



ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000
7660 EAST BROADWAY BOULEVARD • SUITE 108 • TUCSON, AZ 85710-3776 • PHONE (520) 239-3100
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778
EMAIL ADDRESS: ASKMAC@AZASRS.GOV • WEB ADDRESS: WWW.AZASRS.GOV

Paul Matson
Director

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

HELD ON
Thursday, December 12, 2013
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 (via Teleconference)
Mr. Brian McNeil (via Teleconference)
Dr. Richard Jacob

Absent: None

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

2. Approval of the September 5, 2013 Minutes of the Operations and Audit Committee (OAC) Meeting

Motion: Dr. Richard Jacob moved the Committee accept the minutes of the September 5, 2013 OAC 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 ASRS Software Development Philosophy and Methodology

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced Ms. Valerie Burkett, Project Manager, Technology Services Division (TSD), who addressed the Committee regarding the current software development philosophy and methodology of the ASRS. She gave a brief history and overview of the various technology applications used by the ASRS, followed by a step-by-step explanation of the ASRS development process. She stated the agency had migrated to an agile software development process focusing on the "scrum" framework for development (i.e. high-performing, cross-functional teams).

Ms. Burkett listed the various benefits of using the scrum method including those affecting business users and TSD. She also reviewed the early results of the scrum framework from the perspective of Senior Management, business users, developers, and project managers.

4. Presentation, Discussion and Appropriate Action Regarding Web Development

Mr. Guarino addressed the Committee regarding the current status of the ASRS Web Steering Committee's (WSC) efforts to maximize the use of the ASRS website to manage demand. He provided background details on the current state of the web development, and then introduced Ms. Sara Orozco, Manager, Strategic Planning and Analysis, who presented the Committee with an overview of recent and future changes to the ASRS website. Ms. Orozco said one of the major changes coming in January 2014, was merging online registration with new enrollments which will include allowing members to immediately designate a primary beneficiary.

Ms. Pamela Vozza, Digital Communications Officer, addressed the Committee regarding the roll out of the new "Guide to Pre-Retirement Services" ("GPS") which will serve as an interactive road map for members visiting the ASRS website. She stated the GPS program will be on the home page of the website and will eventually be fully integrated with multiple links to additional information throughout the entire website.

Mr. David Cannella, Communications Manager, said the WSC is continuing to work on the development and implementation of a new public website based on a content management system. He said the WSC anticipates the new website will likely be maintained by a third-party vendor. He also reviewed the various projects implemented in 2013, including the use of Facebook, online retirement, online status updates, and birthday emails to active and inactive members which encourages them to log in to view their individual member statements.

The WSC also briefly highlighted the current statistics detailing member utilization of the web and other initiatives completed in 2013.

5. Presentation, Discussion and Appropriate Action Regarding the Affordable Care Act and the Arizona Health Insurance Marketplace

Mr. Patrick M. Klein, Assistant Director, External Affairs Division, addressed the Committee regarding the Affordable Care Act (ACA) and the Arizona Health Insurance Marketplace. He gave a brief synopsis of the ACA and then presented the Committee with a comprehensive brochure the ASRS developed which includes information on the ACA, its requirements, and how the various plans in the Marketplace are compared to other Marketplace plans. He also said the booklet would include those retiree health care plans offered by the ASRS and the Arizona Department of Administration.

Mr. Edward Rapoport, Benefits Administrator, said the ASRS booklet is rather unique in that no other central source for Marketplace information is available, and the ASRS had to look at individual provider websites to garner the individual plan information. Mr. Cannella provided an overview of the contents of the brochure and why the select topics were chosen. Committee members complimented the ASRS staff on their efforts to coordinate the ACA information into one source.

6. Review of Recently Conducted Audits

- **City of Tempe**
- **Gilbert Public Schools**
- **TAG Elementary, Inc.**

Mr. Bernard Glick, Chief Internal Auditor, presented the Committee with an audit the City of Tempe. He stated there were two findings. First, the City of Tempe did not request a credit for remitted contributions on 162 ineligible members. Second, the City of Tempe did not remit ASRS contributions on all eligible compensation for six employees. The amount due the employer is \$313,013.

The next audit was of Gilbert Public Schools and contained three audit findings. First, Gilbert Public Schools did not remit ASRS contributions for 78 employees who were engaged to work at least 20 hours per week for at least 20 weeks in one or more fiscal years, remit ASRS contributions on all eligible compensation for 115 employees, remit ASRS contributions on dual employment income for one employee, and report one early retiree who returned to 20/20 employment before reaching normal retirement. Second, Gilbert Public Schools remitted contributions for 692 ineligible individuals who were contributing in one or more fiscal years even though they had not met the 20/20 eligibility criteria. Third, Gilbert Public Schools had not ensured that all retirees returning to work complied with the requirement that they acknowledge the return to work statutes, in writing, within 30 days of returning to work. The amount due the employer is \$327,578.

The final audit dealt with TAG Elementary, Inc. The audit produced three findings. First, TAG did not report all compensation paid to two participating administrators, report all compensation paid to 11 non-administrative employees, report all contributions withheld for 12 employees, withhold enough contributions for two administrators and three employees, and refund to its employees the excess contributions required under statute beginning July 1, 2011 that were retroactively reversed within the year. Second, TAG continued paying contributions for three administrators whose hours could not be determined to meet the 20/20 eligibility criteria. Third, TAG did not pay the alternative contribution rate for its retirees who returned to work.

7. 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 September 2013. The spreadsheet listed the audits, the hours budgeted, and estimates of how many hours were used to perform the audits.

8. Presentation, Discussion and Appropriate Action Regarding the 2014 OAC Calendar

Mr. Guarino presented the 2014 OAC Calendar to the Committee and requested that any members of the Committee who had agenda topics for 2014 were welcome to contact him directly.

