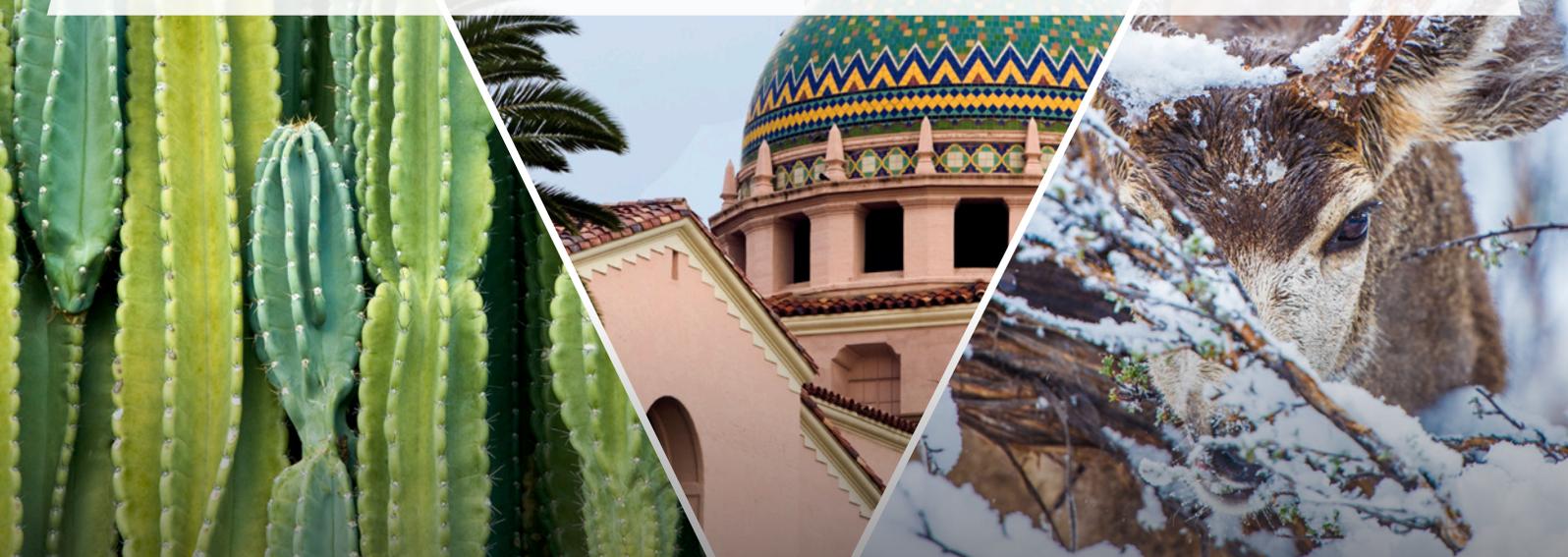


# financial HORIZONS

An annual publication of the Arizona State Retirement System · 2017



## ASRS Director's Message

by Paul Matson

Is retirement in your future? Are you building toward financial independence?

Certainly with your membership in the ASRS, a guaranteed lifetime monthly benefit is in your future, if you're not already receiving it.

But it should be just one part of worry-free financial independence. This can be a lofty goal, but it is one that we can help you reach with tools and information that we are happy to provide our members.

In addition to our core defined benefit plan, the ASRS offers access to a retiree group health insurance program. As part of your member benefit, you may be entitled to receive a health insurance premium benefit – an addition to your pension that helps offset the cost of ASRS or employer-provided retiree health insurance.

The majority of members will also be

entitled to Social Security – a second monthly lifetime benefit.

Now, if there were just a third stream of post-retirement income . . .

Did you know the ASRS also makes available voluntary supplemental savings plans? These plans, offered by Nationwide Retirement Solutions through our participating employer partners, provide for an additional opportunity for you to build your long term savings for a more financially independent future. For state employees, a deferred compensation plan is offered through Nationwide.

Opening such an account now and saving whatever you can throughout your primary career can go a long way to ensuring a more comfortable financial position once you decide to part your full-time career. It's a good way to help offset inflation in the future, realizing that the ASRS does not provide for any guaranteed increase to your pension benefit once you begin

*Director, continued page six*

## Included in this edition:



### Legislative Updates 3

Stay up-to-date on bills the ASRS currently has in front of legislators. Also, find out how to stay in touch with updates throughout the year!



### Financial Report 4

Curious about the current financial status of the ASRS? Here's all the info you need to know!



### New Security Measures 5

We take security seriously! Learn about new measures we've taken to keep your account safe, and what you can do.



# ASRS Receives Several Honors

We are very proud to announce the Arizona State Retirement System has been recognized with several awards.



### PPCC Professional Standards

For the 12th consecutive year, the ASRS has been awarded the Pension Standards Award for 2016 from the Public Pension Coordinating Council. The award recognizes the ASRS for “meeting professional standards for plan funding and administration.”

The standards set forth by the PPCC cover such areas as benefits, funded status, plan valuation, investment policies and member communications.

The Public Pension Coordinating Council is a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems and the National Council on Teacher Retirement.



### GFOA Financial Reporting

For the 27th consecutive year, the ASRS

has been awarded the Certificate of Achievement for Excellence in Financial Reporting for its 2015 Comprehensive Annual Financial Report. The award by the Government Finance Officers Association of the United States and Canada (GFOA) recognizes “achievement in the highest standards.”

Also recognized was our 2015 Popular Annual Financial Report, a reader-friendly summary of the full report.

More information: *Annual Reports* at **AzASRS.gov**.



**Comments?**

*Financial Horizons* is published annually and mailed to all members of the Arizona State Retirement System. We welcome comments from our readers!

*Financial Horizons*, Editor  
P.O. Box 33910  
Phoenix, AZ 85067-3910

Or email us at:  
**DigitalCommunications@AzASRS.gov**

## Termination Incentives: How They're Handled At Retirement

The ASRS employs a number of safeguards to ensure final pension payments made to members are fair and accurate.

One of the final steps in the process is a full audit of a member's account to be sure the correct figures were used in calculating the final benefit payment.

The ASRS reviews all contributions submitted by employers to determine if the member received any substantial increase in salary that may fall under a “termination incentive program.”

Any ASRS employer who offers a retirement incentive program that results

in an unfunded liability to the ASRS is required to pay the full amount of the unfunded liability to the ASRS.

This ensures that the ASRS fund is kept whole and that member benefit

distributions are fair and accurate and do not shift a liability to all other members.

Arizona Revised Statute §38-749(D), which became effective July 1, 2005, addresses retirement incentive

programs. This

legislation defines a

retirement incentive program as anything of value, including monies, credited service, or points that the

*Benefits, continued page six*





# ASRS Legislative Updates

The 53rd Legislature – First Regular Session, opened on January 9, 2017. The Arizona State Retirement System has six bills that are before legislators. They all have relatively minor impact to members and retirees, mainly clarifying language in existing state statutes.

Below is a brief summary. You can also follow these and other retirement-related bills throughout the legislative session on our **ASRS Bill Tracker**.

## House Bill 2166 – Return to Work

This bill removes some language in existing law to make it more clear that ASRS

employers who hire back ASRS retirees are subject to paying the Alternate Contribution Rate for that return-to-work retiree.

The Alternate Contribution Rate, in law since 2012, mitigates the potential actuarial impact that retired members who return to work have on the Trust Fund.

## House Bill 2167 – Contributions; Adjustments

This bill clarifies the method in which the ASRS can return monies to employers who have overpaid contributions, ensuring compliance with the federal Internal Revenue Code.

## House Bill 2168 – Reinstatement; Contribution Amount

This bill modifies and clarifies language to existing statutes to indicate a member reinstating their service must repay the amount the “ASRS paid,” rather than the amount the “member received.” This clarifies some scenarios in which a member refunded their account at some point in time and the amount was subject to payment split due to a court order.

## Senate Bill 1052 - Optional Retirement Benefits; Overpayment

This bill clarifies existing statutes that require the ASRS to collect overpayments made to members on the ASRS Long Term Disability program after they begin receiving Social Security Disability, in the event that such overpayments have been made.

## Senate Bill 1053 – ASRS Board Powers

This bill amends existing powers of the Board of Trustees to create a Committee to hear appeals to now also hear appeals related to Long Term Disability. LTD appeals will be heard by the ASRS board Appeals Committee.

## Senate Bill 1178 – Nonparticipating Employers; Liability

This bill makes changes to the definition of a “nonparticipating employer” for the purposes of charging a liability created by an employer who either has current or prospective employees no longer participating in the ASRS. Such scenarios may occur if an employer ceases ASRS participation. |



**Be sure to visit our website to see the latest legislative proposals, state statutes and administrative rules related to the ASRS and public retirement plans.**

- Follow Legislative sessions on ASRS’ *Bill Tracker*.
- Link to *Arizona Revised Statutes*.
- Check ASRS administrative *Rules*.

Look for the *Legislation and Rules* sections on our homepage, **AzASRS.gov**, for details and links. |



# 2016 Comprehensive Annual Financial Report

Each year, the ASRS compiles a Comprehensive Annual Financial Report, detailing the funding status and position of the overall ASRS trust fund and our various plans

The full report, as well as a reader-friendly summary - the Popular Annual Financial Report - can be found on our website at [AzASRS.gov/Annual Reports](http://AzASRS.gov/Annual Reports). Here is a brief summary:

While the ASRS out performed its total one-year time-weighted return benchmark by 1.2% during fiscal year 2016, ASRS assets decreased slightly because the total amount of benefit payments exceeded the

total amount of contributions received and investment income earned. Investment returns were lower overall this year compared to the prior year due to the global economy growing at a slower rate.

The global financial crisis of 2008 and 2009, and the 2011 stock market correction, affected most public pension plans, including the ASRS. The effects of these events continue to impact ASRS contribution rates today, although the contribution rate for next fiscal year will remain relatively unchanged.

The funded status of the plan - the ratio of present value of anticipated future retire-

ment benefit payments and the actuarial value of assets available to pay those benefits - also remained relatively stable: 77% for the year ended June 30, 2016 compared to 76% for the previous year.

ASRS funds are well-diversified and professionally managed. The Board of Trustees and executive management are committed to prudent administration of the overall operations and assets of the retirement system for the benefit of our members. Annual actuarially determined contribution rates and continued positive long-term investment performance will ensure the long-term sustainability of the ASRS. |

### Funded Status

Total Fund (Market Value)  
**\$34.6 billion**

Total Plan Funded Status  
(actuarial value as of June 30, 2016)  
**77.6%**

### Rates of Return

Total Fund Net Rate of Return  
(fiscal year end June 30, 2016)  
**0.6%**

10-Year Rate of Return **6.0%**

Rate of Return Since Inception  
(inception date June 30, 1975) **9.6%**

### Contribution Rates

FY2016-17 Contribution Rate  
(effective from July 1, 2016)  
**11.48%**

FY2017-18 Contribution Rate  
(effective from July 1, 2017)  
**11.50%**



## TOTAL FUND



## RETURNS



## CONTRIBUTIONS



## MEMBERS

### Membership

Total Membership **562,448**

Employer Participants **683**  
(including state agencies)



## DEMOGRAPHICS

### About Our Members

Active Members **205,162**

Average Age **45.6**

Average Annual Salary **\$45,375**

Inactive Members **222,260**

Retired Members and  
Survivor Beneficiaries **136,026**

LTD Members **3,797**



## RECIPIENTS

### About Our Benefit Recipients

Average Monthly

Retirement Benefit **\$1,653**

Average Age **70.7**



Sources: 2016 ASRS Comprehensive Annual Financial Report,  
2016 ASRS Valuation Report



## New Tools to Detect and Prevent Fraud

*The ASRS recently implemented new processes to further protect members from unauthorized changes being made to their account that we'd like to make you aware of.*



### Knowledge Based Authentication

The ASRS has procured the services of an external vendor to implement an additional layer of identity verification security when certain actions are performed on the secure **myASRS** website.

Before certain transactions can be completed, members will first be directed to a knowledge based authentication system that prompts the member to take a brief 'quiz' verifying additional information about the member that only they should know. This additional data is not stored by the ASRS and cannot be accessed by ASRS staff.

If a member fails to successfully complete the authentication, the system will prevent them from moving forward until an ASRS staff person validates their identify and unlocks their account.

### Enhanced Notification Procedures

Our notification procedures have also been enhanced to ensure that members are notified:

- Every time their secure **myASRS** account is accessed
- When changes have been made to certain personal or financial data on the secure website
- When changes have been made to certain personal or financial data internally by an ASRS staff person

If the member has an email on file, the member will be notified via email. If the member does not have an email on file, a notification will be sent in the mail.

### Help us ensure your data remains secure!

To help keep your data secure, we recommend the following:

- **Implement a strong password!** For advice on creating a strong password, see "Are Your Passwords Strong Enough" on page 6.
- **Keep your User ID and your password private.** If you rely on others to assist you, be very selective about who you decide to share this information with.
- **Keep your data current!** Get in the habit of periodically checking your account to ensure that the information we have on file for you is correct. We recommend that all members log in at least once a year to verify their account information.
- **Take notifications seriously!** If you receive a notification from us that someone has accessed your account, take it seriously. If you haven't recently logged into your account or sent us a form and you also can't recall authorizing someone close to you to make a change on your behalf, contact us immediately.
- **Update your password!** When in doubt, log in and change your userID and password.



## Are Your Passwords Strong Enough?

*Pamela Vozza, ASRS Strategic Communications*

Keeping financial accounts secure, including savings, checking or retirement accounts

such as your **myASRS** member account

is important business. One of the best security tools you have available is to create a strong password.



Equally important is to create unique passwords for each of your accounts. If a hacker manages to break one of your passwords, your other accounts will remain safe.

### Tips for Creating a Strong Password:

- Longer passwords are harder to hack, so aim for 8-14 characters
- A mix of upper & lower case letters, numbers and symbols used in unexpected combinations
- Do not use personal information and common words or phrases
- Keep it memorable to you - but hard to crack! Need help remembering your password? There are many “password locker” apps which can be downloaded to your smart phone to manage your passwords securely in one accessible place. |

## 2017-18 Contribution Rates

New contribution rates for ASRS members for fiscal year 2017-18, which take effect July 1, 2017, will be largely unchanged.

The total contribution rate for the defined benefit plan, health insurance supplement and long term disability plan will be 11.50 percent for both employer and employee, up just slightly from the current rate of 11.48 percent.

More information: **Contribution Rates** at [AzASRS.gov](http://AzASRS.gov). |

	Retirement Pension & Health Insurance Benefit	LTD Income Plan	TOTAL
<b>FISCAL 2016-17</b> (Effective July 1, 2016)			
Employee	11.34%	0.14%	11.48%
Employer	11.34%	0.14%	11.48%
<b>FISCAL 2017-18</b> (Effective July 1, 2017)			
Employee	11.34%	0.16%	11.50%
Employer	11.34%	0.16%	11.50%

## Director's Message,

*Continued from page 1*

to your pension benefit once you begin receiving it.

You can learn more about ways to reach financial independence on our website at [AzASRS.gov/Supplement Your Retirement](http://AzASRS.gov/SupplementYourRetirement). Or, ask your employer about the plans they may offer.

We also offer a variety of educational opportunities for new members, mid-career members and those nearing retirement. I encourage you to visit our **Retirement Central** webpage, and our **Member Education** webpage. Our Member Services team is ready to assist you at any time along your journey toward financial independence.

*For more information on deferred compensation plans for state employees, visit <http://tinyurl.com/ArizonaDC>. |*

## Benefit Payments

*Continued from page 2*

employer provides to a member in exchange for a member's agreement to terminate on a certain date.

When an employer offers an employee an incentive to terminate, this can result in lost contributions paid into the fund and possibly payment of a benefit to the employee for a longer period of time, which also results in lost revenue to the fund, or an unfunded liability.

As a fiduciary for all our members, the ASRS assess that liability to the employer and invoices the employer for the unfunded liability amount, thus ensuring the ASRS plan is fair to all. |

# The Road to Retirement Takes Planning

It is *never* too early to plan for your retirement and we have more opportunities than ever for our members to learn. Wherever you are on the road to retirement – early career, mid-career or your next exit is retirement – there’s an educational opportunity for you! What’s your learning style? Online? Group meetings? We have both!

## Learning On-Demand: Video and eLearning

For a complete listing of all ASRS streaming member education meetings, click *Media* at **AzASRS.gov**.

## How To Register: Log into myASRS today!

To register for any of our Member Education meetings, log into your secure **myASRS** account.



### Route 1: Your Journey Begins *Video*

New to public service or the ASRS? Do you know what benefits you have as a member? Let's get you on the right road from the start! Welcome to the ASRS—it's going to be a great trip!



### Route 4: Next Exit-Retirement *Webinar OR Group Meeting*

Are you retiring in the next six months? Attend an online webinar or group meeting at our Phoenix or Tucson locations to help you finalize your retirement choices. We explain the decisions you need to make when you apply for retirement, such as selecting your pension option, health insurance options, and returning to work after retirement. Attendees will receive a customized benefit estimate and instructions for completing the retirement application online.



### Route 2: Map Your Progress *eLearning*

This is a self-paced eLearning module for member with at least 5 years of service so you can start planning now. Many of our members have remarked “If only I had known, I would have planned better.” Route 2 helps you map your progress and learn more about the Service Purchase program and how life events may impact your retirement benefits.



### Know Your Insurance *Group Meeting*

If you're retiring in the next year, “Know Your Insurance” will explain your options under the ASRS retiree group health insurance programs and introduce you to our benefit providers. You'll also learn about the ASRS Premium Benefit and how health insurance costs are determined.



### Route 3: Destination in Sight! *Webinar OR Group Meeting*

Are you within three years of retirement? We offer online webinars and onsite group meetings at our Phoenix and Tucson locations. Learn about your pension benefit, the different annuity options, and much more. We also have a helpful segment on “Can you afford to retire?” to help you prepare for the next step in your journey toward retirement.



### Remote Online Counseling *Online*

The ASRS provides one-on-one counseling via the internet for members who don't want to drive to an office. Schedule your session on **myASRS** as you would any Member Education program. To participate, you'll need a high-speed internet connection, microphone & speakers.

## Learn at your own pace with **Member eLearning!**

### Learn About:

- Retirement Annuity Options
- Returning to Work
- Route 2: Map Your Progress
- Retiree Health Insurance
- GPS: Guide to Pre-retirement Services

Learn more at **AzASRS.gov** in the Member eLearning section, located in the **Media** tab

## Arizona State Retirement System

*Financial Horizons*

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### CONTACT US ONLINE:

AzASRS.gov

For assistance  
with your personal  
account, log into  
**myASRS.**

### NOT ONLINE?

In Phoenix:  
602-240-2000

In Tucson:  
520-239-3100

Toll-Free:  
800-621-3778



Follow us on  
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**AzASRS**

Now on LinkedIn:

**ASRS**

## Member Statements on myASRS

*Have you accessed your member statement online yet?*

Active and inactive members can view and print a copy of their Member Statement online at any time. This real-time statement includes beneficiary information, a summary of service credit, estimated monthly pension amounts, information on refund, survivor and disability benefits.

The ASRS recommends members log into their **myASRS** account at least once a year to review their statement information and earliest estimated normal retirement date.

### E-Communication

Be sure we have your current email address to ensure you receive our electronic newsletters and notifications. Log in to your secure **myASRS** account to update your information.



### Want to get social?

- Friend us on **Facebook** (Facebook.com/AzASRS).
- Follow us on **Twitter** (Twitter.com/AzASRS).
- Connect with us on **LinkedIn** (LinkedIn.com/ASRS). |

## Retirees!



We know that, after retirement, many go on to explore new careers in other fields. Often it's in an area that's always been a particular passion or hobby. Are you one of many enjoying a "second act career?" If so, we want to hear about it!

Contact us at the email address below and we'll get in contact to ask you a few questions. Who knows - maybe your story will show up in a future ASRS publication and inspire other fellow retirees!

**Email us at:**

[DigitalCommunications@AzASRS.gov](mailto:DigitalCommunications@AzASRS.gov)