



# ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000  
4400 EAST BROADWAY BOULEVARD • SUITE 200 • TUCSON, AZ 85711-3554 • PHONE (520) 239-3100  
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778  
AZASRS.GOV

*Paul Matson  
Director*

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

**Wednesday, April 10, 2019  
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, Vice-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**

Mr. Clark Partridge, Vice-chair, welcomed the attendees.

Present: Mr. Jim Hillyard, Chair (joined the meeting at 2:32 p.m.)  
Mr. Clark Partridge, Vice-chair  
Mr. Michael Miller

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

### **2. Approval of the Minutes of the January 9, 2019 Public Meeting of the OALC**

**Motion:** Mr. Michael Miller moved to approve the Minutes of the January 9, 2019, Public Meeting of the OALC. Mr. Clark Partridge seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved. The Trustee votes were as follows:

Mr. Jim Hillyard – excused  
Mr. Clark Partridge – approved  
Mr. Michael Miller – approved

### **3. Presentation, Discussion, and Appropriate Action Regarding an Update of the 2018 ASRS Rulemaking**

Ms. Jessica Thomas, Government Relations Officer and Rules Writer, reviewed the status of the 2018 ASRS Regulatory Agenda as follows:

- 2 A.A.C. 8, Article 5: Service Purchase – rulemaking has been completed and became effective March 18, 2019
- 2 A.A.C. 8, Article 7: Contributions Not Withheld – rulemaking has been completed and became effective March 18, 2019
- 2 A.A.C. 8, Article 1: Retirement application and options – staff is still currently working on this initiative

Ms. Thomas also provided an update to the Committee regarding the repeal of the one remaining rule for the Deferred Compensation Committee. Mr. Paul Matson, ASRS Director, is a member and Chair of this Committee and had been asked if the ASRS could manage this repeal. This action has been completed and will be effective in early June.

*Mr. Jim Hillyard joined the meeting at 2:32 p.m.*

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

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced the topic stating it has been 14 months since the Internal Audit Division discontinued performing employer audits and employer compliance was moved to the Member Services Division, Employer Relations Unit. Mr. Guarino turned the presentation over to Ms. Michele Briggs, Employer Relations Manager and Mr. Dave King, Assistant Director, Member Services Division.

Mr. King opened the discussion by indicating the goal is to engage at least 100 employers a year regarding a contribution anomaly or question based on data currently reported to the ASRS. The team reviewed fiscal year 2018 contributions of all 701 employers focusing on one trigger – did each member pay enough contributions to at least potentially be working 20 hours a week. As the program progresses there will be additional triggers implemented.

Ms. Briggs took a moment to introduce the Employer Relations team members. In attendance were, Ms. Marina Keith, Mr. Michael McCarthy and Mr. Michael Carr. Ms. Wendy Tobin was unable to attend but completes the team. Ms. Briggs reviewed the reports prepared by Ms. Courtney Micheau, Management and Benefits Analyst that were provided to the Committee. The team has currently exceeded their strategic goal of engaging at least 100 employers. They have engaged 180 employers to date with 159 employers needing some corrective action and communication with the Employer Relations Unit. The team has resolved 91 of the 159 issues. Ms. Briggs shared the engagement with Employers has been very positive. The Employers feel the ASRS is taking a proactive approach and working with them. Ms. Briggs concluded with the plan for this year which is to compare the 2018 report with 2019 to see if there are repeat Employers with the same anomalies and will add two new triggers in the review process. The two new triggers will be Return to Work and Alternate Contribution Rate.

## **5. Presentation, Discussion, and Appropriate Action Regarding the Internal Audit Quarterly Update**

Mr. Harold Mackey, Chief Internal Auditor, 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 he is currently recruiting to fill the Internal Auditor position recently vacated. Mr. Mackey advised he has placed a hold on the Biennial Audit Plan for FY2020-2021 until he finishes his recruitment so he has a better understanding of the skillset the incumbent brings to the team which will determine the type of audits the team will be able to perform. Mr. Mackey also advised he is re-evaluating the strategic plan for IAD to ensure the potential loss of a team member in the future will not impact their ability to meet goals.

Mr. Mackey advised two audits were in their final stages. The Vendor Efficacy audit is pending final management responses and the Espiritu Schools audit is pending the closing conference which will be held on Thursday, April 11, 2019. All other audit activities are moving forward.

## **6. Presentation, Discussion, and Appropriate Action Regarding the ASRS Information Security Program Update**

Mr. Guarino provided an introduction of this topic indicating the ASRS recently completed its second annual internal risk assessment with Clearwater of which the results will be shared with the Committee in executive session.

**Motion:** Mr. Clark Partridge 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. Michael Miller 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. Jim Hillyard – approved  
Mr. Clark Partridge – approved  
Mr. Michael Miller – approved

The Committee convened to Executive Session at 2:56 p.m.

The Committee reconvened to Public Session at 3:51 p.m.

## **7. Requests for Future Agenda Items**

None were requested.

## **8. Call to the Public**

No members of the public requested to speak.

**9. The next regular public OALC meeting is scheduled for Wednesday, July 10, 2019, at 2:30 p.m., at 3300 N. Central Avenue, in the 14<sup>th</sup> Floor Conference room, Phoenix, Arizona.**

Mr. Jim Hillyard noted the next OALC meeting is scheduled for Wednesday, July 10, 2019 at 2:30 p.m.

**10. Adjournment of the OALC**

**Motion:** Mr. Michael Miller moved to adjourn the meeting at 3:52 p.m. Mr. Clark Partridge 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. Jim Hillyard – approved  
Mr. Clark Partridge – approved  
Mr. Michael Miller – approved

Respectfully Submitted,

Melanie A. Alexander  
Committee Administrator  
ARIZONA STATE RETIREMENT SYSTEM