

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

**Wednesday, April 14, 2021
2:30 p.m., Arizona Time**

A quorum of the Operations, Audit & Legislative Committee (OALC) of the Arizona State Retirement System (ASRS) met telephonically in public session.

Mr. Rene Guillen, Chair of the OALC, called the meeting to order at 2:38 p.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Rene Guillen, Chair
Mr. Tom Manos, Vice-chair
Ms. Ashley Ruiz

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

Ms. Gloria Montiel, ASRS Committee Administrator, provided all attendees with telephonic meeting guidelines.

2. Approval of the Minutes of the January 13, 2021, Public Meeting and Executive Sessions of the OALC

Motion: Mr. Tom Manos moved to approve the Minutes of the January 13, 2021, Public Meeting and Executive Session of the OALC. Ms. Ashley Ruiz seconded the motion.

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

Mr. Rene Guillen – approved
Mr. Tom Manos – approved
Ms. Ashley Ruiz – approved

3. Presentation, Discussion, and Appropriate Action Regarding: Results of the Annual Active Member Survey

Mr. Anthony Guarino, ASRS Deputy Director and Chief Operations Officer, introduced the topic discussion and turned the presentation directly over to Ms. Katie Daigneault, Strategic Planner and Survey Administrator.

Ms. Daigneault introduced herself to members of the Committee, noting the intent of the survey is to better understand perception of active members of the ASRS. One of the goals of the ASRS' 5-Year Strategic Plan is to foster trust and confidence with members and employers through effective communication and this survey was able to provide those types of results and in-turn allow ASRS to gain knowledge in methods of improvement to assist both members and employers in better understanding the benefits offered by the ASRS.

One such key takeaway from the survey detailed that an active member's perception of the ASRS is directly linked to both their length of time in the system and their level of understanding of how benefits are administered, as well as the services available. The further away a member is to retirement, ratings in terms of overall satisfaction, tend to be lower. However, the closer an active member is to retiring, the overall satisfaction ratings increased among this active group.

Ms. Daigneault noted the results of the survey included responses from 1,635 members, which provided a confidence rating of 99% with a margin of error +/- 3%, for the overall population of active members. The survey further broke down the population into segments utilizing years of service to group like members together. She further detailed the calculations used to determine the Net Promoter Score (NPS) for the survey. From a range of 0 -10, with 10 being the highest rating in terms of satisfaction, responses to each question consisted of the following:

- Promoters (satisfied members, score 9-10)
- Passives (passive members, score 7-8)
- Detractors (unsatisfied members, score 0-6)

The NPS is calculated by subtracting the percentage of Detractors from the percentage of Promoters and Passives. The score is a whole number that ranges from -100 to 100 and indicates a member's satisfaction with the ASRS. A score above zero is considered to be a positive score, and anything 50 or above is considered to be excellent.

Key Performance Indicators Within Risk Tolerance included the following:

- 20.7 – Net Promoter Question/Score
- 78% – ASRS operates in my best interest
- 80% – ASRS acts ethically
- 84% – My retirement is secure with ASRS
- 75% – ASRS sends communications relevant to my needs
- 84% – How satisfied are you with ASRS overall
- 79% – The ASRS contribution rate is affordable and manageable for the future benefit received

Ms. Daigneault briefly reviewed each segment space of the survey and noted the results provide a better understanding of how satisfaction ratings align with a member's years of service. As a result, both the Strategic Communications Team and the Outreach and Education Team in the Member Services Division are working together to review and improve the ASRS' communication efforts to enhance education for that particular target group. Ms. Daigneault concluded her discussion with a request for questions from the Committee.

There were no questions.

4. Presentation, Discussion, and Appropriate Action Regarding the Projects, Plans and Activities of the Technology Services Division (TSD)

Mr. Anthony Guarino introduced the topic of discussion, noting Information Technology (IT) is a major driver of operational effectiveness within the ASRS. Their overall goal is to provide the agency with the technology tools and applications necessary to ensure the ASRS operates efficiently, securely and quickly based on changing needs. Mr. Guarino then turned to discussion over to Mr. Dave King, Assistant Director and Chief Information Officer for his part of the presentation.

Mr. Dave King, provided the Committee with a brief update on TSD's activities, noting by fiscal year-end 2021, the TSD will have completed the Oracle Modernization project, a project put in place to modernize the pension administration system. Beginning July 2021 and concluding June 2022, the TSD will move all operations into a cloud-based system. This change will increase both security and improve operational effectiveness; it also falls in line with the Continuity of Operations Plan in that in the event of an emergency, rather than having hardware onsite and inoperable, the change to the cloud-based system would allow operations to continue in the event the office building was completely inaccessible.

Mr. King noted for the last several years, the TSD has exceeded most expectations outlined in the ASRS Strategic Plan, as well as best practices for IT businesses. The division is also currently updating its objective and performance metrics in the newer version of the Strategic Plan. The change will add much more detail to the department's reporting levels to Senior and Executive Management and the ASRS Board.

Mr King further elaborated on ongoing projects within the TSD, the end-goal of each project, employee make-up, duration/completion, and cost of each project as noted in his materials to the Committee. He concluded his discussion by soliciting questions from the Committee.

There were no questions.

5. Presentation, Discussion, and Appropriate Action Regarding Employer Compliance

Mr. Jeremiah Scott, Assistant Director, Member Services Division (MSD), introduced the topic of discussion noting one of MSD's main focal points in the last two years has been to continue to improve communication with employers of the ASRS. The division has leaned out several processes to shift resources within the Employer Relations department to streamline processes and procedures relating to employer compliance. The program's key focus includes a proactive approach to analyze historical and current data and work in collaboration with employers to mitigate risks and improve compliance issues relating to ASRS. After his brief introduction, Mr. Scott turned the presentation over to Ms. Jeniffer Gomez-Pabon, Employer Relations Manager, and Mr. Patrick Toto, Employer Relations Supervisor, to provide their annual update to the Committee.

Mr. Jeniffer Gomez-Pabon introduced herself to the Committee and provided a summary of the of the 2020 Annual Compliance results:

- 286 employers were identified during the Health Insurance Premium Benefit project, with potential anomalies. From those, only five were considered out of compliance, and the issue has since been resolved.
- 28 potential Termination Incentive Programs were identified. Of those, 15 resulted in an invoice being sent to the employer. On five of those, the employer appealed, and the appeals were granted. Eight exemptions were identified, where the salary increase was due to the member receiving a promotion or for some other acceptable reason. A total of \$125,460.50 was collected because 15 employer's paid their invoices.
- For Membership and Compensation, 136 employers were notified about possible anomalies, using the Employer Secure Messaging system and potentially affecting 540 members. From the analysis, 165 errors were identified. Employer credits were processed, and accounts were corrected accordingly. Three employers still have compliance issues and are currently pending review.
- During the review for Contribution Rate Reporting from 2015 to 2020, no employer had any anomalies reporting the correct contribution rate.

Ms. Gomez-Pabon noted her department is on target for the 2021 analysis of the Alternate Contribution Rate and concluded her discussion soliciting questions from the Committee.

There were no questions.

Mr. Patrick Toto reviewed the details of the 2020 Employer Compliance Program timeline. He further noted the 2020 Employer Conference was held entirely online for the safety of all attendees. Highlights from the survey responses included:

- Effectiveness of the virtual conference: 69.3% either More Effective or Unchanged from prior conferences.
- Topics covered: 92% either extremely satisfied or satisfied.
- Total attendance: 757

Mr. Toto concluded his discussion with questions from the Committee. There were no questions.

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

Mr. Harold Mackey reviewed the internal quarterly audit report with the Committee and provided the status of projects the Internal Audit Division (IAD) is currently working on. The Audit Team is now in the process of updating the IAD procedures in preparation for the upcoming peer review at the end of the fiscal year. The team continues to evaluate the fraud hotline, which has seen a decrease in the number of inquiries received in recent months, and is evaluating audit management software for the IAD to assist and guide them in streamlining their process and procedures in the audit space.

Mr. Mackey briefly reviewed the "Budget/Hours Allocation" slides.

Additional discussions ensued with Mr. Mackey soliciting questions from the Committee relating to his report.

There were no further questions from the Committee.

7. Presentation, Discussion and Appropriate Action Regarding the ASRS Fiscal Year 2022 and 2023 Audit Plan

Mr. Mackey reviewed the 2022 and 2023 Audit Plans. He noted that a major distinction between this year's audit plan and last year's audit plan is the use of the Enterprise Risk Management (ERM) to leverage information for the purposes of the audit. The ASRS used the ERM solution to identify their high-level risks. These risks were cross-referenced to the updated ASRS strategic priorities and from that analysis, the ERM Committee provided the IAD with its top strategic risks. The IAD was then able to utilize the information to construct their 2022 – 2023 Audit Plan. The priorities relating to risk included the following:

- Enhance Risk Management Capabilities
- Optimize Operational Effectiveness
- Provided Outstanding Customer Service

Mr Mackey briefly reviewed the details relating to the listing of audits for fiscal year 2022 and 2023, in addition to their objective, rational and reasoning. He also reviewed the budget/hours associated with their activities. He concluded his discussion requesting the Committee move to accept the proposed 2022 and 2023 Biennial Audit Plan and forward it to the full Board for final approval and solocited questions from the Committee.

Mr. Manos inquired about the summary listed on page 82 of the materials relating to how time is spent. He inquired if the 300 hours listed under contingency were for issues that may arise during the two-year period that weren't originally identified.

Mr. Mackey responded, noting Mr. Manos was correct.

Motion: Mr. Tom Manos moved to accept the 2022 and 2023 Biennial Audit Plan and move it to the full Board for final approval. Mr. Guillen seconded the motion.

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

Mr. Rene Guillen – approved
Mr. Tom Manos – approved
Ms. Ashley Ruiz – approved

8. Call to the Public

Mr. Guillen called upon an members of the public who wanted to speak and turned the discussion over to Mr. Steven Ramos who requested to speak.

Mr. Ramos introduced himself as a member of the pubic and a retired member of the Arizona Education Association (AEA). He commended Mr. King on his excellent IT report, noting his materials and discussion were easy to understand and very informative. Mr. Ramos further thanked

Ms. Daigneault and her staff for the design and implementation of the Active Member Survey. He noted the information was very helpful to the AEA and their efforts in assisting members of the ASRS to better understand their benefits.

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

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

Mr. Rene Guillen – approved
Mr. Tom Manos – approved
Ms. Ashley Ruiz – approved

The Committee convened to Executive Session at 4:12 p.m.

The Committee reconvened to Public Session at 4:34 p.m.

10. Requests for Future Agenda Items

None were requested.

11. The next regular public OALC meeting is scheduled for Wednesday, July 21, 2021, at 2:30 p.m.

Mr. Rene Guillen noted the next OALC meeting is scheduled for Wednesday, July 21, 2021, at 2:30 p.m.

12. Adjournment of the OALC

Mr. Guillen adjourned the meeting at 4:36 p.m.

Respectfully Submitted,

Gloria Montiel
Committee Administrator
ARIZONA STATE RETIREMENT SYSTEM