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 2:32 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 the 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 July 8, 2020, Public Meeting and Executive Session of the OALC

Motion: Mr. Tom Manos moved to approve the Minutes of the July 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. Approval of the Minutes of the August 20, 2020, Ad Hoc Public Meeting of the OALC

**Motion:** Mr. Tom Manos moved to approve the Minutes of the August 20, 2020, Ad Hoc Public Meeting 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

4. Presentation, Discussion, and Appropriate Action Regarding: The Results of the 2020 Employer and Retiree Surveys, and the Survey Plan and Priorities for 2021

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, opened the discussion by stating the ASRS counts on surveys to assist in assessing the quality of the wide range of services. Consequently, they need to be well thought out and useful. Mr. Guarino added that he was impressed with how Ms. Katie Daigneault, Survey Administrator, and Ms. Sara Orozco, Strategic Planning and Analysis Manager, kept the program fresh and relevant and turned the presentation over to them.

Ms. Orozco took a moment to introduce Ms. Daigneault to the Committee and summarize her background with Strategic Planning and Analysis as this was Ms. Daigneault’s first time before the Committee. Ms. Orozco shared Ms. Daigneault was given the task of looking at survey tools and opportunities for improvements, which is what she has been working on for approximately the last year. Ms. Orozco then turned the presentation over to Ms. Daigneault.

Ms. Daigneault opened the presentation by stating the program uses a multipronged approach to collect data to assess satisfaction, understanding, and the perception of the ASRS both internally and externally, all of which tie back to the agency’s vision, mission, priorities, and goals. Highlights from the presentation were as follows:

- **ASRS conducts three types of surveys**
  - **Perceptions Surveys:** Large groups, done once a year to gather general member impressions
  - **Transaction Surveys:** Small groups of members who recently interacted with the ASRS
  - **Ad Hoc Surveys:** One-time surveys to gather information on a particular issue of interest
- **In late 2019 moved from paper-based surveys to an electronic-only survey platform through Qualtrics as it was determined the ASRS had enough emails in its member database to make the transition**
- **2020 Priorities:**
  - Implemented use of the Net Promoter Scores (NPS) for each of the four member perception surveys
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- Added two additional perception-based surveys for Active and Inactive members
- Transaction surveys are being looked at for changes to the questions, timing, and methodology

- 2021 Plan:
  - Continue to revamp the transaction based surveys and implement changes deemed necessary or beneficial
  - Continue with the DMAIC process and feedback loop to make sure the ASRS is taking action on the feedback being received from our customers
  - Work with the ASRS Technology Services Division to look into an Application Programming Interface function to make the survey process more automated

- 2020 Retiree Survey Results:
  - Survey conducted in Second Quarter 2020 with a Confidence Rate: 99%, and Margin of Error Rate: ± 3%
  - Retirees continue to be highly engaged
  - Satisfied with the services provided
  - Feel their retirement is secure
  - ASRS provides information that is easy to understand
  - Confident they will have enough money to live comfortably throughout retirement
  - ASRS’ Net Promoter Score for this group was 59.5, which is excellent. Net Promoter Score determines how likely one is to promote or recommend an agency/company as a good agency/company. The scores range from -100 to +100, with anything above 0 being considered ‘great.’
  - Results showed the least satisfied retirees fell within the group of members having less than ten years of services and retired five years or longer who did not utilize all the educational tools/services the ASRS has to offer
  - Subject matter data was obtained to enable the Member Education Team to provide education to our membership as they go through their tenure with the ASRS so they can have a better understanding as they approach retirement regarding matters such as: Permanent Benefit Increases/Cost of Living Adjustments, Partial Lump Sum Implications, Health Insurance cost and coverage for Pre-Medicare

- 2020 Employer Survey Results:
  - Vast majority of Employers are satisfied, highly engaged, they indicate the ASRS provides excellent services overall and feel the ASRS provide services that help them attract and retain employees
  - Net Promoter Score for the ASRS in this group was 46.6, another great score
  - Based on comments received from the Employers within the 1-5 year range, the ASRS has received enough information to work with Communications, Employer Relations, and the Member Education Team to provide targeted education/support to increase the level of satisfaction in this specific group of employers

5. Presentation, Discussion, and Appropriate Action Regarding the 2021 ASRS Legislative Initiatives

Ms. Jessica Thomas, Government Relations Officer and Rules Writer, presented to the Committee the proposed 2021 Legislative Agenda indicating it is mostly the same as the 2020
Ms. Thomas identified two changes from the 2020 agenda as follows:

- An addition to No. 3 includes an update to A.R.S. § 38-775 pertaining to Required Minimum Distributions (RMD). It was determined that federal requirements needed to be included and take precedence over the ASRS Long-Term Disability (LTD) statutes as well. A.R.S. §§ 38-775 and 38-797.07 proposed amendments will include clarifications that the RMD provisions take precedence over Article 2.1 (LTD), and a member may receive both LTD and RMD.

- No. 5 is a new proposal from staff to amend A.R.S. § 38-748(A) to replace "legally obligated to" with "shall" to make it clearer to the employer when the ASRS can charge an unfunded liability while still maintaining the agency's discretion.

Ms. Thomas provided a recap advising the Committee that the remaining 2021 Legislative Agenda items No. 1, 2, most of 3, and 4 were previously reviewed and approved by the Committee in 2020 and offered to answer any questions the Committee may have. Ms. Thomas indicated if the Committee had no questions, staff requested the Committee consider accepting and forwarding the appropriate 2021 ASRS Legislative Initiatives to the full Board for approval.

Mr. Partridge asked if the language should be updated in A.R.S. § 38-738 when it references payments by “check” as this is very specific. Ms. Thomas indicated this language was very specific to ensure compliance with federal law.

**Motion:** Mr. Tom Manos moved to accept the proposed 2021 ASRS Legislative Initiatives and recommend forwarding it to the Board of Trustees 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

6. Presentation, Discussion, and Appropriate Action Regarding 2020 Rulemaking Initiative Related to Unfunded Liability Invoices

Ms. Jessica Thomas stated it was documented on the 2020 Regulatory Agenda new rules to be drafted and adopted pertaining to the Unfunded Liability statute, A.R.S. § 38-748. The rule being presented today is a new rule to clarify how the ASRS will charge an unfunded liability in addition to making a clarification with regard to how contributions are remitted. Employers are currently required to certify that the employee they are remitting contributions for has met membership eligibility and that all the contributions they are remitting for that employee are eligible for compensation based on the ASRS statute and rules. The ASRS wanted to clarify that if an Employer improperly certifies, the ASRS would be able to use A.R.S. § 38-748 to charge an Employer an unfunded liability based on ineligible contributions or based on the ineligibility of the employee being a member.
Ms. Thomas offered to answer any questions for the Committee and, if there were none, requested the Committee consider approving the draft of the Unfunded Liability Invoices rulemaking be filed with the Secretary of State.

**Motion:** Mr. Tom Manos moved to approve this rulemaking initiative and recommend it be forwarded to 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

7. **Presentation, Discussion, and Appropriate Action Regarding the Internal Audit Annual Audit Report and Quarterly Update**

Mr. Harold Mackey opened with a review of the Internal Audit Annual Audit Report. He indicated this is the first time this report has been presented but felt it was important for the Committee to see a complete picture of the entire year that summarizes the year's activities in correlation with the Quarterly Audit Update Report. It will also serve as a tool for the Committee to determine if the information provided is sufficient and areas in need of improvement.

Mr. Mackey briefly reviewed the Internal Audit Plan for Fiscal Year (FY) 2020 and some of the changes that occurred. Specifically, Mr. Mackey noted that many of the Cash Control Audit follow-ups were put on hold while CliftonLarsonAllen was conducting another review so there was no overlap. Mr. Mackey did not review all the changes as there were several but moved on to a brief review of the completed projects during FY 2020. Mr. Mackey advised the Committee that this is the year Internal Audit will undergo a Peer Review, which is done every five years, and they have been preparing for this by conducting a self-assessment in the fourth quarter.

Mr. Mackey highlighted some of the Advisory Services and Non-audit Services performed and advised the Committee that the ASRS had received numerous calls to the Fraud Hotline related to the Department of Economic Security (DES) Unemployment Insurance. For the first couple of months, Mr. Mackey and Ms. Tammy Wilson, Privacy Officer, devoted a sufficient amount of time to research and direct these calls to the proper authority within DES.

Mr. Mackey opened it up to questions from the Committee. Mr. Tom Manos asked what efforts were being made to implement the Cash Control Audit Report's recommendations from 2017, given that the report is three years old. Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, advised that this would be covered in executive session when discussing Agenda Item #12.

The Quarterly Audit Update Report was provided to the Committee but not reviewed during this meeting.
8. Presentation, Discussion, and Appropriate Action Regarding the 2021 Calendar Year OALC Meeting Schedule

Mr. Clark Partridge reviewed the proposed 2021 OALC meeting schedule. Meetings are set to occur on the second Wednesday of the first month of each quarter as follows:

- Wednesday, January 13, 2021 @ 2:30 p.m.
- Wednesday, April 14, 2021 @ 2:30 p.m.
- Wednesday, July 14, 2021 @ 2:30 p.m.
- Wednesday, October 13, 2021 @ 2:30 p.m.

There were no alternative dates requested.

Motion: Mr. Tom Manos moved to approve the proposed 2021 OALC meeting schedule as presented. 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

9. Call to the Public

Ms. Talonya Adams, an ASRS member, addressed the Committee to express various concerns such as historical account data of her ASRS account, Contributions Not Withheld calculations, application of statute and agency rules, and the desire to receive information regarding the appeal process.

10. Requests for Future Agenda Items

None were requested.

11. The next regular public OALC meeting is tentatively scheduled for Wednesday, January 13, 2021, at 2:30 p.m.

Mr. Clark Partridge noted the next OALC meeting is scheduled for Wednesday, January 13, 2021, at 2:30 p.m.
12. Presentation, Discussion, and Appropriate Action Regarding the 2020 ASRS Cash Controls Review by CliftonLarsonAllen

See motion recorded under Agenda Item #13.

13. Presentation, Discussion, and Appropriate Action Regarding the ASRS Information Security Program
   a. 2020 ASRS Privacy Assessment Review by CliftonLarsonAllen
   b. ASRS Information Security and Privacy Program Update

Ms. Melanie Alexander, Committee Administrator, advised the Committee that the attendees for both Agenda Item #12 and Agenda Item #13 were the same with the exception of one staff member who would announce his departure at the conclusion of Agenda Item #12. This would allow the Committee to consider moving into one executive session for both Agenda Item #12 and Agenda Item #13, rather than having two executive sessions.

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 for Agenda Item #12 and Agenda Item #13. 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 3:41 p.m.

The Committee reconvened to Public Session at 4:37 p.m.

14. Adjournment of the OALC

Mr. Clark Partridge adjourned the meeting at 4:38 p.m.

Respectfully Submitted,

Melanie A. Alexander
Committee Administrator
ARIZONA STATE RETIREMENT SYSTEM