mike Smarik 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 the Allocation of Retrospective Rate Adjustment Agreement (RRAA) Funds

Mr. Pat Klein, Assistant Director External Affairs, explained the background of the Retrospective Rate Adjustment Agreement (RRAA) funds and details of how the funds potentially could be used. Mr. Klein provided a high-level overview of different ideas for using the \$71,168,523 RRAA reimbursement and their effect. The ideas include: add to the Premium Benefit fund; add benefits; lower premiums; add Wellness Initiatives; use for administrative and services system redesigns; and for use for the self-funding project.

The discussion was an introductory overview and more review will be needed before a recommendation of how to spend the money is brought ultimately to the full Board.

4. Presentation, Discussion and Appropriate Action Regarding a Web Steering Committee Status Update

Mr. Dave King, Assistant Director Member Services, made a presentation outlining the ASRS' progress in migrating members from manual transactions, physical contacts and mailings to online self-service from January 2011 to October 2014. Mr. King also discussed how the ASRS plans to increase web use among groups of inactive members and retirees.

5. Presentation, Discussion and Appropriate Action Regarding the Audit Budget Update for the Q1/FY2015 Audit Plan

Mr. Bernard Glick, Chief Internal Auditor presented the status of audit hours used for the FY 2014/15 Audit Plan. Mr. Glick stated he expects the 2014/15 Audit Plan to be completed on time (June 30, 2015).

6. Review of Recently Conducted Audits

Mr. Glick reviewed the following audits conducted by the Internal Audit Division (IAD).

- **ASRS Spreadsheet Review**

The IAD audited 30 internal agency spreadsheets used as backup to the automated systems. There were three findings, which management agreed with and will make the recommended changes.

- **Coconino Community College**

The IAD had two findings from the Coconino Community College audit. The Employer agreed with the findings and will remit payment for the amounts due; develop a monthly process to reconcile ASRS premium benefit payments; and self-audit FY2014 by July 31, 2014.

- **New West Charter School**

The IAD had two findings from the New West Charter School audit. The Employer agreed with the findings and will insure all contributions sent to the ASRS will include the correct SSNs; and will treat employees' contributions as pre-tax, correcting W-2s where applicable.

- **Town of Hayden**

The IAD had five findings from the Town of Hayden audit. The Employer agreed with the findings and changed their handling of the contributions; and will notify the affected employees via the Town Clerk.

- **Alter Valley School District**

The IAD had two findings from the Alter Valley School District audit. The Employer agreed with the findings and will remit payment for the amount due; and contact their ASRS account representative to make arrangements for the credit due them.

7. Request for Future Agenda Items

The Committee requested a follow-up discussion regarding the ASRS' responsibility to its membership regarding audit findings.

8. Call to the Public

