



# ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson  
Director

## AGENDA

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

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

April 30, 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 Wednesday, April 30, 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 February 11, 2014 Minutes of the OAC Meeting ..... Mr. Jeff Tyne
  
3. Review of Recently Conducted Audits
  - Prescott Valley Charter School

..... Mr. Anthony Guarino  
Deputy Director and Chief Operations Officer

..... Mr. Bernard Glick  
Chief Internal Auditor

4. Presentation, Discussion and Appropriate Action Regarding the Internal Audit Quarterly Update ..... Mr. Anthony Guarino  
..... Mr. Bernard Glick
  
5. Presentation, Discussion and Appropriate Action Regarding the ASRS Return to Work Program ..... Mr. Anthony Guarino  
..... Ms. Nancy Bennett  
Chief Financial Officer  
..... Mr. Patrick M. Klein  
Assistant Director, External Affairs Division

Regarding the following agenda item, pursuant to A.R.S. § 38-431.03(A)(2), notice is hereby given to Trustees of the ASRS Board OC and the general public that the ASRS Board may vote to go into executive session, which will not be open to the public.

6. Presentation, Discussion and Appropriate Action Regarding ASRS Information Technology Security ..... Mr. Anthony Guarino  
..... Mr. Kent Smith  
Assistant Director, Technology Services Division  
..... Ms. Molly Mahai  
Manager, Network Information Systems  
..... Mr. Gary Hummel  
Information Security Officer  
..... Mr. Srinivas Mukkamala  
Chief Technology Officer, CAaNES
  
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



# Agenda Item #2



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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, February 11, 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 10:30 a.m.

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

Present: Mr. Jeff Tyne, Chair  
Mr. Mike Smarik, Vice-Chair  
Dr. Richard Jacob

Absent: Mr. Brian McNeil

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

### 2. Call to the Public

Mr. Marwood Clement asked the Committee about the effects of hiring consultants who do not contribute toward the pension fund through contributions, and if those effects have been considered in long-term projections on the health of the pension fund. Mr. Tyne asked ASRS staff to meet to discuss and, if it is a concern, it would be addressed at a future OAC meeting.

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

Mr. Bernard Glick, Chief Internal Auditor, presented a spreadsheet containing the summary of internal audits through the period ending December 2013. The spreadsheet listed the audits, the hours budgeted, and estimates of how many hours were used to perform the audits. He then asked the Committee to alter the Biennial Audit Plan by moving the Investment Management Division (IMD) Securities Trading System audit to the first year of the Plan and moving the Information Security Audit to the second year of the Plan.

**Motion:** Mr. Smarik moved that the IMD Securities Trading System audit be moved from year two to year one of the Biennial Audit Plan, and the Information Security Audit be moved from year one to year two of the Biennial Audit Plan. Dr. Jacob seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

#### **4. Approval of the December 12, 2013 Minutes of the Operations and Audit Committee (OAC) Meeting**

**Motion:** Dr. Richard Jacob moved the Committee accept the minutes of the December 12, 2013 OAC meeting. Mr. Mike Smarik seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

#### **5. Presentation, Discussion and Appropriate Action Regarding the Methodology Used to Review CEM Benchmarking Cost and Service Data**

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced Ms. Sara Orozco, Manager, Strategic Planning and Analysis, who addressed the Committee regarding the methodology used by staff to analyze the results of the CEM Defined Benefit Administration Benchmarking Analysis report. She gave a brief history of the ASRS' participation with CEM and noted the various aspects CEM reviews of defined benefit plans (e.g. service levels, total cost, transaction volumes, etc.). Ms. Orozco also presented spreadsheets showing how strategic planning staff summarizes the service and cost scores contained in the larger report and then uses that data to help recommend areas of further study or action to Senior and Executive Management. She stated that strategic planning staff meet with Senior and Executive Management at least once annually to discuss the data and determine if further action is warranted, such as further research, new technology initiatives, or new strategic priorities.

#### **6. Presentation, Discussion and Appropriate Action Regarding the ASRS Public Website and the New Guide to Pre-Retirement Services (GPS)**

Mr. Guarino introduced Mr. Dave King, Assistant Director, Member Services Division, who addressed the Committee regarding the ASRS public website. Mr. King gave a brief overview of the website and then introduced Mr. David Cannella, Manager, Communications, who gave a live demonstration of how the new public website will look upon release in Spring 2014. He also said the website would be easier to navigate and more user friendly for ASRS members and retirees. He stated the new public website will have additional features and technologies making it easier to update and will be retained and controlled by the ASRS External Affairs Division (EAD), alleviating the required routine assistance of the Technology Services Division (TSD). The current ASRS secure website will remain the same and under the stricter more secured control of TSD.

Ms. Julie Lockwood, Program Manager, Member Services Division, addressed the Committee regarding the GPS portion of the website. She noted the new interactive multi-media feature includes videos, audio, and various animations that provide greater information and links as members "drive through" the stages of membership as they prepare for retirement. She said the GPS program will be incorporated into the new public website.

#### **7. Presentation, Discussion and Appropriate Action Regarding the ASRS Continuity of Operations Plan, External Security Audit, and Upcoming IT Risk Assessment**

Mr. Guarino introduced Ms. Molly Mahai, Manager, Network Information System, who addressed the Committee regarding the ASRS Continuity of Operations Plan (COOP). She stated the ASRS Crisis Management Team had conducted a tabletop exercise in December 2013, simulating an emergency involving a toxic cloud moving in on the 3300 Tower. She gave a summary of the results of the



# Agenda Item #3

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

**ARIZONA STATE RETIREMENT SYSTEM  
EMPLOYER AUDITS**

**PRESCOTT VALLEY CHARTER SCHOOL**

**APRIL 2014**

The audit of Prescott Valley Charter School was completed in April 2014 for the period July 1, 2010 through June 30, 2013.

The audit objectives are to determine whether the Prescott Valley Charter School is in compliance with Arizona State Retirement System (ASRS) statutes governing:

- 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.
- Return to work retirees.
- Termination incentive programs.

### **SUMMARY OF FINDINGS:**

Based on the results of the work performed to meet the above audit objectives, the following statements summarize the findings presented to Prescott Valley Charter School:

- 1. Prescott Valley Charter School did not remit ASRS contributions on all eligible compensation for two employees.**
- 2. The Prescott Valley Charter School remitted contributions for one ineligible individual who was contributing in one fiscal year on final income that was not eligible.**
- 3. The Prescott Valley Charter School did not refund to some employees the excess contributions required under A.R.S. § 38-736 beginning July 1, 2011 that were retroactively reversed within the year.**
- 4. The Prescott Valley Charter School did not pay the alternative contribution rate (ACR) for its retirees who have returned to work.**

### **BACKGROUND**

Prescott Valley Charter School joined the ASRS effective November 1, 2006 by executing an Application and Social Security 218 Agreement. Prescott Valley Charter School currently has no employees contributing to the ASRS because the School no longer has any directly hired employees. According to Prescott Valley Charter School, all employees are leased from National PEO, LLC effective May 3, 2012.

### **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 reserved the right to expand or contract the scope of the audit when circumstances dictated or when discrepancies were noted with statute or federal laws. The auditor reviewed pertinent documentation and interviewed Prescott Valley Charter School personnel from the Human Resources and Payroll departments.

ARIZONA STATE RETIREMENT SYSTEM  
PRESCOTT VALLEY CHARTER SCHOOL  
APRIL 2014

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:

- Review of the Social Security 218 Agreement to determine eligible employees.
- Review of the employer payroll records and related ASRS reports.
- Review of employees' payroll records to determine eligibility.
- Review of employer tax records for comparison to ASRS records.
- 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 Alternate Contribution Rate (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:**

Prescott Valley Charter School personnel were cooperative, informative and helpful in providing FY 2011, 2012 and 2013 payroll reports, payroll records, tax 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**

**PRESCOTT VALLEY CHARTER SCHOOL**

**FINDINGS AND RECOMMENDATIONS**

**APRIL 2014**

**ARIZONA STATE RETIREMENT SYSTEM  
PRESCOTT VALLEY CHARTER SCHOOL  
RECOMMENDATIONS**

**FINDING 1:**

**Prescott Valley Charter School did not remit ASRS contributions on all eligible compensation for two employees.**

A.R.S. § 38-711, Subsection 23 defines an employee eligible to be a member in part as an employee who is “engaged to work at least twenty weeks in each fiscal year and at least twenty hours each week.” This is the basis for what is called the 20/20 eligibility criteria. A.R.S. § 38-736 states that member “contributions are required as a condition of employment and shall be made by payroll deductions. Member contributions shall begin simultaneously with membership in ASRS.”

Two employees had not had contributions remitted on all eligible compensation. One of these employees had contributions withheld, but not remitted. The other employee did not have contributions withheld or remitted from the first eligible pay period.

Retirement and LTD contributions will be due to the ASRS on the eligible compensation as calculated from time and pay records of the under-contributing employees. The ASRS Financial Services Division will generate an invoice for the employee that did not have contributions withheld after payment is made by the School.

The gross unreported earnings, employer and employee contributions and accrued interest due as determined by this audit are as follows:

<b>Total Unreported Eligible Gross Earnings</b>	<b><u>\$712</u></b>
<b>Member Contributions</b>	<b>33</b>
<b>Employer Contributions</b>	<b>109</b>
<b>Estimated Interest Due</b>	<b>35</b>
<b>Total Estimated Due ASRS</b>	<b><u>\$177</u></b>

**Recommendations:**

1. The employer should notify each eligible employee when there is a change in eligibility status. ASRS contributions should be withheld from employees’ earnings when an employee is engaged to work at least twenty weeks in each fiscal year and at least twenty hours per week (20/20 eligibility criteria) or when his or her status changes and he or she is reasonably expected to do so. For those employees who work irregularly from one week to the next, contributions should be withheld no later than the beginning of the twentieth week of working twenty or more hours.
2. The employer generally should not change employees from eligible to ineligible until the end of the fiscal year. An eligible employee generally does not become ineligible during a fiscal year.
3. The employer should remit the employer retirement contributions, LTD contributions and interest, as calculated and billed.
4. The employer should distribute to the employee the invoice that will be generated for the employee’s retirement and LTD contributions.

**ARIZONA STATE RETIREMENT SYSTEM  
PRESCOTT VALLEY CHARTER SCHOOL  
RECOMMENDATIONS**

**Employer Response:**

PVCS does not currently have direct “employees” as all staffing is leased from National PEO. In the event that PVCS has eligible direct “employees” in the future, the school will implement the recommendations provided above. The school will remit all funds due upon receipt of an invoice and will also provide the employee affected above with an invoice once received from ASRS.

**FINDING 2:**

**The Prescott Valley Charter School remitted contributions for one ineligible individual who was contributing in one fiscal year on final income that was not eligible.**

A.R.S. § 38-711(7) defines compensation as “the gross amount paid to a member by an employer as salary or wages” and usually excludes “lump sum payments, on termination of employment”. The final pay period for this employee included an erroneous amount. The check was voided and then reissued in a different amount, but the original amount was reported to ASRS. No contributions were withheld from the employee’s pay, so the employer paid the employee portion and will be credited back the entire amount.

The gross ineligible earnings, employer and employee pension and LTD contributions as determined by this audit are as follows:

<b>Total Ineligible Gross Earnings</b>	<b><u>\$879</u></b>
<b>Ineligible Member Pension Contributions</b>	<b>0</b>
<b>Ineligible Member LTD Contributions</b>	<b>0</b>
<b>Ineligible Employer Pension Contributions</b>	<b>158</b>
<b>Ineligible Employer LTD Contributions</b>	<b>7</b>
<b>Total Estimated to be Credited to Employer</b>	<b><u>\$165</u></b>

**Recommendations:**

1. The School should request a credit for the employee’s compensation identified as ineligible in the audit.
2. The School should reassess its employees’ eligibility at the end of every fiscal year for those employees whose work hours have changed.

**Employer Response:**

The school will request a credit as recommended above and follow all recommendations above in the future.

**FINDING 3:**

**The Prescott Valley Charter School did not refund to some employees the excess contributions required under A.R.S. § 38-736 beginning July 1, 2011 that were retroactively reversed within the year.**

**ARIZONA STATE RETIREMENT SYSTEM  
PRESCOTT VALLEY CHARTER SCHOOL  
RECOMMENDATIONS**

In fiscal year 2012, when the statutory requirement for total contributions changed to a 47/53 employer/employee split and then retroactively back to a 50/50 split, the employer did not return to all its employees their overpayments of contributions. The adjustment was made for the members who were still employed at the end of the school year, but not for three employees who left before the end of the year.

The employer owes a total refund of these excessive contributions to these employees of \$389. The School should also report this adjustment to ASRS so that ASRS records can also be corrected.

**Recommendations:**

The School should return these excess contributions to the employees and then report the adjustment to ASRS.

**Employer Response:**

The school will comply with the recommendation above.

**FINDING 4:**

**The Prescott Valley Charter School did not pay the alternative contribution rate (ACR) for its retirees who have returned to work.**

A.R.S. § 38-766.02 provides the guidelines for payment of the 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.”

The School had two retirees employed by the School as leased employees. ACR payments are owed for these retirees.

The ACR is owed only by the employer.

**Recommendations:**

The School should pay the ACR for these retirees.

**Employer Response:**

To date the school has complied with the above recommendation and all ACR contributions are up to date.

# Agenda Item #4

**STATUS OF INTERNAL AUDITS  
FOR THE 9 MONTHS ENDED (March 2014)**

2013/14 AUDITS	ACTUAL		PERCENT OF HOURS UTILIZED	ESTIMATED		EXPLANATION OF ACTUAL HOURS THAT EXCEED BUDGET BY MORE THAN 10%
	HOURS BUDGETED	HOURS WORK YTD		HOURS REMAINING	TOTAL HOURS WHEN COMPLETE	
Service purchase invoices	150	108	72%	42	150	
Investment trade tickets	550	329	60%	221	550	
Fraud hotline/Internal investigations	200	89	45%	111	200	
Employer audits	4,250	3,042	72%	1,208	4,250	
Continuous audit monitoring	250	58	23%	192	250	
Pension/Survivor final audit	200	213	107%	0	213	
Refunds processing	150	102	68%	48	150	
Audit follow-up	150	144	96%	0	144	
Spreadsheet review	350	0	0%	350	350	
LTD	350	395	113%	0	395	New audit procedures instituted
Investment trading system	400	150	38%	250	400	
<b>TOTALS</b>	<b>7,000</b>	<b>4,630</b>		<b>2,422</b>	<b>7,052</b>	
<b>OTHER THAN AUDITS</b>						
Member statement testing	100	103	103%	0	103	
Director requests	150	0	0%	150	150	
Requested audits/Other*	150	10	7%	140	150	OAC presentation
Foreign annuitant confirmations	100	5	0%	95	100	
<b>TOTALS</b>	<b>500</b>	<b>118</b>		<b>385</b>	<b>503</b>	
<b>GRAND TOTAL</b>	<b>7,500</b>	<b>4,748</b>		<b>2,807</b>	<b>7,555</b>	

# Agenda Item #5



# 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  
Ms. Nancy Bennett, Chief Financial Officer

**DATE:** April 23, 2014

**RE:** **Agenda Item #5:** Presentation, Discussion, and Appropriate Action Regarding the ASRS Return to Work (RTW) Program

### Purpose

To provide additional information about the ASRS RTW program.

### Recommendation

Informational only; no action required.

### Background

This presentation is a follow up to the RTW presentation given at the February 2014 OAC meeting. After that presentation, a discussion ensued regarding ways to simplify the RTW program to make it less difficult to understand, enhance its methodology, and make it more user friendly. In response to that discussion, this presentation provides information on the following:

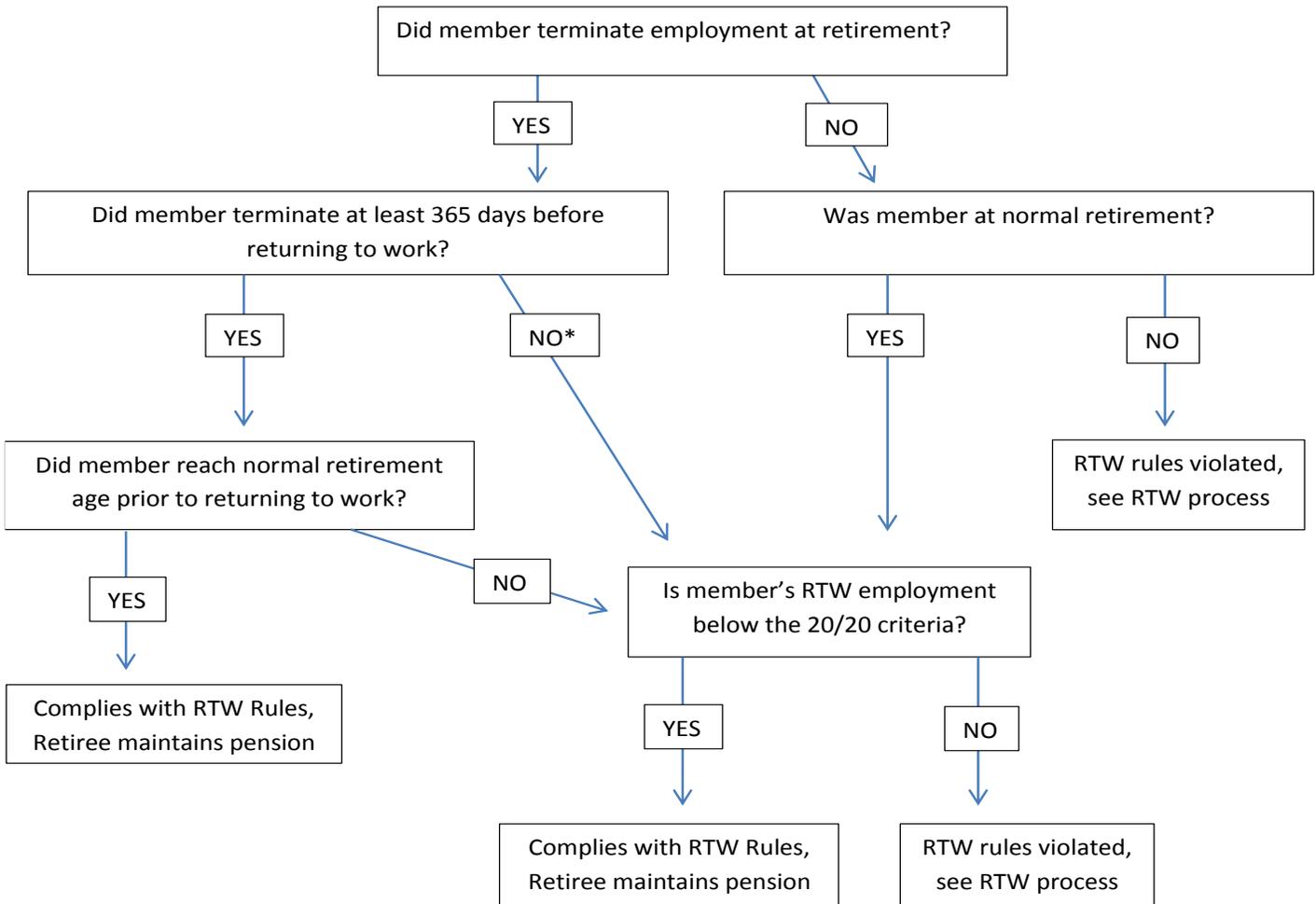
- Compliance Procedures
- Trends
- Current/Proposed RTW process (RTW Smart Form Team)
- Revised RTW Non-Compliance form (RTW Smart Form Team)
- Substitute Teachers exclusion from the Alternate Contribution Rate (ACR) (External Affairs)
- Post-tax/Pre-tax ACR for schools/other employers (External Affairs)

### Attachments

- 1) Compliance with Return to Work – Decision Tree
- 2) RTW Trends
- 3) RTW As Is Process Flow
- 4) RTW To Be Process Flow
- 5) Employer RTW ACR Letter (old)
- 6) Employee RTW ACR Letter (old)
- 7) Employer RTW ACR letter (new)
- 8) Employee RTW ACR letter (new)
- 9) Retiree RTW Notice of Non-compliance with ASRS Statutes Form

# Compliance with Return to Work Decision Tree

**ATTACHMENT 1**



**\*Exceptions (uncommon):**

- If member returns to work for at least 20/20, and member is participating in another retirement system (complies with RTW rules).
- If member returns to work for at least 20/20 in a position that is not covered by social security 218 agreement (complies with RTW rules).

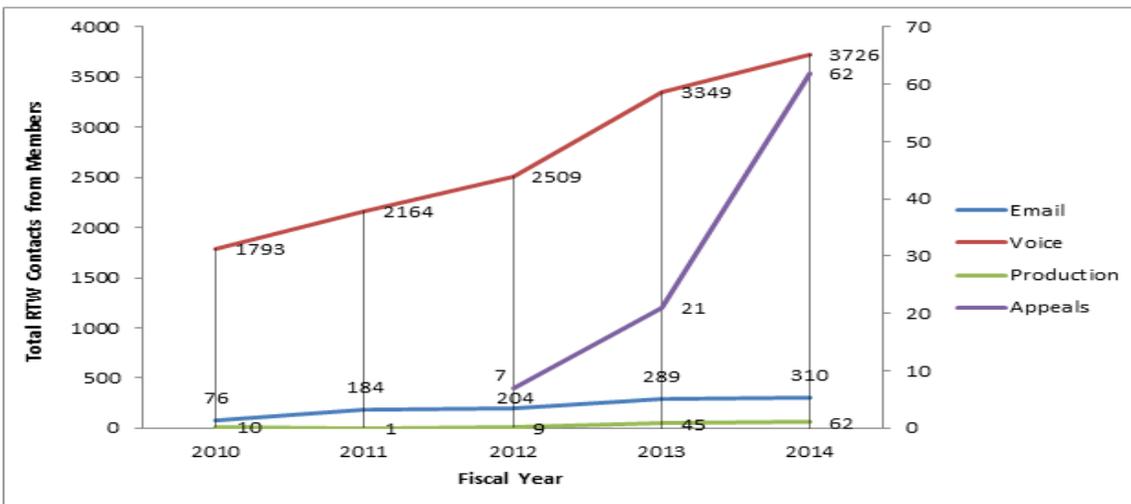
## Return to Work Trends

We received 4,298 Return to Work forms in FY13.

- 2% of RTW Retirees are sent a Return to Work letter saying they may be out of compliance and asked to return a non-compliance form (113 letters).
  - 66% return a non-compliance form (75 forms).
  - 21% return the non-compliance with an appeal (24 RTW appeals).
  - 13% did not return the non-compliance form (14 forms).

In the past couple of years, MSD noticed an increase in RTW appeals, phone calls and e-mails. Although the number is not significant compared to the overall population, it does create a very large impact for those affected. Below is a chart showing the MSD trends.

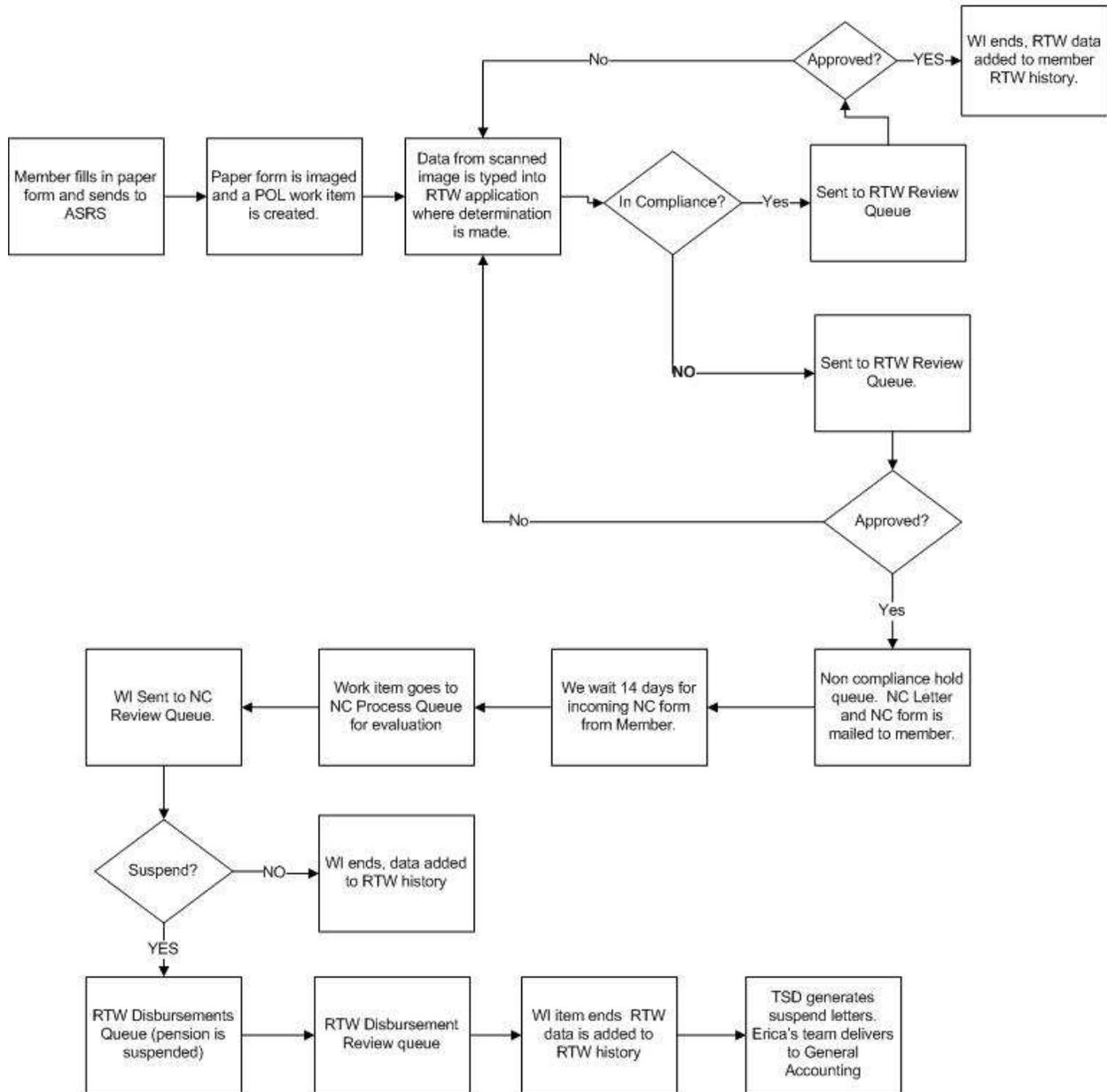
### 5 year RTW issue trend



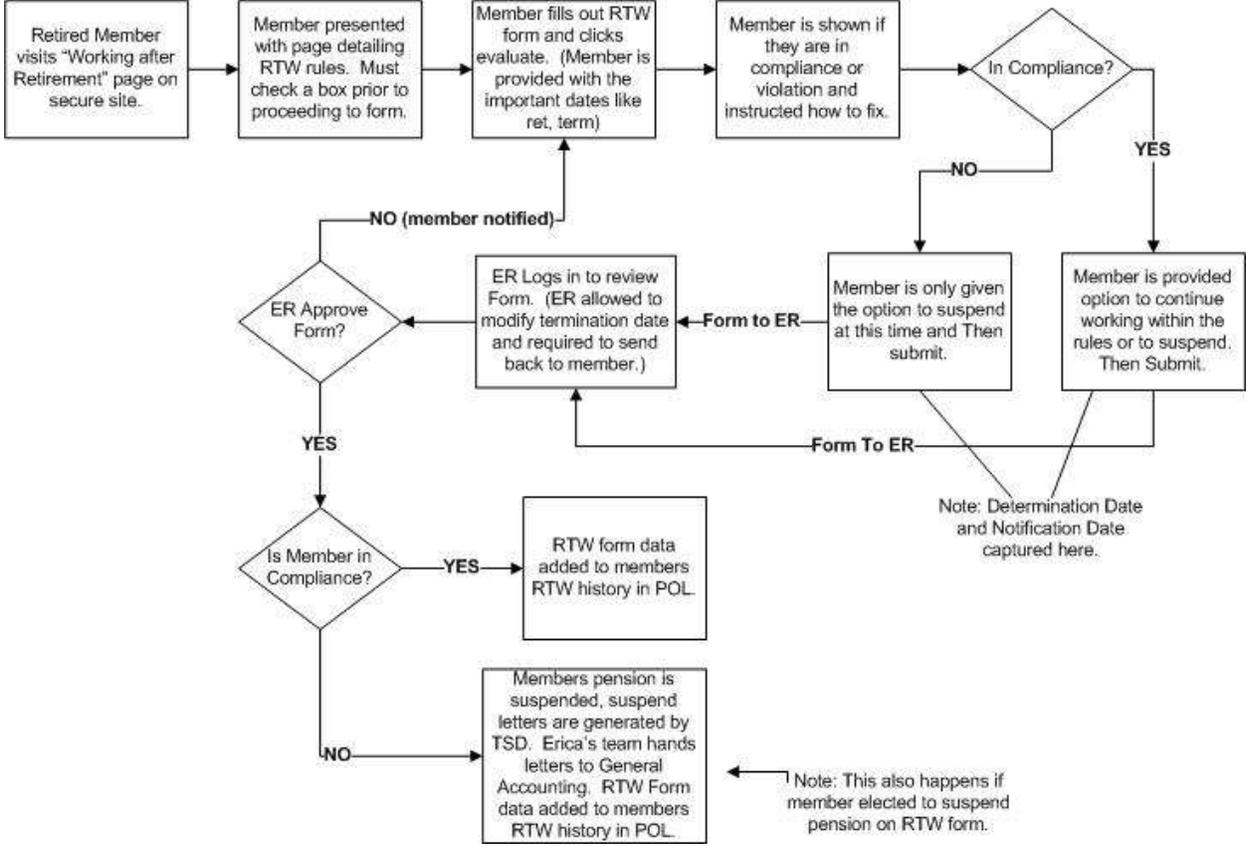
-Totals for FY2014 were projected out using data from the first half of the year-

- Phone calls related to appeals have steadily increased by 108% over the last five years. This is in spite of a downward trend in total phone calls received by the Member Advisory Center overall.
- Emails are up 400%, out-trending phone contacts, which is in line with increased use of the ASRS website.
- RTW appeal issues are up 785% over the last three years.
- The majority of these appeals are a result of employer error.

**RTW and non compliance Process (As Is)**



**RTW and Non Compliance Smart Form Process  
(To Be)**





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Paul Matson  
Director

## ATTACHMENT 5

<Date>

<Employer Name>  
<Street Address>  
<City, State ZIP>

Dear <Employer Representative>:

RE: <Retiree name>

The Arizona State Retirement System (ASRS) has discovered the above named employee and employer are in violation of Arizona Revised Statutes (A.R.S.) § 38-766.

A.R.S. § 38-766 requires ASRS retirees, who do not meet all of the requirements in A.R.S. § 38-766.01, to resume active membership in the ASRS when engaged to work by an ASRS employer for at least twenty hours per week for at least twenty weeks in a fiscal year.

The above named employee has been sent a *Retiree Return to Work Notice of Non-Compliance with ASRS Statutes* form and is required to return the form to the ASRS within 14 days. This form also requires the signature of an authorized employer representative.

A.R.S. § 38-766 requires employers found to be in violation to pay an alternate contribution rate (ACR) to the ASRS beginning with the date the retiree returned to work, or July 20, 2011, whichever is later. The ACR payment must continue through the earlier of either the date the retiree terminates employment or the date on which the retiree resumes active membership in the ASRS.

Should you need further information, please contact your ASRS Employer Liaison or e-mail [employerrelations@azasrs.gov](mailto:employerrelations@azasrs.gov). Additionally, you can visit our website for information at <http://www.azasrs.gov>.

THE ARIZONA STATE RETIREMENT SYSTEM



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Paul Matson  
Director

<Date>

**ATTACHMENT 6**

<Member Name>  
<Street Address>  
<City, State ZIP>

Dear <Member Name>:

The Arizona State Retirement System (ASRS) recently learned you are in violation of Arizona Revised Statutes (A.R.S.) § 38-766. While retired, you worked or were engaged to work 20 or more hours per week for 20 or more weeks (20/20) in a fiscal year prior to being terminated from employment for 365 days AND attaining normal retirement.

Enclosed is a *Retiree Return to Work Notice of Non-Compliance with ASRS Statutes* form for you to complete. **Please complete, sign, and return the enclosed document to the ASRS by the Due Date printed on the form.** Your Employer must also review and sign the form before you submit it to the ASRS. A return envelope is provided for your convenience.

If you do not submit this form by the Due Date listed on the form, per A.R.S. §§ 38-711 and 38-766, your pension will be suspended, you will resume active ASRS membership, and you will be required to repay all retirement benefits received from the Date of Notification, the date you knew or should have known your employment resulted in active membership, or any other appropriate date as determined by the ASRS.

Should you need further information, please contact an ASRS Member Services representative by e-mail at AskMac@azasrs.gov, or by phone at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or (800) 621-3778 outside metro Phoenix or Tucson. Additionally, you can visit our website for information at <http://www.azasrs.gov>.

THE ARIZONA STATE RETIREMENT SYSTEM

Enclosures



# ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000  
7660 EAST BROADWAY BOULEVARD • SUITE 108 • TUCSON, AZ 85710-3776 • PHONE (520) 239-3100  
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778  
EMAIL ADDRESS: ASKMAC@AZASRS.GOV • WEB ADDRESS: WWW.AZASRS.GOV

Paul Matson  
Director

Date

**ATTACHMENT 7**

Employer  
Address  
City, State Zip

Dear Employer Name:

RE: Member Name

The Arizona State Retirement System (ASRS) has discovered the above named employee and employer may be out of compliance with the return to work statutes (A.R.S. § 38-766). The above named employee worked or was engaged to work 20 or more hours per week for 20 or more weeks (20/20 Eligibility Criteria) in a fiscal year prior to being terminated from employment for 365 days *and* attaining normal retirement.

The return to work statutes require ASRS retirees who do not meet all of the requirements in A.R.S. § 38-766.01 to resume active membership in the ASRS when engaged to work by an ASRS employer for at least 20 hours per week for at least 20 weeks in a fiscal year.

*A Retiree Return to Work Notice of Non-Compliance with ASRS Statutes* form has been sent to the employee and is due to the ASRS within 14 days of the date on the form. This form also requires the signature of an authorized employer.

A.R.S. § 38-766 requires employers to pay an alternate contribution rate (ACR) to the ASRS beginning with the date the retiree returned to work, or July 20, 2011, whichever is later. The ACR payment must continue through the earlier of either the date the retiree terminates employment or the date on which the retiree resumes active membership in the ASRS.

Should you need further information, please contact your ASRS Employer Liaison or email [employerrelations@azasrs.gov](mailto:employerrelations@azasrs.gov). Additionally, you can visit our website for information at <http://www.azasrs.gov>.

THE ARIZONA STATE RETIREMENT SYSTEM



# ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson  
Director

**ATTACHMENT 8**

Date

Member  
Address  
City, State Zip

Dear Member Name:

The Arizona State Retirement System (ASRS) recently learned you may be out of compliance with the return to work statutes (A.R.S. § 38-766). This statute says that retirees who work or are engaged to work 20 or more hours per week for 20 or more weeks (20/20 Eligibility Criteria) in a fiscal year prior to being terminated from employment for 365 days *and* attaining normal retirement resume active ASRS membership.

Enclosed is a *Retiree Return to Work Notice of Non-Compliance with ASRS Statutes* form for you to complete. **Please complete, sign, and return the enclosed document to the ASRS by the Due Date printed on the form.** If the ASRS does not receive your completed form by the due date, your pension will be suspended and you will resume active ASRS membership. You may also be required to repay all retirement benefits received from the Date of Notification.

*Your Employer must also review and sign the form before you submit it to the ASRS.* A return envelope is provided for your convenience.

Should you need further information, please contact an ASRS Member Services representative by e-mail at [AskMac@azasrs.gov](mailto:AskMac@azasrs.gov), or by phone at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or (800) 621-3778 outside metro Phoenix or Tucson. Additionally, you can visit our website for information at <http://www.azasrs.gov>.

We look forward to working with you to correct this situation.

THE ARIZONA STATE RETIREMENT SYSTEM



**ARIZONA STATE RETIREMENT SYSTEM (ASRS)  
 RETIREE RETURN TO WORK (RTW)  
 NOTICE OF NON-COMPLIANCE WITH ASRS  
 STATUTES FORM**

PLEASE PRINT

COMPLETE AND SEND TO:  
 ASRS  
 Attn: Benefits Accounting  
 PO Box 33910  
 Phoenix, AZ 85067-3910

Phoenix (602) 240-2000  
 Tucson (520) 239-3100  
 Toll-Free (800) 621-3778  
 Fax (602) 240-5388  
 www.azasrs.gov

Disclosure of an individual's Social Security number is mandated by Section 6109 of the IRC. The ASRS will use Social Security numbers only to obtain information about an individual's ASRS account and to inform the IRS of distributions and withholdings with respect to the individual's account.

**DATE OF NOTIFICATION:** \_\_\_\_\_ **DUE DATE:** \_\_\_\_\_

**RETIREE:** Submit this form to the ASRS by the Due Date listed above or your pension will be suspended, you will resume active ASRS membership, and you may be required to repay all retirement benefits received from the Date of Notification stated above.

**EMPLOYER:** Review and sign this form after the employee signs below.

SECTION 1 – Member Information			
Social Security Number	Member Name (Last)	(First)	(Middle Initial)

**SECTION 2 – Current Employment Status (Select only one.)**

- I WILL TERMINATE OR HAVE ALREADY TERMINATED MY EMPLOYMENT:**
  - I will remain terminated from all ASRS employment.
  - **Employer:** By signing this form you attest the employee's employment has been terminated or will be terminated by the Due Date shown above. Member's termination date: \_\_\_\_\_.
- I WILL CONTINUE EMPLOYMENT BUT WILL REDUCE MY HOURS BELOW THE 20/20 CRITERIA:**
  - I understand I cannot work or be engaged to work hours that will meet the 20/20 eligibility criteria for the duration of my current employment.
  - **Employer:** By signing this form you attest the employee will not be permitted to work or be engaged to work hours that will meet the 20/20 eligibility criteria for the duration of the employee's employment.
- I WILL CONTINUE 20/20 EMPLOYMENT:**
  - I understand I will resume active ASRS membership and the ASRS will suspend my pension. I must repay the pension and premium benefit payments I received from the Date of Notification stated above.
  - **Employer:** You will remit active contributions on the member's behalf.
- I AM SUBMITTING A CORRECTION FROM MY EMPLOYER**
  - I believe I am in compliance and I understand the ASRS will reevaluate compliance with the corrected information from my employer.
  - **Employer:** Provide the correct data with an explanation for the correction below *Do NOT submit a corrected RTW form.*

<b>Hours:</b> <input type="checkbox"/> 20 or more hours per week <input type="checkbox"/> Fewer than 20 hours per week	<b>Length:</b> <input type="checkbox"/> 20 or more weeks per fiscal year <input type="checkbox"/> Fewer than 20 weeks per fiscal year	<b>Effective Date: (MM/DD/YYYY)</b>
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**Explanation for Correction:**

**SECTION 3 – Retiree Statements of Understanding**

- In the future, if I change my work hours above or below the 20/20 eligibility criteria with my current employer, or I accept direct employment with a different ASRS employer, I must submit a new *Retiree Return to Work for an ASRS Employer* form within 30 days of the change or acceptance, wait 365 days from the date I terminate direct employment with my current ASRS employer, AND be at normal retirement before I can work or be engaged to work 20/20. Forms are available at www.azasrs.gov.
- I understand that I have the right to appeal this notice of non-compliance by sending a letter to: ASRS, Attention; MSD Assistant Director, PO Box 33910, Phoenix AZ 85067-3910. The appeal letter must be submitted to the ASRS by the due date on this form.
- Any person who knowingly makes any false statement, or who falsifies or permits to be falsified any record of the retirement plan with an intent to defraud the plan, is guilty of a Class 6 felony pursuant to A.R.S. § 38-793.

Member Signature	Date
Employer HR/Payroll Manager Signature	Date



# Agenda Item #6

**Confidential  
meeting  
materials  
were in this  
packet**

# Agenda Item

## #7



# Arizona State Retirement System

## Operations and Audit Committee

### Meeting Schedule for the Calendar Year 2014

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.

February 11, 2014, Tuesday, 10:30 a.m.

"GPS" Web Demo  
CEM Benchmarking Methodology  
COOP Update and Briefing on  
Upcoming IT Security Audit  
Return to Work Presentation  
Internal/Employer Audits  
Quarterly Audit Report

August 12, 2014, Tuesday, 10:30 a.m.

Internal/Employer Audits  
Quarterly Audit Report

April 30, 2014, Wednesday, 10:30 a.m.

IT Security  
Return-to-Work Follow Up Discussion  
Internal/Employer Audits  
Quarterly Audit Report

October 7, 2014, Tuesday, 10:30 a.m.

Internal/Employer Audits  
Quarterly Audit Report

June 10, 2014, Tuesday, 10:30 a.m.

Internal/Employer Audits

December 9, 2014, 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.