



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, July 14, 2015
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 10:30 A.M.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jeff Tyne, Chair
Dr. Richard Jacob

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

2. Approval of the Minutes of the May 12, 2015 Public Meeting and Executive Session and the June 9, 2015 Public Meeting of the OAC

Motion: Dr. Richard Jacob moved to approve the minutes of the May 12, 2015 OAC public meeting and executive session and the June 9, 2015 public meeting of the OAC. Mr. Jeff Tyne seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding the ASRS Appropriated Budget and the Estimated Administrative and Investment Spending Plans for Fiscal Years (FY) 2015 - 2017

After opening remarks on the topic, Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced Ms. Martha Rozen, Chief of Administrative Services and Mr. Russ Levine, Procurement and Budget Manager, who addressed the Committee regarding the Fiscal Years (FY) 2015-2017 appropriated budget and the estimated administrative and investment spending plans for the FY 2015-2017. Mr. Levine highlighted the following:

- FY 2015 - closed out under budget. Unspent funds attributed to vacancy savings from the statewide hiring freeze as well as technology related expenditures (spending below projections for select technology positions and software licensing and support expenditures).
- FY 2016 - received four new FTEs; one for the Internal Audit Division and three for the Technology Services Division (TSD). Two of the TSD positions have already been filled.

- FY 2016 - first year to begin the ASRS benefits disbursement project which will span over three and a half years, with a target date of January 2019 to bring benefit disbursements in-house.
- FY 2016 - Oracle Modernization Project is in its third year, coming in under budget and on schedule.
- FY 2017 – budget has already been approved.

Mr. Levine concluded by responding to questions from the Trustees.

4. Presentation, Discussion and Appropriate Action Regarding the ASRS Compensation Strategies and Staffing Conditions for Fiscal Year 2015

After opening remarks on the topic, Mr. Guarino introduced Ms. Tracy Darmer, Human Resources Manager, who addressed the Committee regarding the ASRS compensation strategies and staffing conditions for FY 2015. Ms. Darmer addressed the following items:

- Base Salary Adjustment History – Aside from Personnel Reform, over the last five years the ASRS has received approval for and implemented base salary adjustments for 64 employees. The goal of the ASRS is to continue its efforts to obtain base salary adjustments for employees throughout FY 2016 & 2017.
- Variable Compensation Plan – Arizona Department of Administration (ADOA) has approved the plan submitted by the ASRS.
- Current Staffing Conditions & Turnover – Staff turnover has decreased, specifically in the Call Center. Recruitment, specifically for TSD Software Engineers, is taking longer than most but the ASRS has been successful in hiring two new engineers recently. Current recruitment time average for non-TSD positions is 60 days and 109 days for TSD positions.
- Hiring Freeze – The ASRS has been fortunate to be able to promote from within; however, will need to start external recruiting soon.

Mr. Guarino provided closing remarks indicating that management is monitoring staff satisfaction closely. He further stated that it is the goal of the ASRS to bring 100% of the staffs' base salaries to a competitive market level, commensurate with the duties of the position, within budget constraints.

Ms. Darmer, Ms. Rozen, and Mr. Guarino responded to questions from the Trustees and agreed to provide periodic updates regarding the aforementioned items.

5. Review of Recently Conducted Audits

Mr. Glick reviewed the following audits conducted by the IAD.

- **Mingus UHSD – Employer Audit**

The IAD had three findings from the Mingus UHSD audit. The employer agreed with the findings and IAD's recommendations.

- **Paramount Education Studies, Inc. – Employer Audit**

The IAD had no findings from the employer audit.

- **Accelerated Learning Center – Employer Audit**

The IAD had four findings from the Accelerated Learning Center audit. The employer agreed with the findings and the IAD's recommendations.

- **ASRS Data Security – ASRS Processes**

Motion: Dr. Richard Jacob moved to go into executive session to discuss confidential information regarding the ASRS Data Security audit. Mr. Jeff Tyne seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved.

The Committee convened to Executive Session at 11:03 A.M.

The Committee reconvened to Regular Session at 11:23 A.M.

6. Presentation, Discussion and Appropriate Action Regarding the Internal Audit Quarterly Update

Mr. Glick presented the Quarterly Internal Audit report. The IAD has completed the Qualified Domestic Relations Orders (QDRO) audit and is expected to have the closing conference later this week. Mr. Glick advised the Committee the IAD is assisting the external auditors with the Financial Statement Plan in which GASB 68 is identified that must be completed by mid-August 2015. Because of this, the Software Licensing audit has been pushed back for completion in FY 2016.

7. Request for Future Agenda Items

None requested.

8. Call to the Public

There were no members of the public in Phoenix or Tucson.

9. Adjournment of the OAC

Motion: Dr. Richard Jacob moved to adjourn the meeting at 11:25 a.m. Mr. Jeff Tyne seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved.

Respectfully Submitted,

ARIZONA STATE RETIREMENT SYSTEM

Melanie Alexander
Committee Administrator

Anthony Guarino
Deputy Director and Chief Operations Officer