



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS, AUDIT & LEGISLATIVE COMMITTEE

Wednesday, January 8, 2020
2:30 p.m., Arizona Time

A quorum of the Operations, Audit & Legislative Committee (OALC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 N. Central Avenue, Phoenix, Arizona 85012.

Mr. Clark Partridge, Chair of the OALC, called the meeting to order at 2:31 p.m.

The meeting was teleconferenced to the ASRS office at 4400 E. Broadway, Tucson, Arizona 85711.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Clark Partridge, Chair
Mr. Tom Manos, Vice-chair
Mr. Rene Guillen

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

Mr. Clark Partridge, Chair, welcomed the attendees and thanked staff for their hard work and preparation for the meeting.

2. Approval of the Minutes of the October 9, 2019 Public Meeting and Executive Session of the OALC

Motion: Mr. Rene Guillen moved to approve the Minutes of the October 9, 2019, Public Meeting and Executive Sessions of the OALC. Mr. Tom Manos seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved. The Trustee votes were as follows:

Mr. Clark Partridge – approved
Mr. Tom Manos – approved
Mr. Rene Guillen – approved

3. Presentation, Discussion, and Appropriate Action Regarding an Update on the ASRS Fiscal Year (FY) 2020 Administrative Spending Plan

Mr. Anthony Guarino announced there were a couple of changes made to the ASRS FY 2020 Spending Plan. Although the changes adjusted the bottom line target only minimally, staff felt they were worthy of noting. Mr. Guarino turned the presentation over to Ms. Martha Rozen, Chief of Administrative Services and Mr. Chris Gustafson, Budget and Procurement Manager.

Mr. Gustafson provided an overview to the Committee of the budget changes since the July 26, 2019 Board Meeting when the Board approved the ASRS budget. The budget that was approved aligned security measures with continuous appropriations. To be consistent with policy, the budget team has found two items; the cost of cyber security insurance and professional security consulting services, that should be aligned to continuous appropriations funding which is reflected in the spreadsheet presented. Further, Mr. Gustafson indicated the ASRS identified additional priorities the agency believes must be addressed in FY 2020, which are as follows:

- Technology Services Technical Debt Sprints – to address and make required changes to code on completed projects that were not incorporated or coordinated before release into production.
- Manual Disbursements project – to create a systematic preventative review workflow for the manual change process of payment amounts and payment methods. External auditors identified this review step during a recent audit to mitigate the risk of fraudulent information.
- Benefits Self-Insurance project – to determine requirements to change to a self-insured model for health, pharmacy, and dental benefits for retirees and other eligible participants. This effort includes legal and professional expert consulting services to assist with the assessment and evaluation.

Mr. Gustafson concluded by stating the Budget team believes these shifts will have a minimal impact on the budget and still allow the ASRS to stay within its goal of 3% reduction of base administration spending since FY 2017 as outlined by the Board. Mr. Gustafson responded to questions from the Committee.

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

Mr. Harold Mackey reviewed the quarterly audit report with the Committee and provided the status of projects Internal Audit Division (IAD) is currently working on. Mr. Mackey noted the items in the “Follow-up Monitoring” primarily focused on the Cash Control Audit findings identified in the CliftonLarsenAllen assessment completed a couple of years ago. With CliftonLarsenAllen onsite next week, IAD will be reviewing what they have been monitoring to determine if there are new risks or new assessments determined. Mr. Mackey briefly touched on the additional items on the “Follow-up Monitoring” slides in addition to reviewing the “Legislation Implementation”, and “Budget/Hours Allocation” slides. Mr. Mackey advised it is time to reach out to our foreign annuitants; therefore, the planning for this will begin next week.

Mr. Mackey responded to questions from the Committee.

5. Review of Recently Conducted Audits

Mr. Mackey turned the presentation over to Mr. Andrew Burch, ASRS Audit Officer, who reviewed the following audit conducted by the IAD:

a. Health Insurance Benefits Plans & Carriers – Internal Process

The IAD had eight findings from the ASRS Health Insurance Benefits Plans & Carriers review of internal processes. The agency agreed with the findings. Some of the recommendations will require a Service Request and placed on a priority list to be completed in the future, as project teams are available.

6. Presentation, Discussion, and Appropriate Action Regarding the ASRS Technology Services Division (TSD) Status and Update on the Plan and Activities

Mr. Guarino introduced the topic indicating it was time for an update on TSD plans and activities as it has been some time. TSD updates were regularly reported but as the program matured it became less risky and more routine although not less consequential. Mr. Guarino introduced Mr. Dave King, Assistant Director, Chief Information Officer, TSD, to discuss the plans and activities of the division.

Mr. King opened the presentation indicating the division is currently shifting its priorities. The Oracle Modernization Project is nearing completion with approximately one more year remaining. Upon completion, it will mark the shutdown of a second legacy system of the agency's custom pension administration system within the last ten years. The next step is to ensure that the ASRS' systems continue to be well maintained, responsive and highly effective while minimizing costs.

Mr. King provided an overview of the following major initiatives TSD has planned:

- Best practice review
- Security
- DevOps
- Cloud Migration
- Technical Debt

Additionally, Mr. King provided a summary of the following with the Committee:

- Recent TSD Team Structure Changes
- New Permanent TSD Team Structure (2020-2024)
- Major Planned Initiatives (2020-2024)
- Major Initiatives not yet planned (2022+)

7. Call to the Public

No members of the public requested to speak.

8. Presentation, Discussion, and Appropriate Action Regarding the ASRS Information Security Program

Prior to the call for a motion to move into executive session, Mr. Clark Partridge read the following statement: Pursuant to A.R.S. 38-431.03(B), minutes of and discussions made in executive session are required by law to be confidential and shall not be communicated to any person outside this meeting room.

Motion: Mr. Tom Manos moved to go into executive session pursuant to A.R.S. § 38-431.03(A)(2) for the purpose of discussion or consideration of records exempt by law from public inspection. Mr. Rene Guillen seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved. The Trustee votes were as follows:

Mr. Clark Partridge – approved
Mr. Tom Manos – approved
Mr. Rene Guillen – approved

The Committee convened to Executive Session at 3:21 p.m.

The Committee reconvened to Public Session at 4:02 p.m.

Motion: Mr. Rene Guillen moved to accept the ASRS-SEC-100-Cybersecurity Governance Program policy as presented and forward to the full Board for approval. Mr. Tom Manos seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved. The Trustee votes were as follows:

Mr. Clark Partridge – approved
Mr. Tom Manos – approved
Mr. Rene Guillen – approved

9. Requests for Future Agenda Items

None were requested.

10. The next regular public OALC meeting is scheduled for Wednesday, April 8, 2020, at 2:30 p.m., at 3300 N. Central Avenue, in the 14th Floor Conference room, Phoenix, Arizona.

Mr. Clark Partridge noted the next OALC meeting is scheduled for Wednesday, April 8, 2020 at 2:30 p.m.

11. Adjournment of the OALC

Motion: Mr. Tom Manos moved to adjourn the meeting at 4:03 p.m. Mr. Rene Guillen seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved. The Trustee votes were as follows:

Mr. Clark Partridge – approved
Mr. Tom Manos – approved
Mr. Rene Guillen – approved

Respectfully Submitted,

Melanie A. Alexander
Committee Administrator
ARIZONA STATE RETIREMENT SYSTEM