



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, February 11, 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 10:30 a.m.

1. Call to Order; Roll Call; Opening Remarks

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

Absent: Mr. Brian McNeil

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

2. Call to the Public

Mr. Marwood Clement asked the Committee about the effects of hiring consultants who do not contribute toward the pension fund through contributions, and if those effects have been considered in long-term projections on the health of the pension fund. Mr. Tyne asked ASRS staff to meet to discuss and, if it is a concern, it would be addressed at a future OAC meeting.

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

Mr. Bernard Glick, Chief Internal Auditor, presented a spreadsheet containing the summary of internal audits through the period ending December 2013. The spreadsheet listed the audits, the hours budgeted, and estimates of how many hours were used to perform the audits. He then asked the Committee to alter the Biennial Audit Plan by moving the Investment Management Division (IMD) Securities Trading System audit to the first year of the Plan and moving the Information Security Audit to the second year of the Plan.

Motion: Mr. Smarik moved that the IMD Securities Trading System audit be moved from year two to year one of the Biennial Audit Plan, and the Information Security Audit be moved from year one to year two of the Biennial Audit Plan. Dr. Jacob seconded the motion.

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

4. Approval of the December 12, 2013 Minutes of the Operations and Audit Committee (OAC) Meeting

Motion: Dr. Richard Jacob moved the Committee accept the minutes of the December 12, 2013 OAC meeting. Mr. Mike Smarik seconded the motion.

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

5. Presentation, Discussion and Appropriate Action Regarding the Methodology Used to Review CEM Benchmarking Cost and Service Data

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced Ms. Sara Orozco, Manager, Strategic Planning and Analysis, who addressed the Committee regarding the methodology used by staff to analyze the results of the CEM Defined Benefit Administration Benchmarking Analysis report. She gave a brief history of the ASRS' participation with CEM and noted the various aspects CEM reviews of defined benefit plans (e.g. service levels, total cost, transaction volumes, etc.). Ms. Orozco also presented spreadsheets showing how strategic planning staff summarizes the service and cost scores contained in the larger report and then uses that data to help recommend areas of further study or action to Senior and Executive Management. She stated that strategic planning staff meet with Senior and Executive Management at least once annually to discuss the data and determine if further action is warranted, such as further research, new technology initiatives, or new strategic priorities.

6. Presentation, Discussion and Appropriate Action Regarding the ASRS Public Website and the New Guide to Pre-Retirement Services (GPS)

Mr. Guarino introduced Mr. Dave King, Assistant Director, Member Services Division, who addressed the Committee regarding the ASRS public website. Mr. King gave a brief overview of the website and then introduced Mr. David Cannella, Manager, Communications, who gave a live demonstration of how the new public website will look upon release in Spring 2014. He also said the website would be easier to navigate and more user friendly for ASRS members and retirees. He stated the new public website will have additional features and technologies making it easier to update and will be retained and controlled by the ASRS External Affairs Division (EAD), alleviating the required routine assistance of the Technology Services Division (TSD). The current ASRS secure website will remain the same and under the stricter more secured control of TSD.

Ms. Julie Lockwood, Program Manager, Member Services Division, addressed the Committee regarding the GPS portion of the website. She noted the new interactive multi-media feature includes videos, audio, and various animations that provide greater information and links as members "drive through" the stages of membership as they prepare for retirement. She said the GPS program will be incorporated into the new public website.

7. Presentation, Discussion and Appropriate Action Regarding the ASRS Continuity of Operations Plan, External Security Audit, and Upcoming IT Risk Assessment

Mr. Guarino introduced Ms. Molly Mahai, Manager, Network Information System, who addressed the Committee regarding the ASRS Continuity of Operations Plan (COOP). She stated the ASRS Crisis Management Team had conducted a tabletop exercise in December 2013, simulating an emergency involving a toxic cloud moving in on the 3300 Tower. She gave a summary of the results of the

