



# 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, April 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 telephonically in public session.

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

### **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.

Ms. Melanie Alexander, ASRS Committee Administrator, provided all attendees with telephonic meeting guidelines.

### **2. Approval of the Minutes of the January 8, 2020 Public Meeting and Executive Session of the OALC**

**Motion:** Mr. Tom Manos moved to approve the Minutes of the January 8, 2020, Public Meeting and Executive Sessions of the OALC. 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. Clark Partridge – approved  
Mr. Tom Manos – approved  
Mr. Rene Guillen – approved

### **3. Presentation, Discussion, and Appropriate Action Regarding an Update of the ASRS Employer Compliance**

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, provided an introduction, stating that after the ASRS changed employer compliance from an audit to a management function staff made the commitment to report the progress of the program to the OALC periodically, which is the purpose of today's presentation. Mr. Guarino turned the presentation over to Mr. Patrick Toto, Employer Relations Supervisor.

Mr. Toto provided a brief summary of what the presentation will consist of today. Mr. Toto explained the purpose of the compliance program is to take a proactive approach, comparing historical and current data to anticipate and reduce any risks. The goal is to meet with three employers each quarter to determine enhancements that can be made to ASRS communications or service methods and to discuss educational opportunities; however, due to the current national health crisis, this quarter's goal has not been met. The compliance program that is in the process of being completed is the Health Insurance Premium Benefit Program. Of the 286 employers identified and surveyed, 100% responded to the survey, with 61 noted as needing follow-up or further action. Upon reaching out to the 61 Employers noted as needing follow-up, the ASRS is only pending responses from 12 of the employers. Mr. Toto reviewed the timeline his team follows throughout the year to ensure they stay on track and responded to questions from the Committee.

#### **4. Presentation, Discussion, and Appropriate Action Regarding the 2019 Rulemaking Initiative Regarding Calculating Benefits**

Ms. Jessica Thomas, Government Relations Officer and Rules Writer, addressed the Committee announcing this rulemaking is finalizing the last of the items on the 2018 and 2019 regulatory agendas, which is codifying what the ASRS is already doing in practice in regard to certain types of applications such as retirement, survivor benefits, etc. Ms. Thomas further stated it also reorganizes some of the requirements that have already been placed in rule to make them more readable and understandable. Ms. Thomas added that while going through this process, the ASRS was able to minimize some of the requirements on the application, which makes the requirements less burdensome to the regulated community.

Ms. Thomas responded to questions from the Committee.

**Motion:** Mr. Tom Manos moved to approve the draft rulemaking language to be filed with the Secretary of State. 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. Clark Partridge – approved  
Mr. Tom Manos – approved  
Mr. Rene Guillen – approved

#### **5. Presentation, Discussion, and Appropriate Action Regarding the 2020 Five-Year Rule Review Report**

Ms. Jessica Thomas announced that by state statute, every agency is required to review their rules every five years to ensure that they meet certain criteria. This is to ensure that rules that are no longer applicable are removed and that the existing rules are continuing to be effective. Ms. Thomas advised this review included four of the ASRS' articles and it was determined that only minor updates were

needed. The updates being recommended reduce the burden on the regulated community by removing some of the requirements that are no longer needed to process some applications.

Ms. Thomas opened it up to questions from the Committee; there were none.

**Motion:** Mr. Tom Manos moved to approve the draft Five-year Review Report to be filed with the governor's Regulatory Review Council. 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. Clark Partridge – approved  
Mr. Tom Manos – approved  
Mr. Rene Guillen – approved

## **6. 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 the Internal Audit Division (IAD) is currently working on. Mr. Mackey reviewed the items in the "Follow-up Monitoring" and noted FSD is completing the second of the three year Cash Controls Audit and most of the findings identified in the CliftonLarsenAllen assessment have either been resolved or are in the process of being resolved. The results are expected in late May or June. 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 notifications have been sent out to the foreign annuitants as required every three years but due to the current national health crisis, extensions are being granted for providing the necessary notarized documents.

Mr. Clark Partridge noted some audits had exceeded the budgeted hours and asked Mr. Mackey at what point does he assess the status of an audit to determine what it is going to take to complete. Mr. Mackey indicated in some instances target dates are simply missed and in others, the scope is extended during the course of the audit, thus exceeding the budgeted hours. Some suggestions offered were:

- Revise the Budget/Hours Allocation section of the Quarterly Audit Report to clearly account for audits exceeding the allocated hours - add a column titled, "revised budgeted hours"
- Prioritize audits to assist in plan adjustments going forward

Mr. Mackey will review modifications to the report with staff.

## **7. Review of Recently Conducted Audits**

Mr. Mackey took a moment to provide a summary of the differences between the audit of the Health Insurance Premium Benefits that Mr. Andrew Burch, ASRS Audit Officer, was about to present versus the presentation from Mr. Patrick Toto earlier in the meeting. Mr. Toto's presentation focused on the external data coming from the Employers, whereas, Mr. Burch focused on the internal processes agency staff follows with the data coming into the agency to make sure benefits are paid, adjustments are made, etc. Mr. Mackey turned the presentation over to Mr. Burch who reviewed the following audits conducted by the IAD:

**a. Health Insurance Premium Benefits-Enrollee Updates for Other Employers – Internal Process**

The IAD had no findings from the ASRS Health Insurance Premium Benefits-Enrollee Updates for Other Employers review of internal processes. The IAD did have observations noted to update SOPs for clarity, which FSD management was in agreement with and has begun.

**b. Information Risk Management (IRM) Tool-Risk Assessment – Internal Process**

The IAD had no findings from the Information Risk Management (IRM) Tool-Risk Assessment review of internal processes. The IAD did have some observations noted.

**8. Call to the Public**

No members of the public requested to speak.

**9. Requests for Future Agenda Items**

None were requested.

**10. The next regular public OALC meeting is scheduled for Wednesday, July 8, 2020, at 2:30 p.m.**

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

**11. Presentation, Discussion, and Appropriate Action Regarding the ASRS Group Dental Services Solicitation and Request for Proposal (RFP)**

Mr. Guarino and Ms. Martha Rozen, Chief of Administrative Services, introduced the topic and turned the presentation over to Ms. M. Harrison, Budget Manager, Administrative Services Division, who will be presenting on behalf of the Procurement Team. Ms. Harrison took a moment to identify the Procurement team members: Mr. Chris Gustafson, Budget & Procurement Manager; Ms. Athena Elliston, Procurement Analyst; and Ms. Martha Rozen, ASRS Chief Procurement Officer, who has delegated authority by the State of Arizona Procurement Administrator.

Ms. Harrison opened the presentation stating the purpose of today's presentation is to present a recommendation for review and consideration for contract award for the ASRS group dental insurance program. Ms. Harrison provided a brief summary of the OALC oversight responsibilities, which is outlined in the ASRS Board Governance Policy Handbook. The OALC has oversight for general contract management and procurement of specific third-party vendors and forwarding to the full Board for approval of recommended vendor selections; the dental insurance program is one of them.

Ms. Harrison further stated contracts are typically awarded for a maximum of five years and the current contract for dental services is in its fifth year; due to expire at the end of the calendar year, which is why the ASRS solicited for these services with an RFP. Another factor taken into consideration was that the ASRS is considering moving toward a self-insurance model, which may require changes to its approach as the agency moves into a new contract cycle. Ms. Harrison shared the ASRS was fortunate to have received a number of offers during this solicitation which created a truly competitive process.

Ms. Harrison advised that the information she has shared thus far is public information, the recommendation from the evaluation committee that is contained in the confidential materials is confidential and would need to be discussed in executive session if the Committee had further questions regarding those materials. The Committee indicated they had no further questions at this time.

**Motion:** Mr. Tom Manos moved to accept the Evaluation Committee's recommendation and forward to the full Board for approval. 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. Clark Partridge – approved  
Mr. Tom Manos – approved  
Mr. Rene Guillen – approved

## **12. 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. Clark Partridge – approved  
Mr. Tom Manos – approved  
Mr. Rene Guillen – approved

The Committee convened to Executive Session at 3:25 p.m.

The Committee reconvened to Public Session at 3:59 p.m.

## **13. Adjournment of the OALC**

Mr. Clark Partridge adjourned the meeting at 4:00 p.m.

Respectfully Submitted,

Melanie A. Alexander  
Committee Administrator  
ARIZONA STATE RETIREMENT SYSTEM