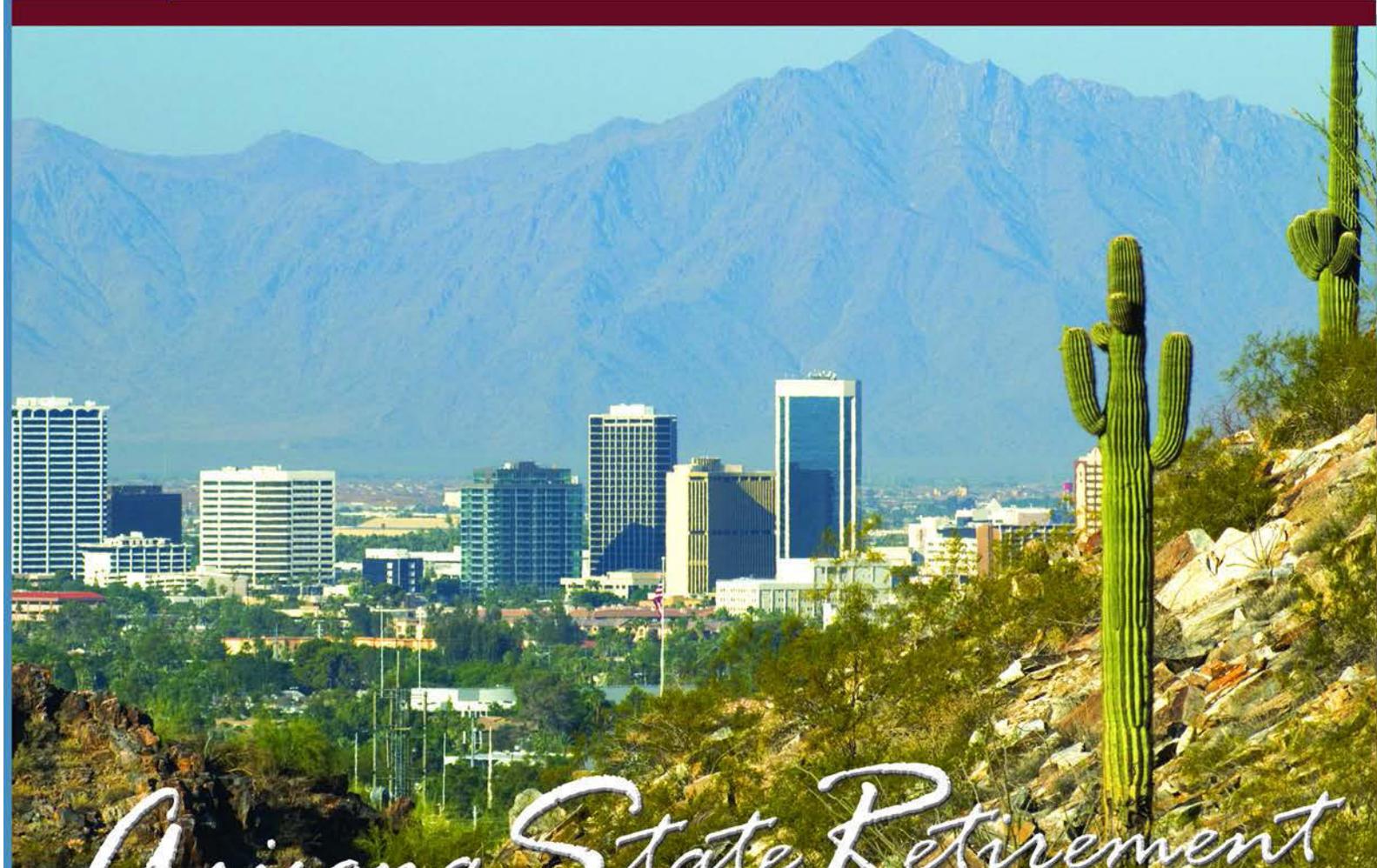




Arizona State Retirement System  
**OPERATIONS COMMITTEE**

December 9, 2014

10:30 a.m.

A wide-angle photograph of an Arizona cityscape, likely Phoenix, with several high-rise buildings in the mid-ground. In the background, a range of rugged, blue-toned mountains stretches across the horizon. In the foreground, a rocky hillside is dotted with green desert vegetation, including a prominent saguaro cactus on the right side.

*Arizona State Retirement*  
**SYSTEM**



# How...

## **ASRS Employees Deliver Service With PRIDE!**

### **PROFESSIONALISM**

*We promote, strive for and expect individuals, teams, and divisions to possess professional qualities and skills to lead the organization.*

- Displays a friendly, respectful and courteous demeanor even when confronted by adversity
- Has proactive and responsive approach to internal and external customer needs
- Possesses good communication and active listening skills
- Is a trusted contributor (manager, leader, SME, analyst, teammate)
- Takes personal accountability • Has subject matter expertise
- Has critical thinking skills • Has an honest, fair, non-judgmental mind-set
- Is adaptable to beneficial change • Adheres to the ASRS Code of Conduct

### **RESULTS**

*We treasure the achievements of individuals, teams, divisions and the agency that energize the organization.*

- Meets goals and objectives
- Completes projects
- Produces quality work products
- Satisfies customers
- Attains individual accomplishments
- Manages risks successfully

### **IMPROVEMENT**

*We appreciate individuals, teams or divisions who drive the agency forward with new, innovative ideas and solutions.*

- Promotes new ideas
- Enhances outcomes and performance
- Solves problems
- Enhances morale
- Improves relationships
- Increases efficiency, effectiveness or reduces costs

### **DIVERSITY**

*We recognize that utilizing different talents, strengths and points of view, strengthens the agency and helps propel outcomes greater than the sum of individual contributors.*

- Encourages an attitude of openness and a free flow of ideas and opinions
- Treats others with dignity and respect
- Works effectively to accomplish goals with teams comprised of dissimilar individuals
- Recognizes and promotes skills in others attained on and off the job

### **EXCELLENCE**

*We celebrate individuals, teams and divisions who exceed expectations and deliver service with a PRIDE that permeates the organization.*

- Surpasses member, stakeholder and associate expectations
- Demonstrates a willingness to go the extra mile to engender a positive public image
- Embraces change in a manner that inspires others
- Accepts responsibility and challenges with enthusiasm
- Takes a personal interest in promoting teamwork through effective use of communication (verbal, non-verbal, written and technological techniques)
- Creates a motivated, healthy and productive work environment that celebrates and rewards the accomplishments of others



**ARIZONA STATE  
RETIREMENT SYSTEM**





# ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson  
Director

## AGENDA

### NOTICE OF A PUBLIC MEETING AND POSSIBLE EXECUTIVE SESSION OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS AND AUDIT COMMITTEE

14<sup>th</sup> Floor Conference Room  
3300 North Central Avenue  
Phoenix, AZ 85012

December 9, 2014  
10:30 a.m. Arizona Time

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the Trustees of the Arizona State Retirement System (ASRS) Operations and Audit Committee (OAC) and to the general public that the ASRS OAC will hold a meeting open to the public on Tuesday, December 9, 2014, beginning at 10:30 a.m. Arizona Time in the 14th Floor Conference Room of the ASRS office, 3300 North Central Avenue, Phoenix, AZ 85012. Trustees of the Committee may attend either in person or by telephone conference call.

This is a regularly scheduled meeting of the OAC; however, due to possible attendance by other ASRS Board Trustees, this meeting may technically become a meeting of the Board or one of its committees. Actions taken will be consistent with OAC governance procedures. Actions requiring Board authority will be presented to the full Board for final decision.

The Chair may take public comment during any agenda item. If any member of the public wishes to speak to a particular agenda item, they should complete a request to speak form indicating the item and provide it to the Committee Administrator.

This meeting will be teleconferenced to the ASRS Tucson office conference room at 7660 E. Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

The Agenda for the meeting is as follows:

1. Call to Order; Roll Call; Opening Remarks ..... Mr. Jeff Tyne  
Operations and Audit Committee Chair
2. Approval of the October 7, 2014 Minutes of the OAC Meeting ..... Mr. Jeff Tyne

*Regarding the following agenda item, pursuant to A.R.S. § 38-431.03(A)(2), the ASRS Committee may vote to go into executive session, which will not be open to the public, for the purpose of considering or discussing records exempt by law from public inspection.*

3. Presentation, Discussion and Appropriate Action with Regard to Data Security Initiatives .....  
..... Mr. Anthony Guarino  
Deputy Director and Chief Operations Officer  
..... Ms. Lisa King  
Management Analyst  
..... Ms. Valerie Burkett  
Project Manager  
..... Ms. Molly Mahai  
NIS Manager  
..... Ms. Tamera Wilson  
Privacy Officer
  
4. Presentation, Discussion and Appropriate Action with Regard to the CEM Benchmarking .....  
..... Mr. Anthony Guarino  
..... Mr. Brian Crockett  
Management Analyst  
..... Ms. Jan Hartford  
CEM
  
5. Review of Recently Conducted Audit for Eastern Arizona College  
..... Mr. Anthony Guarino  
..... Mr. Bernard Glick
  
6. Presentation, Discussion and Appropriate Action Regarding the 2015 OAC Calendar .....  
..... Mr. Anthony Guarino
  
7. Requests for Future Agenda Items..... Mr. Jeff Tyne  
..... Mr. Anthony Guarino
  
8. Call to the Public ..... Mr. Jeff Tyne

Those wishing to address the ASRS Committee are required to complete a Request to Speak form before the meeting indicating their desire to speak. Request to Speak forms are available at the sign-in desk and should be given to the Committee Administrator. Trustees of the Committee are prohibited by A.R.S. § 38-431.01(G) from discussing or taking legal action on matters raised during an open call to the public unless the matters are properly noticed for discussion and legal action. As a result of public comment, the Committee Chair may direct staff to study and/or reschedule the matter for discussion and decision at a later date.

9. Adjournment of the OAC

A copy of the agenda background material provided to the OAC Trustees (with the exception of material relating to possible executive sessions) is available for public inspection at the ASRS offices located at 3300 North Central Avenue, 14th Floor, Phoenix, Arizona and 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona. The agenda is subject to revision up to 24 hours prior to meeting. These materials are also available on the ASRS website (<https://www.azasrs.gov/web/BoardCommittees.do>) approximately 48 hours prior to the meeting.

Persons(s) with disabilities may request a reasonable accommodation such as a sign language interpreter or alternate formats of this document by contacting Tracy Darmer, ADA Coordinator at (602) 240-5378 in Phoenix, at (520) 239-3100, ext. 5378 in Tucson or 1-800-621-3778, ext. 5378 outside metro Phoenix or Tucson. Requests should be made as early as possible to allow time to arrange the accommodations.

Dated December 2, 2014

ARIZONA STATE RETIREMENT SYSTEM

---

Melanie Alexander  
Committee Administrator

Date

---

Anthony Guarino  
Deputy Director and Chief Operations Officer

Date





# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson*  
Director

## MINUTES OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS AND AUDIT COMMITTEE

**HELD ON**  
**Tuesday, October 7, 2014**  
**10:30 a.m., Arizona Time**

The Operations and Audit Committee (OAC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Jeff Tyne, Chair, called the meeting to order at 10:31 a.m.

### **1. Call to Order; Roll Call; Opening Remarks**

Present: Mr. Jeff Tyne, Chair  
Mr. Brian McNeil (via telephone)  
Mr. Mike Smarik, Vice-chair  
Dr. Richard Jacob

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

### **2. Approval of the August 12, 2014 Minutes of the OAC Public Meeting and Executive Sessions**

**Motion:** Dr. Richard Jacob moved to approve the minutes of the August 12, 2014 OAC meetings. Mr. Mike Smarik seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

### **3. Presentation Discussion and Appropriate Action Regarding the Allocation of Retrospective Rate Adjustment Agreement (RRAA) Funds**

Mr. Pat Klein, Assistant Director External Affairs, explained the background of the Retrospective Rate Adjustment Agreement (RRAA) funds and details of how the funds potentially could be used. Mr. Klein provided a high-level overview of different ideas for using the \$71,168,523 RRAA reimbursement and their effect. The ideas include: add to the Premium Benefit fund; add benefits; lower premiums; add Wellness Initiatives; use for administrative and services system redesigns; and for use for the self-funding project.

The discussion was an introductory overview and more review will be needed before a recommendation of how to spend the money is brought ultimately to the full Board.

#### **4. Presentation, Discussion and Appropriate Action Regarding a Web Steering Committee Status Update**

Mr. Dave King, Assistant Director Member Services, made a presentation outlining the ASRS' progress in migrating members from manual transactions, physical contacts and mailings to online self-service from January 2011 to October 2014. Mr. King also discussed how the ASRS plans to increase web use among groups of inactive members and retirees.

#### **5. Presentation, Discussion and Appropriate Action Regarding the Audit Budget Update for the Q1/FY2015 Audit Plan**

Mr. Bernard Glick, Chief Internal Auditor presented the status of audit hours used for the FY 2014/15 Audit Plan. Mr. Glick stated he expects the 2014/15 Audit Plan to be completed on time (June 30, 2015).

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

Mr. Glick reviewed the following audits conducted by the Internal Audit Division (IAD).

- **ASRS Spreadsheet Review**

The IAD audited 30 internal agency spreadsheets used as backup to the automated systems. There were three findings, which management agreed with and will make the recommended changes.

- **Coconino Community College**

The IAD had two findings from the Coconino Community College audit. The Employer agreed with the findings and will remit payment for the amounts due; develop a monthly process to reconcile ASRS premium benefit payments; and self-audit FY2014 by July 31, 2014.

- **New West Charter School**

The IAD had two findings from the New West Charter School audit. The Employer agreed with the findings and will insure all contributions sent to the ASRS will include the correct SSNs; and will treat employees' contributions as pre-tax, correcting W-2s where applicable.

- **Town of Hayden**

The IAD had five findings from the Town of Hayden audit. The Employer agreed with the findings and changed their handling of the contributions; and will notify the affected employees via the Town Clerk.

- **Alter Valley School District**

The IAD had two findings from the Alter Valley School District audit. The Employer agreed with the findings and will remit payment for the amount due; and contact their ASRS account representative to make arrangements for the credit due them.

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

The Committee requested a follow-up discussion regarding the ASRS' responsibility to its membership regarding audit findings.







# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson  
Director*

## MEMORANDUM

**TO:** The Arizona State Retirement System (ASRS) Operations and Audit Committee (OAC)  
**FROM:** Mr. Anthony Guarino, Deputy Director and Chief Operations Officer  
**DATE:** December 1, 2014  
**RE:** **Agenda Item #3** Presentation, Discussion and Appropriate Action with Regard to Data Security Initiatives

### Purpose

To discuss the agency's ongoing efforts to increase data security and protect member Personally Identifiable Information (PII).

### Recommendation

Informational only; no action required.

### Background

The ASRS is accelerating its security plans in light of the recent data security incident and as a result is reexamining the plans, timelines and decisions made after undergoing an outside security audit and an internal risk assessment earlier this year (the results of which were presented to the OAC in August 2014). To that end:

- Existing procedures throughout the agency have been reviewed to ensure all group file transfers of PII are secure.
- The agency is working with the Budget and Procurement program areas to identify resources in advance of our fiscal year 2016 plans. Pending State approval, items identified as being significantly impactful include:
  - Installing the next generation firewall
  - Acquiring the tools and resources to remediate the high level-findings identified during scans of our systems for vulnerabilities
  - Configuring security tools to provide specific alerts and dedicating resources to monitor those alerts
  - Implementing multi-factor authentication
- The Director has appointed a full-time Privacy Officer. This high profile position will report directly to the Deputy Director and provide quarterly reports to the Director on issues and updates. With this position, the agency will enhance security training, define data use and limitations, improve compliance with retention schedules, and document and classify PII data locations, setting the ground work for data loss prevention.
- A Security Engineer resource, reporting to the Security Officer, will be added in early calendar year 2015.
- The agency is pursuing network security and privacy liability insurance.
- Additional projects are being reevaluated as part of this effort.

Moreover, Internal Audit has been asked to audit the staff's reprioritizations as part of its upcoming audit of IT and data security.

Our objective remains to raise the maturity levels in specified security zones as outlined at the August OAC meeting, but with greater urgency.



Confidential  
meeting  
materials  
were in this  
agenda item



# Arizona State Retirement System

## Pension Administration Benchmarking

### Results FY 2013



Jan Hartford  
December 9, 2014

# What are the benefits of benchmarking?

- Successful benchmarking using peer comparative analysis can result in significant benefits:
  - Changes in performance and innovation
  - Improvement in quality and productivity
  - Improved performance measurement
  - Opens your organization to new methods, ideas and tools
- ***“What gets measured, gets managed”***

# CEM's universe of participants

## Participants

### Canada

APS  
 BC Pension Corporation  
 Canada Post  
 Defence Canada  
 Desjardins  
 Federal Public Service  
 HOOPP  
 LAPP  
 OMERS  
 Ontario Pension Board  
 Ontario Teachers  
 OPTrust  
 RCMP  
 Saskatchewan HEPP

### Scandinavia

ATP

### United Arab Emirates

Abu Dhabi RPB

### United States

Arizona SRS  
 CalPERS  
 CalSTRS  
 Colorado PERA  
 Delaware PERS  
 Florida RS  
 Idaho PERS  
 Illinois MRF  
 Indiana PRS  
 Iowa PERS  
 KPERS  
 LACERA  
 Michigan ORS  
 MOSERS  
 Nevada PERS  
 New Mexico ERB  
 North Carolina RS  
 NYC TRS  
 NYSLRS  
 Ohio PERS  
 Oregon PERS

Pennsylvania PSERS  
 South Carolina PEBA  
 South Dakota RS  
 STRS Ohio  
 SURS Illinois  
 TRS Louisiana  
 TRS of Texas  
 Utah RS  
 Virginia RS  
 Washington State DRS  
 Wisconsin DETF

### United Kingdom

Armed Forces Pension Schemes  
 Principal Civil Service Pension Scheme  
 Railway Pensions  
 Rolls Royce  
 Shell UK  
 Scottish Public Pension Agency  
 The Pension Protection Fund  
 Universities Superannuation Scheme

### The Netherlands

ABP  
 bpfBOUW  
 Pensioenfonds Metaal en Techniek  
 Pensioenfonds van de Metalektro  
 PFZW  
 Rabobank Pensioenfonds  
 Pensioenfonds voor de Woningbouwcorporaties

### Australia

AustralianSuper  
 BUSS(Q)  
 CBUS  
 First State Super  
 HESTA  
 QSuper  
 REST  
 StatewideSuper  
 SunSuper  
 VicSuper

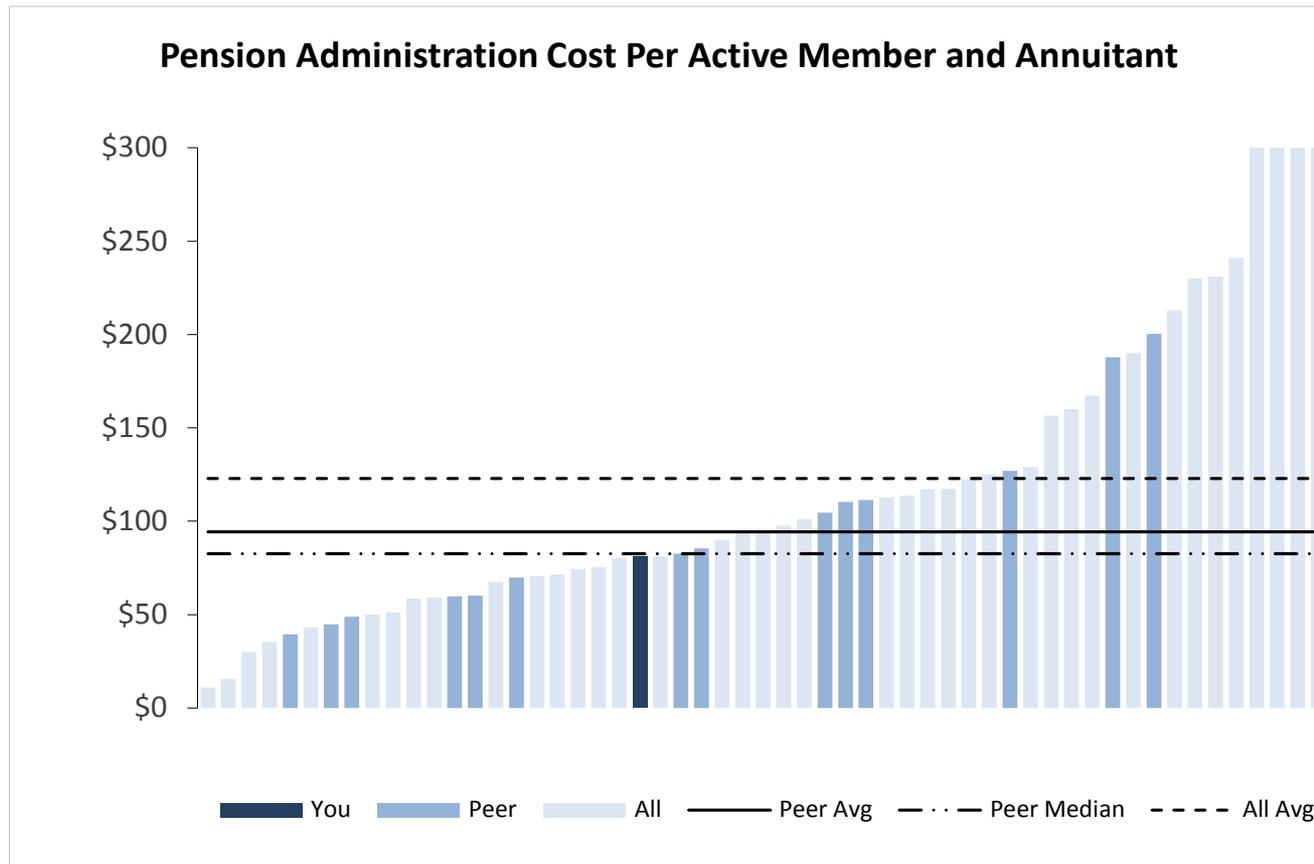
# CEM facilitates the sharing of ideas and best practices:

- CEM hosts an online peer network
- CEM hosts an annual global best practices conference
  - 2015 in Sacramento, California
  - Co-hosted by CalSTRS and CalPERS
- CEM conducts and shares practices research:
  - ASRS: Strategies to maximize productivity
  - Use of mobile apps for DB plans
  - Work from home programs

# ASRS was compared to the following peers:

Custom Peer Group for Arizona SRS			
Peers (sorted by size)	Membership (in 000's)		
	Active Members	Annuitants	Total
CalSTRS	417	267	684
Ohio PERS	348	191	539
Virginia RS	341	170	510
Michigan ORS	243	256	500
Washington State DRS	291	151	442
Indiana PRS	253	133	386
STRS Ohio	198	149	348
Colorado PERA	230	100	330
<b>Arizona SRS</b>	<b>203</b>	<b>125</b>	<b>328</b>
Oregon PERS	167	126	293
Illinois MRF	175	102	277
Iowa PERS	165	105	270
KPERS	156	84	240
NYC TRS	118	80	198
TRS Louisiana	88	72	160
Peer Median	203	126	330
Peer Average	226	141	367

# Your Total Pension Administration Cost was \$81 per active member and annuitant.



- This was \$13 below the peer average of \$94 and \$42 below the all average of \$123.
- Your total pension administration cost was \$26.6 million.

# CEM measures these pension administration activities.

## Front Office Activities:

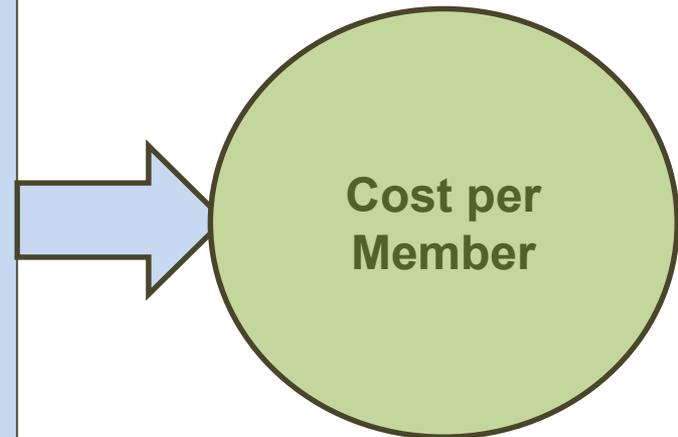
- 1. Member Transactions**
  - a) Pension Payments
  - b) Pension Inceptions
  - c) Withdrawals
  - d) Purchases
  - e) Disability
- 2. Communication**
  - a) Call Center
  - b) Mail, Imaging
  - c) 1-on-1 Counseling
  - d) Group Counseling
  - e) Written Estimates
  - f) Website, AMS, Newsletters
- 3. Employer Transactions**
  - a) Collections and Data
  - b) Employer Service
  - c) Data from Members

## Back Office Activities:

- 1. Governance/ Financial Control**
  - a) Financial Administration
  - b) Board, Strategy, Policy
  - c) Government/ Public Relations
- 2. Major Projects**
- 3. Support Services**
  - a) IT Database Management
  - b) IT Desktop
  - c) Building and Utilities
  - d) Human Resources
  - e) Actuarial
  - f) Legal/ Rule Interpretation
  - g) Internal/ External Audit
  - h) Other Support Services

# CEM uses this cost model to explain differences in total costs:

1. Economies of scale
2. Transactions per member (Workloads)
3. Transactions per FTE (Productivity)
4. Cost per FTE
5. Third party and other costs
6. Back-office activity costs

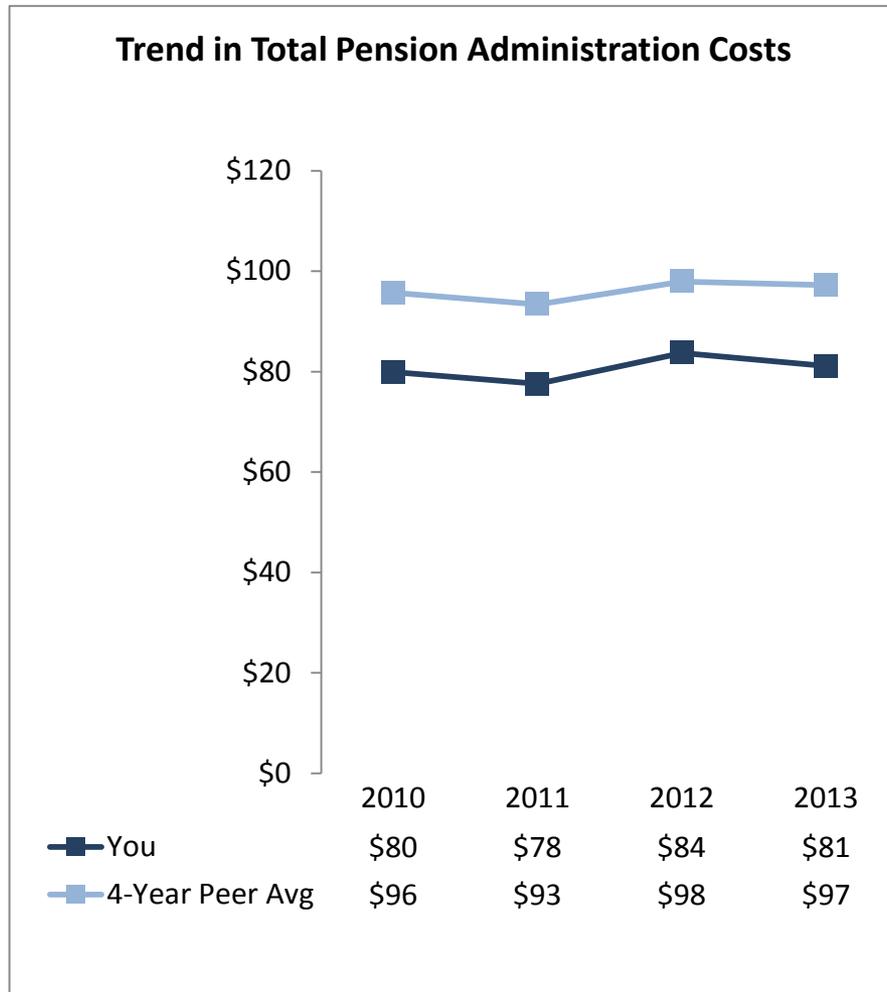


# Reasons why your pension administration cost was \$13 below the peer average.

- Higher transactions per FTE (productivity) – 12% above the peer average.
- Lower costs in the back-office activities:

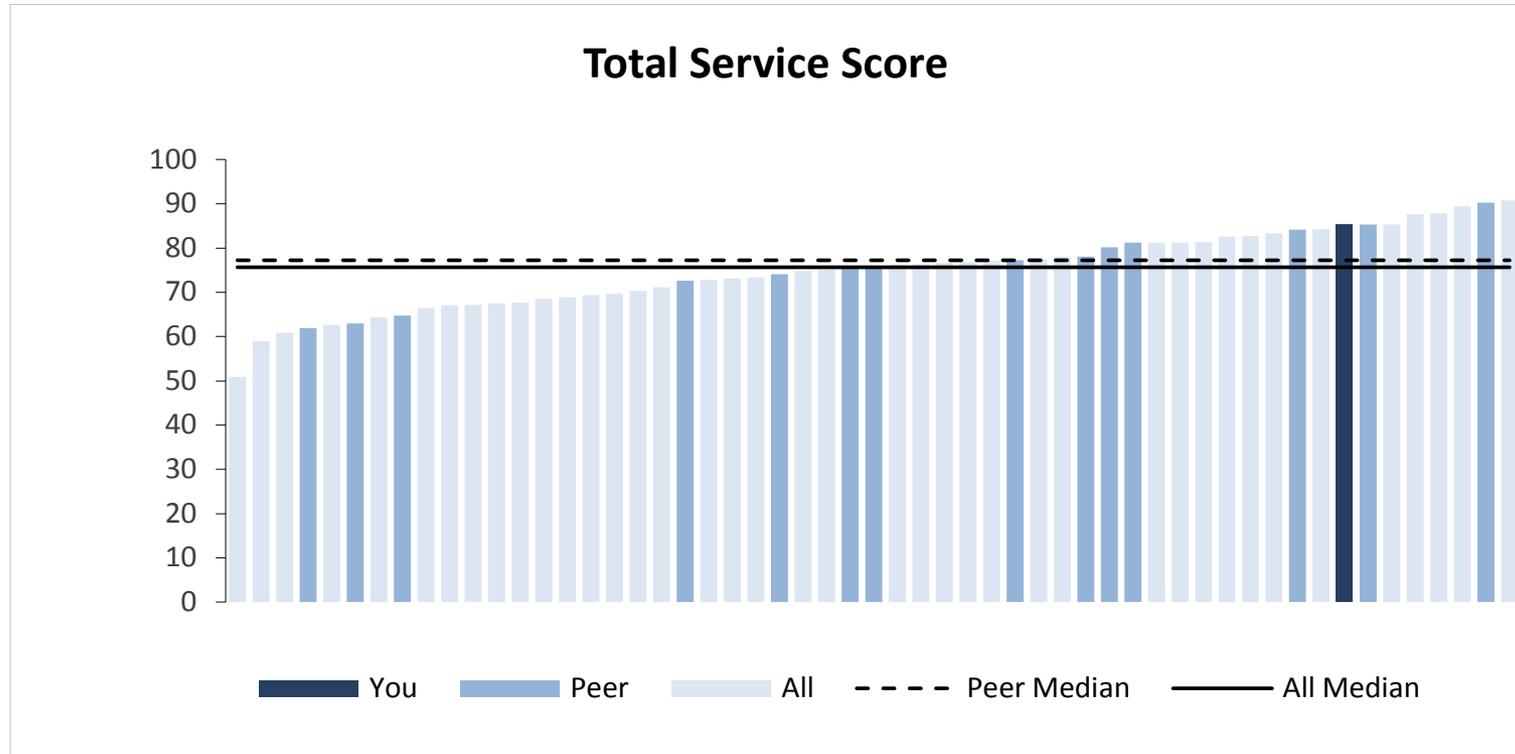
Back-Office Activities - Adjusted Cost per Member			
Back Office Activities	You	Peer Avg	More/ -less
Governance and Financial Control	\$7.97	\$8.41	-\$0.43
Major Projects	\$5.65	\$11.53	-\$5.88
IT Strategy, Database, Applications	\$8.84	\$15.92	-\$7.08
Actuarial, Legal, Audit, Other	\$8.40	\$11.60	-\$3.19
Total	\$30.87	\$47.46	-\$16.59

# Cost trends:



- Your total pension administration cost per active member and annuitant increased by 0.5% per year between 2010 and 2013.
- During this same period, the average cost of your peers increased by the same amount.

# Your total service score was in the top quartile.



- Your total service score was 85 - above the peer median of 77.
- CEM defines service from the member's perspective:
  - Faster turnaround times
  - More availability
  - More choice
  - Higher quality

Select Key Service Metrics	You	Peer Avg
<u>Member Contacts</u>		
• % of calls resulting in undesired outcomes (busy signals, messages, hang-ups)	7%	12%
• Average total wait time including time negotiating auto attendants, etc.	121 sec	230 secs
<u>Website</u>		
• Can members access their own data in a secure environment?	Yes	100% Yes
• Do you have an online calculator linked to member data?	Yes	93% Yes
• # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing tax receipts, etc.	13	9
<u>1-on-1 Counseling and Member Presentations</u>		
• % of your active membership that attended a 1-on-1 counseling session	9.8%	5.4%
• % of your active membership that attended a presentation	2.9%	5.3%
<u>Pension Inceptions</u>		
• What % of annuity pension inceptions are paid without an interruption of cash flow greater than 1 month between the final pay check and the first pension check?	97.0%	89.1%
• What % of annuity pension inceptions were initiated online?	23%	32%
<u>Member Statements</u>		
• How current is an active member's data in the statements that the member receives?	0.0 mos	2.1 mos
• Do statements provide an estimate of the future pension entitlement?	Yes	73% Yes

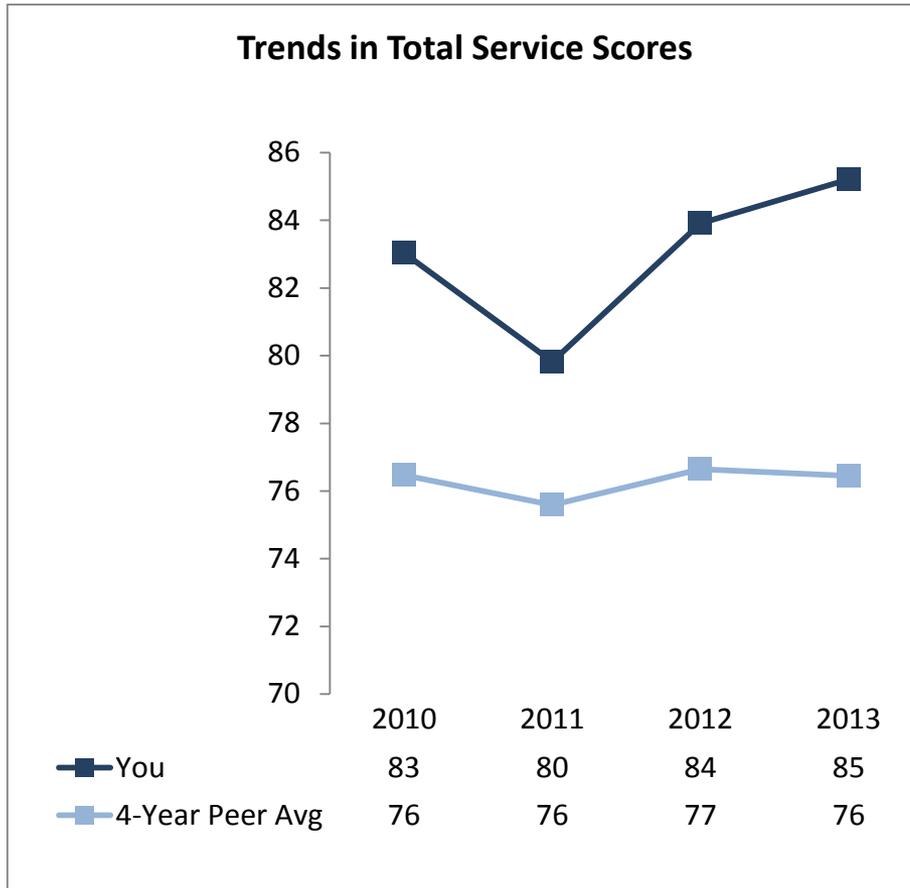
# Where can ASRS improve your score?

- Improve your call wait time
- Improve your undesired call outcomes

*CEM is not recommending these changes.*

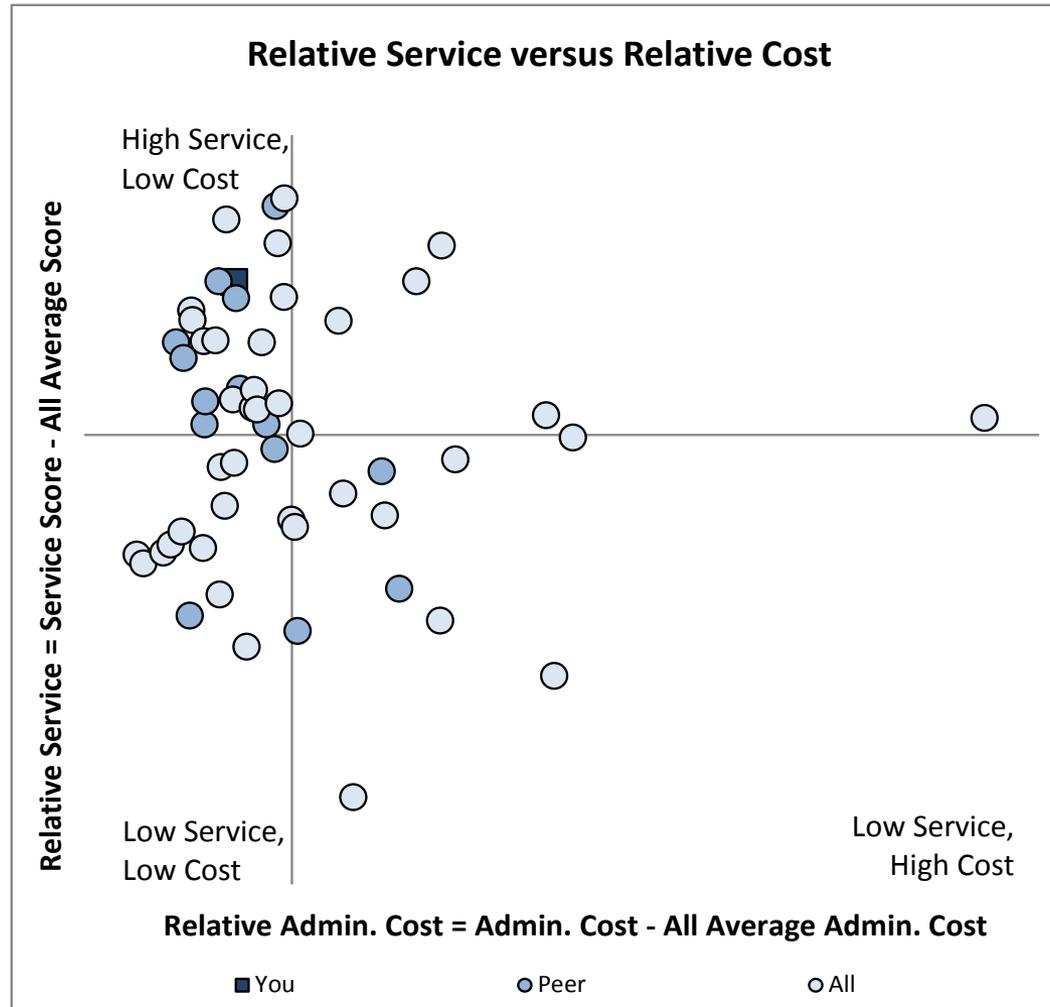
*Service improvement should be cost effective and important to your members.*

# Service trends:



- Your service score increased from 83 to 85 between 2010 and 2013.
- You have made progressive improvement to your online capability.
- You now survey 8 of the 9 activities.
- You no longer require a member to submit a birth certificate.
- Your turnaround time for service credit purchases has decreased.

# Relationship between service and pension administration cost



# Key Takeaways:

- Your cost of \$81 per member and annuitant was below the peer average of \$94.
- The primary reasons why:
  - Higher productivity
  - Lower costs in the back-office activities
- Your service score was 85 - above the peer median score of 77.
- Your service score improved from 83 to 85 over the last 4 years.
  - You have made improvements to your member website, satisfaction surveying, pension inceptions and purchases.





**A REPORT TO THE  
ARIZONA STATE RETIREMENT SYSTEM  
OPERATIONS AND AUDIT COMMITTEE**

**ARIZONA STATE RETIREMENT SYSTEM  
EMPLOYER AUDITS**

**EASTERN ARIZONA COLLEGE**

**OCTOBER, 2014**

ARIZONA STATE RETIREMENT SYSTEM  
EASTERN ARIZONA COLLEGE  
OCTOBER, 2014

The audit of Eastern Arizona College was completed October 21, 2014, for the period July 1, 2010 through June 30, 2013.

The audit objectives were to determine whether Eastern Arizona College was in compliance with Arizona State Retirement System (ASRS) statutes governing the following:

- Eligible compensation and required contributions reported to the ASRS.
- Accurate and timely enrollment of all eligible employees.
- Reporting and remitting of the employees' and employer's share of contributions.
- Medical and dental insurance premium benefits payable to retired employees.
- Retirees' return to work.
- Termination incentive programs.

**SUMMARY OF FINDINGS:**

Based on the results of the work performed to meet the above audit objectives, the following statement summarizes the findings presented to Eastern Arizona College:

**Eastern Arizona College:**

- **Did not remit the alternative contribution due for twenty-one of its returned to work retirees.**
- **Did not request a refund for remitted contributions on twelve ineligible members.**
- **Remitted the alternative contribution on excess compensation for two of its returned to work retirees.**

**BACKGROUND**

Eastern Arizona College joined the ASRS July 1, 1955, by executing an Application and Social Security 218 agreement. Eastern Arizona College currently has approximately 245 employees contributing to the ASRS.

**DESCRIPTION OF AUDIT WORK PERFORMED**

The audit work performed during this engagement was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The audit work completed consisted of an examination of the employer's payroll and personnel records for the time period July 1, 2010 through June 30, 2013. The auditor reserves the right to expand the scope of the audit when circumstances dictate discrepancies with ASRS statutes or federal laws. The auditor reviewed pertinent documentation and interviewed personnel from the Human Resources and Payroll departments. The auditor performed substantive tests of the employees' employment and payroll records to provide sufficient assurance that the employer is accurately reporting and remitting ASRS retirement and Long Term Disability (LTD) contributions. The following audit tests were performed:

ARIZONA STATE RETIREMENT SYSTEM  
EASTERN ARIZONA COLLEGE  
OCTOBER, 2014

- Review of the Social Security 218 Agreement to determine eligible employees.
- Review of the employer payroll records and related ASRS reports.
- Review of employees' time sheets and payroll records to determine eligibility.
- Review of the noncontributing employees' personnel and payroll records to determine compliance with the 20 hour, 20 week eligibility criteria.
- Review of the retired employees' medical and dental insurance premium benefit.
- Determine compliance with A.R.S. § 38-766.01 by reviewing the hours and weeks worked and other criteria of retired employees who returned to work.
- Determine compliance with A.R.S. § 38-766.02 requirement to pay an ACR on all retirees who have returned to work in any capacity.
- Review the salaries of retiring employees to determine whether there is salary spiking during the years prior to the employee retirement.
- Review for unreported retirement incentive programs.
- Other detailed testing as required to meet the audit objectives.

**AUDITOR COMMENTS:**

Eastern Arizona College personnel were cooperative, informative and helpful in providing time reports, payroll records, and other information necessary to effectively complete the ASRS audit. Audit findings and recommendations were discussed and issues resolved in a timely manner.



**A REPORT TO THE  
ARIZONA STATE RETIREMENT SYSTEM  
OPERATIONS AND AUDIT COMMITTEE**

**ARIZONA STATE RETIREMENT SYSTEM  
EMPLOYER AUDITS**

**EASTERN ARIZONA COLLEGE**

**FINDINGS AND RECOMMENDATIONS**

**OCTOBER, 2014**

ARIZONA STATE RETIREMENT SYSTEM  
EASTERN ARIZONA COLLEGE  
RECOMMENDATIONS

**FINDING 1:**

**Eastern Arizona College did not remit the alternative contribution due for twenty-one of its returned to work retirees.**

A.R.S. § 38-766.02 provides the guidelines for payment of the alternative contribution rate (ACR) for retirees who work after retirement. According to the statute, “an employer shall pay contributions at an alternate contribution rate on behalf of a retired member who returns to work in any capacity in a position ordinarily filled by an employee.” The ACR is to be “applied to the compensation, gross salary or contract fee of a retired member who meets the requirements of this section.”

Eastern Arizona College had twenty-one return to work retirees where no alternative contribution was remitted on eligible wages.

The estimated ACR due, excluding interest, as determined by this audit is as follows:

Total estimated ACR due	\$9,811
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**Recommendation(s):**

1. Eastern Arizona College should contact its contributions accounting representative at the ASRS to make arrangements for payment, including interest, of the alternative contribution due.
2. Eastern Arizona College should self-audit the return to work retirees for the fiscal year beginning July 1, 2013, and remit contributions for all retirees’ earnings.

**Employer Response:**

In the startup process for ACR, we expected that we would miss a few retirees. We now have a process in place to insure compliance in the future. We will arrange to pay the amount due separately from the other credits due to EAC. A self-audit will be performed for the fiscal year beginning July 1, 2013.

**FINDING 2:**

**Eastern Arizona College did not request a refund for remitted contributions on twelve ineligible members.**

A.R.S. § 38-738 paragraph (A) provides for a refund of ineligible earnings. “If more than the correct amount of employer or member contributions is paid into ASRS by an employer through a mistake of fact, ASRS shall return those contributions to the employer if the employer requests return of the contributions within one year after the date of overpayments.”

The gross ineligible earnings and employer and employee contributions to be credited to the employer’s account, as determined by this audit are as follows:

Total Gross Earnings	\$56,004
Member Contributions	5,597
Employer Contributions	5,597
Total Credit Due	\$11,194

ARIZONA STATE RETIREMENT SYSTEM  
EASTERN ARIZONA COLLEGE  
RECOMMENDATIONS

**Recommendation(s):**

1. Eastern Arizona College should contact its contributions accounting representative at the ASRS to make arrangements to take this available credit.
2. Eastern Arizona College should not adjust the amount it owes to the ASRS by reducing it by the amount owed by the ASRS because the accounts are separate.
3. Eastern Arizona College should self-audit the eligibility of all employees for fiscal year beginning July1, 2013.

**Employer Response:**

We have clarified our understanding of part time employees who qualify to participate in ASRS. We will request a refund of the available credit from ASRS and return the member contributions to the employees. A self-audit for the year beginning July 1, 2013 will be performed.

**FINDING 3:**

**Eastern Arizona College remitted the alternative contribution on excess compensation for two of its returned to work retirees.**

A.R.S. § 38-766.02 provides the guidelines for payment of the ACR for retirees who work after retirement. According to the statute, the ACR is to be “applied to the compensation, gross salary or contract fee of a retired member.” Compensation is defined in § 38-711, and it does not include amounts paid in excess of compensation limits established in A.R.S. § 38-746.

The ACR was remitted on excess compensation for two returned to work retirees.

The estimated ACR credit due is as follows:

Total estimated ACR credit due	\$19,112
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**Recommendation(s):**

1. Eastern Arizona College should contact its contributions accounting representative at the ASRS to make arrangements for the credit.
2. Eastern Arizona College should self-audit the return to work retirees for the fiscal year beginning July 1, 2013, and request a credit for any ACR contributions remitted on excess compensation.

**Employer Response:**

We are modifying our payroll software to limit the ACR wages to the applicable wage limits. We will request a refund for the overpaid amount. We will perform a self-audit for the fiscal year beginning July 1, 2013.





# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson*  
Director

## MEMORANDUM

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**TO:** The Arizona State Retirement System (ASRS) Operations and Audit Committee (OAC)  
**FROM:** Mr. Anthony Guarino, Deputy Director and Chief Operations Officer  
**DATE:** November 28, 2014  
**RE:** **Agenda Item #6:** Presentation, Discussion and Appropriate Action Regarding the 2015 OAC Calendar

### **Purpose**

To discuss the 2015 OAC meeting calendar.

### **Recommendation**

Staff recommends adoption of the proposed 2015 OAC meeting calendar.

### **Background**

Attached is the proposed OAC calendar for 2015.



# Proposed 2015 Calendar

January						
Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

February						
Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

March						
Su	Mo	Tu	We	Th	Fr	Sa
Sa	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

April						
Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

May						
Su	Mo	Tu	We	Th	Fr	Sa
				1	2	
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

June						
Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

July						
Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

August						
Su	Mo	Tu	We	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

September						
Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October						
Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November						
Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

December						
Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

2015 Operations & Audit Committee Meeting Dates (2<sup>nd</sup> Tuesday) (No meeting February, April, June, August, October and December)

March 10	May 12	July 14	September 8	November 10
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# Arizona State Retirement System

## Operations and Audit Committee

### Meeting Schedule for the Calendar Year 2015

Please make note of the following scheduled meetings pertaining to the Operations and Audit Committee of the Arizona State Retirement System (ASRS). The meetings are held in the 14<sup>th</sup> floor conference room of the ASRS Phoenix Office, 3300 North Central Avenue, unless otherwise noted. Meetings are also teleconference to the ASRS Tucson Office, 7660 E. Broadway Blvd., Suite 108.

#### March 10, 2015, Tuesday, 10:30 a.m.

- IT Security
- Internal/Employer Audits
- Quarterly Audit Report
- Web Steering Committee Update
- Compensation Strategies FY2015???
- Staffing Update???

#### August 11, 2015, Tuesday, 10:30 a.m.

- COOP Functionality Test and Tabletop Exercise Update
- Budget (if needed)
- Internal/Employer Audits
- Quarterly Audit Report

#### May 12, 2015, Tuesday, 10:30 a.m.

- Return-to-Work Follow Up Discussion
- GASB 68 Report
- Internal/Employer Audits
- Quarterly Audit Report

#### October 13, 2015, Tuesday, 10:30 a.m.

- Internal/Employer Audits
- Quarterly Audit Report
- Web Steering Committee Update
- CEM Benchmarking Methodology

#### December 8, 2015, Tuesday 10:30 a.m.

- Internal/Employer Audits

Meeting dates and times are subject to change. A copy of the agenda for each meeting will be available at the ASRS offices listed above at least 24 hours in advance of each meeting. Persons with a disability may request a reasonable accommodating such as a sign language interpreter or alternate formats of this document by contacting Tracy Darmer, ADA Coordinator, at (602) 240-5378 in Phoenix, at (520) 239-3100, ext. 5378 in Tucson, or 1-800-621-3778, ext. 5378 outside metro Phoenix or Tucson. Requests should be made as early as possible to allow time to arrange the accommodations.