



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson*  
Director

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

HELD ON  
February 14, 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 10:33 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  
Dr. Richard Jacob

Absent: Mr. Tom Manos

A quorum was present for the purpose of conducting business.

Mr. Jeff Tyne, Board Trustee, attended the meeting via teleconference, as an observer.

Mr. Kevin McCarthy, Chair, reordered the agenda because a quorum was not yet present when he called the meeting to order.

### 2. Presentation, Discussion, and Appropriate Action Regarding an update of the annual ASRS Communication Plan

Mr. Patrick Klein, Assistant Director of External Affairs, introduced Mr. David Cannella, Communications Manager. Mr. Cannella provided an update on the annual ASRS Communication Plan, discussing the following accomplishments in 2013:

- Delivered three ASRS E-newsletters for members and three for employer partners.
- Produced three 'Your Retirement' newsletters and a special edition newsletter included in the year-end Open Enrollment packet.
- Sent emails to active and inactive members on their birthdays, encouraging them to log in to their ASRS account to review their online Member Statement.
- The ASRS Bill Tracker kept members informed of retirement-related legislation during the legislative session.

- Assisted with the production of two Financial Reports: 2013 Comprehensive Annual Financial Report (CAFR), and Popular Annual Financial Report (PAFR).
- Redesigned five tri-fold pamphlets, including a new pamphlet on ASRS Governance and the Board of Trustees.
- Six new videos added to the ASRS website. A total of thirteen videos are now available.
- Continued usage of the ASRS Facebook page.
- Developed comprehensive Social Media Guidelines for internal use with plans to launch ASRS Twitter features.

Mr. Brian McNeil joined the meeting at 10:43 a.m.

Mr. Cannella updated the Committee on two major projects, in which development continued throughout 2013:

- A completely redesigned, public website has been developed. The ASRS plans to move to the new website in the second quarter of 2014.
- In conjunction with the new website, a new inter-active web-based program is being developed, which will transform ASRS' member communications strategy including meetings, webcasts, and direct communications. The cornerstone is the inter-active "GPS – Road to Retirement" feature, which includes a map members can "travel," picking up information along their route. Videos, voice-overs, and new links will connect members along their journey toward retirement.

Mr. Cannella updated the Committee on the ASRS communications initiatives for 2014, noting the launch of the new content management website and the GPS program are primary objectives for the first two quarters of the year. He explained a marketing campaign is being developed to promote these new significant improvements in the ASRS communications strategy, and member meetings and materials will be redesigned to incorporate the new brand. The new website will be mobile ready to serve members in their increased use of mobile devices. Mr. Cannella said new communications strategies are being developed to connect with members in this arena. Mr. Cannella noted ensuring messaging to members has a cohesive strategy is critical for the coming years. From the website, to our news and information delivered electronically and by mail, along with the traditional meetings, new webcasts, and online interactions with MSD, he noted it is critical that we are providing helpful, accurate, and timely messaging to our members

### **3. Approval of the Minutes of the October 11, 2013 EAC Meeting**

**Motion:** Dr. Richard Jacob moved to approve the minutes of the October 11, 2013, EAC Meeting.

Mr. Brian McNeil seconded the motion.

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

### **4. Presentation, Discussion, and Appropriate Action Regarding 2014 Legislation**

Mr. Klein introduced Mr. Nick Ponder who presented the Committee with an update on the following ASRS 2014 Legislation which had action during the past two weeks:

- HB 2017 (Defined Contribution Plan): Makes technical changes to the Defined Contribution plan established in the 2013 session for members who were ineligible for

Public Safety Personnel Retirement System (PSPRS) because they do not perform hazardous duty but are also ineligible for the ASRS because their position is not covered by the employer's Social Security Section 218 Agreement. Defines who is in fact eligible for this plan. Places a 30 day time limit on the amount of time a new employee has to make an election to join the DC plan or another plan established by the employer. Passage of this bill is only required if HB 2050 is not approved by the Legislature, so this bill is on hold.

- HB 2018 (In-service distributions): A member of ASRS whose retirement date is on or after January 1, 2015, and who is at least 62 years of age is permitted to retire without terminating employment. Beginning January 1, 2015, if any other retired member returns to direct employment with an ASRS employer within 30 days after the member's retirement date, the ASRS is required to suspend the member's retirement benefits. The ASRS is not proceeding with this bill until the IRS provides final guidance on normal retirement age definitions. The legislature is not proceeding with this bill until the IRS rules are available.
- 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 eliminate the requirement that a member must be covered under a Section 218 Agreement. 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. The bill is expected to be voted on during the next week and then conveyed to the Senate.

In addition, Mr. Ponder provided information about initiatives proposed by others that impact the ASRS, including:

- HB 2069 (ASRS, Political Subdivision Entities): Employees of "political subdivision entities" (defined in statute) who are hired on or after the effective date of this legislation are excluded from membership in the ASRS. There are 15 political subdivision entities. The bill passed through Committee and will move to Rules. The ASRS is neutral on this bill.

Mr. McNeil requested a listing of the 15 political subdivision entities be provided.

- HB 2203 (ASRS, PSPRS, Board membership): Increases the number of members and modifies the membership of the ASRS Board and the PSPRS Board of Trustees. Session law provides that all current board members may continue to serve until the expiration of their normal terms. The ASRS opposes this bill.
- HB 2552 (Retirement, return to work, restrictions): ASRS, PSPRS, and CORP employers are prohibited from contracting with or leasing a retired member within 365 days after the member's retirement date. This bill was dropped and discussed after the January Board meeting and has been heard in Legislative Committee. It is not expected to be voted on this year.
- HB 2060 (PSPRS oversight, rulemaking, procurement): The PSPRS Board is no longer exempt from the Administrative Procedures Act or the Arizona Procurement Code. The Board is required to establish and maintain an Administration Account consisting of all monies for administrative purposes. Expenditures from the Account must be made in

accordance with Board directives, subject to legislative appropriation. Specifies expenditures from the Account that are continuously appropriated in the amount the Board deems necessary. The ASRS is now included in this bill which would remove the need to go through the procurement process for investment related services. An amendment is being added to this bill to clarify that banking services are excluded from this bill and will still fall under the procurement process. The ASRS is neutral on this bill.

## 5. Call to the Public

Member of the public, Ms. Linda Somo, President of Arizona Education Association-Retired, addressed the Committee, noting that school districts are submitting the Alternate Contribution Rate (ACR) for substitute teachers. Ms. Somo did not feel the intent of the bill was to include substitute teachers in the ACR payment requirement. The second item Ms. Somo addressed was the payment methodology of some school districts who are paying the ACR inappropriately by paying it to the Return to Work (RTW) employees and then deducting the amount back out, causing the employee to pay taxes on the amount. She would like the ASRS to look into this.

Dr. Jacob requested a follow-up discussion of the appropriateness of the ACR as applied to RTW substitute teachers, and also a discussion of the methods being used by some districts to pay the ACR.

Mr. McNeil also asked for a discussion on the pre-tax matters brought up by Ms. Somo.

Mr. McCarthy adjourned the meeting at 11:49 a.m.

Respectfully Submitted by,

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Lisa Maddox  
Committee Secretary

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Date

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Patrick M. Klein  
Assistant Director, External Affairs Division

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Date