

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

**Thursday, August 20, 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 9:00 a.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Clark Partridge, Chair
Mr. Tom Manos, Vice-chair
Mr. Rene Guillen (joined the meeting at 9:02 a.m.)

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. Presentation, Discussion, and Appropriate Action Regarding 2020 Rulemaking Initiative Related to Compensation

Mr. Paul Matson, Director, turned the presentation directly over to Ms. Jessica Thomas, Government Relations Officer and Rules Writer. Ms. Thomas summarized the 2020 Regulatory Agenda identified rules that needed to be clarified due to the 2019 legislation that changed the definition of compensation. Those rules are being presented today. The rule changes clarify how employers remit contributions, how service is accrued, and in particular, to clarify what happens with an additional employer's compensation for members both prior to 2009 and post 2009. Ms. Thomas asked that the Committee consider approving the draft compensation rulemaking language be filed with the Secretary of State.

Ms. Thomas clarified for the Committee; the reason for the change in the compensation definition was to make it easier to understand for both the members and employers. She further indicated the former definition was complex; it was difficult for members and employers to understand what types of compensations should be included when remitting contributions.

Motion: Mr. Tom Manos moved approval of the rulemaking language as presented by staff regarding the issue of compensation and forwarding it on to the full Board. 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

Please see amended motion after Agenda Item #4 below.

3. Presentation, Discussion, and Appropriate Action Regarding 2020 Rulemaking Initiative Related to Long-Term Disability (LTD)

Ms. Thomas stated this rulemaking is similar to the compensation rulemaking in that the 2020 Regulatory Agenda identified Article 3, related to LTD benefits that needed to be updated to indicate that someone could not receive any LTD benefits if they were already receiving 100% of their pre-disability compensation. The 2019 legislation clarified this; however, there were conflicting portions of that statute that indicated that someone could not receive more than 100% of their pre-disability compensation but then there was another provision that also said that the minimum benefit would be at least \$50. This rulemaking is to clarify that they will only get the minimum if they are not already at the maximum of 100% of their pre-disability compensation. Ms. Thomas asked that the Committee consider approving the draft LTD rulemaking language be filed with the Secretary of State.

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

Motion: Mr. Tom Manos moved approval of the rulemaking recommendation regarding the LTD program. 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

4. Presentation, Discussion, and Appropriate Action Regarding the 2020 Regulatory Agenda to Include an Update on Rulemaking Initiatives

Ms. Thomas provided the Committee an update on the remaining three items listed on the 2020 Regulatory Agenda. The remaining items were as follows:

- Non-participating Employer Invoices – ASRS was seeking legislative changes earlier this year that affected this rule. This will be postponed until next year when legislative changes will be pursued again in 2021.

- Alternate Contribution Rate Credit – This is related to a piece of legislation approved last year. Staff thought it might be necessary to create rules related to when an employer takes those credits; however, it has been decided not to pursue this at this time because the ASRS does not monitor those credits; it is incumbent on the employer.
- Liability Invoices – This has been postponed pending current issues with employers. Staff believes it is prudent to postpone this rulemaking until the ASRS has resolved pending issues before determining how the ASRS should establish rules and requirements for this invoicing process.
- Five-Year Review Report – This report was completed and received approval from the Governor’s Regulatory Review Council. Currently, the ASRS is seeking approval from the Governor’s Office to proceed with expedited rulemaking to make the changes identified in the report.

2. Presentation, Discussion, and Appropriate Action Regarding 2020 Rulemaking Initiative Related to Compensation

Prior to moving on to Agenda Item No. 5, Ms. Cassie Adams, Assistant Attorney General, suggested the motion for Agenda Item No. 2, be clarified for the record as it does not need to be forwarded to the full Board for approval, it needs to go to the Secretary of State. Mr. Clark Partridge called for an amended motion.

Motion: Mr. Tom Manos amended his motion for Agenda Item # 2 to reflect that the rulemaking will not be going to the full Board, but rather will be going to the Secretary of State. Mr. Rene Guillen seconded the amended 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. Call to the Public

No members of the public requested to speak.

6. Requests for Future Agenda Items

None were requested.

7. The next regular public OALC meeting is scheduled for Wednesday, October 14, 2020, at 2:30 p.m.

Mr. Clark Partridge noted the next OALC meeting is scheduled for Wednesday, October 14, 2020 at 2:30 p.m.

8. Adjournment of the OALC

Mr. Clark Partridge adjourned the meeting at 9:16 a.m.

Respectfully Submitted,

Melanie A. Alexander
Committee Administrator
ARIZONA STATE RETIREMENT SYSTEM