

ARIZONA STATE RETIREMENT SYSTEM
ANNUAL ACTUARIAL VALUATION – FUNDING
AS OF JUNE 30, 2025





December 6, 2025

Board of Trustees
Arizona State Retirement System
3300 North Central Avenue, 14th Floor
Phoenix, Arizona 85012

Re: Actuarial Valuation for Funding Purposes as of June 30, 2025

Members of the Board:

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Arizona State Retirement System as of June 30, 2025. This report was prepared at the request of the Board and is intended for use by ASRS staff and those designated or approved by the Board. This report may be provided to parties other than ASRS only in its entirety and only with the permission of the Board.

Actuarial Valuation

The primary purposes of the actuarial valuation report are to determine the employer and member contribution rates, describe the current financial condition of ASRS, analyze changes in the condition of ASRS, and provide various summaries of the data.

Plan Provisions

Our actuarial valuation as of June 30, 2025 reflects the benefit and contribution provisions set forth in Title 38 Chapter 5 Article 2 of the Arizona Revised Statutes. The current plan provisions are outlined in Appendix I of this report.

Actuarial Assumptions and Methods

The assumptions and methods applied in this actuarial valuation were adopted by the Board of Trustees on August 28, 2025 based on the Actuarial Experience Study covering a five-year period from July 1, 2019 to June 30, 2024. We believe the assumptions are internally consistent and are reasonable, based on the actual experience of ASRS. Furthermore, the combined effect of the assumptions used in this valuation is expected to have no significant bias.

The results of the actuarial valuation are dependent upon the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. A review of the impact of a different set of assumptions on the funded status of the plan is outside the scope of this actuarial valuation.

The current actuarial assumptions and methods are outlined in Appendix III of this report.

Data

The valuation was based upon information as of June 30, 2025, furnished by ASRS staff, concerning system benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by ASRS staff.

Certification

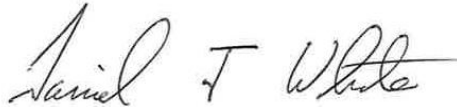
All of our work conforms with generally accepted actuarial principles and practices, and to the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of, where applicable, the Internal Revenue Code and ERISA.

The signing actuaries are independent of the plan sponsor. Daniel White is an Enrolled Actuary and a Fellow of the Society of Actuaries. Paul Wood and Cassie Rapoport are Associates of the Society of Actuaries. All three are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries. Finally, each of the undersigned are experienced in performing valuations for large public retirement systems.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



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Senior Consultant and Actuary



Daniel J. White, FSA, EA, MAAA
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SECTION A

EXECUTIVE SUMMARY

Executive Summary

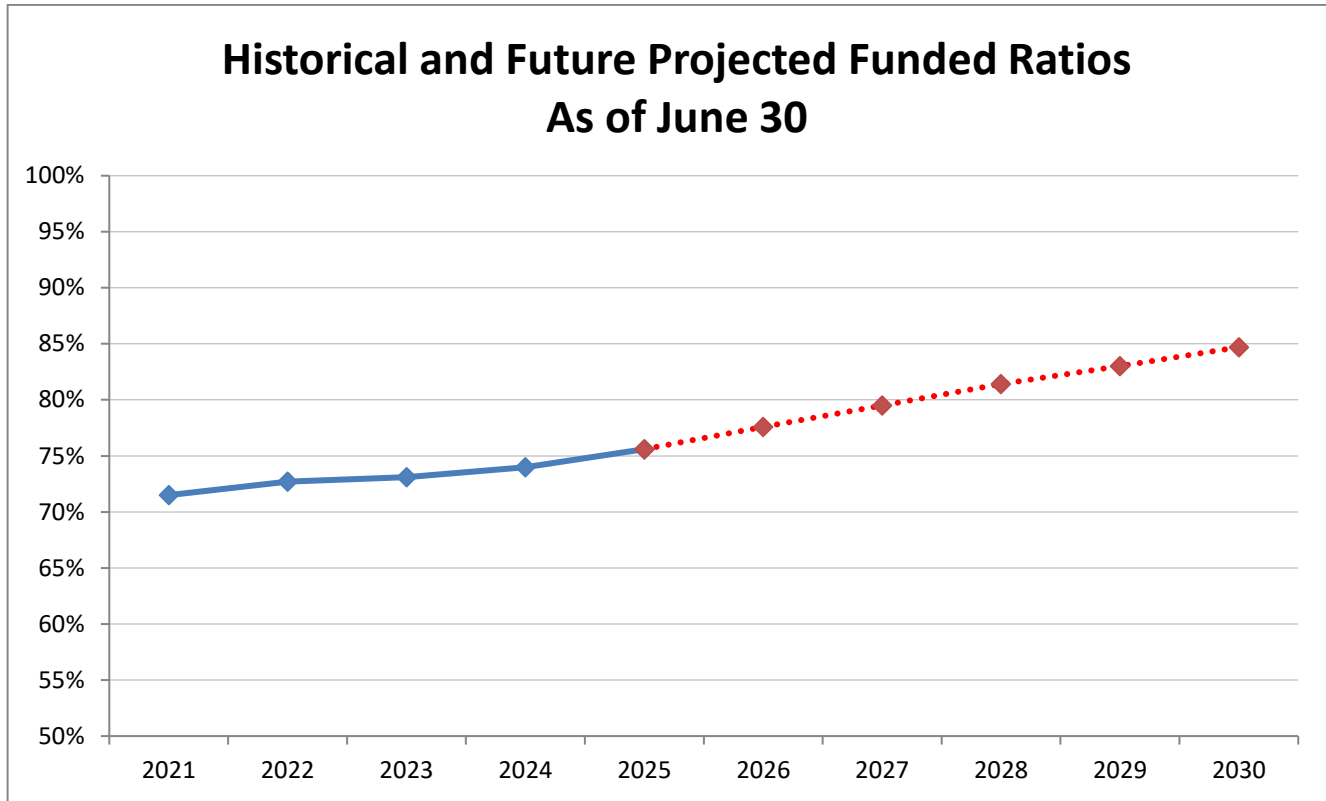
Item	2025	2024
Membership <ul style="list-style-type: none"> • Number of <ul style="list-style-type: none"> - Active members - Retirees, beneficiaries, and disableds* - Inactive non-retired members - Long term disabled (LTD) - Total • Valuation Payroll for subsequent fiscal year 	219,102 177,590 270,203 2,143 <hr style="width: 100%;"/> 669,038 \$ 14,490,106,007	220,738 172,712 265,561 2,217 <hr style="width: 100%;"/> 661,228 \$ 14,063,793,476
Contribution rates <ul style="list-style-type: none"> • Members • Employers 	FYE 2027 11.87% 11.87%	FYE 2026 11.86% 11.86%
Assets <ul style="list-style-type: none"> • Market value (MVA)** • Actuarial value (AVA)** • Return on market value • Return on actuarial value 	\$ 59,987,537,662 \$ 56,548,293,870 9.9% 8.2%	\$ 55,574,695,135 \$ 53,226,105,367 8.9% 7.9%
Actuarial Information on AVA (smoothed) Basis <ul style="list-style-type: none"> • Actuarial accrued liability** • Unfunded actuarial accrued liability (UAAL)** • Funded ratio 	\$ 74,842,701,189 \$ 18,294,407,319 75.6%	\$ 71,959,434,148 \$ 18,733,328,781 74.0%
Actuarial Information on MVA Basis <ul style="list-style-type: none"> • Unfunded actuarial accrued liability (UAAL)** • Funded ratio 	\$ 14,855,163,527 80.2%	\$ 16,384,739,013 77.2%
Actuarial Information on MVA Basis Including CPP Funds <ul style="list-style-type: none"> • Unfunded actuarial accrued liability (UAAL)** • Funded ratio 	\$ 14,769,035,508 80.3%	\$ 16,302,995,279 77.3%

* Excludes System members and members currently receiving benefits from the LTD Program

** Includes liabilities and assets for System members who retired or will retire on or after July 1, 1981



The following chart illustrates the recent history and outlook of the funded status of ASRS over the next five years:



June 30,	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Funded Ratio	71.5%	72.7%	73.1%	74.0%	75.6%	77.4%	79.0%	80.6%	82.1%	83.5%
UAAL (in billions)	\$17.9	\$17.9	\$18.5	\$18.7	\$18.3	\$17.5	\$16.9	\$16.2	\$15.4	\$14.7
EE/ER Contribution	12.03%	12.14%	12.12%	11.86%	11.87%	11.80%	11.71%	11.63%	11.58%	11.51%

The projections beyond 2025 are based on the same assumptions, methods and provisions used for the June 30, 2025 valuation.

The funded ratio of the plan has gradually increased over the last five years. Prospectively, the funded status is expected to continue to improve annually. Assuming the market value of assets earns 7.00% per year; ASRS is projected to reach full funding in 2045.



SECTION B

DISCUSSION

Discussion

Introduction

The results of the June 30, 2025 actuarial valuation of the Arizona State Retirement System are presented in this report.

The primary purposes of this actuarial valuation report are to determine the employer and member contribution rates, describe the current financial condition of ASRS, analyze the changes in the condition of ASRS, and provide various summaries of the data.

The total contribution rate for fiscal year ending June 30, 2027, is 23.74% of payroll. This contribution rate is shared equally between the employer and the employee.

All of the tables referenced in the following discussion appear in Section C of this report.

Plan Provisions

There were no changes to the plan provisions during the past year that impact the valuation. The current plan provisions are outlined in Appendix I of this report and a history of changes made to the plan provisions are outlined in Appendix II.

Actuarial Assumptions and Methods

The assumptions and methods applied in this actuarial valuation were adopted by the Board of Trustees on August 28, 2025 based on the Actuarial Experience Study covering a five-year period from July 1, 2019 to June 30, 2024. We believe the assumptions are internally consistent and are reasonable, based on the actual experience of ASRS.

The results of the actuarial valuation are dependent upon the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. A review of the impact of a different set of assumptions on the funded status of ASRS is outside the scope of this actuarial valuation.

The current actuarial assumptions and methods are outlined in Appendix III of this report.

Funding Adequacy

The financial objectives of the Plan are to: (1) maintain reasonably stable contribution rates, and (2) achieve an ultimate funded status of 100%. In order to achieve these objectives, the Board has adopted a layered, closed 20-year amortization period with level percent of pay payments for the 401(a) portion of the Plan and a 15-year period for the 401(h) portion.

The actuarial valuation includes a calculation of the contribution rates payable by members and participating employers. These rates, when applied to payroll, yield contribution amounts sufficient to fund the normal cost plus the amortization of the unfunded actuarial accrued liability. Contribution rates



are set annually, based on the valuation of the preceding year. The rate calculated in this report (23.74% of payroll) will apply in the fiscal year beginning July 1, 2026. The rate calculated as part of the prior valuation (23.72% of payroll) applied in the fiscal year that began July 1, 2025. Employers and employees share equally in the contribution rate determined as part of the valuation. Accordingly, the Actuarially Determined Contribution under the funding policy can be considered a “Reasonable Actuarially Determined Contribution” as required by the Actuarial Standards of Practice.

The unfunded actuarial accrued liability (UAAL) of ASRS was \$18.73 billion as of June 30, 2024 and \$18.29 billion as of June 30, 2025. Table 9 provides a summary of the changes in the UAAL and Tables 14A and 14B provide the amortization schedule for the current UAAL. Additionally, the funded ratio of ASRS—actuarial value of assets divided by the actuarial accrued liability—increased from 74.0% to 75.6% as of June 30, 2025. The funded status is one of many metrics used to show trends and develop future expectations about the health of a retirement system. The funded status measure itself is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan’s benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

ASRS Assets

This report contains several tables that summarize key information with respect to the ASRS assets.

The total market value of assets increased from \$55.6 billion to \$60.0 billion (including the System assets) as of June 30, 2025. Table 5 reconciles the changes in the fund during the year.

Table 6A, 6B, and 6C shows the development of the actuarial value of assets for the 401(a), 401(h), and the System, respectively. Rather than use the ASRS’ market value of assets, the valuation reflects a smoothed asset value. The actuarial value of assets is equal to the market value of assets less a ten-year phase-in of the difference between the expected investment return and actual income on the market value of assets. The market value is currently 6.1% more than the actuarial value.

The approximate investment return for the fiscal year ending June 30, 2025 was 9.9% when measured on market value and 8.2% when measured on actuarial value. Table 7 shows a history of return rates. The ASRS ten-year average market return, net of investment-related expenses is 8.1%. Prior to 2017, the annual returns were also net of administrative expenses.

Table 8 provides a history of the contributions paid into ASRS and the administrative expenses and benefit payments that have been paid out of ASRS. This table shows that ASRS paid administrative expenses and benefit payments, in excess of contributions received, of \$1.0 billion (or 1.6% of assets) in fiscal year 2025.

Data

The valuation was based upon information as of June 30, 2025, furnished by ASRS staff, concerning system benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by ASRS staff.

The tables in Appendix IV show key census statistics for the various groups included in the valuation.



Permanent Benefit Increase

The determination of the “Excess Investment Earnings” held in reserve for future Permanent Benefit Increases (PBIs) is shown in Table 13. There are now assets available for future PBIs. Since the actual investment return (on the actuarial value of assets) of 8.2% is above 8% for fiscal year 2025, “Excess Investment Earnings” are reserved for future PBIs.



SECTION C

TABLES

Table 1

Development of Employer Cost

	June 30, 2025			June 30, 2024
	401(a)	401(h)	Total	Total
I. Actuarial accrued liabilities (AAL)				
A. Liabilities due to members' benefits				
1. Active members				
a. Retirement benefits	\$ 30,477,186,845	\$ 0	\$ 30,477,186,845	\$ 29,114,941,238
b. Health insurance premium supplement	0	559,539,863	559,539,863	567,100,606
c. Disability deferred retirement benefits	355,954,698	0	355,954,698	403,993,246
d. Pre-retirement death benefits	415,211,779	0	415,211,779	401,171,662
e. Withdrawal benefits	(1,156,894,723)	0	(1,156,894,723)	(960,995,204)
f. Total active members	\$ 30,091,458,599	\$ 559,539,863	\$ 30,650,998,462	\$ 29,526,211,548
2. Inactive members	3,013,245,495	144,346,819	3,157,592,314	3,008,490,583
3. Retired members and beneficiaries	38,741,892,058	839,456,116	39,581,348,174	37,961,232,431
4. Formerly disabled members now receiving benefits	1,227,732,149	35,277,734	1,263,009,883	1,255,479,382
5. Benefit increases for other-than-plan members	100,351	1,673,671	1,774,022	1,949,994
6. Post-1981 System members	187,978,334	0	187,978,334	206,070,210
7. Total actuarial accrued liabilities	\$ 73,262,406,986	\$ 1,580,294,203	\$ 74,842,701,189	\$ 71,959,434,148
II. Actuarial value of assets	\$ 54,345,668,277	\$ 2,202,625,593	\$ 56,548,293,870	\$ 53,226,105,367
III. Unfunded actuarial accrued liability (Item I. – Item II.)	\$ 18,916,738,709	\$ (622,331,390)	\$ 18,294,407,319	\$ 18,733,328,781
IV. Amortization of unfunded actuarial accrued liability (per Section 38-737)				
A. Unfunded AAL amortization at beginning of fiscal year 2027	\$ 1,396,896,004	\$ (62,748,225)	\$ 1,334,147,779	\$ 1,343,678,733
B. Interest to middle of year on A	48,064,458	(2,159,044)	45,905,414	46,233,356
C. Expected alternate contributions	(43,359,594)	0	(43,359,594)	(42,564,665)
D. Total unfunded actuarial accrued liability amortization (A+B+C)	\$ 1,401,600,868	\$ (64,907,269)	\$ 1,336,693,599	\$ 1,347,347,424
V. Normal cost for the year				
A. Normal cost at beginning of fiscal year 2027	\$ 2,029,379,139	\$ 56,094,879	\$ 2,085,474,018	\$ 1,972,615,255
B. Interest to middle of year on A	69,826,965	1,930,115	71,757,080	67,873,831
C. Assumed Administrative Expenses	36,255,531	1,002,154	37,257,685	36,108,790
D. Total normal cost for the year (A+B)	\$ 2,135,461,635	\$ 59,027,148	\$ 2,194,488,783	\$ 2,076,597,876
VI. Total contribution for the year (Item IV. + Item V.)	\$ 3,537,062,503	\$ -	\$ 3,537,062,503	\$ 3,423,945,300
VII. Total covered payroll (projected to 2026/2027 plan year)	\$ 14,903,074,028	\$ 14,903,074,028	\$ 14,903,074,028	\$ 14,443,515,900
VIII. Total contribution for fiscal year 2027 as a percentage of covered payroll				
A. Member portion	11.87%	0.00%	11.87%	11.86%
B. Employer portion	11.87%	0.00%	11.87%	11.86%
C. Total	23.74%	0.00%	23.74%	23.72%
IX. Funded Status				
A. Funded Status on Actuarial Value of Assets	74.2%	139.4%	75.6%	74.0%
B. Market Value of Assets	\$ 57,647,665,095	\$ 2,339,872,567	\$ 59,987,537,662	\$ 55,574,695,135
C. Funded Status on Market Value of Assets	78.7%	148.1%	80.2%	77.2%
D. Market Value of Assets Including CPP Funds	\$ 57,733,793,114	\$ 2,339,872,567	\$ 60,073,665,681	\$ 55,656,438,869
C. Funded Status on Market Value of Assets Including CCP Funds	78.8%	148.1%	80.3%	77.3%

Table 2

Actuarial Present Value of Future Benefits

	401(a)	401(h)
1. Active Members		
a. Retirement benefits	\$ 40,581,120,637	\$ 840,591,477
b. Disability deferred retirement benefits	614,907,257	17,901,748
c. Pre-retirement death benefits	640,538,420	0
d. Withdrawal benefits	2,175,547,874	36,559,713
e. Total	\$ 44,012,114,188	\$ 895,052,938
2. Inactive members	\$ 3,013,245,495	\$ 144,346,819
3. Retired members and beneficiaries	38,741,892,058	839,456,116
4. Formerly disabled members now receiving benefits	1,227,732,149	35,277,734
5. Benefit increases for other-than-plan members	100,351	1,673,671
6. Post-1981 System members	187,978,334	0
7. Total Actuarial Present Value of Future Benefits	\$ 87,183,062,575	\$ 1,915,807,278

Table 3

Analysis of Normal Cost

	401(a)	401(h)
1. Gross Normal Cost Dollar		
a. Retirement benefits	\$ 1,551,683,590	\$ 51,157,803
b. Disability deferred retirement benefits	39,654,240	1,520,608
c. Pre-retirement death benefits	35,083,871	0
e. Termination	472,784,403	5,346,583
f. Administrative Expenses	36,255,531	1,002,154
g. Total	\$ 2,135,461,635	\$ 59,027,148
2. Gross Normal Cost Rate		
a. Retirement benefits	10.41%	0.34%
b. Disability deferred retirement benefits	0.27%	0.01%
c. Pre-retirement death benefits	0.24%	0.00%
e. Termination	3.17%	0.04%
f. Administrative Expenses	0.24%	0.01%
g. Total	14.33%	0.40%

Table 4
Historical Summary of Active Member Data

Valuation as of June 30	Active Members		Covered Payroll		Average Salary		Average Age	Average Service
	Number	Percent Change	Amount in \$ Millions	Percent Change	\$ Amount	Percent Change		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2009	222,515	N/A	9,835	N/A	44,198	N/A	45.2	8.8
2010	213,530	-4.0%	9,420	-4.2%	44,115	-0.2%	45.5	9.2
2011	208,939	-2.2%	9,061	-3.8%	43,365	-1.7%	45.7	9.4
2012	203,994	-2.4%	8,869	-2.1%	43,475	0.3%	45.8	9.6
2013	202,693	-0.6%	8,753	-1.3%	43,182	-0.7%	45.7	9.6
2014	203,201	0.3%	8,909	1.8%	43,841	1.5%	45.7	9.6
2015	203,252	0.0%	9,072	1.8%	44,636	1.8%	45.7	9.6
2016	204,162	0.4%	9,264	2.1%	45,375	1.7%	45.6	9.6
2017	206,055	0.9%	9,598	3.6%	46,581	2.7%	45.4	9.4
2018	207,119	0.5%	9,921	3.4%	47,901	2.8%	45.4	9.4
2019	208,244	0.5%	10,340	4.2%	49,655	3.7%	45.5	9.4
2020	210,135	0.9%	10,859	5.0%	51,676	4.1%	45.5	9.4
2021	207,913	-1.1%	11,281	3.9%	54,259	5.0%	45.5	9.5
2022	208,393	0.2%	11,759	4.2%	56,426	4.0%	45.5	9.5
2023	215,299	3.3%	12,932	10.0%	60,063	6.4%	45.3	9.2
2024	220,738	2.5%	14,064	8.8%	63,713	6.1%	45.6	9.1
2025	219,102	-0.7%	14,490	3.0%	66,134	3.8%	45.6	9.2

Table 5

Reconciliation of Plan Net Assets

	401(a)	401(h)
1. Market value of assets at beginning of year	\$ 53,242,802,771	\$ 2,215,191,487
2. Revenue for the year		
a. Contributions for the year		
i. Employer	\$ 1,731,826,488	\$ 9,790,891
ii. Member	1,695,222,847	0
iii. Member reimbursement of member contributions	14,885,132	8,747
iv. Total	\$ 3,441,934,467	\$ 9,799,638
b. Investment income for the year (net of investment expenses)	\$ 5,197,086,476	\$ 213,392,549
c. Total revenue	\$ 8,639,020,943	\$ 223,192,187
3. Disbursements for the year		
a. Retirement and disability benefits	\$ 3,883,453,454	\$ 97,211,951
b. Death benefits	77,762,021	0
c. Refunds	336,829,901	0
d. Transfers from other plans	(555,341)	0
e. Transfers to PSPRS	509,212	0
f. Other	869,438	0
g. Administrative expenses	32,069,995	1,299,156
h. Total disbursements	\$ 4,330,938,680	\$ 98,511,107
4. Change in net assets (Item 2c - Item 3h)	\$ 4,308,082,263	\$ 124,681,080
5. Market value of assets at end of year (Item 1 + Item 4)	\$ 57,550,885,034	\$ 2,339,872,567
6. Actual net investment income (Item 2b)	\$ 5,197,086,476	\$ 213,392,549
7. Estimated dollar weighted market yield	9.88%	9.85%

Table 6A

Development of Actuarial Value of Assets – 401(a)

							Year Ending June 30, 2025
1. Market value of assets at beginning of year							\$ 53,242,802,771
2. Net new investments							
a. Contributions							\$ 3,441,934,467
b. Benefits paid							(4,298,045,376)
c. Administrative expenses, transfers, and other							(32,893,304)
d. Subtotal							(889,004,213)
3. Market value of assets at end of year							\$ 57,550,885,034
4. Net earnings (3-1-2)							\$ 5,197,086,476
5. Assumed investment return rate							7.00%
6. Expected return							\$ 3,683,856,040
7. Excess return (4-6)							\$ 1,513,230,436
8. Development of amounts to be recognized as of June 30, 2025:							
	Remaining Deferrals						
Fiscal	of Excess (Shortfall)	Offsetting of	Net Deferrals	Years	Recognized for	Remaining after	
Year	of Investment	Gains/(Losses)	Remaining	Remaining	this valuation	this valuation	
End	Income	Gains/(Losses)	Remaining	Remaining	this valuation	this valuation	
	(1)	(2)	(3) = (1) + (2)	(4)	(5) = (3) / (4)	(6) = (3) - (5)	
2016	\$ 0	\$ 0	\$ 0	1	\$ 0	\$ 0	
2017	0	0	0	2	0	0	
2018	0	0	0	3	0	0	
2019	0	0	0	4	0	0	
2020	0	0	0	5	0	0	
2021	1,116,811,359	0	1,116,811,359	6	186,135,227	930,676,132	
2022	0	0	0	7	0	0	
2023	283,185,739	0	283,185,739	8	35,398,217	247,787,522	
2024	841,051,608	0	841,051,608	9	93,450,179	747,601,429	
2025	1,513,230,436	0	1,513,230,436	10	151,323,044	1,361,907,392	
	\$ 3,754,279,142	\$ 0	\$ 3,754,279,142		\$ 466,306,667	\$ 3,287,972,475	
9. Actuarial value of assets as of June 30, 2025 (Item 3 - Item 8)							\$ 54,262,912,559
10. Market value of assets							
a. Excluding System assets							\$ 57,550,885,034
b. Including System assets							\$ 57,647,665,095
11. Actuarial value of assets							
a. Excluding System assets							\$ 54,262,912,559
b. Including System assets							\$ 54,345,668,277

Table 6B

Development of Actuarial Value of Assets – 401(h)

	Year Ending June 30, 2025					
1. Market value of assets at beginning of year	\$ 2,215,191,487					
2. Net new investments						
a. Contributions	\$ 9,799,638					
b. Benefits paid	(97,211,951)					
c. Administrative expenses, transfers, and other	(1,299,156)					
d. Subtotal	(88,711,469)					
3. Market value of assets at end of year	\$ 2,339,872,567					
4. Net earnings (3-1-2)	\$ 213,392,549					
5. Assumed investment return rate	7.00%					
6. Expected return	\$ 151,727,135					
7. Excess return (4-6)	\$ 61,665,414					
8. Development of amounts to be recognized as of June 30, 2025:						
Remaining Deferrals						
Fiscal Year End	of Excess (Shortfall) of Investment Income	Offsetting of Gains/(Losses)	Net Deferrals Remaining	Years Remaining	Recognized for this valuation	Remaining after this valuation
	(1)	(2)	(3) = (1) + (2)	(4)	(5) = (3) / (4)	(6) = (3) - (5)
2016	\$ 0	\$ 0	\$ 0	1	\$ 0	\$ 0
2017	0	0	0	2	0	0
2018	0	0	0	3	0	0
2019	0	0	0	4	0	0
2020	0	0	0	5	0	0
2021	49,671,495	0	49,671,495	6	8,278,583	41,392,912
2022	0	0	0	7	0	0
2023	11,249,359	0	11,249,359	8	1,406,170	9,843,189
2024	34,326,000	0	34,326,000	9	3,814,000	30,512,000
2025	61,665,414	0	61,665,414	10	6,166,541	55,498,873
	\$ 156,912,268	\$ 0	\$ 156,912,268		\$ 19,665,294	\$ 137,246,974
9. Actuarial value of assets as of June 30, 2025 (Item 3 - Item 8)	\$ 2,202,625,593					
10. Market value of assets						
a. Excluding System assets	\$ 2,339,872,567					
b. Including System assets	\$ 2,339,872,567					
11. Actuarial value of assets						
a. Excluding System assets	\$ 2,202,625,593					
b. Including System assets	\$ 2,202,625,593					



Table 6C

Development of Actuarial Value of Assets – System

		Year Ending June 30, 2025
1.	Market value of assets at beginning of year	\$ 116,700,877
2.	Net new investments	
a.	Contributions	\$ 0
b.	Benefits paid	(30,834,662)
c.	Administrative expenses, transfers, and other	(63,155)
d.	Subtotal	(30,897,817)
3.	Market value of assets at end of year	\$ 96,780,061
4.	Net earnings (3-1-2)	\$ 10,977,001
5.	Assumed investment return rate	7.00%
6.	Expected return	\$ 7,015,884
7.	Excess return (4-6)	\$ 3,961,117
8.	Development of amounts to be recognized as of June 30, 2025:	
	Remaining Deferrals	
Fiscal	of Excess (Shortfall)	
Year	of Investment	Offsetting of
End	Income	Gains/(Losses)
	(1)	(2)
		Net Deferrals
		Remaining
		(3) = (1) + (2)
		Years
		Remaining
		(4)
		Recognized for
		this valuation
		(5) = (3) / (4)
		Remaining after
		this valuation
		(6) = (3) - (5)
2016	\$ 0	\$ 0
2017	0	0
2018	0	0
2019	0	0
2020	0	0
2021	8,091,861	8,091,861
2022	0	0
2023	1,389,484	1,389,484
2024	2,812,863	2,812,863
2025	3,961,117	3,961,117
	\$ 16,255,325	\$ 16,255,325
		\$ 2,230,982
		\$ 14,024,343
9.	Actuarial value of assets as of June 30, 2025 (Item 3 - Item 8)	\$ 82,755,718
10.	Allocation of System assets	
a.	Percent of total System liability for members retiring after July 1, 1981	100.00%
b.	Market value of assets allocated to Plan	\$ 96,780,061
c.	Actuarial value of assets allocated to Plan	\$ 82,755,718

Table 7

History of Investment Return Rates

Year Ending June 30,	401(a) (Excluding System Assets)	401(h)
Returns on market value of assets:		
2016	0.61%	0.77%
2017	13.59%	13.46%
2018	9.61%	9.59%
2019	6.34%	6.43%
2020	0.90%	0.90%
2021	26.12%	26.03%
2022	-0.24%	-0.22%
2023	7.77%	7.71%
2024	8.90%	8.85%
2025	9.88%	9.85%
Returns on actuarial value of assets:		
2016	6.61%	6.60%
2017	6.08%	6.07%
2018	8.22%	8.23%
2019	8.16%	8.18%
2020	7.26%	7.28%
2021	8.65%	8.66%
2022	8.29%	8.30%
2023	7.73%	7.75%
2024	7.90%	7.93%
2025	8.24%	8.27%

Market returns are net of investment-related expenses. Prior to 2017, the annual returns were also net of administrative expenses.

Table 8
History of Cash Flow – 401(a) and 401(h) Combined

Year Ending June 30,	Contributions	Distributions and Expenditures			External Cash Flow for the Year	Market Value of Assets	External Cash Flow as Percent of Market Value
		Benefit Payments and Refunds	Administrative Expenses	Total			
(1)	(2)	(3)	(5)	(6)	(7)	(8)	(9)
2016	\$ 2,122.4	\$ (3,113.2)	\$ (23.8)	\$ (3,137.0)	\$ (1,014.6)	\$ 34,020	-3.0%
2017	2,200.4	(3,236.3)	(29.0)	(3,265.3)	(1,064.9)	37,518	-2.8%
2018	2,247.6	(3,357.1)	(27.9)	(3,385.0)	(1,137.4)	39,918	-2.8%
2019	2,438.7	(3,486.1)	(27.8)	(3,513.9)	(1,075.2)	41,333	-2.6%
2020	2,591.4	(3,579.7)	(27.9)	(3,607.6)	(1,016.2)	40,685	-2.5%
2021	2,690.1	(3,694.5)	(28.2)	(3,722.7)	(1,032.6)	50,103	-2.1%
2022	2,895.1	(3,890.4)	(28.6)	(3,919.0)	(1,023.9)	48,963	-2.1%
2023	3,118.8	(4,048.5)	(32.7)	(4,081.2)	(962.4)	51,751	-1.9%
2024	3,370.7	(4,183.8)	(33.3)	(4,217.1)	(846.4)	55,458	-1.5%
2025	3,451.7	(4,396.0)	(33.4)	(4,429.4)	(977.7)	59,891	-1.6%

Dollar amounts in millions, Excludes System assets

Column (7) = Column (2) + Column (6).

Table 9
Total Experience Gain or Loss

Item (1)	401(a) (2)	401(h) (3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	\$ 19,292,646,709	\$ (559,317,928)
2. Normal cost for the year (includes Admin expenses)	1,962,841,649	58,257,401
3. Expected contributions for the year	(3,347,850,594)	(10,367,619)
4. Interest at 7%		
a. On UAAL	\$ 1,350,485,270	\$ (39,152,255)
b. On normal cost and admin	67,537,540	2,004,523
c. On contributions	(115,192,988)	(356,727)
d. Total	\$ 1,302,829,822	\$ (37,504,459)
5. Assumption change (Gains)/Losses	256,548,030	(5,011,884)
6. Legislative changes	0	0
7. Expected UAAL (Sum of Items 1 through 7)	19,467,015,616	(553,944,489)
8. Actual UAAL	18,916,738,709	(622,331,390)
9. Total (gain)/loss for the year (Item 9 - Item 8)	\$ (550,276,907)	\$ (68,386,901)
B. Source of gains and losses		
	% of AAL	% of AAL
10. Asset (Gain)/Loss	\$ (626,271,655) 0.85%	\$ (26,332,574) 1.67%
11. Pay Increases (Less)/Greater than Expected	186,540,350 0.25%	0 0.00%
12. Non-Retired Demographic (Gains)/Losses	86,116,300 0.12%	(2,904,876) 0.18%
13. Post-Retirement Mortality (Gains)/Losses	(5,718,471) 0.01%	571,316 0.04%
14. Contribution (Gain)/Loss	(96,084,026) 0.13%	286,289 0.02%
15. Other (Gains)/Losses	(94,859,405) 0.13%	(40,007,056) 2.53%
16. Total (Sum of Items 10 through 15)	\$ (550,276,907) 0.75%	\$ (68,386,901) 4.33%

Table 10
Schedule of Funded Liabilities by Type

Aggregate Accrued Liabilities for:		Active Members			Portion of Accrued Liabilities Covered		
Year End	Member	Retirees and	(Employer Financed	Net Assets	by Net Assets		
June 30,	Contributions	Beneficiaries	Portion)	Available for	Available for Benefits		
(1)	(2)	(3)	Benefits	(1)	(2)	(3)	
401(a) Portion of the Plan							
2016	\$ 12,699,053,783	\$ 26,593,566,522	\$ 5,242,386,763	\$ 34,269,819,276	100%	81%	0%
2017	13,581,097,101	29,520,334,512	7,517,329,299	35,268,099,197	100%	73%	0%
2018	13,582,910,298	30,602,701,708	8,360,825,498	36,984,395,177	100%	76%	0%
2019	15,655,836,656	31,715,910,603	7,192,644,277	38,879,899,247	100%	73%	0%
2020	16,853,510,231	32,714,770,724	7,142,421,730	40,642,836,468	100%	73%	0%
2021	18,002,240,297	34,940,032,881	8,509,147,417	43,074,130,425	100%	72%	0%
2022	19,198,546,408	36,274,439,783	8,454,213,801	45,589,279,689	100%	73%	0%
2023	20,524,232,135	37,401,465,644	9,173,274,515	48,146,652,301	100%	74%	0%
2024	21,971,692,181	38,573,350,493	9,853,764,769	51,106,160,734	100%	76%	0%
2025	23,195,075,696	40,157,702,892	9,909,628,398	54,345,668,277	100%	78%	0%
401(h) Portion of the Plan							
2016	\$ 0	\$ 802,948,944	\$ 766,968,521	\$ 1,491,554,110	100%	100%	90%
2017	0	863,850,246	706,389,116	1,538,757,137	100%	100%	96%
2018	0	914,372,402	715,927,367	1,608,499,848	100%	100%	97%
2019	0	844,744,942	718,430,256	1,688,689,922	100%	100%	117%
2020	0	826,794,797	728,156,736	1,766,803,406	100%	100%	129%
2021	0	719,376,626	689,386,828	1,874,575,056	100%	100%	168%
2022	0	812,739,007	692,158,105	1,968,683,891	100%	100%	167%
2023	0	843,824,168	698,830,136	2,040,079,384	100%	100%	171%
2024	0	851,381,524	709,245,181	2,119,944,633	100%	100%	179%
2025	0	876,407,521	703,886,682	2,202,625,593	100%	100%	188%



Table 11
Schedule of Funding Progress – 401(a) and 401(h) Combined

Year End June 30,	Actuarial Accrued Liabilities	Actuarial Value of Net Assets	Assets as a % of Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAL)	Covered Employee Payroll	UAL as a % of Covered Employee Payroll
2016	\$ 46,104,924,533	\$ 35,761,373,386	77.6%	\$ 10,343,551,147	\$ 9,263,859,477	111.7%
2017	52,189,000,274	36,806,856,334	70.5%	15,382,143,940	9,598,270,045	160.3%
2018	54,176,737,273	38,592,895,025	71.2%	15,583,842,248	9,921,214,513	157.1%
2019	56,127,566,734	40,568,589,169	72.3%	15,558,977,565	10,340,300,426	150.5%
2020	58,265,654,218	42,409,639,874	72.8%	15,856,014,344	10,858,976,229	146.0%
2021	62,860,184,049	44,948,705,481	71.5%	17,911,478,568	11,281,162,485	158.8%
2022	65,432,097,104	47,557,963,580	72.7%	17,874,133,524	11,758,791,108	152.0%
2023	68,641,626,598	50,186,731,685	73.1%	18,454,894,913	12,931,553,601	142.7%
2024	71,959,434,148	53,226,105,367	74.0%	18,733,328,781	14,063,793,476	133.2%
2025	74,842,701,189	56,548,293,870	75.6%	18,294,407,319	14,490,106,007	126.3%

Table 12

Schedule of Plan Retirees and Beneficiaries Added to and Removed from Rolls

Year End June 30,	Added To Rolls		Removed From Rolls		Rolls - End of Year		
	Number	Annual Allowance	Number	Annual Allowance	Number	Annual Allowance	Average Annual Allowance
401(a) Portion of the Plan							
2016	7,887	\$ 155,932,683	3,397	\$ 54,560,473	136,026	\$2,700,528,154	\$ 19,853
2017	9,616	200,106,997	3,525	56,592,938	142,117	2,844,042,213	20,012
2018	8,651	174,489,286	3,812	59,196,232	146,956	2,959,335,267	20,138
2019	8,746	179,217,085	3,824	58,010,878	151,878	3,080,541,474	20,283
2020	8,196	173,670,945	4,150	65,167,454	155,924	3,189,044,965	20,453
2021	9,467	200,165,704	5,176	80,758,102	160,215	3,308,452,567	20,650
2022	9,737	237,276,546	5,199	69,941,662	164,753	3,475,787,451	21,097
2023	8,882	191,485,169	4,875	70,153,220	168,760	3,597,119,400	21,315
2024	8,799	198,315,335	4,847	70,700,109	172,712	3,724,734,626	21,566
2025	10,036	245,847,169	5,158	76,011,784	177,590	3,894,570,011	21,930
401(h) Portion of the Plan							
2016	8,132	\$ 12,166,768	2,430	\$ 10,554,272	77,198	\$ 99,595,184	\$ 1,290
2017	9,895	17,824,796	5,831	11,688,084	81,262	105,731,896	1,301
2018	8,250	17,966,659	8,315	14,688,189	81,197	109,010,366	1,343
2019	9,033	11,122,032	6,294	20,892,748	83,936	99,239,650	1,182
2020	7,888	10,008,465	6,838	12,021,182	84,986	97,226,933	1,144
2021	9,162	10,857,116	11,053	27,127,292	83,095	80,956,757	974
2022	12,272	12,736,914	7,215	1,460,798	88,152	92,232,873	1,046
2023	8,114	9,379,227	7,847	5,020,009	88,419	96,592,091	1,092
2024	8,125	9,179,206	7,526	7,539,411	89,018	98,231,886	1,104
2025	9,098	10,376,369	7,309	6,862,124	90,807*	101,746,131	1,120

*Includes 291 System members receiving HBS benefits and 400 members receiving LTD benefits and HBS benefits.



Table 13

Permanent Benefit Increase Calculation

Determination of PBI, effective	July 1, 2025	July 1, 2026
1. Actuarial Present Value (APV) for all eligible Retirees and Beneficiaries as of July 1, 2024 and July 1, 2025 (401(a) Only)*	\$ 36,684,977,283	\$ 38,044,073,852
2. Rate of Return on Actuarial Value of Assets In FY24/FY25	7.90%	8.24%
3. Excess Earnings Available for PBI		
a. Carry-over From Prior Year	\$ 117,358,979	\$ 126,747,697
b. Current Year (Item 1 x [Item 2 – 8%, minimum 0])	0	91,305,777
c. Total Excess Earnings Available for PBI (Item 3.a + Item 3.b)	<u>\$ 117,358,979</u>	<u>\$ 218,053,474</u>
4. Preliminary PBI % (Item 3.c / Item 1)	0.32%	0.57%
5. Actual PBI % (Item 4, but not greater than 4% and equal to 0% if less than 1%)	0.00%	0.00%
6. Target Cost of 2025 PBI (Item 1 x Item 5)	\$ 0	\$ 0
7. APV of \$1 Per Year of Service for Eligible Group	0	0
8. Per Year of Service Factor for PBI (Item 6 / Item 7)	0.00	0.00
9. Excess Investment Earnings to be Carried Forward to Next Year	117,358,979	218,053,474
10. Interest on Excess Earnings (8% of Item 9)	9,388,718	17,444,278

**Does not include the PBI assumption*

Table 14A
Amortization Bases – 401(a)

Initially established in 2013, an Amortization Base, or “payment schedule,” is established each time the Unfunded Actuarial Accrued Liability (UAAL) changes different than expected. As a result, a structured set of amounts are established with each actuarial valuation that are expected to eliminate the UAAL over a period consistent with the Board’s funding policy. As of June 30, 2025, the UAAL is \$18.9 billion and the following Amortization Bases have been established to eliminate the UAAL. Further, this table indicates that the expected UAAL as of June 30, 2026 is \$18.7 billion. Amortization payments are assumed to increase by 2.85% per year until the base is extinguished.

Date Established	Purpose	Initial Amount	Remaining Balance as of June 30, 2025	2025/2026 Amortization Payment	Remaining Balance as of June 30, 2026	Years Remaining as of June 30, 2026	2026/2027 Amortization Payment
June 30, 2013	Fresh Start Base	\$ 9,801,122,666	\$ 9,041,508,949	\$ 695,973,838	\$ 8,929,722,569	17	\$ 707,457,975
June 30, 2014	Experience (Gain)/Loss	86,726,009	82,137,755	6,098,242	81,362,279	18	6,195,391
June 30, 2015	Experience (Gain)/Loss	148,009,725	143,577,701	10,308,709	142,597,821	19	10,467,157
June 30, 2016	Experience (Gain)/Loss	499,389,318	539,515,476	37,549,559	537,103,531	20	38,106,029
June 30, 2017	Experience (Gain)/Loss	713,854,844	786,786,534	53,194,745	784,943,214	21	53,954,288
June 30, 2017	Assumption Changes	4,441,863,599	4,895,671,018	330,996,989	4,884,201,211	21	335,723,135
June 30, 2018	Experience (Gain)/Loss	(783,242)	(863,477)	(56,822)	(863,121)	22	(57,603)
June 30, 2019	Experience (Gain)/Loss	45,321,166	47,905,683	3,556,713	47,453,398	18	3,613,374
June 30, 2020	Experience (Gain)/Loss	324,255,767	345,001,182	24,770,676	342,646,641	19	25,151,409
June 30, 2021	Experience (Gain)/Loss	(363,385,349)	(388,273,835)	(27,023,342)	(386,538,028)	20	(27,423,817)
June 30, 2021	Assumption Changes FY 2022/2023 Stagger	872,148,274	931,882,243	64,857,765	927,716,191	20	65,818,930
June 30, 2021	Assumption Changes FY 2023/2024 Stagger	872,148,274	995,772,821	69,304,464	991,321,142	20	70,331,528
June 30, 2021	Assumption Changes FY 2024/2025 Stagger	872,148,274	1,065,915,996	74,186,335	1,061,150,737	20	75,285,747
June 30, 2022	Experience (Gain)/Loss	(128,345,267)	(134,351,018)	(10,753,909)	(132,248,907)	16	(10,937,594)
June 30, 2023	Experience (Gain)/Loss	516,338,922	547,266,567	42,126,067	540,500,335	17	42,821,182
June 30, 2024	Experience (Gain)/Loss	290,667,281	311,013,991	23,090,948	308,077,656	18	23,458,802
June 30, 2025	Experience (Gain)/Loss	(550,276,907)	(550,276,907)	0	(588,796,290)	19	(43,219,616)
June 30, 2025	Assumption Changes	256,548,030	256,548,030	0	274,506,392	19	20,149,687
	Total		\$ 18,916,738,709	\$ 1,398,180,977	\$ 18,744,856,771		\$ 1,396,896,004



Table 14B
Amortization Bases – 401(h)

Initially established in 2013, an Amortization Base, or “payment schedule,” is established each time the Unfunded Actuarial Accrued Liability (UAAL) changes different than expected. As a result, a structured set of amounts are established with each actuarial valuation that are expected to eliminate the UAAL over a period consistent with the Board’s funding policy. As of June 30, 2025, the UAAL is \$(622.3) million and the following Amortization Bases have been established to eliminate the UAAL. Further, this table indicates that the expected UAAL as of June 30, 2026 is \$(607.6) million. Amortization payments are assumed to increase by 2.85% per year until the base is extinguished.

<u>Date Established</u>	<u>Purpose</u>	<u>Initial Amount</u>	<u>Remaining Balance as of June 30, 2025</u>	<u>2025/2026 Amortization Payment</u>	<u>Remaining Balance as of June 30, 2026</u>	<u>Years Remaining as of June 30, 2026</u>	<u>2026/2027 Amortization Payment</u>
June 30, 2013	Fresh Start Base	\$ 160,224,559	\$ 51,801,816	17,980,160	\$ 36,189,172	2	\$ 18,452,425
June 30, 2014	Experience (Gain)/Loss	(51,756,215)	(21,553,804)	(5,724,366)	(16,937,499)	3	(5,870,580)
June 30, 2015	Experience (Gain)/Loss	60,631,880	30,506,123	6,611,702	25,567,030	4	6,775,867
June 30, 2016	Experience (Gain)/Loss	(73,311,634)	(47,993,418)	(8,840,947)	(41,893,144)	5	(9,054,252)
June 30, 2017	Experience (Gain)/Loss	(12,670,659)	(9,362,262)	(1,507,518)	(8,404,576)	6	(1,542,846)
June 30, 2017	Assumption Changes	(20,723,637)	(15,312,551)	(2,465,638)	(13,746,197)	6	(2,523,419)
June 30, 2018	Experience (Gain)/Loss	(1,938,438)	(1,561,839)	(224,376)	(1,431,085)	7	(229,481)
June 30, 2019	Experience (Gain)/Loss	(143,489,604)	(124,122,208)	(16,159,489)	(115,520,109)	8	(16,516,325)
June 30, 2020	Experience (Gain)/Loss	(71,541,111)	(65,631,971)	(7,839,093)	(61,838,379)	9	(8,007,016)
June 30, 2021	Experience (Gain)/Loss	(223,612,291)	(215,428,049)	(23,841,262)	(204,997,862)	10	(24,336,462)
June 30, 2021	Assumption Changes	(24,789,909)	(23,882,596)	(2,643,069)	(22,726,294)	10	(2,697,968)
June 30, 2022	Experience (Gain)/Loss	16,226,309	16,294,288	1,684,546	15,632,424	11	1,718,457
June 30, 2023	Experience (Gain)/Loss	(45,282,694)	(47,075,036)	(4,577,464)	(45,472,402)	12	(4,666,726)
June 30, 2024	Experience (Gain)/Loss	(70,664,578)	(75,611,098)	(6,955,430)	(73,461,565)	13	(7,086,752)
June 30, 2025	Experience (Gain)/Loss	(68,386,901)	(68,386,901)	0	(73,173,984)	14	(6,674,026)
June 30, 2025	Assumption Changes	(5,011,884)	(5,011,884)	0	(5,362,716)	14	(489,121)
	Total		\$ (622,331,390)	\$ (54,502,244)	\$ (607,577,186)		\$ (62,748,225)

APPENDIX I

SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions for the Arizona State Retirement System

The Arizona State Retirement Plan makes provision for the retirement, disability, and death and survivor benefits to all members of the State, instrumentalities of the State and certain political subdivisions. The major provisions of the Plan may be summarized as follows:

Member and Employer Contributions

The contribution rate for the fiscal year beginning on July 1st is based on the results of the most recent actuarial valuation as of the last day of the preceding plan year. The member's contribution rate is equal to the required employer contribution rate. The contribution rate for fiscal year 2026 is 11.86% for each member and each employer, based on the 2024 actuarial valuation. The contribution rate for fiscal year 2027 will be 11.87% based on this valuation. Interest was credited at 8.00% until it was lowered to 4% beginning July 1, 2005 and subsequently lowered again to 2% beginning July 1, 2013 for return of contributions upon withdrawal.

Average Monthly Compensation

The average of the highest consecutive 36 months in the last 120 months for a member whose membership commences before July 1, 2011, and the average of the highest consecutive 60 months in the last 120 months for a member whose membership commences on or after July 1, 2011. Members who commenced membership prior to 1984 can use a 60-month average and include additional types of compensation, if doing so produces a larger result.

Benefit Multiplier

Applicable multiplier applies to all years of past service.

Years of Credited Service	Multiplier
Less than 20	2.10%
20.00 to 24.99	2.15%
25.00 to 29.99	2.20%
30.00 or more	2.30%

Normal Retirement

Eligibility: The earliest of the following:

- a. Age 65, or
- b. Age 62 and 10 years of credited service, or
- c. *For members hired before July 1, 2011:* The first day immediately following the day that the sum of the member's age and years of total credited service equals eighty; and
For members hired on or after July 1, 2011: Age 60 with 25 years of credited service or age 55 with 30 years of credited service.

Benefits: The product of Benefit Multiplier, the member's Average Monthly Compensation, and years of total credited service. Normal Retirement benefit also includes any prior service benefits to which the member was entitled under the System.

Early Retirement

Eligibility: Age 50 with 5 years of credited service

Benefits: Normal Retirement Benefit reduced according to the table on the following page.

Age At Date Of Retirement																
Years of Service	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65
Members Hired Before July 1, 2011																
5-9.99	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	88%	91%	94%	97%	100%
10-17.99	44%	49%	54%	59%	64%	69%	74%	79%	84%	89%	94%	97%	100%	100%	100%	100%
18	44%	49%	54%	59%	64%	69%	74%	79%	84%	91%	94%	97%	100%	100%	100%	100%
19	44%	49%	54%	59%	64%	69%	74%	79%	91%	94%	97%	100%	100%	100%	100%	100%
20	50%	55%	60%	65%	70%	75%	80%	91%	94%	97%	100%	100%	100%	100%	100%	100%
21	50%	55%	60%	65%	70%	75%	91%	94%	97%	100%	100%	100%	100%	100%	100%	100%
22	50%	55%	60%	65%	70%	91%	94%	97%	100%	100%	100%	100%	100%	100%	100%	100%
23	50%	55%	60%	65%	91%	94%	97%	100%	100%	100%	100%	100%	100%	100%	100%	100%
24	50%	55%	60%	91%	94%	97%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
25	50%	55%	91%	94%	97%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
26	50%	91%	94%	97%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
27	91%	94%	97%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
28	94%	97%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
29	97%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
30+	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Members Hired On Or After July 1, 2011																
5-9.99	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	88%	91%	94%	97%	100%
10-24.99	44%	49%	54%	59%	64%	69%	74%	79%	84%	89%	94%	97%	100%	100%	100%	100%
25-29.99	44%	49%	54%	59%	64%	69%	74%	79%	84%	89%	100%	100%	100%	100%	100%	100%
30+	44%	49%	54%	59%	64%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%



Vesting of Benefits

Eligibility: A member is fully vested in their accrued benefit.

Benefits: A fully vested member is entitled to either:

- a. the enhanced refund option for members hired before July 1, 2011 or for members terminated due to an Employer Reduction in Force or position elimination for members hired on or after July 1, 2011, or
- b. the refund option for members hired on or after July 1, 2011 who are not terminated due to an Employer Reduction in Force or position eliminated, or,
- c. the retirement benefit payable at Normal Retirement earned to the date of member's termination.

The enhanced refund option allows members who terminate prior to eligibility for retirement to receive a refund of their member contributions with interest. In addition, if a member has at least five years of service, he or she is also entitled to a share of the employer contributions with interest. The share is 25% for members with five years of service and increases 15% for each additional year of service up to a maximum of 100% for ten or more years of service. The Board reduced the interest rate to be credited on withdrawal of contributions from 8% to 4% effective June 30, 2005, and from 4% to 2% effective June 30, 2013.

The refund option is the same as the enhanced refund option except it does not include any share of the employer contributions with interest.

Disability Benefits (for disability after June 30, 1988)

Long Term Disability Benefit:

Monthly benefit equal to two-thirds of monthly compensation reduced by percentages of other income received payable commencing six months after date of disability until the earlier of:

- a. date of cessation of total disability,
- b. or Normal Retirement date.

This benefit is paid by a separate LTD plan.

Disability Benefit if Member Remains Disabled Through Normal Retirement Date:

Monthly benefit member would have received if service had continued to normal retirement date assuming the member's salary remained at the level it was at his or her date of disability, also provided that the amount of total credited service is limited to 30 years unless the member had more than 30 years at date of disability.

The minimum monthly benefit payable to a disabled member is \$50.

Disability Benefits (for disability before July 1, 1988)

Eligibility: Age 50 with 5 years of credited service.

Benefits: A life annuity that can be provided by the member's accumulated contribution account.

Disability payments after Normal or Early Retirement eligibility are reduced by the actuarial value of the disability payments made up to the date of Normal or Early Retirement eligibility.



Pre-Retirement Death Refund Alternative

Eligibility: Death prior to retirement.

Benefits: Any one of the following, at the option of the beneficiary:

- a. a lump sum equal to the sum of (i) and (ii):
 - (i) the sum of the member's combined (member and employer) accumulated contribution balance with compound interest at a rate determined by the board through the day of the payment of the benefit, and
 - (ii) the amount of the member's combined (member and employer) accumulated account, along with any supplemental credits transferred from the System to the Plan with compound interest at a rate determined by the board through the day of the payment of the benefit.
- b. The beneficiary may elect to receive a monthly income, in the single life form, which is actuarially equivalent to the amount in (a).

Retiree Health Insurance Premium Supplement

Eligibility: Retirement or disability after five years of credited service and covered by an employer-sponsored group insurance program for which the retired or disabled member must pay part of the cost. Members who elect the enhanced refund option are not eligible for this benefit.

Benefits: The benefit is payable only with respect to allowable health insurance premiums for which the member is responsible. The maximum benefits for members with ten or more years of credited service are:

- a. with respect to premiums paid for retirees with member only coverage:
 - \$150 per month if the retiree is under age 65
 - \$100 per month if the retiree is 65 or over
- b. with respect to premiums paid for retirees with family coverage:
 - \$260 per month if the member and dependent are under age 65
 - \$170 per month if the member and dependent are 65 or over
 - \$215 per month if the member is over age 65 and the dependent is under age 65
 - \$215 per month if the member is under age 65 and the dependent is over age 65

For members with five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction equal to 10% for each completed year of service (i.e., 50% to 90%).

Members may also choose to receive an optional premium benefit, where their premium benefit is reduced, but may be continued to the retiree's beneficiary. This optional premium benefit is only available to retirees who elect a joint and contingent or period certain form of payment.

Automatic Benefit Adjustments Based On Excess Investment Earnings

Permanent Benefit Increase (PBI)

Retirees who have been retired one year are eligible for a PBI up to a maximum of a 4% increase. The PBI is paid from a reserve of "Excess Investment Earnings." If there are no "Excess Investment Earnings" in the reserve, then no PBI is paid.

Permanent Benefit Increase Enhancement (EPBI)

Provides retired members with at least ten years of service who have been retired five or more years an additional benefit. For each complete five-year period the member has been retired, an incremental benefit is paid if monies to pay the benefit are available. This benefit is funded by an interest credit of 8.0% of the reserve for future PBIs.

PBI and enhanced PBI benefits are reflected in the valuation as soon as they are awarded.

Due to legislation enacted in the 2013 legislative session, PBIs and EPBIs will not be awarded to members hired on or after September 13, 2013.

Forms of Payment

The normal form of payment is a benefit payable for the life of the member with any remaining member account balance paid at time of death. Joint and contingent, period certain and partial lump-sum options are available on an actuarially equivalent basis.

Minimum Benefit

The minimum monthly benefit payable to a retired member who is at least age 75 and who has 20 or more years of credited service is \$600.

APPENDIX II

HISTORICAL CHANGES TO THE PLAN PROVISIONS

Historical Changes to the Plan Provisions

A. Legislated Plan Changes Enacted by the 1989 Legislature of the State of Arizona

1. Projected Unit Credit (PUC) Funding Method

Beginning with the June 30, 1989 actuarial valuation, the total member and employer contributions payable beginning July 1, 1990 shall be determined using the Projected Unit Credit (PUC) funding method.

2. \$12,000 Minimum Average Compensation for Current Retirees

Recalculation of the retirement benefit for all plan members retired before June 30, 1989 who had ten years of credited service using a minimum average compensation of one thousand dollars per month.

3. 2.0% Ad Hoc COLAs

- Effective July 1, 1989, all members retired on or before June 30, 1988 shall receive a 2.0% permanent benefit increase to their December 31, 1988 base benefit.
- Effective July 1, 1990, all members retired on or before June 30, 1989 shall receive a 2.0% permanent benefit increase to their June 30, 1990 base benefit.

4. Early Retirement Window

During the period of May 15, 1989, through November 14, 1989, a member who is eligible for either Normal Retirement or Early Retirement with age plus credited service at least equal to 80 may retire and receive a benefit calculated using a 2.2% multiplier instead of the 2.0% multiplier in effect at that time.

5. 3.0% Tax Equity Allowance

Retroactive to the later of January 1, 1989 or the date payments commence, each member retiring on or before September 14, 1989 shall receive a tax equity benefit allowance consisting of a permanent increase of 3.0% in his or her January 1, 1989 base benefit.

B. Legislated Plan Changes Enacted by the 1990 Legislature of the State of Arizona

1. Rule of 82

Effective May 1, 1990, the number of points (sum of member's age and years of service) required to be eligible for normal retirement shall be reduced from 85 to 82. Also, the early retirement reduction factor for members with 77 or more points but less than 82 points shall be 3% for each point or fraction thereof less than 82.

2. 3.0% Tax Equity Allowance

Each member who retires between September 15, 1989 and September 14, 1990 shall receive a tax equity benefit allowance consisting of a permanent increase of 3.0% in his or her base benefit retroactive to the date of retirement.

3. Graded Vesting for Health Insurance Premium Supplement

The Health Insurance Premium Supplement is extended to those qualifying members with between five and nine years of service. The member will be eligible to receive 10% of the benefit for each completed year of service (i.e., 50% to 90%).



C. Legislated Plan Changes Enacted by the 1991 Legislature of the State of Arizona

1. 3.0% Tax Equity Allowance

Each member who retires between September 15, 1990 and September 14, 1991 shall receive a tax equity benefit allowance consisting of a permanent increase of 3.0% in his or her base benefit retroactive to the date of retirement.

2. Recalculation of Retiree Benefits Using 2.0% Benefit Multiplier

Each retired member with at least ten years of service who retired prior to June 30, 1985 shall have his or her benefit recomputed. The recomputed benefit shall be equal to 2% times final average earnings times credited service plus an additional \$2 for each year of service. The retired member will receive the larger of the recalculated benefit or his/her current benefit. This increase is effective October 1, 1991.

3. 2.3% Ad Hoc Increase

Effective July 1, 1991, all members retired on or before June 30, 1990 shall receive a 2.3% permanent benefit increase in their June 30, 1991 base benefit.

4. Rule of 80

Effective July 1, 1992, the number of points (sum of member's age and years of service) required to be eligible for normal retirement shall be reduced from 82 to 80. (For continuation purposes, this legislation is not reflected until the 1993/94 fiscal year).

5. Pop-up Option

A pop-up option is added for retiring members who first participate in the Plan on or after December 31, 1991.

D. Legislated Plan Changes Enacted by the 1992 Legislature of the State of Arizona

1. 3.0% Tax Equity Allowance

Each member who retires between September 15, 1991 and September 14, 1992 shall receive a tax equity benefit allowance consisting of a permanent increase of 3.0% in his or her base benefit, retroactive to the date of retirement.

2. Minimum Retiree Benefit

Each retiree of the Arizona State Retirement Plan who is at least age 75 on December 31, 1992 and who had at least ten years of service upon retirement from the plan shall be eligible for a minimum benefit. If the eligible retiree had at least ten years of service but less than fifteen years, his minimum benefit is \$350 a month. If the eligible retiree had at least fifteen years of service but less than twenty, his minimum benefit is \$500. If the eligible retiree had at least twenty years of service, his minimum benefit is \$600. The minimum benefit shall be compared to the retiree's current benefit (including all ad hoc increases).

3. 5% Ad Hoc Increase

Effective November 1, 1992, all members retired on or before October 31, 1992 shall receive a 5% permanent benefit increase in their October 31, 1992 benefit.

4. Forfeited Service Repurchase

Any present active member who has previously forfeited service has until December 31, 1994 to repurchase the forfeited service by paying the Plan the member and employer contributions



(accumulated with interest) that would have been contributed during the member's period of forfeited service.

5. Repurchase of Service Due to Reduction in Force

Any present active member who was terminated prior to December 31, 1992 as a result of a required reduction in force may purchase the credited service for the following period of unemployment if the member had five or more years of service at the time of termination and resumed employment with a participating employer within two years of termination. The cost of the repurchase is the total of the member and employer contribution (accumulated with interest) that would have been contributed during the member's period of unemployment.

6. Change in Section 38-781.05 Funding Method

Section 38-781.05 of the Plan was amended so that the funding period for the Plan would continue to be the period between valuation and June 30, 2003, as long as the Plan has a negative Unfunded Actuarial Accrued Liability. If the Plan were to have a positive UAAL, then the old funding mechanism would apply.

E. Legislated Plan Changes Enacted by the 1993 Legislature of the State of Arizona

No benefit changes were passed by the 1993 Legislature. However, the Legislature passed legislation to reduce the required contribution rate of 4.09% down to 3.14%.

F. Legislated Plan Changes Enacted by the 1994 Legislature of the State of Arizona

1. Minimum LTD Benefit

Each member on long-term disability will receive a minimum monthly benefit of \$50.

2. Minimum Retiree Benefit

Each retiree of the Arizona State Retirement Plan who is at least age 75 and who had 20 or more years of service at retirement will receive a minimum monthly benefit of \$600.

3. Pop-up Benefit

Members who retired prior to January 1, 1992 and who elected a Joint and Survivor option shall receive a "Pop-up" in their retirement income if their beneficiary pre-deceases them.

4. Excess Investment Earnings COLA

Retirees at least age 55 who have been retired at least one year and members on long-term disability are eligible to receive a cost-of-living adjustment equal to one-half the increase in CPI for the prior calendar year. The COLA will be paid from a reserve of Excess Investment Earnings. If there are no Excess Investment Earnings in the reserve, no COLA will be granted.

5. Change in Section 38-737 Funding Period

Section 38-737 was amended to change the funding period of the Plan to a rolling 30-year period. The change is to be phased-in over the next nineteen years. If the Plan ceases to have a surplus, the funding period would immediately go to 30 years.

G. Legislated Plan Changes Enacted by the 1995 Legislature of the State of Arizona

1. Change in Maximum Increase Provided by Excess Investment Earnings COLA

The maximum COLA payable from Excess Investment Earnings was increased from 50% to 100% of the increase in the CPI.



2. Removal of LTD Benefit from the Plan

The Legislature established a new LTD program and removed the LTD benefit from the Plan. Liabilities for current LTD recipients will be transferred to the new LTD program effective October 1, 1995.

3. Creation of Separate Account for the Health Premium Supplement

The Health Premium Supplement benefit is to be separated into a 401(h) account. The assets and liabilities associated with the Health Premium Supplement will be accounted for separately.

H. Legislated Plan Changes Enacted by the 1996 Legislature of the State of Arizona

No material changes.

I. Legislated Plan Changes Enacted by the 1997 Legislature of the State of Arizona

1. Creation of family Health Supplement. Allows unused portion of the Health Supplement of a member or dependent to be used to pay the other recipient's health insurance premium.
2. The calculation methodology for the Excess Investment Earnings COLA was modified.
3. The contribution rate will be determined on a biennial cycle beginning with the 2000 fiscal year.

J. Legislated Plan Changes Enacted by the 1998 Legislature of the State of Arizona

No material changes.

K. Legislated Plan Changes Enacted by the 1999 Legislature of the State of Arizona

1. Enhanced Refund Option

Members who terminate prior to eligibility for retirement may elect to receive a refund of their member contributions with interest. If the member has at least five years of service, the member is also entitled to a share of the employer contributions with interest. The share is 50% with five years of service and increases 10% for each additional year of service to a maximum of 100% for ten or more years of service.

2. Benefit Multiplier Increased to 2.1%

The benefit multiplier increased from 2.0% to 2.1% effective July 1, 2000.

3. 5% Ad Hoc Increase

A 5% retiree ad hoc increase for retirees and beneficiaries effective July 1, 2000.

4. Increase in Maximum Service While on LTD

Increase in the maximum amount of service that may be accrued while on LTD from 25 to 30 years.

5. Changes in Permanent Benefit Increase COLA

- a. The maximum aggregate COLA was increased from 3% to 4%.
- b. The threshold for determining "Excess Earnings" was lowered from 9% to 8%.
- c. The limitation of the COLA to the increase in the CPI was removed.

L. Legislated Plan Changes Enacted by the 2000 Legislature of the State of Arizona

The age restriction on the Permanent Benefit Increase was eliminated.



M. Legislated Plan Changes Enacted by the 2001 Legislature of the State of Arizona

1. Health Insurance Premium Benefit Increase

Increases the health insurance premium benefit for eligible members as follows:

- Benefit for Medicare eligible member with member only coverage increased from \$65 to \$100
- Benefit for non-Medicare eligible member with member only coverage increased from \$95 to \$150
- Benefit for family coverage where member and dependent are non-Medicare eligible increased from \$175 to \$260
- Benefit for family coverage where member and dependent are Medicare eligible increased from \$115 to \$170
- Benefit for family coverage where member is Medicare eligible and dependent is non-Medicare eligible increased from \$145 to \$215
- Benefit for family coverage where member is non-Medicare eligible and dependent is Medicare eligible increased from \$145 to \$215

2. Graded Multiplier

Provides a graded multiplier in the retirement benefit formula increasing with years of service according to the following:

- 0.00 to 19.99 Years of Service: 2.10%
- 20.00 to 24.99 Years of Service: 2.15%
- 25.00 to 29.99 Years of Service: 2.20%
- 30.00 or More Years of Service: 2.30%

3. Employer Option Service Purchase Incentive

Permits an employer to offer a member who is eligible to retire under the Rule of 80 a contract to work and additional three years of employment. No contributions are made to ASRS during the contract. If the member completes the contract, then they receive an additional three years of service with the option to purchase three more years of service.

4. Permanent Benefit Increase Enhancement

Provides that interest at a rate of 8% be credited on the funds held in reserve for the permanent benefit increase (PBI). This interest will then be used to fund an additional increase for retirees who have at least ten years of service and who have been retired at least five years. The increase is incremental for each five years of retirement.

5. Temporary Rural Health Insurance Premium Benefit

In addition to the premium benefit paid to ASRS retired and disabled members, the Legislature granted a temporary benefit for retired and disabled members who live in areas of the state not served by a managed care program (HMO) and who have ten years of credited service in the following amounts:

- Benefit for Medicare eligible member with member only coverage of \$170 per month
- Benefit for non-Medicare eligible member with member only coverage of \$300 per month



- Benefit for Medicare eligible members with Medicare eligible dependent with family coverage of \$350 per month
- Benefit for non-Medicare eligible members with non-Medicare eligible dependent with family coverage of \$600 per month
- Benefit for Medicare eligible members with non-Medicare eligible dependent with family coverage of \$470 per month
- Benefit for non-Medicare eligible members with Medicare eligible dependent with family coverage of \$470 per month

6. Partial Lump Sum Option

Allows a retiring member to receive a portion of his benefit in a lump sum payment. The lump sum is limited to a maximum of 36 monthly payments. The member's monthly annuity is actuarially reduced to reflect the lump sum payment.

7. Maximum Benefit

Members who are hired after the date the graded multiplier became law have a maximum benefit equal to 80% of the member's 36-month final average earnings.

N. Legislated Plan Changes Enacted by the 2002 Legislature of the State of Arizona

No material changes.

O. Legislated Plan Changes Enacted by the 2003 Legislature of the State of Arizona

Temporary Rural Health Insurance Premium Benefit

The Legislature extended the temporary Rural Health Insurance Subsidy for the next two years from July 1, 2003, to June 30, 2005. The benefit is provided to retired and disabled members who live in areas of the state not served by a Health Maintenance Organization (HMO) and who have ten years of credited service. The Rural Health Insurance Subsidy now requires "minimum out-of-pocket" payments ranging from \$100 to \$425 per month depending on the plan and coverage selected.

P. Legislated Plan Changes Enacted by the 2004 Legislature of the State of Arizona

1. Service Purchase Program

The Arizona Legislature revised the method of calculating the cost of service purchases so that future purchases would be made at true actuarial present value.

2. Early Retirement Incentive Programs

The Arizona Legislature provided that employers that participate in ASRS and offer early retirement incentives to their members must notify ASRS of the incentives. ASRS will determine the cost of the incentives and the employers will pay the cost.

Q. Legislated Plan Changes Enacted by the 2005 Legislature of the State of Arizona

1. Temporary Rural Health Insurance Premium Benefit

The Legislature extended the temporary Rural Health Insurance Subsidy for the next two years from July 1, 2005, to June 30, 2007. The benefit is provided to Medicare-eligible retirees and disabled members who live in Arizona counties with no Health Maintenance Organization (HMO) service area and who have ten years of credited service.



2. Contribution Rates

The contribution rates for fiscal 2006 and 2007 are 6.90% and 8.60%, respectively.

R. Legislated Plan Changes Enacted by the 2006 Legislature of the State of Arizona

1. Elections After Retirement

Legislature limited the ability of ASRS retirees to rescind their elections after retirement. Specifically, members who have chosen a form with a death benefit can "pop up" once to the single life form but are then not allowed to "pop down" to a death benefit form.

2. Conformance with Certain Federal Regulations

State statutes were modified to conform to federal regulations regarding military service purchases, optional forms of retirement benefits, and minimum required distributions.

3. Repeal of Deferred Retirement Option Plan

The legislature repealed the modified Deferred Retirement Option Plan (DROP).

4. Early Termination Incentive Programs

The change made in the 2004 legislature to early retirement incentive programs was extended to early termination programs.

S. Legislated Plan Changes Enacted by the 2007 Legislature of the State of Arizona

1. Social Security Offsets and Pre-Existing Condition Period

Offset percentages for Social Security disability benefits were increased from 64% to 85% and for Social Security retirement benefits from 83% to 85% for members who become disabled on or after July 1, 2008. The pre-existing condition period is increased from three months to six months for members hired on or after July 1, 2008. ASRS is required to recover overpayments by reducing future benefits to a member, beneficiary, or alternate payee.

2. Temporary Rural Health Insurance Premium Benefit

The Legislature extended the temporary Rural Health Insurance Subsidy for two years from July 1, 2007, to June 30, 2009. The benefit is provided to Medicare-eligible retirees and disabled members who live in Apache, Gila, Mohave, or Navajo counties if they have ten years of credited service.

3. Exemption of Post-Doctoral Scholars

Effective September 19, 2007, post-doctoral scholars are exempted from ASRS membership.

4. Expanded Eligibility for Active Military Service Credit

Effective July 1, 2007, the term "presidential" call-up is changed to "military" call-up. Applies death and disability benefits to those that occur during active military service rather than just to those that are a result of active service. Allows member who becomes disabled during or as a result of active service to receive service credit (paid by the employer) from the date active service began through one year after the member's date of disability if the member cannot return to work. The disability provision expires June 30, 2009.

T. Legislated Plan Changes Enacted by the 2008 Legislature of the State of Arizona

1. Unclaimed Property Exemption and Procedures



Legislation exempted ASRS from unclaimed property statutes. ASRS members will forfeit their benefits if they do not claim them by the time they reach age 73½. If such a member later claims his benefit, his benefit will be restored with interest if applicable. ASRS will send notices to members beginning at age 65½, and will make efforts to find lost members.

2. Divestment from Companies Investing in Iran or Doing Business in Sudan

ASRS must engage with and potentially divest from companies that have invested, since August 5, 1996, \$20 million or more in any year in Iran's petroleum energy sector or that meet specific Sudan-related business operations criteria. Additionally, ASRS must divest from companies that violate paragraph 6(j) of the Export Administration Act.

3. Transfer Procedures

For voluntary transfers, the legislation allowed retired or disabled members to elect whether to remain with ASRS or to transfer to another system and specified how a transfer will affect payroll deduction agreements. For a transfer that is mandated by either statute or an employer, the legislation required retired or disabled members to remain with ASRS and specified how a transfer will affect payroll deduction agreements.

4. Transfer Out Bills

These bills expanded the ASRS credited service that a dispatcher may transfer to CORP and extended the timeframe for ASRS to transfer assets from 60 to 90 days. They expanded the definition of designated position to include State detention officers and provided that all prior ASRS service will transfer to CORP unless the employee irrevocably elects to remain with ASRS. They allowed the local board of the judiciary to designate certain positions within the Administrative Office of the Courts for membership in CORP.

5. Plan Administration

This bill modified one of the salary calculations used for service purchases to be the average of the three pay periods (out of the last five) that remain after the pay periods with the highest and lowest pay are removed. It clarified that the salary calculations used for other public service purchases are also used for leave of absence purchases. It granted the ASRS Board rulemaking authority over the Plan, LTD program, and transfers. It clarified that a member who purchases forfeited service credit is subject to the benefit structure in place when the person again becomes a member. Finally, it required ASRS to recover overpayments by reducing benefits owed to a member, beneficiary, or alternate payee.

6. Federal Conforming Changes

The legislature made changes to comply with federal laws and IRS regulations, most notably the Economic Growth and Tax Relief Reconciliation Act of 2001.

U. Legislated Plan Changes Enacted by the 2009 Legislature of the State of Arizona

1. Service Purchase

Effective July 1, 2010, members will be required to have five years of service credit in ASRS before initiating a service purchase.

2. 80% Cap on Benefits

Effective September 30, 2009, the maximum limit on ASRS pensions of 80% of 36-month final average earnings is eliminated.



3. Return to Work

Retired members who return to work with a suspension of benefits and work for at least 60 consecutive months will be permitted to choose a new optional form of benefit when they again retire.

Retired members are allowed to return to work without suspension if the member returns to a different position that does not require participation and the member participates in another program.

4. Administration

ASRS is exempt from State Personnel Management and Personnel Board provisions and the State classification and compensation statute.

5. Early Termination Incentives

The scope of the early termination incentive statute is broadened and exceptions are limited.

6. Dual Employment

Contributions from a second employer will count, beginning January 1, 2010, only if member meets 20/20 membership criteria with respect to the second employer, with certain exceptions.

V. Legislated Plan Changes Enacted by the 2010 Legislature of the State of Arizona

1. Average Monthly Compensation

The Average Monthly Compensation used in the retiring member's retirement benefit calculation is changed from the average of the highest consecutive 36 months in the last 120 months to the average of the highest consecutive 60 months in the last 120 months for a member whose membership commences on or after July 1, 2011.

2. Normal Retirement Date

The Normal Retirement Date definition is changed from 80 to 85 points (age + years of service) for a member whose membership commences on or after July 1, 2011.

3. Early Retirement Reductions

The Early Retirement reductions were also modified to conform to the 85 point normal retirement for a member whose membership commences on or after July 1, 2011 by adjusting the period over which the reduction is calculated.

4. Employer Contribution Refunds

Employer contribution refunds are eliminated for a member hired on or after July 1, 2011 except for a member who was terminated due to an Employer Reduction in Force or position elimination, in which case the member will receive the current refund vesting schedule.

5. Long-Term Disability Plan Appeals

A person appealing an ASRS decision under the LTD Program (usually a decision of an Administrative Law Judge) may request that the ASRS Board hear the appeal in Executive Session, rather than in a Public Hearing. The request for Executive Session must be made at least 48 hours in advance and the Board shall then conduct the hearing in Executive Session. The Board is required to follow existing Executive Session procedures established in the Open Meeting Law statutes. Minutes of and discussions held at an Executive Session are confidential except from the appellant for use in the appellant's further appeal to the Superior Court.



6. Health Insurance

A retiree may no longer elect to purchase individual health care coverage and receive the Health Benefit Supplement (HBS). [NOTE: this provision will not eliminate the HBS or ASRS insurance enrollees or retirees enrolled in their former Employer's insurance.] ASRS may continue to pay the HBS to a retiree who is receiving the payment under the current statutory provisions (one retiree).

7. Compensation

I.R.C. 415 Compensation Regulations and military differential wage payments from the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act) have been updated as required by the Internal Revenue Service.

W. Legislated Plan Changes Enacted by the 2011 Legislature of the State of Arizona

1. Eligibility for New State Employees

State employees hired after July 20, 2011, will not be eligible for the ASRS Plan or LTD program before their 27th week of employment, unless they are already members of ASRS.

2. Normal Retirement Age

For members whose membership commenced on or after July 1, 2011, the 85-point requirement is removed and replaced by two rules: age 60 and 25 years of credited service or age 55 and 30 years of credited service. Early retirement reductions are adjusted to reflect these new rules.

3. Service Purchase Rules

Purchases of Other Public Service, Leave of Absence Service, and Military Service (except USERRA or Heart Act purchases) are limited to 60 months for each type of purchase, and a member is required to have ten years of credited service before initiating a request to purchase such service.

4. Return-to-Work Rules

Employers are required to pay an Alternate Contribution Rate (ACR) for retired members who return to work on or after July 1, 2012, in any capacity and in a position ordinarily filled by an employee of the employer. The ACR is the greater of 2% or the contribution rate to fund the deficits of the Plan and LTD program, but not greater than the employer's portion of the total contribution rate for the Plan and LTD program.

5. Split of Contributions

Retroactive to July 1, 2011, responsibility for making contributions to the ASRS Plan and LTD programs is changed from 50% employees and 50% employers to 53% employees and 47% employers. Pre-retirement survivor benefits are based on the sum of employee and employer balances, rather than twice the employee balance.

X. Legislated Plan Changes Enacted by the 2012 Legislature of the State of Arizona

1. Forms of Pension

Partial lump-sum payments are to be based on single-life annuity form of payment. Level Income Alternative option is eliminated for new retirements after July 1, 2013.

2. Service Purchase Rules

This provision reduces the credited service requirement to purchase Other Public Service, Leave of Absence time, or Military Service to five years.



3. Health Benefit Supplements

For new retirees and disabilities after August 1, 2012, this provision eliminates health supplements for retirees and disabled members who are covered under an active employee plan, either as an insured or as a dependent, except that if the member is a dependent and the ASRS employer is not subsidizing the premium that the retiree or disabled member must pay, the member is entitled to a single coverage subsidy.

4. Long-Term Disability Plan

This provision caps total income at 100% of member's pre-disability pay for new disabilities after August 1, 2012. It also requires objective medical evidence to support claims.

5. Split of Contributions

This provision revises the split of contributions between members and employers to be a 50%/50% split, and provides for the return to members of the contribution amounts in excess of 50% that members had previously contributed.

6. Employers that Cease Participation in ASRS

This provision requires ASRS to charge employers for their share of the unfunded actuarial liabilities in the Plan and LTD programs if the employers cease to participate because of privatization, bankruptcy, or a change from public to private status. It is effective for cessations that occur on or after January 2, 2013.

7. Opt-out of ASRS for Members First Hired before July 1, 2015

Members who first become employees of an ASRS employer on or after Age 65 and before July 1, 2015, can irrevocably elect not to participate in ASRS. ASRS must report on this provision by December 31, 2014.

8. Spousal Consent

Married members must select their spouses as their beneficiaries and must select an option with at least 50% continuation to their spouses, unless spouses waive these requirements in writing. This provision applies to retirements, beneficiary designations, or beneficiary changes that occur on or after July 1, 2013.

Y. Legislated Plan Changes Enacted by the 2013 Legislature of the State of Arizona

1. Amortization

The legislation allows the ASRS Board to determine the periods over which to amortize deficits or surpluses.

2. Benefits

The legislation removed the requirement that a survivor's benefit must exceed \$5,000 to qualify for an annuity election. It limits the annuity option for the survivor to the single-life option, provided the annuity amount is greater than an amount selected by the ASRS Board (presently \$100 per month).

The legislation eliminated the present value calculation that was available upon the death of a member who had reached early retirement eligibility or had 15 years of service.

3. Permanent Benefit Increases

The legislation eliminates Permanent Benefit Increases for members hired after September 13, 2013.

4. Health Insurance Program



The legislation permits the ASRS Board to establish a self-insured health insurance program and an account to administer such a program, provided the self-insured program offers all the benefits required by Title 20.

Z. Legislated Plan Changes Enacted by the 2014 Legislature of the State of Arizona

1. Charter Schools

The legislation allows charter schools that obtain their charters through a university to become members of the ASRS retroactive to July 1, 2011.

2. Section 218 Agreements

The legislation eliminates the requirement that employees of ASRS employers must be covered by the state's Section 218 agreement with the Social Security Administration. It also repeals the ASRS defined contribution plan established by Laws 013, Chapter 216.

3. Elected Officials

Retroactive to January 1, 2014, a state elected official who was elected or appointed before December 31, 2013, and who is a member of ASRS because he previously elected not to participate in the Elected Officials' Retirement Plan (EORP) is no longer required to elect to continue or resume participation in ASRS in writing and is a member of ASRS without election.

4. Applicable Interest Rate

The legislation confirms the ASRS practice of using a "stability period" to set and maintain the "applicable interest rate" for a year. The look-back month that is used to determine the applicable interest rate is the third full calendar month preceding the first day of the stability period.

5. Compensation for LTD Benefit Determinations

The legislation changes the definition of "monthly compensation" to be the median of the last six pay periods of compensation, excluding the highest two and lowest two such pay periods. If the member was employed for fewer than six pay periods, "monthly compensation" is the median monthly compensation based on the pay periods that the member worked.

6. Background Checks

The legislation allows ASRS to perform background and credit checks on current and prospective employees.

AA. Legislated Plan Changes Enacted by the 2015 Legislature of the State of Arizona.

1. Actuarial Valuation Methods

The legislation gives the Arizona State Retirement System Board of Trustees authority to change the actuarial valuation method of the Plan beginning June 30, 2016. Prior to the passage of this legislation the ASRS was required by statute to use the Projected Unit Credit method.

2. Service Purchase

The legislation modifies service purchase laws so that they are consistent with Arizona case law whereby the right to purchase service was defined as a benefit by the Arizona Court of Appeals. As a result, legislation delineated service purchase rights that individuals hired on or after July 20, 2011 could purchase no more than 60 months of credited service and individuals hired on or after July 1, 2010 must have at least 5 years of service to initiate a service purchase request.

3. Participation Opt-out



Legislation passed in 2012 allowed individuals 65 years of age or older and with no prior ASRS membership to opt-out of participation in the Plan. The ability to opt-out was to expire on July 1, 2015. The legislation removed the July 1, 2015 sunset on the election, thereby permitting the opt-out provision in perpetuity.

AB. Legislated Plan Changes Enacted by the 2016 Legislature of the State of Arizona.

1. Retention of Service Credit

HB 2104 is an emergency measure that provides for the retention of credited service for certain members of the Arizona State Retirement System (ASRS) who were potentially mis-enrolled in the ASRS and who became eligible participants in the ASRS on July 24, 2014 following the passage of Laws Chapter 2014, Chapter 44.

Provisions of HB 2104

- i. Stipulates that an employee in a position that was exempt from ASRS membership retains credited service for the period of employment that the employer remitted ASRS contributions on the employees' behalf.
- ii. Allows, retroactive to July 1, 2015, a retired ASRS member to return to work as a state elected official who is subject to term limits and still be eligible to receive retirement benefits.
- iii. Contains an emergency clause.
- iv. Makes technical and conforming changes.

2. Rulemaking exemptions

HB 2159 provides the Arizona State Retirement System (ASRS) and the ASRS Board (Board) an exemption from rulemaking in the areas of actuarial, investments, and accounting.

Provisions of HB 2159

- i. Exempts ASRS and the Board from rulemaking for actuarial assumptions and calculations, investment strategy and decisions and accounting methodology, except that these decisions are subject to the Uniform Administrative Hearing Procedures.
- ii. Contains a retroactive effective date of January 1, 1987.
- iii. Includes a purpose statement.
- iv. Makes technical and conforming changes.

AC. Legislated Plan Changes Enacted by the 2017 Legislature of the State of Arizona.

HB2167 (2017) establishes Internal Revenue Code conforming language to A.R.S. § 38-738 for the purposes of employer credits and contributions not withheld. Additionally, stipulates that a member who previously received a return of contribution may only receive an adjustment of employer contributions or service credits for qualifying employment and compensation occurring after the member's most recent return of contributions. *Effective Date: August 9, 2017*

SB1052 (2017) requires the ASRS to withhold any overpayments and federally required taxes from a member's Partial Lump Sum distribution or return of contributions before distributing funds to the member. *Effective Date: August 9, 2017*



AD. Legislated Plan Changes Enacted by the 2018 Legislature of the State of Arizona.

SB1054 expanded the list of ASRS non-participating employers to include an employer that dissolves and an employer that is no longer enrolling new employees in the ASRS or is no longer contributing to ASRS on behalf of current employees due to legislative action or due to a reduction in the number of actively contributing employees by 30 percent or more over a 3-year period or any reduction in the number of actively contributing employees by 50 percent or more over any period of time. The ASRS shall also create a separate fund and determine the contribution requirements for an employer deemed to be non-participatory.

AE. Legislated Plan Changes Enacted by the 2019 Legislature of the State of Arizona.

SB1016 expands the requirement that an employer pay to the ASRS any unfunded liability resulting from providing benefits or credits to a person who is ineligible by statute for ASRS membership to apply if an employer pays contributions to the ASRS on behalf of any person who is ineligible by rule for ASRS membership, or on compensation that is not eligible by statute or rule for ASRS contributions. The definition of "unfunded liability" is modified to establish a calculation for determining the unfunded liability for contributions on compensation that is not eligible by statute or rule for ASRS contributions.

SB1018 redefines compensation for members whose membership begins on or after January 1, 2020.

1. Maintains the current definition of compensation for members whose membership began on or before December 31, 2019.
2. Modifies the definition of compensation for members whose membership began on or after January 1, 2020 to include only gross wages paid to a member by the employer for services rendered during the period considered as credited service, including amounts reported as other compensation on the member's federal W-2 form, including pretax deductions, except for the following:
 - a. Payments made for accrued leave not being used to replace regular work hours, whether paid in a lump sum or in installments.
 - b. Payments made on termination from employment, whether paid in a lump sum or in installments or as a bonus or incentive for termination or retirement.
 - c. Employer-paid contributions that are made to, and any distributions from, plans, programs or arrangements qualified under certain sections of the Internal Revenue Code.
 - d. Payments for allowances.
 - e. Reimbursements for employee business or personal expenses.
 - f. Employer-paid contributions for coverage under, or distributions from, an accident, health or life insurance plan, program or arrangement.
 - g. Payments made in lieu of any employer-paid insurance coverage.
 - h. Workers' compensation, unemployment compensation and disability payments.
 - i. Merit awards pursuant to statute.
 - j. Payments paid pursuant to a court order or settlement agreement to satisfy a claim even though the amount of the payment is based on previous salary or wage levels, except if the court order or settlement agreement directs salary or wages to be paid for a specific period of time, the payment is compensation for that specific period of time.
 - k. Payments made in the form of goods or services in lieu of gross wages.
 - l. Any other payment that is not reported as other compensation on the member's federal W-2 statement for actual services rendered.
 - m. Payments in excess of the Internal Revenue Code limits established in statute.
 - n. Payments for any other employment benefit.
 - o. Payments for which employer or employee contributions have not been paid.

SB1213 makes changes to A.R.S. § 38-766.02 to indicate that an employer is not required to pay an Alternate Contribution Rate for a retired member if the employer is remitting contributions on behalf of an active member serving in that same position. SB1213 also makes changes to EORP, CORP, and PSPRS laws relating to return to work members.

AF. Legislated Plan Changes Enacted by the 2020 Legislature of the State of Arizona.

Due to the COVID-19 pandemic in 2020, there is no summary of 2020 retirement legislation.

AG. Legislated Plan Changes Enacted by the 2021 Legislature of the State of Arizona.

SB1052 ASRS; Required Beginning Date; Distributions

Makes changes to A.R.S. § 38-755 to update language to reflect changes in federal law regarding the age requirement for Required Minimum Distributions (RMD) and to indicate the ASRS will treat non-retired members who die after the federally mandated RMD date as if they had retired with a straight life annuity on their RMD date and will distribute any remaining survivor benefits accordingly. It also updates this statute and A.R.S. § 38-797.07 to clarify that a member may receive both RMD and Long-Term Disability benefits. Effective Date: September 29, 2021

SB1053 ASRS; Nonparticipatory Employer Liability

Makes changes to A.R.S. § 38-751 to remove (a) the threshold for when a reduction in contributing employees results in an Employer being deemed as nonparticipatory, and (b) the prohibition of allowing an Employer to enroll new members after the Employer is deemed nonparticipatory. Effective Date: September 29, 2021

AH. Legislated Plan Changes Enacted by the 2022 Legislature of the State of Arizona.

SB1082 ASRS; Employer Contributions; Prepayments

Adopts statutory language to allow Employers to prepay contributions. Effective Date: June 28, 2022

SB1083 ASRS; Modifications

Amend various statutes throughout A.R.S. § 38-711 et seq. in order to update antiquated language in the statutes, remove unnecessary language, and provide better clarity regarding ASRS processes. Effective Date: September 24, 2022

AI. Legislated Plan Changes Enacted by the 2023 Legislature of the State of Arizona.

HB2008 ASRS; Contribution Prepayment

Removes the requirement for an Employer to begin amortizing its prepaid contributions a specific time and indicates that the rate of return on prepaid contributions may be the actual rate of return of a short-term investment account. Effective Date: October 30, 2023

HB2009 ASRS; Retirement Application; Changes

Allows a member to make changes to their retirement application within 60 days after the member's retirement date. Effective Date: October 30, 2023

HB2029 ASRS; Supplemental Deferral Plan; Participation

Allows a political subdivision or political subdivision entity that is not participating in the ASRS to elect to allow its employees to participate in a supplemental deferred compensation plan that is overseen by ASRS. Effective Date: October 30, 2023



AJ. Legislated Plan Changes Enacted by the 2024 Legislature of the State of Arizona.

HB2206 ASRS; Contingent annuitants; account information

This bill updates Arizona Revised Statutes (A.R.S.) § 38-760 to use the term “contingent annuitant” for member who is retiring and chooses a term certain retirement option and updates A.R.S. § 38-783 to clarify that a member who chooses an Optional Premium Benefit (OPB) may only identify one contingent annuitant to receive the OPB after the retiree’s death. Amended to add the content from HB2207 below. Effective Date: September 14, 2024

HB2203 Public Retirement Plans; Liabilities; Administration

This bill adds the Elected Officials’ Defined Contribution Retirement System and the Public Safety Personnel Defined Contribution Retirement Plan to the definition of “eligible group” under A.R.S. § 38-951 which allows members of such “eligible groups” to participate in supplemental defined contribution plans under A.R.S. § 38-953. Effective Date: September 14, 2024

HB2208 Continuation; ASRS

This bill continued the ASRS until July 1, 2032 (eight years). Effective Date: July 1, 2024

HB2490 Proper Venue; Challenges; Policy Statements

This bill allows a party that appeals a final administrative decision to the Superior Court to bring the action in a proper venue. It defines “proper venue” as Maricopa County, the county where the agency is headquartered, the county where the plaintiff resides, or where the plaintiff’s principal place of business is located, unless the proper venue is otherwise identified by law. Effective Date: September 14, 2024

AK. Legislated Plan Changes Enacted by the 2025 Legislature of the State of Arizona.

HB2034 ASRS; Supplemental Employee Deferral Plan

This bill updates Arizona Revised Statutes (A.R.S.) § 38-781 to clarify that an employee who is participating in one of the PSPRS plans cannot participate in one of the ASRS supplemental deferred compensation plans. This clarification is consistent with current practice and the intent of the ASRS plans to provide supplemental retirement plans to public employees who do not have access to other state plans. PSPRS administers their own supplemental plans that their members can utilize. Effective Date: September 26, 2025

HB2035 ASRS; Termination Incentive Programs

This bill updates A.R.S. § 38-749 to clarify that If an employer uses a “termination incentive program” to incentivize their employees to retire earlier than expected and that retirement causes a higher than expected cost to the ASRS, i.e. an unfunded liability, the ASRS can require the employer to pay for that unfunded liability. This simply defines how the ASRS will calculate an unfunded liability for each type of “termination incentive program” in the event the ASRS needs to charge an employer for an unfunded liability caused by the employer’s “termination incentive program.” Effective Date: September 26, 2025

HB2036 ASRS; Temporary Personnel Service

This bill updates A.R.S. § 38-745 to clarify that a civilian reservist who serves as temporary personnel for an emergency, i.e. FEMA, shall receive the same retirement rights and protections as members who are call up for active military duty. This is consistent with federal law that requires such reservists to have the same retirement rights and protections as military call-up personnel. Effective Date: September 26, 2025



HB2077 ASRS; Long-Term Disability

This bill updates A.R.S. § 38-797.07 to clarify that in order to be eligible for long-term disability benefits from the ASRS, the disability must have occurred while an ASRS employer employed the member and the disability must inhibit the member from completing their job duties for the ASRS employer. This is consistent with current practice and the intent of the ASRS LTD plan to provide LTD benefits to members who are not able to perform their job duties with their ASRS employer due to a disability. Effective Date: September 26, 2025

SB1221 China; Public Funds; Divestment

This bill requires a publicly managed fund to divest from companies that are owned, domiciled, incorporated, headquartered, or controlled by the People's Republic of China. Effective Date: September 26, 2025

APPENDIX III

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Assumptions and Methods

The assumptions and methods were adopted by the Board of Trustees on August 28, 2025, based on the Actuarial Experience Study covering a five-year period from July 1, 2019 to June 30, 2024.

I. Valuation Date

The valuation date is June 30 of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

II. Actuarial Cost Method

The actuarial valuation uses the Entry Age Normal actuarial cost method. Under this method, the total contribution rate is the sum of (i) the normal cost rate, and (ii) a rate that will amortize the unfunded actuarial liability.

1. The valuation is prepared on the projected benefit basis. The present value of each participant's expected benefit payable at retirement or termination is determined, based on age, service, sex, compensation, and the interest rate assumed to be earned in the future (7.00%). The calculations take into account the probability of a participant's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his terminating with a service benefit. Future salary increases are also anticipated. The present value of the expected benefits payable on account of the active participants is added to the present value of the expected future payments to retired participants and beneficiaries to obtain the present value of all expected benefits payable from the Plan on account of the present group of participants and beneficiaries.
2. The contributions required to support the benefits of the Plan are determined following a level funding approach, and consist of a normal cost contribution and an unfunded accrued liability contribution, plus a component to cover administrative expenses.
3. The normal contribution is determined using the Entry Age Normal method. Under this method, a calculation is made to determine the average uniform and constant percentage rate of employer contribution which, if applied to the compensation of each new participant during the entire period of his anticipated covered service, would be required in addition to the contributions of the participant to meet the cost of all benefits payable on their behalf.
4. The unfunded accrued liability contributions are determined by subtracting the actuarial value of assets from the actuarial accrued liability. Amortization bases are established each year and amortized based on the funding policy. The current year amortization base is determined by taking the current unfunded liability less the outstanding amounts of prior year bases.

III. Actuarial Value of Assets

The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of investment-related expenses. In no event will this amount exceed 130% of market value or be less than 70% of market value. Furthermore, the actuarial value of assets does not include any CPP funds.

IV. Actuarial Assumptions

Investment Return: 7.00% per year, net of investment-related expenses (composed of an assumed 2.40% inflation rate and a 4.60% real rate of return)

Administrative Expenses: The actual administrative expenses for the ASRS Plan are assumed to be 0.25% of payroll.

Salary Increases: A select-and-ultimate salary scale made up of a merit component and general salary increase component as follows:

Years of Service	Merit Component	Total Salary Increase*
(1)	(2)	(3)
0	6.00%	9.00%
1	4.50%	7.50%
2	4.00%	7.00%
3	3.75%	6.75%
4	3.25%	6.25%
5	3.00%	6.00%
6	2.50%	5.50%
7	2.25%	5.25%
8	2.25%	5.25%
9	2.00%	5.00%
10	1.75%	4.75%
11	1.50%	4.50%
12	1.25%	4.25%
13	1.00%	4.00%
14	1.00%	4.00%
15	0.90%	3.90%
16	0.80%	3.80%
17	0.70%	3.70%
18	0.60%	3.60%
19	0.50%	3.50%
20	0.40%	3.40%
21	0.30%	3.30%
22	0.20%	3.20%
23	0.10%	3.10%
24	0.10%	3.10%
25 or more	0.00%	3.00%

*Total salary increase - wage inflation (or growth) rate (3.00%) + merit component

Payroll Growth: 2.85% per year, compounded annually (for projecting valuation payroll).

Decrement Timing: All decrements – mortality, service retirement, disability retirement, and termination of employment for reasons other than death or retirement – are assumed to occur at the middle of the valuation year.

Mortality Decrements:

Service Retirees, Beneficiaries, and Inactive Members

Rates are based on the 2017 State Retirees of Arizona (SRA) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales published beginning in 2020 by Retirement Plans Experience Committee of the Society of Actuaries (“Ultimate MP”) and projected from the year 2017.

Disability Retirees

Rates are based on the Pub-2010 Disabled Retiree Mortality. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010.

Active Members

Rates are based on the Pub-2010 General Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010.



Age	2025 Rates of Mortality					
	Males			Females		
	Non-disabled	Disabled	Employee	Non-disabled	Disabled	Employee
20	0.000358	0.003406	0.000306	0.000143	0.001926	0.000107
25	0.000427	0.002298	0.000231	0.000153	0.001356	0.000074
30	0.000399	0.002927	0.000298	0.000193	0.002125	0.000124
35	0.000461	0.003786	0.000389	0.000253	0.003315	0.000190
40	0.000554	0.005332	0.000546	0.000349	0.005200	0.000298
45	0.000858	0.008325	0.000810	0.000579	0.008143	0.000463
50	0.001488	0.013269	0.001232	0.000972	0.012260	0.000686
55	0.002460	0.017477	0.001811	0.001476	0.014401	0.001017
60	0.004082	0.020693	0.002637	0.002154	0.016171	0.001538
65	0.007255	0.025309	0.003891	0.004479	0.018757	0.002461
70	0.012924	0.032758	0.005903	0.008439	0.024033	0.004106
75	0.023022	0.044033	0.009295	0.015898	0.033949	0.006853
80	0.041010	0.062939	0.014818	0.029950	0.051452	0.011392



Service Retirement Decrements: Rates at representative ages and years of service are shown below:

Sample Retirement Rates For Members Hired Before July 1, 2011						
Age	Years of Service					
	5	10	15	20	25	30
50	7.0%	7.0%	5.0%	5.0%	5.0%	25.0%
55	7.0%	7.0%	5.0%	5.0%	20.0%	25.0%
60	10.0%	10.0%	10.0%	20.0%	15.0%	25.0%
62	15.0%	25.0%	25.0%	25.0%	25.0%	25.0%
65	30.0%	30.0%	30.0%	30.0%	30.0%	25.0%
70	25.0%	27.5%	25.0%	25.0%	25.0%	25.0%
75	27.5%	27.5%	27.5%	27.5%	27.5%	25.0%
80	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Sample Retirement Rates For Members Hired On or After July 1, 2011							
Age	Years of Service						
	5	10	15	20	25	30	35
50	7.0%	7.0%	5.0%	5.0%	5.0%	5.0%	5.0%
55	7.0%	7.0%	5.0%	5.0%	5.0%	50.0%	85.0%
60	10.0%	10.0%	10.0%	10.0%	40.0%	65.0%	25.0%
62	15.0%	25.0%	25.0%	25.0%	40.0%	25.0%	25.0%
65	30.0%	30.0%	30.0%	30.0%	30.0%	25.0%	25.0%
70	25.0%	27.5%	25.0%	25.0%	25.0%	25.0%	25.0%
75	27.5%	27.5%	27.5%	27.5%	27.5%	25.0%	25.0%
80	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Current deferred vested members are assumed to retire at their earliest unreduced retirement age. Future deferred vested members are assumed to retire at age 65 if they have less than 10 years of service and age 62 if they have 10 or more years of service.

Disability Retirement Decrements:

Sample rates for eligible members:

Annual Rates per 100 Members	
Age	Unisex
20	0.0123
25	0.0180
30	0.0260
35	0.0408
40	0.0607
45	0.0855
50	0.1594
55	0.2250
60	0.3203

Termination Decrements for Reasons Other Than Death or Retirement:

Termination rates for members not eligible for service retirement, based on years of completed service (rates are zero for members eligible for service retirement):

Annual Rates of Termination Based on Years of Completed Service				
Service	Entry Age Less Than or Equal to 35		Entry Age Greater Than 35	
	Males	Females	Males	Females
0	27.00%	29.00%	18.00%	21.00%
1	20.00%	22.00%	14.00%	16.00%
2	17.00%	18.00%	12.00%	13.00%
3	14.00%	15.00%	10.00%	11.00%
4	12.00%	13.00%	9.00%	10.00%
5	10.00%	12.00%	8.00%	9.00%
6	9.00%	11.00%	7.00%	8.00%
7	8.00%	9.00%	7.50%	7.00%
8	7.00%	8.00%	6.00%	6.50%
9	6.50%	7.50%	5.50%	6.00%
10	6.00%	7.00%	5.00%	5.50%
11	5.50%	6.50%	4.50%	5.00%
12	5.00%	6.00%	4.00%	4.50%
13	4.50%	5.00%	3.00%	4.00%
14	4.00%	4.50%	2.00%	3.00%
15	3.50%	4.00%	N/A	N/A
16	3.00%	3.50%	N/A	N/A
17	3.00%	3.00%	N/A	N/A
18	2.50%	2.50%	N/A	N/A
19	2.00%	2.00%	N/A	N/A
20+	1.50%	1.50%	N/A	N/A

Withdrawal of Employee Contributions: Active members that terminate with a vested benefit are assumed to choose an immediate refund of contributions 25% of the time and a deferred annuity benefit 75% of the time. Current deferred vested members are assumed to choose the following options in any given year:

Years Since Termination	% Taking Immediate Refund of Contributions	% Taking Deferred Annuity Benefit
Less than 5 Years	5%	95%
Between 5 and 20 Years	1%	99%
More than 20 Years	5%	95%

If the member is assumed to elect an immediate refund of contributions, then it is also assumed that the member forfeits the health insurance premium supplement.

Future Retirees Eligible for the Health Insurance Premium Supplement: It is assumed that 50% of future retirees will elect to receive the post-retirement health insurance premium supplement and that 50% of those retirees will elect the dependent premium supplement. These assumptions also

apply to members who have been retired less than one year and did not elect a Health Insurance Premium Supplement.

Beneficiary Characteristics: 100% of members are assumed to be married. The husband is assumed to be three years older than the wife.

Census Data and Assets

- The valuation was based on members of ASRS as of June 30, 2025 and does not take into account future members.
- All census data was supplied by ASRS and was subject to reasonable consistency checks.
- There were data elements that were modified for some members as part of the valuation in order to make the data complete. However, the number of missing data items was immaterial.
- Asset data was supplied by ASRS.

Other Actuarial Valuation Procedures

- No provision was made in this actuarial valuation for the limitations of Internal Revenue Code Section 415.
- Internal Revenue Code Section 401(a)(17) limits were applied to individual salaries. The limit for 2025 is \$350,000 and is assumed to increase annually at the inflation rate.
- Valuation payroll (earnings applied to the current valuation year) is the expected payroll for the fiscal year following the valuation date.
- Members who elect a single life annuity are assumed to receive accumulated benefit payments equal to their contributions after three years of being in receipt.
- All beneficiaries of pre-retirement deaths are assumed to elect a return of contributions and not elect 401(h) benefits.
- Benefits for those members that have elected a pop-up option are assumed to increase in the event of the death of the spouse by 1.05 for 50% JS, 1.07 for 67% JS, and 1.11 for 100% JS.
- Alternate Contribution Rate – The past service contribution rate is adjusted to consider alternate contribution rate payments. We reduce the amortization amount by the anticipated amount of alternate contributions, and adjust for interest.
- Adjustment for Contribution Timing – Contribution rates are increased by $\frac{1}{2}$ of a year's interest to reflect the fact that contributions are made throughout the fiscal year and are further adjusted to reflect the one year lag.
- Future Permanent Benefit Increases (PBIs) – Future PBIs are assumed to be 0.30% per year. In an effort to support contribution stability, assumed PBIs are accumulated across successive valuations and reduced when actual PBIs are paid. A reserve of gains equal to three years' worth of assumed PBIs is maintained in the event a PBI is not paid.

Actuarial Model (ASOP 56 Disclosure): This report was prepared using ProVal's valuation model, a software product of Winklevoss Technologies. We are relying on the ProVal model. We performed tests of the ProVal model with this assignment and made a reasonable attempt to understand the developer's intended purpose of, general operation of, major sensitivities and dependencies within, and key strengths and limitations of the ProVal model. In our professional judgment, the ProVal valuation model has the capability to provide results that are consistent with the purposes of the valuation.

APPENDIX IV

DETAILED SUMMARIES OF MEMBERSHIP DATA

Detailed Summaries of Membership Data

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Table A
Schedule of Missing Dates of Birth and Gender

ASRS Members Missing Date of Birth						
		2021	2022	2023	2024	2025
Active						
	New	4,103	5,627	6,109	5,705	5,011
	Continuing	1,743	2,638	3,817	4,408	3,707
	Total	5,846	8,265	9,926	10,113	8,718
Inactive						
	New	1,835	2,833	3,480	3,259	3,014
	Continuing	32,044	6,596	9,008	11,895	13,699
	Total	33,879	9,429	12,488	15,154	16,713
Retired						
	New	5	6	4	9	5
	Continuing	6	8	9	11	17
	Total	11	14	13	20	22
Total						
	New	5,943	8,466	9,593	8,973	8,030
	Continuing	33,793	9,242	12,834	16,314	17,423
	Total	39,736	17,708	22,427	25,287	25,453

ASRS Members Missing Gender						
		2021	2022	2023	2024	2025
Active						
	New	4,083	5,776	6,213	5,769	5,116
	Continuing	1,682	2,599	3,835	4,444	5,050
	Total	5,765	8,375	10,048	10,213	10,166
Inactive						
	New	1,906	3,040	3,744	3,519	3,750
	Continuing	13,403	13,948	15,872	18,498	20,720
	Total	15,309	16,988	19,616	22,017	24,470
Retired						
	New	7	7	6	13	5
	Continuing	23	24	23	25	33
	Total	30	31	29	38	38
Total						
	New	5,996	8,823	9,963	9,301	8,871
	Continuing	15,108	16,571	19,730	22,967	25,803
	Total	21,104	25,394	29,693	32,268	34,674

Missing dates of birth are populated based on the member's current service in the data and the average entry age of the active group. Missing genders are populated based on the average gender by employer.

Table B

Summary of Active Membership

	Count		Average Age		Average Service		Average Salary	
	2024	2025	2024	2025	2024	2025	2024	2025
Male	69,718	69,605	46.3	46.3	9.1	9.2	\$ 72,363	\$ 75,203
Female	151,020	149,497	45.3	45.2	9.1	9.2	59,719	61,912
Total	220,738	219,102	45.6	45.6	9.1	9.2	\$ 63,713	\$ 66,134

Table C

Summary of Retired Membership

	2024	2025
Number	172,712	177,590
Total Monthly Allowance	\$ 310,394,552	\$ 324,547,501
Average Monthly Allowance	\$ 1,797	\$ 1,828
Average Age	72.8	73.0
Average Service	19.3	19.3

Table D

Summary of Inactive Membership

	2024	2025
Number	265,561	270,203
Average Age	48.3	48.4

Table E

Active Members – Distribution of Count and Average Annual Salary by Age and Service

Current Age	Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	2,484	6,616	190	0	0	0	0	0	0	0	9,290
	\$36,188	\$43,660	\$43,381	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$41,656
25 to 29	2,232	12,239	3,750	89	0	0	0	0	0	0	18,310
	\$46,549	\$55,732	\$60,925	\$56,574	\$0	\$0	\$0	\$0	\$0	\$0	\$55,680
30 to 34	1,958	9,688	7,582	2,225	41	0	0	0	0	0	21,494
	\$48,155	\$57,918	\$66,826	\$70,129	\$68,945	\$0	\$0	\$0	\$0	\$0	\$61,456
35 to 39	1,657	8,875	6,531	5,083	1,555	79	0	0	0	0	23,780
	\$50,094	\$57,858	\$69,400	\$75,771	\$77,960	\$73,370	\$0	\$0	\$0	\$0	\$65,682
40 to 44	1,479	7,935	6,468	4,550	4,421	1,893	84	0	0	0	26,830
	\$51,571	\$58,842	\$69,687	\$77,933	\$83,972	\$83,398	\$84,283	\$0	\$0	\$0	\$70,246
45 to 49	4,611	12,077	6,473	4,466	3,761	4,271	1,453	25	0	0	37,137
	\$35,991	\$53,239	\$69,309	\$77,673	\$84,658	\$89,699	\$90,519	\$94,912	\$0	\$0	\$65,699
50 to 54	1,125	6,382	5,529	4,364	3,862	3,995	3,471	442	11	0	29,181
	\$55,027	\$61,921	\$67,322	\$73,473	\$80,201	\$86,941	\$94,579	\$94,828	\$79,543	\$0	\$74,640
55 to 59	905	5,260	4,751	3,829	3,758	3,186	2,276	857	179	6	25,007
	\$51,628	\$60,923	\$67,336	\$71,116	\$75,130	\$81,226	\$90,164	\$91,673	\$87,765	\$82,521	\$72,000
60 to 64	590	3,679	3,807	2,897	2,747	2,192	1,620	726	352	91	18,701
	\$45,162	\$58,332	\$64,576	\$68,354	\$71,498	\$75,045	\$80,379	\$87,988	\$86,934	\$83,433	\$68,355
65 to 69	207	1,316	1,489	1,045	870	744	523	295	160	89	6,738
	\$36,711	\$54,133	\$63,359	\$68,682	\$73,293	\$72,992	\$78,577	\$84,424	\$93,193	\$90,163	\$67,076
70 & up	98	580	610	417	296	230	141	94	81	87	2,634
	\$27,699	\$43,681	\$55,259	\$60,412	\$69,436	\$71,862	\$81,897	\$91,398	\$95,202	\$104,587	\$61,116
Total	17,346	74,647	47,180	28,965	21,311	16,590	9,568	2,439	783	273	219,102
	\$43,751	\$56,027	\$67,021	\$73,731	\$79,137	\$83,678	\$89,356	\$90,294	\$89,154	\$92,348	\$66,134



Table F

Retired Members and Beneficiaries - Distribution of Count and Average Annual 401(a) Annuity by Age and Service

Current Age	Years of Service										Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Over 45	
Below 55	45	201	277	297	279	861	543	33	2	2	2,540
	\$286	\$380	\$631	\$783	\$1,186	\$3,228	\$4,374	\$2,370	\$1,881	\$2,085	\$2,389
55-59	17	544	609	554	1,349	2,474	1,993	72	5	1	7,618
	\$254	\$402	\$799	\$1,149	\$2,287	\$3,351	\$4,588	\$4,664	\$4,872	\$1,932	\$2,918
60-64	32	1,856	2,536	2,475	4,206	3,872	3,533	372	41	3	18,926
	\$251	\$465	\$929	\$1,397	\$2,144	\$3,002	\$4,113	\$4,934	\$4,913	\$4,405	\$2,320
65-69	1,975	5,505	5,636	5,432	6,590	5,494	5,193	766	228	20	36,839
	\$238	\$458	\$899	\$1,371	\$1,985	\$2,740	\$3,812	\$4,776	\$5,111	\$7,088	\$1,857
70-74	2,096	6,051	6,932	5,907	6,834	5,795	6,069	954	238	51	40,927
	\$219	\$428	\$850	\$1,277	\$1,870	\$2,642	\$3,636	\$4,410	\$5,434	\$5,715	\$1,770
75-79	2,073	5,587	6,338	4,683	5,660	5,133	4,977	1,102	180	40	35,773
	\$180	\$398	\$799	\$1,235	\$1,814	\$2,552	\$3,490	\$4,436	\$5,412	\$6,335	\$1,685
80-84	1,570	3,243	3,586	2,878	3,420	2,735	2,147	687	172	25	20,463
	\$134	\$362	\$738	\$1,145	\$1,724	\$2,447	\$3,350	\$4,045	\$4,869	\$5,964	\$1,509
85-89	651	1,509	1,887	1,560	1,718	1,225	786	264	62	11	9,673
	\$114	\$350	\$746	\$1,187	\$1,738	\$2,432	\$3,169	\$3,829	\$4,989	\$6,464	\$1,417
90-94	225	626	762	615	628	501	300	71	16	6	3,750
	\$127	\$366	\$767	\$1,181	\$1,725	\$2,449	\$2,993	\$3,778	\$5,179	\$5,138	\$1,376
Over 95	49	182	215	187	176	150	86	29	5	2	1,081
	\$139	\$372	\$816	\$1,160	\$1,765	\$2,244	\$2,889	\$3,039	\$5,056	\$4,907	\$1,374
Total	8,733	25,304	28,778	24,588	30,860	28,240	25,627	4,350	949	161	177,590
	\$189	\$415	\$829	\$1,268	\$1,907	\$2,740	\$3,750	\$4,402	\$5,181	\$6,005	\$1,828



Table G

New Retired Members and Beneficiaries - Distribution of Count and Average Annual 401(a) Annuity by Age and Service

Current Age	Years of Service										Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Over 45	
Below 55	3	47	66	65	44	362	233	6	0	0	826
	\$181	\$457	\$667	\$942	\$1,823	\$3,791	\$5,064	\$2,070	\$0	\$0	\$3,356
55-59	2	141	128	131	497	446	396	28	2	0	1,771
	\$415	\$468	\$1,036	\$1,422	\$2,478	\$3,642	\$5,062	\$5,482	\$7,688	\$0	\$3,058
60-64	4	408	548	552	558	291	240	65	17	0	2,683
	\$401	\$536	\$1,108	\$1,670	\$2,333	\$3,178	\$4,733	\$5,897	\$5,666	\$0	\$2,084
65-69	490	782	541	443	401	340	228	67	35	4	3,331
	\$237	\$525	\$974	\$1,683	\$2,292	\$2,899	\$4,163	\$5,035	\$5,890	\$6,065	\$1,567
70-74	62	143	165	110	90	88	80	28	12	10	788
	\$228	\$520	\$1,015	\$1,568	\$2,104	\$2,991	\$3,090	\$4,101	\$5,204	\$7,130	\$1,747
75-79	13	48	70	46	47	39	40	13	2	0	318
	\$178	\$441	\$760	\$1,188	\$2,004	\$2,500	\$3,579	\$4,162	\$3,161	\$0	\$1,656
80-84	10	26	43	29	28	33	28	10	1	0	208
	\$184	\$383	\$724	\$1,099	\$1,354	\$1,829	\$2,753	\$3,287	\$2,717	\$0	\$1,374
85-89	2	9	12	14	15	9	7	6	1	0	75
	\$84	\$339	\$757	\$1,169	\$1,135	\$1,691	\$2,296	\$3,145	\$2,414	\$0	\$1,310
90-94	1	5	7	3	4	6	4	0	0	0	30
	\$109	\$450	\$663	\$902	\$1,168	\$1,925	\$2,322	\$0	\$0	\$0	\$1,174
Over 95	0	0	2	0	2	1	0	1	0	0	6
	\$0	\$0	\$508	\$0	\$1,845	\$730	\$0	\$1,979	\$0	\$0	\$1,236
Total	587	1,609	1,582	1,393	1,686	1,615	1,256	224	70	14	10,036
	\$235	\$514	\$997	\$1,574	\$2,301	\$3,316	\$4,588	\$4,952	\$5,597	\$6,826	\$2,125



Table H

Members in Active Service by Annual Salary

Annual Salary	Number of Members	Percent of Total
Less than \$10,000	1,786	0.8%
\$10,000 - \$14,999	2,954	1.3%
\$15,000 - \$19,999	5,607	2.6%
\$20,000 - \$24,999	7,911	3.6%
\$25,000 - \$29,999	9,199	4.2%
\$30,000 - \$34,999	8,651	3.9%
\$35,000 - \$39,999	9,592	4.4%
\$40,000 - \$44,999	11,225	5.1%
\$45,000 - \$49,999	13,363	6.1%
\$50,000 - \$54,999	13,343	6.1%
\$55,000 - \$59,999	14,829	6.8%
\$60,000 - \$64,999	17,542	8.0%
\$65,000 - \$69,999	17,925	8.2%
\$70,000 - \$74,999	16,016	7.3%
\$75,000 - \$79,999	12,847	5.9%
\$80,000 - \$84,999	10,129	4.6%
\$85,000 - \$89,999	8,185	3.7%
\$90,000 and Over	37,998	17.3%
Total	219,102	100.0%

Table I

Number of Retirees by Benefit Option and Monthly Amount

Monthly Amount	Optional Form of Benefit							Total
	1	2	3	4	5	6	7	
Under \$300	14,337	118	183	533	3,672	274	1,507	20,624
\$300 - \$499	11,243	118	165	444	2,929	325	1,338	16,562
\$500 - \$999	21,895	234	351	774	5,775	850	2,809	32,688
\$1,000 - \$1,499	15,533	133	206	461	4,521	926	2,419	24,199
\$1,500 - \$1,999	11,617	109	165	309	3,475	998	1,983	18,656
\$2,000 - \$2,499	9,471	73	148	285	3,235	791	2,026	16,029
\$2,500 - \$2,999	7,485	74	151	229	2,620	699	1,529	12,787
\$3,000 - \$3,499	6,160	58	92	165	2,402	687	1,288	10,852
\$3,500 - \$3,999	4,413	34	58	153	1,818	543	901	7,920
\$4,000 and Over	9,215	48	128	236	4,055	1,243	2,348	17,273
Total	111,369	999	1,647	3,589	34,502	7,336	18,148	177,590

Optional Form Code	Description
1	Life annuity
2	Life annuity – 5 years certain and life
3	Life annuity – 10 years certain and life
4	Life annuity – 15 years certain and life
5	Joint annuity – 100% to contingent survivor
6	Joint annuity – 66 2/3% to contingent survivor
7	Joint annuity – 50% to contingent survivor

Table J

Health Insurance Benefit Counts

Current HIB Benefit	Count	Monthly Premium Supplement	Average Monthly Premium Supplement
Single, Non-Medicare	9,404	\$974,598	\$104
Single, Medicare	47,208	3,332,734	71
Family, Both Non-Medicare	3,514	551,831	157
Family, One Medicare, One Non-Medicare	4,064	568,610	140
Family, Both Medicare	26,617	3,051,070	115
	90,807	\$8,478,844	\$93

These counts include retired members who are assumed to take a HIB benefit in the future.

Table K

Data Reconciliation

	Active Members	Inactive	Retirees, Beneficiaries and QDRO	Long Term Disability	Total
Total at June 30, 2024	220,738	265,561	172,712	2,217	661,228
Terminations	(16,642)	16,642	0	0	0
Refund	(6,880)	(8,389)	0	(20)	(15,289)
Transfer Out	(1)	(16)	0	0	(17)
Disabled	(307)	(76)	0	383	0
Retirements	(6,741)	(1,821)	8,562	0	0
Returned from LTD	31	101	274	(406)	0
New QDRO	0	0	138	0	138
New Beneficiary	0	0	1,021	0	1,021
Deaths	(146)	(399)	(4,637)	(33)	(5,215)
Benefit Expiration	0	0	(409)	0	(409)
Data Adjustments	(13)	2	(25)	2	(34)
New Entrants Terminated with Account Balance	0	3,464	0	0	3,464
Rehires	4,912	(4,866)	(46)	0	0
New Entrants	<u>24,151</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,151</u>
Net Change	(1,636)	4,642	4,878	(74)	7,810
Total at June 30, 2025	219,102	270,203	177,590	2,143	669,038

APPENDIX V

RISKS ASSOCIATED WITH MEASURING THE ACCRUED LIABILITY AND ACTUARIALLY DETERMINED CONTRIBUTION

RISKS ASSOCIATED WITH MEASURING THE ACCRUED LIABILITY AND ACTUARIALLY DETERMINED CONTRIBUTION

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. Investment risk – actual investment returns may differ from the expected returns;
2. Asset/Liability mismatch – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
4. Salary and Payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. Longevity risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
6. Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.



The computed contribution rate shown on page 9 may be considered as a minimum contribution rate that complies with the Board’s funding policy. The timely receipt of the actuarially determined contributions is critical to support the financial health of the plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

PLAN MATURITY MEASURES

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following:

As of June 30,	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Ratio of the market value of assets to total payroll	4.1	4.0	4.0	4.2	4.5
Ratio of actuarial accrued liability to payroll	5.2	5.1	5.3	5.6	5.6
Ratio of actives to retirees and beneficiaries	1.2	1.3	1.3	1.3	1.3
Ratio of net cash flows to market value of assets	-2%	-2%	-2%	-2%	-2%
Duration of the actuarial accrued liability	12.4	12.3	12.3	12.2	12.3

RATIO OF MARKET VALUE OF ASSETS TO PAYROLL

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 4.0 times the payroll, a return on assets 5% different than assumed would equal 20% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

RATIO OF ACTUARIAL ACCRUED LIABILITY TO PAYROLL

The relationship between actuarial accrued liability and payroll is a useful indicator of the potential volatility of contributions for a fully funded plan. A funding policy that targets a funded ratio of 100% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time.

The ratio of liability to payroll may also be used as a measure of sensitivity of the liability itself. For example, if the actuarial accrued liability is 5.5 times the payroll, a change in liability 2% other than assumed would equal 11% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in liability (and also plan sponsor contributions) as a percentage of payroll.

RATIO OF ACTIVES TO RETIREES AND BENEFICIARIES

A young plan with many active members and few retirees will have a high ratio of active to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

RATIO OF NET CASH FLOW TO MARKET VALUE OF ASSETS

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.



DURATION OF ACTUARIAL ACCRUED LIABILITY

The duration of the actuarial accrued liability may be used to approximate the sensitivity to a 1% change in the assumed rate of return. For example, duration of 10 indicates that the liability would increase approximately 10% if the assumed rate of return were lowered 1%.

ADDITIONAL RISK ASSESSMENT

Additional risk assessment is outside the scope of the annual actuarial valuation. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

Low-Default-Risk Obligation Measure

Introduction

In December 2021, the Actuarial Standards Board (ASB) adopted a revision to Actuarial Standard of Practice (ASOP) No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions. The revised ASOP No. 4 requires the calculation and disclosure of a liability referred to by the ASOP as the “Low-Default-Risk Obligation Measure” (LDROM). The rationale that the ASB cited for the calculation and disclosure of the LDROM was included in the Transmittal Memorandum of ASOP No. 4 and is presented below (emphasis added):

“The ASB believes that the calculation and disclosure of this measure provides **appropriate, useful information for the intended user regarding the funded status of a pension plan**. The calculation and disclosure of this additional measure is **not intended to suggest that this is the “right” liability measure** for a pension plan. However, the ASB does believe that **this additional disclosure provides a more complete assessment of a plan’s funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date.**”

Comparing the Accrued Liabilities and the LDROM

One of the fundamental financial objectives of the Arizona State Retirement System (ASRS) is to finance each member’s retirement benefits over the period from the member’s date of hire until the member’s projected date of retirement (entry age actuarial cost method) as a level percentage of payroll. To fulfill this objective, the discount rate that is used to value the accrued liabilities of ASRS is set equal to the **expected return** on the System’s diversified portfolio of assets (referred to sometimes as the investment return assumption). For ASRS, the investment return assumption is 7.00%.

The LDROM is meant to approximately represent the lump sum cost to a plan to purchase low-default-risk fixed income securities whose resulting cash flows essentially replicate in timing and amount the benefits earned (or the costs accrued) as of the measurement date. The LDROM is very dependent upon market interest rates at the time of the LDROM measurement. The lower the market interest rates, the higher the LDROM, and vice versa. The LDROM results presented in this report are based on the entry age actuarial cost method and discount rates based upon the intermediate rate from the FTSE Pension Discount Curve and Liability Index published by the Society of Actuaries. This rate is 5.46% as of June 30, 2025. This measure may not be appropriate for assessing the need for or amount of future contributions. This measure may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan’s benefit obligation.

The difference between the two measures (Valuation and LDROM) is one illustration of the savings the sponsor anticipates by assuming an acceptable level of investment risk with a diversified portfolio.

Valuation Accrued Liabilities	LDROM
\$74,842,701,189	\$87,256,860,157

Note that the ASRS benefit structure has risk sharing provisions that are contingent on the investment returns of the portfolio and thus if the portfolio was changed to expect lower returns, the expected liabilities that are contingent on those returns would also decrease. If these provisions were not contingent on the investment performance, it would have increased the LDROM by another \$2.6 billion, meaning these provisions reduced the impact of lowering the discount rate from 7.00% to 5.46%, which is an illustration that about 21% of the investment risk is currently being borne by the Members and not ASRS.

APPENDIX VI

GLOSSARY

Glossary

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or Funding Method: A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ARC.

Actuarial Gain or Actuarial Loss: A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

- a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.),
- b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
- c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB.

Actuarial Value of Assets or Valuation Assets: The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC): A calculated contribution for a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically the calculated contribution has a normal cost payment and an amortization payment.

Closed Amortization Period: A specific number of years that is counted down by one each year and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Contribution Prepayment Program (CPP): A program enabled by Arizona state statute that allows employers to submit a lump-sum payment to the ASRS that may be used to offset the employer portion of future ASRS pension contribution payments. Once employer CPP funds are received by the ASRS, they will be invested by the ASRS and earn the ASRS investment rate of return. Employers have the option of determining when to apply the CPP balance to offset future employer pension plan contributions.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: An employer-sponsored retirement benefit that provides workers, upon attainment of designated age and service thresholds, with a monthly benefit based on the employee's salary and length of service. The value of a benefit from a defined benefit plan is generally not affected by the return on the assets that are invested to fund the benefit.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA.

Funding Period or Amortization Period: The term "Funding Period" is used in two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ARC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.



Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.